



Name	FIN01 Asset Disposal
Policy Type	Council
Responsible Officer	Director Community and Corporate Services
Approval Date	20/05/2020
Review Date	19/05/2024

1. Purpose

This policy governs the disposal of Litchfield Council assets including the disposal of land. The purpose of this policy is to provide unambiguous and transparent direction for the disposal of assets to:

- Promote fair and effective competition to the greatest possible extent;
- Consider any potential benefit to the community;
- Ensure best value for money is achieved; and
- Ensure the same accountability for disposal of assets that of purchasing assets.

2. Scope

This policy applies to the disposal of all Council assets

3. Definitions

For the purposes of this Policy, the following definitions apply:

Term	Definition
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 Statement

4.1. Principles

This policy follows the accounting treatment set out in AASB140 (Investment Property) and AASB116 (Property, Plant & Equipment), as well as other legislative requirements. Asset de-recognition occurs on disposal or when no future economic benefit is expected from an asset.

4.2. Reasons for Disposal

The following practices of disposal are approved by Council:

- Open tender
- Disposal due to renewal
- Quotation sought by officers for external party to sell on behalf of council
- Selected tender
- 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

Council has delegated authority for disposal of assets, except the sale of land, under the *Local Government Act* to the Chief Executive Officer as documented in the delegation manual.

Approval of disposal of assets shall be sought in line with the delegation manual in writing and should include the following information as a minimum:

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

Litchfield Council Financial Policies and Procedures

Litchfield Delegation Manual

6. References and Legislation

Northern Territory Local Government Act, Regulations and Guidelines

Australian Accounting Standards

Ministerial Guidelines

7. Review History

Date Reviewed	Description of changes (Inc Decision No. if applicable)
13/12/2017	New policy, rescinding policy LC31 and LC37
20/05/2020	Removing option of direct sale to officers
09/05/2021	Minor administrative changes made, including formatting and new regulation titles. Policy review date to remain the same.