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DAO(GEN) 22/02

Dear Accounting Officer

11 December 2002

DISPOSAL OF SURPLUS LAND & PROPERTY WITHIN THE PUBLIC SECTOR

Purpose of this letter

To remind departments that the terms of Chapter 24 of *Government Accounting* do not require departments to sell surplus land and buildings on the open market in the event that they could transfer such assets to another government department or a non-departmental public body (NDPB). The letter also advises that Treasury will be reviewing the guidance in *Government Accounting* on the sale and disposal of government land and property, in particular to take account of any changes emerging from the newly established interdepartmental working group on disposal of surplus public sector land.

Action and contacts

2. Departments are:

- to draw the contents of this letter to the attention of the relevant staff;
- to note general questions on chapter 24 of *Government Accounting*: Debbie Edwards, TOA team, HM Treasury (address as above), telephone 020 7270 5363, email debbie.edwards@hm-treasury.gov.uk.

Background

3. Paragraph 24.2.1 of *Government Accounting 2000* (under the heading *General Principles*) advises that:

“Holdings of freehold and leasehold land and buildings, plant and machinery, office equipment and furniture (fixed assets), and consumable stores should be kept under constant review. Once surplus assets have been identified, they should be sold as quickly as possible subject to value-for-money considerations. Departments should



obtain the best possible price for surplus assets. Assets should therefore normally be sold on the open market by public auction or tender.”

4. However, this principle is qualified by Paragraph 24.3.1 which advises that:

“Assets transferred to another department or NDPB should generally be charged for at their current market value as defined by the RICS *Appraisal and Valuation Manual*...”

5. This exception to the general principle enables Departments to sell land or buildings to a NDPB, without putting them on the open market, in order for that NDPB to use the asset to deliver public services. To take a specific example, English Partnerships (EP) works to establish new communities where they are most needed and helps with the assembly of sites for regeneration and sustainable development. In this case, 24.3.1 would provide a basis for a Department to transfer assets to EP without a competitive tender.

6. The advice in GA 24.3.1 can apply in cases where assets are transferred between:

- one Department and another;
- a Department and a NDPB;
- a NDPB and a Department; and
- one NDPB and another.

7. In all cases the transferring and receiving bodies should work together on the transfer of assets concerned and ensure that an appropriate process is established for agreeing their value.

8. It should be noted that in cases involving NDPBs it is likely that a formal transfer of the legal estate may be needed because of the different legal status of such bodies and therefore appropriate legal advice will be required.

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