

ENTRUST Revised Guidance on an EBs Management of Assets within the Landfill Tax Credit Scheme

Context

Published July 30th and to be updated into the EB Manual. For any assets such as land or buildings and Royalties and Copyrights, this guidance is retrospective and replaces all previous guidance's relating to the '7 year rule'.

EBs are aware that ENTRUST guidance given at the registration of the project is assumed to apply for the duration of the project. This new guidance will be applied where there is an appropriate opportunity to do so.

Guidance

What is an asset?

Any item of economic value to an organisation or individual, especially that which could be converted to cash. Examples are:

- Current assets – like cash, investments, and securities;
- Fixed assets - like land and buildings and, the more intangible values associated with
- Royalties, copyrights, goodwill, and patents.
- Moveable assets – like plant, office equipment, furnishings, playground

Assets are normally shown on organisations' balance sheets with a value written down according to acceptable accounting conventions.

All LTCS contributions are assets and must be protected. Any EB should ensure that LTCS funds held by them or spent on a compliant project or activity can be accounted for. EBs should make sure that the capital sum (Current Assets) received is not depleted through speculative investment in stocks and shares. **Any loss incurred is non-compliant expenditure.**

The value of the capital must be preserved. Therefore, LTCS funds that are not required for immediate use should be placed in a bank account or similar facility, which preserves the capital sum.

The EB in whose name a project is registered is wholly responsible for reporting and recording all assets purchased in whole or in part with LTCS funds. When any EB ceases to exist LTCS funds and responsibility for assets purchased in whole or in part with LTCS funds must be transferred to another EB.

When any project sells assets that have been funded in whole or part from LTCS funds, a proportion of the sale price equal to the proportion of the contribution from LTCS funds to

the purchase must be paid back to the EB and used to fund compliant activity. This applies whatever time might have elapsed between the acquisition of the asset and its disposal and whether or not the project is active or closed. It also applies where a project is deemed to be non compliant, and the assets are realised.

Where an EB takes possession of the actual asset, it may be retained for use on other LTCS projects. Such assets may be used on non-LTCS projects, in which case the EB should charge for their use and employ that income to fund LTCS projects. In these circumstances, at final sale, the value must be treated as LTCS funds

If an EB contributes (in whole or in part) to the purchase or improvement of an asset by a non-EB, it should make its contribution conditional on a repayment of a proportion of any sale value equal to the proportion of its contribution to the purchase price where the asset is sold or ceases to comply with the LTCS regulations.

Any EB investing LTCS funds in research that may result in a marketable product, process, or revenue-generating procedure (like royalties for the use of an idea or product) should make its contribution conditional on it receiving a return in proportion to the investment of LTCS funds from profits or income generated.

Whatever arrangements EBs have for the recording and depreciation of assets on their balance sheets, EBs should maintain a register of all assets purchased in whole or in part with LTCS funds. EBs must ensure that project budgets are resourced to meet costs associated with asset management while the asset remains on the asset register.

Timescales for Asset management within EBs

Moveable assets valued at less than £5000

At final payment, obtain written confirmation that asset is delivering against approved objective.

Moveable assets valued between £5001 and £10000

Keep on an asset register for three years

At final payment and annually thereafter, obtain written confirmation that asset is in compliant use. After three years confirm compliance (by inspecting the asset) then delete from register.

Moveable assets valued at over £10001

Keep on an asset register for five years

At final payment and annually thereafter, obtain written confirmation that asset remains in compliant use.

After three years confirm compliance by inspecting the asset

After five years make final inspection to confirm compliance then delete from register.

Fixed assets land and buildings

Keep on asset register in perpetuity

EB/LTCS interest must be recorded on title deed

At final payment and annually thereafter, obtain written confirmation that asset remains in compliant use.

Inspect every three years to confirm compliance.

Royalties & Copyrights etc

Keep on asset register in perpetuity

For more information on the above:

Mr Jim Graham

Compliance Manager
ENTRUST
Email: jimgraham@entrust.org.uk
Tele: 0161 972 0044