

Fixed Assets Policy

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Owner:	Stuart Green	Job Title:	Head of Finance
To be issued to:		Board of Management ARK Management All Relevant Staff	
Method of Delivery:		Email Policy Other	

Version Control

Date	Owner	Version	Reason for Change
October 2020	Stuart Green	2.0	Three yearly review and transfer to new format

Summary of Changes

Section	Change
Entire policy	Transfer to new format
7.1	Added additional information about the type of expenditure that can be included in the cost of a fixed asset, and the criteria required to allow for capitalisation, in line with the definition of a fixed asset as set out in Financial Reporting Standard 102 (FRS102).
Appendix 1	Reduction in the number of components, from 19 to 9, to align with other Housing Association's, and minor adjustments to Kitchen and Bathroom 'Useful Economic Lives'. Overall impact on our annual depreciation charge is minimal.

Appendix 1	Added a breakdown of components and their 'Useful Economic Lives' (UELS) for 'Other Fixed Assets' as per Ark's statutory accounts.
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Fixed Assets Policy

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1.0 ARKs Values

Our organisational values are the basis for everything that we do, from providing housing, care and support to tenants and service users to ensuring that staff has clear standards of performance set. Ark believes that everyone should have the opportunity to lead a happy, healthy and safe life. We value:

- The worth of each person
- Trusting relationships
- Understanding difference
- Challenging oppression
- Personal and organisational accountability
- Caring for our physical environment
- Enjoyment

2.0 Purpose

The purpose of this policy is to set out our arrangements for dealing with our fixed assets.

3.0 Policy Statement

We defined 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).

4.0 Scope

This policy is aimed at people who are:

- Members of our Board of Management and of the Board of Management of any of our subsidiaries;
- All staff with budget holder responsibility across the organisation, including the Executive and Senior Leadership teams, and Care and Support service managers; and
- Members of the Finance team.

5.0 Legal/Regulatory Framework

This policy complies with the Scottish Social Housing Charter, Standard 13, 'Value for Money' relating to financial management and Scottish Housing Regulator (SHR) Regulation 3.

Fixed Assets will be recorded in line with current accounting standards and 'Statement of Recommended Practice' (SORP) for charities and registered social landlords.

6.0 Responsibilities

6.1 Board of Management

Ark's Board of Management is responsible for consideration and approval of this policy, and for ensuring that its decisions are taken in accordance with relevant legislation, regulatory expectations, training and guidance.

6.2 Executive Team

Ark's Executive Team is responsible for ensuring that this policy is reviewed in accordance with Ark's schedule for review of policies, or sooner if required. The Executive Team is responsible for ensuring that the relevant staff are familiar with this policy, and abide by its terms.

6.3 Senior Leadership Team

The Senior Leadership Team will be responsible for approval of this policy and the effective implementation of this policy within their area of responsibility, as required. They must also ensure that relevant members of their staff, through induction, and team meetings, are made aware of this policy and participates in relevant training.

6.4 Managers

Ark Managers will be responsible for the effective implementation of this policy within their area of responsibility, as required. They must also ensure that relevant members of their staff, through induction and team meetings, are made aware of this policy.

6.5 All Staff

All relevant Ark employees are required to familiarise themselves with this policy and comply with its provisions as well as undertake any training implemented as part of the rollout of this policy.

7.0 Fixed Assets

7.1 General

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 in excess of 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 a number of 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.

7.2 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.

All proposed fixed asset purchases should be in accordance with Ark's 'Procurement' [F02] policy, and be approved by the relevant budget holder and/or Board of Management, in line with current levels of authorisation contained in the policy.

7.3 Disposal of Fixed Assets

Decisions to dispose of land and/or housing properties will be taken by the Board of Management. In all cases we will ensure we comply with the 2010 Housing (Scotland) Act, as amended by the Housing (Amendment) Act 2018, which requires Registered Social Landlords to notify the SHR in relation to disposal of land and property in specific circumstances. This is set out in more detail in the 'Fixed Assets' [F08a] procedure.

Decisions to dispose of other fixed assets will be taken by the Chief Executive or appropriate Director. In the majority of cases this will be due to the asset reaching the end of its useful life and needing replaced.

7.4 Depreciation

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.

7.5 Impairment of Fixed Assets

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.

8.0 Related Policies & Procedures

This policy is supported by the following policies and procedures:

Policies

[F01]	Financial Regulations
[F02]	Procurement

Procedures

[F02a]	Prices, Quotations & Tenders
[F02b]	Incurring and authorising expenditure
[F02c]	Expenditure by Cash, Cheques, and Credit Card
[F08a]	Fixed Assets

9.0 Equality Impact Assessment (EIA)

No potential equalities issues have been identified in relation to the development of this policy, and consequently an EIA has not been completed.

10.0 Data Protection Impact Assessment (DPIA)

No potential data protection issues have been identified in relation to the development of this policy, and consequently a DPIA has not been completed.

11.0 Stakeholder Consultation

In developing this policy the following groups were consulted:

- Ark Board of Management;
- Ark Executive Team; and
- Ark Senior Leadership Team.

12.0 Monitoring and Review

12.1 Monitoring

Our Rules require the Board of Management to set our policy on Fixed Assets and keep it under review. This policy has been approved by our Board of Management and is consistent with the requirements of our Codes of Conduct for Board of Management Members and for Staff. These Codes have been confirmed by the Scottish Housing Regulator as meeting their regulatory requirements.

Ark's Executive and Senior Leadership Teams will monitor implementation of this policy, and its supporting procedures on an ongoing basis.

12.2 Review

This policy will be reviewed within 3 years from the date of approval by the Board of Management, in accordance with Ark's policy review framework and approval process.

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