

## 9.8 Asset Disposal Policy Review

REPORT BY THE CHIEF FINANCIAL OFFICER  
TO 21 APRIL 2021 ORDINARY MEETING  
GOV400088, 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.**

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### Executive summary

The Asset Disposal Policy was last reviewed and adopted by Council in April 2020. The policy is again due for review.

### Disclosure of Interest

Nil.

### Detailed report

To ensure Council is running efficiently, there is a delegation change recommended to the policy and other changes surrounding conflicts of interest and the disposal of assets changes by donation and trade-in. These changes have been tracked for review in the attached draft policy.

Amendments to the policy are summarised below:

- amend the policy to allocate the CFO's delegated authority to authorise disposal of assets up to \$10,000. This has been increased to the minimum Capitalisation threshold for most assets;
- ability for the GM to make determinations to remove council officers from the disposal process where there may be a conflict of interest especially surrounding the disposal of low value assets and scrap materials;
- to include Trade-ins to the disposal methods for large plant assets where an active market may not exist, and where the trade-in price is higher than a public auction estimate;
- to include parameters for disposal of assets through public auction; and
- increase the value of disposal of assets by donation from an estimated value greater than \$2,000 to \$5,000.

## Community Plan implications

<b>Theme</b>	<b>Good Governance</b>
Goal	An effective and efficient organisation
Strategy	Prudently manage risks association with all Council activities

## Strategic implications

### **Council Strategies**

Asset Management Strategy

### **Council Policies**

Asset Management

Code of Conduct

Statement of Business Ethics

Conflict of Interest

### **Legislation**

Local Government Act 1993

Local Government (General) Regulation 2005

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

7 April 2021

*Attachments:* 1. POLICY - REVIEWED - Disposal of Assets.

APPROVED FOR SUBMISSION:

BRAD CAM  
GENERAL MANAGER



## POLICY

### Disposal of Assets

*A prosperous  
and progressive  
community.*

ADOPTED		VERSION NO	VERSION <u>32.0</u>
COUNCIL MEETING MIN	<u>TBC:122/20</u>	REVIEW DATE	APRIL 2021
DATE:	<u>0115 APRIL 2020</u>	FILE NUMBER	A0100021

### Objective

To ensure the disposal of assets surplus to Council requirements is carried out in an open and transparent manner that promotes obtaining best value for money; accountability; fairness and impartiality; and avoids any conflicts of interest, whether real or perceived.

### 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

This policy applies to all Council officers and Councillors of Mid-Western Regional Council and must be strictly adhered to. Disposal of assets will be consistent with Council's economic, social and/or environmental objectives.

Council shall strictly implement its Code of Conduct, Statement of Business Ethics and other relevant policies on matters relating to disposal of assets.

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

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

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Where ~~considered appropriate~~need be, consultation with relevant business units and ~~the~~ community ~~consultation~~ is conducted prior to disposal of significant assets. Furthermore, it is also ensured 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.~~

Commented [FH1]: TO BE INCLUDED IN NEW PROCEDURE

A register ~~will be maintained~~ of all disposed assets with a value in excess of \$5,000 is maintained, and can be made that will be publicly available on request.

#### 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.

Refer to the Asset Disposal Procedure for details on the administrative process.

#### Delegation

The General Manager (GM) 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) 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 CFO has delegated authority to dispose of Council owned assets that are surplus to requirements, to a maximum value of ~~\$510,000~~ per item, ~~excluding land which may only be~~ disposed of by resolution of Council.

Commented [FH2]: INCREASED TO THE HIGHER CAPITALISATION THRESHOLD FOR MOST ASSETS

#### 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 GM. Where the GM concludes a conflict of interest exists, the Council officer may be removed from the disposal process.

#### Reasons for Disposal

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

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- 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
- Replacement of an existing asset eg plant, [road rehabilitation/resealing](#)

#### 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 licence 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 ([where no similar assets are held by the Council](#)).

#### Disposal Methods

The principal methods for disposal of assets are:

- [Write-off \(destruction or removal\)](#) – where assets are of no value, [unserviceable or beyond economical repair or the disposal cost is higher than the likely return](#)
- Donation to registered charities or community organisations – where estimated asset value does not exceed [\\$5,000](#)
- 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 \$250,000 may be disposed of by [either](#) public auction [or](#) tender
- Tender – all assets with an estimated value between \$2,000 and \$250,000 may be disposed of by [either](#) tender [or](#) public auction. All assets with an estimated value greater than \$250,000 must be disposed of by tender.
- [Trade-ins - only for large plant assets where an active market may not exist, and where the trade-in price is higher than a public auction estimate](#)

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

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

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

Low value assets and materials have been identified as potential targets for misappropriation of assets. Council Officers should monitor the quantities and disposal of low value assets and scrap materials to ensure that no inappropriate activities are being conducted by Council officers and no conflict of interests are occurring.

#### Sales to ~~Council Officers~~Staff and Councillors

Commented [FH3]: STANDARDISATION OF TERMINOLOGY

As a general principle, sale of assets to ~~Council officers~~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 ~~Council officers~~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 ~~Council officer~~staff member may be the most practical or fair and reasonable manner of disposal. In these instances, the ~~GM~~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 ~~\$5,000~~.

Donations of assets surplus to Council requirements may only be made with the authority of the ~~GM~~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.

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Variation

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

