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Bwrdd Iechyd Prifysgol  
Abertawe Bro Morgannwg  
University Health Board



<b>Meeting Date</b>	<b>31<sup>st</sup> July 2018</b>	<b>Agenda Item</b>	<b>3e</b>
<b>Report Title</b>	<b>Change of Fixed Asset Lives</b>		
<b>Report Author</b>	Carolyn Blockley, Finance Manager, Capital		
<b>Report Sponsor</b>	Lynne Hamilton, Director of Finance		
<b>Presented by</b>	Lynne Hamilton, Director of Finance		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	This report requests approval to revise the accounting estimate of depreciation charges by changing the fixed asset lives assigned to equipment assets in the Health Board's fixed asset register		
<b>Key Issues</b>	<p>Whilst there is no direct financial impact that rests with the Health Board, there is an impact in DEL revenue funding requirements from Welsh Government</p> <p>The change will improve the quality of the information that can be provided from the Health Boards fixed asset register. The change will not have any effect on the prioritisation for equipment replacement, this will continue to be a risk based assessment on the actual condition of the asset.</p>		
<b>Specific Action Required</b> <i>(please ✓ one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• <b>Note</b> the proposed revised lives and estimated reduction on depreciation charges of £2.4m in 2018/19</li> <li>• <b>Approve</b> the change in asset lives as a change in accounting estimates to be implemented with effect from 1<sup>st</sup> April 2018</li> </ul>		

## Change of Fixed Asset Lives

### 1. INTRODUCTION

This report requests approval to revise the asset lives assigned to a number of the equipment assets in the Health Board's fixed asset register.

### 2. BACKGROUND

The Health Boards fixed asset register holds the majority of equipment assets under the classification of 'Short Life Medical Equipment' and hence they are assigned a life of 5 years and fully depreciated over this period. A large proportion of these assets are known to be in use in excess of the 5 years and hence a review was carried out. In order to assign different lives where possible assets are required to be grouped into categories and these categories can then be assigned a more specific useful life. This work was conducted by relevant operational staff in the medical electronics department and signed off by the Head of Medical Equipment Services – Mike Rowlands. The proposed revised lives are based on Mike's professional judgement informed by supplier's guidelines, maintenance contracts and past experiences with similar assets.

Any change in asset lives will not impact the prioritisation process for equipment replacement in the Health Board as this is a risk assessed process based on the condition of the asset. This information is however used to give an indication of the scale of the risks relating to backlog equipment replacement and assigning revised lives will improve the data provided in relation to this.

A list of the proposed categories with the existing and revised asset lives has been included as **Appendix 1**

### 3. GOVERNANCE AND RISK ISSUES

IAS 16 (International Accounting Standard) requires that the useful lives of property, plant & equipment and intangible assets should be reviewed at least at each year end and, if expectations are different from previous estimates, the change should be accounted for as a change in estimate. This means that for the Financial Statements any change in asset lives can be adjusted in year and for future years without any implications on prior year reported figures.

As the initial categorisation of assets has now been complete the lives will be reviewed annually as advised in IAS 16

#### 4. FINANCIAL IMPLICATIONS

Depreciation charges are funded by Welsh Government through a ring fenced allocation. Therefore any approved changes would have no impact on the Health Boards revenue financial position. A reduction in depreciation would however reduce the amount of DEL funding that would need to be provided by Welsh Government. The estimated impact on depreciation if the proposed revised lives are adopted is a reduction of £2.4m in 2018/19. For context the full depreciation charge for the Health Board in 17/18 was £32.5m. The impact on depreciation by category of asset has been included in **Appendix 2**

The impact of the Bridgend boundary change has been considered and £0.493m of this depreciation reduction relates to assets with a location of Princess of Wales, Glanrhyd or Maesteg. At the point the assets transfer to Cwm Taf, the baseline depreciation funding will however be reset and this reduction factored into that calculation.

Depreciation estimates for 2018/19 are submitted to Welsh Government in June, August and November as part of the non-cash funding return. The potential for this reduction in requirement was flagged as part of the June return and if approved will be fully factored into the August return.

#### 5. RECOMMENDATION

The Audit Committee is asked to;

**Note** the proposed revised lives and estimated reduction on depreciation charges of £2.4m in 2018/19

**Approve** the change in asset lives as a change in accounting estimates to be implemented with effect from 1<sup>st</sup> April 2018

<b>Governance and Assurance</b>					
<b>Link to corporate objectives</b> <i>(please ✓)</i>	Promoting and enabling healthier communities	Delivering excellent patient outcomes, experience and access	Demonstrating value and sustainability	Securing a fully engaged skilled workforce	Embedding effective governance and partnerships
					✓
<b>Quality, Safety and Patient Experience</b>					
<p>Whilst asset replacement is prioritised based on the condition of the asset, information held in the fixed asset register is used as an indicator of the risks associated with backlog equipment replacement. Improved data quality will aid future planning.</p>					
<b>Financial Implications</b>					
<p>The proposed changes would result in a reduction in depreciation charges of £2.4m in 2018/19. As this is a ring fenced allocation from Welsh Government there will be no impact to the Health Boards financial position. There would however be a reduction in DEL funding required from Welsh Government.</p>					
<b>Legal Implications (including equality and diversity assessment)</b>					
None					
<b>Staffing Implications</b>					
None					
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>					
None					
<b>Report History</b>	This change has been recommended for approval by the Capital Technical Group at its meeting on the 31 <sup>st</sup> May 2018				
<b>Appendices</b>	Appendix 1 – Asset Lives by Classification Appendix 2 – Impact on Depreciation 2018/19				

## Appendix 1 – Asset Lives by Classification

Classification	Existing Asset Life (yrs)	Proposed Life (Yrs)
<b>Medical Equipment</b>		
Balloon Pumps	5	5
Central Stations	5	5
Anaesthetic Machines	5	7
Bladder Scanner	5	7
Camera Stacks	5	7
Dialysis Machines	5	7
ECG Machines	5	7
EMG Equipment	5	7
Endoscopes	5	7
Foetal Monitors	5	7
Heater Cooler Units	5	7
Insufflator	5	7
Nerve Stimulator	5	7
Patient Monitors	5	7
Resusitaires	5	7
Reverse Osmosis Units	5	7
Scope Guide	5	7
Sonosites	5	7
Ventilators	5	7
Capnograph	5	8
Cardio Stress Tester	5	8
EEG Equipment	5	8
Infusion Pumps	5	8
Laser	5	8
Lithripter	5	8
Lung Function Equip	5	8
Neonatal Incubators	5	8
Rapid Infuser	5	8
Reflux Equipment	5	8
Sleep Study	5	8

<b>Classification</b>	<b>Existing Asset Life (yrs)</b>	<b>Proposed Life (Yrs)</b>
<b>Medical Equipment</b>		
Test Equipment	5	8
UV Therapy	5	8
Arthroscopes	5	10
Cabinets	5	10
Colposcope	5	10
Couch	5	10
Defibrillators	5	10
Diathermy Units	5	10
External Pacing Box	5	10
Ophthalmic Equipment	5	10
Ophthalmoscope	5	10
Patient Cooler	5	10
Theatre Lights	5	10
Audiology	5/10	10
Catheter Labs	5/10	10
Microscope	5/10	10
Slit Lamps	5/10	10
<b>Pathology</b>	<b>Existing Asset Life (yrs)</b>	<b>Proposed Life (Yrs)</b>
Cryostat	5	5
Tissue Processor	5	5
Slide Stainer	5	5
Plasma Thawer	5	5
Blood Bank	5	10
Blood Gas Analyser	5	10
<b>Other -Non Medical</b>	<b>Existing Asset Life (yrs)</b>	<b>Proposed Life (Yrs)</b>
Drug Cabinets	5	10
Cabinets	5	10
Pharmacy Robot	5/10	7
Washers	5/10	10
Beds/Mattresses	5/10	10
Catering Equipment	5/10/15	Mixed
Operating Tables	5/15	10

<b>Radiology - as per guidelines</b>	<b>Existing Asset Life (yrs)</b>	<b>Proposed Life (Yrs)</b>
Ultrasound	5	5
Gamma Camera	5	7
Mammo Unit	5	7
Mobile X-ray	5	10
CT Scanner	7	7
MRI Scanner	7	7
Special X-ray (DR) Room	7	7
General X-ray (DR) Room	7	10
Image Intensifiers	7	10
Lin Accs	10	10

## Appendix 2 – Impact on Depreciation 2018/19

Classification	Forecast Depreciation 18/19 £	Revised Forecast Depreciation 18/19 £	Change in depreciation £	Average Life	Revised Average Life	Change to Average Life
Patient Monitors	721,544	397,323	-324,220	5.59	7.00	1.41
Catheter Labs	380,317	168,763	-211,554	5.00	10.00	5.00
Drug cabinets	289,809	111,730	-178,079	5.00	10.00	5.00
Endoscopes	370,149	209,400	-160,749	5.00	7.00	2.00
Microscope	253,125	105,065	-148,060	5.49	10.00	4.51
Camera Stacks	324,902	193,939	-130,963	5.00	7.00	2.00
Lin Accs	529,426	414,461	-114,965	6.36	10.00	3.64
Washer/ Disinfectors	204,836	92,840	-111,996	5.00	10.00	5.00
Ventilators	307,868	204,750	-103,117	5.01	7.00	1.99
CT Scanner	392,796	292,258	-100,538	6.33	7.00	0.67
Operating Tables	129,864	56,744	-73,120	9.50	10.00	0.50
Mobile X-ray	123,898	56,503	-67,395	5.00	10.00	5.00
General X-ray room	115,986	57,993	-57,993	5.00	10.00	5.00
Pharmacy Robot	148,765	93,797	-54,968	5.00	7.00	2.00
ECG Machines	109,023	56,944	-52,079	5.00	7.00	2.00
Laser	82,760	32,032	-50,728	5.00	8.00	3.00
Manual handling	73,035	22,406	-50,629	8.93	15.00	6.07
Neonatal Incubators	86,644	46,020	-40,624	5.31	8.00	2.69
Defibrillators	60,941	25,632	-35,310	5.03	10.00	4.97
Cabinets	55,006	21,115	-33,891	5.30	10.00	4.70
Washers	59,503	26,309	-33,193	5.00	10.00	5.00
Ophthalmic Equipment	41,292	9,403	-31,889	5.00	10.00	5.00
Diathermy Units	37,962	10,504	-27,458	5.59	10.00	4.41
Bladder Scanner	72,843	46,939	-25,904	5.00	7.00	2.00
Resusitaires	53,154	30,160	-22,994	5.00	7.00	2.00
Image Intensifiers	45,127	22,564	-22,564	5.00	10.00	5.00
Beds/Mattresses	61,360	39,228	-22,132	6.59	10.00	3.41
Mammo Unit	58,030	38,686	-19,343	5.00	7.00	2.00
Audiology	27,515	9,210	-18,305	5.36	10.00	4.64
Cardio Stress tester	33,052	15,682	-17,370	5.00	8.00	3.00
Theatre Lights	22,183	7,333	-14,850	5.00	10.00	5.00
Anaesthetic Machines	29,152	15,774	-13,378	5.00	7.00	2.00
Foetal Monitors	30,890	19,545	-11,346	5.00	7.00	2.00
Lung Function Equip	10,921	2,976	-7,945	5.00	8.00	3.00
Colposcope	11,891	4,261	-7,630	5.00	10.00	5.00
Slit Lamps	11,676	5,217	-6,460	5.00	10.00	5.00
Blood Bank	10,700	4,517	-6,183	5.05	10.00	4.95

<b>Classification</b>	<b>Forecast Depreciation 18/19 £</b>	<b>Revised Forecast Depreciation 18/19 £</b>	<b>Change in depreciation £</b>	<b>Average Life</b>	<b>Revised Average Life</b>	<b>Change to Average Life</b>
Dialysis Machines	20,160	14,400	-5,760	5.00	7.00	2.00
Heater Cooler Units	15,162	10,108	-5,054	5.00	7.00	2.00
Lithriptor	7,560	3,024	-4,536	5.00	8.00	3.00
Sonosites	6,389	2,521	-3,868	5.00	7.00	2.00
Test Equipment	4,736	1,184	-3,552	5.00	8.00	3.00
Gamma Camera	3,878	1,293	-2,586	5.00	7.00	2.00
Sleep Study	3,690	1,287	-2,403	5.00	8.00	3.00
Blood gas analyser	2,512	419	-2,094	5.00	10.00	5.00
Ophthalmoscope	<b>2,261</b>	<b>848</b>	<b>-1,413</b>	5.00	10.00	5.00
UV Therapy	2,060	824	-1,236	5.00	8.00	3.00
Ultrasound	1,034,453	1,033,808	-645	5.10	5.00	-0.10
<b>Total</b>	<b>6,480,809</b>	<b>4,037,739</b>	<b>-2,443,070</b>			