

## **CLOSING DATE FOR RESPONSES: 1<sup>st</sup> June 2004**

### **ENTRUST consultation: Asset Management**

LTCS stakeholders have requested a review of current guidance on management and recording assets within the LTCS. The process of consultation is described below,

Responses to this document are invited, by **e-mail only** with 'Asset Management' in the subject line by 1<sup>st</sup> June **2004** to:

[information@entrust.org.uk](mailto:information@entrust.org.uk)

**Written or re-directed letters or emails to other ENTRUST personnel, postal addresses or email addresses will not be accepted and will be returned.**

Please refer to the below and detail responses in the following way:

- In Microsoft word format as an attachment to an email
- With your EB name and number at the top of the page
- With your name
- Your contact details including email and phone number
- Current text
- Your Question or Comment

#### ***Outline***

Regulation 30(2)(b) states that:- "a body shall only be taken to spend a qualifying contribution in the course or furtherance of its approved objects where it becomes entitled to income where it spends both the whole of that contribution and all of that income"

Effectively where the expenditure of LTCS funds results in the creation of an asset. The EB should ensure that, if or when the asset is sold or ceases to be compliant with the Landfill Tax Regulations the sale value, or the proportion of it equal to the proportion of LTCS funds used in its purchase should be retained by the EB for use on further LTCS approved projects. Environmental Bodies should regard the expenditure of LTCS funds on projects as an investment and should ensure that any income generated as a consequence of that investment is retained by them and reinvested in the scheme.

This consultation seeks to define what an asset is for LTCS purposes and the steps EBs should take to ensure that any value realised on sale is retained by them. It does not deal with Intellectual Property specifically, but EBs should ensure that if research work is paid for in full or in part with LTCS funds results in a marketable product or process they receive a return appropriate to their investment and retain it for reinvestment in the scheme.

#### ***Questions and Answers***

##### ***What is an asset?***

Assets fall into three main categories. Fixed assets such as land and buildings, which tend to appreciate in value and moveable assets such as vehicles, which tend to depreciate in value

##### ***What would I do with non-fixed items like tables and chairs?***

Moveable assets with a value of less than £5,000 need not be recorded in an asset register but proof of purchase is still required.

##### ***What about if our EB bought a building 5 years ago, what will we do now?***

Fixed assets such as land or buildings must remain on an asset register in perpetuity

The EB interest should be recorded in the land registry to ensure that on sale the EB or the scheme receives the value from the sale appropriate to the input of LTCS funds.

### **What about land?**

Land should be treated in the same way as buildings.

### **What about if I want to transfer an asset from one EB to another?**

The EB to which a project is registered is responsible for all record keeping and reporting to ENTRUST. Where one EB transfers a project to another EB the receiving EB becomes responsible for the management of the project and reporting to ENTRUST. An EB cannot transfer responsibility for an asset to another EB unless the project is transferred.

### **What if the asset depreciates in value?**

It is recognised that many assets particularly moveable assets will depreciate in value. The sale value, whether appreciated or depreciated appropriate to the input of LTCS funds should be retained by the EB or the scheme.

### ***What records should the EB keep?***

#### **For all assets**

*This guidance is not intended to replace standard accountancy conventions for the recording of assets on balance sheets but is offered as a guide to EBs. The cash limits should be regarded as maximums and may be set at lower levels should individual EBs so choose.*

*Name and number of project*

*Asset purchased*

*Owner*

*Purchase price (whether full or part)*

*Date of purchase*

#### **Moveable assets valued at less than £5,000**

*At final payment obtain written confirmation that asset is delivering an approved object and is being used for the intent of the purchase.*

*No further records need be kept after this*

#### **Moveable assets valued between £5,001 and £10,000**

*Keep on asset register for three years after final payment*

*Once a year get written confirmation that asset continues to be in compliant use.*

*Three years after final payment project manager should inspect the asset to confirm compliant use. If not compliant steps must be taken to restore compliance or recover funds.*

*No further records need be kept after this*

#### **Moveable assets valued at more than £10,001**

*Keep on asset register for five years after final payment.*

*Once a year get written confirmation that asset continues to be in compliant use.*

*Project manager should inspect the asset at least twice to confirm compliant use. If not compliant steps must be taken to restore compliance or recover funds.*

*Five years after final payment a final inspection should be made to confirm compliance. If not compliant steps must be taken to restore compliance or recover funds.*

*No further records need be kept after this*

#### **Fixed assets and movable assets as appropriate valued over £10,001**

*Must remain on asset register in perpetuity*

*For land and buildings the EB interest must be registered with the land registry.*

*Once a year written confirmation must be obtained that the asset remains compliant.*

*Project manager to visit every three years to confirm compliance .If not compliant steps must be taken to restore compliance or recover funds.*

### **Is it mandatory and do I need to manage my assets in this way?**

In order to demonstrate compliance EBs must record and monitor assets purchased with LTCS funds. They must also have procedures in place to recover the LTCS share of the asset value should it be sold or cease to be in compliant use

### **What happens next?**

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