Knowledge for Change

Registered Charity in England and Wales (No. 1146911)
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Appendix 8
Asset Depreciation Policy

July 2023

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Introduction

Most Fixed Assets gradually lose value because they have a limited useful life. The rate at which they lose value in known as the rate of depreciation. Different types of Fixed Assets may depreciate at different rates, which is why similar assets are often grouped together in Year End Accounts. This policy dictates how Knowledge for Change calculates the depreciation rates for its fixed assets such as land, buildings, equipment, and vehicles. This depreciation rate is used for accounting purposes, for example within Year End Accounts and financial reports produced for funding bodies.

Policy

Land and Buildings

Land and buildings are capitalised at cost on initial recognition. After initial recognition, land and buildings are subsequently measured at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued at 31 July 2014, the date of transition to 2015 SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Costs incurred in relation to land and buildings after initial purchase or construction, and post the 31 July 2014 valuation, are capitalised to the extent that they increase the expected future benefits to the Charity. Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives of up to 60 years on the amount at which the tangible fixed asset is included in the balance sheet less their estimated residual value. Refurbishment costs are depreciated over 10 years. Where an item of land and buildings comprise two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement of components is capitalised as incurred. No depreciation is charged on assets in the course of construction. Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Trustees Annual Report (and constituent Financial Statement).

Equipment

Equipment including computers and software, costing less than £50,000 per individual item is written off in the year of acquisition. All other equipment including groups of related items costing more than £50,000 and equipment in respect of the fit out of new buildings is capitalised. Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

- Computer Equipment: 3 years
- Equipment acquired for specific research projects: 2-5 years (according to the period of the grant).
- Other Equipment: up to 20 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Trustees Annual Report (and constituent Financial Statement).

Impairements

A review for impairment of property, plant and equipment is carried out if events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable. This included using external valuers to review the carrying value of properties earmarked for disposal.

Intangible Assests

Intangible assets created within the charity are not capitalised and expenditure is charged against income in the year in which it is incurred.

Date of last review: July 2023
Date of next review: July 2024