Asset Disposal

This guideline will assist government agencies to implement processes and procedures to ensure appropriate asset disposal planning of government buildings.

In this guideline, the term 'agencies' has the same meaning and is used interchangeably with 'departments' as defined in s8 of the *Financial Accountability Act 2009*.

Key concepts in relation to planning, accounting for and reporting disposal of building assets are explained in the resources listed below.

Building Asset Performance Framework (Department of Housing and Public Works)

Queensland Government Land Transaction Policy (Department of State Development, Manufacturing, Infrastructure and Planning)

Non-Current Asset Policies for the Queensland Public Sector (Queensland Treasury)

Benefits

Effective asset disposal planning is critical to the management of a department's building asset base. Disposing of surplus buildings, in accordance with an asset disposal plan, ensures that they do not become a maintenance and/or financial burden. It may also free up funds required for capital works, influence decision-making and support the forward estimates and budget processes by enabling reinvestment of disposal revenue.

Risks

If the disposal process is not supported by competent and professional advice and the use of accurate and relevant information, this may result in:

- an inadequate return on the disposal of buildings
- poor coordination of cash flow with capital investment requirements
- insufficient security or inappropriate maintenance of vacant property.

1.0 Asset disposal planning

Asset disposal planning involves the development of plans that prioritise and optimise the disposal of building assets identified as being surplus to agency requirements.

The objective of asset disposal is to ensure that buildings identified as surplus are examined in detail and that there are no alternative economic or community uses for these assets. If the building asset is disposed of, it should achieve the maximum financial return to government.

2.0 Developing an asset disposal plan

Preparation of an asset disposal plan requires both a strategic and operational focus. The four phases of developing an asset disposal plan are explained in detail below.

2.1 Review holdings of surplus buildings

Departments should undertake periodic reviews of building asset performance as part of their asset management practices. Such reviews will assess how well buildings are performing to meet service delivery requirements and if there are buildings that are surplus to existing or future service delivery needs, which may be considered for disposal. The *Building Asset Performance Framework* is a best practice guideline which outlines a number of performance areas and associated performance indicators as part of a systematic approach for departments to undertake performance assessments of Queensland Government buildings.

A building may be identified for disposal because:

- it is functionally inadequate and unsuitable for refurbishment (due to economic or technical constraints)
- it is financially under-performing and there is little potential for improvement
- its physical condition has deteriorated and it is uneconomical to re-instate to an acceptable standard
- there is negligible demand for it.

Buildings identified as surplus to requirements will generally be recorded for disposal in a departmental asset register and included on the Government Land Register (administered by the Department of Natural Resources, Mines and Energy (DNRME) to facilitate interagency transfer.

A review should be undertaken to ensure the disposal action is appropriate and there are no alternative economic or community uses for these assets.

2.2 Identify/prioritise the asset disposal action

Disposal action for surplus properties should be identified and prioritised to best meet service delivery requirements and to optimise the returns to government. A financial and/or economic analysis may assist in the identification of the best course of action and timing of disposal. However, in planning for the disposal of buildings, social impacts should be considered as well as financial factors.

In this phase, the following should be identified:

- buildings that can be readily considered for disposal (interagency transfer should be given priority over a sale to the private sector).
- buildings with the potential for refurbishment or redevelopment to maximise returns from their disposal. Departments should consult with Queensland Treasury and seek budget and funding approval from Executive Government (or other delegated body) for major refurbishment or redevelopment projects which require funding beyond that of the normal approved budget allocation
- buildings with little or no value and for which the sale is not feasible, economic or probable (in such cases, it may be appropriate for the building to be considered for demolition and the land used for future capital works projects).

  Departments should decide based on an objective evaluation if there are savings to be made from:

  - developing a resource (waste) recovery program for recyclable materials in any significant government building that is being demolished or redeveloped
  - recycling and reuse of those materials used in building projects where Resource Recovery Transfer Centres are established.

Agencies are required to sell, acquire and lease property under their own delegations, and the owner-agency's chief executive officer (or delegate) is responsible for the appropriate application of those delegations.

Queensland Government Land Transaction Policy (QGLTP) outlines a number of 'special circumstance categories' for properties. Prior to the disposal of properties in these categories, agencies should consult with the Property Queensland within the Department of State Development, Manufacturing, Infrastructure and Planning . The Minister for State Development, Manufacturing, Infrastructure and Planning is the decision-maker responsible for implementing a strategic approach to government land transactions covered by the QGLTP. The Government Land Register needs to be updated with sale information.

Constraints to the transfer, sale or any other disposal action which should be identified and considered include:

- existing accommodation/use arrangements
- stage of property market cycle - to determine the optimum time for disposal in order to achieve the highest sale price
- land title issues – location of title, ownership, subdivision, Native Title check
- environmental issues – including contamination and workplace health and safety
- heritage management obligations (the *Strategic Asset Management Framework* guideline: *Heritage Asset Management* provides further information on this matter).

The following matters should also be taken into account:

- service delivery timings and imperatives
- social issues such as community involvement
- departmental/government replacement policies
- government/department budget cycles
- government priorities, programs and initiatives.

The disposal action should include and allow for continuity of the agency's service delivery requirements and optimise the return to the Government.

Maintenance planners should also be consulted so that strategies are developed to ensure that vacant properties and those identified for disposal are maintained to meet minimum statutory requirements only.

2.3 Finalise the asset disposal program

An asset disposal program developed to achieve the ordered and economic disposal of buildings will:

- list in priority order the buildings identified for disposal
- identify when disposal will occur
- determine any associated costs which may be incurred in order to dispose of buildings
- quantify expected returns on sale (through valuations)
- detail the amount of funds available from disposal for reinvestment in capital works projects
- provide information to meet annual reporting and budget forecasting requirements.

2.4 Implement the asset disposal program

The management of surplus and under-utilised building assets represents an important opportunity for State agencies to improve the performance of their asset portfolios by reducing the wasteful holding of surplus assets and by increasing the use of under-utilised assets.

2.4.1 Identification and notification of surplus property assets

Departments should identify surplus property assets as part of their asset planning processes and develop and implement processes for disposing of these assets.

The *QGLTP* include requirements to maximise the opportunities for inter-agency transfer of property owned by the Government.

Surplus properties should be:

- recorded on the Government Land Register (GLR) as soon as practicable after the decision is made that the property is surplus
- maintained on the GLR for a minimum period of 30 calendar days.

These requirements are intended to ensure that other State agencies have sufficient time to express their interest in the property.

Departments seeking additional properties to meet service delivery requirements should regularly monitor the GLR for suitable properties. It is more efficient from a whole-of-Government perspective for the State to reallocate surplus property assets to satisfy the needs of other State agencies than to purchase additional properties from the private sector.

a) Interagency transfers

To maximise the use of assets to meet community and government needs, interagency transfers should be given priority over the sale of assets to the private sector.

The transfer of a surplus property to another government agency should usually occur on a market-value footing. QGLTP outlines a number of exceptions that allow a property to be transferred at less than market value. , where required to meet the whole-of government strategic priorities, the public benefit, or other considerations under the Property Principles.

Departments should ensure that transfers of buildings are appropriately reflected in their asset registers and financial systems. It is also important that due diligence and other requirements are addressed at the disposal stage to ensure that adequate information is available to inform a new owner of their responsibilities.

The *Non-Current Asset Policies for the Queensland Public Sector* mandates specific requirements to account for and report on the disposal of government building assets.

b) Open market disposal

Disposal of assets on the open market should seek to maximise the return to the Government from the sale. A valuation is required when selling government land or buildings. This valuation should be used as a benchmark for the sale and should be undertaken by a valuer registered in Queensland.

Sale through public competition (public auction or public tender) is preferred and should be used wherever possible to ensure that the maximum return to government is achieved.

c) Private treaty disposal

Disposal by private treaty is occasionally used by the State as an alternative method of property disposal to the more common process of auction or tender.
Private treaty disposal of surplus properties occurs only where it is practically necessary and/or commercially advantageous to the State and not contrary to the best interests of the community.

The suite of guidelines which comprise the *Strategic Asset Management Framework* (available online at www.hpw.qld.gov.au) is organised under the following categories:

1. **Overview -** explains the principles and concepts of strategic asset management as they apply to buildings.
2. **Guidelines** - expand on key aspects of strategic asset management to inform decisions over the entire life-cycle of the asset.
3. **Decision-making methodologies and guidelines -** support agencies to implement best practice strategic management of buildings.

Asset Disposal

Second Edition

First Edition published as Disposal Planning (ISBN 0 7242 6957 6) in the Strategic Asset Management - Best Practice Guidelines

Queensland Department of Housing and Public Works
December 2017

(includes minor updates)

Enquiries should be directed to:

The Manager
Building Policy Unit
Building Industry and Policy
Department of Public Works

GPO Box 2457
Brisbane Qld 4001

bip@hpw.qld.gov.au