

Fixed Assets Procedure

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Related Policy:		F08 Fixed Assets	
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Owner:	Stuart Green	Job Title:	Head of Finance
To be issued to:		Board of Management ARK Management All Staff	
Method of Delivery:		Email Procedure	

Version Control

Date	Owner	Version	Reason for Change
October 2020	Stuart Green	2.0	Procedure due for renewal, transfer to new format, and merge with procedures F22: Disposal of Fixed Assets, and F24: Disposal of Land or Property

Summary of Changes

Section	Change
Entire Policy	Transfer to new format and rename; Combined with 'Disposal of Fixed Assets' and 'Disposal of Land and Property' procedures (procedures F22 and F24 respectively).
2.1	Section setting out what major repairs and investment is, why it is important, and how the Organisation determines what is required.
4.2	Updated wording to remove requirement of SHR to consent to disposal. SHR are now required to be notified only. Also removed

	section in previous version [policy F24] relating to ARK maintaining a 'Register of Disposals', as this is no longer required.
5	Changed who is responsible for disposal of non-property assets to 'budget holder'. Previous wording referred to Head of ICT (for ICT equipment) and Head of Asset Management (for furniture and office equipment).

Fixed Assets Procedure

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1.0 Introduction

The purpose of this procedure, and the policy which supports it, 'Fixed Assets' [F08] is to set out our arrangements for dealing with our fixed assets, under the following headings:

- Acquisition
- Disposal
- Updating the asset register
- Depreciation
- Accounting treatment
- Insurance
- Security of assets

2.0 Acquisition of Fixed Assets

The acquisition of all fixed assets will follow the rules set out within the Organisations 'Procurement' [F02] 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.

The Maintenance team will develop 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 ("EESH").

The estimated cost of this programme will help inform the capital budget.

The Head of Asset Management 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.

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.

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 Compliance and Improvement, 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 Head of Asset Management.

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 / Head of Asset Management / Head of Housing as appropriate, together with the Director of Finance, 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, or computer equipment, 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 1, 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 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, as specified in our 'Fixed Asset' [F08] policy; and ensuring the register reconciles to the financial ledger. 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.

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 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 Head of Asset Management and Head of ICT 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 three years.

Appendix 1 – 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: _____
Chief Executive

Date: _____

Comments:

6. Item offered for sale – offers received from:

Name

Amount

1. _____

2. _____

3. _____

4. _____

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.