



Government of South Australia

Department of the Premier and Cabinet Circular

PC114 – Government Real Property Management

(replacing PCC114 Purchase and Disposal of Government Real Property
(including Crown Lands))

July 2006

PC114 – Government Real Property Management

Summary

Describes Cabinet policy on the utilisation, purchase and disposal of government real property (including Crown Lands).

(This circular replaces Circular 114 dated September 1999)

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I, Kevin Owen Foley MP hereby direct, pursuant to s7(2) of the *Public Finance and Audit Act 1987(SA)* that all instrumentalities of the Crown comply with clause 58 of Circular 114 – “**Government Real Property Management**” dated 10 July 2006.

This direction applies to all instrumentalities of the Crown except those instrumentalities that I have approved referred to in section 3 of Schedule B of Circular 114 and those instrumentalities which I exempt from the operation of this direction from time to time.

Contents

Introduction	4
Scope of Application	5
Property Information - Agency Responsibilities	5
Responsibilities for Purchase and Disposal of Real Property	7
Identification of Surplus and Under-utilised Property	8
Identification of Property for Purchase or Shared Utilisation	10
Procedure for the Disposal of Surplus Property	11
Availability and Application of Proceeds	13
Schedule A Definitions	15
Schedule B Exemption Status.....	17
Schedule C Property Disposal Principles	20
Schedule D Flow Chart for Disposal.....	22
Schedule E Agency Land and Built Asset Strategy	23
Schedule F Geographical Land Use Assessment	24

Introduction

1. Cabinet has adopted the following policies and processes for the purchase and disposal of real property by South Australian Government agencies. These policies and procedures replace those set out in Department of the Premier and Cabinet Circular 114, dated 9 September 1999.
2. Government's objectives from its ongoing use of government real property are as follows:
 - a. Providing infrastructure of clear benefit to the interests of the State's development, as currently described in *South Australia's Strategic Plan (SASP)*.
 - b. Meeting the core service obligations of the Government of South Australia to the South Australian community in the most efficient and sustainable manner.
3. Government agencies are required to regularly evaluate their ownership and/or occupation of real property. As a result they should identify property that does not meet these objectives with respect to their core business. Accordingly, surplus and underutilised property should be made available to:
 - a. Enable other agencies or local government to meet their objectives as described in Clause 2 above through transfer of ownership or occupation rights to those agencies.
 - b. Generate funds to the State for providing improved or new assets of clear benefit to the state, as currently described in the *Strategic Infrastructure Plan for SA 2005/6 to 2014/15 (SIPSA)*.
4. Where land parcels surplus to government needs have no strategic benefit to government as a whole they should be disposed of efficiently with the view to maximising financial return for reinvestment to meet service delivery and policy objectives. This circular prescribes the process through which this disposal can occur efficiently while maintaining the opportunity for other government agencies and local government to register an interest prior to any sale on the open market.
5. Within the government's real property portfolio there will be surplus or under-utilised properties that have strategic significance. This circular provides mechanisms to ensure that any strategic significance is identified and efficiently assessed to ensure maximum community benefit from government tenure and use of its property holdings. This is done through two separate mechanisms:
 - i) Site Strategic Land Use Assessments (considered for all surplus sites).
 - ii) Geographical Area Land Use Assessments (targeted reviews in selected geographic areas).
6. These policies and procedures apply in conjunction with relevant Cabinet procedures, Treasurer's Instructions and other Department of the Premier and Cabinet Circulars. Particular attention is drawn to Treasurer's Instruction 8, which requires Cabinet approval for land purchases that exceed \$4.4 million including GST.
7. Definitions relating to this document are listed in Schedule A.

Scope of application

8. These policies and procedures apply to all government agencies, except where Cabinet specifically authorises an exemption to an agency or a specific real property transaction. Any agencies exempt from the application of any or all of this circular are listed in Schedule B.
9. This circular provides for a strategic assessment of specific categories of surplus real property, as described in Clause 28, and the circulating of details of all surplus real property determined not to be of strategic significance to government agencies and local councils. Strategic significance shall be assessed, from a whole of government perspective, by Planning SA (PSA) with assistance from the Department for Transport, Energy and Infrastructure (DTEI) and in consultation with other relevant government agencies.

Property Information - Agency responsibilities

10. Agencies are required to establish, maintain and make available to DTEI, regularly updated data on all their physical property assets, with the exception of Crown Land held under the Crown Lands Act 1929 by the Department for Environment and Heritage (DEH) or dedicated to the care, control and management of local government. Note that Crown Land under the care, control and management of other state government agencies, except those exempted under Schedule B, is not exempt from this requirement.
11. There are additional requirements under the Adelaide City Park Lands Act 2005 for government land within the Adelaide Park Lands. This land may be Crown Land or freehold land.
12. Where not immediately available, agencies should develop and implement a program to accumulate the required data according to the following priorities:
 - a. Sites in areas declared for Geographical Area Strategic Land Use Assessments (as described in Schedule F) and of a value greater than the “threshold of value”,
 - b. Other sites in the metropolitan area and regional centres of a value greater than the “threshold of value”,
 - c. Other sites in rural South Australia of a value greater than the “threshold of value”,
 - d. Remaining property.
13. Agencies are required to update this data regularly with no data being more than 5 years old and changes to ownership and utilisation status recorded as soon as possible after transactions occur.

Minimum Property Dataset

14. The minimum property dataset for each applicable facility or network element shall comprise:
- Facility/network element identification
 - Infrastructure description
 - Land title/s identification (access through DAIS Land Services)
 - Property extent and dimensions (access through DAIS Land Services)
 - Aerial photography (access through PSA)
 - Ownership (consistent with DAIS Land Services records)
 - Basic infrastructure inventory- gross floor area of building, age of all major improvements
 - Valuation of site (fair value) and improvements (fair value and modern equivalent replacement cost)
 - Context statement
 - Basic performance
 - Site & building utilisation (refer Clauses 15 and 16 below)
 - Suitability of location for current function
 - Overall suitability of infrastructure for current function
 - Overall condition of infrastructure
 - Overall compliance with relevant legislative/regulatory requirements and safety standards
 - Useful life and forecast renewal date for existing infrastructure.
15. Agencies shall maintain and make available to PSA and DTEI regularly updated information on the utilisation of their property assets. All properties held by the agency, except those exempted in Clause 10, shall be classified in accordance with Table 1 below.
16. This utilisation data forms part of the minimum property dataset required to be maintained by agencies. When considering whether sites should be listed for disposal, agencies should assess sites listed in utilisation rating categories 1, 2 and 3 by applying the property disposal principles in Schedule C.

Table 1. Property Utilisation Status

Rating	Definition
5	Fully occupied (no portion available for other agency or compatible uses)
4	Partly occupied (full utilisation included in agency future planning)
3	Available for shared occupation (significant portion available for compatible use)
2	Vacant with agency utilisation planned (utilisation included in agency future planning)
1	Vacant with no agency utilisation planned (no longer required for agency business)
S	Declared Surplus

17. The Department for Administrative and Information Services (DAIS) operated Strategic Asset Management Information System (SAMIS) shall be the preferred repository for this information for agencies with significant non-residential built asset portfolios. Other repositories for the data may be considered provided they provide equivalent functionality and accessibility to DTEI to the minimum dataset.
18. Agencies are to prepare and annually revise an Agency Land and Built Asset Strategy (described in Schedule E), which will describe how the agency plans to align its physical asset base with its service delivery needs. Analysis of the Minimum Property Dataset should form the basis of the agency's Land and Built Asset Strategy. The requirement for a Land and Built Asset Strategy is consistent with government policies in the following:
 - a. Strategic Asset Management Framework
 - b. Financial Management Framework
 - c. Strategic Infrastructure Plan for SA
 - d. TI 17 Guidelines for the Evaluation of Public Sector Initiatives.

Responsibilities for Purchase and Disposal of Real Property

Purchase and Disposal Agencies

19. The Land Management Corporation (LMC) is responsible for purchase and/or disposal of real property on behalf of all government agencies other than exempt agencies. In the case of non-metropolitan property it may enlist the assistance of the Department for Environment and Heritage (DEH) where appropriate.
20. Transfers of Crown land between agencies remain the responsibility of DEH. When Crown land in the metropolitan area is to be disposed of on the open market, the process will be managed by the LMC, acting as agent for DEH, which retains delegated authority to deal with Crown land in all areas of the State.
21. All costs and transactions attributable to the purchase or disposal of a particular property shall be clearly identified and accurately recorded in an auditable form.

Compulsory acquisitions

22. Compulsory acquisitions are the responsibility of individual agencies where authorised by the provision of enabling legislation.

Advisory services

23. An advisory service on the purchase and/or disposal of Crown land is provided by DEH on a fee for service basis.
24. LMC will provide advice on the purchase and disposal of real property in the metropolitan area and, with the assistance of the DEH, non-Crown land in the non-metropolitan area on a fee for service basis.

Identification of Surplus and Under-utilised Property

25. Individual agencies are responsible for reviewing their property holdings in the light of their legislative responsibilities and approved programs as part of the annual budget cycle. This review is demonstrated through the maintenance of the Minimum Property Dataset, including Property Utilisation Data and the development and regular review of the Agency Land and Built Asset Strategy including an Asset Utilisation Plan.
26. Agencies should use the principles described in Schedule C to determine whether properties are surplus to their requirements.
27. Agencies considering properties under their occupation or custodianship for disposal are required to confirm ownership details. If clear attribution of ownership to the agency and the Minister responsible cannot be determined, advice and guidance should be sought from relevant agencies, including DAIS and the Crown Solicitor, prior to proceeding with the disposal process.

Initial Test For Strategic Significance

28. Agencies are required to apply an initial test for strategic significance.

The factors to be considered are as follows:

- a. the fair value of the real property including improvements is in excess of the “Threshold of Value”, or
- b. the land adjoins or has potential to be amalgamated with other land in government ownership, whether Australian, other state agency or local.

This information, together with information identifying and locating the property proposed for disposal, is to be submitted to DTEI for advice on whether a site strategic land use assessment will be required on the basis that:

- a. there is a declared project in the approved Capital Investment Program or the Strategic Infrastructure Plan for which this property may be suited, or
- b. other factors exist which may give the property strategic significance in relation to the implementation of state or local government policy or the efficient conduct of state or local government business.

DTEI advice will be provided within 5 working days of request.

If none or insufficient of these factors exist, the subject property shall be deemed not to have strategic significance and DTEI will advise the owning agency to proceed with the disposal process.

If sufficient of the above factors exist to indicate likely opportunities for government to benefit from actions other than selling the property on the open market, PSA will lead the development of a Site Strategic Land Use Assessment with assistance from DTEI.

29. If a Site Strategic Land Use Assessment is warranted, it will be completed within 30 working days of being notified to PSA. PSA will advise the owning agency whether the property is considered to be of strategic significance from a whole of government perspective and provide a report on its strategic value.

Site Strategic Land Use Assessment

30. A Site Strategic Land Use Assessment is a process where a specific government property is assessed against across-government service needs and categorised for continued maintenance, changed utilisation, longer term development or as surplus.
31. PSA will consult with the owner agency, DTEI, LMC, DEH in the case of Crown Land, and all other relevant government agencies (including the relevant local council) to undertake the strategic land use assessment of the property.
32. The basis for this assessment shall be:
 - a. the state's strategic directions (currently described in South Australia's Strategic Plan)
 - b. the state's infrastructure development strategy (currently described in the Strategic Infrastructure Plan for South Australia)
 - c. other relevant portfolio plans or state plans
 - d. the relevant section of the Planning Strategy, as amended from time to time
 - e. the relevant Development Plan
 - f. specific legislative issues in relation to the land
 - g. the policies and plans of the relevant local government authority
 - h. endorsed government policies and budget priorities
 - i. the opportunity cost of land disposal
 - j. any development proposals which may change or influence the pattern of development in the locality.
33. Where property has significantly capitalised buildings, PSA will seek the advice of DAIS on:
 - a. risk management issues and life cycle costing (especially where significant capital funds are required to refurbish/redevelop the facility)
 - b. suitability of accommodation
 - c. financial costs and benefits of ownership versus leasing options.
34. In appropriate circumstances PSA will seek advice from the responsible agencies on the:
 - a. identified need for affordable housing and associated community infrastructure in the area.
 - b. identified need for industrial land in the area.

- c. appropriateness and suitability of the site to meet either of those needs under its current zoning or through changed planning incentives or controls.
- d. use of land within the Adelaide Park Lands.

Actions arising from Site Strategic Land Use Assessment

35. Actions recommended from the Site Strategic Land Use Assessment should be included in the owning agency's Land and Built Asset Strategy. If cross-agency action is included, the matter may be referred to the Minister for Infrastructure and other responsible Minister/s. The Minister for Infrastructure may refer the matter to the Major Proposals Review Cabinet Committee for advice.
36. If, after investigation, the property is not considered to be of strategic significance from a whole-of-government perspective, PSA will advise the owning agency, who may then proceed with the disposal.
37. If, after investigation, the property is considered to be of strategic significance from a whole-of-government perspective, PSA will advise the owning agency of interest in the property by other agencies. Land to be held for achieving particular government objectives should be transferred at current market value to the agency with the primary interest in retaining the property in government ownership.
38. If such a transfer cannot be achieved within a reasonable time, the owning agency may be directed to retain the property for an agreed period pending resolution of the issue. If the owning agency and the agency interested in retaining the property in government ownership are unable to reach an agreement their respective Ministers shall jointly seek Cabinet direction on the matter.

Identification of Property for Purchase or Shared Utilisation

39. Agencies shall assess the need to purchase, or obtain shared access to, property to meet the asset procurement needs identified in their Land and Built Asset Strategy.
40. Agencies shall separately define the essential and desirable characteristics of properties required. These characteristics shall be assessed in terms of the risk to the desired service delivery improvement expected from the new property, and any infrastructure to be located on it, if these characteristics are not met.
41. On request from agencies requiring property, DTEI will prepare a report from the information available to it, showing potential for purchase or shared utilisation of existing surplus or underutilised government assets in the area of interest to the agency.
42. Use of existing surplus or underutilised property shall be considered in the development of any project requiring additional asset capacity.

Procedure for the Disposal of Surplus Property

Notification of Surplus Property

43. Agencies shall seek Ministerial approval to declare property as surplus to requirements for all real property with an estimated market value below \$4.4 million. Above this threshold the matter must be referred to Cabinet. A request for approval to dispose of surplus property is to be accompanied by a copy of the advice from DTEI or PSA on the strategic significance of the property.
44. All agencies, including exempt agencies, are to notify the LMC of all land declared surplus to agency requirements. Procedures to dispose of property will not commence unless Ministerial or Cabinet approval to declare the property surplus has been given.

Strategy for Disposal

45. LMC will coordinate the development of a strategy for the disposal of the surplus property.

The disposal strategy will take account of:

- a. recommendations of any strategic land use assessment of the subject property;
- b. expressions of interest in the property by other government agencies or local government;
- c. existing information on the condition of the property and its suitability for proposed uses.

Agency expressions of interest

46. The LMC, will circulate information on surplus properties to all government agencies and the relevant local council. Agencies or the local council may express an interest in purchasing the surplus property for their own purposes, or advise of existing services on the land which are not protected by a registered easement.
47. Agencies will be given 30 working days to express interest in the surplus property, unless some other time frame is agreed between LMC and the relinquishing agency. In the event that no expression of interest is received within 30 days or such other period as may have been agreed, the relinquishing agency may proceed as though there is no interest on the part of other agencies.
48. Agencies expressing interest in a surplus property must indicate that funds will be in place within 30 working days unless the parties agree otherwise. In the event that more than one expression of interest is received, expressions by agencies shall be considered ahead of an expression by the relevant local council, and unless multiple agency expressions can be resolved by discussion between the bidding and relinquishing agencies, the relinquishing agency will submit the matter to Cabinet, to determine the best whole of government outcome.
49. In the process of disposing of surplus government land, local councils may be given the opportunity to purchase land for public or community uses. Transfers of land to local government for public or community uses must

be at market value, unless Cabinet directs otherwise. For reasons of competitive neutrality, local councils may not be offered surplus government land on favourable terms for uses which would compete with private sector activity, such as residential, industrial or commercial purposes. In such cases the local council would need to bid for the land in an open process with the private sector.

Land Investigations

50. Following the strategic land use assessment for the surplus property, and any agency expressions of interest, the LMC will arrange for any necessary investigations to determine the condition of the land, its suitability for proposed uses or any other matters relevant to the disposal strategy for the property.

Disposal

51. On completion of the land disposal strategy, the LMC will arrange for the property to be transferred, assigned or sold in accordance with that strategy and any applicable legislative provisions, Cabinet decisions or Ministerial approvals applying to the subject property. It will ensure that the Registrar General receives notification of the transfer.
52. The LMC will also arrange for any pre-disposal matters to be completed, such as zoning, demolition or remediation works.

Basis for price

53. The basis for price in all government real property transactions, will be the current market value of the property, as defined by the Australian Property Institute. Valuations of the facilities and land should be assessed by the Valuer-General or, with the prior approval of the Valuer-General, another qualified valuer who is a member of the Australian Property Institute. The Valuer-General may give prior general approval to individual agencies to use other qualified valuers, on such conditions as the Valuer-General thinks fit. Where a valuer other than the Valuer-General is used, the Valuer-General will retain a right to audit valuations.
54. In the case of property transactions between government agencies (including between state government agencies and local government), the value of the property will be the current market value, unless Cabinet directs otherwise. That is, the estimated amount for which the property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction wherein the parties have each acted knowledgeably, prudently and without compulsion. (Source: International Valuation Standard 1 - Market Value Basis of Valuation). Valuers may use other appropriate processes to value a property where market value is difficult to determine, as approved by the Australian Property Institute (Refer to International Valuation Standard 2 - Valuation Bases Other than Market Value).
55. Valuations obtained prior to a full investigation into the condition of the land are to be considered conditional until all necessary investigations and pre-sale preparatory works have been completed.

56. Transfers between agencies or disposal of property at prices substantially at variance with the valuation need to be approved by the relevant Minister in line with government policy concerning prudential management and transparency of subsidies. The purchasing agency will also need to comply with Treasurer's Instruction 8.
57. In addition to the requirements listed above for setting the value for surplus property, where the highest and best use of the property being valued is residential, the valuation shall take into account the need for any new development to conform with the *Housing Plan for South Australia*, in particular any applicable quota for affordable housing included in that plan.

Availability and Application of Proceeds

Proceeds

58. All proceeds, defined as sale price less costs, will be paid to the Treasurer for application to the Consolidated Account, except where legislative provisions, or a relevant direction from the Treasurer under the *Public Finance and Audit Act*, require otherwise.
59. In accordance with a relevant appropriation, relinquishing agencies will be given an increase in their expenditure authority for investing expenditure equal to 50 per cent of the proceeds, where the value of the property is between \$100,000 and \$4.4 million, or any other share decided by Cabinet.
60. In accordance with a relevant appropriation, where the value of the property is less than \$100,000 relinquishing agencies will be given an increase in their expenditure authority for investing expenditure equal to 100 per cent of the proceeds, unless otherwise decided by Cabinet or determined by legislation.
61. Where the value of the property exceeds \$4.4 million, or the purchaser is another agency of government, Cabinet approval is required for the relinquishing agency to receive a share of the proceeds and any additional expenditure authority.
62. In the case of property transfers between state agencies, no property is eligible for such an increase in expenditure authority to the relinquishing agency more than once. Subsequent transfers within government of the same property will not result in the receipt of any part of the proceeds by the relinquishing agency.

Proceeds – Timing

63. Proceeds from the disposal of properties will be available after the sale or transfer has been completed.

Costs

64. Costs associated with the disposal of surplus government property will be paid by the relinquishing agency as they are incurred. Costs are defined as:
 - a. management fees charged by LMC and/or DEH;

- b. costs associated with the preparation of the land for sale, such as investigations into the condition of the land, demolition of buildings or remediation work. (This shall include costs to DAIS for physical and financial evaluation of buildings).

Setting of Fees

- 65. Fees are to reflect the costs associated with the provision of the service, and will be determined by negotiation between the relinquishing agency and the LMC and DEH. Agreements setting out levels of service, including timing, will be negotiated where appropriate.

Schedule A Definitions

Adelaide Park Lands

“Adelaide Park Lands” is defined by a plan deposited in the General Registry Office by the Minister for Environment and Conservation pursuant to the Adelaide City Park Lands Act 2005. Note that the Adelaide Park Lands are more than the parklands currently managed by Adelaide City Council as they may include any other land vested in or under the care, control and management of the Crown or State authority, as defined by the Adelaide City Park Lands Act 2005. By virtue of that Act, the Adelaide Park Lands definition must, as far as is reasonably appropriate, correspond to the general intentions of Colonel William Light in establishing the first Plan of Adelaide in 1837.

Crown Land

“Crown Land” includes unallotted Crown Land occupied or used by an agency, land dedicated under the care, control and management of an agency under the Crown Lands Act 1929, and land held by Trust Grant or a lease or licence issued under the Crown Lands Act 1929. Agencies seeking to purchase or dispose of Crown Land will need to obtain prior approval through the Department for Environment and Heritage (DEH). Such approval may be conditional on the payment of the Crown interest (the value of the land component) and fees to provide clear title for disposal.

Fair Value

“Fair value” is amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s-length transaction, and is determined as follows:

- a. the quoted market price in an active and liquid market; or
- b. when there is infrequent activity in a market, the market is not well established, small volumes are traded relative to the asset to be valued, or a quoted market price is not available – an estimate of a price for the asset in an active and liquid market (Refer to International Valuation Standard 2 - Valuation Bases Other than Market Value).

Government Agencies

For the purposes of application of this circular, “government agencies” shall be defined as all administrative units under s 7 of the Public Sector Management Act 1995 (SA), all instrumentalities of the Crown, Ministers including Ministers as corporations sole, and statutory office holders. Exempt agencies are listed in Schedule B of this circular. Exempt agencies with property in an area designated for a Geographical Area Land Use Assessment, are expected to collaborate in such an assessment (refer to Schedule F).

Metropolitan Area

The term “metropolitan area” means that area covered by the Planning Strategy for Metropolitan Adelaide as amended from time to time.

Real Property

“Real property” is defined as a freehold interest in land or a leasehold interest exceeding 10 years, whether or not that land includes fixtures such as buildings or other structures.

Regional Centres

The term “regional centre” means a non-metropolitan population centre from which a significant range of state government services, including health, education and regulatory services, are provided directly by state government staff.

South Australia’s Strategic Plan (SASP)

In 2004 South Australia adopted South Australia’s Strategic Plan to guide the economic, social and environmental development of the state. All real property transactions will be considered in the light of this Plan.

Strategic Infrastructure Plan for South Australia (SIPSA)

The Strategic Infrastructure Plan was adopted in April 2005 to guide new infrastructure investment by government and the private sector over the next five and 10 years and improve the management and use of the state’s existing infrastructure assets.

All real property transactions will be considered in the light of this Plan.

Threshold of Value

Actions with regard to the consideration of properties for ongoing use or disposal shall be considered on the basis of a “threshold of value”. This is set at a fair value of the real property, including improvements, of \$500 000 in the metropolitan area or \$100 000 outside the metropolitan area. This may be varied from time to time on advice from the Valuer-General to reflect market conditions.

Schedule B Exemption Status

1. Agencies which are Exempt from the Operation of the Circular

1.1 Agencies (or parts of agencies) are exempt where Cabinet has approved the commencement of a sale process of an operating entity (agency or part of an agency).

1.2 Those public non-financial corporations and financial corporations listed below are exempt from the application of the Circular (except in regard to fulfilling specific roles described in this Circular e.g. Land Management Corporation):

- Aboriginal Housing Authority
- Adelaide Cemeteries Authority
- Adelaide Convention Centre Corporation
- Adelaide Entertainments Corporation (trading as Adelaide Entertainment Centre)
- Adelaide Festival Centre Trust
- Australian Children's Performing Arts Company (trading as Windmill Performing Arts)
- Distribution Lessor Corporation
- Generation Lessor Corporation
- HomeStart Finance
- Land Management Corporation
- Lotteries Commission of South Australia
- Motor Accident Commission
- Natural Gas Authority of South Australia
- Public Trustee
- RESI Corporation
- South Australian Asset Management Corporation
- South Australian Community Housing Authority
- South Australian Government Employee Residential Properties
- South Australian Government Financing Authority (trading as SAFA)
- South Australian Housing Trust
- South Australian Infrastructure Corporation
- South Australian Motor Sport Board
- Superannuation Funds Management Corporation of South Australia (trading as Funds SA)
- Transmission Lessor Corporation
- West Beach Trust (trading as Adelaide Shores)
- WorkCover Corporation of South Australia.

This list may vary from time to time.

1.3 Note that Agencies defined in 1 and 2 above, with property in an area designated for a Geographical Area Land Use Assessment, are expected to collaborate in such an assessment (refer to Schedule F).

2. Agencies which are Partially Exempt from the Operation of the Circular

The following partial exemptions also apply:

2.1 Information requirements

The following agencies are exempt from the requirement to produce a minimum property data set –

- Department for Environment and Heritage in relation to Crown Land held under the Crown Lands Act 1929 by DEH or dedicated to the care, control and management of local government.

2.2 Use of Land Management Corporation as the Purchase and Disposal Agent

The following agencies are exempt from the requirement to use the Land Management Corporation as the purchase and disposal agency –

- Department for Environment and Heritage in relation to Crown Lands
- Department for Transport Energy and Infrastructure

In these instances the above agencies shall assume the disposal role of LMC as described in the circular and may, by arrangement, engage LMC as their agent in aspects of the execution of that role.

In the case of overseas property holdings, all agencies are exempt from the requirement to use the Land Management Corporation as the purchase and disposal agency, and the requirement for a valuation to be provided by either the Australian Property Institute or the Valuer-General.

2.3 Distribution of Proceeds

Agencies that currently have rights to retain other than 50% of the proceeds of sale (as described in Clauses 58 to 62) for stipulated purposes, by way of legislation and/or their charter of establishment, retain these rights.

2.4 Land Use Assessment and Circulation of Information on Surplus Land Holdings

The following agencies are exempt from the operation of the Circular except for clauses 28-38, 44, 46-49 and, if they hold property in an area designated for a Geographical Area Land Use Assessment, are expected to collaborate in such an assessment (refer to Schedule F).

- South Australian Forestry Corporation (trading as Forestry SA)
- South Australian Water Corporation (trading as SA Water)
- TransAdelaide.

3. Agencies which are Exempt from the Operation of the Treasurer's Direction

- 3.1 Agencies (or parts of agencies) are exempt where Cabinet has approved the commencement of a sale process of an operating entity (agency or part of an agency).

3.2. The following agencies are exempt from the operation of the Treasurer's Direction made pursuant to s 7(2) of the *Public Finance and Audit Act 1987 (SA)* attached as a cover note to this Circular.

- Aboriginal Housing Authority
- Adelaide Cemeteries Authority
- Adelaide Convention Centre Corporation
- Adelaide Entertainments Corporation (trading as Adelaide Entertainment Centre)
- Adelaide Festival Centre Trust
- Australian Children's Performing Arts Company (trading as Windmill Performing Arts)
- Distribution Lessor Corporation
- Generation Lessor Corporation
- HomeStart Finance
- Land Management Corporation
- Lotteries Commission of South Australia
- Motor Accident Commission
- Natural Gas Authority of South Australia
- Public Trustee
- RESI Corporation
- South Australian Asset Management Corporation
- South Australian Community Housing Authority
- South Australian Forestry Corporation (trading as Forestry SA)
- South Australian Government Employee Residential Properties
- South Australian Government Financing Authority (trading as SAFA)
- South Australian Housing Trust
- South Australian Infrastructure Corporation
- South Australian Motor Sport Board
- South Australian Water Corporation (trading as SA Water)
- Superannuation Funds Management Corporation of South Australia (trading as Funds SA)
- TransAdelaide
- Transmission Lessor Corporation
- West Beach Trust (trading as Adelaide Shores)
- WorkCover Corporation of South Australia.

Schedule C Property Disposal Principles

The property disposal principles outlined below are intended to provide specific decision triggers when agencies are assessing property that has been identified as potentially surplus or under-utilised. The principles will also assist in evaluating the continued ownership of property. The core principles include:

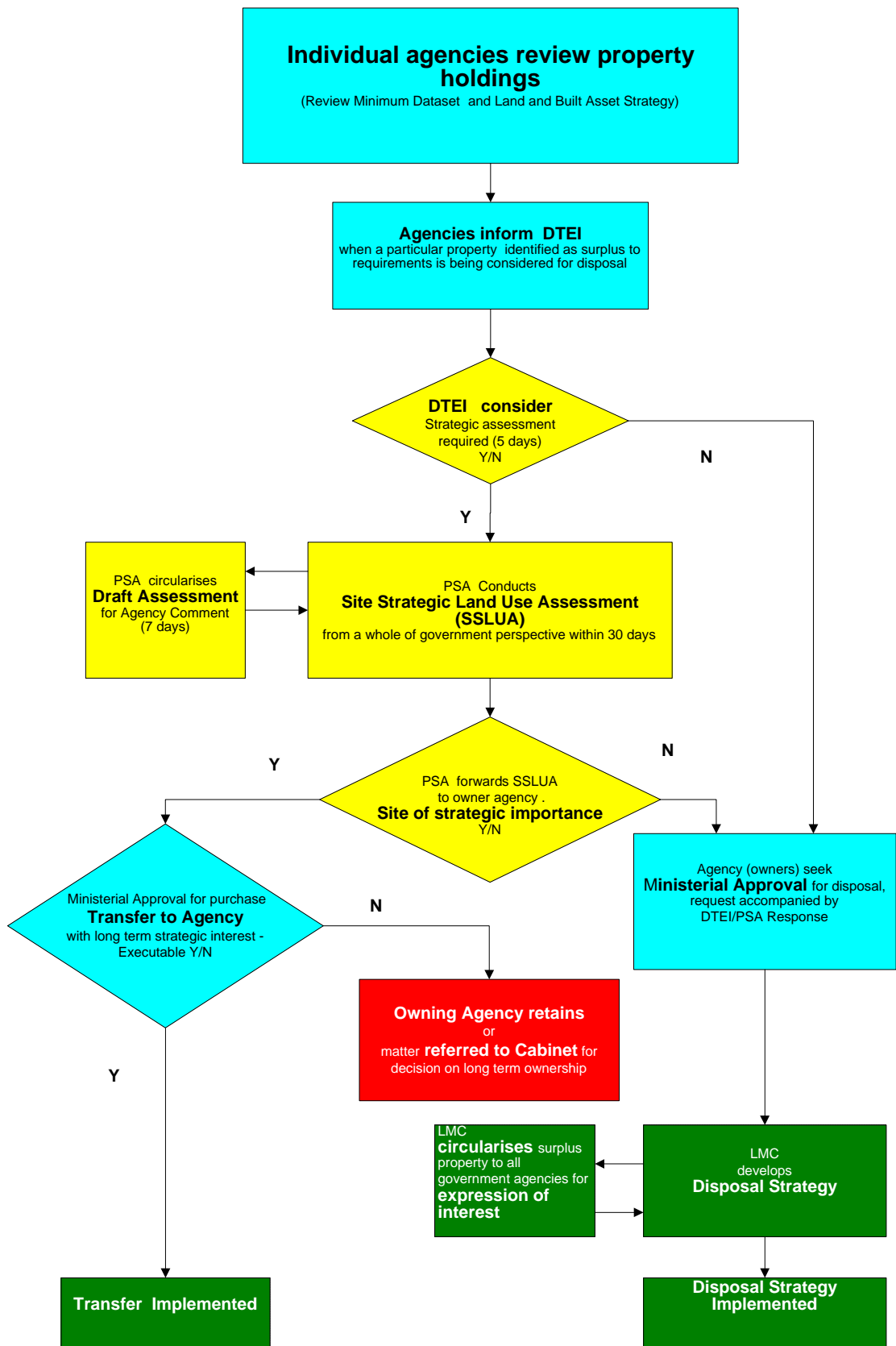
1. Only hold property where it contributes directly to an agency's existing core business or identified future core business:
 - a. Core business is defined as activities that contribute to the achievement of the outcomes an agency is tasked to deliver on behalf of government.
 - b. Future core business is defined as activities foreseen in the agency's business plan, intended to deliver on government plans or policies.
2. Otherwise, ongoing ownership of property should be dependent on substantially satisfying either or both of the following tests:
 - a. Where a property is primarily held for commercial purposes, property financial performance should meet or exceed industry measures such as the long-term yield on property investment (expected rate of return from the cash flow generated from the property over a specified time), compared with the benchmark rate.

The benchmark rate used should be developed (and subject to annual review) in consultation with DTF, and be based on:

 - cost of funds (South Australian Treasury long term borrowing rate)
 - plus a premium to allow for risk.
 - b. Public interest considerations for retention can be demonstrated e.g.
 - where a property has significance to the state, such as heritage status or strategic significance for future infrastructure development, or
 - where market failure is likely, or
 - where market conditions would not support realisation of the optimal return from sale.
3. Where property is not fully utilised but retention of the property is essential to core functions or to facilitate future expansion of the activities, spare capacity should be considered for sharing with other government agencies or leasing.

4. Unless principles 1 and 2 can be substantially met, then property should be considered for disposal, including instances such as the following:
- Where vacant land is held by an agency, unless specific strategic reasons for retention outweigh the long-term cost of holding vacant land;
 - Where an improved property has land that is not fully utilised or required now or in the future, excision and disposal of that portion of the surplus property should be considered;
 - Where conflict exists between property use and the current or intended zoning, as determined from structure plans or planning documents prepared or endorsed by Planning SA;
 - Where property is leased to the private sector, unless it can be clearly demonstrated that ongoing government ownership is required to provide services or cash flow to government to facilitate economic growth or such other valid business purpose that the relevant agency is charged with delivering;
 - Where the net market property value (existing or future) is higher for an alternate use and the occupant can be relocated to other government owned property of a lower market value and relocation has the potential to yield net proceeds to government on the basis of a robust financial assessment.

Schedule D Disposal of Surplus Property



Schedule E Agency Land and Built Asset Strategy

Agency Land and Built Asset Strategy

Agencies are to prepare and annually revise an Agency Land and Built Asset Strategy which will describe how the agency plans to align its physical asset base with its service delivery needs as reflected in its Objectives, Programs and Required Outcomes as described in required Government reporting (PC013).

The strategy should describe how the agency aims to achieve the following requirements of the Financial Management Framework:

- maximise use of an agency's existing asset portfolio;
- ensure asset maintenance is appropriately managed to enable assets to reach their estimated useful lives;
- ensure the asset portfolio is appropriate to the needs of the agency;
- ensure assets are managed on a whole-of-life cycle basis;
- manage the risks of asset ownership and operation to ensure continuity of service;

The Agency Land and Built Asset Strategy should align with *South Australia's Strategic Plan* and the *Strategic Infrastructure Plan for South Australia*.

It should address asset-related risks to on-going service delivery and asset performance measures. Flowing from the strategy agencies should develop the following plans:

- Agency Land and Built Asset Capital Investment Plan
- Agency Land and Built Asset Maintenance Plan
- Agency Land and Built Asset Utilisation Plan.

Agency Land and Built Asset Utilisation Plan

This plan shall be based on the information required to be held on property utilisation (according to clause 15) and be consistent with the Agency Land and Built Asset Strategy. It shall identify the strategy through which all land and buildings that are identified in categories 1, 2 and 3 of Table 1 are to be considered for disposal or full utilisation.

Schedule F Geographical Area Land Use Assessment

A Geographical Area Land Use Assessment is a process where all Government properties in a geographic area are assessed against service needs and categorised for continued maintenance, changed utilisation, longer term development or as surplus.

PSA and DTEI will jointly review the Property Utilisation Data on a regular basis and advise the Planning and Development Forum (PDF) on areas where there are a number of adjacent or closely located sites that are surplus or underutilised, and known demand for Government or other infrastructure development exists.

The PDF may recommend to the Minister for Infrastructure, the initiation of Geographical Area Land Use Assessments in particular areas where information available indicates the likelihood that significant government land and built assets may be under-utilised and potentially disposed of or used for other Government purposes.

DTEI and PSA will undertake the assessment to identify opportunities for better utilisation of Government assets and disposal of surplus Government assets having appropriate regard to government objectives.

These assessments may require the immediate establishment or updating of the minimum data set for all Government properties (including Crown Land otherwise exempt from the minimum data set provisions of this circular) within the defined area, at the cost of the owning agencies.

DTEI and PSA will consult with the owner agency, the Land Management Corporation, the Department for Environment and Heritage in the case of Crown land, all other relevant government agencies (including public non-financial corporations), and the relevant local councils in the defined area. The basis for this assessment shall be:

- *South Australia's Strategic Plan*
- *the Strategic Infrastructure Plan for South Australia*
- other relevant portfolio plans or state plans
- the relevant section of the Planning Strategy, as amended from time to time
- the relevant development plan
- the policies and plans of the relevant local government authority
- endorsed government policies and budget priorities
- the opportunity cost of land disposal
- any development proposals which may change or influence the pattern of development in the locality.

Where property has significantly capitalised buildings, DTEI/PSA will seek the advice of DAIS on:

- a. risk management and life cycle costing (especially where significant capital funds are required to refurbish/redevelop the facility)
- b. potential accommodation requirements

c. financial costs and benefits of ownership versus leasing options.

In appropriate circumstances DTEI/PSA will seek advice from the responsible agencies to undertake an assessment to identify:

- identified need for affordable housing and associated community infrastructure in the area
- identified need for industrial land in the area
- appropriateness and suitability of the site to meet either of those needs under its current zoning or through changed planning incentives or controls.
- use of land within the Adelaide Park Lands.

Geographical Area Land Use Assessment

