



Penketh High School & Sixth Form College

media and visual arts college

Depreciation Policy

Agreed by the Governing Body on
Signed by (Chair of Governing Body)
To be reviewed by

Introduction

To ensure compliance with the requirements of the Academies Financial Handbook, Academies are required to maintain a register of their assets and determine the level of depreciation to be applied. As agreed by the Governing Body this policy defines the definitions and depreciation levels to be applied.

Tangible Fixed Assets

Fixed assets include items such as the land, buildings, furniture, equipment, vehicles, plant and machinery owned by the School.

Assets costing less than £1000 (net of VAT) shall be written off in the year of acquisition. Items costing £1000 (net of VAT) or more shall be capitalised as tangible fixed assets and shall be carried at cost, net of depreciation and any provision for impairment. Such items shall be recorded in the fixed asset register and depreciated according to the method stated below.

Penketh High School is aware that any decision to revalue a single asset will automatically trigger a re-valuation for ALL assets in that class. This will automatically trigger a professional revaluation every five years, according to accounting rules and regulations.

Cost of Fixed Assets

Fixed assets acquired since the establishment of the School as an Academy shall be included in the accounts at cost.

Fixed assets transferred to the Academy upon conversion at 1 April 2012 have been included in the accounts at their estimated value based on accumulated depreciation already incurred, remaining useful economic life at the transfer point and the relevant rate of depreciation applied.

Where tangible fixed assets have been acquired with the aid of specific grants, either from Government or from the private sector, they shall be included in the Balance Sheet at cost and depreciated over their expected useful economic life.

Depreciation Method

The straight line method of depreciation shall be used to write down the value of the School's tangible fixed assets over the expected useful economic lives.

Depreciation shall be charged from the date of purchase and up to the point of disposal of an asset. The School shall adopt the rates of depreciation as noted in the Academy Financial Handbook. The agreed principal annual rates used for depreciation shall be as follows:

Useful Economic Life

Buildings	Over remaining lease term	
Furniture and Equipment	10 Years	10%
Computer Equipment	4 Years	25%
Motor Vehicles	4 Years	25%
Plant and Machinery	7 Years	15%

In accordance with accounting best practice land shall not be depreciated.

The useful economic life of a fixed asset shall be reviewed at the end of each reporting period and revised if expectations are significantly different from previous estimates.

Assets in the course of construction projects shall be included at cost. Depreciation on these assets shall not be charged until they are brought into use. Capitalisation shall be applied to whole project costs; therefore assets costing less than the specified level for capitalisation can be included as they are a component cost of a larger project.

Monitoring and Review

This policy will be reviewed on a bi-annual basis or earlier if deemed necessary by the The Finance and Audit Committee who will receive reports from the Responsible Officer and External Auditor on the effectiveness and implementation of this policy.

Associated Policies

- Financial Regulations