



Government of **Western Australia**
Department of **Treasury**

Strategic Asset Management Framework

Land Asset Sales Program: Financial Guidelines



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Contents

Overview	1
Introduction	1
Application	1
Budgeting Arrangements	1
Whole of Government Budgeting and Monitoring.....	1
Crown Land	2
Freehold Land	2
Flowcharts	3
Supporting Information	4
Taxation.....	4
Reference Material	4
Frequently Asked Questions	4
Appendix A: LASP Overview	7
Appendix B: Agencies Disposing of Crown Land	8
Appendix C: Departments Disposing of Freehold Land	9
Appendix D: Statutory Authorities Disposing of Freehold Land	10
Appendix E: GTEs Disposing of Freehold Land	11

Overview

Introduction

This document provides financial guidelines for officers in agencies and the Department of Treasury (Treasury) to assist in determining the appropriate management processes, accounting treatments and cashflow arrangements for the divestment of land under the Government's Land Asset Sales Program (LASP). The guidelines begin by describing the budgeting and progress monitoring of LASP sales, both for Crown land and freehold land.

A set of flowcharts is then provided to assist officers to determine the appropriate action at each stage of the divestment process. The flowcharts indicate when officers should seek specialist advice due to legislative provisions or governance structures. In the first instance, agency officers should consult internal advisers (such as the Chief Finance Officer) before contacting Treasury or the Department of Lands.

Application

As directed by Cabinet and as conveyed in Premier's Circular 2015/06, all agencies including Government Trading Enterprises (GTEs) are required to actively cooperate with the Department of Lands to achieve the LASP objectives.

Further guidance on the LASP principles, requirements and governance arrangements is available in the main LASP policy module.

Budgeting Arrangements

Whole-of-Government Budgeting and Monitoring

The LASP provides government with advice on future opportunities to reduce State debt through the application of net land sale proceeds. The central LASP budget estimates forecast land sale opportunities in the forward estimates period.

LASP land sales are budgeted and reported centrally by Treasury and the Department of Lands at a whole-of-government level, consistent with the principle that land is an asset of the State, not individual agencies. Agencies are expected to account for land sales under normal accounting principles.

The most recent program of LASP sales is based on known surplus properties. However, as the properties for the latter stages of the LASP program target sales estimates have not been identified, central government budgeting is the most practical way of representing sales targets in the Budget Estimates.

Whilst some of the LASP sales are sought from GTEs, the Budget is maintained centrally within the General Government sector. This satisfies the aim of the LASP contributing to the reduction of State debt and enabling GTE sales to be recorded in the LASP target.

Treasury actively tracks each land sale and monitors the return of sale proceeds to the Consolidated Account (subject to legislative constraints). Separate budgets are maintained for the sale of freehold land and Crown land (whether unallocated or held as a reserve or under a management order).

Alternatively, if a land parcel is not sold, advice is provided on how the land will be used, the value that will be achieved, and how the future land use will contribute indirectly to net debt reduction (for example, by avoiding the need for a new land acquisition).

Crown Land

Three key aspects apply to the budgeting of Crown land sales, which are generally the simplest to track and record:

- the responsibility for the sale of Crown land (in all forms) rests with the Department of Lands – Administered on behalf of the State;
- the LASP sales targets are registered in the Department's Administered Budget Estimates; and
- the net sale proceeds from Crown land sales are returned routinely to the Consolidated Account, using an established procedure within the Department.

Freehold Land

Most government departments cannot own freehold land apart from those that have the legislated authority to do so (for example, on behalf of a Minister who has been granted the capacity to hold the land in a trust). In such cases, the sale of the land remains the responsibility of the agency.

However, to enable the efficient budgeting of freehold land under the LASP, the cashflow and balance sheet implications are centralised under the Department of Lands, as a proxy for the relevant agencies.

In the 2016-17 State Budget Estimates, the centralised target for freehold land sales across all government agencies was reflected in the cashflow and balance sheet of the Department of Lands (Controlled).

From 2017-18, the centralised freehold land sales target will be presented in the Department's Administered Transactions table (distinct from Crown land sales). This will also ensure that the presentation of the freehold LASP target for the overall program is kept separate from the financial reporting of the Department of Lands – Controlled activities.

This budgeting mechanism provides for the accurate reporting of freehold land sale proceeds that are returned either:

- directly to the Consolidated Account by general government entities; or
- via dividends or National Tax Equivalent Payments by GTEs, consistent with legislative provisions.

Flowcharts

The following flowcharts are provided to assist officers to follow the steps involved in the treatment of land sales, with reference to the LASP budgeting arrangements outlined above:

- **Overview:** describes the overall LASP process and identifies the appropriate budgeting guidance, depending on the type of agency involved and the nature of the land being divested ([Appendix A](#));
- **Agencies Disposing of Crown Land** ([Appendix B](#));
- **Departments Disposing of Freehold Land** ([Appendix C](#));
- **Statutory Authorities Disposing of Freehold Land** ([Appendix D](#)); and
- **GTEs Disposing of Freehold Land** ([Appendix E](#)).

To enable the effective treatment of land sales, it is imperative in all cases that a numerical LASP identifier for each land parcel is obtained by an agency from the Department of Lands at an early stage. The identifier is automatically generated when a land parcel is registered on the LASP portal. The identifier is attached to all submissions, including when reconciliation documents are returned to Treasury and when funds are remitted.

Supporting Information

Taxation

The tax implications of land sales will vary depending on the entities and the land involved. For this reason, tax guidance is not provided in this document. Instead, advice should be sought from specialist internal or external advisers.

Early engagement with the Australian Taxation Office is strongly recommended for complex transactions such as multi-party arrangements or non-monetary considerations (such as land swaps).

Early advice should be sought on the application of the Goods and Services Tax in relation to a proposed land sale.

Reference Material

Before liaising with Treasury and the Department of Lands, agency officers should familiarise themselves with the following documents:

- [LASP Premier's Circular](#) released by the Department of the Premier and Cabinet (DPC);
- [Treasurer's Instructions](#) maintained by Treasury;
- Accounting Interpretation [1038](#) and Standards AASB [5](#), [101](#) and [116](#) maintained by the Australian Accounting Standards Board;
- [GST and Property Guide](#) released by the Australian Taxation Office; and
- Agency Classification List maintained by Treasury in the annual Budget Papers (Number 3, Appendix 1, 'Composition of Sectors').

Frequently Asked Questions

Q: Who should I contact for specialist advice?

A: For any real estate, settlement or divestment-related queries, please visit the [LASP pages](#) on the website of the Department of Lands. Accounting queries should be directed to your agency's Chief Finance Officer, who can seek further advice if required. For queries about the remittance of net sale proceeds, contact your Treasury analyst.

Q: What if my land parcel is subject to native title constraints?

A: Native title constraints relative to the LASP will be considered by the Land Asset Management Unit (LAMU) as part of the assessment process. For general queries relating to native title, please visit the Department of Lands' [website](#).

Q: What if the offers presented are significantly below the land valuation?

A: Contact [LAMU](#) at the Department of Lands.

Q: Before returning funds to the Consolidated Account, what costs should I deduct from the proceeds?

A: All agencies can deduct costs directly associated with the sale of the property, such as fees charged by real estate agents, property consultants, settlement agents, and any GST attached to the sale.

Q: In regards to the Statement of Financial Position (SFP), which agency includes the asset prior to the sale?

A: In the case of Crown land, the asset is held in the SFP by the agency, and through the LASP process land is transferred to the Department of Lands for sale (Appendix B). In the case of freehold land, the asset is held in the agency's SFP throughout the process until settlement occurs.

Q: In regards to the Income Statement, what amount will the agency record and in what item?

A: In the case of Crown land, all net proceeds are recorded in 'Department of Lands – Administered' under 'Land Sales' in the Administered Income and Expenses by Service Schedule. In the case of freehold land, all net proceeds are recorded under 'Gain on Disposal of Non-Current Asset'.

Q: What amounts will be recorded in the agency's SFP due to the sale and in which items?

A: In the case of Crown land, there is an increase in cash, and then cash is reduced through the transfer to the Consolidated Account through a transfer payment. In the case of freehold land, there is an increase in cash, and then cash is reduced through a transfer to the Consolidated Account via a distribution to the owner.

Q: What amounts will be recorded in the agency's Statement of Cashflows due to the sale and in which items?

A: In the case of Crown land, no cashflow schedule is required under AASB 1050 Administered items. These amounts agree to the Administered Income and Expenses by Service Schedule. In the case of freehold land, gross proceeds are recorded in 'Proceeds from Sale of Non-Current Assets', costs in 'Services and Contracts Payments' and the net amount in 'Non-Retained Revenue Distributed to the Owner'.

Q: Our agency has participated in the LASP and will be settling the sale of a land parcel in the current financial year. Does this have an impact on the budgeting arrangements?

A: While it is not necessary to alter the budgeting arrangements stated in this document, your agency's Chief Finance Officer can choose to adjust the budget in the current financial year to reflect the settlement of a parcel of land divested under the LASP. Please contact your Treasury analyst for specialist advice.

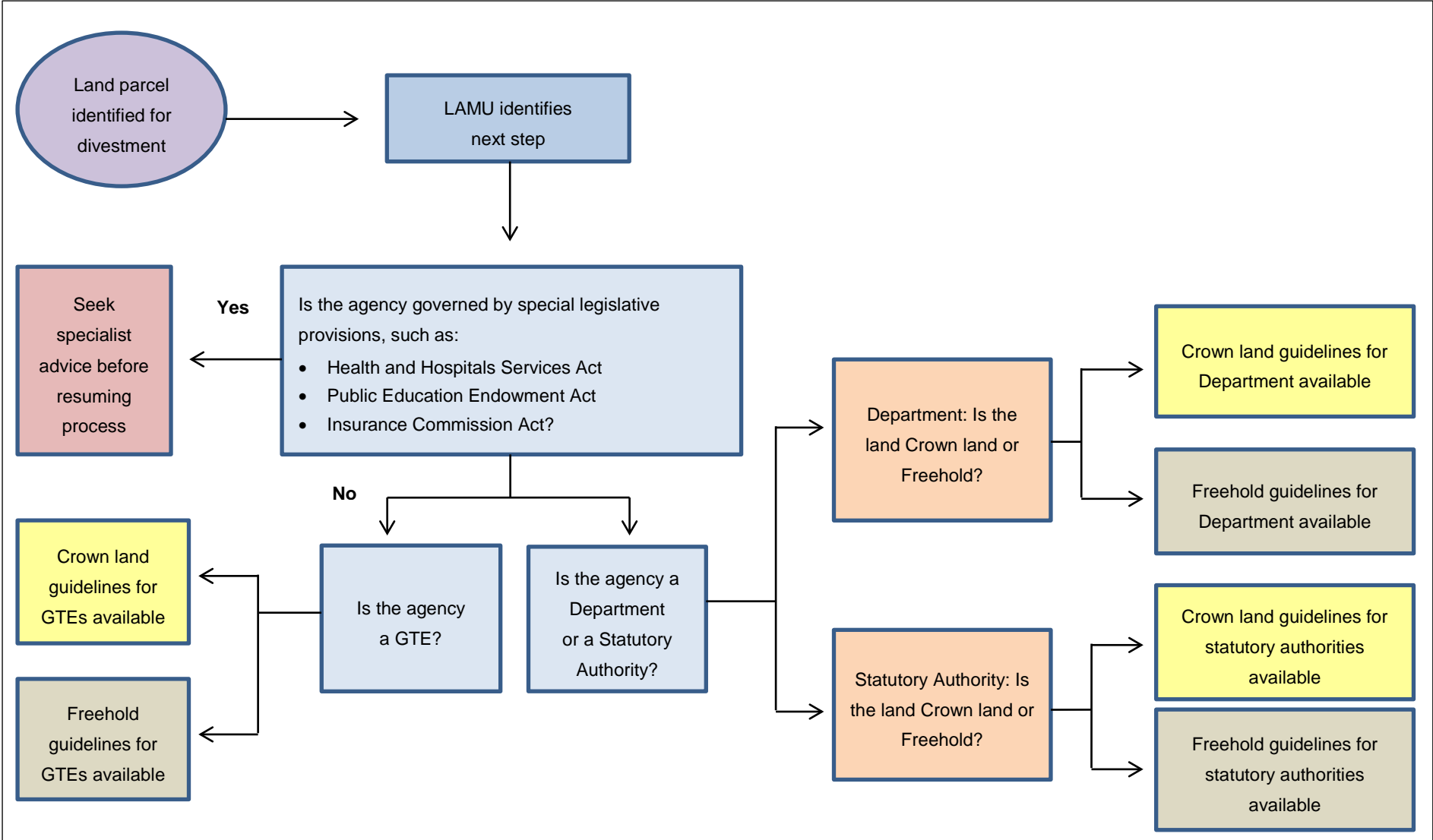
Q: If my agency is not required to budget the sales, how is the transaction recorded in the Annual Report?

A: Agencies are still required to report the sales for the agency in their accounts following standard accounting guidelines e.g. Australian Accounting Standards, Financial Management Act, Treasurer's Instructions, etc.

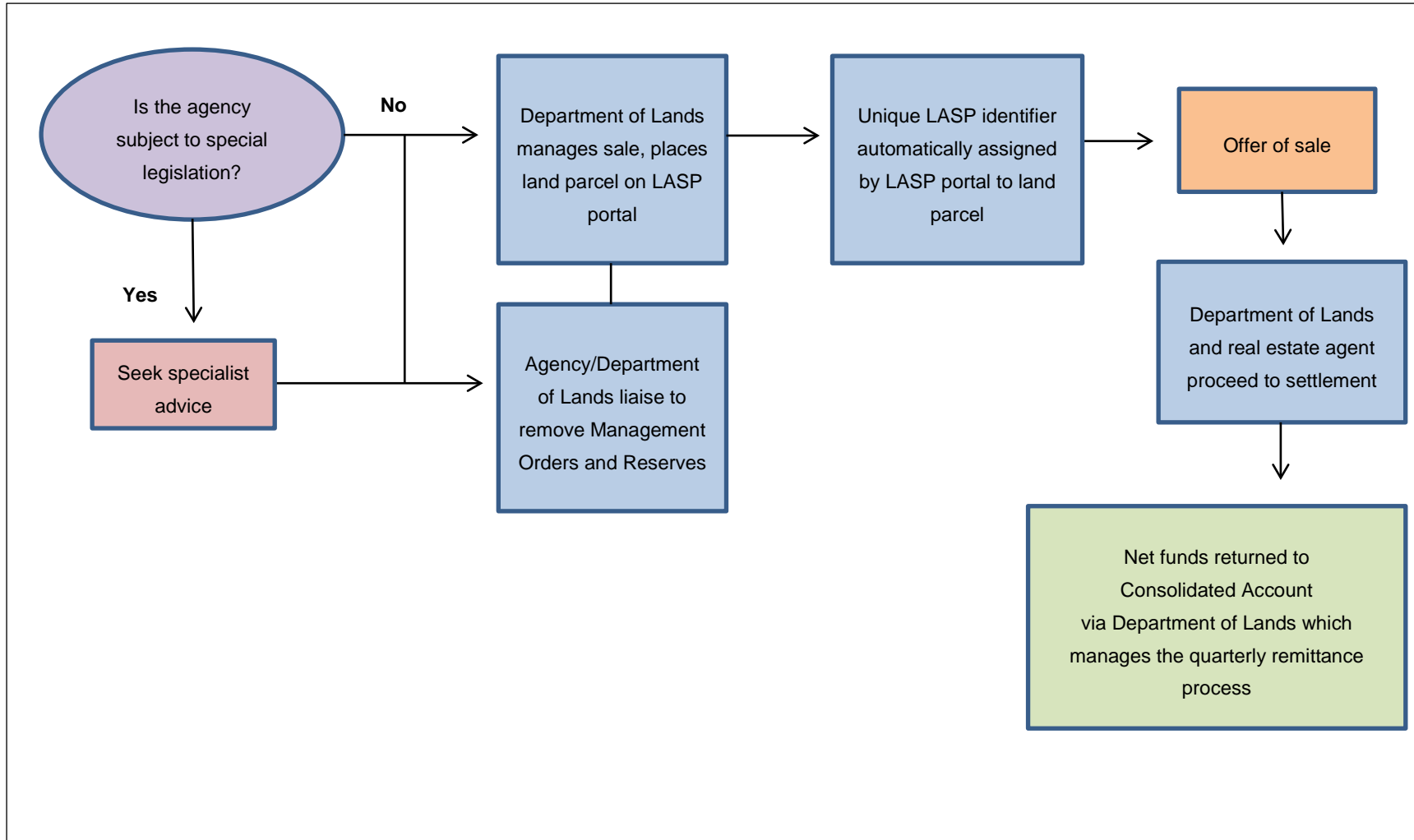
Q: Can my agency transfer the proceeds from a sale to other priorities in our Asset Investment Program?

A: All land is an asset of the State and therefore all net sale proceeds are returned to the Consolidated Account to support the Government's objective of reducing the State's debt. Cabinet approval is required if an agency wishes to use net sale proceeds for other purposes.

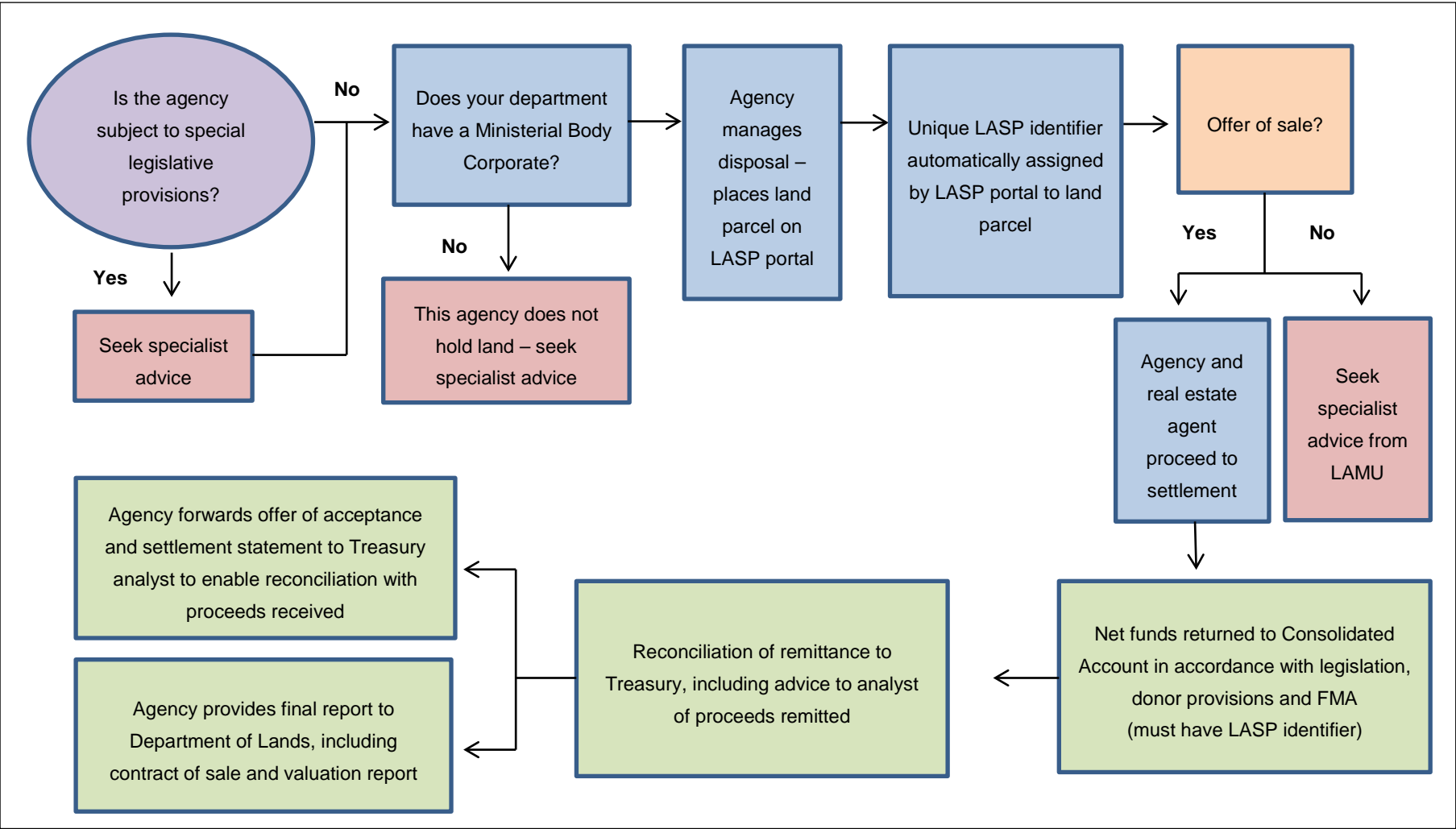
Appendix A: LASP Overview



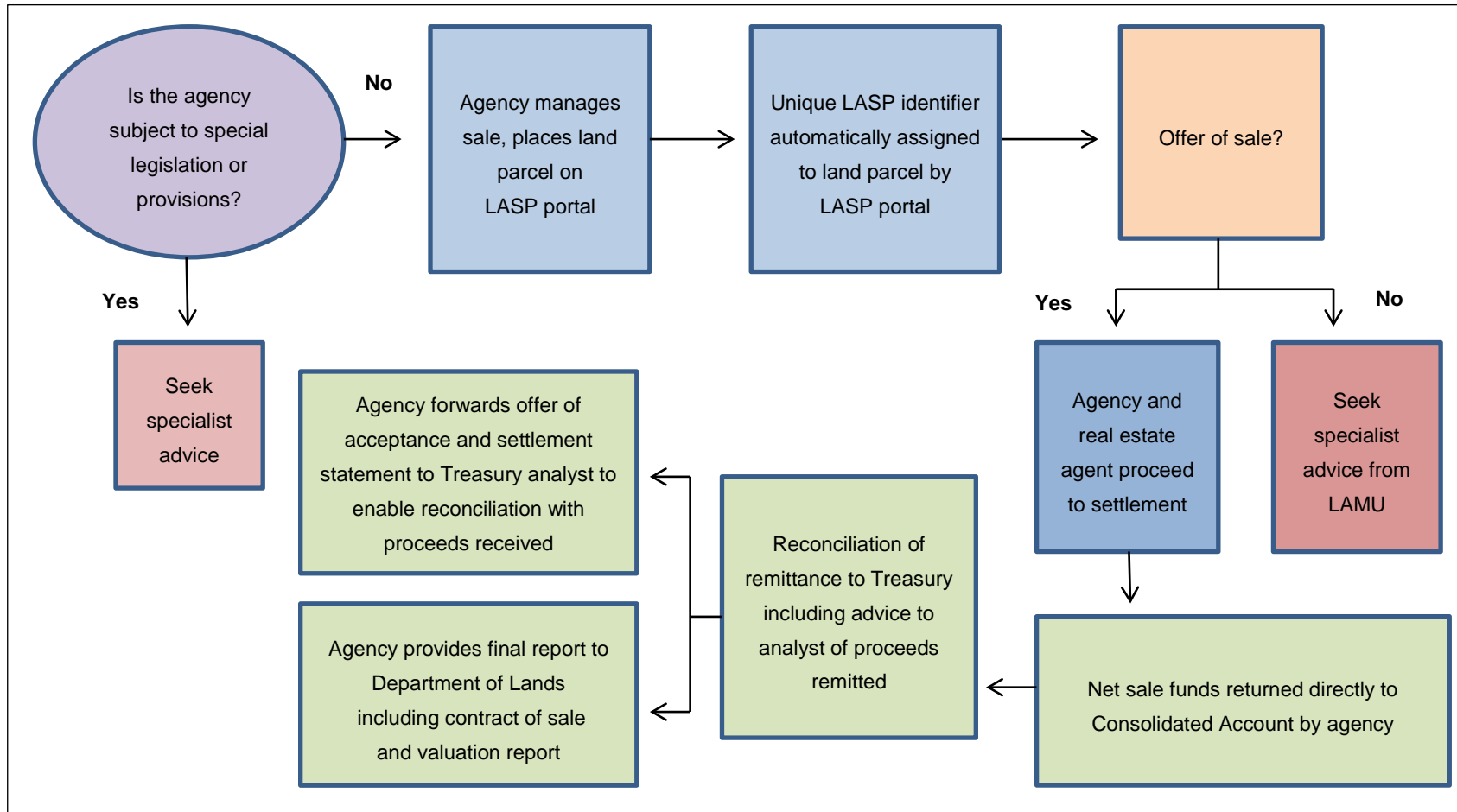
Appendix B: Agencies Disposing of Crown Land



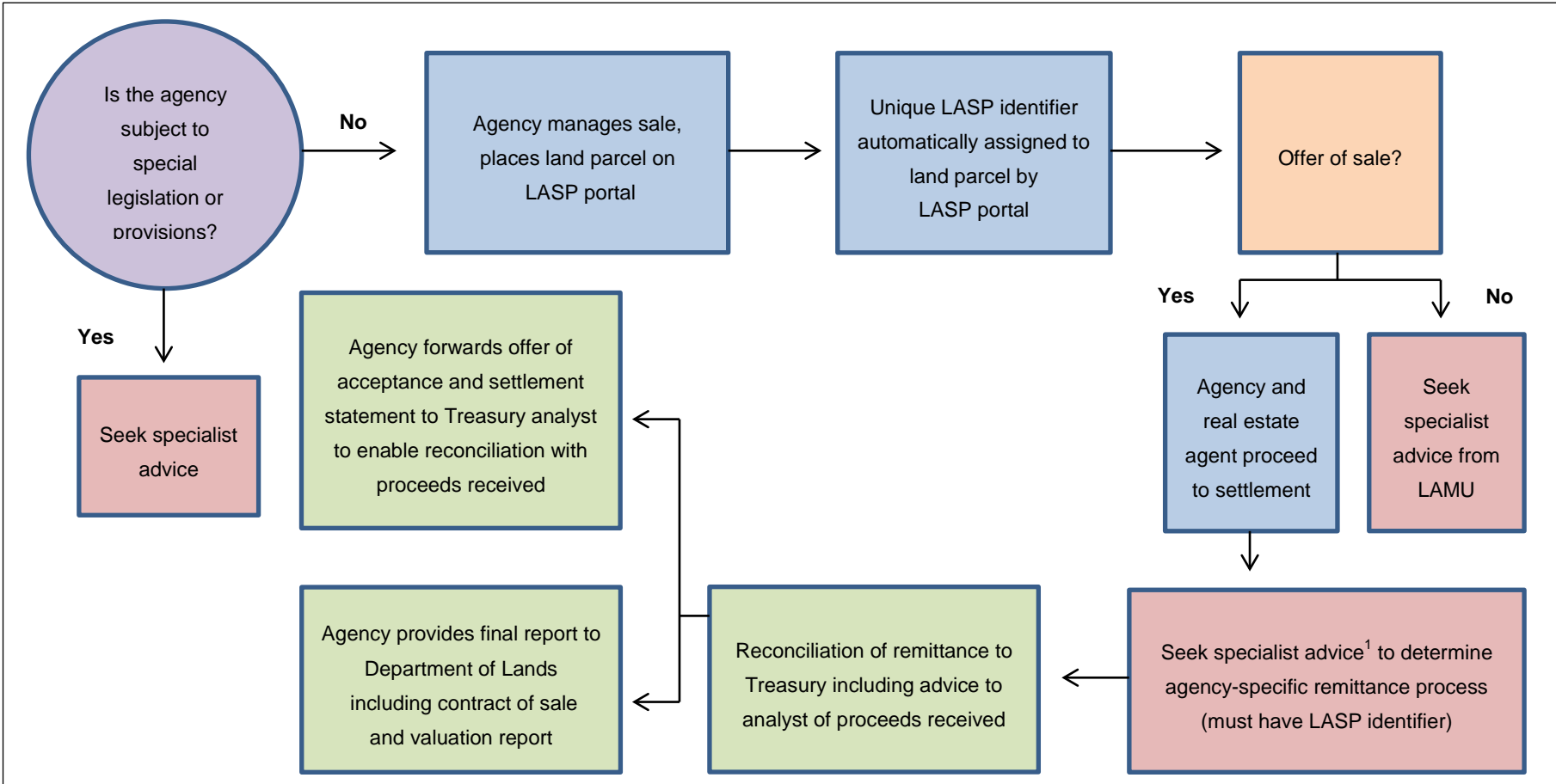
Appendix C: Departments Disposing of Freehold Land



Appendix D: Statutory Authorities Disposing of Freehold Land



Appendix E: GTEs Disposing of Freehold Land



¹ Specialist advice: For GTEs, the agency-specific process for the remittance of proceeds may require government to fund an equity injection for the purposes of 'keeping the agency whole'.

