

POLICY NUMBER	-	3.20
POLICY SUBJECT	-	3.20 Disposal of Assets

Objective

The purpose of this Policy is to provide unambiguous and transparent direction for the disposal of assets and in doing so:

- promote fair and effective competition to the greatest possible extent;
- consider any potential benefit to the community; and
- ensure best value for money is achieved.

Principle

The Shire of Merredin is committed to the open, transparent and systematic disposal of Council's Non-current Assets.

Definitions

To assist in interpretation, the following definitions shall apply:

Apparent Value: relates to the ~~estimated~~ current financial value of an asset, as per the assessment conducted by the responsible Executive Manager.

Asset: means a resource controlled by Council as a result of past events and from which future economic benefits are expected to flow to Council (e.g. real property, motor vehicles, plant and equipment, art works, etc).

Asset Disposal: means a process where Council divests itself of an asset in a systematic and authorised manner as directed by this Policy.

Best Value: means where Council obtains the best possible return for the goods it sells-disposes of in financial, social, economic and environmental terms.

CEO: means the CEO of the Shire of Merredin.

Responsible Officer: means that officer nominated in the Shire's accounting system as being responsible for the service supported by that asset.

The Act: means the *Local Government Act 1995* (and as amended from time to time) and the *Local Government (Functions and General) Regulations 1996*.

Context

This policy applies to assets controlled by Council.

Section 30.3 (a) of the *Local Government (Functions and General) Regulations 1996* states that disposal of assets is exempt from the requirements of Section 3.58 of the *Local Government Act 1995* if the value is less than \$20,000 excluding GST (other than Land).

Council needs to be assured that probity is maintained in the process at all times.

The disposal of items exceeding \$3,000 in value must be recorded in Council's Asset Register (Excluding Land and Buildings).

The apparent value of assets shall be determined by the relevant Executive Manager as defined in this Policy who has responsibility for the management of the asset. The apparent value will be determined with consideration of:

- a. the book value; and/or
- b. replacement value of the asset; and/or
- c. an assessment of the market value of the asset, made by taking into consideration:
 - i. the potential to sell the asset;
 - ii. the perceived value of the asset to a buyer;
 - iii. its age and condition;
 - iv. potential for obsolescence; and
 - v. usefulness for future needs.

The Executive Manager will be required to detail the assumptions used in estimating the asset's value, in preparing their recommendation to dispose of the asset.

In all cases, prior to disposing of assets, Executive Managers should first consider the needs of other Departments. This could take the form of a notice communicating surplus assets and requesting that the Responsible Officer sign off that it is agreed there is no further use for the asset, whilst giving other Executive Managers the opportunity to state their requirements for the business.

Decision to Dispose

Before any asset is disposed of, it is necessary to certify that the asset is appropriate for disposal and obtain approval from the CEO ([refer to Disposal Form linked below](#)).

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

- a. no longer operationally required;
- b. unserviceable or beyond economic repair;
- c. technologically obsolete;
- d. operationally inefficient;
- e. surplus to current or immediately foreseeable [needs/requirement](#);
- f. part of an Asset Replacement Program;
- g. contains any environmentally sensitive or hazardous material;
- h. non-compliance with [OSH/WSH Standards](#); and
- i. uneconomical to repair.

Factors to Consider prior to Disposal

- a. Other Uses – prior to disposal, a reasonable effort is to be made to ensure no other Council Department has a need for the asset;
- b. Items of historical or cultural significance should be given special consideration;
- c. Dangerous materials – Any dangerous goods are to be disposed of in an authorised manner;
- d. Conflict of Interest – The Executive Manager and the officer responsible for the disposal of any Council Asset must ensure that no conflict of interest occurs in or as a result of the asset disposal process;
- e. Identifying marks – As far as practical all Council identifying marks or stickers should be removed or obliterated;
- f. Spare parts – Spare parts held for a particular item should be disposed of in one parcel with the asset;
- g. Preparing assets for sale – A check must be carried out to ensure assets do not contain:
 - i. Additional Items not intended for sale;
 - ii. Confidential documents (records, files, papers);
 - iii. Software (which could lead to a breach of license or contain confidential data);
 - iv. Digital confidential information;

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⚡ Hazardous materials; and c

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Completion of a form for removal from Asset Register.

Assets with an Apparent Value of Less Than \$3,000 (ex GST)

The relevant Executive Manager is responsible for determining the appropriate method for the disposal of Assets with an Apparent Value of less than \$3,000. The method used for the disposal of Assets shall maximise the return to Council.

The accepted means of disposal under this category may include, but not limited to:

- a. Disposal by publicly invited quotation;
- b. Public Auction; or
- c. Donation to not-for-profit Community or ATO endorsed Charity organisations.

Assets with an Apparent Value of More Than \$3,000 (ex GST)

For assets with an Apparent Value greater than \$3,000 the disposal method will be determined by the relevant Executive Manager on a case by case basis.

In making a determination the Executive Manager should consider:

- a. Market forces and impact on return from the sale of the asset;
- b. The purchase price, lifecycle maintenance costs and remaining useful life to maximise where possible the return on investment of the asset;
- c. The strategic worth of the asset and its long term benefit to the community;
- d. Community need for the asset and alternative resources; and
- e. How the funds received from the disposal of the asset are to be allocated.

Methods of Disposal

All disposals of ~~any~~ surplus Council assets shall be ~~by way of public invitations to bid for the purchase via the Authorised Disposal Methods listed below of the assets.~~ This shall not be limited to staff or to elected officials ~~of the Shire of Merredin.~~ Members of the public must also be allowed to compete for ~~the any~~ Purchase ~~by Tender events, Public Auctions and or Expression of Interest request.~~

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

The disposal method chosen must be appropriate to the nature, quantity and location of goods, and promote fair and effective competition to the greatest extent possible. Where practical, a competitive disposal method should be selected, particularly for the disposal of high-value goods or large quantities of similar goods.

Authorised Disposal Methods

Public Tender

Tendering for the disposal of goods is to be conducted in accordance with the same principles as Council's tendering policy.

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; and
- c. the costs associated with the auction can be justified in relation to the expected revenue from the sale.

Expressions of Interest/Quotations

Council may determine to dispose of items by advertising for expressions of interest or quotations where:

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- a. the items are of low value;
- b. the costs of disposal are disproportionate to the expected returns; or
- c. there is very limited interest.

Trade-in

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

Sale or Transfer to Other Agencies

There may be occasions when Council may consider selling or transferring surplus goods to another council or similar organisations, before offering them for sale on the open market. For example, it may decide to give surplus office furniture to a co-operative organisation in which Council is a participant.

Authorisation by way of a resolution of Council is required before such a sale or transfer can be affected.

Donation to Charities or Community Organisations

(Note: this method of disposal may not be used for asset with an [estimated apparent](#) value of more than \$1,000 [as per the relevant Executive Managers appraisal](#)).

Council occasionally receives requests from not-for-profit community, charity or work creation organisations seeking the donation of, 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 matter shall be referred to the [Deputy CEO Executive Manager Strategy and Community](#) for assessment to consider the following:

- a. Community groups should receive equitable treatment to avoid possible claims of bias;
- b. A check should be made to ensure the group is not a disguised business operation providing funds or remuneration to the principals;
- c. They must verify in writing their status as an incorporated not for profit organisation, with an approved Constitution, or an organisation endorsed for tax concessions by the ATO and that the intended use of the asset is non-commercial (i.e. non-profit);
- d. Provide written acknowledgement of receipt of the asset;
- e. Acknowledge that Council will not be responsible for any repair or maintenance of the asset;
- f. Acknowledge that all copyright or licensed content has been removed (e.g. computer software);
- g. Take responsibility for the timely removal of the asset and any associated costs that arise from the asset's removal;
- h. Where the donation is seen as appropriate but there is a potential claim of bias, the matter should be referred to the CEO; and
- i. The charity/community group must remove the asset themselves and at no cost to the Council.

Writing off the Value of the Goods (Recycling or Destruction)

The value of an item may be written off and the item removed to the Waste Management Facility, 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.

Notifying Disposal of Assets

Following the disposal of an asset of an apparent value of \$3,000 or more, it is the responsibility of the relevant Executive Manager, or their delegate, to notify:

- a. The Senior Finance Officer of the disposal to ensure the Asset Register is updated; and
- b. The Executive Manager of Corporate Services to determine any impact on Council's insurance policies.

Buyers Risk

Irrespective of the disposal method applied, all prospective owners must be advised in writing that items are disposed of, with any faults, at the buyer's risk ('as is where is'). [This will be by a Condition Report that states the known faults with the item, and or the item is disposed of for scrap value only.](#)

Buyers are [encouraged](#) to rely on their own investigations regarding the condition and workability of the items for their particular purpose and Council will not be responsible for any repairs or maintenance of the Asset.

Documentation and Declarations

The relevant Executive Manager or their delegate is to ensure:

- a. The disposal methodology is fully documented and all documentation is filed under the appropriate disposal file in Records;
- b. Any conflict of interest issues, perceived or otherwise, in relation to the chosen means of disposal or with the officers involved in the disposal process is declared and registered; and
- c. The CEO will consider the conflict of interest declaration, assess the risk and provide formal notification of a decision on a case by case basis.

Evaluation Process

This Policy is reviewed when any of the following occur:

- a. The related information is amended or replaced;
- b. Other circumstances as determined from time to time by the CEO; and
- c. Notwithstanding the above, this Policy is to be reviewed at intervals of no more than two years.

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