

Guideline 4: Assets

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Guideline 4: Assets

LOCAL GOVERNMENT GUIDELINE NO. 4

Local Government Act 2019

Making of Guideline

I, Chanston James Paech, Minister for Local Government, under section 342 of the *Local Government Act 2019*, hereby make this Guideline for the purposes of the Act.



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Minister for Local Government

23 / 6 / 2021

Guideline 4: Assets

1 Title

- 1.1 This Guideline is titled *Guideline 4: Assets*.

2 Commencement

- 2.1 This Guideline commences on the day on which section 342 of the *Local Government Act 2019* commences.

3 Definitions

For the purposes of this Guideline:

Act means the *Local Government Act 2019*.

assets, see the definition in regulation 3 of the *Local Government (General) Regulations 2021* and AASB 116 *Property, Plant and Equipment*.

major asset, see regulation 26(5) of the *Local Government (General) Regulations 2021*.

value, for clause 10, means the fair value of the asset.

4 Relevance to Act

- 4.1 Section 267(1) of the Act states that a council may deal with or dispose of property of which the council is the owner, subject to the Minister's guidelines.

- 4.2 Property of which council is the owner includes council's assets.

Note for clause 4

Council's power to deal with and dispose of property does not authorise a council to act in breach of trust or conditions on which the property was accepted (see section 267(2) of the Act).

5 Application to local government subsidiary

- 5.1 This Guideline applies to a local government subsidiary as if a reference to a council were a reference to a local government subsidiary.

6 Objectives

- 6.1 This Guideline establishes a decision framework to help councils ensure that:

- (a) the write off, sale and disposal of assets is fair and transparent; and
- (b) best value for money is obtained for the sale and disposal of assets.

7 General principles

- 7.1 There must be full accountability for the acquisition, management, sale, disposal and write off of any asset. This requires a council to have clear approval processes and procedures for all of these actions set out in the asset management policy made by the CEO.

- 7.2 Consideration should be given to the principles of asset lifecycle management for all assets, which relate to asset planning, acquisition, operation (including maintenance) and disposal.

Notes for clause 7

- 1 *Under regulations 6(1)(c) and 6(1)(d) of the Local Government (General) Regulations 2021, a council must maintain the council's internal accounting policies and procedures and the council's internal controls.*

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- 2 *Regulation 6(1)(d)(v) of the Local Government (General) Regulations 2021 requires the council to have an asset management policy, made by the CEO.*
- 3 *Dangerous goods and hazardous materials (e.g. asbestos) are to be disposed of in accordance with the relevant legislative requirements.*

8 Write offs

8.1 Assets are required to be written off in the following situations:

- (a) loss of the asset;
- (b) theft of the asset;
- (c) the asset had become unserviceable;
- (d) the asset has become obsolete;
- (e) the asset has been condemned.

8.2 For the purposes of writing off the asset, the value of the asset is:

- (a) the carrying amount – including any residual value for recognised assets; or
- (b) the fair value – where fair value provides a better estimate of the current value of the asset.

Note for clause 8

Refer to Part 2, Division 9 of the Local Government (General) Regulations 2021 for legislative requirements when writing off assets.

9 Authority to sell or dispose

9.1 Subject to the council's delegations, the recommendation to sell or dispose of any major asset must be approved by the council (or delegate) prior to sale or disposal.

9.2 The sale and disposal of assets must be in accordance with sound contracting principles and must be conducted in a fair, accountable and transparent manner that is capable of withstanding public scrutiny.

10 Method of sale and disposal

10.1 For an asset with a value of or above \$100 000, a council must sell the asset through use of one of the following methods:

- (a) public auction;
- (b) seeking public tenders;
- (c) a method listed under clause 10.3(c)-(g) that is approved by a resolution of the council and the resolution states the public interest reasons why that method is to be used;
- (d) a method that is otherwise required under law.

10.2 If the asset is sold under clause 10.1(c), the council must report what asset was sold, the method of sale and the reasons for that method in the annual report.

10.3 Subject to clause 10.1, a council may sell or dispose of an asset using any of the following methods:

- (a) public auction;
- (b) seeking public tenders;
- (c) direct sale by advertising the asset for sale through a public notice or in a local newspaper;

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- (d) seeking quotations for the sale of the asset;
- (e) seeking selected tenders to a group of persons, companies or organisations;
- (f) trade-in;
- (g) a method that will provide a community benefit in the circumstances;
- (h) a method that is otherwise required under law.

10.4 When choosing a method of sale or disposal, the council must take into account the following matters:

- (a) the current and possible preferred use of the asset;
- (b) the total estimated value of the asset;
- (c) the potential for the council to obtain the best price for the asset;
- (d) the number of known potential purchasers for the asset;
- (e) the existence of local purchasers for the asset;
- (f) the opportunity to promote local economic growth and development;
- (g) appropriate delegation limits to achieve accountability, responsibility, operational efficiency and considering the urgency of the sale;
- (h) compliance with legislative requirements and other council obligations.