

## TRUST POLICY FOR THE DISPOSAL OF NON-CURRENT ASSETS

<b>Reference Number</b> POL-FIN/3688/20	<b>Version: 1</b>		<b>Status</b> Final	<b>Author: Nolan Salmon</b> <b>Job Title :</b> Financial Controller
<b>Version / Amendment History</b>	<b>Version</b>	<b>Date</b>	<b>Author</b>	<b>Reason</b>
	1	October 2020	Nolan Salmon	New policy following Internal Audit Recommendation
<b>Intended Recipients:</b> All Managers and Team Leaders where Trust assets may require disposal				
<b>Training and Dissemination:</b> Via email				
<b>To be read in conjunction with:</b> Standing Financial instructions				
<b>In consultation with and Date:</b> Senior Finance Team following Internal Audit recommendation, September 2020.				
<b>EIRA stage One</b>	Completed Yes			
<b>stage Two</b>	Completed Yes			
<b>Approving Body and Date Approved</b>			Trust Delivery Group October 2020	
<b>Date of Issue</b>			October 2020	
<b>Review Date and Frequency</b>			2023 every 3 years	
<b>Contact for Review</b>			Nolan Salmon	
<b>Executive Lead Signature</b>			Executive Director of Finance	
<b>Approving Executive Signature</b>			Executive Director of Finance	

## **Contents**

- 1. Purpose**
- 2. Introduction**
- 3. Objectives**
- 4. Scope**
- 5. General Principles**
- 6. Equipment Disposal Policy Statement**
- 7. Equipment Disposal Procedure**
- 8. Finance**
- 9. Breaches of Policy**
- 10. Audit and Monitoring**
- 11. References**
- 12. Appendices**

Appendix 1: Flowchart of Disposal of Equipment Procedure

Appendix 2: Equipment Disposal Form

# Disposal of Non-Current Assets Procedure

## 1. Purpose

- 1.1 The purpose of this document is to set in place clear processes and procedures regarding the disposal of Non-Current Assets (formerly called Fixed Assets) that can be understood and followed by all Trust staff.
- 1.2 This policy relates to those assets that have been included in the Trust's Asset Register as "Plant and Equipment". It does not include items of low value or Intangible Assets.

## 2. Introduction

- 2.1 It is important for the Trust to have in place a procedure for the disposal of assets. The procedure will provide staff members with detailed guidance and help to ensure that consistent work practices are followed.
- 2.2 The policy outlines a procedure that can be clearly audited. It also allows central records to be kept of all asset disposals.
- 2.3 This policy is designed to highlight the importance of the disposal procedure so as to maximise the potential proceeds for the Trust.
- 2.4 This Policy should be read in conjunction with the Trust's "Standing Financial Instructions" and Scheme of Delegation of Powers.

## 3. Objectives

- 3.1 To ensure all inventories of assets are updated and the Trust's Asset Register is kept up to date.
- 3.2 To identify equipment that is surplus to requirements.
- 3.3 To avoid retaining surplus equipment.
- 3.4 To maximise disposal proceeds for the Trust.
- 3.5 To discharge the Trust's duty to optimise the use of assets.
- 3.6 To make senior managers, directorate managers and budget holders aware of the financial impact on budgets surrounding disposals.

## **4. Scope**

- 4.1 This Policy includes the disposal of equipment recorded on the **Trust's Asset Register** which includes Plant and Machinery, Transport Equipment and Furniture and Fittings.
- 4.2 This Policy excludes the disposal of Land and Buildings. The power to dispose of Land and Buildings is delegated, via the Trust's Scheme of Delegation, to the Trust's CAPEX Committee for assets valued up to £149,999 and the Trust Board for assets valued at £150,000. All disposals of Land and Buildings must take into account the latest Department of Health Guidance or Instructions.
- 4.3 This Policy excludes IT equipment and other media retaining devices that are managed by the Trust's IT Department.
- 4.4 This policy excluded Medical Devices, the disposal of which is covered by the Trust's Policy for the Management of Medical Devices.

## **5.0 General Principles**

- 5.1 The disposal of surplus equipment is subject to the requirements of Trust's Standing Financial Instructions (SFI's) and Standing Orders. (This policy is to be read in conjunction with the Trust's SFI's and Standing Orders).
- 5.2 The details contained within this policy may also require references to: the Consumer Protection Act 1987; the Trade Description Actions 1968 and 1972; Section 3 and 6 of the Health and Safety at Work Act 1974; Medical Devices Guidelines; Sale and Supply of Goods Act 1994; Electrical Equipment (Safety) Regulations 1994; & Waste of Electrical & Electronic Equipment Regulations (WEEE). Note, this list is not exhaustive but indicates the areas which budget holders and managers will need to consider in some instances.
- 5.3 The Trust's Finance Department will keep a detailed Asset Register in order that correct capital charges are calculated and the Trust's Statement of Financial Position (Balance Sheet) shows a true position.
- 5.4 For specialist equipment, such as medical equipment, printers and refrigerators, safety and data protection factors must be considered when disposing of such items, special arrangements will be made but the basic principles of the disposal process will be as detailed in this Policy.
- 5.5 These procedures are to be followed by all Senior Managers, Departmental Managers and Budget Holders with responsibility for the provision and disposal of assets in line with the schedule of delegated powers thresholds, and should also be brought to the attention of all staff for information.
- 5.6 To give full consideration to the nature and use, or potential use to which the item may be put and if it is in the best interest of the Trust, to make the item available for disposal. For example, all vehicle disposals need to be considered fully, i.e. is the

vehicle to be sold for further use or as “scrap only”. Where a vehicle is sold for scrap only it must be made clear to the purchaser, as should the fact that the vehicle registration papers will be sent to the National Vehicle Licensing Centre, for de-registration.

- 5.7 Prior to actual disposal taking place, evidence of value must normally first be gathered by reference to an independent source; care must be taken where the source of valuation is an organisation or individual with a potential financial interest in the disposal: in such cases the manager should verify the value by reference to more than one independent source.
- 5.8 The disposal of an asset is, like a purchase, subject to financial limits: there is an obligation on the organisation to obtain best possible value on the disposal of any asset.
- 5.9 Consideration to disposal arrangements should be carried out at the procurement stage and costs should be considered as part of the initial procurement decision.

## **6.0 Equipment Disposal Policy Statement**

- 6.1 The procedure for disposing of equipment can be summarised by the Flowchart in Appendix 1 - Flowchart of Disposal of Equipment Procedure.
- 6.2 The identification of the disposal of equipment is the responsibility of the Departmental Lead assigned to the item of equipment. The departmental lead will need to complete Section 1 of the Equipment Disposal Form (Appendix 2) and then forward to the relevant condemning officer.
- 6.3 All items should be condemned or otherwise disposed of in accordance with the Trust’s Scheme of Delegation. For items included on the Asset Register this is:

Book Value	Delegated to
Up to £9,999	Director of Finance
£10,000 to £49,999	CEO and Director of Finance
Over £50,000	Trust Board – by minuted decision

- 6.4 The relevant department will be responsible for ensuring the correct disposal and will complete Section 1 on the Asset Disposal Form (Appendix 2) and also ensure Section 2 has been authorised as appropriate. Section 3 will be completed by the Finance Department.
- 6.7 In making their decision, the relevant department would need to take into consideration any contractual obligations attached to the item, as there may be clauses that prescribe/prohibit certain methods of disposal.
- 6.8 Any maintenance agreement associated with a disposal will require cancelling or transferring and should be dealt with in accordance with the contract by the appropriate officer.

## **7.0 Equipment Disposal Procedure**

- 7.1 If an item is identified as being surplus to the Trust's requirements it should be disposed of in the most economical manner – maximising proceeds to the Trust whilst complying with the relevant legislation and guidance.
- 7.2 The disposal value may be nil, but nevertheless the same process must be followed.
- 7.3 Any disposal where a fair price can be obtained only negotiation or sale by auction as determined (or pre-determined in a reserve) should be managed by the Chief Executive or a designated nominated officer;
- 7.4 Disposals arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
- 7.5 Land or buildings in which DH guidance has been issued but subject to compliance with such guidance
- 7.5.1 For such items, where it is appropriate to invite tenders, these should be invited in accordance with the tendering procedure set out in the Trust's SFI's.
- 7.6 Where auction is the appropriate method of disposal a reputable auction house should be used which complies with the relevant legislation and guidance as described in 5.2.
- 7.7 Care must be taken at the time of disposal to identify any restrictions on the use of sale proceeds: if the asset being sold was originally purchased through charitable funds, the proceeds (if any) must be handled in accordance with the particular charitable fund terms
- 7.8 The sales invoice is to specify "sold as seen" with a full disclaimer issued for liability for any injury, damage or loss which may arise from the use of the asset disposed from the date of sale, the purchaser being responsible for costs of removal, and in the case of electrical equipment for safety testing by a qualified electrician. If applicable the invoice should state an asset register reference to enable the designated Finance Officer to adjust the register and make the correct accounting entries to reflect the disposal.
- 7.9 Before transfer of ownership the Trust and the purchaser must both be clear about their legal liabilities. Separate legal guidance should be sought if required.
- 7.10 All relevant paperwork should accompany the item on disposal. i.e. all instruction manuals; service records; and additional guidance supplied by the manufacturers, regulatory bodies etc.
- 7.11 If any of the aforementioned is not available, or the item has not been serviced as recommended a statement detailing this should accompany the item.
- 7.12 Exceptionally, disposals of capital assets or items of inventory may be made

by invitation to staff to submit sealed bids (e.g. for redundant office furniture). A member of the Executive Team should prior approve this method of disposal.

- 7.13 Care must be taken to publicise the process equally and fairly across all the staff of the organisation, invite and observe sealed bids, notify and observe any minimum “reserve” and ensure the payment and removal are clearly stated as the responsibility of the successful bidder.
- 7.14 Staff will be required to sign a form accepting full responsibility for items purchased from the organisation, and goods will not carry any warranty. However, the Trust n may in law retain some responsibility for the safe use and ultimate disposal of goods or equipment supplied to staff where such goods are not readily available to the general public; this method of disposal must be avoided in such cases.

## **8.0 Finance**

- 8.1 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices where appropriate. Asset disposals for value shall be accounted through the Sales ledger, with the invoice request being raised by the manager responsible for the disposal and coded to capital receipts (for assets in the asset register) or appropriate revenue income code (for inventory or other assets).
- 8.2 The sales invoice is to specify “sold as seen” with a full disclaimer issued for liability for any injury, damage or loss which may arise from the use of the asset disposed from the date of sale, the purchaser being responsible for costs of removal, and in the case of electrical equipment for safety testing by a qualified electrician. The invoice should state an asset register reference to enable the designated finance manager to adjust the register and make the correct accounting entries to reflect the disposal.
- 8.3 If the disposal of an asset gives rise to a taxable transaction, the organisation must account for VAT at current rates at the tax point of the disposal: if there is identifiable input tax related to a VAT-able disposal, this may be reclaimed.
- 8.4 Finance will update the asset register on a regular basis from information received from the departments when capital assets are disposed. Those with a net book value will have financial consequences to the department’s budget.
- 8.5 The Finance Department are responsible for ensuring an annual asset verification exercise is undertaken. Where the existence of assets cannot be verified these may be reported as “lost or stolen” and reported to the Audit Committee for write off

## **9.0 Breaches of Policy**

- 9.1 Any breach to the policy will be identified and formally investigated.

## **10.0 Audit and Monitoring**

- 10.1 Regular reviews will be carried out to check that all disposals from the equipment asset register have adhered to this policy and all requisite forms have been completed.

## **12.0 References**

Standing Financial Instructions

Reservation of Powers and Scheme of Delegation

Consumer Protection Act 1987

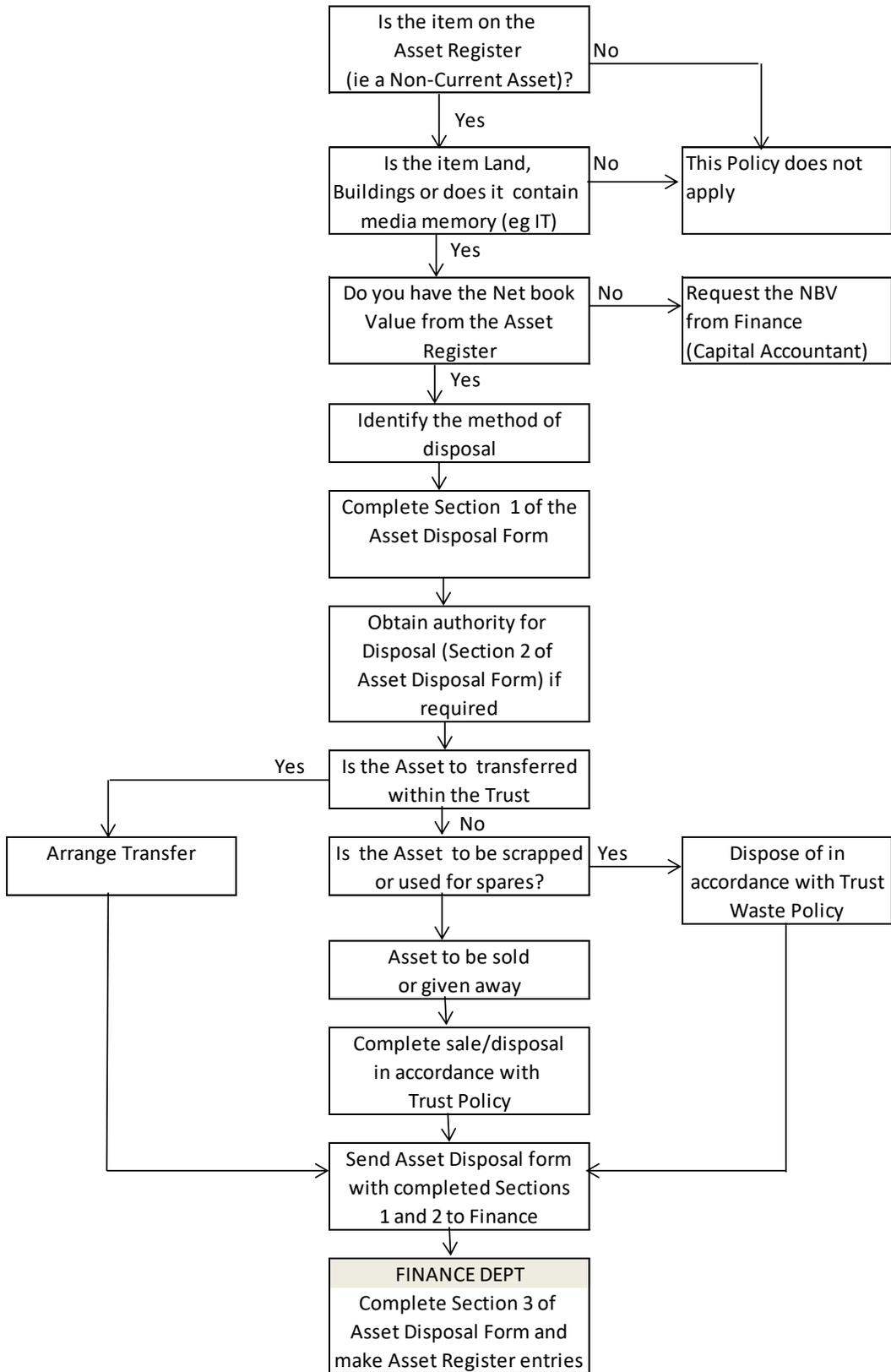
Sale and Supply of Goods Act 1994

Waste of Electrical and Electronic Equipment Regulations 1994 (WEEE)

Trade Descriptions Act 1968 and 1972

## **Appendix 1 : Flowchart**

**DISPOSAL OF NON -CURRENT ASSETS  
FLOWCHART**



**Appendix 2:**

**UNIVERSITY HOSPITALS OF DERBY AND BURTON NHS FOUNDATION TRUST**

**NON-CURRENT ASSET DISPOSAL FORM**

**SECTION 1**

**To be completed by Department disposing of the asset**

<b>Description of Item</b>			
<b>Type of Asset</b> <b>(tick as appropriate)</b>	<input type="checkbox"/> Equipment (Non Medical)	<input type="checkbox"/> Plant	<input type="checkbox"/> Transport
	<input type="checkbox"/> Furniture & Fittings	<input type="checkbox"/> Other	
<b>Location</b>			
<b>Serial Number</b> <b>(if applicable)</b>			
<b>I certify that the above equipment is :</b>	<input type="checkbox"/> Obsolete	<input type="checkbox"/> No Longer Required	
	<input type="checkbox"/> Unsafe	<input type="checkbox"/> Beyond Economic Repair	
The above equipment is no longer suitable for use in this department. This equipment is released for disposal and will not be used again in this department			
<b>I certify that the above equipment is :</b>	<input type="checkbox"/> to be condemned	<input type="checkbox"/> Suitable for Sale or Transfer	
<b>Disposal Method</b> <b>(tick as appropriate)</b>	<input type="checkbox"/> Scrapped	<input type="checkbox"/> Sold	<input type="checkbox"/> Transferred in the Trust
	<input type="checkbox"/> Used for Spares	<input type="checkbox"/> Other (specify) _____	
<b>Current Net Book Value</b> <b>(Obtain from Finance)</b>			
<b>Estimated Market Value</b>			
<b>Destination on Disposal</b>			
I confirm that where this asset is suitable for sale all checks have been made and all relevant documentation accompanies this asset. The receiver of the asset has signed the Trust's "Disclaimer of Liability" and understands the asset is "sold as seen",			
<b>Signed:</b>		<b>Title:</b>	
		<b>Date:</b>	

**SECTION 2 : TO BE COMPLETED BY CONDEMNING OFFICER (S)**

Under Section 11 (Page 36) of the Trust's Reservation of Powers and Scheme of Delegation the following delegated limits are set for Condemning/Disposal of Capital (Non-Current) Assets:

Net Book Value up to £9,999	Director of Finance
Net Book Value £10,000 to £49,999	Director of Finance and Chief Executive
Net Book Value over £50,000	Trust Board

<b>Signed:</b>		<b>Title:</b>	Director of Finance	<b>Date:</b>	
----------------	--	---------------	---------------------	--------------	--

<b>Signed:</b>		<b>Title:</b>	Chief Executive	<b>Date:</b>	
----------------	--	---------------	-----------------	--------------	--

<b>Board Date</b>		<b>Board Minute Reference:</b>	
-------------------	--	--------------------------------	--

**SECTION 3 : TO BE COMPLETED BY FINANCE DEPARTMENT**

<b>Asset Register Number</b>					
<b>Asset Register Update</b>	<input type="checkbox"/> Disposed of	<b>To</b>		<b>Date:</b>	
	<input type="checkbox"/> Sold	<b>To</b>		<b>Date:</b>	
	<input type="checkbox"/> Transferred	<b>To</b>		<b>Date:</b>	
<b>Proceeds:</b>	<b>Receipt No</b>				
	<b>Date</b>				
	<b>Value £</b>				

<b>Signed:</b>		<b>Title:</b>		<b>Date:</b>	
----------------	--	---------------	--	--------------	--