

Policy Directive



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Real Property Disposal Framework

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Functional Sub group Corporate Administration - Asset Management

Summary The Real Property Disposal Framework provides guidance and instruction in relation to the identification, disposal and receipt and application of property sale revenue.

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Applies to Local Health Districts, Board Governed Statutory Health Corporations, Chief Executive Governed Statutory Health Corporations, Specialty Network Governed Statutory Health Corporations, Public Health System Support Division, NSW Ambulance Service, Ministry of Health

Audience Administration

Distributed to Public Health System, NSW Ambulance Service, Ministry of Health

Review date 13-Jul-2017

Policy Manual Not applicable

File No. 12/961

Status Active

Director-General

This Policy Directive may be varied, withdrawn or replaced at any time. Compliance with this directive is **mandatory** for NSW Health and is a condition of subsidy for public health organisations.

REAL PROPERTY DISPOSAL

PURPOSE

NSW Health, as owner and controller of a significant and complex property portfolio, must operate within the Government Total Asset Management framework and the Treasurer's Directions in relation to property asset acquisition and disposal.

This document sets out the Policy Framework for the identification, declaration, disposal and application of sale revenue relating to under-utilised or obsolete property assets considered surplus to the requirements of constituent entities within the Health Cluster over a planning horizon of 10 years.

MANDATORY REQUIREMENTS

All NSW Health Entities are required to comply with the Real Property Disposal Framework and to apply the provisions of the Framework in the review of the Asset Strategic Plans and Property Disposal Plans on an annual basis between April and June.

For the purposes of this policy, NSW Health Entities include Local Health Districts, Specialty Health Networks, other statutory health corporations and the Ambulance Service of NSW.

Requirements for Health Infrastructure and the Ministry of Health are detailed in the Framework.

IMPLEMENTATION

Chief Executives must ensure:

- The provisions of the Real Property Disposal Framework are understood and fully complied with and that the requirements for their organisation implemented.
- Establish and implement complementary local processes and procedures to assist with the implementation of this policy.

REVISION HISTORY

| Version | Approved by | Amendment notes |
|-------------------------|------------------|-----------------|
| July 2012 PD2012_039 | Director-General | New policy |

ATTACHMENTS

1. Real Property Disposal: Framework

1 BACKGROUND

NSW Health, as owner and controller of a significant and complex property portfolio, must operate within the Government Total Asset Management framework and the Treasurer's Directions in relation to property asset acquisition and disposal.

This document sets out the Policy Framework for the identification, declaration, disposal and application of sale revenue relating to under-utilised or obsolete property assets considered surplus to the requirements of constituent entities within the Health Cluster over a planning horizon of 10 years.

In this policy a reference to property asset includes, but is not limited to, all land (including vacant land), and any structures forming part of the land.

2 PRINCIPLES

1. Revenue from the disposal of surplus property assets is to be available to support the Government's capital reinvestment priorities as informed by service and asset planning by Local Health Districts and other Health entities, and annual submission of both District and Statewide Real Property Asset Plans is fundamental to ensuring the NSW Health asset base remains aligned to service delivery requirements
2. The Ministry of Health has responsibility for reviewing and advising Government on NSW Health property utilisation, disposal and retention; and the Ministry will conduct regular audits of District property portfolios to ensure all surplus, or potentially surplus properties are identified.
3. Health entities will be engaged in all decision-making in relation to surplus property assets, including those they manage on behalf of the Health Administration Corporation or the Crown.
4. Conditions of trusts or grants applying to property assets must be adhered to, and must be taken into account when making decisions about the disposal of surplus property assets.
5. Revenue from asset disposals will be applied as follows:
 - (i) Revenue from property rendered surplus by an approved major capital project is to be allocated to the general Capital Program.
 - (ii) Other property revenue up to a net value of \$1.0m is to be automatically retained by the District for use in locally funded initiatives.
 - (iii) Other property revenue with a net value of more than \$1.0m but less than \$3M is to be retained by the District for use in approved Local Initiatives.
 - (iv) Any revenue over the net value of \$3.0M from surplus property covered by paragraph (ii and iii), or a portion thereof, will be considered on a case by case basis and may be proposed by the District either to support expansion of an approved major project or for a Local Initiative endorsed in the 4 year Local Initiatives Program, with the portion to be determined by consideration by the

Real Property Disposal



Ministry of the District business case and subject to normal approval processes.

(v) The real property disposal business case is to contain the following elements:

- Details of property
- Disposal options (eg by auction or by tender)
- Constraints on sale (eg zoning, subdivision, contamination, heritage constraints, any relocation costs)
- Timeframe for disposal
- Proposed use of the proceeds and timing of the expenditure
- Opportunities for contribution of other local funds such as Special Purpose and Trust reserves
- Any other relevant considerations and other benefits associated with the proposed initiative

(vi) Where an approved Local initiative is funded by surplus asset revenue the funding risk is to be borne by the respective District.

6. Subject to overall consideration and determination by the Government, a portion of the revenue from surplus property assets that have been held for a specific purpose such as mental health or community health services will be considered for reinvestment in those services.

3 PROCESSES

- Local Health Districts and Statutory Health Corporations must have the approval of the Minister to acquire, dispose or otherwise deal in land by any means pursuant to Sect 34(2) of the Health Services Act 1997.
- Health Administration Corporation entities must operate within their delegations in relation to disposal or other real property dealings.
- As part of the review of Asset Strategic Plans conducted from April to June each year, all NSW Health entities are to review the utilisation, current and projected, of their property assets in the context of their ongoing clinical service planning, and advise the Ministry whether any are not required for current or future health service delivery.
- The Property Disposal Plan within the entity Asset Strategic Plan must identify all potentially surplus property assets for the year following the review and the subsequent three years.
- All properties identified as surplus will be consolidated into the NSW Health Asset Disposal Program and submitted to the Minister around October each year for endorsement to progress divestment.
- Other than in exceptional circumstances properties must be identified on this Asset Disposal Program in order to progress to disposal.
- With the exception of surplus asset disposals being undertaken by Health Infrastructure as part of major projects, the disposal of surplus property will be

Real Property Disposal



facilitated by the Business and Asset Services Branch of the Ministry, working in partnership with the Health entity.

- Revenue from the sale of surplus assets will be banked in one of two Real Property Accounts held within the Ministry and released under the authority of the Chief Financial Officer as required to support approved capital projects:
 - No 1 Account (Identified by individual approved project within the account)
 - No 2 Account (Funds to be returned to the general Capital Program).
- Costs associated with the sale will be a call against the sale proceeds.
- The costs of relocating an existing health service from the site to be disposed will also be a consideration as to application of the proceeds of an asset sale.

4 RESPONSIBILITIES

NSW Health Entities

- Operational asset and facility management functions, including lease and tenancy management.
- Annual review of the asset portfolio and identifying any current or emerging surplus property.
- Development, preparation and submission of Property Disposal Plans in June each year as part of the annual Services and Asset Strategic Planning processes. This will include divestment strategy business cases where capital expenditure is required as part of achieving the property realisation.
- Undertaking property disposals and other dealings approved under local delegation or by the Ministry.

Health Infrastructure

- Identification and advice to the Ministry of property acquisition or disposal as a consequence of a major infrastructure investment, as part of the development of major infrastructure investment planning and approval.
- Advice and recommendations in relation to the application and use of revenue from the sale of property as a source of funds to support the capital investment project.
- Undertaking property acquisition, disposals and other dealings where part of the approved major capital infrastructure investment project.
- Reporting to the Ministry on progress and achievement of sales to meet targeted capital project expenditure requirements.

Ministry

- Co-ordination of whole of Government policies and programs relating to real property, including oversight of all property dealings, including disposals.
- Securing required Government approvals, including Treasury, Government Asset Management and State Property Authority (SPA).

Real Property Disposal



- Consideration and endorsement of local property disposal strategies and advice to Government on the use and application of proceeds from the sale of surplus property.
- Operation of the Real Property Accounts by Chief Financial Officer.
- Provision of advice and support to Health entities in their management of local property portfolios including assistance and advice on clarification of title, subdivision, zoning, easements and other encumbrances, Crown land matters, Native Title and Aboriginal Land Claims, acquisition, leasing and disposal.
- Interagency liaison on property related matters.
- Management of NSW Health's Property Information System database, including the Section 170 Heritage register, and the mandatory annual reconciliation against the NSW Government Property Register.

5 RELEVANT GOVERNMENT POLICIES

Health

- NSW Health Combined Delegations
- Policy Directive PD2005_302 Property Disposal Reforms [Premier's Memorandum No 2003-3]

Treasury

- Total Asset Management (TAM) Guidelines
- Treasurer's Directions TD92/2 (469.1 to 469.10) - Sale or Lease of Government Assets - (TD88/2) and TD89/1 (469.11) - Basis of Settlement for Inter-departmental Transfers of Realty
- TC08/06 and TPP08/2 – Total Asset Management (TAM) Requirements for Updating the State Infrastructure Strategy
- TPP 07/1 - Valuation of Physical Non Current Assets at Fair Value

Government Asset Management

- Property Disposal Assessment Panel Protocols January 2008
 - State Property Authority - M2008-06 - State Property Authority and Government Property Principles