

Accounting for Assets

Educational establishments operate in a complex financial and regulatory environment that needs robust facilities and asset management systems and processes. Chloe Harlick explains how schools, colleges and universities deal with the challenges

EDUCATION IS NOT JUST ABOUT WHAT YOU LEARN in school or at college. Formal education may be a memory of the past, but there is always much to be learnt from noting how others tackle their problems and challenges. As an ancient Hebrew aphorism puts it 'Who is wise? He who learns from all men'.

For FMs, there is a great deal to learn from the way in which educational establishments face the many challenges of managing their premises and facilities. Educational establishments operate in a complex and demanding environment. They are subject to legislation and regulation by local government, central government, academic boards and validating bodies. They are part of the wider community and must aim to be responsive to its needs. They must ensure the care and safety of a relatively transient student population, and manage and motivate both academic and administrative staff.

Schools, colleges and universities are also responsible for financial and facilities management of very valuable equipment and premises. Because they are often multi-site, their assets and equipment are usually geographically dispersed, making them harder to manage and control.

Educational establishments are subject to constant change and development. Students need access to up-to-date technology for many of their courses, so assets and equipment must constantly be upgraded and replaced, especially in the IT, engineering and science departments.

Educational institutions can be complex facilities housing a variety of activities from classrooms to labs



Projectors, laptops and other equipment are frequently moved around, and may also be loaned out to staff or students. Theft and damage is often a major problem.

Funding for buying, running, developing and expanding the asset base comes from a number of different sources, including a whole range of funding boards and grant awarding organisations. Because they receive grants and public funds, educational establishments are required to be transparent and accountable. They are answerable to their funding bodies, and must be able to show what money has been received, what it has been spent on, what (if any) is left and what it will be used for.

As a result, schools colleges and universities have developed advanced and well-integrated FM and financial systems. All schools, colleges and universities carry out an annual physical asset inventory. As well as being a government audit requirement, it is also an essential procedure to help keep track of what assets exist, where they are situated and what condition they are in. A physical asset inventory means literally going round and recording the existence, location and condition of all assets – desks, chairs, IT equipment, lab equipment and so on.

Because the inventory must be carried out every year, educational establishments have streamlined the process. Many of them have barcoded their assets, which means they can use an automated system such as Assetware Tracker, which uses a handheld computer and laser scanner to scan barcoded assets.

The annual audit is thus a simple matter of 'walk round and swipe', with extra information such as the condition of the asset, being keyed in where relevant. Many educational establishments use their own staff to carry out this procedure. Others, especially the bigger ones, outsource to a specialist company such as Assetware.

This annual inventory has several important outcomes. It results in improved security – a very important benefit in a college environment. It also means that information for insurance purposes is accurate and up-to-date, and insurance premiums are not paid on non-existent assets.

Data from the physical asset inventory is also used to tie in with the financial system. Assetware Tracker's asset tracking system integrates with the financial system and updates it. Given the stringent requirements for transparency and accountability, this is a vital benefit.

Unlike private businesses, which generate income primarily through making profits, income is received from many different sources. These include student fees, funding income from local and central government, and grants from government, EU or other sources. Money received from a funding source must be accounted for in terms of what it is used to buy. If money is allocated for a school trip, for example, the assets needed for that trip will be allocated against the funding source which has been used to fund the trip. The assets, once purchased, are then depreciated in the normal way.

Many of the funding sources are in the public sector – central and local government departments, or bodies such as the Learning Skills Council or the Higher Education Funding Council. As a result of elections, re-organisation or changes in policy, the body may cease to exist, or may merge with another body, or change the rules for awarding the funds. Flexibility is thus a fundamental requirement for the financial systems. Assetware Manager can reallocate very easily changes to the funding source, keeping track of each tranche of money received, generating reports for the appropriate body, generating a full and accurate history and maintaining a full audit trail.

Grant applications are often complex and time consuming and conditions for awarding grants are stringent. There is often some form of capital

asset involved in a grant application, and the grant may be awarded conditional on certain criteria being met. Typically grants are awarded for major projects, such as improvement to premises or a new building. Grant money may be received in one payment, at the beginning of the project or before the assets are bought. In other cases payments are phased, and sometimes payment is only released on production of the invoice or bill proving that the asset has been purchased or the work completed. The grant money may be treated as income against the project or the asset(s), which is then depreciated in the normal way. Or it may be used to offset the cost of the asset, thus reducing its depreciation. Occasionally, if the conditions for awarding the grant are not met, it must be paid back, which may result in restatement of financial statements.

The financial system must hold information on capital grants, to be released over the life of the asset. It must align the grant income with expenditure and accurately account for and report money received, due and spent. It must also tie in closely with the FM system, to track the progress of projects and keep track of assets purchased.

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