



NHS MANAGEMENT BOARD

~~Department of Health & Social Security~~

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From the Director of Financial Management

Directorate	Action	By
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To: Regional Treasurers
District Treasurers
Special Health Authority Treasurers

EL(89)MB/60

10 March 1989

Dear Treasurer

CAPITAL CHARGES: ASSET REGISTERS

In section 4 of Working Paper No.5 on Capital Charges asset register pilot studies were referred to. The Department was grateful for the efforts in particular of the three Districts (Calderdale, Peterborough and Chester) who participated in the pilot exercises. These demonstrated that the task of setting up asset registers was achievable and promised real benefits.

A summarised report of the activities and findings of the pilot sites is enclosed with this letter. Any queries on these pilot studies should be directed to the Deputy Director of Financial Management (Capital Charges) at the Capital Charges Unit. This Unit is expected to be operational in early April. If any queries arise before then, my office will act as your contact point.

I am also attaching a note by the Estates and Property Management Directorate concerning the WIMS asset software which is available from the Department. This software was used by two of the pilot sites.

Yours sincerely

S V Masters
Director of Financial Management

This letter will be cancelled on 31 December 1990 unless notified separately

Rep2

CAPITAL CHARGES

ASSET REGISTERS - RESULTS OF THE PILOT STUDIES

1. In May 1985, the Association of Health Service Treasurers (now the Healthcare Financial Management Association) had published a report on Managing Capital Assets in the National Health Service. This made a number of recommendations, including a revised definition of capital expenditure, full asset registers should be compiled for all Health Authorities, a system of asset accounting should be introduced in the NHS, and for the purpose of planning, resource forecasts for Health Authorities should be expressed as one composite figure rather than separate capital and revenue assumptions.

2. In March 1986 the Capital Asset Accounting Steering Group was set up to progress the recommendations of the AHST report. The Group had membership drawn from DHSS, Treasury and the NHS. The Department commissioned three District Health Authorities (Calderdale, Chester and Peterborough) to produce comprehensive asset registers, and report on the results.

3. Asset registers were compiled by the three pilot districts. The definition of a capital asset which they used was:

"all included capital assets should be durable (ie, have an expected (useful) life of more than one year) and be either:

- a. a single item with a gross replacement cost exceeding £1,000; or
- b. a system servicing a 'management unit' and possessing a gross replacement cost exceeding £1,000; or
- c. any items or system, irrespective of replacement cost, that is of prime importance to the provision of health care; or
- d. any item or system which has safety or statutory requirements associated with it; or
- e. new works and buildings; land; extensions and substantial improvements to existing buildings, including all minor assets irrespective of value which are associated with the provision of any major asset.

Note: A 'management unit' will normally be a ward, operating theatre, etc, where there is a manager and associated cost centres.

4. Each of the three pilot sites has prepared a report on individual site results. Annexes A, B and C summarise the salient points from each project and comment on the approach adopted.

5. A summary of the findings of the pilot sites is as follows:

- a. The projects have identified that comprehensive asset registers can be introduced into Health Authorities.
- b. The capital definition using the £1,000 limit as recommended is acceptable.
- c. All basic data is available with little investment of staff time.
- d. Registers can be maintained with minimal investment.
- e. The commitment and support of senior managers is seen as crucial to successful implementation.
- f. Costs and approach can vary, but a minimum initial investment of £50,000 per District is seen as inevitable. It is considered that this investment is acceptable when set against the benefits to be derived at all levels of the Service.

6. Following the work undertaken at the pilot sites specific benefits were identified for the improved management of health authorities at Unit, District and Regional levels. These potential benefits are summarised below:

a. Departmental and Unit Benefits The most significant benefit available to Managers at the operational level of the service was seen as access to a real time information system covering all their assets. This would not only include more clearly defined ownership and responsibility for specific asset registers (both at Departmental Manager and Unit General Manager level) but it would also provide a means for closer control of the use of the assets.

The system provides Operational Managers with a more detailed knowledge of maintenance costs attached to specific assets. This, together with an understanding of the cost of capital, will enable much improved and informed decision making which will become more integrated with Managers day to day revenue plans.

The extension of these benefits then provides a firm baseline for improved asset management as part of the resource management initiative.

The definition of capital assets employed in this project was seen as providing the potential for greater flexibility in the management and funding of assets.

b. District Benefits At District level the system provides and maintains a comprehensive asset register recording not only the existing assets of the Authority but also the full on-going costs in capital and revenue terms of the asset. One immediate effect of this benefit is a more planned replacement programme for assets which will avoid both crisis replacement and unnecessarily early advance purchase of assets. This in turn should provide the District with medium term options for capital investment based on much firmer expenditure projections over a number of years.

A further benefit available to District Officers flows from the inventories which the systems provide which will be particularly useful in a changing environment of hospital closure or transfer of services. Improved knowledge relating to existing assets which may be available for transfer could obviously reduce the need for new purchases. A further benefit flowing from the availability of inventories will be in the field of security where closure control will be assisted from more comprehensive prime records.

Finally, the system may well provide opportunities for greater inter-District comparisons and improved performance indicators which would be based on more comparable information systems.

c. Regional Benefits The immediate benefit at Regional level of the new system will undoubtedly be in the ability to monitor the value of assets within the service. This in turn will provide a basis for comparison and also of performance.

More detailed knowledge of assets within the service will also lead to improved purchasing policies both in terms of rationalising equipment and planning to obtain the best arrangements as a major purchaser. The existence of detailed information on the value of assets and their maintenance costs would also provide valuable information to assist in determining funding policies. The information envisaged would also be vital if any relaxation in capital financing arrangements are to be available.

PETERBOROUGH HEALTH AUTHORITY

<u>Profile:</u>	Resident Population	-	224,000 (increasing)
	Hospitals	-	10
	Health Centres	-	9
	Clinics	-	4
	Ambulance Stations	-	2
	Revenue Budget 1987/88	-	£41 million

Approach to Project:

The system was required to be "user friendly" based on user needs and accessible to all levels in the management hierarchy. Information was required :

- a. at District level for strategic and capital planning;
- b. At Unit level for budgetary control, revenue investment plans and forward commitment accounting;
- c. at Line Management level to provide day-to-day management information with specific relation to the labour management system.

Data needed to be recovered in a variety of permutations.

Computer Hardware & Software and Data Collection Costs

ICL DRS 300 equipment is used, networked across the District in all Works Units, Stores and Finance Department.

"Transaction Point" Demon Software is installed.

Interface between Works, Stores and Finance is not yet operational

Total costs were £52,000

Results and Recommendations

- a. Systems now operational providing data on asset performance in terms of maintenance cost, down-times, replacement cost and forecast replacement data.
- b. Preparation of the register was not a difficult task. Compilation should be undertaken "in-house" and for an "average" District could be completed within three months.
- c. Any District contemplating introducing asset registers should consider training existing staff and recruit computer programming skills to facilitate modification and improvement to the system.
- d. The project will be closely linked with the Estate Asset Management initiative, each being considered complementary to the other.

CHESTER HEALTH AUTHORITY

<u>Profile:</u>	Resident Population	-	178,000
	Hospitals	-	6 (decreasing to 4)
	Health Centres	-	4
	Clinics	-	17
	Ambulance Stations	-	15
	Revenue Budget	-	£50 million

Approach to Project

An asset data-base was compiled which was designed to allow for composite reporting and the inclusion of detailed low-level data, enabling a systematic progression from major asset to precise asset detail and the onward transition of data of the finance system.

Computer Hardware & Software and Data Collection Costs

Equinox equipment was adopted, being a networked system. Modified WIMS II Software was used. Links to the finance accounting systems and purchasing systems are planned.

Total costs were £93,000 (including consultancy costs in view of late start to the project)

Results and Recommendations

- a. The process of collecting data and the provision of estate, accounting and management systems has been relatively easy.
- b. In the short-term the information is more likely to be used for security and maintenance procedures, and as a basis for an equipment replacement programme.
- c. "Trading Arrangements" will be introduced between the Estates Department, and principal capital and energy users such as "X-Ray" and "Catering" forming an integral part of "resource management" during the next two financial years.
- d. The work is seen as a foundation towards the identification of all costs in future service planning and performance reviews.
- e. Capital accounting will be introduced for local control procedures as part of the implementation of new ledger package.

CALDERDALE HEALTH AUTHORITY

<u>Profile:</u>	Resident Population	-	193,000
	Hospitals	-	4
	Community Unit	-	1 (19 places)
	Health Centres	-	6
	Clinics	-	10
	Revenue Budget 1987/88	-	£38 million

Approach to Project

Aim to produce a comprehensive register capable of being used by all levels of management and "ownership" established with departmental managers.

Links with the existing accounting system were ensured by the use of existing Korner departmental codes.

The register has been extended to include all assets which are "attractive" or where some maintenance element is required. This will enable managers to comply with the requirement to maintain inventories of all assets.

The project was designed to ascertain the effect on Finance, Works and Supplies functions operating the register in a normal working environment, and apart from the initial identification of assets, existing staff have been used.

Computer Hardware & Software and Data Collection Costs

A DEC Microvax machine was chosen to be compatible with other computer equipment in the District. It is also capable of networking to Unit Works Departments.

WIMS 2 Software was chosen, but modification was necessary to change from "UNIX" protocol to the DEC version "ULTRIX".

The Processor is situated within the District Computing facility and maintained routinely by computing staff.

Data collection was carried out by a temporary appointment to survey all sites.

Total costs were £48,000

Results and Recommendations

- a. An asset register is now in place in the District. Individual Departmental Managers are verifying the register and adding current anticipated replacement data and cost. The register will be "live" in April 1989.
- b. The register will be maintained by Works and Finance Staff and will be systematically verified by departmental managers bi-annually.

c. An asset register can be introduced into a medium-sized District relatively easily and up to 12 months should be allowed for full implementation.

d. Ownership of the data should be registered with operational managers and not seen as a central control device.

e. Existing operational cost centres should be used to facilitate future charging arrangements.

COMPUTERISED ASSET REGISTERS - WIMS

WIMS (Works Information and Management System) is the generic name for a suite of Crown Copyright software which is already in use in many NHS Estate Management Departments. The software is available free of charge to the National Health Service, has been produced by the Department of Health Estate and Property Management Directorate (formerly Works Group) and consists of a range of application modules including packages expressly designed to support asset registers.

The WIMS software currently exists in two generations, WIMS1 and WIMS2. The Asset Module in WIMS1 is available to run in a range of computer environments from pc to super-micro while the WIMS2 Asset Application is designed for super-micro and larger environments.

The basic data required to support capital charging may be held in WIMS1 and WIMS2 asset registers ie

- Asset physical description
- Serial Number
- Manufacturer
- Location of asset
- Acquisition date
- Initial Cost
- Replacement Cost

The WIMS1 Asset Module is capable of running in a wider range of computer environments but is less sophisticated than the WIMS1 Asset Application which has all the asset data in a single asset file (WIMS1 asset data is split between two files), has a mechanism for automatically updating replacement costs by reference to a price index and has recently been enhanced to support data required for the resource management initiative.

A document giving more information on availability, support and technical matters may be obtained from:

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Estate and Property Management Directorate
Room 304
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