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FIXED ASSET POLICY

GK/AUGUST 2021/P70



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1. INTRODUCTION

The aim of this Policy is to set out the objectives and procedures applied by Milnbank Housing Association (MHA) in the up-keep and management of the Fixed Asset Register (FAR) as established for the purposes of Component Accounting.

The Fixed Asset Register was set-up during 2012 and approved by our Auditor's at 31 March 2012 year end. This used the Real Asset Management Module. This was superseded from 31 March 2016 with the transition to FRS102 and is now in spreadsheet format validated by external auditors, Scott Moncrieff (Azets). This will continue in spreadsheet format until HomeMaster is fully implemented and operational to allow a return to a module based recording and control package.

The FAR is used to record movements (additions/replacements/disposals) to the property components as shown and agreed within it.

In conjunction with the Asset Management function the register will be maintained by Finance Function and used to calculate the property depreciation charge for the year, split by each component. The register can also be used for future planning and depreciation setting.

Each element of Capital spend will be advised by Asset Management from either the dedicated Planned Investment programme or from replacement capital spend attributed to ad-hoc repairs arising from full component failure or works to void properties. The cost of work will include VAT and if the "in-house" team is used then agreed labour costs should also be included. Acceptable Fees (e.g. architect, QS etc.) should also be included and allocated.

This policy will be monitored on a quarterly or annual basis by Finance to establish how regularly up-dates are required based on the level of changes/activity experienced.

2. PROPERTY COMPONENTS

The breakdown and category of the agreed property components are shown in the table below along with constituent parts, life span and corresponding depreciation percentage charge. This initial breakdown was signed-off by our Auditors as being reasonable and in line with industry parameters, however, 2 additional components have subsequently been added and the life-span of all components has been reviewed and updated where appropriate.

Component	% of Property	Life-span (yrs.)	Depreciation %
Structure	73.00	100	1
Land	15.00	N/A	Nil
Kitchen	1.04	15	6.67
Bathroom	0.65	25	4.00
Boilers	2.19	15	6.67
CH Fixtures	0.87	30	3.33
Windows	2.88	30	3.33
Re-wire/Electrics	2.14	30	3.33
Common Doors	2.23	30	3.33
Internal Walls		20	5.00
Smoke Detectors		10	10.00
	100%		

3. **APPLICATION OF COST/EXPENDITURE TO CATEGORY**

MHA policy is to depreciate in full in the first year of acquisition or replacement and not to depreciate in the year of disposal. The FAR is set to this calculation. Accordingly, any additions to the register will be depreciated from year 1 and no charge will be made in the year of disposal. The timing of entries to the register is therefore not an issue as long as completed before year end.

1. STRUCTURE. This is self-explanatory and relates to the fabric of the property e.g. external walls and structure, roofs etc.; expenditure would be applied or allocated to individual properties and depreciated at 1% given agreed life-span of 100 years.
2. LAND. Environmental and land improvements will be capitalized against the value of any external contractors works and the costs of the internal landscape team. This will be allocated equally across the properties benefitting from the works
3. KITCHEN. Full kitchen replacements only will be applied to the register based on complete costings identified by Asset Management, i.e. to include plasterwork, asbestos removal and any such expenditure that is necessary to complete the improvement. Individual items, e.g. Worktop replacement will be set to revenue.
4. BATHROOM. Full replacements only will be applied to the register based on complete costings identified by Asset Management to include all acceptable costs for the improvement. Individual replacements will be set to revenue. Any real Additions may be added to the register as costed.
5. BOILERS. All replacements will be applied to the register as fully costed and advised by Asset Management
6. CH FIXTURES. Full replacements only will be applied to the register as costed by Asset Management. Additions identified, e.g. extra radiators, can be added as costed

7. WINDOWS. Full replacement only as costed by Asset Management, this can include procurement costs, Fees etc. if part of planned programme.
8. RE-WIRE/ELECTRICS. Full replacement up-grade only as fully costed by Asset Management to include qualifying costs, e.g. asbestos removal, plasterwork and any make good expenses.
9. COMMON DOORS. Full cost allocated to individual properties affected.
10. INTERNAL WALLS – Full cost allocated to individual properties affected. Any additional fees (Architects, etc.) can be capitalised as part of the programme.
11. SMOKE DETECTORS – Full cost of equipment and any subsequent labour costs for implementation can be capitalised as part of the programme
12. N.B. LAND. With no depreciation on “Land” major repair expense may be charged at a nil cost. Examples of added land value are “Backcourt Improvements” and cost would be allocated across the properties immediately affected. Fees are likely to form a part of such expenditure and should be allocated against the project costs.

4) TREATMENT OF FEES

Legitimate fees form part of the capital cost and these will be allocated at the end of the project across properties affected against the relevant component.

5) TREATMENT OF RIGHT TO BUY (RTB) SALES

Historically, any RTB sale resulted in the complete removal of a property from the register. However, with the end of RTB this will no longer apply. Any property that is disposed of completely, as part of any asset management strategy, will be removed from the register completely, with all components being removed. (The number of FAR properties must align with ARC submissions).

6) TIMING OF REGISTER

The register must be up-dated prior to year-end accounting procedures. The register will be up-dated quarterly or annually with detail provided from Asset Management. Annual adjustments may be made for fees or at a project completion as appropriate. The level of changes/activity may dictate a lesser or more frequent application.

7) METHODOLOGY

The register/spreadsheet will be up-dated manually based on information supplied by Asset Management. Care will be required when entering data to ensure accuracy and completeness. The spreadsheet will be audited for accuracy by external auditors and checked against inputs. The spreadsheet is designed to produce all relevant information for year-end accounts by unit and by component i.e. GBV, NBV, additions, disposals, depreciation charge for year, depreciation on disposals and accumulated

depreciation. When the register is up-dated and completed this will provide an audit trail for annual accounts and our Auditors.

8) FUTURE USE

The register/spreadsheet is not the ideal methodology and has been adopted to meet FRS102 transitional requirements. This will continue in spreadsheet format until HomeMaster is fully implemented and operational to allow a return to a module based recording and control package, which will make recording of information more streamlined and potentially beneficial. This may also assist in improved asset management strategies and recording once tested and applied.

9) MONITORING & REVIEW OF POLICY

The Fixed Asset Policy will be monitored on a quarterly basis by the Finance Manager to establish how regularly up-dates are required based on the level of changes/activity experienced. The policy will be reviewed by the Audit & Risk Sub-Committee biennially or as otherwise deemed necessary.

10) DATA PROTECTION

MHA controls the personal information that we collect, this means that we are legally responsible for how we collect, hold and use personal information. It also means that we are required to comply with the Data Protection Act 2018 when collecting, holding and using personal information.