9.6 Asset Disposal Policy Review

REPORT BY THE CHIEF FINANCIAL OFFICER
TO 15 APRIL 2020 ORDINARY MEETING
GOV400067, GOV400047

RECOMMENDATION

That Council:

1. receive the report by the Chief Financial Officer on the Asset Disposal Policy Review;
2. place the revised Asset Disposal Policy on public exhibition for 28 days; and
3. adopt the Asset Disposal Policy if no submissions are received.

Executive summary

The Asset Disposal Policy has a recommended change to incorporate negotiated sales to other local government entities (councils).

Disclosure of Interest

Nil.

Detailed report

There are some delegation changes recommended to ensure Council is running efficiently. Changes have been been tracked for review in the attached draft policy.

Amendments to the policy are summarised below:

- amend the policy to increase the Chief Financial Officer’s (CFO) and Manager Procurement delegated authority to dispose of Council owned plant/fleet assets where the plant/fleet is marked for replacement in the approved Fleet Plan;
- amend the policy to allocate the Chief Financial Officer's (CFO) delegated authority to authorise disposal of assets up to $5,000;
- increase the estimated value of assets that may be disposed of by tender from between $2,000 and $150,000 to between $2,000 and $250,000;
- increase the threshold of assets that must be sold by tender from $150,000 to $250,000;
- increase the estimated value of assets that may be disposed of at public auction from between $2,000 and $150,000 to between $2,000 and $250,000;

Community Plan implications

<table>
<thead>
<tr>
<th>Theme</th>
<th>Good Governance</th>
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</thead>
<tbody>
<tr>
<td>Goal</td>
<td>An effective and efficient organisation</td>
</tr>
<tr>
<td>Strategy</td>
<td>Prudently manage risks association with all Council activities</td>
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Strategic implications

Council Strategies
Not Applicable

Council Policies
This is a recommended change to an existing policy.

Legislation
Disposal of assets over $250,000 require a tender process, however contracts between councils are exempt from requiring a tender – Local Government Act NSW 1993, section 55, part 3. Therefore, negotiated sales with other Councils do not require a financial cap.

Financial implications
Not Applicable

Associated Risks
Not Applicable

LEONIE JOHNSON
CHIEF FINANCIAL OFFICER
30 March 2020

Attachments: 1. POLICY - REVIEW - Disposal of Assets.

APPROVED FOR SUBMISSION:

BRAD CAM
GENERAL MANAGER
Objective

To ensure the disposal of assets surplus to Council requirements is carried out in a manner that promotes obtaining best value for money; accountability; fairness and impartiality; and avoids any conflicts of interest.

Legislative requirements

- Local Government Act 1993
- Local Government (General) Regulation 2005

Related policies and plans

- Asset Management
- Code of Conduct
- Statement of Business Ethics
- Conflict of Interest
- Insert related policies and plans here

Policy

Guidelines

Assets referred to in this policy encompass all items of value to Council. This includes, but is not limited to, plant and equipment, office equipment, office furniture, stock items and software.

At all times, surplus assets or materials should be disposed of in a manner that maximises returns whilst ensuring open and effective competition.

Where need be, consultation with relevant business units and community consultation is conducted prior to disposal of significant assets. Furthermore, ensure that no other department within Council has a need for the asset.

All asset information is maintained prior to disposal to ensure that informed decision making pertaining to the disposal can be made.

Items of historical or cultural significance should be given special regard adhering to relevant guidelines and regulations.
Any dangerous or hazardous goods are to be disposed of only in the authorised manner.

It is to be made clear to all prospective buyers that assets are sold as-is and at the buyer’s risk. Buyers are to rely on their own enquiries regarding the condition and workability of assets. No warranty or after sale service is to be offered on any assets disposed of.

All disposals must be notified in writing to Council’s Finance Department with sufficient identifying information to allow disposed assets to be removed from Council Asset Registers.

A register will be maintained of all disposed assets with a value in excess of $5,000 that will be publicly available.

Related Documents

Asset disposal should align with the Asset Management Plan (AMP) and Asset Management Strategy documents. The AMP will be reviewed on a regular basis and should disclose assets requiring replacement or redundancy.

Delegation

The General Manager has delegated authority to dispose of Council owned assets that are surplus to requirements, excluding land which may only be disposed of by resolution of Council.

The Chief Financial Officer (CFO) and Manager Procurement has delegated authority to dispose of Council owned plant/fleet assets where the plant/fleet is marked for replacement in the approved Fleet Plan.

The Chief Financial Officer has delegated authority to dispose of Council owned assets that are surplus to requirements, to a maximum value of $5,000 per item, excluding land which may only be disposed of by resolution of Council.

Conflict of Interest

Council officers involved in the disposal of assets are responsible for disclosing any actual or perceived conflicts of interest that may arise in the performance of their duties. Council officers must ensure there is no conflict of interest on their behalf prior to the commencement of each disposal activity. All perceived and actual conflicts of interest are to be referred to the General Manager.

Reasons for Disposal

A decision to dispose of a Council owned asset may be based on one or more of the following:

- Obsolescence
- Non-compliance with occupational health and safety standards
- Nil utilisation estimates in foreseeable future
- Nil usage in previous 6 months (stock items)
- Optimum time for maximum return
- Uneconomical to repair
Preparation of an existing asset or plant

Preparing Assets for Disposal

Thorough inspections must be carried out prior to disposal to ensure assets do not contain:

- Additional items not intended for sale
- Confidential documents
- Any other Council documents
- Software (which may lead to a breach of license or contain confidential data)
- Hazardous material

As far as practical, any Mid-Western Regional Council branding or identifying marks should be removed. Stores should be notified if disposal of an asset impacts stock items, and spare parts held for a particular asset should be disposed of in conjunction with the asset.

Disposal Methods

The principal methods for disposal of assets are:

- Destruction – where assets are of no value
- Donation to registered charities or community organisations – where estimated asset value does not exceed $2,000
- Negotiated sales – where estimated asset value does not exceed $2,000 or to Rural Fire Service or to other Local Government Entities (councils)
- Auction – assets with an estimated value between $2,000 and $150,000 may be disposed of by public auction
- Tender – all assets with an estimated value between $2,000 and $150,250 may be disposed of by tender. All assets with an estimated value greater than $150,250 must be disposed of by tender.

Section 55 of the Local Government Act sets out the parameters for Tendering, and should be referenced and complied with, where relevant.

Sales to Staff and Councillors

As a general principle, sale of assets to staff and councillors is not to occur outside of a public process.

The Independent Commission Against Corruption (ICAC) recommends that invitations to bid for the purchase of any surplus Council assets should not be limited to staff or to elected officials. Members of the public must also 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 staff member may be the most practical or fair and reasonable manner of disposal. In these instances, the General Manager is to document all decisions and reasons for such decisions in relation to the asset disposal.
Donations to Community Groups and Registered Charities

This method of disposal may not be used for assets with an estimated value greater than $2,000.

Donations of assets surplus to Council requirements may only be made with the authority of the General Manager or CFO and only after exploring all avenues for recouping a fair value for Council.

A request by a community group or registered charity for the donation of Council assets must be made in writing. In evaluating such requests, the following must be considered:

- Community groups and registered charities should receive equitable treatment.
- A check should be made to ensure the group is not a disguised business operation providing funds or remuneration to the principals.
- A check should be made to ensure the group is not-for-profit and that the intended use of the asset is non-commercial.

The recipient group is responsible for the removal of the asset at no cost to Council.

Variation

Council reserves the right to vary the terms and conditions of this policy, subject to a report to Council.