



Document Title:	Capitalisation and Depreciation Policy
Audience:	All Staff
Document Date:	August 2021
Document Revision Date:	August 2024
Document Location:	N Drive Staff intranet

Capitalisation & Depreciation

All capital transactions shall be accounted for in line with all applicable accounting standards and the Charities SORP. Should there be any conflict between any such accounting standards and the policy below, the former shall take precedent.

The Students' Union should adopt the following principles for a transparent and simplified approach to capitalisation and depreciation. This will ensure income is not tied up and used to build up reserves without a clear purpose.

- i. Only items over £3,000 (or the total cost of groups of related assets) in value that have clearly been identified as having a useful economic life of over one year, or have been purchased as part of the commercial operation to generate ongoing revenue, will be capitalised and depreciated.
- ii. Items will usually be depreciated on a straight line basis, normally on 3- or 5-year basis in line with the below. In unique circumstances (for example on a defined project or where the life of the asset is known and fixed) a different period may be used. This decision will be made by the Chief Executive and Head of Finance & Business Reporting, and reported to the Finance, Staffing & Risk Subcommittee of the Trustee Board.
- iii. An impairment review will be conducted annually by the Senior Management Team and any assets that are no longer of value will be written off; assets where the actual remaining useful life is clearly different to that remaining as per the FAR may be subject to accelerated depreciation in order to give a more realistic value in the annual accounts.

Asset Classification	Period
Freehold Buildings	50 years
Building improvements (major)	10 years
Building improvements (minor)	5 years
Fixtures & Fittings	5 years
IT Equipment	3 years

Capital project requests

The organisation does not routinely hold an annual capital investments budget. Instead, usually at the point of reforecast the senior management team are able to gauge financial performance to date and determine if an amount is available to consider capital project requests.

All requests should be made in the first instance to the Head of Finance and Business Reporting, who will confirm if the request meets requirements to be considered a capital purchase, and if available budget exists to finance the project. Once approved, a purchase order request can be raised that will direct to the appropriate approver as per the scheme of delegation.

All capital purchases should be completed within the guidelines of the organisations procurement policy.

Ownership of assets / RHUL funded capital projects

Due to our relationship with our primary funder (who has responsibility for buildings and other core services as referenced in the annual financial statements) the Students' Union will also adopt the following additional principles:

- i. Where capital works to our buildings or facilities provided to us and funded by the College, we would not normally expect to capitalise these items as they would remain assets of the College.
- ii. Where projects are internally funded and of sufficient cost to warrant capitalisation under the above principles, they shall normally be capitalised and accounted for as an asset of RHSU

