

## Management and control of Health Administration Corporation owned Real Property

**Summary** Consistent with whole of NSW Government policy, legal ownership of the majority of existing and new NSW Health real property assets is consolidated into ownership of a single entity, being the Health Administration Corporation (HAC). Notwithstanding this centralised legal ownership, where such assets are made available by HAC to NSW Health entities to use for the provision of services or other functions of those entities, NSW Health entities are responsible for all aspects of management and control of those assets in accordance with this policy.

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## MANAGEMENT AND CONTROL OF HEALTH ADMINISTRATION CORPORATION OWNED REAL PROPERTY ASSETS

### POLICY STATEMENT

Where Health Administration Corporation owned assets are made available to NSW Health entities to use for the provision of services or other functions of those entities, NSW Health entities are responsible for all aspects of management and control of those assets in accordance with this Policy Directive.

### SUMMARY OF POLICY REQUIREMENTS

NSW Health entities are responsible for all operations, service delivery, management and maintenance of Health Administration Corporation (HAC) owned real property assets managed and controlled by NSW Health entities.

Where the requirements of this Policy in respect of management and control of HAC owned real property are complied with, NSW Health entities will be deemed to have control of assets they manage for the purposes relevant Accounting Standards and therefore must include these assets in their fixed asset register and annual statutory financial statements.

NSW Health entities must ensure that insurance is arranged through the Treasury Managed Fund (public liability, building and contents) for real property assets under their control, and for paying the associated premiums and any excess amounts.

Where NSW Health entities share the use of real property assets (such as an Ambulance station forming part of a hospital), an agreement is to be developed and put in place between the Health entities which clearly identifies who controls what aspect of each parcel of the real property asset.

NSW Health entities are responsible for initiating minor works and locally funded initiatives to maintain, improve or change the real property asset.

NSW Health entities are to annually review both the current and projected utilisation of their real property assets in the context of their ongoing operational requirements.

NSW Health entities must comply with NSW Health's Combined Delegations Manual and the requirements of the NSW Health Policy Directive *Real Property Disposal Framework* ([PD2012\\_039](#)), when acquiring or disposing of an interest in real property assets.

### REVISION HISTORY

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September-2020 (PD2020_033)	Deputy Secretary, Finance and Asset Management and CFO	Initial Document

## ATTACHMENTS

1. Management and control of Health Administration Corporation owned Real Property Assets: Procedures.

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## 1 BACKGROUND

In line with whole-of-Government expectations that agencies separate ownership and management of real property assets from service delivery functions, the Health Administration Corporation now owns most NSW Health real property assets.

The exceptions are those listed in Annexure A 'Non HAC vested properties', available from [NSW Health intranet](#).

The responsibilities of Health Administration Corporation are limited to certain administrative functions, such as setting policies and ensuring secure storage of title documents. The Ministry of Health performs the above functions on behalf of the Health Administration Corporation.

This Policy Directive outlines the obligations of NSW Health entities in relation to asset management and financial accounting. It also outlines the obligations of NSW Health entities regarding the use or lease of real property, shared use of real property, new real property acquisitions or construction and disposal of real property.

### 1.1 Key definitions

#### Control of an asset

Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. The benefits from an asset may include the NSW Health entity using the asset to provide health/other services and/or any potential cash flows from selling the asset. Control is defined in AASB 15 *Revenue from Contracts with Customers*.

#### Health Administration Corporation (HAC)

Health Administration Corporation (HAC) refers to the corporation established under the *Health Administration Act 1982*.

#### NSW Health entities

NSW Health entities comprise all Local Health Districts, Specialty Health Networks and other statutory health corporations and the Health Administration Corporation (including its various divisions such as NSW Health Pathology, HealthShare NSW, eHealth NSW and Ambulance Service of NSW).

#### Real property

Real property refers to, but is not limited to, all land (including vacant land), and any structures affixed to the land.

### 1.2 Legal and legislative framework

Pursuant to section 10 of the [Health Administration Act 1982](#) and section 30 of the [Land Acquisition \(Just Terms Compensation\) Act 1991](#), the HAC may acquire land for the purposes of the exercise of functions of the public health system. In addition, all real property titles previously owned by NSW Health entities have been transferred to the Health Administration Corporation (except those listed in Annexure A).

Notwithstanding this, where assets are made available to, and used by, NSW Health entities to support the delivery of services or carrying out of their functions, those entities will be considered to have management and control of the asset for the purposes of this policy directive and relevant Accounting Standards.

### **1.2.1 Related legislation**

- [Health Services Act 1997](#)
- [Contaminated Land Management Act 1997](#)
- [Heritage Act 1977](#)
- [Work Health and Safety Act 2011](#)

### **1.2.2 Other related documents**

- *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*
- *AASB 15 Revenue from Contracts with Customers*
- *AASB 16 Leases*
- *AASB 116 Property, Plant and Equipment*
- *AASB 136 Impairment of Assets*
- [NSW Health Combined Delegations Manual](#)
- [Accounting Policy Manual - NSW Health](#)
- *NSW Health Fire Safety Compliance Guideline ([GL2020\\_012](#))*

## **2 ASSET MANAGEMENT REQUIREMENTS**

NSW Health entities must comply with relevant Government legislation, regulations, Treasurer's Directions and other asset management policies in relation to property asset acquisition, management and disposal.

NSW Health entities are to:

- Load real property asset details onto the Oracle fixed asset register and Asset Facility Management Online system (AFMO) when the asset is placed in service
- Comply with Government legislation, regulations and policies and ensure real property assets are always safe and fit for service delivery and operational purposes
- Comply with NSW Health Policy Directive *Real Property Disposal Framework (PD2012\_039)* or its successor(s) when acquiring or disposing of an interest in real property assets
- Comply with NSW Health's Combined Delegations Manual when acquiring or disposing of an interest in real property assets
- Arrange appropriate insurance coverage for the real property assets and file insurance claims as required

- Ensure agreements are in place between NSW Health entities for any shared or collocated real property assets
- Safeguard the real property assets.

### **3 FINANCIAL ACCOUNTING REQUIREMENTS**

NSW Health entities must comply with the requirements of the Australian Accounting Standards, NSW Health Accounting Policy Manual and any applicable Treasurer's Directions and policies.

NSW Health entities are to:

- Recognise controlled assets in the entity's financial statements
- Record assets, and subsequently measure those assets, using the requirements of *AASB 116 Property, Plant & Equipment*
- Consider the requirements of *AASB 16 Leases* for any leasing arrangements for the assets controlled by the Health entity
- Perform regular comprehensive revaluations to ensure the carrying value of each asset does not materially differ from the fair value
- Assess for any impairment of assets as required under *AASB 136 Impairment of Assets*
- Transfer assets to 'assets held for sale' if they meet the requirement of *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*.

### **4 HEALTH ENTITY OBLIGATIONS**

#### **4.1 Health entities that use or lease real property**

Most NSW Health entities use real property assets in the day-to-day service delivery for which they have been established under the *Health Services Act 1997* or other relevant legislation. NSW Health entities derive the economic benefit of the real property assets through cash inflows or savings in outflows.

NSW Health entities are responsible for all operations, service delivery, management and maintenance of these real property assets. NSW Health entities must include these assets in their fixed asset register and recognise them as assets of the entity for the purposes of their annual statutory financial statements.

In addition to being used for service delivery, NSW Health entities are to manage and comply with relevant Government legislation, regulations and policies applying to owners of land and property.

Other key items for which NSW Health entities are responsible for include:

- Arranging insurance through the Treasury Managed Fund (public liability, building and contents) and paying any excess amounts

- Undertaking and arranging all repairs and maintenance to ensure the real property asset is safe and fit for the purpose intended
- Initiating minor works and locally funded initiatives to maintain, improve or change the real property asset. This includes signing development applications for capital works on their properties and undertaking the construction. See Capital Works in the NSW Health Combined Delegations Manual (Section 2.1).
- Determining the types of activity undertaken with the asset, including any leasing.
- Ensure all applicable utility, rates and other outgoings are paid within terms
- Undertaking other functions in accordance with delegations under the [Combined Delegations](#).

#### **4.2 Shared use of Health Administration Corporation real property**

In rare circumstances when NSW Health entities share the use of real property assets (such as an Ambulance station forming part of a hospital) they must put in place an agreement which clearly identifies who controls what aspect of each parcel of the real property assets. This will ensure assets are accounted for correctly and eliminates duplication or assets not being accounted for. This requirement may result in the need for lease agreements or memorandums of understanding being kept and maintained for transparency.

The NSW Health entities must enter an agreement even if no monetary amounts are payable between them. All agreements and contracts must be loaded onto Procure and AFMO.

#### **4.3 New real property acquisitions or construction by Health Administration Corporation**

New real property assets acquired or constructed by Health Administration Corporation (Health Infrastructure) and made available to NSW Health entities either at certain stages of completion or on ultimate completion are considered to be under the management and control of the NSW Health entity at the time the asset, part or completed, is made available to the NSW Health entity.

NSW Health entities must load completed assets onto the fixed asset register and, where applicable, depreciated from when available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management (AASB 116, paragraph 55).

When Health Administration Corporation makes available newly acquired or constructed real property assets, NSW Health entities must account for the assets in accordance with the NSW Health Accounting Policy Manual (Chapter 3, page 35).

Real property assets acquired or constructed and made available to a NSW Health entity have been specifically acquired or constructed in line with the operational requirements of the NSW Health entity and will be used for the foreseeable future by that entity. All management, legislative and regulatory requirements are the responsibility of the NSW Health entity using the real property asset.



#### 4.4 Disposal by sale or lease of real property

Section 34 of the *Health Services Act 1997* and Section 11 of the *Health Administration Act 1982* requires the Minister for Health to approve any sale disposals or lease disposals of real property assets. The Minister has delegated this power of authority to the Secretary of Health who has delegated this authority to the relevant officers within the NSW Health Combined Delegations Manual (Section 11.1) and ancillary/limited authorities to NSW Health entities (Section 11.2 and 11.3).

As part of the review of the Asset Strategic Plans conducted from April to June each year, all NSW Health entities are to review the utilisation, current and projected, of the real property assets they manage and control in the context of their ongoing operational requirements.

As per the NSW Health Policy Directive *Real Property Disposal Framework* (PD2012\_039), it is the responsibility of NSW Health entities' Chief Executives to determine and declare properties as surplus to their local requirements and initiate disposal by sale or lease by officially requesting approval via the Ministry of Health to dispose of the assets.

The official request to dispose of property demonstrates it is no longer required for service delivery, and operational purposes, and that there is no future economic benefit expected to flow to the entity. Until this point no other entity can direct the use of the property. The Ministry of Health does not initiate disposal except in the instance of a compulsory acquisition after a Government gazette has been issued.

Control of the real property asset is deemed to stay with the NSW Health entity until the asset is sold to a third party, transferred to the Ministry of Health as per the NSW Health Asset Disposal Program via an administrative transfer/equity transfer or is leased out for the majority of its economic life.

NSW Health and all its entities are required to comply with *TPP10-02 Treasury Banking System - Cash forecasting and banking arrangements* which is a compulsory NSW Treasury Policy regarding cash balances and forecasting.

To ensure compliance with this NSW Treasury policy, proceeds from the sale of a real property asset which are sold to a third party by a NSW Health entity are generally held by the Ministry of Health as the central administrator for NSW Health. This practice allows NSW Health to comply with the requirements of TPP10-02. Further details in regard to sale proceeds are outlined in the NSW Health Policy Directive *Real Property Disposal Framework* (PD2012\_039).