

# Disposal of Assets

New policy number: **217**  
 Old instruction number: **GM502**  
 Issue date: **29 April 1997**  
 Reviewed as current: **11 January 2017**  
 Owner: **Assistant Director, Technical and Commercial (P)**  
 Responsible work team: **Corporate Procurement Services**

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# 1 Introduction

## Scope of items for disposal

- 1.1 This policy gives guidance on the procedures to be followed in the identification and disposal of the following items or assets which are deemed surplus, obsolete, unserviceable, damaged or at the end of their life:
- stock or inventory items
  - vehicles and operational equipment items (note that these items are disposed by Babcock under the provisions of the Vehicle and Equipment contract)
  - OSG (Operations Support Group) items
  - non-operational equipment items
  - furniture, fixtures and fittings
  - PPE, uniforms and clothing
  - temporary buildings (note that this policy does not cover the disposal of leasehold and freehold interests in land and property – please refer to the code of practice on disposal of land <http://www.london-fire.gov.uk/LFEPAPublications.asp>)
  - This policy should be construed as covering all stocks of materials, equipment or other items, unless otherwise excepted, which are no longer required.
- 1.2 For the most part, this policy refers to items in the ownership of the London Fire Commissioner. Items which have been leased or hired are referred to in section 9.

## 2 Financial regulations

- 2.1 The disposal of assets is covered by Financial Regulation 19 which provides:
- "Heads of departments shall be responsible for making arrangements for the disposal of surplus stores, equipment, furniture, etc., subject to the prior concurrence of the Director of Finance and Contractual Services and in accordance with any policy laid down by the London Fire Commissioner."
- 2.2 The writing off of losses on disposal is covered by Financial Regulation 20, which provides:-
- (a) "Subject to their keeping records in a form approved by the Director of Finance and Contractual Services, heads of departments may write off losses
- (i) of up to £500 excluding VAT in respect of any one item in respect of the loss to the London Fire Commissioner on the disposal of damaged, obsolete or redundant stock or other item at prices less than the book value at the time of disposal.
- (b) Heads of departments shall refer all other cases to the Director of Finance and Contractual Services who may require a report to be submitted to the London Fire Commissioner. The Director of Finance and Contractual Services may write off losses to a limit of £50,000 excluding VAT without reporting to the London Fire Commissioner, provided no major question of principle is involved and that proper steps have been taken to mitigate the loss and prevent a recurrence of it where appropriate. Sums to be written off above £50,000 excluding VAT in relation to single debtors will require the approval of the relevant committee after consideration of a report from the Director of Finance and Contractual Services."
- 2.3 It should be noted that "any one item" in Financial Regulation 20 (a) (i.) above means any item or group of items being written off collectively at any one time. Separate guidance on the writing off of losses is given in [Policy number 218](#) – Writing off losses.

### **3 Code of practice on tenders and contracts**

- 3.1 Regard must be given to the code of practice on tenders and contracts, particularly when asset values exceed the thresholds contained therein. In particular, where the realisable value is expected to be greater than £10,000 then the disposal would usually need to be tendered.

### **4 Responsibilities for disposals**

#### **Local managers**

- 4.1 Responsibility for identifying surplus and/or obsolete items of all types covered by this policy primarily lies with local managers, who should take the initial action towards disposing of such items in conjunction with their head of service. This includes collating the required information on the items (description, book value etc.), identifying the appropriate disposal route, seeking the appropriate approvals and implementing the approved disposal route in accordance with this policy. The Disposal Certificate (refer to Appendix 3) should be used for this purpose.

#### **Designated disposals officers**

- 4.2 Responsibility for disposals lies with the appropriate Director, Head of Service or Assistant Commissioner, who may nominate officers to exercise this duty on his/her behalf. In practice, as a general guide, disposal responsibilities are exercised by the following officers, who are referred to in this policy as the 'disposals officer' for the item(s) concerned:
- (a) Inventory items issued by the Operations Support Centre (OSC) - the Head of Procurement and Technical & Service Support.
  - (b) Temporary buildings, furniture, fixtures and fittings, and other property related items - the Principal Property Manager
  - (c) Vehicles and operational equipment assets including equipment issued by OSG – the Deputy Assistant Commissioner for Technical & Service Support (TSS). For those items within the scope of the Vehicles and Equipment contract, the contractor (Babcock Critical Services Limited) is responsible to dispose of assets in accordance with the best value provisions and approvals processes set out within the contract. Refer to Appendix 4 and 5 for the further details.
  - (d) Information and Communication Technology (ICT) equipment, including operational equipment issued by Communications Group - the Head of ICT.
  - (e) Other items not covered by (a) to (d) above are the responsibility of the relevant head of service which manages those items.
  - (f) Where there is no single identifiable head of service responsible for the items, the Head of Procurement and Technical & Service Support may adopt the responsibility as disposals officer.
  - (g) The Head of Procurement and Technical & Service Support is responsible to approve all disposals as a charitable donation as detailed in paragraphs 6.10 to 6.16 of this policy.

### **5 Procedures for disposal of items as waste**

#### **Priorities in the hierarchy of waste disposal**

- 5.1 The Brigade's waste management objectives and principles are set out in the Brigade's waste management plan and are relevant to disposals. Specifically, the Brigade is committed to

adopting the principles of the waste hierarchy, as established by The Waste (England and Wales) Regulations 2011, throughout all Brigade activities which generate waste. This means that if an activity or use of a product is likely to generate waste, the Brigade will give priority to waste prevention in the first instance followed by preparing it for re-use, then recycling, then other recovery such as energy recovery, and last of all disposal (for example landfill).

### **Clothing and PPE**

- 5.2 For the disposal of unserviceable items of clothing and PPE, such items should be recycled in accordance with the procedure set out in [Policy number 533](#) - uniform and personal protective equipment excluding structural firefighting PPE.

### **Stock**

- 5.3 In the case of unserviceable stock or inventory items, directors, heads of service and assistant commissioners and their appointed officers should follow the Brigade's write off procedures and amend stock or inventory records as appropriate.

### **Electrical items**

- 5.4 Defective or obsolete items of electrical equipment should be disposed of in accordance with [Policy number 643](#) - Hazardous waste disposal procedure. However, in the case of more valuable items (such as mobile generators), consideration should be given whether it would be more cost-effective to enhance the resale value via arranging minor repairs by a suitably qualified person, which could thereby avoid disposal as waste.

### **Scrap value**

- 5.5 In some instances, an item may have a residual scrap value such as the value of its metal content. In such cases advice should be sought from the Head of Sustainable Development regarding the London Fire Commissioner's obligations regarding the transport of waste.
- 5.6 The remainder of this policy provides guidance on what actions to take in the disposal of all other surplus and/or obsolete stock, furniture, vehicles, equipment (operational and non-operational), and other items which have a value and are therefore not classified as 'waste' under the Controlled Waste Regulations (England and Wales) 2012.

## **6 Procedures for disposal of non waste items**

### **General considerations**

#### **Valuation of items for disposal**

- 6.1 The residual value of the item(s) for disposal needs to be determined. The item may have a book value shown on the London Fire Commissioner's accounts. This information is available from the Head of Finance. The item may also have an expected realisable price in the market place. This may be more or less than its book value. These values need to be determined where appropriate in order to ensure compliance with the provisions of this policy and Financial Regulations.

#### **Certification of items as surplus to requirements - Disposal certificates**

- 6.2 Before any disposal can take place, the items concerned must be inspected and formally certified as surplus to the requirements of the London Fire Commissioner, using form number 5638 (Disposal Certificate) available from disposal officers – see Appendix 3. Before serviceable items are certified as surplus to requirements, consideration must be given to their possible use in other

parts of the Brigade. Formal certification requires two independent signatures, as set out below except for computer equipment:

- (a) Items with a residual value of up to £500 (excluding VAT)
  - (i) at fire stations, the station commander and the relevant disposals officer;
  - (ii) at other operational establishments, the head of section and the disposals officer;
  - (iii) at 169 Union Street, the section head and the disposals officer.
  - (iv) in cases where the appropriate disposals officer is directly responsible for the items for disposal, the other signatory on the disposals certificate should be that of an officer of higher grade/role than the disposals officer.
- (b) Items with a residual value of over £500 (excluding VAT)
  - (i) as in 7.1(a), but the concurrence of the Head of Finance, (acting on behalf of the Director of Finance and Contractual Services) shall also be sought. The Head of Finance will wish to be informed at this stage of the means of disposal proposed.

6.3 All items of computer equipment for disposal should be certified first by the head of the section where they are held and secondly by the Head of ICT.

6.4 Disposal certificates should be retained by the relevant designated disposals officer for completion and audit trail purposes after the disposal has taken place (refer to Appendix 3 for the revised Disposal Certificate).

#### **Disclaimer**

6.5 For many disposals, a disclaimer should accompany any sale or gift of an item as to the condition of the item, to the effect that the Brigade has no further responsibility for it once the sale, transfer or donation has taken place. It may be appropriate for the recipient to sign an appropriate indemnity form. Further advice should be sought from the designated disposals officer or Legal Services in any instance where the items might pose a danger to the recipient or members of the public, such as gas cylinders or breathing apparatus. A sample disclaimer form is included in Appendix 2, however this may need to be tailored to the particular circumstances in which case advice should be sought from Legal Services.

#### **Inventories and stock records**

6.6 Immediately after items have been disposed of or items for disposal have been removed from the premises where they were kept, the appropriate inventories and/or stock records should be amended accordingly.

#### **Temporary buildings**

6.7 For the disposal of temporary buildings (e.g. a 'Portacabin'), the manager who identifies such a temporary building as surplus to requirements should inform the Principal Property Manager, who will arrange for cutting off the appropriate services and for its possible use by another Brigade user, or disposal in accordance with this policy.

#### **Means of disposal**

6.8 For non waste items certified as surplus to requirements, there are two categories of disposal:

- either the most financially beneficial method should be chosen to achieve best value for the Brigade,

- or in the case of disposal via charitable donation, the provisions set out in paragraphs 6.10 to 6.16 should be applied.

The main consideration is that disposals must be legally compliant, conducted in a sustainable manner, achieve best value for the Brigade or in the case of charitable donations, comply with the Brigade's policies, and be properly recorded and fully auditable.

## Disposal via best value routes

6.9 The various methods of disposal via best value routes are listed below:

- (a) **Use of any existing arrangements for disposal** - The advice of the Head of Procurement and Technical & Service Support may be sought to identify whether there are any existing disposal arrangements in place including collection, sale or recycling.
- (b) **Invitation of quotations and tenders** - When the expected realisable value of the item(s) for disposal is over £500, quotations should usually be sought. When the expected realisable value is over £10,000, tenders must usually be sought unless the disposals officer considers that a fair price can only be obtained by negotiation, part exchange or by sale at auction. In these circumstances the procedures set out in the Code of Practice on Tenders and Contracts must be followed.
- (c) **Part exchange** - The opportunity to dispose of equipment as part exchange in the purchase of new equipment should be explored and assessed on a best value basis.
- (d) **Auction** – Disposal via auction should be considered when it is likely to be the most cost-effective or best value option. In such cases, it important to take into account commission rates and the terms and conditions of the auction. Auction houses usually conduct business according to their own conditions of sale, which would ordinarily take precedence over the Brigade's terms and conditions of contract. The basis of the auctioneer's fee is usually a percentage commission on the price obtained at the sale. It is therefore essential that, before placing items for disposal by auction, the conditions of sale and the commission rate are known, understood and assessed as being acceptable to the Brigade. Goods offered for sale at auction are 'as seen'. The London Fire Commissioner 's disclaimer (see paragraph 6.5 and Appendix 2) must accompany any goods put up for auction, and at the auction there will be a similar disclaimer from the auctioneer. The quantity and size of the items to be disposed of will influence whether they are taken to the auction house or remain on site for viewing. In the latter case formal bids will be made to the auctioneer at the time of the auction. Whether the items remain on site or not, it is the responsibility of the buyer to arrange removal. Where applicable, it is advisable to stipulate a collect by date as part of the conditions of sale.
- (e) **Negotiation with a single purchaser** - The opportunity to negotiate sales of items to a single purchaser (e.g. local scrap merchant or second hand dealer) should be pursued when it provides best value to the Brigade. Bids should be obtained in writing wherever possible and any sales must be approved by at least two officers, one of whom must not be lower than FRS F/Group Commander level.
- (f) **Sale to staff** - In the case of surplus items which members of staff wish to acquire for private use (e.g. office furniture, computer equipment), the following principles should be observed:
  - (i) Where an item(s) is likely to attract a reasonable return at a public auction after disposal costs have been taken into account, it should be put to auction and the details of the

auction published to staff advising them of the nature of the item(s) and the auction details. Staff may then bid at the auction.

- (ii) When external interest in the item is unlikely, or where quotations or tenders have been invited but none received, or it is uneconomical to proceed with other routes for best value disposal, then the item may then be advertised in a Brigade wide publication. The advert should include the name of a contact for further details. For an item which would likely result in a residual value being realised, a formal sealed bid process will be administered by the Procurement department. Enquirers should be advised to submit a sealed bid to the Procurement department by a specified date. The sealed bids will be opened after the specified date by two officers, who must not have submitted a bid, and at least one officer must be FRS F/Group Commander or above. Individual items may then be sold to the highest bidder. A record of all bids received must be kept and details of the successful bid must be made available on request. The procedure should be followed even if only the current users of the item(s) have expressed interest in them.
- (g) **Disposal as scrap** - If the item is damaged beyond economic repair, or has no further use, or has no realisable value, then its scrap value may provide the best value route for disposal. In such instances, advice should be sought from the Head of Procurement and Technical & Service Support or the Head of Sustainable Development regarding options for disposal.

## **Disposal via donations**

### **Delegated authority for charitable donations**

- 6.10 The authority to dispose of vehicle, equipment and other assets (excluding property or land) as a charitable donation is delegated to the Head of Procurement and Technical & Service Support (refer to FEP2048). Decisions to dispose as a charitable donation shall be based on the principles set out below under "Qualifying factors".

### **Qualifying factors**

- 6.11 Except for zero value items, recipients of charitable donations made under this policy must be a not for profit organisation such as a public fire and rescue service, other public sector or central government organisation or government body, or registered charity, or third sector, voluntary sector or community sector organisation. In the case of an item(s) having a financial value, as covered in 6.12 (c.) to (e.) below, donations shall only be made where it is considered that the item(s) would be otherwise unaffordable by the recipient organisation. In the case of operational vehicle, operational equipment or OSG items, donations shall only be made where it will specifically contribute to the enhancement of fire and rescue capabilities, fire safety or other safety within the recipient country or region. The Head of Procurement and Technical & Service Support is responsible for identifying, approving and disposing of items suitable for donations, subject to the prior concurrence of the Director of Finance and Contractual Services.
- 6.12 All decisions to dispose of vehicle, equipment and other assets as a charitable donation must fulfil at least one of the following sub criteria:
- (a) The expected residual financial value of the asset is nominal or zero.
  - (b) It is uneconomical to dispose of the asset or assets via a best value route where the expected costs of disposal would outweigh the expected proceeds.
  - (c) The net proceeds after disposal costs via an alternative best value route would otherwise be less than £4000 per single vehicle.

- (d) The net proceeds after disposal costs via an alternative best value route would otherwise be less than £1000 per single item of operational equipment or OSG item.
  - (e) The net proceeds after disposal costs are less than £250 per single item, where the asset is not a vehicle or item of operational equipment or OSG item.
- 6.13 The Head of Procurement and Technical & Service Support will maintain a register of requests received from time to time for charitable donations of vehicles, equipment and other assets, and will refer to that register when considering the most appropriate route for disposal. A record of all donations made under this policy shall be included in this register. In any 12 month rolling period, the total of such donations made to a single country recipient shall not exceed £25,000 in value (estimated on the basis of what the net proceeds would be after disposal costs via an alternative best value route).
- 6.14 If the Head of Procurement and Technical & Service Support believes it is appropriate to dispose of vehicle, operational equipment or other asset via a charitable donation and considers there are justifiable reasons but which are not provided by the above decision making framework, then he or she may seek approval of the relevant Committee.
- 6.15 Where items for disposal are identified as being likely to be of interest to other countries' fire and rescue services, they should inform the appropriate disposals officer accordingly who should then seek the advice of the Head of Procurement and Technical & Service Support.

#### **VAT implications**

- 6.16 It should be taken into account that donated items may incur a VAT charge to the Brigade if, in the opinion of the VAT inspector, the item should be subject to VAT. Further information and examples are provided in Appendix 1. Refer to the Head of Finance for further advice.

## **7 Disposals registers**

- 7.1 Disposals Registers should be maintained by the designated disposals officers as the official record of disposals. Records should take the form of a loose leaf file and comprise of completed Disposals Certificates with any relevant paperwork attached or referenced. Once the sale or transfer of an item or items for disposal has taken place, the disposals officer should complete Part C of the Disposals Certificate and place it in numerical order on the appropriate Disposals Register file.

## **8 Accounting treatment for disposals**

### **Invoices**

- 8.1 In the case of sales, unless it is clearly inappropriate, an official Brigade invoice should be raised and presented to the purchaser.

### **Value added tax**

- 8.2 Except in the case of sales outside the EU, which are zero-rated, all sales should include reference to VAT at the prevailing rate in the price agreed, whether inclusive or added separately. It is for the disposals officer to calculate the amount of VAT (on an inclusive price at a rate of 20% the VAT element is 1/6<sup>th</sup>). Full details as to the appropriate treatment of VAT on the disposal of assets are given in Appendix 1. Further advice is available from the Head of Finance.



## Cash

- 8.3 Cash payment for sales should be discouraged, but any cash received should be deposited with the Head of Finance, 169 Union Street, SE10LL, who will issue a receipt and credit the relevant amount to the appropriate income code. The VAT element should be shown and coded separately.

## Cheques

- 8.4 Cheques received from sales should be made payable to 'The London Fire Commissioner' and crossed 'A/C payee'. The date, payee, amount and signature should all be checked on receipt. Cheques should be sent promptly to Finance Department, 169 Union Street, London, SE10LL. They should be accompanied by the invoice remittance slip or by a voucher or memorandum giving brief details of the sale, the account code to which the payment should be credited and the VAT element.

## Balance sheet items

- 8.5 In the case an item originally purchased with capital funds, the asset may have a current book value entered on the London Fire Commissioner's balance sheet. The officer managing the disposal should liaise with the Head of Finance so that the book value can be determined and any necessary adjustments to the London Fire Commissioner's balance sheet and asset register can be considered. Note that the book value is the amount recorded on the London Fire Commissioner's balance sheet and may differ from the residual value. The latter refers to the value that could be received if the item were sold; the residual value may be less or more than the book value.

## Writing-off of losses

- 8.6 Where obsolete or redundant stock items (i.e. items held in store which have not been issued for use by the Brigade) are to be disposed of at prices less than book value, they should be written off in accordance with Financial Regulation 20 and the guidance given in [Policy number 218](#) – Writing off losses.

## 9 Leased or hired equipment

- 9.1 Where equipment (other than computer equipment) which has been leased or hired is no longer required in its existing location, the appropriate designated disposals officer should be informed. The disposals officer should then establish whether the item is required elsewhere in the Brigade, and whether any penalty charges would be incurred for early return of leased equipment. If, after consultation with the officer who arranged the lease or hire, it is decided that the item should be returned, arrangements should be made to return it to the leasing or hiring company in accordance with the terms of the lease or hire.
- 9.2 In the case of leased or hired computer equipment which is no longer required, the Head of ICT should be informed and should take the appropriate action. Where vehicles or equipment are held on finance leases, advice should be sought from the Head of Finance regarding the financial implications of terminating the lease.

## 10 Policies affected

- 10.1 This policy should be read in conjunction with [Policy number 218](#) - Writing off of losses and the Code of Practice on Tenders and Contracts.

## Appendix 1 - VAT payable on disposal of assets (excluding vehicles, land & property)

Assets that are sold or gifted are normally considered as a supply for value added tax purposes, therefore when establishing the sale price, VAT must be added.

### 1 All Transactions within the United Kingdom and the European Union (EU)

If an asset is to be sold or donated to an organisation or individuals within the UK or European Union, then the sale or gift (donation) is subject to VAT (exceptions to this rule are detailed in section 3 below).

- (a) Asset no longer required, but has a second hand value or scrap value. The sale is subject to VAT. When agreeing a price it must be made clear at the time whether the price is VAT inclusive or exclusive.

**Example A:** Price agreed £250 (VAT inclusive)

Income to the London Fire Commissioner £208.33

VAT (20%) £41.67

Total payment due is £250.00

**Example B:** Price agreed £250 (VAT exclusive)

Income to the London Fire Commissioner £250.00

VAT (20%) £50.00

Total payment due is £300.00

If the donated asset has some financial value to the London Fire Commissioner (i.e. either second hand or scrap value), VAT must be paid to HM Revenue & Customs (HMRC) even though no cash is received. This becomes a cost to the London Fire Commissioner and with the proper authorisation (which must be obtained before the asset is given away) should be recorded as expenditure against an appropriate revenue code, with a corresponding credit to the VAT Outputs code. The Head of Finance must be informed of any such transactions.

- (b) If the asset has no second hand value and is sold for scrap, VAT is due on the scrap value.

**Example:** £10.00 is received for scrap

General ledger posting; Income to the London Fire Commissioner £10.00

VAT (20%) £2.00

Total payment due £12.00

- (c) If the asset has been unused from new and is then given away then VAT equal to VAT on the current purchase price at the time of disposal is payable to HMRC.
- (d) If the asset has no second hand value or scrap value and is given away then no VAT calculation is involved.

### 2 Transactions outside the European Union

If the asset is sold or given away to an organisation outside the EU then the transaction is deemed as zero rated for VAT purposes. Documentary evidence that the asset has been exported must be obtained and held for inspection by the VAT Inspector. The evidence of export should be a copy of the shipping documents or the customs declaration or postal certificate. A letter from the

recipient confirming export would not be acceptable. The London Fire Commissioner must be the actual exporter of the goods in question. Supplies to a UK or other EU member state recipient for later export would be standard rated (i.e. subject to current rate of VAT).

### **3 Exceptions and special schemes**

It should be noted that there are special schemes for some second-hand goods as follows:

- boats and outboard motors
- cars
- works of art, antiques and collectors' pieces
- caravans and motor caravans.

Where second hand goods fall into the above categories reference should be made to Finance Accountancy Services/Control Accounts for guidance. NB: When a purchaser of an asset is based in another EU member state VAT may be omitted from the transaction if the purchaser can supply a valid EU VAT registration number.

## Appendix 2 - Suggested form of indemnity

For the sale, donation or transfer of goods to another party, it is important that the London Fire Commissioner's interests are protected. For many disposals, a disclaimer should accompany any sale or gift of an item as to the condition of the item, to the effect that the Brigade has no further responsibility for it once the sale, transfer or donation has taken place. It may be appropriate for the recipient to sign an appropriate indemnity form. Further advice should be sought from the designated disposals officer or Legal Services in any instance where the items might pose a danger to the recipient or members of the public, such as gas cylinders or breathing apparatus. A sample disclaimer form is included in Appendix 2, however this may need to be tailored to the particular circumstances in which case advice should be sought from Legal Services.

The recipient's attention is drawn to the following disclaimer:

"The goods are sold or provided as seen. They may not conform to present legal requirements (e.g. as to safety) and the recipient will be deemed to be aware of his/her responsibilities in this respect. The London Fire Commissioner does not guarantee the ability of the goods to comply with any statutory provision or to be suitable for the use to which they are to be put; nor does it accept responsibility for any defect discovered after the sale or transfer has taken place. The recipient shall be responsible for any damage or injury to persons or property, however caused, arising from the sale or transfer, and shall indemnify the London Fire Commissioner against any claim for accident or loss consequent upon any act, neglect or omission of the recipient or his servants or agents."

I have read and accept the terms of the foregoing disclaimer and I acknowledge receipt of the items listed below.

Signature of recipient .....

Name and contact address of recipient .....

(Capitals)

.....

.....

.....

.....

Organisation .....

.....

Organisation address (if different from above) .....

.....


.....

.....

.....

Date .....



 <b>LONDON FIRE AND EMERGENCY PLANNING AUTHORITY</b>	<h1>Disposals Certificate</h1>	<b>Certificate No</b>  <i>(date suffixed by initials)</i>
<b>Part C. (To be completed by the Designated Disposals Officer)</b>		
Method of disposal:		
Date of disposal:		
Person/organisation receiving item(s):		
Amount received/invoiced: £ (including VAT)		
<i>(complete the following according to whether payment has been received or whether an invoice has been raised on PIMS)</i>		
Date payment passed to Finance:	Date invoice raised:	
Type of payment: cash/cheque (delete as appropriate)  Cheque no:	Invoice no:	
	Comments:	
I confirm that the above item(s) have been disposed of in a proper and cost effective manner. The above sum has been received in payment and passed to the Head of Finance or an invoice for the amount has been raised.	Signed:	
	Name (print): (Disposals Officer)	
	Date:	

Form 5638

For administrative and audit purposes, copies of completed forms should be sent to/kept by:

Designated Disposals Officer

Head of Finance

Local file

## Appendix 4 - Excerpt from Vehicles and Equipment Contract with Babcock Critical Services

The following is an excerpt from the vehicles and equipment contract with Babcock, and should be read and understood within that context. For example, in Clause 29.2, "the decision will be at the sole discretion of the Authorised Officer" is a contractual provision whereas in practice, the Authorised Officer would be subject to compliance with the Brigade's internal policies, including Policy 217. The excerpt is provided here for information purposes only.

### **29 Disposal of Fleet Items and Operational Equipment Items**

- 29.1 The Contractor (Babcock) shall be responsible for removing and returning to the London Fire Commissioner communications equipment, audible and visual warning devices, insignia (to the extent not owned by or the responsibility of the Contractor) and all London Fire Commissioner owned equipment and London Fire Commissioner Assets from all Fleet and Operational Equipment Items before disposal unless agreed otherwise with the London Fire Commissioner.
- 29.2 The Contractor shall be responsible for the disposal of all Fleet Items and Operational Equipment Items and will follow the relevant procedures set out in the Chief Fire Officers Association's Best Practice Guidance "Security of Fire and Rescue Service Vehicles and Equipment that is in Appendix 11 to this Schedule 2. The Contractor or the London Fire Commissioner may propose alternative methods of disposal to CMT (Contract Management Team meeting) where the decision will be at the sole discretion of the Authorised Officer. For the avoidance of doubt the management costs for disposal of a Fleet and Operational Equipment Items are included in the Service Charge.
- 29.3 Notwithstanding the requirements of Paragraph 29.2 of this Schedule 2 the London Fire Commissioner requires best value to be achieved for the disposal of all Fleet Items, Operational Equipment Items, parts, materials and liquids. Annually the Contractor will present on the anniversary of the Services Commencement Date to CMT, for the London Fire Commissioner's approval (that will not be unreasonably withheld), their proposed disposals plan for the next year. The disposals plan will include full details of the costs of the disposals and full details of the estimated income from the disposals. The Contractor will bear the management costs of all disposals. The Contractor is entitled to the income from the disposal of the Contractors Assets and the London Fire Commissioner is entitled to the income of the London Fire Commissioner's Assets.
- 29.4 The Contractor will dispose of vehicles (Fleet Items) in accordance with the Vehicles End Of Life Regulations 2003 as amended from time to time.
- 29.5 For the disposal of Operational Equipment Items and generally parts, materials and liquids that are a part of the Services the Contractor will comply with the requirements set out in Schedule 21 (Sustainability and Strategic Labour Needs) to this Contract.

## Appendix 5 - Except from Vehicles and Equipment Contract with Babcock Critical Services

The following is Babcock's current procedure for the disposal of Brigade vehicle and equipment assets.



### Babcock Critical Services Vehicle & Equipment Disposal Process

#### Objective

Babcock Critical Services is responsible to implement a defined process & method for the safe & secure disposal of any asset (vehicle or equipment) on behalf of the London Fire Brigade (LFB).

Babcock recognises that the implemented disposal management process needs to be structured, managed efficiently & fully auditable & must optimise effective reuse and recycling of equipment and vehicle parts where possible; ensuring that both parties are not exposed to any environmental concerns & to eliminate any security risk where an asset could potentially be unlawfully reused.

Babcock's approach to disposal management will enable the London Fire Commissioner to achieve best value for money through reputable preferred supplier routes who can demonstrate efficient cost effective processes, benchmarked against Babcock's in-house prices, of stripping vehicles, handling of sensitive equipment, re-use of components where technically and economically advantageous for the London Fire Commissioner & provide 'Certificates of Destruction' where necessary within stipulated timescales.

Babcock Critical Services will use a network of approved remarketing agents, recycling agents and may consider part exchange options with manufacturers to provide the most beneficial disposal route. However, Babcock will ensure careful consideration is given when offering suppliers an opportunity to tender for an asset(s) & the supplier selection will be determined by the specific asset type in order to provide valuations (where possible) to achieve the best re-sale value.

Whilst disposal of an asset is commonly the result of life cycle based replacements there are other conditions that will cause an item to be subject to disposal that include;

- The asset is damaged beyond economical repair - this is to be agreed between the parties as an agreed status for the asset & best course of action to take. This process is covered in the accident management process.
- The item has superseded – through a process of continuous improvement an alternative is identified or an item is no longer available & an alternative is sourced. In both cases a justification must be agreed between Babcock & the London Fire Commissioner on a case by case basis.
- The need for the item no longer exists – following an internal review by the London Fire Commissioner an item is deemed surplus to requirements & the London Fire Commissioner is to instruct the contractor to dispose of the asset.
- Safety reasons (i.e. safety events demand change) – where there is an event or number of events that drive the requirement to change an item on safety related grounds.
- Legislation – should legislation demand a change the impacts & planned replacement schedule is to be agreed.

#### Disposal Options

- Scrap
- Remarketing as "fit-for-purpose" asset
- Remarketing as a "not fit for purpose" asset
- Charitable donation
- An asset considered beyond economical repair could potentially be retained for parts & any additional labour costs incurred to retrieve parts from vehicles for immediate use or storage is to be agreed between both parties.



Note: where an item is placed for sale via a 3<sup>rd</sup> party such as an auction; the associated cost of transportation and storage will be considered an element of the cost of sale and deducted from the final sale value.

### Strategy

Babcock Critical Services strategy is to manage the disposal of fleet items on behalf of the London Fire Commissioner that have come to the end of their contractual or operational life. The London Fire Commissioner will instigate the ARP (Asset Replacement Program) to formally identify an asset or assets that are due for replacement. LFB will notify Babcock of any additional or unforeseen fleet changes in advance to allow Babcock sufficient notice; & to plan accordingly. Babcock will present on the anniversary of the Services Commencement Date to CMT, the proposed disposals plan for the next year. The plan will include details of the costs of the disposals and full details of the estimated income from the disposals. Babcock Critical Services will bear the 'management costs' of all disposals as these costs are included in the service charge

### Process

- LFB FLEET workstream lead raises disposal request notice
- If appropriate the LFB (CMG) Contract Manager & Compliance Officer (FLEET) will supply Babcock Critical Services Contract Manager & Babcock Fleet Manager written notification (Request for London Fire Commissioner Change to "Slot" numbers) to dispose of an asset.
- The notification will provide clarification for the reason/method for disposal i.e. asset(s) 'reached planned operational life', 'damaged & beyond economical repair' 'no longer required/request to change a slot' & will be supplied on the LFB's 'Request for London Fire Commissioner Change to "Slot" numbers' document.
- Vehicles will be kept at a site agreed between LFB and Babcock until the disposal method is implemented.
- Babcock will complete the TLG2 process once the asset(s) is returned into Babcock Critical Services possession.
- Once the disposal notification and method has been confirmed a 1 or 3 month notification period will come into effect & the formal disposal process will then commence in accordance with the V & E Contract Reference Schedule 5, section 4.3 – 4.7:
  - LFB should give Babcock Critical Services at least 3 months' notice of any proposed reduction or increase in Fleet item slots (other than cars, car derivatives & non specialised vans)
  - LFB should give Babcock Critical Services at least 1 months' notice of any increase or reduction of number of slots for cars, car derivatives & non specialised vans.
  - LFB should give Babcock Critical Services reasonable notice which shall mean at least 14 days' notice in respect of Operational Equipment slots; and
  - In the case of an urgent operational need for Operational Equipment item slots LFB does not need to give notice.
- In addition a comprehensive inspection will be carried out in accordance with the BVRLA inspection standards (appendix 1) in order to:
  - Establish the asset(s) condition & identify any damage considered outside of the Fair Wear & Tear guidelines (which could impact the estimated current market value).
  - Identify the level of LFB specific items & corporate livery for removal to determine the level of decommissioning that is required.
- Babcock disposals manager provides, to the LFB FLEET workstream lead, disposal options and VFM proposal with VAT apportionments confirmed for each option.
- Babcock Critical Services will determine the method of disposal, again ensuring that every consideration is taken to protect the London Fire Brigade against Trojan vehicles / equipment.
- FLEET workstream lead issues an internal disposal approval notice to the Disposal Officer.
- LFB Disposal Officer may request alternatives and once satisfied provides approval.
- FLEET workstream lead confirms to Babcock LFB's chosen disposal method and agrees price/s and any associated decommissioning costs.
- Babcock disposals manager confirms disposal arrangement with full details including VAT apportionments and issues a purchase 'disposal' order to the Fleet workstream lead with the details

attached. [N.B. The purchase order should cover a batch of assets if the assets are sold as a 'job lot', attaching copies of the invoice(s) Babcock V&E raises with the purchaser].

- Babcock Critical Services will manage the disposal of any asset(s) that cannot be sold & require safe disposal in accordance with Environmental protocols in line with current legislation (Waste Carriers License & WEEE regulations) including transportation to disposal sites. Any additional costs incurred under these circumstances will be presented for LFB's approval.

### Decommissioning

Babcock Critical Services decommissioning processes will ensure that London Fire Commissioner assets are returned to a condition which enables entry to the domestic market for resale by removing emergency equipment & LFB corporate livery pending the Authorities chosen disposal route.

As a minimum; Babcock Critical Services will ensure all vehicles Emergency Equipment (blues & twos) is immobilised & LFB crests & logos are removed, pending LFB's preferred disposal route/option.

- Babcock Critical Services will request confirmation of the level of decommissioning from LFB.
- Babcock Critical Services will provide LFB an estimated labour content for LFB to approve the associated costs to be returned to Babcock Critical Services on completion.
- Babcock Critical Services will notify LFB of assets requiring removal of Radio Equipment.
- Babcock Critical Services will adhere to disposal process & relevant procedures set out in the Chief Fire Officers Association's Best Practice Guidance "Security of Fire and Rescue Service Vehicles and Equipment" & the CFOA "Guidance on the use of Fire & Rescue Authorities" names & logos (appendix 2).
- All Livery (in accordance with the requested decommissioning), Equipment & Ownership Discs (if present) will be removed prior to collection.

### Asset Valuations & Bid Process

- Babcock Critical Services Fleet Operations will explore reputable methods to obtain an accurate current market net value for vehicles in accordance with the result of the inspection.
- Preferred suppliers will be used for all asset disposals. This will ensure that they have the correct business processes in place to ensure that all financial, operational & environmental procedures are adhered to:
  - Commercial/Light vehicle auction houses
  - Specialist Fire & Rescue Disposal Outlets i.e. EFA Trading Ltd
  - DSA
  - Established independent motor trade & commercial organisations
- Babcock Critical Services Fleet Operations will manage the process for the preferred suppliers to view the asset(s).
- Babcock Critical Services Fleet Operations will obtain three valuations (where possible) from preferred suppliers & implement a 'sealed bid' process.
- The sealed bid process will identify the highest individual bid. Babcock appreciate that under the circumstances where large volume of assets are valued; there will be a variance in cost for individual assets between suppliers & the valuations could potentially be based on a 'job lot' proposal to include the asset(s) transportation element into account. Therefore, under these circumstances consideration should be awarded to the highest sealed bid.
- The result of sealed bid will be sent to the LFB Contract Manager & Compliance Officer (FLEET) for review to confirm the preferred disposal option/method & authority to proceed with a disposal.
- LFB may request a 'letter of intent' from a supplier outlining the future asset(s) sale/usage in order for a bid to be formally approved & secured.

### Timescale for Approval of Asset Disposal

- Babcock Critical Services will advise within the content of the sealed bid that the valuations will be valid for a 7 day period in order to achieve the best value for money option, to maintain the supplier relationship & to remove any risk of an asset(s) depreciating in value unnecessarily in accordance with the suppliers offer.

### Finance Process

Babcock Critical Services Finance will:

- As noted in Process above, Babcock disposals manager confirms disposal arrangement with full details including VAT apportionments and issues a purchase 'disposal' order to the Fleet workstream lead with

the details attached. [N.B. The purchase order should cover a batch of assets if the assets are sold as a 'job lot', attaching copies of the invoice(s) Babcock V&E raises with the purchaser].

- FLEET workstream lead submits the purchase order received from Babcock V&E to LFB's Fleet budget finance officer, with supporting information confirming that the disposal order details are correct.
- Fleet's budget finance officer raises the LFB PIMS invoice to Babcock Critical Services, Ruislip Workshops to the value of the purchase order, quoting Babcock's V&E purchase order reference, and then sends a copy to the Head of Fleet and the Commercial Contracts Manager in Procurement. Babcock V&E Contract finance manager arranges payment of LFB's invoice.
- Review the Request for London Fire Commissioner Change to "Slot" numbers with the Babcock Critical Services Contract Manager.
- Confirm any impact on the contractual monthly fixed fee with LFB.
- The London Fire Commissioner Change to "Slot" numbers document will then be reviewed signed & returned to the LFB Contract Manager by the Babcock Contract Manger.
- Receive notification of all sealed bids from the Babcock Fleet Manager & collate all financial information.
- The London Fire Commissioner will receive the proceeds from a sale & Babcock Critical Services would recommend to utilise the following basic formula as the financial calculation process –
  - *Revenue (from the Sale or Transfer) – Cost of Sale (to include Decommissioning Costs & any additional costs incurred by Babcock) = Revenue/Cost to the London Fire Commissioner.*
- On completion of a sale Babcock Finance will provide confirmation that any adjustment to a "Slot" cost has been amended.
- Babcock Critical Services will ensure all payments are received prior to any asset(s) being released externally.

#### Removal of Asset(s) from Babcock Database (Tranman) & the LFB Database.

- Babcock Critical Services Fleet Operations team will ensure that all fleet details are updated on Tranman to include closure of all routine scheduled events, date of sale & removal of the asset from the database.
- Babcock Critical Services Fleet Operations team will then notify the LFB (CMG) Contract Manager & confirm that the asset(s) can be removed from LFB's Motor Insurance Database, Congestion Charge & Toll Exemptions.

#### Documentation Management.

- Babcock Critical Services will maintain & manage a Fleet Disposal File at Babcock Ruislip.
- Babcock Critical Services will manage all Transfer of Ownership documents, complete all obligatory documentation with the supplier i.e. the V5 Documentation, Confirmation of Sale receipt (signed by both parties) prior to any asset being removed from site. The Confirmation of Sale receipt will be countersigned by a member of Babcock's Senior Management Team and filed accordingly.
- Babcock Critical Services will copy the V5 section before posting to the DVLA; and file accordingly.
- Babcock Critical Services Fleet Operations will maintain an electronic log to record asset disposals & monitor all associated activities including the 'change of ownership' documentation process to ensure all information from the DVLA is managed & to subsequently follow up any information considered outstanding to action & update accordingly.
- Once the DVLA have provided the 'Acknowledgement' confirming the Transfer of Ownership the documentation will be filed accordingly within the Fleet Disposal File.
- Babcock Critical Services will forward the 'Certificate of Destruction' notifications to LFB for any asset(s) considered for disposal & crushed in accordance with LFB's request.
- Babcock Critical Services will archive all vehicle history files & legal documents for a period of 2 years after the date of disposal.

#### Asset Handover

- Babcock Critical Services will arrange a convenient date with the successful supplier to collect the asset(s).
- Babcock Critical Services will provide photographic evidence where appropriate confirming the removal of LFB specific items & corporate livery of individual assets to provide assurance that the decommissioning was completed in accordance with the LFB's instructions.
- LFB will be informed once an asset(s) has been removed from Babcock Critical Services.

## Document history

### Assessments

An equality, sustainability or health, safety and welfare impact assessment and/or a risk assessment was last completed on:

EIA	04/01/17	SDIA	H - 04/01/17	HSWIA	05/01/17	RA	04/01/17
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### Audit trail

Listed below is a brief audit trail, detailing amendments made to this policy/procedure.

Page/para nos.	Brief description of change	Date
Page 2 para 1 Page 2 para 2 Page 2 para 4 Page 3 para 5 Page 4 para 8 Throughout Appendix 1	Update regarding automotive parts. Update of financial regulations. Amendments to list of responsible officers. Reference to Brigade's Waste Management policy. Inclusion of disposal by use of existing arrangements. Changes to officer titles. Amendment to VAT rate.	27/03/2013
Page 14	SIA date added.	10/04/2013
Page 14	Subject list and FOIA exemptions tables.	28/10/2014
Throughout	Complete revision by Deputy Head of Procurement. Various amendments from consulting with internal stakeholders (Legal, Finance, TSS, OPR). Approved by CMB.	11/01/2017
Throughout	References to out of date information such as Brigade Distribution Centre, Authority etc have been updated.	26/05/2022

### Subject list

You can find this policy under the following subjects.

Asset	Asset management
Finance	Property

### Freedom of Information Act exemptions

This policy/procedure has been securely marked due to:

Considered by: (responsible work team)	FOIA exemption	Security marking classification