

Asset Disposal

Policy type	Administration
Function	Finance
Policy Owner	Finance
Effective date	25 June 2015

1. Purpose

The purpose of this policy is to provide guidance on the disposal of assets from council's assets registers.

2. Scope

This policy shall be applied in accounting for the disposal of all property, plant and equipment, unless another policy requires or permits a different accounting treatment. It is to ensure unambiguous and transparent direction for the disposal of assets to:

- Promote fair and effective competition to the greatest possible extent;
- Consider any potential benefit to the community
- Ensure best value for money is achieved; and
- Ensure the same accountability for disposal of assets as that of purchasing assets.

3. Definitions

In this Policy unless the contrary intention appears:

Asset Custodian – is a Council Officer who responsible for the control of the budget, maintenance, future direction and Council benefits of the Asset or Asset Class.

Carrying Amount – is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses. It is the Written Down Value of an asset as reported in the financial statements.

Delegate – is an officer with delegated authority pursuant to either a resolution of Council or written instrument signed by the Chief Executive Officer.

Valuable Non-Current Asset – land or any other non-current asset that has an apparent value that is equal to or more than \$5,000.

4. Procedure

Council is committed to the open, transparent and systematic disposal of Council's assets.

Non-current assets are originally recognised and recorded in Council's Financial Asset Register in line with Council's Asset Accounting Policy, Asset Capitalisation Process or expensed as per the Portable and Attractive Items Policy.

4.1 Recommendation to Dispose

Before any asset is disposed, it is necessary to determine that it is appropriate for disposal. Once determining the estimate or carrying amount of the asset (refer to section 5.2), the Asset Custodian or Delegate must consider the following common criteria for determining whether assets may be suitable for disposal:

- No longer required
- Unserviceable or beyond economic repair
- Technologically obsolete
- Operationally inefficient
- Surplus to current or immediately foreseeable needs
- Part of an asset replacement program
- Contains any environmentally sensitive or hazardous material

In deciding and recommending an asset for disposal, Asset Custodians or their Delegate should consider the needs of other departments or programs. This could take the form of a notice communicating surplus assets.

In all cases, CCRC identification, information and any software licenced to Council is to be confirmed as being permanently removed prior to disposal, where practical.

4.2 Carrying Amount of the Asset

When disposing of an asset, the relevant value is that of the carrying amount in Council's Financial Asset Register. Written approval to dispose of an asset must be provided by the relevant Asset Custodian or their Delegate.

If a carrying amount is not available for the asset, an estimation of value of the asset should be made having regard to:

- The potential to sell the asset
- The perceived value of the asset to a buyer
- Its age and condition
- A rapidly diminishing sale value
- Continuing insurance, registration and maintenance costs
- Potential for obsolescence
- Usefulness for future needs

4.3 Assets (Excluding Land) with a Carrying Amount of Less Than \$5,000 (Ex GST)

The relevant Asset Custodian or their Delegate is responsible for approving the appropriate method for the disposal of assets with a carrying amount of less than \$5,000. The method used for the disposal of assets will maximise the return to Council. The accepted means of disposal under this category may include, but not limited to:

- Internal quotation;
- External quotation;
- Public Auction; or
- Donation to a community organisation.
- Disposal/recycling via landfill

4.4 Assets with a Carrying Amount of Greater Than \$5,000 (Ex GST) and any Land

For assets with a carrying amount greater than \$5,000, the disposal method is determined by the relevant Asset Custodian or their Delegate on a case by case basis considering:

- Market forces and impact on return from the sale of the asset;
- The purchase price, lifecycle maintenance costs and remaining useful life to maximise where possible the return on investment of the asset;
- The strategic worth of the asset and its long term benefit to the community;
- Community need for the asset and alternative resources; and
- How the funds received from the disposal of the asset are to be allocated.

Section 227 of the *Local Government Regulation 2012* states that for valuable non-current assets, a contract cannot be entered into unless it first invites written tenders or is offered by for sale by auction. Section 236 provides guidance on the accepted means of disposal including the exceptions for valuable non-current assets contracts. The accepted means may include, but is not limited to:

- Public Tender;
- Public Auction;
- Can be sold in any way as long as the sale price is more than the highest bid received at a previous tender or auction. Noting in this instance the asset must have been the subject of an earlier tender/auction process;
- Trade-in;
- Disposal to another government agency; or
- Disposal to a community organisation.

An exception applicable to the disposal of a valuable non-current asset other than by tender or auction authorised by a Council resolution in accordance with *Local Government Regulation 2012 s236(2)*, prior to disposal.

4.5 Notifying Disposal of Assets

Following the disposal of an asset, it is the responsibility of the relevant Asset Custodian or their delegate, to notify the:

- Asset Accountant to ensure the asset register is updated and accounting treatments are recorded; and if applicable
- Manager Governance, Risk & Performance to determine any impact on Council's insurance policies

4.6 Infrastructure Assets disposed as part of a Capital Project proceeding

In respect of renewal and upgrade infrastructure projects, the carrying amount of the asset should be reduced to reflect that component of the asset that is no longer providing economic benefit. These adjustments will be recorded as a write-off of non-current assets in Council's financial statements.

Whilst approval by Council for the write-off is inherent in the approved capital projects (as part of the budget process), the impacts are to be submitted by the Asset Accountant in a quarterly report to the Chief Executive Officer and Director Corporate & Community Services for their approval. Write-offs undertaken as part of approved capital projects will be processed in accordance with Council's Asset Capitalisation Process and Asset Accounting Policy.

4.7 Buyer's Risk

Irrespective of the disposal method applied, all prospective buyers must be advised in writing that items are disposed of, with any faults, at the buyer's risk ('as is where is'). Buyers are to rely on their own investigations regarding the condition and workability of the items and Council will not be responsible for any repairs or maintenance of the asset.

4.8 Disposal of Electrical Equipment

The Asset Custodian or the Delegate responsible for the disposal of any electrical equipment must ensure compliance with all relevant conditions detailed in the Electrical Safety Regulation for the sale of electrical equipment prior to disposal of the asset.

All faulty electrical equipment is to be rendered physically inoperable (e.g. cut and removal; of electrical cords and plug or removal of a vital operational component) prior to disposal at the nearest transfer station or regulated recycling point.

4.9 Conditions on Donations to Community Organisations

Assets can only be donated to another organisation if that organisation can:


- Affirm in writing they are an entity that carries on activities for a public purpose or that their primary object is not directed at making a profit;
- Provide written acknowledgement of receipt of the asset;
- Acknowledge that Council will not be responsible for any repair or maintenance of the asset;
- Acknowledge that all copyright or licensed content has been removed (eg.computer software); and
- Take responsibility for the timely removal of the asset and any associated costs that arise from the asset's removal.

4.10 Documentation and Declarations

The relevant Asset Custodian or their delegate, is to ensure:

- The disposal methodology is fully documented and all documentation is filed under the appropriate disposal file in Council's record keeping system.
- Any conflict of interest issues, perceived or otherwise, in relation to the chosen means of disposal or with employees and Councillors involved in the disposal process should be declared and registered in accordance with the Code of Conduct.
- CCRC identification, information and any software licenced to Council has been permanently removed prior to disposal where practical.

Related forms, policies and procedures	Asset Accounting Policy Asset Management Policy Asset Capitalisation Process Portable and Attractive Items Policy
Relevant legislation	<i>Australian Accounting Standards</i> <i>Local Government Regulation 2012</i> <i>Electrical Safety Regulations</i>
Reference and resources	



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