

STRATFORD DISTRICT COUNCIL

POLICY: ASSET DISPOSAL

DEPARTMENT: Corporate Services	RESPONSIBILITY: Director Corporate Services
APPROVED DATE: 12/03/2019	NEXT REVIEW: 2021/22
VERSION: 1	DOCUMENT: D19/03278

BACKGROUND

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, 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.

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.

PURPOSE

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 by Council is maximised.
- Asset disposal is undertaken in an open, fair, transparent and accountable manner.
- Risk associated with asset disposal is 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.

POLICY

Effective asset management is an essential element of Council's strategic planning, governance, and the continued delivery of quality business activities and services, as well as an integral part of wider financial planning processes.

Schedule 7, Section 32 (c) of the Local Government Act 2002 states that the Council cannot delegate the power to dispose of assets, other than in accordance with the Council's Long Term Plan or through an amendment to the current Long Term Plan, through the Annual Plan process. The annual budgets provide for anticipated asset disposals. All fixed assets are allocated a useful life which is recognised through the Long Term Plan and Annual Plan process as part of the asset renewal programme. Any significant proposed asset sales will be dealt with on a case by case basis.

Replacement of existing assets

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 disposed of promptly, avoiding prolonged storage and loss of value.

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.

Strategic Assets

Property, plant and equipment are classified into two categories:

Unrestricted Council is able to sell these assets without restrictions.

Restricted The disposal of these assets is limited by legislation, or in the manner in which they were vested, or cannot be physically uplifted and sold.

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.

Value for Money

The disposal of all 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 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.

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 such as TradeMe or Turners Auctions, there is no requirement for Council Officers to obtain an independent appraisal.

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 exposed to no 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.

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 and the funds then may be used to replace the disposed asset.

Net proceeds 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.

PROCEDURE

The Finance team must be advised of all asset disposals where the original purchase cost of the asset 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. Proceeds from the sale of assets must be correctly and expediently recorded in the Council's financial accounting systems.

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 Department. 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.

Cash must not be used as a form of payment for assets with a sale price over \$1,000.

RELATED COUNCIL DOCUMENTS:

Delegations Policy
Procurement Policy
Asset Management Policies
Long Term Plan 2018-28
Request for Disposal of Asset form