

ASSET MANAGEMENT STRATEGY

1 INTRODUCTION

- 1.1 This report presents an update to the Partnership's Asset Management Strategy and Asset Derecognition Form to address the recommendations from the Annual Audit Report 2024-25.

2 BACKGROUND

- 2.1 Effective asset management plays a critical role in achieving SEStran's business objectives and ensuring the organisation's long-term sustainability. The SEStran Asset Management Strategy outlines SEStran's approach to managing assets throughout their lifecycle, from acquisition to disposal, in alignment with our organisational goals and regulatory requirements.

As per Appendix 1, the Audit Scotland Annual Audit Report 2024-25, presented to the Partnership Board Meeting on 26th September 2025, provided the below recommendation following a review of non-current SEStran assets:

"The partnership should improve its processes and documentation around the disposal of assets."

The following action was agreed as a result of this recommendation:

"The Asset Management Policy will be amended to include a requirement for recommendations for the derecognition of specific assets to be approved by the Partnership Director before they can be removed from the asset register."

- 2.2 In order to address this action, the Asset Management Strategy has been updated to include guidance on the procedure for the disposal of assets and an asset derecognition form has been drafted alongside this. These actions address the recommendations from the report including the requirement for approval by the Partnership Director.
- 2.3 The following proposed guidance has been added to the SEStran Asset Management Strategy paragraph 6:

Asset Derecognition Procedure

As per the Accounting Policy at paragraph 4.3, an asset is de-recognised either on its disposal, or where no future economic benefits or service potential are expected from its use or disposal.

For an asset to be derecognised an asset derecognition form must be completed and submitted to the Partnership Director for approval. Once the Partnership Director has approved, the form should then be passed to finance for approval.

Only once an asset derecognition form has been signed off by the Partnership Director and finance can the asset be removed from the Asset Register.

2.4 At the Performance and Audit Committee on the 27th February, the addition outlined in paragraph 2.3 was approved, subject to any recommended changes following a discussion with External Auditors and the Treasurer around delegated asset derecognition limits to the Partnership Director, the update to the SEStran Asset Management Strategy and the associated process to approve derecognition of assets through the Asset Derecognition Form.

3 RECOMMENDATIONS

3.1 The Partnership is asked to note the contents of the report.

Beth Harley-Jepson
Project Officer

Appendix

1. Extract from Audit Scotland Annual Audit Report 2024-25
2. SEStran Asset Management Strategy v 0.2
3. SEStran Asset Derecognition Form

Policy Implications	There is no policy implication arising from this report.
Financial Implications	There is no financial implication arising from this report.
Equalities Implications	There are no adverse equalities implications arising from this report.
Climate Change Implications	There are no negative climate change implications arising from this report.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Derecognition of non-current assets</p> <p>SEStran has undertaken a review of its non-current asset register and overall asset strategy. Our audit identified further improvements could be made to provide a robust audit trail for all disposals of non-current assets.</p>	<p>The partnership should improve its processes and documentation around the disposal of assets. In addition, given the complex accounting requirements around non-current assets, management should ensure sufficient co-ordination and advice is sought from its finance partners.</p>	<p>Accepted</p> <p>The Asset Management Policy will be amended to include a requirement for recommendations for the derecognition of specific assets to be approved by the Partnership Director before they can be removed from the asset register.</p> <p>Partnership Director</p> <p>December 2025</p>



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Document Version Control

Date	Author	Version	Status	Reason for Change
March 2025	SEStran	0.1	DRAFT	For approval by Partnership Board.
March 2025	SEStran	1.0	FINAL	Approved by Partnership Board
February 2026	SEStran	1.1	DRAFT	Addition of asset derecognition guidance

1 Introduction

1.1 Effective asset management plays a critical role in achieving SEStran's business objectives and ensuring the organisation's long-term sustainability. This strategy outlines SEStran's approach to managing assets throughout their lifecycle, from acquisition to disposal, in alignment with our organisational goals and regulatory requirements.

2 Definition of an Asset

2.1 An asset is a resource with economic value that is owned or controlled by an organisation with the expectation that it will provide a future benefit. SEStran's assets fall into three broad categories.

2.1.1 **Property, plant and equipment** – tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one (accounting) period. The Partnership currently holds electronic bicycles and Ticketer equipment, ICT equipment and electronic screens, which support the real time bus passenger information (RTPi) system.

2.1.2 **Leases** – a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for the lease term.

2.1.3 **Intangible asset** – an identifiable non-monetary asset without physical substance, which is controlled by the Partnership as a result of past events, and from which future economic benefits or service potential are expected to flow. The most common class of intangible assets in local authorities is computer software.

3 Asset Register

3.1 Any asset that is procured must immediately be added to the Asset Register. This is a detailed record that lists all of the assets held by SEStran. It serves as a comprehensive inventory of the assets, providing essential information about each asset to help manage and track them effectively. It includes the following details:

3.1.1 **Asset Number:** Every asset on the Asset Register should be assigned a unique identification number, in sequence from the most recent previously procured asset. Where practical, a sticker showing the Asset Number should be securely attached to the asset. In cases where this is not practical, a note should be added to the Asset Register detailing why this is the case.

- 3.1.2 **Serial Number:** The manufacturer's serial number for an individual asset should be recorded on the Asset Register to aid identification.
- 3.1.3 **Asset Category:** Each asset should be assigned to a general category in order that assets can be grouped with those of a similar type e.g. eBikes, RTPI screens. In order to prevent a proliferation of Asset Categories, new categories must be agreed by the Partnership Director.
- 3.1.4 **Asset Location:** The location of the asset should be clearly recorded. For example, a general location such as railway station is unlikely to be specific enough to allow it to be identified quickly in an asset check undertaken by a new member of staff. In cases like this, a more specific direction such as 'above concourse on platform 14' may be more appropriate.
- 3.1.5 **Date of Addition:** This should be the date when ownership of the asset is passed to SEStran, usually the date on which a supplier's invoice is paid.
- 3.1.6 **Cost:** This is the financial cost to SEStran when the asset is procured.
- 3.1.7 **Useful Life:** For accounting purposes, the useful life of an asset must be estimated when it is procured. This is essential in order to determine depreciation and net book value.
- 3.1.8 **Estimated to be Fully Written Down:** This is a function of 'Date of Addition' and 'Useful Life' and, for asset management planning purposes, can be used as a guide for when an asset may require to be replaced.
- 3.1.9 **Net Book Value:** This is the value of the asset after application of depreciation and any impairment adjustment. It will also reflect any revaluation of the asset.

4 Accounting Policy

- 4.1 The Accounting Policy is presented in the table in paragraph 4.3 below.
- 4.2 The Partnership is required to adopt International Financial Reporting Standard 16 Leases (IFRS 16), when preparing the Annual Accounts for 2024/25. Any further update to Accounting Policies required for adoption of IFRS16 will be reported to the Partnership when the unaudited Annual Accounts are presented in June 2025.

4.3 Accounting Policy

Tangible Assets

Plant and equipment is categorised into the following classes:

- Vehicles, plant, furniture and equipment;
- Assets under construction.

Recognition

- Expenditure lower than £10,000 on individual assets is charged to revenue.

Measurement

- Assets under construction are initially measured at historic cost, comprising their purchase price and any costs attributable to bringing the assets into use for their intended purpose.
- All other classes of property, plant and equipment are measured at fair value.
- Vehicles, plant, furniture and equipment - fair value is the amount equivalent to depreciated historical cost for short life and/or low value assets. For assets with longer lives and/or high values, fair value is the amount that would be paid for the asset in its existing use or depreciated replacement cost for specialised /rarely sold assets where insufficient market-based evidence exists.
- Surplus assets - fair value is the price that would be paid for an asset in its highest and best use.

Depreciation

- Depreciation is provided on all property, plant and equipment, other than assets under construction.
- The Partnership depreciates its non-current assets in the year of acquisition. The Partnership will operate a five-year rolling revaluation programme for assets and provides for depreciation on a straight-line basis on the opening book value plus the cost of acquisitions and enhancements during the year over the remaining useful life of the asset.
- The charge to the Comprehensive Income and Expenditure Statement for the year is impacted by changes in asset value during the year arising from enhancements but not revaluation.

De-recognition

- An asset is de-recognised either on its disposal, or where no future economic benefits or service potential are expected from its use or disposal.

Intangible Assets

Recognition

- Intangible assets are non-current assets that have no physical substance but are identifiable and controlled by the Partnership and it can be established that there is an economic benefit or service potential associated with the item which will flow to the Partnership. This expenditure is mainly in relation to the purchase of software licenses. Expenditure on the acquisition, creation or enhancement of intangible assets is capitalised on an accruals basis.

Measurement

- Intangible assets are initially measured at cost and included in the Balance Sheet at net historical cost.

Depreciation

- In most cases intangible assets are depreciated over the period of the licence. Where the period of the licence is deemed 'infinite' the software is depreciated based on an assessment of expected useful life.
- Depreciation is calculated using the straight-line basis on the opening book value over the remaining useful life of the asset.

5 Annual Asset review

5.1 Annual Asset Impairment Review: As part of the annual, end-of- financial-year asset review process, SEStran will undertake an impairment review to establish the condition and value of all assets, and whether the remaining useful life and / or book value require to be adjusted.

This does not necessarily mean that each individual asset will be inspected. It may be that the value of assets in a given asset category is reducing more quickly than originally assumed, so adjustments may have to be made to remaining useful life and / or net book value.

5.2 **Asset Impairment at other times:** the Asset Register should be updated immediately to reflect changes to the condition or operation of an asset e.g. if an asset is no longer operable and cannot be repaired, the Asset Register should be updated.

5.3 Assets must be physically (or otherwise) checked prior to the end of each financial year, in order to ensure that the asset values reported in the financial statements are accurate and provide a true and fair view of the Partnership's financial position.

5.4 A snapshot should be taken of the Asset Register on the final day of a financial year, and columns added to show the date on which the asset was checked, the member of staff who checked the asset, and any relevant notes regarding its condition, operation etc.

5.5 For many assets, such as eBikes, this will require each individual asset to be checked by locating the asset and taking any photographs necessary to show its unique Asset Number.

5.6 For other Asset Categories, such as RTPI PCs and screens, it may be possible to remotely check whether the equipment is in operation.

- 5.7 It should be remembered at all times that evidence that the asset was checked and was operable at that time must be good enough to satisfy an audit at a later date.

6 Asset Derecognition Procedure

- 6.1 As per the Accounting Policy at section 4.3, an asset is de-recognised either on its disposal, or where no future economic benefits or service potential are expected from its use or disposal.

- 6.2 For an asset to be derecognised an asset derecognition form must be completed and submitted to the Partnership Director for approval. Once the Partnership Director has approved, the form should then be passed to finance for approval. Only once an asset derecognition form has been signed off by the Partnership Director and finance can the asset be removed from the Asset Register.

7 Strategy Review

- 7.1 This document requires to be reviewed within a three-year period of previous approval by the Partnership Director and Principal Accountant.

SEStran Asset Derecognition Form

This form is used to record the disposal of a SEStran asset and ensure compliance with organisational procedures. This is in line with SEStran's Asset Management Strategy which states assets should be de-recognised either on its disposal, or where no future economic benefits or service potential are expected from its use or disposal.

1: Asset Details

Asset Description: _____

Access ID/ Serial Number (attached in separate document for more than one asset):

Category (Bikes/ RTPI/ IT equipment): Choose an item.

Location: _____

Current Book Value: _____

2: Reason for being de-recognised

- Obsolete
- Damaged Beyond Repair
- Surplus to Requirements
- Other (please specify): _____

3: Disposal Method

- Recycling / Disposal
- Donation / Transfer

Vendor / Recipient Name: _____

Supporting Documentation Attached: Yes No

4: Compliance & Approvals

Data Securely Wiped / Sanitised (for IT assets): Yes N/A

Partnership Director Approval:

Name: _____

Signature: _____

Date: _____

Finance Approval:

Name: _____

Signature: _____

Date: _____

5: Disposal Confirmation

Date of Disposal: _____

Disposal Certificate / Receipt Attached: Yes No

Once this form has been completed, the document should be saved in PDF format and saved in SharePoint (Corporate > Asset Register). The asset should then be removed from the asset register as it has been de-recognised.