

4. MONITORING REPORT – YEAR ENDED 30 JUNE 2002

Officer responsible Property Manager	Authors Rob Dally DDI 941-8500, Pam Ellis, Angus Smith, Peter Wills
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A. PROPERTY MANAGEMENT

Officer Responsible Property Manager	Authors Rob Dally, Pam Ellis, Angus Smith, Peter Wills
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Business Unit	Property (Property Manager)
Output Class	Information and Advice

Financial Performance

	Year ended 30 June 2002		
	Actual	Budget	Variance
Information and Advice	\$326,160	\$277,615	17.5%

Comment

The Corporate Plan for Property Management has only one reported output class – Information and Advice. Both Property Services and Property Projects also work on this output.

This output has a higher than budgeted expenditure for the year, arising mainly from unanticipated and unbudgeted time applied to contamination issues and unrecoverable projects.

Service Delivery Performance

Objective for 2001/2002	Performance Indicator	Results Achieved
1. Maintain a high standard of professionalism and service.	Response within the specified time frame.	Excellent.

B. PROPERTY SERVICES TEAM & PROPERTY PROJECTS TEAM

Officers Responsible Property Services Manager Property Projects Manager	Authors Pam Ellis, Angus Smith
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Business Unit	Property Management
Output Class	Property Consultancy
Output Class	Property Projects

Financial Performance - Summary

	Year ended 30 June 2002		Variance %
	Actual \$	Budget \$	
Expenditure (Operating)			
Special Projects	114,478	138,000	(17.0%)
Holding (Surplus) Property	321,915	538,962	(40.3%)
	436,393	672,962	(35.2%)

Revenue (Operating)			
Special Projects	(29,525)	0	N/A
Holding (Surplus) Property	(49,610)	(125,050)	(60.3%)
Total Revenue	(79,135)	(125,050)	(36.7%)

Net Cost Property Consultancy and Projects Management	357,258	551,912	(35.3%)
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Comments

The main variance in the net cost arises from a gain on sale, against book value, of \$144,000 for the sale of two sections at Huntsbury Spur, along with the fact that expenditure on Special Projects has been less than budgeted.

Service Delivery Performance

Property Consultancy

Performance Indicator	Target	Results Achieved
1. Client satisfaction demonstrated by customer survey. Balance of costs against revenue.	By 30/6/2002	Regular client liaison but formal customer survey not undertaken. Costs/revenues balanced.
2. Acquisition of 85% of required properties within budget allocation and within time frame to enable planned works to proceed during the budget period.	By 30/6/2002 or earlier for programmed works	Mostly achieved within financial and programme constraints.
3. Maintenance and management of lease portfolio to client unit and lessee satisfaction and recovery of budgeted revenue.	By 30/6/2002	Ongoing. Review of lease portfolio completed for sports and community groups. Statutory procedures completed for sports leases with substantial progress on lease redocumentation.
4.1 90% of amendments entered into database within 4 weeks of transaction completion.	Monthly	Unrealistic target having regard to external legal and document processing times but otherwise database updated within satisfactory time.
4.2 Provision of an accurate Corporate Real Estate database integrated with GEMS.	30/6/2002	Review of all Council property holdings undertaken during the year. Accuracy of SAP Real Estate database being maintained to high level. GEMS integration under review and unlikely to proceed as originally proposed.
5. Obtain 3 new external local authority customers requiring LINZ accredited services.	By 30/6/2002	Local authority work continuing directly and new work obtained through consultants.

Property Projects

Performance Indicators	Target	Results Achieved
1. Acquisition of required properties within budget allocation and within a time frame to enable planned works to proceed during the budget period.	By 30/06/2002	A number of properties and property related assets have been investigated for a variety of purposes and a number of property deals and purchases have been completed successfully.
2. Being available and responsive with provision of valuable advice to clients both internal and external. Council and client satisfaction demonstrated by results of customer survey. Development of unplanned project work to a logical conclusion.	By 30/06/2002	Survey not undertaken. Our self-assessment of these listed objectives is that they have been achieved on an ongoing basis. Informal feedback has been positive.
3. Balance of costs against revenue as at 30 June 2000.	By 30/06/2002	Refer previous financial performance summary.
4. Continued involvement and liaison with professional property institutes and practice of continuing professional development.	By 30/06/2002	This has been pursued proactively and is ongoing.

Special Projects

Performance Indicator	Target	Results Achieved
1. Acceptable progress on development of the following "Council" projects. <ul style="list-style-type: none"> • Cathedral Junction • Heritage Buildings • City Car parking Developments • Central City Sustainability • Review and rationalisation of the Council's central city accommodation and property holdings. • Other Special Projects as required 	By 30/06/2002	Significant involvement and progress to date. Involvement as required and requested. This has proven to be significant and successful. Significant involvement and progress with the Arthur Barnetts, Ballantynes and Nam Yee development. Significant involvement on a project basis and providing general property consultancy advice. Project initiated. Significant involvement and progress to date. Involvement as requested. A number of projects have been initiated and are ongoing.
2. Provision of services to the Council and client units to a level which assists and promotes the decision making process and progress on approved developments.	By 30/06/2002	There have been a number of projects of this nature. Further ongoing involvement is anticipated. Good working relationships have developed.

Information and Advice

Comments

This section incorporates the costs which are not directly recoverable from Units of the Council, and provides for information and advice on requests from the Council, members of the public, community organisations and other external sources. It also includes officer representation at Committee, Community Board and Council meetings to advise on issues arising from reports presented.

Performance Indicator	Target	Results Achieved
Response within specified time frame.	As required	Generally achieved.

Business Unit	Property
Output Class	Holding Property Services (Capital) Surplus Property

Financial Performance

	Twelve Months to 30 June 2002		Variance
	Actual YTD	Budget YTD	%
	\$	\$	
Expenditure (Capital)	211,726	274,487	(22.9%)
Revenue (Capital)	(\$628,988)	(320,000)	(96.6%)
Net Holding Property Result	(417,369)	(45,513)	(817.0%)

Comments:

The variance arises from unbudgeted sales revenue from two sections at Huntsbury Spur and the final balance of settlement proceeds on Lyttelton Street.

Service Delivery Performance

Performance Indicator	Target	Results Achieved
1. Complete review of all Council property holdings	By 30/06/2002	Section 40 PWA review initiated and significantly progressed.
2. Subject to prevailing market conditions, dispose of defined surplus properties.	By 30/06/2002	Refer comment accompanying Financial Performance above.

3. Commence the special development projects:	By 30/06/2002	
<ul style="list-style-type: none"> • Owles Terrace • Kennedys Bush Rd • 109A Bexley Rd • Hunter Terrace 	Prepare development proposal. Subdivision and disposal. Develop solution to non-compliant improvement. Review and rationalisation of property holdings.	Background work towards an options report is progressing well given complexities this site presents. Reported to Council and resolved to hold for park use. Initial investigations initiated. Multi-unit Council team established and project initiated

C. ASSET MANAGEMENT – FINANCIAL PERFORMANCE

Officer responsible Property Asset Manager	Author Peter Wills, Property Asset Manager, DDI 3711-503
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The purpose of this report is to outline Financial and Management Performance results for the year 1 July 2001–30 June 2002.

The Asset Management Team is tasked with four outputs under the Property Asset Management portfolio:

- Commercial Property – External Tenanted Properties
- Service Delivery – Operational Properties
- Restricted Assets – Heritage Properties
- Asset Team Management – Cost Centre

Expenditure and revenue has been generally in accordance with the Corporate Plan. Some variation to the individual cost objects have occurred which are detailed below.

OPERATIONAL BUDGET SUMMARY

	2000/01	2001/02			
	Actual	Actual	Budget	Difference	%
Expenditure	8,602,229	10,266,800	10,349,113	82,313	0.79
Revenue					
(a) External		(2,236,323)	(2,129,112)	(107,211)	5.04
(b) Internal		(14,433,977)	(14,559,986)	126,009	0.87
(c) Interest & general		(75,599)	(36,767)	(38,832)	105.06
(d) Grants		(442,600)	(500,000)	57,400	11.48
Total Revenue	(16,701,155)	(17,188,518)	(17,265,865)	77,347	0.45
Total Net of Cost Service	(8,098,926)	(6,921,631)	(6,916,752)	(4,879)	0.07

(i) Expenditure

The operational expenditure for 2001/02 was under budget by \$82,313 (0.79%).

(ii) Revenue

Revenue was under budget by \$77,347 (0.45%)

(a) External Revenue

External rents exceeded budget by \$107,211 (5.04%).

(b) **Internal Rentals**

Internal rents are charged to individual business units to show the true occupancy cost of operating each unit. The charges are raised and form allowances within business unit budgets however the charges are internally transferred so no real money changes hands. In terms of the effect on ratepayers they are essentially fictitious charges – they do not impact on rates

Internal rents were under recovered by \$126,009.

This shortfall resulted from the following issues:

- Halswell Quarry house (\$10,000) - No tenant has been found and consequently creates a variance from the plan. Informal expressions of interest for leasing the house to be sought.
- Waterworks Main Pumping Station Workshop – Colombo Street (\$70,800). This relates to the withdrawal of Waterworks from their premises as part of the Councils change proposal. The site is currently vacant and Property Projects are reviewing the future use of the site.
- Bus Exchange (\$35,000). The expectant revenue from the display boxes, bus walls and kiosk did not occur. This has already been included and reported in the current budget which is now adopted. The property is included as an internal rental while it remains vacant. This allows the business unit to see the true cost of vacancies and provides motivation to lease the space and remove the liability.
- Avice Hill Craft Centre (\$14,000). This variance from plan has occurred due to a delay in alterations to the premises and hence delay in receiving the planned increase in rent from the service centre. The alterations are currently at consent stage only.

(c) **Interest and General**

Interest in general revenue exceeded budget by \$38,832 (105.6%).

This was due to miscoding grants revenue of \$57,413 to general revenue. After correcting the error there is actually a shortfall of \$18,186. This shortfall is the result of clearing miscellaneous revenue and allocating it to the appropriate business entity.

(d) **Grants**

Grants revenue was under recovered by \$57,400 (11.48%).

This is the result of miscoding grants revenue of \$57,413 to general revenue

FMM PROGRESS REPORT

During this past year, the Property Asset Management Team have been working hard to implement better contracting practices to produce operational efficiencies for our maintenance contracts for both the Housing and 'Asset Management Teams' property portfolios. In March, the Council resolved to enter into a Facilities Maintenance Management (FMM) contract with City Care, subject to terms and conditions being negotiated. The FMM contract with City Care was adopted by the Council in July. Negotiations with City Care have produced initial operating savings of 7% (\$200,000) for the first year, with further savings anticipated as Supply Chain Optimisation (SCO) benefits are realised in subsequent years. Internal efficiency savings have also been achieved as a direct result of these changes.

In conjunction with this, we have been looking at rationalising our supply chain for our 'specialised services' contracts eg lifts, HVAC (heating, ventilation and air-conditioning), fire services and doors. The first to be rationalised were the lift contracts. These were tendered earlier in the year resulting in a single supplier contract with Otis, commencing 1 July 2002. This has produced ongoing operating savings of 15% pa (\$24,380) whilst achieving better contractual arrangements and improved levels of service. The contract for the HVAC, Fire Service and Doors has been tendered and we are currently evaluating this. It is anticipated that a new contract could commence before the end of the year. It is also anticipated that this will also result in direct cost savings.

BUDGET SUMMARY

	2000/01	2001/02			
	Actual	Actual	Budget	Difference	%
Capital	7,140,804	17,222,091	17,526,231	(304,140)	1.74

Capital expenditure was under budget by \$304,140 (1.74%).

The contributing factors of this under expenditure related to the contingency amounts of \$224,830 and \$43,340 for Commercial and Community Facilities respectively. These funds were not required.

PERFORMANCE INDICATORS : ASSET MANAGEMENT

Objective	Performance Indicator	Achievement
Implement the planned maintenance programme	Complete the planned maintenance programme for the Asset Management portfolio within budget by 30 June 2002	Achieved
Project co-ordinate the capital works programme	Performance in relation to the individual projects managed being completed to specifications and budget, within the required time frame.	Achieved

SUMMARY OF MAJOR CAPITAL/MAINTENANCE WORKS UNDERTAKEN DURING 2001/02

Redwood Library – Exterior repaint
 Opawa Children's Library – Exterior repaint
 Civic Offices - Recarpet Mayoral lounge
 Civic Offices – Painting meeting committee rooms 2 and 3
 Civic Offices – HVAC upgrade to Councillors area, Committee rooms 1 and 2
 Spreydon Hall - Ramp installation
 Landsdowne Community Centre – Repaint
 Waimairi Community Centre – Repaint
 Hoon Hay Creche - Repaint
 Waltham Cottage – Repaint
 Opawa Library – New roof
 New Brighton Creche – Repaint
 Provincial Chambers – Armagh St tower strengthening. This work involved the removal and recutting of stonework, new pointing, new flag pole, fret work, painting and reinforcing. Full strengthening was not able to be achieved due to the impact on the Tower. This will be reviewed in ten years time to determine if new methodologies will allow full strengthening without impacting the Tower. Approximately 65% of the total budget (\$273,427 plus fees) was spent as at 30 June 2002.

Chairman's

Recommendation: That the information be received.