

## Disposal of Assets Policy

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Adopted by: Larkwood LGB

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Signature of Chair of Governors: \_\_\_\_\_

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The policy applies to Larkwood Primary Academy and all its employees, independent of their grade and position, and shall be respected at all times.

## PURPOSE

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Regulations set out by the Academies Financial handbook requires the academy to adopt a disposal of assets policy. Disposal of assets may be for several reasons:

- The item has been condemned due to health & safety reasons
- The item is broken and beyond repair
- The item has become obsolete or redundant due to changed procedures or functions.

All requests for disposal of assets must come through the School Business Manager or Headteacher for authorisation.

## DISPOSAL PROCEDURES

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The procedures for disposing of assets are detailed below:

- Completion of asset disposal form including specific information such as, serial number, make, model and estimated market value
- Select the best disposal method
- Record the disposal method in the asset register

The Disposal of Asset form is displayed in Appendix A.

The acceptable methods for disposing of assets are:

- Sale – The sale of an item will be publicised appropriately and recorded correctly through the academy's management accounts.
- Donation – The academy may agree to give assets bought for a proper purpose, but which are no longer needed for the conduct of its business, to a charity, up to a maximum value of £1,000 per single donation. Residual value of assets is determined by the greater of the written down value or market value.
- Recycle or Destroyed – Disposal of assets are undertaken when there is no market value and always disposed of in the correct manner.

## DISPOSAL LIMITS

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The disposal limits make reference to the Academies Financial Handbook Statutory and Regulatory Guidance.

There is no disposal of public funded assets (subject to the thresholds set out in Part 3.8 of Academies Financial Handbook) without the Secretary of State's consent (through the EFA). The extract of 3.8 is displayed in Appendix B.

Appendix A - Disposal of Asset Form

The reason for the disposal of asset is

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Action to be taken (i.e. disposal / sale)

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The academy confirms

- The item has been destroyed to ensure it is not illegitimately procured and then resold
- All equipment that stores sensitive data is wiped clean before disposal

The academy complies with the WEEE Directive and makes use of the third party disposal companies. Receipts are itemised and certificates of disposal provided.

Original Cost (if applicable)	
Value of Item (if applicable)	
Accumulated Depreciation (if applicable)	
Removed from Asset Register (if applicable)	
Repayment to Secretary of State (if applicable)	
Any Other Information	

### Write-offs and entering into liabilities

The academy trust must obtain EFA's prior approval for the following transactions beyond the delegated limits of the two categories set out below:

- writing-off debts and losses and any uncollected fines; and
- entering into guarantees, letters of comfort or indemnities.

The delegated limits are:

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction;
- cumulatively, 2.5% of total annual income in any one financial year per category of transaction for any academy trusts that have not submitted timely, unqualified audited accounts for the previous two financial years. This category includes new academies that have not had the opportunity to produce two years of audited accounts; and
- cumulatively, 5% of total annual income in any one financial year per category of transaction for any academy trusts that have submitted timely, unqualified audited accounts for the previous two financial years.

In relation to these limits:  the trust should always pursue recovery of overpayments, irrespective of how they came to be made. In practice, however, there will be both practical and legal limits to how cases should be handled;

- the trust should only consider writing-off losses after careful appraisal of the facts, including whether all reasonable action has been taken to effect recovery from the debtor, the trust's insurers, or the risk protection arrangements, and should be satisfied that there is no feasible alternative;
- the amounts for write-offs are before any successful claims from an insurer or the risk protection arrangements; and
- total annual income is defined as grant income as disclosed in the trust's last set of audited accounts. EFA should be contacted if the trust has not yet published their first set of audited accounts.

Before accepting any liabilities by: issuing specific guarantees; providing a letter of comfort; or providing indemnities, the trust should appraise the proposal by performing an assessment of the costs and benefits of relevant options using an appropriate method, in order to secure value for money. The trust must ensure that the value of any liability is within its delegated authority to commit.

### Special payments

Special payments are transactions that fall outside academy trusts' planned range of activities. They are non-statutory or non-contractual and so are subject to greater control than other payments. They include:  staff severance payments;  compensation payments; and  ex gratia payments.

#### Special staff severance payments

Special staff severance payments are paid to employees outside of normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract. They are different to ex gratia payments, which are described in sections 3.7.12 to 3.7.15.

If an academy trust is considering making a staff severance payment above the statutory or contractual entitlements, it must consider the following issues:

- that trustees reasonably consider the proposed payment to be in the interests of the trust;
- whether such a payment is justified, based on a legal assessment of the chances of the trust successfully defending the case at employment tribunal. If there is a significant prospect of losing the case then a settlement may be justified, especially if the costs incurred in maintaining a defence are likely to be high. Where a legal assessment suggests that the trust is likely to be successful, then a settlement should not be offered; and
- if the settlement is justified, the trust would then need to consider the level of settlement. This must be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award in the circumstances.

Staff severance payments should not be made where they could be seen as a reward for failure, such as gross misconduct or poor performance. The only acceptable rationale in the case of gross misconduct would be where legal advice is that the claimant is likely to be successful in an employment tribunal claim. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.

Academy trusts have the delegated authority to approve individual staff severance payments provided any non-statutory/non-contractual element is under £50,000. Where the trust is considering a non-statutory/non-contractual payment of £50,000 or more EFA’s prior approval must be obtained. For example:

Statutory/contractual payment	Non-statutory/non-contractual payment	EFA prior approval required?	Academy trusts should demonstrate value for money by applying the same level of scrutiny
£40,000 +	£49,999	No	
£80,000 +	£49,999	No	
£40,000 +	£50,000	Yes – for £50,000	
£80,000 +	£50,001	Yes – for £50,001	

to a payment under £50,000 as if it were over the £50,000 delegation. EFA has produced guidance and a submission template.

Compensation payments

Compensation payments are made to provide redress for loss or injury, for example: personal injuries; traffic accidents; or damage to property. If an academy trust is considering making a compensation payment it must base its decision on a careful appraisal of the facts, including legal advice where relevant, and ensure that value for money will be achieved.

Academy trusts have the delegated authority to approve individual compensation payments provided any non-statutory/non-contractual element is under £50,000.

Where the trust is considering a non-statutory/non-contractual payment of £50,000 or more EFA’s prior approval must be obtained.

Trusts should routinely consider whether particular cases reveal concerns about the effectiveness of internal control systems, and take any necessary steps to put failings right.

## Ex gratia payments

Ex gratia payments are another type of transaction that go beyond statutory or contractual cover, or administrative rules. Annex 4.13 of HM Treasury's *Managing Public Money* provides examples, which include payments to meet hardship caused by official failure or delay, and payments to avoid legal action on the grounds of official inadequacy.

- Ex gratia payments are separate to other classes of special payment such as staff severance payments and compensation payments. Statutory and contractual payments made to academy staff in accordance with the trust's pay and conditions policy would not be ex gratia.
- Ex gratia transactions must always be referred to EFA for prior authorisation. HM Treasury approval may also be needed dependent on the nature of the transaction. If trusts are in any doubt about a proposed transaction they should seek prior advice from EFA.