



## 5.4.1

# Asset Disposal

## 1 Rationale

- 1.1 The Rural Fire Service (“the Service”) is committed to the proper management of surplus or deficient physical assets that might otherwise reduce efficient, effective and safe service delivery. One of the key elements of asset management is the timely, appropriate and cost effective disposal of assets in a frame work that ensures probity, honesty and conformity to Government Policy.

## 2 Standard

### 2.1 Equipment Covered by this Service Standard

#### 2.1.1 This Service Standard applies to equipment;

- Purchased through/by/with funds from the Rural Fire Fighting Fund;
- Ownership vested in the local authority; and
- Listed on Schedule 4 of the Service Level Agreement.

#### 2.1.2 The assets **not covered** by this Service Standard are;

- Assets owned by the Service.
- Assets owned by the Local Authority (not purchased through the Rural Fire Fighting Fund).
- Assets owned by the Brigade.



## 2.2 Considerations for Disposal

**2.2.1** All assets should be audited each year by the FCO to determine if each asset is still providing the service for which it was intended in a cost efficient and effective manner. Factors which will influence the determination of the viability of the asset are whether :

- the asset is still required for the delivery of services, either currently, or over the longer planning time frame.
- The asset is becoming uneconomical to maintain and/or operate.
- The asset wears out or fails.
- There is a Government Policy in place (e.g. Central determination on period of retention of an asset e.g. Tankers 10yrs)
- Other local considerations.

If the asset meets any one of the above, then the asset can be considered for disposal.

## 2.3 Disposal Criteria

Once an asset has been identified for possible disposal, the following set of criteria needs to be applied to determine if disposal is the best option.

**2.3.1** The asset is not critical to perform the service delivery functions.

**2.3.2** The asset no longer performs to its operational maximum in a safe, efficient and cost-effective manner taking into account:

- OH&S requirements;
- Whether running costs are becoming excessive compared to the value of the asset;
- Whether the asset still performs the task in a satisfactory manner; and
- Whether the asset is becoming unreliable, breaking down, or 'out of service' for increasing periods.

**2.3.3** The costs associated with upgrading, enhancement or refurbishment etc will not extensively prolong the life of the asset in a cost-effective manner, taking into account:

- whether the current book value (or market value) will be less than the proposed amount of the refurbishment/upgrade/enhancement;



- whether the upgrade etc would markedly enhance the life of the asset; and
- whether those funds would be better spend on a replacement.

**2.3.4** There is a State Government/Service or Council predetermined policy that dictates the disposal of this classification of asset e.g. computers, motor vehicles, tankers etc.

**2.3.5** The consequences if the asset is not replaced or fails to perform it's designated task covering the legal, moral, OH&S, human, financial and Rural Fire Service areas.

**2.3.6** Any other options which may exist for the asset.

## **2.4 Recommendation for disposal method**

After consideration of the criteria, the Fire Control Officer needs to make a recommendation on the disposal method.

**2.4.1** The disposal method should be based around the following principles:

- Achieve the best return to Government.
- Satisfy probity considerations.
- Provide adequate and equal opportunity to purchase.
- Wherever possible 'acceptable to the community'.
- Not cost more than the market value of the asset.

**2.4.2** The disposal methods include:

**(a) Auction**

This is a common method of disposal because it is usually more straightforward and the process is open to public scrutiny.

**(b) Tender**

Tendering is preferred where more control over the actual disposal of the asset is required.

**(c) Beyond Economical Repair (discarded or no-value)**

- the book or market value of the asset will be exceeded in repair/upgrade/refurbishment costs;



- the market value will be exceeded by the disposal costs
- assets that have been superseded by technology etc thereby rendering the market value negligible.
- funds would be better spent on either a replacement asset or alternative method to deliver the service

## **2.5 Recommendation for disposal**

- 2.5.1** The Fire Control Officer will prepare a report addressing the criteria listed in clause 2.3 and making recommendation on the disposal method (see clause 2.4).
- 2.5.2** Any recommendation should take into account Local Government policies/procedures.
- 2.5.3** The FCO will forward the necessary recommendation on the disposal method to the Local authority as the owner of the asset.

## **2.6 Approval to dispose of the asset**

- 2.6.1** The Local authority will consider the report's recommendations on the disposal of the asset, either accepting or altering the recommendations and giving the reasons for any amendments.
- 2.6.2** The Local authority shall then report these finding back to the Fire Control Officer for the appropriate disposal action to take place.

## **2.7 Disposal action**

- 2.7.1** The approved disposal method should be carried out in accordance with the locally agreed policies and procedures as determined by the Local authority.
- 2.7.2** Where the cost of disposal will exceed the likely cost of return upon disposal of the asset, an agreed method for disposal of such assets will be developed between the FCO and the GM for the approval of the Commissioner.
- 2.7.3** If the local authority has no policy or guidelines then those determined by the Department of Public Works and Services shall be used.



#### 2.7.4 Disposal of Vehicles

- (a) Where a funded Rural Fire Service vehicle has been deemed surplus to requirements or beyond economical repair, the Commissioner's approval must be granted before any transfer of tender is effected.
- (b) A Vehicle Disposal/Transfer form is to be completed. See Intranet for a copy of this form
- (c) All transfers of vehicles to other Councils must be organised and processed by Fleet Officer at Head Office.
- (d) All tankers disposed of by way of tender or auction must have all references to Service, Council and Brigade, lights and siren removed. BFO identification plate is to be removed from the vehicle and returned to Engineering Services at Head Office. Council will be responsible for the organisation of auction or tender to ensure the best return is obtained.
- (e) All receipts for the sale of vehicles, excluding advertising and auction costs must be remitted for credit to the Rural Fire Fighting Fund. Cheques should be drawn in favour of the NSW Rural Fire Service and forwarded to Financial Services Officer, Head Office as soon as possible after the sale.

2.7.5 A flow chart outlining the process to be followed in the disposal of the asset can be found on page 8.

### 2.8 Monetary Process

2.8.1 The assets covered by this Service Standard are vested in the local authority but owned by the Crown. The Rural Fires Act (Section 119(4)) states that an amount equal to the proceeds of sale of any such equipment shall be paid to the credit of the fund, in other words, returned to the Rural Fire Service.

2.8.2 In order for that to be achieved the following needs to happen:

- (a) If the disposal method is likely to return a monetary value for the asset, then a copy of the approval to dispose of the



asset form, should be sent to the RFS - Manager Financial Services.

- (b) The RFS - Manager of Financial Services will then create a debtor, against that Council, in anticipation of the funds being remitted. The normal debtor system will then ensure that a remittance is received.
- (c) The Fire Control Officer, after receiving the remittance from the successful purchaser, then needs to send the money to the RFS - Manager Financial Services to clear the debtor and finalise the transaction.

**2.8.3** In the case of no money being anticipated from the disposal of the asset no further 'financial' arrangements need to occur.

## **2.9 Service Level Agreements**

**2.9.1** The Service Level Agreement, between the Rural Fire Service and Local Government will contain an asset register of all the asset required to be maintained by the Rural Fire Service. This schedule of assets will be in force from the 1 July 2001. The Service Level Agreement will therefore become the basis of the asset register, thereby being the basis from which this Service Standard will be invoked.

**2.9.2** Any amendment to the asset, especially disposals, will therefore have to be adjusted in the schedule attached to the Service Level agreement

## **2.10 Audit**

**2.10.1** The Service and Local Government will now be able to track the disposal of assets through the Service Level agreements. Any amendments, particularly disposals, will be tracked by the changing of the schedule attached to the Service Level Agreement.

**2.10.2** Each disposal will have to have the approval, as outlined in this Service Standard, recorded by the Fire Control Officer as evidence that the disposal was approved and the process followed.

**2.10.3** The audit of the assets in the Service Level Agreement will be done in accordance with both Local Government and Service policies within appropriate time frames.



**3 Who is responsible for implementing the Policy?**

- (a) RFS District/ Zone Managers
- (b) Local Government
- (c) RFS Regional Managers (Audit & compliance)
- (d) RFS Manager Financial Services

**4 Issue**

This Service Standard was considered by the Corporate Executive Group on 5 February 2002 and Rural Fire Service Advisory Council 21 August 2002. Issued by the Commissioner on 15 May 2002.

**5 Legislation and references**

Rural Fires Act, 1997 (as amended)

Section 119 (2)

Section 119 (3)

Section 119 (4)

**6 Amendments**

None

**7 Document owner**

The owner of this Policy is the Executive Director Corporate Services.

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