



Name:	Asset Disposal		
Type:	Council Policy		
Owner:	Chief Executive Officer		
Responsible Officer:	Manager Financial Services		
Approval Date:	21/06/2016	Next Review Date:	21/06/2018

1 Purpose

This policy governs the de-recognition of non-current Assets in form of disposal including sales at the City of Palmerston.

2 Principles

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

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.
Carrying amount	The carrying amount is the amount at which an asset is recognised in the statement of financial position. It is the cost of an asset, or fair value less accumulated depreciation.
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 Reasons for Disposal

Any sale or disposal of assets should be consistent with the council's economic, social and/or environmental objectives set out in strategic plans. When considering options for the sale and disposal of assets, council should look for opportunities to advance the objectives of the council's strategic plan.

Council may dispose assets due to renewal programs in line with Asset Management Plans.

4.2 Method of Disposal

The following practices of disposal are approved by Council:

- Direct sale through Council officers
- Quotation sought by officers for external party to sell on behalf of council
- Selected tender
- Open tender
- Disposal due to renewal
- 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 under section 32 of the Local Government Act to the Chief Executive Officer 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

- 5.1 City of Palmerston Policies
- 5.2 City of Palmerston Delegation Manual

6 References and Related Legislation

- 6.1 Northern Territory Local Government Act
- 6.2 Northern Territory Local Government (Administration) Regulations
- 6.3 Northern Territory Local Government (Accounting) Regulations
- 6.4 Australian Accounting Standards
- 6.5 Ministerial Guidelines
- 6.6 Local Government General Instructions