



Fixed Asset Management and Disposal Policy

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| Department: | Finance |
| Document ID: | 515363 |
| Approved by: | CEO |
| Effective date: | 1 July 2021 |
| Next review: | 2 years |

Purpose:

The purpose of this policy is to:

- Provide Central Otago District Council employees guidance and clarity surrounding management and disposal of Council assets;
- Ensure probity, accountability and transparency in the management and disposal of Councils assets.

Principles and objectives

This policy has been set to ensure that the management and disposal of assets are appropriately authorised, monitored and documented and that disposal processes are transparent and conducted in a timely manner, with disposal risks managed and conducted so that they maximise value for money for Council.

Under no circumstances shall an asset be disposed of in a manner that may be perceived of as exhibiting bias, preferential treatment, or which exposes employees to any conflict of interest.

Scope:

This policy applies to all elected members, Central Otago District Council employees and representatives involved in the management and disposal of Council owned assets.

For the avoidance of doubt, any reference to employees or staff in this policy shall include:

- the organisation's employees;
- volunteers;
- persons seconded to council; and
- contractors.

This policy excludes vehicle management and disposal. Further information pertaining to this may be found in the [Vehicle Procurement, Maintenance and Disposal Policy](#).

Definitions:

| Definition | Detail |
|----------------------|--|
| Fixed Asset | Any item that is recorded in Council's fixed asset registers, has a value over \$2,000 (excluding GST) and meets the accounting definition of a fixed asset: (a) Are held for use in the production or supply of goods or services, (b) Are expected to be used during more than one reporting period; and (c) There is an expectation that it will provide a future benefit. |
| Asset Manager | A council employee responsible for managing and/or disposing of assets. |
| Conflict of interest | Where a staff member is compromised when their personal interests or obligations conflict with the responsibilities of their job or position. It means that their independence, objectivity or impartiality can be called into question. |
| Asset Disposal | The process of removing an asset from Council ownership either by selling or otherwise. |
| One-up principle | Approval hierarchy that ensures separation of duties and approval from a line manager. Delegation holders cannot approve transactions involving themselves or from which they could be seen to benefit, instead they must be approved by their one-up manager. |
| Write-off | The removal of the asset from Council asset registers and Statement of Financial Position, at nil compensation. |
| Work in Progress | The value of construction projects that are currently being worked on. |

Policy:

1. Capitalisation criteria

In making the assessment of whether an asset will be capitalised (versus an item of operating expenditure), the Finance Manager or Executive Manager - Corporate Services together with the Asset Manager, will take into consideration:

- Accounting definition of a fixed asset;
- The nature and context of the transaction;
- Where the transaction relates to a component of an existing asset, the transaction will result in increased economic benefit to Council and is not purely a reinstatement of that component.

2. Authorisation

Approvals for the purchase and disposal of fixed asset items will be made in accordance with Council's [Procurement Policy](#) and the [Register of Delegations to Staff](#).

3. Accountabilities

Asset Managers are responsible for managing assets in accordance with Council's asset management plans, programmes and policies.

It is the Asset Managers responsibility to ensure that any incident or changes to assets that have a financial impact on Council are reported to the Finance Manager or Executive Manager - Corporate Services in a timely manner. Examples of changes will include impairment, revaluation, loss or capitalisation information.

The Finance Department is responsible for maintaining Council's Fixed Asset Register and, in partnership with the relevant Asset Manager, ensure asset data and information is accurate, in line with relevant accounting policy and reconciled to the relevant Asset Management System.

4. Fixed Asset Reviews

A review of Council's Fixed Asset Register is to be conducted by the relevant Asset Manager and Finance Staff at regular intervals throughout the year, and in accordance with Audit NZ and the accounting standards at the end of each financial year. These reviews are conducted to ensure the accuracy of asset information, including work in progress, remaining useful lives and depreciation rates. Fixed asset reviews will also ensure the on-going reconciliation of information between Councils Fixed Asset Register and the relevant Asset Management System and ensure that the financial values reported in Council's balance sheet are reported accurately.

5. Revaluations

It is the responsibility of the relevant Asset Manager to ensure revaluations are conducted in accordance with the relevant Accounting Standards and Policies with guidance from the finance team. Independent revaluations are to be conducted by suitably qualified valuers, working with the Asset Manager and the Finance Department and undertaken in a timely

manner to ensure revaluation adjustments and disclosures meet Annual Report and annual audit timeframes.


6. Asset disposals

The initial decision to dispose of an asset should come from the third-tier manager responsible for the asset. This should occur when the asset becomes redundant, obsolete, damaged, is surplus to requirements or requires replacement. Documented authorisation to dispose of assets that have a residual or resale value must be obtained from the employees Executive Manager or the Chief Executive Officer, or in the instance of land acquisition or disposal – the Council, prior to commencing this process.

All asset disposals must be fully documented, clearly identifying the asset, reason for the disposal, who authorised its disposal, to whom it was disposed, and these details recorded in a timely and accurate manner against the fixed asset record and in accordance with Council's Information Management Policy.

Independent appraisals of value shall be obtained for higher value assets (expected to realise more than \$20,000) prior to their disposal. Where possible, three appraisals should be acquired, and recorded, to ensure a transparent process has been followed. Refer to the Vehicle Procurement, Maintenance and Disposal Policy.

At no time shall an asset be disposed of directly to employees, contractors or elected members.

| Additional Information | |
|---|---|
|  | <p>Staff and/or elected members may purchase an asset in an open tender process - provided they have no decision-making involvement in the sale process, and Council is not exposed to (potential or perceived) conflict of interest.</p> |

Before disposing of an asset, due diligence must be carried out to ensure assets do not contain;

- additional items not intended for disposal;
- confidential documents (hard copy and electronic);
- identifying marks or Council logo;
- hazardous materials;
- hard drives with council operated software.

In facilitating a sale, the use of a third-party agency/person is to be used in the first instance to ensure an arms-length approach is taken, i.e. Real Estate agent, TradeMe or Turners.

When disposing of assets vested or gifted to Council, any conditions imposed at the time of vesting or gifting must be considered and adhered to where applicable.

Assets must not be disposed of by way of a cash sale and must follow the Council external sales invoicing process. The exception is where an external agent is engaged to sell the asset and full supporting documentation/evidence of the sale price is received and paid to Council. This documentation must be retained for audit purposes.

Disposal processes will ensure that assets that are disposed of are removed appropriately from the asset register and financial records updated in accordance with Generally Accepted Accounting Practice.

Disposal methods by asset type are tabled below:

| Disposal method | Description | Land & Buildings | Infrastructure assets | All other assets |
|-------------------------|--|------------------|-----------------------|------------------|
| Tender | Openly seek bids through closed or open tender process | ✓ | ✓ | ✓ |
| Auction | Public auction through auction house or similar agency | ✓ | ✓ | ✓ |
| Private contract | Arranged through independent agent | ✓ | ✓ | ✓ |
| Open market | | ✓ | ✓ | ✓ |
| Land exchange | | ✓ | | |
| Trade-in | | | ✓ | ✓ |
| Expressions of interest | Seeking expressions of interest from buyers | ✓ | ✓ | ✓ |
| Reuse | Used by another department | | ✓ | ✓ |
| Recycle | Broken down for parts Sold for scrap | | ✓ | ✓ |

| Disposal method | Description | Land & Buildings | Infrastructure assets | All other assets |
|-----------------|--|------------------|-----------------------|------------------|
| | Gifted to non-profit organisation or charity | | | |
| Redevelop | Incorporate into another asset | | ✓ | ✓ |
| Scrap | Decommission, destroy and dump | Building only | ✓ | ✓ |
| Leave in ground | Underground assets | | ✓ | |

Relevant legislation:

- Local Government Act 2002

Related documents:

- Council's Accounting Standards and Policies
- Procurement Policy
- Delegations Policy
- Asset Management Policy
- Staff Interest Policy
- Information Management Policy
- Sensitive Expenditure Policy
- House Rules
- Fraud, Bribery and Corruption Policy
- Protected Disclosures (Whistle Blower) Policy
- Vehicle Procurement, Maintenance and Disposal Policy