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Fixed Asset Policy

Reference / Issue No:	F/7	2
Date of this version:	May 2022	
Next review due:	May 2025	
Lead responsibility:	Finance	
Contents:	10 pages	1 appendices

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1. Introduction

- 1.1 The purpose of this document is to set out the Fife Housing FHG's (FHG) policy and procedure in relation to the appropriate management, recording and monitoring of all of FHG's fixed assets in order to meet, custodial, internal control, audit and insurance obligations.

2. Policy Objectives

- 2.1 To provide an organised and accountable method of monitoring and controlling the acquisition, custody and disposal of FHG's fixed assets.
- 2.2 To ensure value for money in acquiring fixed assets and to maximise residual value in the disposal of same, where applicable.

3. Definitions and terms

- 3.1 A fixed asset is an asset intended for continuing use, rather than a short-term, temporary asset such as stocks. Fixed assets are classified under the following major categories:

- Land;
- Buildings/Housing;
- Equipment;
- Plant;
- Intangible;
- Furniture & Fittings;
- Computer Equipment; and
- Motor Vehicle.

- 3.2 Depreciation is defined as "the measure of the cost or revalued amount of the economic benefits of the tangible fixed asset that have been consumed during the period". It is the allocation of the cost of an asset over its useful life.

4. Policy

- 4.1 The purchasing and procurement of fixed assets shall be carried out in strict compliance with FHG's Procurement Policy.
- 4.2 It is FHG's policy to ensure that all of its fixed assets (including land, buildings, equipment etc.) are managed in accordance with current best practice i.e. that such fixed assets are safeguarded by appropriate identification, recording, verification of existence and costs.

- 4.3 In this regard, for all assets with a value greater than £1,000 (incl. VAT) the details are recorded in the Fixed Asset Register (FAR). For all assets less than £1,000 an inventory list is held and maintained by the Finance Team.

Disposals of fixed and other asset types are dealt with fully in the policy below.

Land is not depreciated.

5. Tangible fixed assets – housing properties

- 5.1 Housing properties are for the provision of social housing or to otherwise provide social benefit and are principally available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses, except for properties which were acquired under a Large Scale Voluntary Transfer (LSVT) which have been revalued as at 1 April 2014. Under the transitional rules of FRS102 this became deemed cost at that date. The revaluation reserve relating to this revaluation is being amortised over 50 years.

Cost for all other properties includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

6. Depreciation of housing properties

- 6.1 Freehold land or assets under construction are not depreciated.

FHG separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the following years:

Component	Useful Economic Life
Land	Not applicable
Main structure	50 years
Roof	40 years
Render	35 years
Doors	30 years
Kitchen	15 years
Bathroom	30 years
Heating	18 years
Windows	30 years
Rewiring	40 years

The Stock Transfer Properties (LSVT) was acquired from Scottish Homes in 1997. It has been assumed that the short life value of components were “nil” or fully written down at the date of transfer due to the stock condition and reflected in the transfer price. The only components that were transferred with value were the land and main structure.

6.2 Capitalisation Policy

FHG capitalises all assets over £1,000, these could be depreciated at various rates as outlined in these policies.

6.3 Other tangible fixed assets

Tangible fixed assets are initially measured at cost and are subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value over its expected useful life, as follows:

Office properties	2%
Computer and equipment	20%
Furniture, fittings and office equipment	10%

White goods supplied to investment properties	20%
Vehicles	20%

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

6.4 Intangible fixed assets (other than goodwill)

Intangible fixed assets are initially measured at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible fixed assets are amortised to profit or loss on a straight-line basis over their useful lives as follows:

Computer software	20%
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6.5 Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has been fully or partially reversed. If such indications exist, an estimate of the recoverable amount of the asset is made.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

7. Acquisition of Assets

7.1 Purchased Fixed Assets

The purchasing and procurement of fixed assets shall be carried out in strict compliance with FHG's policy ensuring openness, transparency, and value for money.

7.2 Donated Fixed Assets

Where a department receives an asset as a gift or donation, this does not include hospitality or any consumable items, they should contact the Director of Finance,

Governance and Assets to put in place a formal acceptance agreement and to agree an appropriate valuation for the asset for the purposes of the asset register. These valuations are generally based on a market value (i.e. a building would be recorded at its current market value, other items based on whether new or used etc.)

8. Recording of Fixed Assets (Fixed Asset Register)

8.1 Fixed Asset Register

FHG has a centrally maintained consolidated Fixed Asset Register (FAR).

Under the FAR, there will be common criteria for the recognition of fixed assets that will be reconciled to FHG's financial statements. The FAR will make it easier to account for depreciation and ensure accuracy in tracking and accounting.

8.1.1 What gets capitalised in the Fixed Asset Register?

All fixed assets with an individual item cost of £1,000 (inclusive of VAT) and above will be captured on the Fixed Asset Register maintained by the Finance Team on behalf of FHG.

8.1.2 What information will be included in relation to each individual asset?

An Asset Tag Number will be automatically assigned to each asset item that is capitalised in the Fixed Asset Register module, excluding properties which will have their own unique property reference code. It will be mandatory to include the following details in relation to each fixed asset, once the Asset Tag Number has been generated:

- Item ID;
- Item Description;
- Location (Building, floor and room number, vehicle);
- Purchase Date;
- Purchase Cost;
- Depreciation Begin Date;
- Depreciated Value;
- Current Depreciation;
- Total Depreciation;
- Supplier;
- Charge Code;
- Serial Number;
- Model Number;
- Manufacturer;
- Purchase Order Number; and
- Source of funding (eg grant, charitable).

8.1.3 Land and Buildings

A register of Land & Buildings is maintained centrally by the Finance Team. Title deeds and contracts relating to Land & Buildings are maintained by the Director of Housing.

8.1.4 Reconciliations

A listing of capitalised fixed assets items over £1,000 as contained in the Fixed Asset Register will be circulated each year to ensure the register is kept up to date and is accurate.

9. Responsibilities

9.1 All Colleagues:

All colleagues must take responsibility for protecting fixed assets in their custody and ensure that the assets are used for authorised purposes.

9.2 Capital Accounting:

The ultimate responsibility for the maintenance and the recording of transactions within the Fixed Asset Register module rests with the Finance Team; this requires the team to be informed of any changes to asset usage, location, its purchase or disposal.

10. Disposal of Fixed Assets

Assets can be disposed of in a number of ways:

- FHG may choose to donate assets no longer required to organisations that FHG has links with;
- There are also certain situations where staff members may wish to purchase equipment. This is often the case in relation to computers which are no longer in use and out of date. A separate procedure set out the process followed in such circumstances to facilitate staff purchases while meeting audit requirements;
- Asset is no longer functioning, surplus to operational requirements or beyond economic repair; and
- Recycled or Destroyed - Items with no market value or no use to another organisation should be appropriately and safely destroyed.

The Finance team should also be informed in order to identify the legal obligations in disposing of each piece of equipment, see Appendix 1

VAT may be chargeable on the sale of assets to a third party and it is important that the implications are discussed and approved by the Finance Team advice prior to any agreement with a third party.

Authorisation

The disposal of assets requires approval by the Chief Executive or Director of Finance, Governance and Assets.

Disposal Price

All disposals should be made at the market value of the asset at the date of sale. In order to arrive at the market value, three quotations should be sought from the market place and the quotation that offers the best economical value for FHG should be the finally agreed price. A file should be maintained of all quotations received and the rationale for all decisions taken.

The Fixed Asset Register must be adjusted for all disposals and the Finance Team must be advised of all assets disposed of.

11. Review

- 11.1** This policy is due to be reviewed every three years - or earlier if a material change requires this.

Appendix 1: Disposal Form

Team		
Equipment/ items for Disposal (inc. asset tag number/serial number)		Estimated age and value
Equipment condition	Disposal plan	Recipient
Fully functional <input type="checkbox"/>	To be sold <input type="checkbox"/>	_____
Partially functional <input type="checkbox"/>		_____
Broken - known reasons <input type="checkbox"/>	Donated (to charity) <input type="checkbox"/>	_____
Broken - unknown reasons <input type="checkbox"/>	Donated/sold (to internal colleagues) <input type="checkbox"/>	_____
	Donated (to external customers) <input type="checkbox"/>	_____
	Striped/scrapped <input type="checkbox"/>	_____
Known issues or risk that would prevent sale or donation		
Asset Values		
Sale value		
Disposal Costs		
Purchase Price		
Accumulated Depreciation		
Net Book Value (NBV)		
Gain/(Loss) on disposal		

Requester	
Signed	
Position	
Date	

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Approval	
Signed	
Position	
Date	