

STRATEGY AND POLICY REVIEW COMMITTEE
7 APRIL 2008 **POLICY AND PLANNING**

A7	PROPERTY POLICY & STRATEGY
LOCATION/ADDRESS:	N/A
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FILE NO.:	
ATTACHMENTS:	PROPOSED PROPERTY POLICY & STRATEGY

1. EXECUTIVE SUMMARY

- 1.1. A property policy and strategy has been developed as part of the council's commitment to effective service and council stewardship.
- 1.2. The City of Port Phillip has a substantial property portfolio and the council has a responsibility to maximise community value from the portfolio.
- 1.3. The proposed property policy and strategy is designed to provide a coordinated and strategic approach to the management and development of the property portfolio.
- 1.4. The property policy and strategy, if adopted by council, will provide a broad framework for guiding further implementation plans.

2. BACKGROUND AND CONTEXT

- 2.1. The development and implementation of a property policy and strategy is a key 2007-08 initiative contained within the Council Plan.
- 2.2. Council holds property to support the effective delivery of the broad range of services it provides for the Port Phillip community – for the people who live, work in and visit the City of Port Phillip.
- 2.3. The development of the property policy and strategy is intended to answer the following questions;
 - *Why is Council in the business of property management?*
 - *What benefit do we want the property portfolio to deliver to the community?*
 - *How do we best develop and manage the portfolio over time to maximize the community benefit?*

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- 2.4. The proposed policy and strategy proposes five reasons why the council may hold property:
- Direct community service:** providing direct services to the community, for example child care centres, libraries, community centres or playgrounds.
- Indirect community service:** the Council does not provide the service directly but makes the property available for others to provide services, such as community organisations or sports groups.
- Service support:** the property is used to support the delivery of services elsewhere, eg through administrative offices or kitchens.
- Commercial:** the property provides income to the council and thereby provides a funding stream for council services. Rental income and capital generation can also influence the commercial vitality and economic viability of the city.
- Development:** the property is held because while there are no firm plans for the property at present it is expected to one day be developed into one of the above four categories.
- 2.5. The proposed policy and strategy states that if a property does not fit into the above five categories, then it needs either to be appropriately adjusted/developed to fit one of the above categories -- or in the event that is unsuitable the property needs to be disposed of.
- 2.6. The proposed policy and strategy also requires that all council properties be regularly subjected to a performance review to ensure that community needs are being met.
- 2.7. The property strategy will be complemented with documents which address the more detailed issues around implementation. An implementation framework is being finalised to guide the organization through the many operational changes which need to be made to deliver the strategy. The framework includes:
- 2.7.1. Principles and policies for effective property management.
 - 2.7.2. Organisational arrangements to support effective property management.
 - 2.7.3. Procedures and guidelines for property managers.
 - 2.7.4. Performance measures to be used in assessing property performance.
 - 2.7.5. An appraisal of the current property portfolio.

3. RECOMMENDED OPTION

3.1. Criterion for recommendation

A property policy and strategy must contribute toward the achievement of Council's four fundamental goals – Social Equity, Economic Viability, Environmental Responsibility and Cultural Vitality. It is also critical that it sit comfortably within the legislative framework, Council's existing policy framework and complement Council's other strategies and plans. Lastly, a property strategy must support Council's core principles of service and sustainability.

3.2. Sustainability assessment

The property strategy, as a policy framework document, contains stated objectives, desired outcomes and strategies that contribute to sustainability rather than direct actions. The following assessment demonstrates that the property strategy can have a positive impact toward the achievement of Council's goals.

Social Pillar	<p>A key theme of the property strategy is that Council holds property to support community service and meet community needs.</p> <p>Therefore property is to be planned and managed to meet current and future community needs. If we wish to increase access to services, and the use of community centres and civic facilities, we need to optimise the service potential of our assets.</p>
Economic Pillar	<p>The property strategy promotes effective stewardship of Council's assets by defining strategies for best practice in property management which incorporates strategic and operational management practices.</p> <p>Effective stewardship does not mean extracting the maximum amount of income from the property portfolio. It does mean creating as much community benefit as possible, whether through providing effective services and community facilities or through providing an income stream for funding services.</p> <p>An effective property and policy strategy which meets service delivery needs by providing the right assets at the right time in the right amounts will contribute to economic growth – at the same time as contributing to the three other pillars of sustainability.</p>

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Environmental Pillar	<p>The property strategy encourages Council to use its land holdings to positively influence land use and built form in private development where possible.</p> <p>It also advocates that Council continues to provide good examples of built form and environmentally sustainable architecture in its new and renewed property assets.</p>
Cultural Pillar	<p>The property strategy promotes the alignment of property assets with community demand for services.</p> <p>To increase access to services and use of community facilities, the policy and strategy promotes improving service potential of property assets.</p>

3.3. Policy and legislative implications

The framework governing property management practice in Port Phillip consists of Acts of Parliament, regulations made under Acts of Parliament, and Council Policy. Council's property activities are managed within the legislative parameters which include the following: Local Government Act 1989; Crown Land Reserves Act 1978; Land Act 1958; Retail Leases Act 2003

Other corporate documents set out frameworks for managing aspects of council's assets and spaces. For instance, the Open Space Strategy is a framework setting out principles for supplying and managing open space for the city. Council's Physical Asset Management policy describes council's stewardship role for physical assets. It sets a broad framework for the City of Port Phillip to manage its assets in line with Council's four pillars of sustainability and in accordance with Best Value principles.

This Corporate Property Strategy sits alongside those other organisational strategies. The purpose of this strategy is to establish a consistent approach to property management based on a clear understanding of the requirements of the Council and the services it delivers combined with best practice in property management. The property strategy has integral links with Council's Community Plan, Council Plan and Strategic Resource Plan.

If the recommendation of this report is adopted by the council then the policy adopted will be the italicised text below:

3. Corporate Property Policy

3.1 What is property?

Property is a type of asset which has value both in an accounting sense and in how it contributes to service delivery.

For something to be categorised as a property asset it must have a value. This does not necessarily imply dollars and cents: however the "value" of a property asset is measured in monetary terms so it is able to be recognised in financial statements.

Property Assets have service potential. In the public sector it is perhaps often more important to appreciate the non-monetary aspects of a property's value. The term "service potential" is used to describe the utility of a property asset in meeting service delivery objectives and is a useful concept to employ where a property asset does not generate income. It is also referred to as the expected "future benefit" to be derived.

Assets take a variety of forms. This Strategy deals with property assets that are physical in nature.

Property in the context of this Strategy is used to describe any kind of interest in land, which the Council either holds or has granted. It includes all buildings or rooms within buildings, rights of way, leases, tenancies, licences, easements, rent charges, ground rents – in fact every possible interest in land imaginable.

3.2 Why does Council Hold and Manage Property?

Council holds property to support the effective delivery of the broad range of services it provides for the people who live, work in and visit the City of Port Phillip.

Some of the services Council has responsibility for include the maintenance and upgrade of drains, roads, kerbing, nature strips, footpaths and garbage collection as well as libraries and art spaces, child care centres, cleaning of parks and beaches, installation of street lighting and furniture and planting and watering of trees.

Property assets are used and deployed in many different ways in order that the Council can provide these services. At the most fundamental level, and for the purpose of defining policy, property assets may be held for operational and non-operational reasons.

The operational reasons for holding property have been divided into three (3) sub-categories:

3.2.1 Operational Property

(a) Direct Community Service

First and foremost the Council uses and occupies property in order to provide direct services to the community, such as libraries, elderly person's homes, child care centres, youth clubs, parks and open spaces, leisure facilities and depots etc.

(b) Service Support

Council occupies property in order to house office and administrative functions, which support direct service provision. This includes support service staff within operational directorates, as well as groups of staff offering support services to operational directorates.

(c) Indirect Community Service

The Council also makes properties available, often on preferential lease terms, to outside organisations so that they can provide services to the community, which support the Council in the exercise of its powers and duties. These include services such as charities, voluntary support groups, community organisations and registered social landlords. By making properties available to others on preferential terms, the value of the concession given can often be used to generate or to lever funding from external sources. In certain cases funding can be generated which could exceed the property value.

3.2.2 Non-Operational Property

In addition to land held for operational purposes, the Council holds land for certain non-operational purposes, primarily for income generation. The non-operational properties have been divided into three (3) sub-categories, for the purposes of defining policies. These three sub-categories are:

(a) Commercial

The Council has a general power to hold land for the benefit of its area and it is in pursuance of that power that the Council owns and manages a range of commercial properties. Through ownership the Council can not only control the balance of property uses but it can also influence how the commercial vitality and viability of the municipality grows and develops. In addition, the rental income and capital generation go a long way to supporting the various services and facilities the Council provides.

(b) Development

The Council is as concerned with the future as it is with the past. For this reason the Council holds areas of land for future regeneration. In this way the Council can use its land ownership to control or influence the way areas are improved or developed. Many of the areas of land that fall into this category have not yet been identified with any particular development or regeneration scheme or project, but are strategically placed. Land held for an identified development, which is intended to be in support of one of the other five uses listed above, would fall into that respective category.

(c) Surplus/vacant

From time to time, a performance review of a property will conclude that the property does not currently meet community needs, that is, it does not fit in any of the above five categories. If its use cannot be adjusted or the property developed to fit into one of those categories, then the Council may choose to declare the asset surplus to requirements. These may be surplus to operational requirements, or may have become surplus to the non-operational commercial or development requirements. At the same time, property which is held for non-operational purposes, may occasionally fall vacant (e.g. between tenant occupiers).

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3.4. Risk implications

The key risk is associated with failing to properly plan the management of our property portfolio. The property strategy promotes best practice in property management which will address risk in many ways.

3.5. Resource implications

The property strategy will be implemented by the Property Unit. The Property Unit will be supported by a 'Property Board' drawing on expertise across the organisation, which will be chaired by the Executive Director of Organisation Systems and Support. The 'Board' will have the role of ensuring all organisational stakeholders are involved in over sighting the implementation of the policy in the first instance, and in a coordinated approach to property management and the provision of expert, holistic advice to Council.

There are no additional resourcing implications.

4. ALTERNATIVE OPTIONS

- 4.1. Council could choose to amend or reject the proposed policy and strategy. This would result in no change to the current arrangements. The problem with this option is that in the absence of an agreed purpose for the role of property owner, it is difficult to ensure that Council is maximizing the community benefit of its significant property portfolio. It is also difficult to ensure that when faced with difficult property problems, Council is in receipt of all the advice it needs in order to make the best decision. This option is therefore not recommended.

5. PARTICIPATION AND ENGAGEMENT

5.1. **Internal**

- 5.1.1. An internal property Steering Group was formed to agree the brief, i.e. 'What problem are we trying to fix?' and to oversight the development of the strategy. The people who have participated on the Property Steering Group included managers from Culture & Recreation, Community Development, Asset Services, Asset Planning, Finance & Investments, City Development, Information Systems, Governance & Stakeholder Relations.
- 5.1.2. Other staff were consulted including from the departments above, Environment & Renewal and Community Services.
- 5.1.3. In summary, all staff consulted believed the organisation should develop a coordinated and more centralised approach to reduce duplication and gaps in service provision and management responsibilities related to property; reduce inconsistencies in our approach to property and tenant management; poor role and responsibility definition and difficulty in accessing appropriate information with which to make property related decisions.

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5.1.4. There are still implementation plans and criteria to be devised in consultation with the stakeholders above but the first step is to confirm whether council wishes to adopt a property policy and strategy.

5.2. External

5.2.1. Macroplan Australia was engaged as consultants to assist with the development of the strategy.

5.2.2. In addition key systems staff visited Greater Geelong City Council to view a property systems solution which has been developed. The existing suppliers of the Hansen and Pathway system, were also consulted and have advised that the alterations that are required to enable these systems to integrate and provide more accessible and user friendly property information to the whole organization, are possible.

6. IMPLEMENTATION

6.1. The property strategy provides a policy framework which gives guidance to Council, and Council staff, on how to manage and develop the property strategy in a transparent, efficient, and collaborative manner.

6.2. Should Council adopt a property policy and strategy, further meetings of the internal steering group will be convened to finalise the detailed implementation framework and councillors will be briefed on progress. It is expected the implementation framework could contain the following documents:

6.2.1. Principles and policies for effective property management.

6.2.2. Organisational arrangements to support effective property management.

6.2.3. Procedures and guidelines for property managers.

6.2.4. Performance measures to be used in assessing property performance.

6.2.5. An appraisal of the current property portfolio.

6.3. The implementation of the strategy will be the key responsibility of the Property Unit, who will be guided by advice from the internal 'Property Board'.

6.4. The Property Board, through the Chair, the Executive Director of Organisation Systems and Support will provide an annual report to Council, on both the implementation of the strategy, and on the performance of the property portfolio.

7. COMMUNICATION

Should the property policy and strategy be adopted by the council, key messages for communication are:

- 7.1. Council has a substantial property portfolio which needs to be managed strategically.
- 7.2. The council aims to maximise community value gained from each property

8. RECOMMENDATION

That the Strategy and Policy Review Committee recommend to Council:

- 8.1. That the attached proposed Property Policy & Strategy be adopted, and incorporated as an attachment to the minutes of the meeting.