

COUNCIL POLICY



Policy name	Asset Disposal
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Abstract

The purpose of this Policy is to provide clear guiding principles and a framework for the disposal of Gunnedah Shire Council's assets.

Dates	Policy or amendment approved 16 Aug 2017 Policy or amendment takes effect 16 Aug 2017 Policy is due for review (up to 4 years) 16 Aug 2021
Endorsed by	Council's Executive Management Team
Approved by	Gunnedah Shire Council, at its Ordinary Meeting of Council held 16 Aug 2017 Resolution number: 16.08/17
Policy Custodian	Executive Manager Business Systems & Governance
Relevant to	Councillors, Council staff and the community
Superseded Policies	Nil
Related documents	Asset Management Policy Tendering and Procurement Policy, Management Directive and User Guide Related Parties Disclosure Policy Code of Conduct Statement of Business Ethics
Related legislation	Local Government Act 1993 Local Government (General) Regulation 2005
File number	1126852

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1. Purpose

- 1.1 The purpose of this Policy is to provide clear guiding principles and a framework for the disposal of Gunnedah Shire Council's ("Council") assets.
- 1.2 The aim of the Policy is to ensure that:
 - (a) All Council staff understand clearly their responsibilities, accountabilities and reporting requirements;
 - (b) Council service delivery objectives are supported to maximise the use of Council assets and reduce associated service and operational costs resulting in increased asset performance and a lower total cost of ownership;
 - (c) Assets are only disposed of where they meet identified criteria for disposal and that appropriate planning and approval is undertaken prior to any asset disposal;
 - (d) An appropriate level of discipline for asset disposal and compliance with any legal or policy requirements, is applied across the organisation;
 - (e) Best practice asset management (disposal) principles are upheld; and
 - (f) Any disposal complies with Council's position and responsibilities on sustainability and environmentally friendly practices.

2. Scope

- 2.1 This Policy applies to all business areas of Council that have the responsibility to manage and/or dispose of assets.
- 2.2 It pertains to all Council owned assets including but not limited to: plant, equipment, materials and stock items, office equipment and furniture, information technology, software and hardware. It does **not** however, include real property (building and land) which in all cases require a resolution of Council for disposal, but may include fittings attached to the property. Disposal of other infrastructure assets (e.g. roads, water, stormwater, sewer etc) is to be performed in accordance with Council's Asset Management Plan.

- 2.3 This Policy is to be read and used in conjunction with Council's Asset Management Policy, Procurement and Tendering Policy, Management Directive and User Guide as well as all applicable legislation.

3. Definitions

Term	Definition
Act	Local Government Act 1993
Asset	An asset shall mean any resource owned or controlled by the Council, from which the Council expects to derive economic benefits or use for service delivery to the general public during its useful life.
GST	Goods and Services Tax. Note: All monetary values referred to in this Policy include GST except where specifically stated otherwise.
Regulations	Local Government (General) Regulation 2005

4. Policy principles

Council is committed to ensuring an open, fair, transparent and accountable process in the disposal of its assets, whilst obtaining best value for money and avoiding any conflicts of interest, whether real or perceived.

Council's overarching asset disposal framework will be guided by the following key principles:

- (a) Council will provide a logical and transparent method for the disposal of assets;
- (b) Council will seek to ensure that best value for money is achieved;
- (c) Council will promote open and effective competition to the greatest extent possible;
- (d) Council will ensure probity and fairness throughout the disposal process is maintained;
- (d) Disposal will be in line with the organisation's position on sustainability and environmentally friendly practices; and
- (e) Disposal will be compliant with all legal (including Workplace Health and Safety and risk management) requirements.

As a general rule, sale of assets to Councillors or Council staff is not to occur outside of a public process.

5. Policy statement

5.1 Decision to Dispose

A decision to dispose of an asset may be based on any of the following:

- (a) Reached the end of its useful life;
- (b) Surplus to requirements;

- (c) Under-utilised;
- (d) Not fit for purpose;
- (e) Optimum time for maximum return;
- (f) Part of an asset replacement program;
- (g) Unserviceable or beyond economic repair;
- (h) Has become obsolete; or
- (i) Does not meet legislative requirements.

Prior to making the decision to dispose, a reasonable effort should be made to ensure that no other Council department has a need for the asset.

5.2 Estimate the Value

5.2.1 An accurate valuation of the asset assists in selecting the most appropriate method of disposal and identifying the necessary level of approval.

5.2.2 Valuation is dependent upon the market and the perceived advantages of the good(s) to the buyers in the market.

5.3 Additional factors to consider

There are a number of factors apart from the monetary value of the goods that may affect the choice of disposal method, including:

- (a) The market available for the asset;
- (b) Time considerations;
- (c) Council resources required to manage the disposal;
- (d) Costs associated with the different disposal methods, ie administration and transport cost to Council;
- (e) The size, portability and number of asset;
- (f) Benefits of the different disposal methods; or
- (g) Special factors to be considered in the disposal process, eg heritage or cultural interests in the item(s) and/or hazardous or polluting substances that need to be disposed of in a certain manner.

5.4 Methods of Disposal

Authorised disposal methods are as follows:

5.4.1 *Public Tender*

All assets with an estimated value between \$1,000 and \$150,000 may be disposed of by tender. All assets with an estimated value **greater** than \$150,000 **must** be disposed of by tender.

Tendering for the disposal of goods is to be conducted in accordance with the principles of Council's Tendering and Procurement Policy and Management Directive (and pursuant to the Act and Regulations).

5.4.2 *Public Auction*

Assets with an estimated value up to \$150,000 may be disposed of by public auction. Public auction maximises the opportunity for public participation in the disposal process and is the appropriate method when:

- (a) There is a public demand for the items;
- (b) Alternative disposal methods are unlikely to realise higher revenue; and
- (c) The costs associated with the auction can be justified in relation to the expected revenue from the sale.

Sale by online auction may be a suitable option for items that are considered unusual and traditional auction methods are not effective. The advantage of this method is that items of plant are sold without the need to transport the item to the auction house.

5.4.3 *Quotations*

Assets with an estimated value up to \$80,000 may be disposed of by written Quotes. Assets with an estimated value up to \$150,000 may be disposed of by publicly advertised Quotations.

Disposal via these methods is to be conducted in accordance with the principles of Council's Tendering and Procurement Policy and Management Directive.

5.4.4 *Trade-in*

Trading in can be an efficient means of disposal and a convenient way to upgrade equipment such as plant. Any decision to trade-in assets must be based on a clear analysis of the benefits of the trade-in as opposed to the separate sale of the asset.

Trade-ins are considered as equivalent in process to Quotations.

5.4.5 *Negotiated sales and verbal quotes*

Goods valued up to \$5,000 may be disposed of via verbal quotes. A minimum of two (2) quotes should be obtained.

The method of disposal for items with a value of under \$1,000 shall be at the discretion of the appropriate Asset Custodian. Council officers are to ensure that they:

- (a) determine the most appropriate method of disposing of the assets;
- (b) give due consideration to any potential risks of corruption; and
- (c) ensure that the process is appropriately documented.

5.4.6 *Writing off the value of the goods*

The value of an asset may be written off and the item recycled or destroyed if it is deemed:

- (a) To have no value;
- (b) To be unserviceable or beyond economical repair; or
- (c) That the disposal cost is higher than the likely return.

Where a recommendation to write off an asset is made, the relevant Asset Custodian is to provide the relevant member of Executive Management with the assessment criteria used to determine that the asset has no potential to realise a return for Council and detail the method for destruction and name of the officer who will be charged with the responsibility of ensuring the asset is destroyed.

Dumping/recycling of destroying of assets is only to be undertaken after consideration of the environmental issues to ensure that any hazardous substances are evaluated to ensure safe disposal.

5.4.5 *Donation to charities or community/non-profit organisations*

Low value assets with an estimated cumulative value under \$2,000 which are unsuitable for Council projects may be 'donated' to charities or community/non-profit organisations.

Council occasionally receives requests from the community, charity or work creation organisations seeking the donation or concessional sales of surplus goods. At times, Council may invite such organisations to submit proposals for the donation of surplus or obsolete goods.

In considering any request, the following should be kept in mind:

- Community groups should receive equitable treatment to avoid possible claims of bias;
- A check should be made to ensure the group is not a disguised business operation providing funds or remuneration to its principals;
- A check should be made to ensure the group is non-profit and that the intended use of the asset is non-commercial;
- Where the donation is seen as appropriate but there is a potential claim of bias, the matter should be referred to the General Manager; and
- The charity/community group must remove the asset themselves at no cost to the Council.

5.5 Approval for Disposal Process

5.5.1 Approval to commence the disposal process must be obtained from the relevant member of Executive Management, General Manager or Council where appropriate.

- 5.5.2 Approval must be given before proceeding with the disposal. This must be in writing using the Disposal of Asset Request Form (Appendix A).
- 5.5.3 Authorised approvers are:
- (a) Council – for disposals valued over \$150,000;
 - (b) General Manager – for disposals valued up to \$150,000; and
 - (c) Executive Management – are authorised to approve disposals to the value of the executive’s individual purchasing delegation.
- 5.5. At the end of the disposal process, a suitably completed Disposal of Asset Request Form (Appendix A) needs to be provided to Council’s Finance department.

5.6 Effective Disposal

- 5.6.1 A thorough inspection of an asset must be carried out by the Asset Custodian prior to disposal, to ensure that the asset does not contain confidential documents, software which may have licensing implications or additional items which are not intended for disposal.
- 5.6.2 As far as practicable, any Council identifying mark or insignia is to be removed.
- 5.6.3 Spare parts held for a particular asset should be disposed of in conjunction with the asset.
- 5.6.4 Items of historical or cultural significance should be given special regard.
- 5.6.5 Any dangerous or hazardous goods are to be disposed of only in a lawful and authorised manner.
- 5.6.6 Council employees are to ensure that the assets are properly prepared for disposal and that it is made clear to potential buyers that the assets are being sold at the buyer’s risk. Buyers are to rely on their own enquiries regarding the condition and workability of the items.
- 5.6.7 Any changes to the disposal process, terms and conditions **must** be communicated to all potential participating parties.

5.7 Sales to Councillors and Employees of Council

Members of the public should be provided with the opportunity to compete for the purchase. However, it is recognised that on occasion, there will be individual circumstances where sale to a Councillor or employee of the Council may be the most practical or fair and reasonable manner of disposal. In these instances, the General Manager is to clearly document all decisions and the reasons for such.

5.8 Conflict of Interest

Council staff involved in disposal need to understand their responsibility to disclose actual or perceived conflicts of interest that may arise in the performance of their duties. If there is a conflict of interest, the staff member should immediately seek the advice of their department Director.

For further information regarding conflicts of interest, refer to Council's Code of Conduct.

5.9 Record Keeping

5.9.1 Documentation detailing decisions relating to asset disposal is to be included in Council's Electronic Document Records Management System (EDRMS).

5.9.2 Council's Finance and Mapping, Assets, Design & Developments Departments are to be informed of the disposal of an asset together with all relevant details so that Council's Assets Register can be updated and accounting treatments for disposed assets effected.

5.9.3 Where a Councillor or Council employee, or members of their immediate family, purchase an asset from Council, the General Manager (or in the case of the General Manager, the Mayor) is to countersign the documentation that specifies the price paid for the asset and the method used in determining the price paid.

5.10 Financial Management

Reporting and accounting for disposal of all assets will be done in accordance with the Local Government Code of Accounting Practice and Financial Reporting.

5.11 Compliance

5.11.1 All staff to whom this Policy is applicable, are expected to read this Policy carefully so as to ensure that they are well aware of their responsibilities and processes to which they are to conform in relation to the disposal of Council assets.

5.11.2 Non-compliance with this Policy may result in disciplinary action being taken.

6. Accountability, roles and responsibilities

6.1 Council

- To adopt this Asset Disposal Policy;
- To approve disposals valued over \$150,000.

6.2 General Manager

- To lead staff (either directly or through delegated authority) in their understanding of and compliance with this Policy;
- To make decisions in regard to any application for the sale of assets to Councillors/Council employees outside of a public process;
- To approve disposals up to the value of \$150,000 and in accordance with this Policy.

6.3 Directors/Executive Management

- To approve disposals up to the value of their procurement delegation and in accordance with this Policy; and
- To provide guidance in relation to any conflicts of interest.

6.4 Mapping, Assets, Design & Developments Team

- To ensure, together with Council's Finance Team, that Council's Asset Register is maintained and kept up to date.

6.5 Finance Team

- To ensure that reporting and accounting for disposals of assets is done in accordance with the relevant accounting practices and financial reporting; and
- To ensure, together with Council's Mapping, Assets, Design & Developments Team, that Council's Asset Register is maintained and kept up to date.

6.6 Asset Custodians

- To review, at least annually, assets under their control and identify those that are to be disposed of;
- To ensure that requests submitted for the disposal of assets comply with the principles of this Policy and that decisions are made accordingly;
- To ensure a thorough inspection of an asset is conducted before disposal;
- To organise the disposal process; and
- To provide sufficient information to Council's Finance and Mapping, Assets, Design & Developments departments on asset disposal.

7. Acknowledgements

The following acknowledgements are made recognising organisations or documents that have provided a basis, instructive comment or templates that have been used to develop Council's Asset Disposal Policy:

- (a) Tamworth Regional Council's Asset Disposal Policy;
- (b) Forbes Shire Council Assets Disposal Policy & Procedure;

- (c) Port Macquarie Hastings Asset Disposal Policy;
- (d) Narrabri Shire Council Disposal of Assets Policy;
- (e) Coffs Harbour City Council Disposal of Assets Policy;
- (f) ICAC Publication: Preventing Corruption – Knowing your risks – Disposal of goods and property.

8. Version control and change history

Date	Version	Approved by & resolution no.	Amendment
May 2017	1.0		
Aug 2017	2	16.08/17	

9. Appendices

Appendix A – Disposal of Asset Request Form

Appendix B – Disposal Removal of Redundant Stock Request Form

ANNEXURE A - DISPOSAL OF ASSET REQUEST FORM

Contact Name	Signature	Date
Department		
Description of stock for disposal		Estimated Value
Reason for Disposal	<input type="checkbox"/> Reached the end of its useful life;; <input type="checkbox"/> Surplus to requirements; <input type="checkbox"/> Under-utilised; <input type="checkbox"/> Not fit for purpose; <input type="checkbox"/> Optimum time for maximum return; <input type="checkbox"/> Part of an asset replacement program; <input type="checkbox"/> Unserviceable or beyond economic repair; <input type="checkbox"/> Has become obsolete; <input type="checkbox"/> Does not meet legislative requirements; <input type="checkbox"/> Other (please specify):	
Method of Disposal	<input type="checkbox"/> Public Tender; <input type="checkbox"/> Public Auction; <input type="checkbox"/> Quotations; <input type="checkbox"/> Trade-in; <input type="checkbox"/> Negotiated sales and verbal quotes; <input type="checkbox"/> Writing off the value of goods; <input type="checkbox"/> Donation to charities or community/non-profit organisations <input type="checkbox"/> Other (please specify):	
Preferred Buyer		
Reason		

DISPOSAL APPROVAL AUTHORISATION		
Approvers	<input type="checkbox"/> Over \$150,000 – Council (resolution required) <input type="checkbox"/> Up to \$150,000 – General Manager <input type="checkbox"/> Delegation amount – Executive Management Team	
Name	Signature	Date

ANNEXURE B - DISPOSAL REMOVAL OF REDUNDANT STOCK REQUEST FORM

Contact Name	Signature	Date
Department		
Description of stock for disposal		Estimated Value
Reason for Disposal	<input type="checkbox"/> Stock that has not moved in the previous twelve (12) months; <input type="checkbox"/> Stock no longer compliant with Workplace Health & Safety Standards; <input type="checkbox"/> Stock obsolete due to changed procedures, functions or usage; <input type="checkbox"/> Stock found to contain hazardous material; <input type="checkbox"/> Stock items broken and beyond repair; <input type="checkbox"/> Whether suppliers still supply an item of slow moving stock; <input type="checkbox"/> Whether the stock is kept for emergency breakdowns; <input type="checkbox"/> Other (please specify):	
Method of Disposal	<input type="checkbox"/> Negotiated Sales and Verbal Quotes for stock valued up to \$1,000; <input type="checkbox"/> Auction for stock valued over \$1,000; <input type="checkbox"/> Tendering for stock valued over \$150,000; <input type="checkbox"/> Destruction – writing off the value of the stock item, recycling or destruction of the stock item; <input type="checkbox"/> Donation to charities or community/non-profit organisations; <input type="checkbox"/> Other (please specify):	
Preferred Buyer		
Reason		

DISPOSAL APPROVAL AUTHORISATION		
Approvers	<input type="checkbox"/> Up to \$1,000 – Chief Financial Officer <input type="checkbox"/> Over \$1,000 – General Manager	
Name (CFO or GM)	Signature	Date