

# PROCEDURES FOR TREATMENT OF ASSETS TO BE DISPOSED OF UNDER THE TASMANIAN COMMUNITY FOREST AGREEMENT INDUSTRY DEVELOPMENT PROGRAM (TCFA IDP)

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## **Background**

Nearly \$70 million was provided under the TCFA IDP to assist fund 98 projects over the four financial years to, and including, 2008-09. The TCFA IDP had three components, the Tasmanian Forest Industry Development Program (Hardwood), the Tasmanian Country Sawmills Assistance Program and the Tasmanian Softwood Industry Development Program.

Most of the projects funded by the TCFA IDP were for the acquisition and/or construction of assets. These assets and their intended uses are listed in each project's funding deed schedules.

## **Introduction**

Each project's funding deed under the TCFA IDP contains clauses that set out the obligations and responsibilities of the grant recipient and the Department of Agriculture, Fisheries and Forestry (department) when the use and/or ownership of an asset changes. When certain triggers occur, Forestry Branch officers should refer to these procedures to ensure grant recipients are treated consistently.

## **Triggers**

Advice from grantees and information from the monitoring of project implementation and media reports may identify a trigger event.

Trigger events include when:

- an asset funded under the program is sold (or offered for sale);
- an asset funded under the program is damaged beyond repair or lost (includes theft and vandalism);
- the funding recipient ceases operations or substantially changes its business activities; or
- the business is sold (or put on the market).

## **TCFA IDP funding deed asset clauses**

The asset clauses used in the TCFA IDP funding deeds were updated during the life of the program, and five versions were used. The clauses were included to ensure that the funding and any acquired assets are used only for approved purposes associated with the forestry industry in Tasmania.

When a trigger event occurs, the expiry of the asset clause should be considered to determine if the asset clause applies. If the asset disposal clause has no expiry, each project is to be assessed on a case by case basis to determine if the proceeds are economical to pursue.

## **TCFA IDP Asset Disposal/Sale Procedure flow chart**

If asset(s) are sold or disposed of within three years of the funding deed completion date or there is no asset clause expiry and it is determined that proceeds are economical to pursue, the TCFA IDP Asset Disposal/Sale Procedure flow chart at **Attachment A** gives an overview of what will be undertaken.

As shown in **Attachment A**, if the grant recipient seeks Commonwealth approval before the asset(s) is sold or disposed, the department may approve the sale/disposal with conditions which should be considered on a case by case basis. For example, the

Commonwealth could agree that the proceeds of disposal be retained by the grantee, provided the asset continues to meet the intent of the program or government policy. However, if the grant recipient sells/disposes of the asset(s) before obtaining written approval, the department must pursue a proportion of proceeds.

### **Calculating the proportion of proceeds**

When the proportion of claimable proceeds is to be determined, the department is to seek independent financial advice. The department's Financial Consultancy and Accountancy Services Panel will assist.

The financial consultant should only determine a calculation formula for the claimable proportion from the TCFA IDP funding paid. The 30 per cent additional payments made in association with the TCFA IDP payments are not to be included because these payments were not specified in the grant recipient's TCFA IDP funding deed.

### **Obtaining a proportion of proceeds**

Once the calculation formula is determined a letter approving the sale/disposal will be sent to the grant recipient containing an invoice for the calculated amount based on what the grant recipient has been offered for the asset.

### **Debt recovery**

If the grant recipient does not pay the invoice, debt recovery procedures will be initiated. Legal recovery may need to be pursued if the grant recipient does not comply with attempts to recover the debt. Alternatively, the debt may be written off if a departmental delegate considers the proportion of proceeds is not economical to pursue.

### **Attachment**

Attachment A: TCFA IDP asset disposal/sale procedure flow chart

## TCFA IDP ASSET DISPOSAL/SALE PROCEDURE FLOW CHART

