

Policy:	Asset Disposal
Department:	Corporate Services
Approved by:	Policy and Services Committee
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1. Purpose

1.1 To set out the principles and processes by which the disposal of Council assets will be conducted, and to provide guidance to Council staff to ensure that the following are achieved:

- Value gained from asset disposal is maximised
- Asset disposal is undertaken in an open, fair, transparent and accountable manner.
- Risks associated with asset disposal are managed appropriately.
- Opportunity for exploitation by individual employees, the public, private sector, or any other organisations is minimised.
- The method chosen for asset disposal promotes efficient disposal practices, proportionate to the approximate value of the item, minimising disposal costs.

2. Background

2.1 This policy covers the sale, or disposal by any other means, of Stratford District Council assets. For the purposes of this policy:

- "Disposal" includes the sale, donation, scrapping, write-off, recycling, barter, trading or any other means of ceasing beneficial ownership or custody of assets.
- "Assets" include, but are not limited to, real property, plant and equipment, furniture and fittings, collections, vehicles, redundant and excess stock. It does not include financial assets (investments, debtors, prepayments).
- "Write-off" specifically refers to the removal or de-recognition of the asset from the asset register and balance sheet at nil value.

2.2 Council assets may be disposed of for various reasons, including:

- The asset has come to the end of its useful life and needs to be replaced,
- The asset no longer supports the delivery of a community outcome and is surplus to requirements,
- The economic costs of ownership outweigh the benefits, and/or
- Councillors decide by resolution that the asset is to be disposed of.

3. Policy

3.1 . Assets are the property of the Council, therefore it is essential that disposing of an asset is done in accordance with policy. The proper recording of an asset disposal provides for an accurate account of profit or loss, and asset value, in the financial statements.

3.3 Department Managers are responsible for determining when assets are surplus to requirements (for whatever reason), and for organising their disposal. Assets that are

surplus to Council requirements should be planned for, and disposed of promptly, avoiding prolonged storage and loss of value.

- 3.4 Department managers should investigate the likely market value of any asset considered surplus to requirements, in a manner appropriate to the asset value and significance.

3.4 *Strategic Assets:*

Council retains a register of strategic assets in its Significance and Engagement Policy.

In accordance with the Local Government Act 2002, any decision to transfer the ownership or control of a strategic asset to or from the Council, or a decision to construct, replace or abandon a strategic asset, can only be taken if it is explicitly provided for in the Council's Long Term Plan.

3.5 *Value for Money:*

- The disposal of Council assets shall achieve the best net value possible. This includes identifying redundant assets and undertaking an assessment of the means of asset disposal whenever practical (including sale, write-off or donation) to ensure alignment with Council's strategic objectives, as well as current and potential benefit to the local community.
- All property assets (land and buildings) must be independently valued by one registered valuer, or if sale proceeds are expected to be over \$5,000,000, two registered valuers, prior to being offered to the market for sale. The sale of land must be through an open market process (priced sale, tender, or auction), unless there is a strong association with an adjoining land owner and the sale is within 10% of the independently assessed market value.
- Independent appraisals of value shall be obtained for all higher value assets, expected to realise more than \$20,000 (excluding property), prior to their disposal, and should be taken to account when negotiating the final sale price. Where the sale of an asset is through an established public market or a reputable online auction, there is no requirement for Council Officers to obtain an independent appraisal.

3.6 *Disposal of Assets to Employees and Elected Members*

- Assets must not be disposed of directly to an individual Council employee or elected member. However, an internal tender process may be initiated by the Department Manager in control of the particular asset. The objective of this approach would be to gain the highest disposal price at the lowest cost to Council. A reserve price that is comparable to current fair market value must be set by the Department Manager.
- Staff and elected members may purchase an asset through an internal tender process, provided they have no decision-making involvement in the disposal process and Council is not exposed to potential or perceived conflict of interest.
- The maximum estimated asset value for an internal tender process is \$20,000. The Chief Executive must authorise the disposal of any asset internally where the estimated asset value exceeds \$1,000.
- Should no tenders be received through an internal tender process, the following actions are available:
 - If the estimated asset value is less than \$500, then the asset may be donated to the community.
 - If the estimated asset value is less than \$1,000, staff may be offered the opportunity to purchase at re-quoted price.
 - If the estimated asset value is more than \$1,000, then the asset may be listed for sale through online auction, or through any other approved auction platform, with a reserve to be set at no less than 70% of the estimated asset value.

3.7 Accounting for the Disposal of Assets

- Where an asset is disposed, the asset is removed from the fixed asset register at its carrying amount (cost less accumulated depreciation).
- A gain or loss on disposal is recognised on the difference between the actual sale price realised, and the carrying amount. For example, if an asset was disposed of for no consideration, but had a \$100 carrying amount on the balance sheet, a loss of \$100 will be recognised in Other Operating Costs in the Statement of Comprehensive Revenue and Expenses.
- The sales proceeds are transferred to the relevant renewals reserve to offset the cost of replacing the disposed asset.
- Net gains from the sale of assets that have not been specifically tagged for a particular purpose are to be transferred to the Asset Sales Proceeds Reserve. This includes sales proceeds from the disposal of Council property and non-financial investments.

4. Procedure

The Finance team must be advised of all asset disposals where the original purchase cost of the asset being disposed of exceeds \$2,000, or the asset is recorded in the Council's asset register. This is to be done through the *Request for Disposal of Asset form (D18/499)*.

Every asset disposal must be fully documented, clearly identifying the following:

- Asset – full description,
- Reason for disposal,
- Who authorised its disposal,
- To whom it was disposed,
- Sale proceeds value, if any.

The details must be recorded in a timely and accurate manner in the Council's fixed asset records and financial accounting systems.

Payment must be received prior to the new owner taking possession of the asset. Such possession must take place within one week of the conclusion of the sale or the asset may be readvertised for sale.

Appropriate "one-up" authorisation must be obtained prior to any asset disposal, in accordance with the *Schedule of Financial Delegations* in the Council's *Procurement Policy*.

All sales of surplus assets require the generation of a Council invoice. Invoices should be approved by the manager of the Council department which owns the asset, and prepared by the Revenue team. If an asset is traded in, the supplier's invoice must show the total cost of the new item and the allowance for the traded item separately.

5. Related Council Documents

Delegations Policy
Procurement Policy
Asset Management Policies
Long Term Plan 2024-34
Request for Disposal of Asset form