

# ASSET DISPOSAL POLICY

## ADMINISTRATIVE POLICY



### 1 Scope

This policy applies to Rockhampton Regional Council employees involved in the disposal of Council assets.

**This policy does not apply to any process of selling of land for arrears of rates and charges or selling of stock in the normal course of operations.**

### 2 Purpose

The purpose of this policy is to provide unambiguous and transparent direction for the disposal of assets to:

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

### 3 Related Documents

#### 3.1 Primary

Nil

#### 3.2 Secondary

*Electrical Safety Regulation 2013*

*Local Government Act 2009*

*Local Government Regulation 2012*

AASB Framework for the Preparation and Presentation of Financial Statements (Accounting Standard) - FFP

Asset Capitalisation Policy

Asset Disposal by Internal Quotation Procedure (Plant and Equipment Valued at Less Than \$5,000)

Conflict of Interest Policy

Fleet Management Policy – Plant and Vehicle Asset Renewals, Extensions and Reductions

Rockhampton Museum of Art Collection Management Policy

Non-Current Asset Register

### 4 Definitions

To assist in interpretation, the following definitions apply:

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Asset	<p>As defined in paragraph 49(a) of the Framework for the Preparation and Presentation of Financial Statements:</p> <p>A resource controlled by Council as a result of past events and from which future economic benefits are expected to flow to Council (for example real property, motor vehicles, plant and equipment, art works, etc).</p> <p>Key features of an asset include:</p> <p>(a) Council must have control over the future economic benefits of the asset;</p> <p>(b) There was a past transaction or event which gave rise to the control of the future economic benefits; and</p> <p>(c) There must be future economic benefits expected to flow to Council.</p>
Asset Disposal	A process where Council divests itself of an asset in a systematic and authorised manner as directed by this policy.
Best Value	Obtaining the best possible return for the goods it sells in financial, social, economic and environmental terms.
Carrying Value	The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses. Also known as written down value.
CEO	<p>Chief Executive Officer</p> <p>A person who holds an appointment under section 194 of the <i>Local Government Act 2009</i>. This includes a person acting in this position.</p>
Community Organisation	<p>As defined in the <i>Local Government Regulation 2012</i>:</p> <p>(a) An entity that carries on activities for a public purpose; or</p> <p>(b) Another entity whose primary object is not directed at making a profit.</p>
Council	Rockhampton Regional Council
Employee	<p>Local government employee:</p> <p>(a) The CEO; or</p> <p>(b) A person holding an appointment under section 196 of the <i>Local Government Act 2009</i>.</p>
Exc GST	Excluding goods and services tax
Financial Delegation	A formal delegation (consisting of a financial band and a contractual delegation) allowing an employee to authorise/approve the expenditure or reimbursement of money within their approved budget and delegation limit. This delegation allows an employee with responsibility for a budget to manage that budget.
Government Agency	<p>As defined in the <i>Local Government Regulation 2012</i>:</p> <p>(a) The State, a government entity, a corporatised business entity or another local government; or</p> <p>(b) Another Australian government or an entity of another Australian government; or</p> <p>(c) A local government of another State.</p>
Infrastructure Assets	Assets contained within Council's water, sewerage, roads, stormwater drainage, airport and bridge asset classes.
Manager	An employee appointed to a position with a corporate band 1, 2 or 3 delegated in line with the Delegation and Authorisation Policy and detailed in the Delegations Corporate Register.
Non-current Assets	An asset of Council that is not a current asset and has been recognised under Council's Asset Capitalisation Policy.

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Plant and Vehicle Asset	A Council asset, leased or owned, that is above the \$5,000 capitalisation threshold and is generally under the following categories: (a) Light passenger and commercial vehicles; (b) Trucks and trailers; (c) Construction and materials handling equipment; (d) Grounds care equipment; (e) Boats, marine craft; (f) Requires registration with the Department of Transport and Main Roads; or (g) Motorcycles including quad bikes.
RMOA	Rockhampton Museum of Art
Works of Art	A form or expression of the visual arts and crafts. It may include, but is not limited to, painting, sculpture, ceramics, photographs, printmaking, drawing, use of information technology, multimedia, digital media and mixed media.

## 5 Policy Statement

Council is committed, as far as practical, to the open, transparent and systematic disposal of Council's assets.

Non-current assets are originally recognised and recorded in Council's Non-Current Asset Register in line with Council's Asset Capitalisation Policy.

### 5.1 Recommendation to Dispose

Before any asset is disposed of, it is necessary to determine that it is appropriate for disposal. Once determining the estimate or carrying value of the asset (refer to paragraph 5.2), the following common criteria is used to determine whether an asset may be suitable for disposal:

- (a) No longer required;
- (b) Unserviceable or beyond economic repair;
- (c) Technologically obsolete;
- (d) Operationally inefficient;
- (e) Surplus to current or immediately foreseeable needs;
- (f) Part of an asset replacement program;
- (g) Contains any environmentally sensitive or hazardous material;
- (h) Other culturally or significant collection based assets (excluding works of art) that are not considered significant or relevant to current collections; and/or
- (i) Works of art being considered for deaccessioning in accordance with the RMOA Collection Management Policy.

In deciding and recommending an asset for disposal, managers should consider the needs of other departments, sections or units. This could take the form of a notice communicating surplus assets.

#### 5.1.1 Plant and Vehicle Assets

Operational areas seeking plant and vehicle asset reductions are required to complete a business case, which includes investigation into service delivery and consultation, in accordance with the Fleet Management Policy – Plant and Vehicle Asset Renewals, Extensions and Reductions.

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### 5.1.2 Other Collection Based Assets (excluding artworks)

The Manager Communities and Culture, in conjunction with relevant areas in Council, are responsible for identifying items that are considered not significant or relevant to current collections. It is recognised these facilities receive various donations and require an acceptable means for retaining only items of heritage or cultural significance and value to Council.

### 5.1.3 Works of Art

The Museum of Art Director recommends works of art, after consultation with RMOA Collection Advisory Group, to be subject to deaccession after considering factors identified in the RMOA Collection Management Policy, with works of art valued at \$5,000 or more being approved by Council resolution.

## 5.2 Carrying Value of the Asset

When disposing of an asset, the relevant value is that of the carrying value in Council's Non-Current Asset Register. Written approval to dispose of an asset must be given by a manager who has the appropriate financial delegation at the level of the carrying value of the asset to be disposed.

If a carrying value is not available for the asset, an estimation of value of the asset should be made having regard to:

- (a) The potential to sell the asset;
- (b) The perceived value of the asset to a buyer;
- (c) Its age and condition;
- (d) Cultural or other significance including factors identified in the RMOA Collection Management Policy;
- (e) Potential for obsolescence;
- (f) A rapidly diminishing sale value;
- (g) Continuing operational costs such as insurance, registration, and maintenance costs; and
- (h) Usefulness for future needs.

## 5.3 Assets (Excluding Land) with a Carrying Value of Less Than \$5,000 (Exc GST)

The relevant manager is responsible for approving the appropriate method for the disposal of assets with a carrying value of less than \$5,000. The method used for the disposal of assets will maximise the return to Council.

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

- (a) Internal quotation;
- (b) External quotation;
- (c) Public Auction; or
- (d) Donation to a community organisation.

Where items are not able to be disposed by the above means, as a final option certain items may be disposed of (scrapped) at recycling, landfill or similar facilities or agencies. This action is only taken as a last resort after a robust, transparent, and well-recorded decision-making process has been completed and approved.

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#### 5.4 Assets with a Carrying Value of Greater Than \$5,000 (Exc GST), Including Land

For assets with a carrying value greater than \$5,000, the disposal method is determined by the relevant manager on a case by case basis considering:

- (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.

In accordance with section 227 and section 236 of the *Local Government Regulation 2012* the accepted means of disposal under this category may include, but not limited to:

- (a) Public Tender;
- (b) Public Auction;
- (c) Can be sold in any way as long as the sale price is more than the highest bid received at a previous tender or auction. Noting in this instance the asset must have been the subject of an earlier tender/auction process;
- (d) Trade-in;
- (e) Disposal to another government agency;
- (f) Disposal to a community organisation; or
- (g) For the disposal of land, section 236(c) of the *Local Government Regulation 2012* applies.

#### 5.5 Notifying Disposal of Assets

Following the disposal of an asset, it is the responsibility of the relevant manager, or their delegate, to notify the:

- (a) Asset Accounting Supervisor to ensure the asset register is updated and accounting treatments are recorded; and
- (b) Coordinator Property and Insurance to determine any impact on Council's insurance policies.

#### 5.6 Infrastructure and Non-Infrastructure Assets Disposed as Part of a Capital Project Proceeding

In respect of replacement and upgrade infrastructure capital projects, the carrying value of the asset should be reduced to reflect that component of the asset that is no longer providing future economic benefits. These adjustments are recorded as a write-off of non-current assets in Council's financial statements. This is optional for non-infrastructure projects.

This excludes any assets that are disposed to or provided to third parties. These items are not capable of being utilised to produce economic benefits in the future.

Whilst approval by Council for the write-off is inherent in the approval of a new or upgrade capital project, the impacts of the capitalised projects are to be submitted by the Asset Accounting team in a report to the CEO (or appropriate manager with financial delegation) and Chief Financial Officer, for their approval, at least annually for a financial year.

#### 5.7 Buyer's Risk

Irrespective of the disposal method applied, all prospective buyers must be advised in writing that items are disposed of, with any faults, at the buyer's risk ('as is where is'). Buyers are to rely on their own investigations regarding the condition and workability of the items and Council is not responsible for any repairs or maintenance of the asset.

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## 5.8 Disposal Requirements

### 5.8.1 Electrical Equipment

The manager responsible for the disposal of any electrical equipment must ensure compliance with all relevant conditions detailed in the *Electrical Safety Regulation 2013* for the sale of electrical equipment prior to disposal of the asset.

All faulty electrical equipment is to be rendered physically inoperable (cut and removal of electrical cords and plug or removal of a vital operational component) prior to disposal at landfill, a waste transfer station or regulated recycling point.

### 5.8.2 All Items

In all cases, Council identification, information and any software licenced to Council is to be confirmed as being permanently removed prior to disposal, where practical.

### 5.8.3 Land

The manager responsible for the disposal of land must ensure compliance with all relevant conditions detailed in sections 226 and 236 of the *Local Government Regulation 2012*.

## 5.9 Conditions on Donations to Community Organisations

Assets can only be donated to a community organisation if that organisation can:

- (a) Affirm in writing they are an entity that carries on activities for a public purpose, or their primary object is not directed at making a profit;
- (b) Provide written acknowledgement of receipt of the asset;
- (c) Acknowledge Council is not responsible for any repair or maintenance of the asset;
- (d) Acknowledge all copyright or licensed content has been removed (for example computer software); and
- (e) Take responsibility for the timely removal of the asset and any associated costs that arise from the asset's removal.

## 5.10 Conditions on Disposal at Recycle, Landfill or Similar Facility

After completing the steps in this policy, assets may be disposed of at a recycle, landfill or similar facility where the following can be substantiated:

- (a) There is no value to Council;
- (b) The item is not considered significant or relevant to current collections;
- (c) If a bequeathed or donated work of art, the donor, or in the donor's absence their heirs, should be consulted whenever possible to determine the method of deaccession. Options including but not limited to; return, selling on to another party, or gifting to another institution, should be offered.

## 5.11 Documentation and Declarations

The relevant 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 Council's recordkeeping system; and
- (b) Any conflict of interest issues, perceived or otherwise, in relation to the chosen means of disposal or with employees involved in the disposal process should be declared and registered in accordance with the Conflict of Interest Policy.

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## 6 Review Timelines

This policy is reviewed when any of the following occur:

- (a) The related information is amended or replaced; or
- (b) Other circumstances as determined from time to time by the Council.

## 7 Document Management

Sponsor	Chief Executive Officer
Business Owner	Deputy Chief Executive Officer
Policy Owner	Chief Financial Officer
Policy Quality Control	Legal and Governance



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