



Sale of Other Assets (Asset Disposal) Policy

DOCUMENT AUTHORISATION

RESPONSIBLE OFFICER:		CHIEF FINANCIAL OFFICER			
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3	23/06/2022	22.06/22	Some grammar corrections and alignment with Councils current policy format Replace upper asset bracket \$150K with \$230K and change wording on virtual sales	Chief Financial Officer	Council
2	28/03/2019	19.03/19		Chief Financial Officer	Council
1	26/02/2015	9.02/15		Chief Financial Officer	Council

Note: Document Control continued at Appendix A


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General Manager

30.9.22
.....
Date

ACKNOWLEDGEMENT OF COUNTRY

Glen Innes Severn Council acknowledges and pays respect to the Ngorabul people as the traditional custodians of this land, their elders past, present and emerging and to Torres Strait Islander people and all First Nations people.

PURPOSE

The purpose of this policy is to:

- sets the method by which sales must be made to ensure that the optimum return on Council's unused assets is achieved and the risk of fraud is minimised to an acceptable level.

APPLICABILITY

This policy applies to:

- all Council Staff.

OUTCOMES

Glen Innes Severn Council embraces the values of Respect, Integrity, Courage, Honesty and Transparency. One of Council's strategic objectives is to provide accountable and effective financial management. This Policy has been prepared to ensure that Council can adhere to this objective.

Council has a range of plant, equipment and other assets that are sold and renewed on an ongoing basis. The objective of this Policy is to provide a coherent, transparent and ethical approach to the disposal of Council's assets while achieving the optimum return and reducing the risk to staff of inappropriate behaviour.

ROLES AND RESPONSIBILITIES

It will be the responsibility of the Chief Financial Officer to induct staff regarding this Policy where required. Revised versions of the Policy that contain significant changes will be communicated to all relevant staff by the Chief Financial Officer.

NON-COMPLIANCE WITH THIS POLICY

Failure to comply with the terms of this policy may lead to disciplinary procedures being implemented against the responsible staff member. Any instances of corrupt conduct may result in dismissal and/or criminal prosecution.

DEFINITIONS

In this policy:

- “Asset”** is defined as any item of property, plant, equipment or material (including scrap) which Council has a legal or equitable interest in.
- “Beyond economical repair”** is defined as a classification given to an asset where that asset requires repairs likely to be more extensive than its replacement value.
- “Motor vehicle”** means a passenger sedan or station wagon, motor cycle or commercial motor vehicle including vans, utilities, buses and trucks.

POLICY STATEMENT

The objective of the Asset Disposal Policy is:

1. To ensure that all sales are properly recorded and authorised;
2. To reduce the risk of inappropriate sales;
3. To provide a transparent approach to asset sales;
4. To achieve the most favourable terms for the sale of Council's assets;
5. To reduce maintenance costs by disposing of assets surplus to requirements; and
6. To ensure that Council reduces the risk of the obsolescence of its plant and equipment.

INCLUSIONS AND EXCLUSIONS

In this Policy “asset” does not include real property (i.e. Land and Buildings) nor does it include assets that are not owned by Council (Sale of Land for Unpaid Rates etc.).

This Policy does not include inventory sold through the business functions of Council. However, assets that are not sold as a regular part of these business functions would be included.

This Policy also includes assets sold through the “Private Works function” of Council that are not sold at a “set rate”. An example of this would include piping, stores and materials, machinery etc. no longer used by Council.

DISPOSAL PROCEDURE

The suggested disposal procedure for an asset of Council is as follows; any variations from this procedure must be documented and authorised:

1. Decision made to dispose, and inclusion in Council's Operational Plan;
2. Obtain an estimate or estimate the value of the asset;
3. Consider other factors in the disposal process;
4. Select most appropriate disposal method;
5. Obtain approval for disposal process;
6. Prepare asset for disposal;
7. Effect asset disposal process;
8. Complete attached "Disposal of Asset Form" and forward copies to Infrastructure and Finance for updating of the Assets Register; and
9. Evaluate asset disposal process.

DECISION TO DISPOSE

Prior to disposal, a reasonable effort is to be made to ensure Council has no need for the asset. Items of historical or cultural significance should be given special regard and any dangerous goods disposed of only in an authorised manner.

A decision to dispose of an asset may be based on one (1) or more of the following:

- Obsolescence;
- Non-compliance with work health and safety standards;
- No use expected in the foreseeable future;
- No usage in the previous 12 months (Stores and Materials);
- Optimum time to maximise return;
- Discovery of hazardous chemicals or material present in the asset;
- Beyond economical repair; and / or
- Asset life cycle considerations.

Decisions to dispose and the authorisation of such a decision are limited to Directors or the General Manager. Decisions in respect of items of significant estimated value (\$20,000+) should be made in consultation with both the relevant Director and the General Manager.

Once a decision to dispose of an asset has been made, the proposed sale should be recorded in the Operational Plan or as a budget review adjustment in the next Quarterly Budget review. This adjustment should be notified to the Chief Financial Officer to ensure that the sale can be appropriately accounted for.

No warranty is to be offered on assets sold.

OBTAIN ESTIMATE OF ASSET VALUE

As part of the sale process it is imperative that an estimate of the value of an asset is obtained to ensure that the maximum return is obtained for Council. This is particularly important in instances where goods are sold to Council staff or parties related to Council staff or if an asset is of an unusual nature, or can be reasonably expected to be of value of \$5,000 or above.

An estimate of the asset's value should take the form of someone with no direct interest in the sale, with a reasonable understanding of the value and nature of the item, reviewing the item, the market, and all other relevant factors to estimate a value for sale. Relevant factors should include:

- Comparing the previous sale of similar or related items (internet, newspaper, previous experience etc);
- Reviewing the condition of the asset and the cost to repair (if relevant);
- Considering the likelihood of sale and the demand (market) for the particular item. Items that have no active market may need to be sold at a discount if the likelihood of sale is low; and
- Any other matter that may be relevant.

It is suggested that items that are of special significance or may be of a significant value, \$20,000 or more, should be valued externally by an independent valuer or someone suitably qualified to provide a valuation (by experience or by qualification).

It is not suggested that valuations should be done for minor assets where the cost of the valuation would outweigh the benefit to Council. However, it is important to understand the actual value of an item before setting a price for sale.

OTHER FACTORS TO CONSIDER IN THE DISPOSAL PROCESS

Sales to Staff (including Councillors):

Assets must be sold to staff or parties related to staff members in a public process unless the General Manager believes that the sale to a staff member is the most practical or fair method of disposal. In a situation such as this, the circumstances leading to this decision should be documented. The Independent Commission Against Corruption (ICAC) recommends that invitations to bid for the purchase of any Council assets should not be limited to staff or to elected officials. Members of the public should also be provided with an opportunity to compete for the purchase.

For this reason, Council prefers that all assets should be sold in a public manner which provides the community with the ability to compete for the purchase.

THE MOST APPROPRIATE DISPOSAL METHOD

The most appropriate method for sale will depend on the asset. However, the method which is likely to maximise the return to Council while ensuring open and effective competition should be favoured. When considering the most appropriate method of sale the cost associated with the method of sale needs to be considered.

Destruction:

An asset should be disposed of through recycling or destruction where:

- The asset is deemed to have no value;
- The asset is unserviceable or beyond economical repair; or
- The disposal cost is higher than the likely return.

Generally this would mean that Council disposes of the item and the constituent materials are sold or scrapped (taken to Council's most appropriate recycling or waste treatment facility).

All assets that are to be destroyed or recycled should be brought to the attention of Council's Waste Coordinator to ensure that any scrap materials that can be sold are identified. All sales of scrap material should be made by Council's Waste Coordinator and the Waste Coordinator is responsible for obtaining the maximum return on Council's scrap material.

Generally, this will take the form of regularly obtaining quotations from interested parties for the sale of certain classes of recyclable material. The most favourable party should then be selected and used to dispose of recyclable material. When deciding on the most favourable party all aspects of the service should be considered including: the service provided, payment terms, maximising returns etc.

Donation to Charitable Organisations or Community Organisations:

Generally, assets disposed of in this manner should be limited to assets with an estimated value of \$2,000 or less.

The disposal of assets in this manner must be approved by the General Manager and must be made after due consideration of the factors listed in this Policy (e.g. Decision to Dispose, Estimate of Asset Value, and all other factors).

A request for an asset to be donated should be made in writing by the party requesting the donation. The request should include:

- 1) Proof of registration as a charitable organisation or a statement as to the purpose of the community group;
 - 2) A description of the asset requested to be donated; and
 - 3) The particular use to which the asset is to be utilised or the funds realised for the sale of the asset.
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When considering such a request the following additional factors need to be considered:

- 1) Community groups and charitable organisations should receive equitable treatment;
- 2) A check should be made to ensure that the organisation is both legitimate and the asset is to be used for the good of the community; and
- 3) Council should ensure that the organisation and the intended use of the asset are in line with Council's values and its organisational goals.

The recipient of the asset is responsible for the removal of the asset at no cost to Council. Council shall bear no further responsibility for the asset once donated (including the repair, maintenance or damages caused to it). The recipient must bear responsibility for any damage caused, and the clean-up costs associated with the removal of the asset from Council's property.

Negotiated Sales:

This method of sale should be used where estimated asset values do not exceed \$2,000 or are being disposed of to related bodies (such as the Rural Fire Service, Section 355 Committees or other co-operative organisations in which Council is a participant).

Assets with an estimated value of over \$2,000 sold to co-operative organisations in this manner should be authorised by way of a resolution of Council. This authorisation must be granted by Council before the sale is effected.

Auction:

Public auction maximises both the return on an asset and provides an opportunity for public participation. This method should be chosen where:

- There may be a public demand for the item;
- The return on the asset is likely to be maximised through this method;
- The cost of holding an auction can be justified by the return expected on the asset(s) to be sold; or
- Assets have an estimated value of less than \$230,000.

The cost of holding a public auction can be prohibitive to the use of this method of sale. The return on an item should consider the cost of the method of sale chosen. It may also be appropriate to sell more than one (1) asset by public auction to reduce the cost associated with this method of sale.

To avoid confusion, public auction will include listing items for sale online using appropriate general or industry specific websites.

Public Tender:

Public tender can maximise the return on an asset while providing an opportunity for public participation. This method should be chosen where:

- There may be a public demand for the item;
- The return on the asset is likely to be maximised through this method;
- The cost of administering the tender is expected to be less than a public auction and it is likely that this will improve the return on the respective asset;
- Assets have an estimated value between \$2,000 and \$230,000; or
- Assets with an estimated value of greater than \$230,000 **must** be disposed of by public tender.

Expressions of Interest/ Quotations:

This method may be used in the following circumstances:

- The item is of low value;
- The cost of disposal is expected to be high when compared with the likely return;
- The return on the asset is likely to be maximised through this method; or
- There is likely to be limited interest in the item.

Trade-in:

Trading-in assets may be a more efficient method of replacing assets and upgrading plant and equipment (particularly motor vehicles) but may not always maximise the return on a particular item. Therefore, when considering whether it is appropriate to use an asset as a trade-in, these benefits must be weighed against maximising the return on the asset.

PREPARING ASSETS FOR SALE

Prior to the disposal of an asset, a thorough inspection must be carried out to ensure that the asset is fit for sale. The following points need to be considered when carrying out an inspection of this nature:

- Additional items which are not intended to be sold must be removed from the asset (e.g. a hands-free phone set);
 - All records, and in particular confidential records, must be removed from the asset. This is particularly important in respect of electronic equipment such as computers and mobile phones etc;
 - All electronic storage facilities should be "cleared" prior to sale. The destruction or disposal of records should be done in consultation with the Records Supervisor;
 - Software or any material subject to copyright or licence must be removed from the asset. This includes software which may contain confidential information;
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- The asset should be inspected for any hazardous material or obvious hazards and it is suggested the intending purchaser is made aware of these defects (if applicable);
- Any branding or identifying marks in respect of Glen Innes Severn Council should be removed from the asset as far as is practicable;
- Where spare parts are used for a particular asset only, or cannot be used for another purpose, they should be disposed of in conjunction with the asset. When deciding on whether to include spare parts, the additional value added to the asset should be considered and compared with other options (such as sale as scrap metal etc.); and
- As much as is practical, any "Glen Innes Severn Council" or former Council identifying mark should be removed or obliterated. Those assets which have been identified by an Asset ID Tag should have this Tag removed and forwarded to the Technical Services Officer (Assets).

Once the asset has been thoroughly inspected the description of the asset for sale can be accurately recorded.

EFFECTING THE DISPOSAL PROCESS

The sale of an asset should be done in an efficient method, minimising the time involved by Council staff while maximising the return on the asset. The sale process should be documented as far as possible to ensure that a record is kept of the sale, to make certain that Council complies with record keeping and reporting requirements.

As soon as a sale is effected, the Debtors Officer and the Chief Financial Officer should be made aware of the sale to ensure that the sale can be accurately recorded and the purchaser can be invoiced. **Payment should be made prior to the collection of assets to ensure that all moneys are collected.**

It should be noted that in accordance with Council's Cash Handling Policy, no moneys are to be received by any department or person that is not authorised to handle cash or cash equivalents. Further, it should also be noted that all moneys for the sale of assets must be receipted by Council's Town Hall Customer Service staff and no other party is authorised to accept payment for assets sold in accordance with this policy.

EVALUATING THE DISPOSAL PROCESS

The disposal of assets, particularly assets of a significant value, should be reviewed regularly to ensure that:

- Sales are being carried out in a cost effective manner;
 - Sales are achieving the maximum return;
 - The estimate of asset values are accurate compared with the realised values; and
 - Sales are adhering to Council's policies.
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VARIATION AND REVIEW

The Sale of Other Assets (Asset Disposal) Policy will be reviewed every three (3) years or earlier if deemed necessary, to ensure that it meets the requirements of legislation and the needs of Council. The term of this policy does not expire on the review date, but will continue in force until superseded, rescinded or varied either by legislation or a new resolution of Council.



GLEN INNES SEVERN COUNCIL Sale of Other Assets (Asset Disposal) Form

Approval is sought to dispose of the following assets:

Qty	Assets ID No	Description	Net book value	Estimated cost of disposal	Estimated market value

Reasons for Disposal (✓ tick as relevant)

Obsolete Surplus

Other (provide details)

.....

Proposed Method of Disposal (✓ tick as relevant)

Auction

Other (provide details)

.....

Signature..... Date...../...../.....

Approval by General Manager or Director (estimated market value)

The above disposal is approved/not approved.

Signature..... Date...../...../.....

Disposal

I,.....certify that the above goods were disposed of on
...../...../.....

and the amount received on disposal was \$.....

Receipt No. Date...../...../.....

Signature..... Date...../...../.....

Proceeds of Sale costed to General Ledger Number:.....



Asset Register

Infrastructure/Finance Asset Register updated on/...../.....

Signature.....

UPON COMPLETION THIS FORM MUST BE SCANNED AND SAVED IN COUNCIL'S RECORDS SYSTEM (ECM)

Note: Ensure you attach supporting documentation where appropriated (e.g. Auction proceeds summary).