

Policy Status: Approved

Document Type: Policy
Primary Keyword: Information Management
Secondary Keyword: Council Policies
Tertiary Keyword: Policy -New

Created by Kristy Matterson

Last Updated 28/02/2007

Precis: Finance-Disposal of Goods

Responsible Officer: Policy Coordinator

Document:

TITLE:	Disposal of Goods
AUTHORITY:	Council
DATE OF ADOPTION:	21 February 2007
REPORT NO:	A/DW&S 4/2007
MINUTE NO:	623
POLICY NO:	F12.13
POSITION RESPONSIBLE:	Director Works & Services
RELEVANT LEGISLATION:	Public Sector Employment & Management Act 2002
PREVIOUS POLICY NO:	
DATE LAST AMENDED/REVIEWED:	

OBJECTIVE

To establish a policy and procedure for which Cessnock City Council complies with the the NSW State Government Regulation, this being the Public Sector Employment & Management Act 2002, for the disposal of goods.

POLICY

Scope

This policy and procedure is for the disposal of goods applies to all levels of Cessnock City Council.

Aim

The disposal must achieve best value for money such that Council obtains the best possible return for the

goods that are being disposed, as well as maintaining probity and transparency throughout the process.

Policy Review

The disposal policy and procedures will be subject to review every two (2) years or as such time that NSW State Government reviews the legislation.

Disposal Outline

A “good” is of value to Council; only in so much as it continues to cost effectively support the delivery of the Council’s services. Goods that are no longer needed should be disposed of promptly.

The “disposal” must achieve best value for money such that Council obtains the best possible return for the goods it sells. In addition to price, the disposal process is to include consideration of the Council’s Social, Economic Environmental and Occupational Health, Safety & Rehabilitation Policy objectives.

The disposal method that is chosen must promote fair and effective competition to the greatest extent possible, and disposals should be conducted in an ethical manner. The disposal process should follow as below:

- Decision to dispose;
- Estimate the value;
- Factors to consider in disposal;
- Select the appropriate disposal method;
- Obtain approval for disposal process;
- Effect disposal;
- Evaluate disposal process.

Conducting a Disposal

Council staff who are involved in the disposal process must possess the relevant experience to be able to carry out the following:

- Identify when disposal is warranted;
- Obtain a valuation of the goods;
- Choose the most appropriate method of disposal; and
- Apply these procedures to ensure that disposal is conducted in a manner ensuring probity and fair dealings.

Conflict of Interest

Council staff involved in disposal need to understand their responsibility to disclose actual or perceived conflicts of interest that may arise in the performance of their duties.

Council staff should check that there is no conflict of interest on their behalf prior to the commencement of each disposal activity. If there is a conflict of interest the Staff member should seek advice from their Departmental Director .

Decision to Dispose

The disposal of goods involves the identification of the “good” as no longer being required by Council.

Before any disposal action can be taken, it should be necessary to seek approval that the goods are appropriate for disposal. Some common criteria for determining that the goods may be suitable for disposal include:

- No longer required;
- Unserviceable or beyond economic repair;
- Technologically obsolete;
- Operationally inefficient;
- Surplus to current or immediately foreseeable needs;

Part of an asset replacement plan.

(Always remember there are costs associated with the retaining of goods such as storage, insurance, security and management.)

Estimate the Value

Under the State Contracts Control Board Disposal Delegation, the following means of disposal are approved:

1. **Transfer** – Transfer to another Public Service Agency as set out in the Public Sector Employment & Management Act 2002;
2. **Destruction** – Destruction where items are of no value;
3. **Negotiated Sales and Verbal Quotes** – Goods valued up to \$1,500 may be disposed of by negotiated sales and verbal quotes;
4. **Auction** – Goods valued up to \$150,000 may be disposed of by auction;
5. **Written Quotations/Tenders** – Goods valued over \$1,500 but not exceeding \$150,000 may be disposed of by written quotes or tenders;
6. **Goods Valued over \$150,000** – If the estimated value of the goods exceeds \$150,000, agencies must refer the disposal to the Department of Commerce (NSW Procurement Contracting Service) for the invitation of tenders/auction approval action.

An accurate valuation of the good's assists in selecting the most appropriate method of disposal, and identifying the necessary level of approval.

Valuation is dependent upon:

- The market;
- The perceived advantages of the good to buyers in the market.

Disposal Methods

Methods of disposal available to Cessnock City Council are:

- Public Tender (as per Cessnock City Council Tender Policy);
- Public Auction;
- Negotiated Sale;
- Trade-in;
- Sale or Transfer to other Council's;
- Sale of items to staff;
- Donation to charities or community/non profit organisations;
- Writing off the value of goods (recycling / destruction), (as per Cessnock City Council Policy).

Selection of the Appropriate Method

Council must obtain the best possible return for the goods it sells and the disposal must achieve best value for money. In addition to price, the value for money decision may include consideration of the LGA Social, Economic, Occupational Health, Safety & Rehabilitation and Environmental policy objectives.

The disposal method chosen must be appropriate to the nature, quantity and location of the goods, and to promote fair and effective competition to the greatest extent possible.

See Table 1 below:

Disposal Value Threshold (including GST)

Approval Method of Disposal	Destruction	Up to \$1,500	Up to \$5,000	Up to \$50,000	Up to \$150,000	& Over
Nothing	X					
Negotiated Sales & Verbal quotes	X	X				
1 written quote		X	X			
3 written quotes		keep		X		
5 written quotes					X	X
Open Tender Public Auction					X	X

Factors in the Disposal Process

There are factors apart from the monetary value of the goods that can affect the choice of disposal method, including:

- The market available for the goods;
- Time considerations;
- Council resources required to manage the disposal;
- The costs associated with the different disposal methods, ie administration and transport cost to Council;
- The size, portability and number of goods;
- Benefits of the different disposal methods.

There are of course special considerations that should also be investigated in the disposal process:

- Heritage or cultural interest items;
- Hazardous or polluting substances.

Obtaining Approval for Disposal

Having chosen the method of disposal, seek approval from the appropriate Director for permission to proceed with the disposal. This must be in writing using "Asset Disposal Request Form". See Attachment 1 to this Policy Document.

The completed form should then be forwarded to the Purchasing Coordinator. If the method of disposal is a public tender, one should seek a tender number from the Purchasing Coordinator and follow the Council Purchasing Procedure.

Regardless of the method of disposal, probity must be maintained and any changes to the disposal process, terms and conditions must be communicated to all potential participating parties.

In the case of external tenders, the section that benefits from the proceeds of the sale will be responsible for advertising costs. Tenders will be open for 14 days. Once the tender is closed, a Tender Committee is formed to open the tenders and record the details.

Once the Committee has met, the section is advised of the tender results and approves the final disposal. The successful bidder is advised by letter from Council. The purchaser is required to pay the purchase price to the cashier and must present the receipt to the responsible office prior to collection of goods.

Effectiveness of the Disposal

Council employees are to ensure that the goods are properly prepared for disposal and that it is made

clear to potential buyers that the goods are being sold at the buyer's risk.

Council employees should also check that goods to be disposed of do not contain material that is not intended for disposal. Neglecting to check may result in legal liability and embarrassment to Cessnock City Council.

Irrespective of the disposal method, it is essential that all prospective buyers are advised in writing that items are disposed of, with any faults and at the buyer's risk. Buyers are to rely on their own enquiries regarding the condition and workability of the items.

Asset Register

For all disposals, irrespective of whether the goods are written off, the asset register must reflect the relevant details and the accounting records must be adjusted.

This can be done either through the Purchasing Department or to the Manager of the Accounts Department. Both should be advised in writing.

The Purchasing & Stores Coordinator will initiate the removal of an asset from the Asset Register following receipt of an appropriately authorised Asset Disposal Request Form. To be eligible for removal from the Asset Register, items must be approved for disposal by one of the disposal methods outlined above.

After disposal of Council assets, the proceeds from the sale of the assets will be placed in the account nominated by the Section. The GL Account Number will then receive the net proceeds after any charges for advertising, or predetermined costs associated with the disposal.

ASSET DISPOSAL REQUEST FORM

Tender/Quote Number:
Closing Date:

Brief Description of Goods Being Disposed:

Goods Estimated Value = \$

Method of Disposal *(please circle applicable):*

Scrap

Two Quotes

Three Quotes

Tender

Donation

Inhouse offer

(offered to CCC employees)

Potential Buyers to Whom Tenders/Quotes were Sought:

Buyers Name Tender/Quote Invited by Council: Y/N

Tender/Quotes Received By Closing Date: Y/N

Price (Excl GST):

Preferred Buyer/Reason for Selection:

Preferred Buyer's Name:

Reason For Selection:

Review Panel Sign Off:

Name

Position

Signature

Date

Disposal Approval Authorisation:

Name

Position

Signature

Date