


COUNCIL POLICY

Asset Disposal	Adopted By Council:	23/07/14	
	Date/s Revised:	01/03/18, 28/03/19, 27/10/21	
	Next Review Date:	10/2024	
	Document No:	CP030	
	Directorate:	Corporate Services and Finance	
	Responsible Officer:	Manager, Corporate Services and Finance	

PURPOSE

The purpose of this policy is to provide direction for the disposal and rationalisation of Council assets when the assets are no longer required to meet agreed services or when there is no clear need for Council to retain ownership of the asset. This policy defines the process for identifying and proceeding with the disposal or sale of Council owned assets, and identifies how the proceeds from any asset sales are to be applied. The asset disposal process considers Council policies including asset management and procurement, Council's adopted budget and financial plan, and relevant accounting standards.

DEFINITIONS

For the purposes of this policy, the following definitions will apply:

Asset	an item or physical component of a facility, which has value, enables services to be provided and has an economic life greater than 12 months and can be sold. Only those assets owned and/or legally controlled by Council shall be recognised as assets for the purpose of this policy.
Asset Disposal	means the process whereby Council disposes Council-owned assets which are determined to be surplus or unserviceable.
Best Value	means the process whereby Council obtains the best possible return for the assets it sells in financial, social, economic and environmental terms.
Beyond Economical Repair	a classification given to an asset where that asset requires repairs likely to be more expensive than its replacement value. This applies to 'fair wear and tear', equipment damaged by storm, etc.
Technologically Obsolete	a classification given to an asset where an asset is out of warranty and lacks the ability to perform effectively, resulting in a significant waste of time, energy or materials.

POLICY

Assets subject to this Council Policy include plant, machinery and equipment, fixtures, fittings and furniture, computers and telecommunications. Sale, exchange or transfer of Council land is addressed in Council policy "CP044: Sale, Exchange or Transfer of Council Land".

The policy principles that form the basis of this policy are:

- open and effective competition;
- seek to be fair and equitable to all parties involved;
- ensure probity, accountability and transparency in all disposal processes;
- seek to ensure that the best outcome is achieved for Council; and
- all phases of the disposal process must be carried out with impartiality, fairness, independence, openness and integrity.

The following disposal process shall be followed:

1. Decision to dispose
2. Estimate the value
3. Factors to consider in disposal
4. Select appropriate disposal method
5. Effect the disposal
6. Evaluate and record the disposal

1. Decision to dispose

Before any assets are disposed of, it is necessary to certify and approve that they are appropriate for disposal.

For items valued under \$5,000 approval to commence the disposal process must be obtained from a member of the leadership team.

For items valued between \$5,000 and \$150,000 approval to commence the disposal process must be obtained from the Chief Executive Officer.

For assets valued over \$150,000 approval to commence the disposal process must be obtained from Council.

Common criteria for determining that assets may be suitable for disposal include:

- no longer required;
- unserviceable or beyond economic repair;
- technologically obsolete and operationally inefficient;
- surplus to current or immediately foreseeable needs, with no alternative future use identified;
- positive/negative impacts of asset disposal on the community;
- the benefits of community organisation ownership over the asset remaining with Council;
- benefit/risk analysis of assets to be disposed;
- the results of any community consultation process;
- part of an asset replacement program; and
- the long term plans and strategic direction of the Council.

Once a decision has been made to dispose, the process is to be managed by the Manager Corporate Services and Finance.

2. Valuation

An accurate valuation of the assets to be disposed of is important in selecting the most appropriate method of disposal. The value of an asset is dependent on:

- (a) the current market value; and

- (b) the perceived advantages of the assets to buyers in the market.

Low sale-value assets can be assessed by reviewing the current market. Officers should research both the online market, second hand dealers and print classifieds. In the case of any individual good that may have a high sale value (greater than \$5,000), an independent assessment from an experienced professional (ie. registered valuer or second hand dealer) must be obtained. Where practical, in the case of assets that have a high value, a competitive disposal method, such as External Tender or sale by Public Auction should be selected.

3. Factors to Consider

Some important considerations to be made at the commencement of the disposal process are:

3.1 Conflict of Interest

- (a) Staff involved in the disposal process must disclose to the Manager Corporate Services and Finance any actual or perceived conflicts of interest that may arise should they participate in the disposal process. The onus is on the individual involved being alert to and promptly declaring an actual or potential conflict of interest;
- (b) Manager Corporate Services and Finance must record the disclosure and implement procedures for the management and control of the conflict including the withdrawal of the conflicted officer from the asset disposal process.

3.2 Other Factors

Apart from monetary value (price), the following factors should also be considered:

- (a) the market available for the assets;
- (b) time considerations;
- (c) Council resources (internal administration costs) required to manage the disposal;
- (d) costs associated with the different disposal methods, such as transport and administration costs;
- (e) the size, portability and number of assets;
- (f) benefits of the different disposal methods;
- (g) depreciated value of the assets (book surplus/deficit);
- (h) the contribution to Council's long term financial plan and strategic management plans;
- (i) any relevant direct and indirect benefits to Council;
- (j) efficiency and effectiveness;
- (k) risk exposure; and
- (l) value of any associated environmental benefits.

4. Methods of Disposal

One of the following methods of asset disposal will be utilised when surplus, obsolete or unserviceable assets are identified by staff and subsequently approved for disposal in accordance with Clause 1. The method chosen must be appropriate to the nature and quantity of assets and promote fair and effective competition to the greatest extent possible. The method of disposal is to be approved at the same level as the decision to dispose.

4.1 Internal Sale or Auction

The decision to sell assets internally is the appropriate method when:

- (a) the asset is considered to be of little value to the public (where the definition of value does not include cultural, heritage or other social value our community places on an asset, or a monetary value of less than \$300);
- (b) the cost associated with the sale is considered to be higher than the return of the asset.

The process for selling assets internally shall be as follows:

- (a) advertise the item(s) for sale on the Intranet and alert via All staff email;
- (b) advise that the item(s) for sale will be sold on a first in basis;
- (c) advise that the cost of removing the assets will be borne by the recipient;
- (d) record acceptance of the highest offer or advertised price; and
- (e) issue an official receipt to the purchaser upon receipt of payment for the asset.

4.2 Sale by External Tender

The disposal of assets by external tender must be done in accordance with the Borough of Queenscliffe Council Policy CP013 Procurement and Council's Competitive Tendering procedures. In general the process will be as follows:

- (a) preparation of tender, including a list of the assets for sale, the conditions of the sale, the assessment criteria for evaluating offers, and a closing time and place;
- (b) public advertisement of the sale in a manner most likely to capture the anticipated market. This may involve advertising locally or regionally and on the internet, in newspapers or trade magazines, etc. The advertisement will include in the advertisement and conditions of sale a clause stating that items will be sold, with any faults, at the buyer's risk;
- (c) provide bidders with sufficient information to formulate a proper bid, including arrangements to inspect the assets if appropriate;
- (d) close and evaluate tenders with the utmost probity;
- (e) accept the tender that most closely meets the assessment criteria, provided it is considered reasonable;
- (f) seek endorsement of the decision, from the Chief Executive Officer or Council (dependent on value);
- (g) notify the successful tenderer in writing; and
- (h) notify the unsuccessful tenderers in writing.

4.3 Sale by Public Auction

Public auction maximises the opportunity for public participation in the disposal process and is the appropriate method when:

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

The process for conducting the auction would normally be as follows:

- (a) select type of auction appropriate to the assets for disposal (ie. online auction or in-person auction);
- (b) obtain competitive quotes on a commission basis from potential auctioneers and/or auction houses (eg. eBay);
- (c) select an auctioneer based upon:
 - i. the commission rates;
 - ii. whether the auctioneer is licensed;
 - iii. whether the auctioneer has adequate premises, at a suitable location; and

- iv. the past performance and/or industry reputation of the auctioneer; and
- (d) prior to the auction, ensure that each item or category of items has been valued, and where appropriate ensure that the auctioneer is aware of any reserve prices.

4.4 Online sale (e.g. Car Sales)

Online sales also maximise the opportunity for public participation in the disposal process and is the appropriate method when:

- (a) there is public demand for the items;
- (b) alternative disposal methods are unlikely to realise higher revenue; or
- (c) the costs associated with the online sale can be justified in relation to the expected revenue from the sale.

The process for conducting the auction would normally be as follows:

- (a) obtain a valuation
- (b) select website based upon:
 - i. the commission rates or fees;
 - ii. the past performance and/or industry reputation; and
- (c) set a reserve price, which must be greater than the valuation obtained; and
- (d) accept the highest offer, provided it is above the reserve price.

4.5 Trade In

Trading in surplus assets can be an efficient means of disposal, and a convenient way to upgrade equipment such as motor vehicles. However, trade-in prices do not always provide the best return as the purchase price of an item may have been inflated to offset the trade-in value offered by the supplier. Any decision to trade-in surplus assets must be based on a clear analysis of the benefits of the trade-in as opposed to separate sale of the surplus assets.

4.6 Donation to Charitable Organisation

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

The following factors must be considered in such cases:

- (a) the revenue that could otherwise be realised through a sale or auction;
- (b) the costs of donation or disposal compared to the benefits; and
- (c) the credibility and reputation of the charity or organisation.

The following process should be followed:

- (a) the cost of removing the assets should be borne by the recipient;
- (b) a receipt must be obtained from the recipient; and
- (c) all records of the process must be retained for audit purposes.

4.7 Scrapping/destruction

The value of an item may be written off and the item sent to an approved recycling venue if it is deemed:

- (a) to have no value;
- (b) to be unserviceable or beyond economical repair;
- (c) if an item has been advertised for sale on two occasions and fails to attract a buyer; or

- (d) If the risk associated with disposing the asset to an individual is considered to be high.

The process of writing off an asset is as follows:

- (a) an appropriately qualified person must certify that the item is unserviceable, is beyond economical repair, and has no scrap value;
- (b) the Manager Corporate Services and Finance must be informed that the item has been certified as unserviceable;
- (c) the Manager Corporate Services and Finance must remove the asset from the Asset Register; and
- (d) the item must be destroyed or disposed of in appropriate manner, in compliance with any relevant environmental guidelines, and this action must be certified. The item is not to be retained by any Council employee for personal use.

4.8 Ownership of Asset

All assets that are subject to the disposal process remain under the ownership of the Borough of Queenscliffe until such time that payment has been received in full and a receipt issued.

5. Effect the Disposal

5.1 Preparing Assets for Disposal

Staff involved in the disposal must check that assets to be disposed of do not contain material that is not intended for disposal.

Examples of material that must be removed before disposal include:

- (a) stationary – particularly printed stationery, which could be misused;
- (b) software – unauthorised transfer could breach license agreements;
- (e) classified information contained on hard or floppy disks;
- (f) records, files, papers or whiteboards containing information which, if disclosed, could breach privacy legislation, and/or cause embarrassment or problems for Council;
- (g) environmentally sensitive or hazardous stores; and
- (h) Council logos etc, from clothing and equipment.

IMPORTANT NOTE:

Any computer disposed of must have all Council software and user files removed from the hard drive prior to disposal. Windows operating system is to remain on the computer.

5.2 Advertising

When an asset is to be disposed by sale, auction or transfer, the item should be advertised at a reasonable selling price recognising depreciation and market values. Advertising should be prepared in consultation with the Communications Officer.

5.3 Buyers 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. Buyers are to rely on their own inquiries regarding the condition and workability of the items.

6. Evaluation & Records

All disposals must be reviewed to see if it has achieved its desired outcome. In particular, the Manager Corporate Services and Finance should determine whether:

- (a) the disposal has achieved value for money;
- (b) the disposal has been carried out in a fair and effective manner;
- (c) the estimates of the value of the assets and the cost of administering the disposal were accurate;
and
- (d) the assets register has been updated and insurance policies adjusted as necessary.

All records of the disposal process must be retained on file for audit purposes and provide an update to the Chief Executive Officer on a quarterly basis.

CONTINUOUS IMPROVEMENT

This policy will be reviewed as a minimum in the first year of each new Council term, and as required.

OTHER REFERENCES

Borough of Queenscliffe Council Policy CP001 Asset Management
Borough of Queenscliffe Council Policy CP013 Procurement
Borough of Queenscliffe Standard Operating Procedure SOP005: Motor Vehicles

END