

## Asset Management Policy

Date	Version
November 2014	2014

## Purpose

The purpose of the policy is to provide an overview of the Trust's arrangements for accounting for and safeguarding capital assets and to provide guidance for those responsible for Trust assets.

## Who should read this document?

All Trust staff with any responsibility for Trust assets.

## Key messages

The Trust has a duty to look after its assets and to account for them in accordance with International Financial Reporting Standards. It achieves this through the maintenance of a comprehensive asset register and regular asset verification exercises.

## Accountabilities

Production	Chief Financial Accountant
Review and approval	Investment Panel
Ratification	Director of Finance
Dissemination	Document Control
Compliance	Chief Financial Accountant

## Links to other policies and procedures

Capital Investment Policy.  
Standing Financial Instructions.  
Detailed Scheme of Delegation.  
Annual Business Planning Guidance.

## Version History

1	March 2010	Director of Financial Services on behalf of the Capital Steering Group
2	November 2014	Approval and Ratification from Investment Panel and Director of Finance

Last Approval	Due for Review
November 2014	October 2019

*The Trust is committed to creating a fully inclusive and accessible service. Making equality and diversity an integral part of the business will enable us to enhance the services we deliver and better meet the needs of patients and staff. We will treat people with dignity and respect, promote equality and diversity and eliminate all forms of discrimination, regardless of (but not limited to) age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage/civil partnership and pregnancy/maternity.*

**An electronic version of this document is available on Staffnet. Larger text, Braille and Audio versions can be made available upon request.**

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## 1. Introduction

- 1.1. The Asset Register is an essential part of the process of bringing about greater accountability for physical assets and for better management decisions on utilisation of assets. As well as providing an auditable record of assets owned by the Trust, a comprehensive and accurate Asset Register provides managers with information which will enable them to plan more effectively for future repair and replacement of their fixed assets.
- 1.2. The capital charge system relies on the accuracy of the Asset Register. It is essential to calculate capital charges (see next Section) to allow management to plan for covering them in full from the Trust's income. Furthermore, as Service Line Reporting continues to be developed, it is vital for Service Lines to know what the cost to them for depreciation and PDC Dividends is from the assets that they use to deliver their services.

## 2. Purpose, including legal or regulatory background

- 2.1. This document sets out the procedures to be followed by all Service Line Managers with responsibility for the stewardship of the Trust's assets to ensure maintenance of value, minimisation of loss and an accurate record of the description and value of these assets on the Asset Register and on the Balance Sheet. The Trust's procedures for managing its capital programme are set out in the "Capital Investment" Policy and Procedure document. It also sets out the procedures to be followed by the Finance Team, particularly the Chief Financial Accountant and the Capital Accountant.
- 2.2. Generally, it is intended for use by staff of all disciplines and levels, so technical language and NHS jargon has been avoided wherever possible. Similarly, each procedure has been kept as practical as possible. Definitions for the terms used are included at the end of the document.
- 2.3. Staff should note that all advice concerning Value Added Tax (VAT) in the cost and valuation of assets should initially be obtained from the Chief Financial Accountant. (Sally Wilson x37081), who may refer to the Trust's appointed VAT advisors.
- 2.4. Sample forms and detailed papers have been included in the Appendices.

## 3. Definitions

- 3.1. A simplified definition of capital in respect of the NHS is "expenditure of at least £5,000 on the acquisition of land, buildings and equipment with a life expectancy in excess of one year". (This £5,000 value includes VAT where it is irrecoverable.) Any expenditure which does not directly result in an asset, or the enhancement of an asset, must not be capitalised but must be charged to a revenue budget.
- 3.2. Further detail is given in section 5: The Capital Accounting Framework.

## 4. Duties

- 4.1 The governance matrix setting out responsibilities is attached at Appendix 4.
- 4.2 The Chief Financial Accountant has overall responsibility for the Asset Register and the accurate reporting of capital assets within the Trust's accounts.
- 4.3 The Asset Register is maintained and updated by the Capital Accountant.

## 5. Asset Management Policy

### 5.1 Capital Accounting Framework

#### Formal Guidance for Capital Accounting

The Trust prepares its financial accounts in accordance with International Finance Reporting Standards (IFRS) as modified by the Department of Health. IAS 16 is the relevant standard.

#### Capital as Opposed to Revenue Expenditure

Historically, the NHS has followed its own definition of what constitutes a non-current asset – in NHS parlance “capital”. Non-current assets are those assets e.g. buildings and equipment, that will be used by a business for more than a year. A simplified definition of the NHS definition of capital (= non-current or “fixed” assets) is “expenditure of at least £5,000 on the acquisition of land, buildings and equipment with a life expectancy in excess of one year”.

Because of the nature of equipment used in the NHS, assets of a value lower than £5,000 should be capitalised if they form part of a group, with a group value in excess of £5,000. This £5,000 value includes VAT where it is irrecoverable.

These *grouped* assets are a collection of assets which individually may be valued at less than £5,000 but which together form a single **collective** asset because the items satisfy **all** of the following criteria. An example is IT equipment, where individual PCs may well cost less than £5,000:

- They are functionally interdependent.
- They are acquired and planned for disposal at about the same date.
- They are under single managerial control, and
- Each individual asset within the group has a value of over £250.

One exception to this is the initial equipping and setting-up costs of a new building or area, in which case all the initial fixtures, fittings and equipment outfit may be capitalised irrespective of individual item value.

It must be stressed that although the above definition will satisfy most of situations, it is rather simplified. Please contact the Trust's Capital Accountant (Sarah Treeby x37080) for further clarification, if in doubt.

In addition to purchased capital assets, some leased assets will be capitalised under finance leases, rather than treated as operating leases charged to the Income & Expenditure account. This is a complicated area, so please make early reference to your Business Advisor or the Chief Financial Accountant for advice.

## **Funding**

NHS Trusts are required to use internally generated cash as the first source of capital financing, with the primary source of additional financing being provided through interest bearing loans.

The sources of internally generated cash are:

- Depreciation charges.
- Income & expenditure account surpluses, and
- Proceeds from the sale of non-current assets.

Exceptionally, the Department of Health ("DoH") may allocate Public Divided Capital ("PDC") to fund central initiatives, for example large projects.

The principal consideration is the Trust's ability to finance its capital investment programme. However, until Foundation Trust status is achieved, the Trust's capital investment programme still has to be approved by the Trust Development Authority and this forms the basis of a revised Capital Resource Limit (CRL).

## **Capital Costing**

Within this Trust, capital transactions are identifiable by the allocation of a specific analysis 2 code starting with "54" within the balance sheet range. For example a construction payment in relation to the Helipad would be coded as RK9N 000000 0081 00110 54K31 000000.

Income from the sale of fixed assets is always coded to the Profit/Loss on Disposal of Fixed Assets account, code RK9N 120047 7900 00000 00000 000000.

## **Capital Charges**

Capital charges are a charge to the Income & Expenditure account to reflect the consumption of capital assets. This is levied in accordance with Accounting Standards and aims to encourage the efficient use of capital resources.

There are two parts to capital charges, namely depreciation and cost of capital. The Trust pays the cost of capital charge to the DoH as Public Dividend Capital (PDC) Dividends.

Depreciation is payable on fixed assets from the start of the quarter following the quarter in which the asset first becomes available for use. Depreciation is calculated as the cost of the fixed asset, less any value when it is disposed of, spread over the future accounting years that will benefit from the fixed asset's use.

Cost of capital is calculated as a rate of return of 3.5% on "relevant net assets". If the capital schemes are funded from borrowing there will be a cost relating to the interest payable on that loan. The value of Net assets is the balance of the cost (or revalued amount) of fixed assets less depreciation charged to date. Cost of capital is also payable on assets under construction.

In recent years, capital charges have been budgeted and managed centrally but are charged to Service Lines through the Service Line Reporting (SLR) system.

### **Valuation and Revaluation**

The initial valuation of Property, Plant & Equipment (PPE) is at cost i.e. what was actually paid including any internal costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner (and VAT where irrecoverable.).

Longer term, land and buildings are valued every year, by the District Valuer, at Modern Equivalent Asset value. This may result in circumstances where the value of a building which has undergone improvement work has not increased proportionately to the cost of the improvement work done. The resulting write-down in asset value is recorded as an "impairment", either against a revaluation reserve or taken to Income & Expenditure account as a cost if there is no revaluation reserve to cover the amount of the impairment.

Furniture and Fittings and Equipment will be valued at its historic cost less depreciation. The only exception to this will be long life Medical Equipment which may be subject to a revaluation during its life. Please refer to the Capital Accountant or the Chief Financial Accountant for further advice.

### **Asset Register**

In common with all NHS bodies, the Trust is required to maintain an Asset Register, detailing all of its PPE assets and their carrying value. This is the cost or valuation of each asset less depreciation to date, which supports the annual accounts and is subject to audit.

The Trust has appointed the Chief Financial Accountant within the Finance Department to be responsible for the setting up and maintenance of a detailed Asset Register. The Capital Accountant reports to the Chief Financial Accountant and ensures that all assets on which capital charges are payable are identified and correctly included in the Asset Register. This register is distinct from other asset registers in use within the Trust e.g. the MEMS F2 system, which are used for different purposes and are not covered within the

scope of this policy. Where such registers contain Capital Assets reconciliation and cross-reference should be undertaken on a regular basis to confirm the integrity of both systems.

The benefits of keeping a comprehensive Asset Register are:

- Improved physical asset accountability and risk management.
- Access for managers to an information system covering all their Service Line's assets.
- Providing a firm baseline for improved asset management
- The capacity for planned asset maintenance, repair and replacement programmes.
- Assisting in the calculation of Capital Charges, and
- Enabling comparisons between NHS bodies of a similar type.

Asset Registers have a wide scope, and must itemise all capital assets, including donated assets, assets held under finance leases, collective (or "grouped") assets and fully depreciated assets still in use. The initial equipping and setting-up costs of a new building or area must be included where these are capitalised.

The following key controls over the Asset Register have been put in place:

- Assets are added to the Asset Register by the Capital Accounting Team. Supporting documentation is prepared by the Capital Accountant.
- Building works, refurbishment works and backlog maintenance works are signed off by the Project Manager before they are added to the register in order to confirm completion and establish the correct asset life.
- Medical equipment is cross referenced with the monthly MEMS addition spreadsheet and F2 database to pick up the MEMS number of the Equipment and its location.
- Extracts from the asset register are sent to Service Line Managers at least once a year. The Service Line Managers are required to verify that all assets listed are correctly stated and still in existence in the Trust. They are also asked to confirm that all new assets added are correctly stated, including confirming that an appropriate asset life has been applied and the correct location recorded for the asset. Managers are required to inform the Capital Accountant of any asset on the register that has been disposed of.

- The Capital Accountant will coordinate responses to this exercise and confirm a response from every Service Line Manager.
- Segregation of duties between those responsible for authorising capital expenditure (Capital Steering Group and Investment Panel) and those responsible for the day to day recording and processing of such transactions (Capital Accountant).
- That all capital expenditure is properly authorised and accounted for.
- That the Asset Register is reconciled and reviewed on a regular basis by a nominated responsible officer (the Chief Financial Accountant).
- That the systems for identifying, verifying and amending all entries relating to capital assets in the Asset Register are sound and result in material items being identified and accounted for.
- That the system for calculation and allocation of the capital charges to users is sound and results in the correct charges being allocated in the SLR system.
- That all transfers, disposals and acquisitions of assets are reflected in the asset register either via the forms attached as appendices to this note or via the verification exercise.

The Trust's Asset Register is maintained on a Real Asset Management software package (RAM) that is separate from the Trust's general ledger. Reconciliations between RAM and the Oracle general ledger are performed by the Chief Financial Accountant monthly and cover:

- Acquisitions.
- Disposals.
- Depreciation charge.

The Chief Financial Accountant will ensure all requisite returns on capital charges are completed accurately and on a timely basis.

## **5.2 DETAILED ASSET MANAGEMENT PROCEDURES**

### **Bringing Fixed Assets into Use**

This is the initial asset management stage. The Capital Accountant maintains the Asset Register, is responsible for capital accounting and will be proactive in the identification of when fixed assets are first brought into use, having regard to the expenditure to date compared to the contract value. Project Sponsors and Project Managers are required to liaise with the Capital Accountant to provide timely information on when assets are available for use - see Appendix 5. At this stage, the total project cost will be agreed and the scheme analysis 2 code closed.

All appropriate medical devices assets will be entered on the medical devices Asset Register (F2) and will be tagged by the Trust's Medical Equipment Management Service ("MEMS") Team, where practical, who will notify the Capital Accountant, for inclusion of the MEMS reference number on the Asset Register to assist with asset locating and verification. MEMS are part of the Healthcare Science and Technology Department ("HCST").

The date at which a fixed asset becomes available for use will not always be clear and a realistic approach must be adopted in deciding the appropriate date. Buildings are deemed to become available for use at the earlier of:

- The date they are first used for their designated Trust activities.
- The date Unified Business Rate first becomes payable (whether at full or half rate).

Payments for some capital projects often span more than one year and even more modest schemes and equipment purchases cover many months. It is necessary to have a clear understanding at the following intervals:

- Monthly: the Capital Steering Group ("CSG") needs to be updated on the general progress of each scheme, but the Capital Accountant also needs to know if the asset is now 'available for use', so that it can be capitalised and start to incur capital charges.
- Annually: all capital expenditure incurred in the year must have been either capitalised i.e. the scheme/equipment 'available for use', or included in "Assets Under Construction" (AUC). AUC will be carried forward to the next financial year and become capitalised when the project is complete and the asset comes into use.

Unless the Capital Accountant is notified promptly when assets become available for use, then there is a danger of incorrect accounting (including incorrect information in the Asset Register) and unreliable or incorrect base data for the following year's CRL, PDC dividends payable and Business Plan information.

The staff that are key to ensuring the effectiveness of this process are:

- Project Sponsors and Managers for each scheme (including those designated by the Service Line's Clinical Director and Service Line Manager for Service Line schemes).
- The Capital Accountant.

### **Asset lives and depreciation**

There are three types of asset, which have different life characteristics and they are as follows:

- Land is deemed to have unlimited life and is therefore not depreciated.
- Buildings, their engineering installations and fittings, and external works have variable lives which are annually assessed by the District Valuer.
- Equipment and vehicles are given standard lives or an assessed life whichever is more appropriate, and must be depreciated over the given life.

In order to calculate depreciation, standard numbers of years for the lives of equipment assets are set by the Trust as follows, and are in accordance with current practice within the NHS. These can be used as a guide to determining the useful life of each asset. Other lives may be applied where item specific information is available:

Short term engineering plant and equipment	5
Medium life engineering plant and equipment	10
Long life engineering plant and equipment	15
Other vehicles	7
Furniture	10
Office and IT equipment	4
Short life medical and other equipment	5
Medium life medical equipment	10
Long life medical equipment	15
Mainframe IT installations	8
Capitalised equipment items in new building capital schemes	10

Land is not depreciated whereas building assets are depreciated over the period of their assessed lives, which are determined annually by the District Valuer. Equipment assets are depreciated over their standard or assessed asset lives.

Depreciation is calculated at the beginning of each quarter for each capital asset subject to capital charges in the asset register on the first day of the quarter. Therefore, depreciation is chargeable, from the beginning of the quarter following an asset's date of acquisition (bringing into use), or chargeable in the quarter in which the disposal of the asset takes place. A disposals adjustment will be applied to equipment at the end of the quarter in which the equipment asset has been disposed of.

### **Maintenance of Fixed Assets**

#### **Medical devices**

- HCST will be responsible for the repair and maintenance of all medical devices.

- HCST will arrange pre and post purchase technical assessment to enable effective active management of maintenance contracts.
- Appropriate maintenance contracts are entered in the Asset Register for Medical Devices (F2), managed by MEMS, and also in the Trust's central contracts database, managed by Procurement.
- The Medical Devices Steering Group ("MDSG") will co-ordinate the management of outsourced maintenance contracts for medical devices.
- The MDSG is a broad based Medical Devices and Equipment group established in accordance with MHRA guidance to comply with Standards for Better Health. The terms of reference for this group is available on Staffnet.
- In partnership with Procurement and medical device owning Service Lines, HCST will ensure that contracts are procured only according to need and following robust appraisal and risk assessment
- All costs will be charged directly to the Service Line owning the equipment using existing and any future recharging mechanisms.
- Service Lines will need to budget for maintenance costs.

#### **IT equipment:**

- The inventory of IT equipment will be managed by the ICT Department, who maintain their own records of IT equipment.
- 
- All faults should be reported to ICT.
- 
- ICT should be advised of any disposals and the location.
- 
- ICT to advise the Capital Accountant immediately of any IT equipment to be removed from the Asset Register.

#### **The Trust's Estate:**

The maintenance of the site, buildings and associated mechanical and electrical infrastructure is the responsibility of the Estates Department, to which all defects and deficiencies should be reported via the Estates Helpdesk. The Estates Department in conjunction with the Capital Accountant, will determine whether the necessary expenditure is from Revenue budgets or the Estates Capital Backlog Maintenance Programme. The Estates Department is also responsible for maintaining certain items of non-medical equipment, including beds. For further advice, please contact the Estates Helpdesk.

#### **Disposal of Fixed Assets**

This section sets out the procedure to be followed when disposing of Trust assets.

The important principles for all disposals of assets are that:

- They are handled in compliance with the Trust's Standing Orders and Standing Financial Instructions, including the Reservation of Powers to the Board and the Scheme of Delegation (SOs and SFIs - see next paragraph).
- Appropriate technical and commercial (Procurement) advice should be obtained before a decision is made to dispose of an asset.
- The assets must be genuinely surplus to requirements or unfit for the intended purpose or taken in "part exchange" as part of the acquisition of a new asset.
- Any sales are managed in a standard manner, which must safeguard the interests of the Trust.
- When the need for an asset disposal is identified, MEMS, Estates, ICT, SDU, Pathology or Imaging (as appropriate) should be contacted promptly. Where a disposal is deemed appropriate, the relevant form should be completed, enabling the Asset Register and the various Service Line and other records to be updated. Depreciation ceases to be payable when an asset is disposed of.
- There is independent and documented verification of their unsuitability (e.g. condemnation by Estates or MEMS)
- 
- The asset(s) are disposed of in a safe and secure manner e.g decontamination, radiation protection, WEE regulations, Data protection and security.
- Where a donated asset is involved, where practicable the relevant Service Line Manager should inform the donor(s) about the proposed disposal, as a matter of courtesy, with reasons.
- Disposal activity should be properly reported and recorded according to the nature of the asset involved and in the Asset Register.

SOs and SFIs require Service Line Managers, Heads of Department or their authorised deputies to determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice, where appropriate. Where possible, such assets should be sold, but all unserviceable articles must be:

- Condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance, and

- The Service Line “owner” of the equipment together with the technical advisor(s) will record whether the articles are to be converted, destroyed or otherwise disposed of. All entries must be confirmed by the owner and the technical advisor.
- The owner and technical advisor will identify any evidence of negligence in use, and any such evidence will be referred to the Director of Finance for appropriate action.

### **Disposal of land and/or buildings**

The acquisition, disposal or change of use of land and/or buildings are powers reserved to the Trust Board (see SOs and SFIs). Section 15 of the Detailed Scheme of Delegation specifies the various levels of authorisation for disposal of fixed assets, by value.

The disposal will be subject to competitive tendering, which will be administered by the Procurement Department.

The Capital Accountant will be notified when completion of the sale has taken place, so that the Asset Register can be updated and the sale recorded in the general ledger disposals account.

### **Disposal of equipment – general principles**

The Trust has many thousand items of capital equipment, so it is essential that they are subject to tight control in a standardised manner.

The Trust must be protected from potential claims arising from person(s) purchasing or receiving equipment as a donation e.g. as gifts to developing countries. The Trust’s Legal Manager should, therefore, be consulted before the sale or gift of such equipment.

The Trust’s procedures must be followed, even when “part exchange” is involved.

Generally, where a piece of equipment is being sold, a “Sale particulars for sale of equipment form” must be used as part of the sales process (Appendix 7).

### **Disposal of MEMS maintained equipment**

It is essential that MEMS is involved from the outset in all potential cases of condemnation, withdrawal from service, recycling and disposal of equipment which they maintain. MEMS maintain comprehensive records on the equipment and have a wealth of expertise in its maintenance and management.

MEMS have a flow chart available for medical devices disposal. It is reference OP11 in the Healthcare Science Quality Assurance System which

is available from MEMS. If in doubt, refer to the Director of HCST (Andy Nevill).

Details of the related “Disposal of equipment” form are attached as Appendix 8 (note that this is a common form for all disposals).

MEMS maintain a database of all maintained equipment, including smaller value items originally funded from revenue accounts. Both MEMS and the Capital Accountant should be provided with as much information as possible about particular assets, including the serial number and asset number, in the Asset Register and, where relevant, the MEMS reference number and location.

A copy of the completed Disposal of condemned equipment form must be sent to the Capital Accountant, so that the Asset Register can be updated.

### **Disposal of IT equipment**

Relocation or disposal of computer hardware must be coordinated with ICT Support Services as it is imperative that the IT Asset Register, which contains details of all equipment within the Trust, is kept up to-date along with the Capital Asset Register.

Wherever possible, equipment no longer required by a Service Line is reused within the Trust. If the equipment is too old to be made use of, it may be used for spares. It is only when these options have been exhausted that the equipment will be disposed of.

There is a set procedure for the disposal of IT Equipment, whereby all computers have their hard drive(s) removed and destroyed to eradicate any information stored. This is coordinated by ICT Support Services.

Further information and advice is available from the ICT Service Desk on extension 37000.

### **Disposal of other equipment**

The Estates Department are responsible for the disposal of their own assets e.g. building services and equipment. They check relevant equipment either following a request for repair/planned maintenance or as part of safety checks.

Similarly, SDU manage the disposal of endoscopes (both rigid and flexible), the Pathology Department manages the disposal of Laboratory Equipment and Imaging manages the disposal of their X-Ray equipment. MEMS act as “gatekeeper” for all other disposals. The contact at MEMS is Jonathan Applebee who should be contacted in case of doubt.

The “Disposal of equipment” form is to be used by all Service Lines and Departments for all forms of disposal – see Appendix 8.

Provided the equipment falls into any of the four categories (a) to (d) listed on the “Disposal of equipment” under “Reason Condemned”, Estates, MEMS etc staff will commence physical completion of the disposal process. The finally completed form is passed to the Condemning Officer for formal authorisation.

Following condemnation, the authorised disposal of equipment form is distributed as shown at the foot of the form, including a copy to the Capital Accountant for updating the Asset Register.

### **Relocation of equipment**

It is inevitable that sometimes an item of equipment will need to be loaned or transferred to another ward or department. In loan situations, it is important that the item is returned to its original location as soon as possible and that the movements out and back are recorded locally in either hard copy or electronically.

In all other situations, the Asset Register and MEMS/ICT records will need to be amended.

The Capital Accountant should be notified immediately of any changes in ownership and permanent changes of normal location by completion of an “Equipment asset transfer” form – see Appendix 9. MEMS must be informed for the transfer of medical equipment, as detailed in their User Guide (see above). Similarly, ICT should be notified in respect of IT equipment transfers.

### **Donated Assets**

Assets that are acquired by way of donation are brought into account in the same way as purchased assets, at cost if newly purchased or constructed, then revalued to a current cost valuation. They are valued, depreciated and subject to impairment in the same way as other assets.

Donated assets are separately identified in the asset register and disclosed separately in the annual accounts; an adjustment is also made to remove the net book value of these assets from the net relevant assets calculation used to determine the PDC dividends payable (see below.) Donations and depreciation on donated assets are also removed from the Trust’s published profit or loss for the purposes of monitoring the Trust’s performance against its “control total.”

Where a donor has contributed to part of an asset, only that portion falls to be treated as a donated asset. It is possible therefore for an individual asset to be partly donated and partly purchased, with separate accounting entries associated with each.

For an asset to be treated as donated there should be no consideration given in return (thus the donor, or individuals or organisations nominated by the donor, may not be offered preferential treatment or other advantages or benefits).

## Rate of Return

Trusts are required to earn a real return of 3.5 % on their average relevant net assets, before payment of interest. This return is calculated as follows:

$$\frac{\text{relevant surplus}}{\text{average relevant net assets}} \times 100\%$$

This is where the relevant surplus is the operating surplus before interest, as shown on the face of the Income & Expenditure account less the finance charge element of finance lease payments.

The average relevant net asset figure is the average of opening and closing relevant net assets and is calculated as shown below:

	£
Total capital and reserves (total net assets)	X
Less:	
Total net book value of donated assets	(X)
Balances held with the Government Banking Service	(X)
Relevant Net Assets	X

## 6 Overall Responsibility for the Document

This policy will be reviewed by the Capital Accountant on an annual basis. Amendments will be submitted to the Investment Panel for approval as necessary and to meet the periodic review requirements.

## 7 Consultation and Ratification

The design and process of review and revision of this policy will comply with The Development and Management of Trust Wide Documents.

The review period for this document is set as default of five years from the date it was last ratified, or earlier if developments within or external to the Trust indicate the need for a significant revision to the procedures described.

This document will be approved by the Investment Panel and ratified by the Director of Finance.

Non-significant amendments to this document may be made, under delegated authority from the Director of Finance, by the nominated author. These must be ratified by the Director of Finance and should be reported, retrospectively, to the Investment Panel.

Significant reviews and revisions to this document will include a consultation with named groups, or grades across the Trust. For non-significant amendments, informal consultation will be restricted to named groups, or grades that are directly affected by the proposed changes.

## **8 Dissemination and Implementation**

Following approval and ratification, this policy will be published on Staffnet and all staff will be notified through the Trust's normal notification process, currently the 'Vital Signs' electronic newsletter.

Document control arrangements will be in accordance with The Development and Management of Trust Wide Documents.

The document author(s) will be responsible for agreeing the training requirements associated with the newly ratified document with the Director of Finance and for working with the Trust's training function, if required, to arrange for the required training to be delivered.

## **9 Monitoring Compliance and Effectiveness**

The monitoring of compliance and effectiveness of this policy will be carried out by the Chief Financial Accountant and the Internal Audit Department.

Glossary

Assets Under Construction	Capital projects which are partially completed at the accounting year-end and therefore incapable of being available for use until a later year.
CAP 4	A form prepared by the Service Line or Project Manager for the approval of expenditure on capital projects and equipment, whether funded by Trust Capital or Charitable Funds.
Capital Charges	A charge to Income & Expenditure account to encourage the efficient use of capital resources. Comprises depreciation and cost of capital (currently 3.5%).
Capital Expenditure	(Normally) Expenditure of at least £5,000 on the acquisition of land, buildings or equipment with a life expectancy in excess of one year. See also "Grouped Assets".
Capital Resource Limit (CRL)	The limit on Capital Expenditure in any one financial year.
Collective Assets	See " <u>Grouped Assets</u> " below.
Cost of Capital	One of two elements of capital charges. Calculated as 3.5% of relevant net assets and payable to the DoH as PDC Dividends.
Depreciation	One of two elements of capital charges. A charge to reflect the wearing out of assets over their useful life.
External Financing Limit (EFL)	A mechanism for the DoH to control the amount of external financing used by the Trust.
Finance Lease	A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Assets acquired under a Finance Lease must be capitalised and thereby attract capital charges in addition to lease costs. This arrangement is unlikely to offer Value for Money.
Grouped Assets	A collection of assets which individually may be valued at less than £5,000 but which together form a single <b>collective</b> asset because the items together satisfy <b>all</b> of a set of criteria defined by the DoH.
Lease	A contract between two parties (the lessor and lessee) for the hire of a specific asset. The lessor owns the asset, but conveys the right to use the asset to the lessee for an agreed period of time in return for the payment of specified rentals. See also "Finance Lease" and "Operating Lease"
Lessee	See "Lease".
Lessor	See "Lease".
NHS Capital Accounting Manual	A comprehensive document issued by the DoH. It is the definitive guide on issues such as capitalisation, valuation, capital charges, donated assets, asset registers and PFI.
Operating Lease	A lease other than a Finance Lease. Items acquired under an Operating Lease are not capitalised and costs are charged to revenue budgets.
Standing Financial	Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the Trust. They are designed to ensure that the

Instructions	<p>Trust's financial transactions are carried out in accordance with the law (including the Bribery Act 2010) and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Trust Board's Scheme of Reservation and Delegation and the Detailed Scheme of Delegation adopted by the Chief Executive.</p> <p>SFIs identify the financial responsibilities that apply to everyone working for the Trust and its constituent organisations.</p> <p><a href="http://www.plymouthhospitals.nhs.uk/ourorganisation/foundationtrust/membersarea/Documents/SFIs%2031%20October%202013.pdf">http://www.plymouthhospitals.nhs.uk/ourorganisation/foundationtrust/membersarea/Documents/SFIs%2031%20October%202013.pdf</a></p>
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**Dissemination Plan**

**Appendix 1**

<b>Core Information</b>				
<b>Document Title</b>	Asset Management Policy			
<b>Date Finalised</b>	<b>November 2014</b>			
<b>Dissemination Lead</b>	Trust Document Manager			
<b>Previous Documents</b>				
<b>Previous document in use?</b>	Yes			
<b>Action to retrieve old copies.</b>	Delete from Trust Documents and Investment Panel Documents on Staffnet. Instruct holders to dispose of copies of previous policy.			
<b>Dissemination Plan</b>				
<b>Recipient(s)</b>	<b>When</b>	<b>How</b>	<b>Responsibility</b>	<b>Progress update</b>
All staff		Email	Document Control	

**Review and Approval Checklist****Appendix 2**

<b>Review</b>		
<b>Title</b>	Is the title clear and unambiguous?	Yes
	Is it clear whether the document is a policy, procedure, protocol, framework, APN or SOP?	Yes
	Does the style & format comply?	Yes
<b>Rationale</b>	Are reasons for development of the document stated?	Yes
<b>Development Process</b>	Is the method described in brief?	Yes
	Are people involved in the development identified?	Yes
	Has a reasonable attempt has been made to ensure relevant expertise has been used?	Yes
	Is there evidence of consultation with stakeholders and users?	Yes
<b>Content</b>	Is the objective of the document clear?	Yes
	Is the target population clear and unambiguous?	Yes
	Are the intended outcomes described?	Yes
	Are the statements clear and unambiguous?	Yes
<b>Evidence Base</b>	Is the type of evidence to support the document identified explicitly?	Yes
	Are key references cited and in full?	Yes
	Are supporting documents referenced?	Yes
<b>Approval</b>	Does the document identify which committee/group will review it?	Yes
	If appropriate have the joint Human Resources/staff side committee (or equivalent) approved the document?	N/A
	Does the document identify which Executive Director will ratify it?	Yes
<b>Dissemination &amp; Implementation</b>	Is there an outline/plan to identify how this will be done?	Yes
	Does the plan include the necessary training/support to ensure compliance?	Yes
<b>Document Control</b>	Does the document identify where it will be held?	Yes
	Have archiving arrangements for superseded documents been addressed?	Yes
<b>Monitoring Compliance &amp; Effectiveness</b>	Are there measurable standards or KPIs to support the monitoring of compliance with and effectiveness of the document?	Yes
	Is there a plan to review or audit compliance with the document?	Yes
<b>Review Date</b>	Is the review date identified?	Yes
	Is the frequency of review identified? If so is it acceptable?	Yes
<b>Overall Responsibility</b>	Is it clear who will be responsible for co-ordinating the dissemination, implementation and review of the document?	Yes

The Trust's Equality Lead has confirmed that a finance policy of this type does not require a detailed Equalities and Human Rights Impact Assessment as it has no direct impact on issues relating to Equality or the Human Rights of patients or staff.

**Overview of Accountability****Appendix 4****Overarching Governance**

<b>ACTIVITY</b>	<b>LAND &amp; BUILDINGS</b>	<b>EQUIPMENT</b>
Management of the Capital Resource Limit	Director of Finance	
Stewardship Responsibilities	Director of Planning and Site Services	Service Line Managers/ Corporate Heads of Department
Investment Plans: - Maintenance of Capacity - Health & Safety (Statutory Compliance) - Key Target Delivery	Director of Planning and Site Services	Service Line Managers/ Corporate Heads of Department
Prioritise Recommendations	Investment Panel Finance and Investment Committee Trust Board	
Implementation	Director of Planning and Site Services	Service Line Managers/ Corporate Heads of Department
Performance Management	Capital Steering Group	
Bringing Assets Into Use / Disposal	Director of Planning and Site Services	Service Line Managers/ Corporate Heads of Department
Verification of Assets	Director of Planning and Site Services	Service Line Managers/ Corporate Heads of Department
Maintenance of Fixed Asset Register	Director of Finance	

**Overview of Accountability**

ACTIVITY	BY	PROFORMA (if applicable)
<b>MAINTENANCE OF THE FIXED ASSET REGISTER</b>		
Routine maintenance of the Fixed Asset Register, including calculation of capital charges	Capital Accountant	Not applicable
Notify Capital Accountant when new assets are first brought into use	Service Line Manager/Project Manager	See Asset Management Procedure
Notify Capital Accountant of all capital equipment disposals	Authorised officer in MEMS or Estates, as appropriate	See Asset Management Procedure
Notify Capital Accountant of the disposal of land and/or buildings	Director of Estates and Facilities	Not applicable
Notify Capital Accountant of the relocation of capital equipment	Service Line Manager or nominated accountable managers within the Service Line	See Asset Management Procedure
Circulate extracts of the Fixed Asset Register to Service Lines	Capital Accountant	Not applicable
Validate the extracts of the Fixed Asset Register and report findings to the Capital Accountant	Service Line Manager or nominated accountable managers within the Service Lines	Not applicable

**General**

1. Trust Service Lines need to have a clear and common understanding of when fixed assets first become available for use. Once this happens, they should be recorded in the Asset Register, so attracting capital charges.
2. The date at which an asset becomes available for use will not always be clear and a realistic approach must be adopted in deciding the appropriate date.
3. Buildings are deemed to become available for use at the earlier of:
  - First use;
  - The date Unified Business Rate first becomes payable (whether at full or half rate).

**Capital projects**

4. Project Managers must notify the Capital Accountant when the Certificate of Practical Completion has been issued.
5. Payment of the finally agreed retention will be handled as follows: the Project Manager will inform the Capital Accountant of the retention at the time of practical completion. The Capital Accountant will then accrue via the retention control account.

**Equipment**

6. The Capital Accountant will liaise with MEMS to obtain details of all the Medical devices that have been delivered to the Trust. These will be added to the asset register by the Capital Accountant using the MEMS numbers and locations provided by MEMS and the standard asset lives. Service Line Managers are required to check these details carefully during their annual review of the asset register.
7. Other equipment purchased that does not fall within the jurisdiction of MEMS will be added to the register by the Capital Accountant using the information on the CAP 4, the invoice and the standard asset lives. Service Line Managers are required to check these details carefully during the periodic review of the asset register.
8. The Capital Accountant will liaise with the IM&T Department in order to capitalise IM&T projects and equipment accurately.

The equipment described below (“the Equipment”) is sold by Plymouth Hospitals NHS Trust (“the Trust”) to persons described below as the purchaser (“the Purchaser”) on the Terms and Conditions printed overleaf. The Purchaser purchases the Services from the Trust on the Terms and Conditions printed overleaf. A full sized copy of the Terms and Conditions is available to the Purchaser upon written request to the Trust.

Where the Purchaser is more than one person all obligations on the part of the Purchaser shall be several as well as joint.

**The Purchaser**

Name: .....

Address: .....  
 .....

The Purchaser acknowledges that it has/has not received the manufacturer’s instructions for the Equipment.

Signed: .....

**The Equipment**

**The Services**

Description: ..... Period of Services: .....

Make: .....

	<b>The Services will comprise:</b>	<b>Price (£)*</b>
Model: .....	(1)	.....
Registration Number: .....	(2)	.....
Serial Number: .....	(3)	.....
	(4)	.....

The Total Equipment Price\*: £..... The Total Services Price\*: £.....

**TOTAL PRICE (Equipment and Services)\*: £.....**

Dated: .....

**\* Excluding VAT**

Throughout these Terms and Conditions of Sale the following expressions shall where the context permits have the following meanings:

"the Act"	the Sale of Goods Act 1979 (as amended)
"the Equipment"	the equipment as identified in the sale particulars overleaf which the Trust is to sell in accordance with the Terms and Conditions
"Full Breakdown Cover"	where the Purchaser has agreed to purchase Full Breakdown Cover the Trust shall provide the Purchaser with the following services for the Period: (1) the repair of the Equipment (where possible) during the Period where the Equipment has a mechanical failure during the Period. Full Breakdown Cover does not include the repair of any damage defect or problem which in the reasonable opinion of the Trust has arisen due to the negligence neglect or deliberate act of the Purchaser  (2) the loan free of any further charge or an item of equipment similar to the Equipment for the Purchaser to use during the Period the Equipment is being repaired. When the Equipment is available for collection or the Trust notifies the Purchaser that the Equipment cannot be repaired or the Period expires the Purchaser must return the loaned equipment promptly
"the Period"	3 years from the date of this agreement
"the Purchaser"	the purchaser of the Equipment as identified in the sale particulars overleaf
"the Services"	those services described overleaf which the Purchaser has agreed to purchase
"the Trust"	Plymouth Hospitals National Health Service Trust
"Terms and Conditions"	the terms and conditions of sale as set out in this document

1. The Trust shall sell and the Purchaser shall purchase the Equipment subject to these Terms and Conditions which shall govern the sale
2. The Trust shall provide and the Purchaser shall purchase the Services subject to these Terms and Conditions which shall govern the provision of Services
3. The total price of the Equipment is the price as stated overleaf. The Purchaser is liable to pay the Trust the total price of the Equipment on the date of this agreement
4. The total price of the Services is the price as stated overleaf. The Purchaser is liable to pay the Trust the total price of the Services on the date of this agreement
5. The Purchaser understands that where it has been indicated the Equipment is being sold as second-hand
6. Subject to Clauses 13 and 14 the Trust makes no representations and/or warranties as to any of the Equipment's state of repair or capabilities or suitability for any purpose whatsoever
7. The Purchaser understands that to remain safe to use the Equipment must be maintained in accordance with the manufacturer's instructions, good practice and any regulations, statutory requirements and codes of practice which may be relevant and are advised to purchase the Services for the Period and for any period that the Equipment is used thereafter
8. Subject to Clauses 10, 11 and 13 below, the Trust shall not be liable for any liability or loss arising by reason of or in connection with:
  - 8.1 the Equipment sold to the Purchaser; and/or
  - 8.2 the provision of the Services; and/or
  - 8.3 any advice or recommendation given by the Trust or its employees or agents to the Purchaser as to the storage application or use of the Equipment
9. Without prejudice to the generality of Clause 8 above, the Trust shall not be liable for any liability loss (whether direct or indirect) of profits, business, or anticipated savings or for any indirect or consequential loss or damage
10. The Trust does not exclude or restrict its liability for death or personal injury arising from the Trust's negligence
11. The Trust does not exclude or restrict any liability arising by virtue of the Consumer Protection Act 1987
12. The Purchaser shall indemnify the Trust in respect of any claims made against the Trust and all damages, costs and expenses (including legal expenses) suffered or incurred by the Trust as a result of any claim made by a third party arising out of:
  - 12.1 the use of the Equipment; and/or
  - 12.2 the Equipment being sold to the Purchaser under these Terms and Conditions; and/or
  - 12.3 any negligent act or omission on the part of the Purchaser; and/or
  - 12.4 the state condition maintenance or use of the Equipment where the Purchaser has not purchased the Services under this agreement or the Period has expired
13. The Trust sells the Equipment expressly subject to terms implied by Section 12 (relating to the Trust's title to the Equipment), 13 (relating to sales by description), 14 (relating to implied undertakings as to quality or fitness), and 15 (relating to samples) of the Act but all other conditions or warranties, expressed or implied, are now excluded
14. It is declared for the avoidance of doubt that nothing contained in these Terms and Conditions shall affect the Purchaser's statutory rights under Section 12, 13, 14 and 15 of the Act
15. If the Equipment shall become liable under any statutory enactment (whether local or public) to be altered or modified, the Purchaser shall immediately make the required alterations or modifications at its own expense
16. The Purchaser shall be responsible for the loss of or damage to the Equipment and where such loss or damage does not fall within the Services any replacement and/or repair of the Equipment shall be at its own expense
17. The Services will be provided by the Trust at the Trust's premises and the Purchaser will be responsible (where necessary) for transporting the Equipment to the Trust's premises for the Services to be provided
18. No variation to these Terms and Conditions shall be binding unless agreed in writing between the Trust and the Purchaser
19. If at any time any one or more of the provisions of these Terms and Conditions become invalid illegal or unenforceable in any respect under any law the validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby
20. Failure by the Trust to exercise or enforce any rights hereunder shall not be deemed to be a waiver of any such rights nor operate so as to bar the exercise or enforcement thereof at any time or time thereafter including the same particulars overleaf
21. Where any written material is supplied to the Purchaser including the sale particulars overleaf or sales literature the Trust states that whilst it and its advisors have taken reasonable care to ensure that the written material is true and accurate no representation warranty or undertaking express or implied in respect of any error mis-statement or mis-representation is or will be made save in relation to any statements or representations made fraudulently by the Trust its officers, servants, agents or advisors
22. The Trust shall not be liable for any loss or mis-delivery of or damage to any Equipment howsoever or whenever caused during transit to and from the Trust's premises howsoever and whenever caused during transit to and from the Purchaser's premises (or other destination as may be instructed by the Purchaser for delivery) and whether or not such loss or mis-delivery shall be caused directly or indirectly contributed to by any act

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omission neglect default or other wrongdoing on the part of the courier

23. These Terms and Conditions contain the entire agreement between the Trust and the

Purchaser and supersede all previous negotiations discussions agreements and understandings between the parties

24. These Terms and Conditions shall be governed by and constructed in accordance with the laws of England and Wales.

**Plymouth Hospitals NHS Trust**

**Medical Equipment Management Service (MEMS)**

**CONDEMNING, WITHDRAWING, RECYCLING AND SELLING EQUIPMENT  
PROCEDURE NOTE**

**1. SCOPE AND OBJECTIVES**

- 1.1 This procedure covers all medical equipment which is owned by the Trust and is to be withdrawn, condemned and disposed of.
- 1.2 To ensure the safe disposal of redundant, damaged or unsafe equipment.
- 1.3 To facilitate recycling equipment, components and spare parts where practicable, especially to support similar equipment remaining in service.
- 1.4 To amend MEMS Department equipment maintenance inventories and the Trust's Asset Register. This will ensure user departments are not charged for equipment they no longer possess.
- 1.5 To follow disposal with advice to user departments on choice of suitable replacement.
- 1.6 To sell equipment no longer required by the Trust, and ensure that the Trust has no product liability.

**2. RESPONSIBILITIES**

- 2.1 Medical Technical Officers (MTOs) are responsible for referring to the Principal Medical Technical Officer before deciding whether to dispose of equipment.

**3. DOCUMENTATION**

- 3.1 Disposal of Equipment Form (Appendix 8).
- 3.2 Sale of Equipment Form (Trust Form) (Appendix 7).

**4. METHOD**

- 4.1 Equipment will be considered for withdrawal, condemnation and disposal by a Medical Technical Officer (MTO) under the following circumstances:
  - a. It is considered dangerous to operate it further
  - b. It is worn out and beyond economic repair
  - c. It is damaged and beyond economic repair

- 
- d. It is unreliable (refer to service history)
  - e. It is clinically or technically obsolete
  - f. Spare parts are no longer available
  - g. More cost- effective or clinically effective devices have become available
  - h. Unable to be cleaned effectively prior to disinfection and/or sterilisation
  - i. The user department does not wish to operate it any more, or pay for its maintenance.
- 4.2 The MTO will examine the equipment and discuss any such disposal arrangements with the Principal Medical Technical Officer before any decision is reached. If the user no longer wishes to operate the equipment it is to be withdrawn. Withdrawn equipment which is in good condition may be redeployed to another user, or sold. If the user needs to operate the equipment and it meets the criteria in 4.1 (a, b, c, d, e, f and h) it will be condemned. The Disposal of Equipment Form will be completed and a copy sent to the user department.
- 4.3 MEMS Department maintenance inventories will be amended by the MTO and the Trust's Asset Register updated by completion of The Disposal of Equipment Form.
- 4.4 All such equipment for disposal will be identified, labelled and segregated within the Department so that it cannot be mistaken for operational equipment.
- 4.5 If a user department wishes to 'trade in' equipment, the above procedure will be followed and MEMS will encourage participation in discussion of replacement equipment with the user and the Procurement Department.
- 4.6 If the equipment is serviceable but cannot be redeployed within the Trust's users, it will be offered for sale. The buyer must fill out and sign the Trust's Sale of Equipment Form and comply with Trust guidance on the sale of equipment.
- 4.7 There are strict guidelines in operation regarding the safe disposal of dangerous chemicals and components and it is the responsibility of the MTO undertaking this disposal to ensure he is aware of the constituent parts of the equipment before determining safe disposal procedures in full accordance with current Health and Safety and COSHH Regulations. All such equipment must be rendered inoperable and safe before disposal and a written record kept to this effect for the item.

**PART ONE :** To be completed by Condemning Officer  
MEMS / IT /Estates / SDU / Pathology / X-Ray\*

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**CONDEMNED EQUIPMENT**

<b>Service Line</b>		<b>Department / Ward</b>	
<b>Item</b>	<b>Serial No.</b>	<b>Model No.</b>	
<b>Year of Purchase</b>		<b>Capital Asset No.</b>	
		<b>Other Asset No. e.g. F2</b>	
<b>Manufacturer</b>			
<b>Reason Condemned</b>	(a)	In the judgment of the condemning officer it is beyond economic repair*	
	(b)	It is deemed to be unsafe in its operation and cannot be made to comply with recognised safety standards and is therefore taken out of action*	
	(c)	It is deemed to be unsafe in its operation and the risk needs to be managed until the item is replaced, which must be as soon as reasonably practicable*	
	(d)	It is considered suitable for downgrading*	
	(e)	Other (specify)*:-	

**Recommended form of disposal:**

<b>(i) Convert*</b>	<b>(ii) Scrap*</b>	<b>(iii) Downgrade*</b>	<b>(iv) Recycle*</b>
I certify that the above equipment has been *condemned / *downgraded / *classed as hazardous and removed from service / *redeployed / *the risk is to be managed by department until a suitable alternative is available.			
<b>Condemned by:</b>		<b>Witness:</b>	<b>Date:</b>
<b>Authorising Officer:</b>			<b>Date:</b>

*\*Please delete as appropriate*

**PART TWO :** To be completed by relevant Budget Holder **(FOR NON-CAPITAL ITEMS ONLY)**

**RECOMMENDED REPLACEMENT (NON-CAPITAL ITEMS ONLY)**

<b>Item (incl Technical Data):</b>	
<b>Supplier:</b>	
<b>Budget Holder:</b>	<b>Budget Code:</b>
<b>Replacement</b> Yes / No	<b>Requisition No.</b>
<b>Inventory amended</b> Yes / No	
<b>Signed:</b>	<b>Date:</b>

**NOTE:** The budget holder must attach a photocopy of this document to the requisition(s) for replacement of Medical / Surgical item(s).

- Scrap items must be made unusable and conveyed to the Scrap Compound.
- Reusable equipment / recyclable equipment - contact Stores
- Hazardous equipment must be replaced as soon as practicable. Meanwhile the risk is to be appropriately managed.

**Distribution :** Budget Holders / Finance (Capital Accountant) / File

ASSET NO:
MEMS NO:
DESCRIPTION:
DATE OF TRANSFER:
OLD LOCATION (Service Line/Specialty/Site/Room):
NEW LOCATION: - Please complete relevant boxes below
SERVICE LINE :
SPECIALTY:
SITE:
ROOM:

COMMENTS:
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SIGNED: \_\_\_\_\_

BLOCK CAPITALS: \_\_\_\_\_

DATE: \_\_\_\_\_

*Form to be sent to Capital Accountant, Finance Dept, NU Building when completed.*