



F01b - Fixed Assets Procedure

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Owner:	Tom Leftley	Job Title:	Head of Finance
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<input type="checkbox"/> Board of Management <input type="checkbox"/> All Staff <input type="checkbox"/> ET/SLT <input type="checkbox"/> Head Office Managers <input type="checkbox"/> Head Office Staff <input checked="" type="checkbox"/> Finance <input type="checkbox"/> Housing <input type="checkbox"/> Asset <input type="checkbox"/> ICT		<input type="checkbox"/> OD <input type="checkbox"/> Compliance <input type="checkbox"/> All Care & Support <input type="checkbox"/> C&S Managers (RM, OM, CSM) <input type="checkbox"/> C&S Staff <input type="checkbox"/> Contractors <input type="checkbox"/> Agency Staff <input type="checkbox"/> Unite the Union <input type="checkbox"/> Employee Voices Group <input checked="" type="checkbox"/> Other: Only when relevant	
Method of Delivery (check as needed)			
<input type="checkbox"/> Learn Pro <input type="checkbox"/> Board Portal <input type="checkbox"/> Line Manager to Share (e.g. Agencies)		<input type="checkbox"/> Policy Owner to Notify (e.g. Contractors) <input checked="" type="checkbox"/> Other: Only when relevant	
Stakeholder Consultation Completed (check as needed)			
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Summary of Changes

Section	Change
Cover Sheet	Changed to new format/template
1.0	Included fixed asset definition as per old F08 policy, as well as a general background to our fixed assets & definitions
2.0	Included reference to Board of Management approved budgets as per old F08 policy.
2.1	Investment programme narrative updated to reflect the development and introduction of the Asset Management Strategy
3.0	Added small section outlining that sufficient information is required when assets are replaced to allow for the removal of old assets from the register in a timely manner.
4.1	Disposals by sale ownership moved from Head of Compliance & Improvement to Head of Development.
6.0	Include reference to UELs and appendix 1 which was previously in F08 policy. Remove reference to the old policy.
6.0	Include detail on impairment of fixed assets previously held in F08 policy.
9.2	Review period changed to five years, unless significant changes to regulations/accounting procedures required any ad hoc reviews.
Appendix 1	Added appendix 1 – Components and Depreciation

Version Control

Date	Owner	Version	Reason for Change
April 2020	Stuart Green	1.0	Update to new format & merge other related procedures into one document
March 2024	Tom Leftley	2.0	Cyclical review, merge with Fixed Assets Policy and link to F01 – Financial Regulations

Fixed Assets Procedure

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1.0 General

The purpose of this procedure is to set out our arrangements for dealing with our fixed assets. We define a fixed asset as:

“An item that has been acquired or constructed for long-term use by the organisation and is not intended for sale in the ordinary course of business.”

To be considered as a fixed asset, an item has to have an initial cost of £1,000 or more (including VAT).

Fixed assets will be categorised as either ‘Housing Property’ or ‘Other’.

Assets recorded as ‘Housing Property’ include our stock of housing properties, including Community Houses. Ark operates a full component accounting policy in relation to capitalisation and depreciation of its housing stock. A full list of components is noted at appendix 1.

‘Other’ fixed assets include:

- Office buildings.
- Office equipment and furnishings; and
- Computer hardware and software.

A register of assets will be maintained and will include the name/description of the asset, location, purchase price, asset life, and accumulated depreciation incurred to date.

Fixed assets will be added to the register from the date they are handed over, or at the point of purchase, as appropriate. The cost of the asset will include:

- Initial purchase price.
- Directly attributable costs incurred bringing the asset to the appropriate location, and/or incurred in its installation; and
- Directly attributable borrowing costs capitalised.

Work to existing properties will, generally, be capitalised under the following circumstances:

- Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life (UEL) is replaced or restored; or
- Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets more than the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs, or a significant extension of the life of the property.

Work to existing properties which fail to meet the above criteria will be charged to the Income and Expenditure account.

In line with contractual arrangements applicable to the development, the costs of new build properties under construction, intended to be held as long-term assets by the Organisation, will be recognised as 'Work in Progress' ("WIP"). Upon handover/practical completion, the cost of the asset will transfer from WIP to the appropriate asset category.

The costs of Stage 3 adaptations (medical adaptations) to properties, together with any grant received to offset the costs, will be included within the Income and Expenditure Account.

Where several similar items are purchased, for example several modular desks for Head Office, and the individual cost of each item is below £1,000 but together they total over £1,000 (including VAT), a decision will be made by the Head of Finance whether or not to treat the group of items as a fixed asset.

2.0 Acquisition of Fixed Assets

The Board of Management will approve all capital budgets as part of the annual 5-year financial plan and budget setting process.

The acquisition of all fixed assets will follow the rules set out within the Organisation's 'Procurement' [F02] policy, will be approved by the relevant budget holder and/or Board of Management in line with current levels of authorisation contained in the policy, and will be identified and recorded in the Finance ledger under the relevant capital heading by Finance staff.

2.1 Major Repairs & Investment

Major repairs and investment expenditure includes the replacement of components in our core stock, or other expenditure to maintain, enhance, and extend the useful life of the asset.

Ark's Asset Management Strategy, owned by the Director of Development & Customer Experience, acts as a rolling programme of investment works, based on long-term stock condition knowledge, feedback from customers and other stakeholders, and required works to meet and maintain Regulatory standards such as the Scottish Housing Quality Standard ("SHQS") and the Energy Efficiency Standard for Social Housing ("ESSH"). The estimated cost of this programme informs the capital budget.

The Asset and Compliance Manager is responsible for ensuring in-year spend is in line with budget. Where expenditure is expected to vary to budget, this should be discussed with the Head of Finance and/or the relevant Finance Business Partner.

2.2 New Build

New build expenditure relates to the purchase of properties, newly constructed or otherwise.

Funding for the construction of new build properties will usually involve a mix of funding from the Scottish Government, via Housing Association Grants (“HAG”), and private funding, using either the organisation’s existing cash reserves or borrowing.

2.3 Computer Hardware and Software

Computer hardware and software will be purchased from funds included in the annual budget. Additional purchases may also be funded from current reserves, in line with the organisation’s ‘Business Case’ procedure [G52].

2.4 Office Furniture and Equipment

Office furniture and equipment liable to be classed as a fixed asset will be purchased from funds included in the annual budget. Additional purchases may also be funded from current reserves, in line with the Organisations ‘Business Case’ procedure [G52].

General office furniture and equipment purchases under £1,000 are not expected to be capitalised and would instead be approved by the relevant budget holder in line with Ark’s ‘Incurring and Authorising Expenditure’ [F02b] procedure.

2.5 Furnishings?

3.0 Updating the Asset Register

A designated member of the Finance team is responsible for ensuring that the asset register is kept up to date by obtaining the appropriate asset information as and when new properties are purchased or handed over, improvements to existing properties are made, or ‘other’ non-property related assets are purchased. This will generally be picked up as part of the routine processing of invoices by Finance staff.

The asset register should include the following information:

- Description.
- Location.
- Purchase cost.
- Date acquired.
- Component.
- Useful economic life (“UEL”).
- Accumulated depreciation; and

- HAG funding linked to the asset.

Assets will be removed from the register as and when they are sold or disposed of, in line with the criteria set out at section 4 below. The Finance team are responsible for ensuring that when housing components are replaced as part of our major repairs and investment process, sufficient information is provided by the Asset team to allow the appropriate removal from the asset register of the old asset at the same time as the new asset is added.

4.0 Disposal of Fixed Assets – Housing Properties

4.1 Housing Properties

Properties that are no longer required to deliver Ark's services will normally be disposed of by sale or by demolition. Board approval will be required before any property can be disposed of.

Certain types of leases to other organisations may also be regarded as a 'disposal'. For further details see Housing policy – 'Leases' [HM09].

Following Board approval, disposal of properties by sale will normally be handled by the Head of Development, with external assistance as required, e.g. from Estate Agents for producing publicity material if the property is being sold. Disposal by demolition will normally be handled by the Asset & Compliance Manager.

The receipt of offers to purchase a property and the conclusion of missives etc. will normally be handled by our solicitors.

The designated member of the Finance team will obtain the relevant information and documentation to allow for the financial recording of the transaction and updating of the asset register, including removal of the property from Ark's building insurance.

4.2 Notification of Disposal to the Scottish Housing Regulator ("SHR")

The 2010 Housing (Scotland) Act, as amended by the Housing (Amendment) Act 2018, requires Registered Social Landlords to notify the SHR in relation to disposal of land and property in specific circumstances.

These circumstances are set out in Appendix 2 of the SHR's 'Notifiable Events' statutory guidance. Notifiable events should be submitted to the SHR through the SHR's 'Landlord Portal'.

As part of the disposal process the Head of Compliance and Improvement / Asset and Compliance Manager / Head of Housing and Customer Experience as appropriate, together with the Director of Finance and ICT, will ensure that we comply with any notification requirements in terms of the Housing (Scotland) Act 2010, with our obligations as a charity

with regard to the sale of assets, and with any other requirements from the Scottish Housing Regulator.

Key requirements include:

- Approval by the Board of Management.
- Property details.
- Lease agreement (if disposal is by way of a lease); and
- The value of the property transferred and if the sale or transfer was at market value.

5.0 Disposal of Fixed Assets – Non-Property Assets

Non-property assets, i.e. office furniture and equipment, computer equipment or furnishings within properties, may require to be disposed of for the following reasons:

- Obsolescence.
- Performance.
- Non-compliance with statutory requirements, e.g. Health & Safety; or
- No longer required (surplus to requirements).

Responsibility for recommending the disposal of non-property assets will fall to the relevant budget holder for that area. Before recommending disposal, the relevant manager will determine, in consultation with colleagues, whether the asset(s) can be used elsewhere in the organisation.

If another use cannot be found for the asset, the relevant manager will obtain the current net asset value (the original cost less the depreciation to date) from the designated Finance staff member and complete parts 1 to 4 of the 'Disposal of Assets' form ("Disposal form"), as noted at appendix 2, and submit a recommendation to their Director (failing whom the Director of Finance) as to whether the asset should be sold or disposed of in some other way.

Non-property assets may be disposed of by sale, or by donation to a charity or other 'worthy cause' such as a local school or recycling centre. Failing either of these options, and to minimise disposal to landfill site, items may be offered to members of staff.

The Chief Executive (failing whom the Director of Finance) has delegated authority to approve the disposal of non-property assets and will authorise disposal by completing part 5 of the disposal form and passing the form to the designated Finance staff member.

The designated Finance staff member will liaise with the relevant Director or Manager regarding the disposal details.

Note, this procedure does not cover furniture and/or equipment bought by the organisation on behalf of customers, paid by the customer via a service charge. Specific procedures for these packages are set out in our 'Furniture' [HM43] procedure.

5.1 Disposal by Sale

The budget holder will arrange for the details to be advertised and/or circulated to interested organisations or individuals. The scale of advertising or circulation will depend on the net asset value and/or estimated sale price.

Anyone wishing to submit an offer for an item will be advised to send this to the Chief Executive by a specified date. The Chief Executive's PA and the designated Finance staff member will note the details of any offers received in Part 6 of the disposal form.

The Chief Executive (failing whom the Director of Finance) has delegated authority to accept an offer. Normally the highest offer will be accepted. The Chief Executive will confirm acceptance via email to the designated Finance staff member.

The successful organisation or individual will be responsible for contacting the budget holder and arranging to collect the asset(s) from our premises.

The asset(s) will not be removed until Finance can confirm that payment has been received.

The budget holder will complete Part 7 of the disposal form to confirm when payment is received, and the item(s) are removed.

5.2 Disposal to a 'Worthy Cause'

As an alternative to disposal by sale, normally where the asset value is 'nil', or following an unsuccessful attempt to dispose of by sale, the asset(s) may be donated to a 'worthy cause' such as another charity, a local school, or a recycling centre.

The budget holder will approach appropriate organisations and will record any arrangements agreed in Part 8 of the disposal form.

5.3 Disposal to Staff

Where all other options for disposal have been unsuccessful, and to minimise the amount being disposed of by landfill in accordance with our policy on Sustainability, the Chief Executive may authorise the offer of asset(s) to members of staff – see Part 9 of disposal form.

The budget holder will record any arrangements agreed in Part 9 of the disposal form and, where required, will also enter the relevant details in the Schedule 7 Register.

6.0 Accounting Treatment

The value of fixed assets will be depreciated on a 'straight line' basis over the expected UEL of that asset. UELs are noted at appendix 1.

The cost and accumulated depreciation to date (if applicable) will be identified by separate nominal ledger codes for the following categories of asset:

- Housing Properties.
- Assets Under Construction / Work In Progress.
- Office Buildings
- Office Furniture and Equipment.
- Computer Hardware and Software.
- AIMS; and
- Investment Property.

As part of the regular month-end reporting cycle, the designated Finance staff member is responsible for calculating the monthly depreciation value in accordance with current component accounting practices. This should be evidenced by the production of Fixed Asset Schedules.

The value of assets gross and net of depreciation will be recorded in the Statement of Financial position each month.

The value of depreciation will be charged to the Income and Expenditure account in each accounting period.

An annual review of impairment will be undertaken by the Head of Finance as part of the regular year-end external audit of the financial statements.

Impairment is calculated as the difference between the carrying value of the asset (purchase price less accumulated depreciation to date) and the estimated value in use at the date an impairment review is performed. Value in use represents the net present value of expected future cash flows from the asset.

The cost of impairment is recognised in the Income and Expenditure account.

7.0 Insurance

Fixed assets will be fully insured on a full new replacement value.

The Head of Finance will pass details of new properties to the Head of Compliance and Improvement, who will liaise with our insurers and ensure that they are added to our buildings insurance policy from the date of handover or purchase.

Non-property assets will be covered by the current overall insurance totals for equipment etc. and details of individual purchases will not have to be added to the current insurance policy.

8.0 Security of Assets

Original copies of Title Deeds for our properties will be held by our solicitors.

The security of office furniture etc. will be included in the general security arrangements for our offices.

The Head of ICT Strategy & Development will implement appropriate security arrangements for computer hardware and software in liaison with individual Directors and Care and Support Service Managers. This may include the adding of serial numbers, the securing of equipment to workstations and/or the marking of equipment with ultraviolet sensitive pens etc.

Security of data held on computer systems are covered within the 'Computer System Security, Email, & Internet' [G15] policy and supporting procedures.

Once each year, normally at the time of preparing the annual accounts, the Asset and Compliance Manager and Head of ICT Strategy & Development will check the relevant sections of the asset register and will confirm to the Head of Finance that the register is accurate or will advise of any amendments required, e.g. to asset location, where appropriate.

9.0 Implementation and Review

9.1 Implementation

The Head of Finance will ensure that this procedure is followed by all Board Members and members of staff involved in the process for fixed assets.

9.2 Review

The Head of Finance will ensure that this procedure is reviewed at least every five years.

Appendix 1 – Components and Depreciation

Housing Properties

Component	UEL (Years)
Bathrooms	20
Kitchens	15
Windows & Doors	30
Heating Systems	15
Structure & Roofs	80
Mechanical, Electrical, & Plumbing	30
Internal Works & Common Areas	30
External Environment	30
Land	n/a

Other Fixed Assets

Component	UEL (Years)
Office Buildings	Split into components and depreciated at the rates detailed within 'Housing Properties' above
Office Furniture and Equipment	7
Computer Equipment	5
Ark Information Management Systems (AIMS)	10

Appendix 2 – Disposal of Asset Form

DISPOSAL OF NON-PROPERTY ASSETS

1. Asset title/description:

2. Location:

3. Date of purchase:

Original cost: £

Current net asset value: £

4. Recommendation: The asset should be (a) sold* (b) donated to a charity/other organisation*

** Delete either (a) or (b)*

Signed: _____ Date: _____

Title/designation _____

5. Chief Executive's decision: I approve*/do not approve* the recommendation. *

Delete one

Signed: _____ Date: _____

Chief Executive

Comments:

6. Item offered for sale – offers received from:

Name	Amount
------	--------

1. _____	_____
----------	-------

2. _____	_____
----------	-------

3. _____	_____
----------	-------

4. _____	_____
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Offers opened on: _____ Successful offer: _____

Offers opened by: _____

7. Disposal by sale: Sale price accepted: £ _____

Payment received on: _____ Signed: _____

Item removed on: _____ Signed: _____

8. Item donated: Organisation name: _____

Receipt received on: _____ Signed: _____

Item removed on: _____ Signed: _____

9. Where items have not been sold or donated to another organisation:

I approve*/do not approve* the offer of the item(s) to members of staff. ** Delete one*

Signed: _____ Date: _____
Chief Executive

Item accepted by staff member: YES/NO* ** Delete one*

Receipt received on: _____ Signed: _____

Item removed on: _____ Signed: _____

10. Where appropriate, enter the initials and date each action point below is completed:

1. Asset number/ID removed from item Initials _____ Date _____

2. All data removed from computer hard drive Initials _____ Date _____

3. Asset removed from register Initials _____ Date _____

4. Section 66 or Schedule 7 Register updated Initials _____ Date _____

The designated Finance staff member will ensure that the relevant sections of this form have been completed and signed off by the appropriate person, and then will add the form to the current fixed assets file.