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|  | POLICY NUMBER: | P41 |
| | ASSET DISPOSAL POLICY | |
| | CATEGORY: | COUNCIL POLICY |
| | SP CLASSIFICATION: | OPERATIONS |
| | LG ACT 2019 General Regulations 2021 | Sections 267(1) & 40 Part 2, Division 9 |
| | RESPONSIBLE OFFICER: | CHIEF EXECUTIVE OFFICER |

1. PURPOSE:

To provide a framework consistent with legislative requirements that provides clear guidelines relating to the sale or disposal of assets or materials surplus to the operational needs of Wagait Shire Council.

2. SCOPE:

The Policy applies to

- all current and non-current assets and items surplus to council requirements; and
- all employees of council.

3. DEFINITIONS:

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| Asset: | An asset is a resource controlled by council as a result of past events and from which future economic benefits are expected to flow to the entity for more than 12 months. Assets include tangible items like property, plant and equipment and intangible assets like software. |
| Useful life: | The useful life of an asset is the period over which an asset is expected to be available for use by council. |
| Depreciable amount: | The depreciable amount is the cost of an asset, or fair value less its residual value. |
| Residual value: | The residual value is the estimated amount that council would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. |

4. POLICY:

Section 267(1) of the Local Government Act 2019 provides that, *Subject to the Minister's guidelines, a council may deal with or dispose of property of which the council is the owner.*

4.1. Reasons for Disposal

Any sale or disposal of assets should be consistent with the council's objectives set out in strategic plans. When considering options for the sale and disposal of assets, council will look for opportunities to advance the objectives of the council's strategic plan.

Council may dispose assets due to renewal programs in line with asset management plans, the long-term financial plan or annual budget.

4.2. Method of Disposal

The following practices of disposal are approved by council:

- Destruction / landfill – where items are of no value;
- Open tender;
- Selected tender;
- Quotation sought by officers for external party to sell on behalf of council;
- Trade in;
- Auction;
- Other means directed by council.

The following items should be considered selecting the method of disposal:

- Potential to obtain best price;
- Number of known potential purchasers;
- Current and possible preferred future use of the asset;
- Opportunity to promote local economic growth and development;
- Total estimated value of the sale;
- Delegation limits taking into consideration accountability, responsibility, operational efficiency and urgency of the sale;
- Compliance with statutory and other obligations.

4.3. Approval for Disposal

Under Section 40 of the Local Government Act 2019, council has delegated authority for disposal of assets, except the sale of land to the Chief Executive Officer through the instrument of the Delegations Manual.

The Delegations Manual endorses the Chief Executive Officer to dispose of equipment, stores or other property of council including, but not limited to plant, machinery and vehicles which are obsolete, worn out or of no further use providing the estimated disposal value of the asset is less than \$2,000. Disposal of any asset with an estimated value of more than \$2,000 must be referred to council.

Advice to council regarding disposal of assets shall include:

- Identification of asset (linkage to financial asset register)
- Reason for disposal
- Method of disposal
- Application of proceeds

Property which has been purchased, or the purchase of which has been contributed to, by a funding source, may not be disposed of unless the terms of the funding agreement have been met. This includes any requirement to gain approval from the funding body to dispose of property.

4.4. Proceeds from Sale of Assets

Proceeds from the sale of assets should be applied to a particular purpose:

- Reduction of any debt associated with the asset acquisition or upgrade since the original purchase or construction;
- Offset of cost of replacement assets required for operations arising from the asset sale;
- Specific Reserve Fund or asset replacement reserve;
- Other specific purpose as determined by Council resolution.

4.5. Financial Recognition of Disposal

When an asset is sold and its selling price varies from the carrying amount in council's balance sheet, a gain or loss on disposal will be recognised directly to the Income Statement in accordance with AASB 140 or AASB 116 respectively.

If an asset is derecognised before it has been fully depreciated, the carrying amount represents a loss on disposal and will be expensed.

Where an asset disposed of has been subject to revaluation, the net increment in the asset revaluation reserve relating to the disposed asset will be transferred to accumulated surplus. The amount transferred must not exceed the balance of the asset revaluation.

Partial disposal of an asset is recognised if a partial renewal/replacement has taken place and the carrying value of that disposed part in regards to AASB 116 can be identified.

Alternatively, if the fair value of the replaced part cannot be identified, the cost of the replacement is added in the carrying amount of the asset and the fair value shall be reassessed at revaluation.

5. ASSOCIATED DOCUMENTS

P05 Council Staff Code of Conduct
P26 Delegations manual

6. REFERENCES AND LEGISLATION

Ministerial Guideline 4 - Assets, Section 9 – Authority to sell or dispose
Local Government Act 2019
Local Government (General) Regulations 2021
Australian Accounting Standards.

7. REVIEW HISTORY

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| Date Approved: 19/02/2019 | Approved By Council: Moved: Vice President Tom Dyer Seconded: Cr Neil White Vote: AIF | Resolution no: 2019/328 | Date for review: 19/02/2022 |
| Date Approved: 19/04/2022 | Approved By Council: Moved: Cr Peter Clee Seconded: President Neil White Vote: AIF | Resolution no: 2022/072 | Date for review: Next term of Council |

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