

6. PROPERTY MANAGEMENT UNIT - MONITORING REPORT YEAR ENDED 30 JUNE 2003

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The purpose of this report is to inform the Property and Major Projects Committee on the financial performance of the Property Unit - year ended 30 June 2003.

UNIT MANAGER'S OVERVIEW

The overall year to date financial result for the Property Unit is as follows:

	Actual	Budget
Operational	(10,439,553)	(10,575,669)
Capital	27,694,933	29,123,729

This is a satisfactory outcome, the detail of which is contained in sectional reports (Management/Property Services; Asset Management).

The structure of the Property Unit is continuing to change to meet current and future challenges, as follows:

(a) **Asset Management**

The Asset Team has been restructured from a reactive maintenance emphasis to a strategic asset management emphasis. Significant achievements in the year to date have included development of the Housing Asset Management Plan (adopted April 2003); the rationalisation of mechanical services/lifts contracts (with significant ongoing cost savings) and the signing of a Facilities Maintenance Management (FMM) contract with City Care for reactive and planned maintenance for the Housing and Commercial portfolios.

Two new Asset Planners were employed in late April 2003 and this has resulted in the output from the Asset Management Team being significantly enhanced. The focus will be to ensure the Improvement plan items of the Housing AM Plan are actioned and that the AM Plan for Commercial and leisure facilities is developed.

(b) **Property Management/Property Services/Property Projects**

The nature and scope of outputs delivered by this team was reviewed late 2002.

As a result of the review, the Property Services and Property Projects Teams were integrated. We are currently analysing the resourcing needs of the new structure so as to best match existing experience/capabilities with outputs being delivered.

General

The next six months will be a learning/consolidation period for all sections of the Property Unit.

I am confident that the structural changes we have put in place will take us into the future in a positive way, using skills/capabilities and technology, meeting the needs of a dynamic property management environment, efficiently and effectively.

PROPERTY MANAGEMENT/SERVICES MANAGER'S OVERVIEW

Introduction

The Property Services Team is charged with the following primary outputs:

- Information and Advice
- Special Projects
- Surplus Property
- Property Consultancy and Management

Significant events/issues/achievements/status

- Ferrymead - Development of the old landfill sites by the Tamakis and the Golf Driving Range proposal has been delayed due to resource consent and consultation issues.
- Cathedral Junction development is well underway and the Council no longer has any commitments to purchase property.
- Excellent results achieved on the Lichfield Street Car Park/Nam Yee/Ballantyne’s project.
- Owles Terrace has now received Council resolution to tender for sale. The property has been tendered, the results of which will be reported to the Council before the end of the year.
- Hunter Terrace has now received Council resolution to retain a large portion for open spaces and will now not be sold.

Overview Capital Programme Progress

- Completed the purchase of the Turners and Growers site for the Central City Project.

Surplus Property

- Completed the sale of the New Brighton Library – 183 Shaw Ave.

Management Issues

- Provided significant support to Banks Peninsula District Council Property Management function.

TARGETS AND PERFORMANCE INDICATORS

Corporate Plan Service Delivery Performance Indicators

Information and Advice

Performance Indicators	Target	Results Achieved
1. Response within the specified time frame.	As required	Informal feedback has been excellent.

Special Projects

Performance Indicators	Target	Results Achieved
1. Acceptable progress on the development of the following “Council” projects. <ul style="list-style-type: none"> • Cathedral Junction Development • Heritage Buildings • City car parking developments • Central City Sustainability Projects • Review of the Council’s central city accommodation • Review of the Council’s property assets. 	By 30/6/2003	<ul style="list-style-type: none"> • The mechanism for the Council’s commitment to this project has worked exceptionally well. The development is well underway and the Council’s commitment to purchase units no longer exists. • Minor assistance to date, no significant projects. Excellent result achieved with the Lichfield St/Nam Yee/Ballantynes project. • Significant support provided on projects with a property element with excellent results. • Project still active. However progress has slowed. • Comprehensive work done in identifying assets. This needs to be followed up.

Performance Indicators	Target	Results Achieved
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		<ul style="list-style-type: none"> There has been good work in this area. This is anticipated to continue into the future with the development of good relationships.

Management of Non Operational Property

Performance Indicators	Target	Results Achieved
1. Complete the review of all Council property holdings	By 30/6/2003	<ul style="list-style-type: none"> A document summarising the Council's property assets has been produced. The follow-up and review work has been delayed due to resourcing constraints and influences from the Property Unit/ Council structural reviews.
2. Subject to prevailing market conditions, develop uses for the non operational properties.	By 30/6/2003	<ul style="list-style-type: none"> Continuing at a steady pace.
3. Commence the special development projects: <ul style="list-style-type: none"> Owles Terrace Westminster Street yard 109A Bexley Road Hunter Terrace 	<p>Prepare development proposal.</p> <p>Probable disposal.</p> <p>Develop solution to non-compliant improvement. Review and rationalisation of property holding.</p>	<ul style="list-style-type: none"> Progressing well, Council resolution obtained to tender. Results of the tender process will be reported to the Council before the end of the year. Analysis of options yet to be resourced. Options have been identified and are being costed. It is anticipated to report these to the Council before the end of the year. Project substantially complete. The Council resolving to retain the significant portion of land identified as no longer required for operational purposes, for open space.

Property Consultancy Services

Performance Indicator	Target	Results Achieved
1. Client satisfaction demonstrated by customer survey. Balance of costs against revenue.	-Complaints less than 5%. -By 30/6/2003.	<ul style="list-style-type: none"> Regular client liaison but formal customer survey not undertaken. Feedback good. Costs/revenues balanced.
2. Acquisition of required properties to enable planned and authorised works to proceed.	- 90% within budget allocation. - 85% on time. - 95% of Council reports adopted first time.	<ul style="list-style-type: none"> Mostly achieved within financial programme and constraints.
3. Maintenance and management of lease portfolio to client unit and lessee satisfaction.	- 90% recovery of budgeted revenue to 30/6/2003. - Tenant complaints less than 5%.	<ul style="list-style-type: none"> Being achieved. However, review of processes and procedures underway as part of Unit Review.
4.1 90% of amendments/additions entered into database within four weeks of transaction completion. 4.2 Provision of an accurate Corporate Real Estate property database.	Monthly. 30/6/2003	<ul style="list-style-type: none"> Being achieved. However, review of processes and procedures underway as part of Unit Review.
5.1 Obtain 1 new external local authority customer requiring property consultancy or LINZ accredited services. 5.2 Maintain accuracy of LINZ legal processes.	By 30/6/2003 99% approval "first time"	<ul style="list-style-type: none"> Achieved. A number of jobs for other local authorities have been undertaken and we have had a significant consulting initiative with Banks Peninsula District Council in the form of a secondment.

Property Projects Consultancy Services

Performance Indicators	Target	Results Achieved
1. Acquisition of required properties within budget allocation and within a timeframe to enable planned works to proceed during the budget period.	By 30/6/2003	<ul style="list-style-type: none"> 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 30/6/2003	<ul style="list-style-type: none"> 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 at 30 June 2003.	By 30/6/2003	<ul style="list-style-type: none"> Refer financial performance
4. Continued involvement and liaison with professional property institutes and practice of continuing professional development.	By 30/6/2003	<ul style="list-style-type: none"> This has been pursued proactively and is ongoing.

Financial Performance

Outputs	Net Expenditure		External Revenue		Net Cost		Variance	Note
	Act Net Exp	Plan Net Exp	Act Ext Rev	Plan Ext Rev	Actual NCS	Plan NCS		
30101 Informtn and Advice	267,090	179,097			267,090	179,097	87,993	1
30102 Special Projects	73,794	141,583	53-		73,740	141,583	67,843-	1
30103 Surplus Property	364,517	430,002	468,237-	610,675-	103,720-	180,673-	76,953	2&3
** Operational Outputs	705,400	750,682	468,290-	610,675-	237,110	140,007	97,103	
30401 Property Consultat	109,486	57,000	51,134-	57,000-	58,352		58,352	4
30402 Property Projects	20,196				20,196		20,196	
30403 Property Mgmt Time								
** Internal Services	129,682	57,000	51,134-	57,000-	78,548		78,548	
30501 Cost Centres	196		196-					
** Cost Centre Balances	196		196-					
*** Property Mgmt Net Cost	835,278	807,682	519,619-	667,675-	315,658	140,007	175,651	
30201 Fixed R&R General	549	19,000			549	19,000	18,451-	
* Fixed Assets Renewals/Rep	549	19,000			549	19,000	18,451-	
30202 Fixed Impr Surp Pr	142,064	206,279			142,064	206,279	64,215-	
* Fixed Assets Improvements	142,064	206,279			142,064	206,279	64,215-	
30203 New Fixed Assets	2,541,111	2,578,611			2,541,111	2,578,611	37,500-	
* Fixed Assets New	2,541,111	2,578,611			2,541,111	2,578,611	37,500-	
30251 Fixed Asset Sales	29-	115,000	220,000-	392,000-	220,029-	277,000-	56,971	
* Fixed Asset Sales	29-	115,000	220,000-	392,000-	220,029-	277,000-	56,971	
** Property Mgmt Fixed Asset	2,683,696	2,918,890	220,000-	392,000-	2,463,696	2,526,890	63,194-	
*** Property Mgmt Capital	2,683,696	2,918,890	220,000-	392,000-	2,463,696	2,526,890	63,194-	

Notes:

1. It has transpired that the budgeted allocation between Information & Advice Projects & Special Projects is not reflected in the actual expenditure, ie an almost equivalent portion of time anticipated to be spent on Special Projects has in actual fact been applied to Information & Advice.
2. Expenditure & Reviews on the "Surplus" properties has been less than anticipated due to; resourcing issues, distractions from Unit Review and complexity and difficulties of progressing the properties identified as no longer required for operational purposes.
3. \$150,000 Revenue budgeted to be received from the Ferrymead old landfill sites. This Revenue did not eventuate because of delays in obtaining resource consents.
4. Differences between the internal and external charge rates.

PROPERTY ASSET MANAGEMENT

Targets and Performance Indicators

Corporate Plan Service Delivery Performance Indicators

Property Management
 Commercial Properties
 Service Delivery Properties
 Restricted Properties
 Capital Outputs

Performance Indicators	Target	Results Achieved
1. Complete the planned maintenance programme for the Asset Management portfolio.	By 30/6/2003. Within budget.	Within budget allowing for identified variations, reprioritisations, deferrals and reduced resource capacity
Performance Indicators	Target	Results Achieved
2. Performance, in relation to the individual projects managed, being completed.	Within budget. Within required time frame. To specification.	Within budget allowing for identified variations, reprioritisations, deferrals and reduced resource

		capacity.
3.	Adopt performance measures for the Property Assets.	By 30/6/2003. Being incorporated in the development of a comprehensive Asset Management Plan framework.
4.	Approved benchmarking of assets and presentation of exception reporting on assets that fall outside the levels of service agreed upon in the end of year report.	By 30/6/2003. Being incorporated in the development of a comprehensive Asset Management Plan framework.
5.	Report on total asset valuations against replacement cost and depreciation fund performance measures in the end of year report.	By 30/6/2003. Being incorporated in the development of a comprehensive Asset Management Plan framework.

PROPERTY ASSET MANAGEMENT FINANCIAL PERFORMANCE

The Asset Management Team is charged with four primary output areas being:

- Commercial Property - Properties tenanted to external parties
- Service Delivery Property - Properties tenanted to internal parties
- Restricted Assets - Heritage properties
- Asset Team Management - Cost Centre

OVERVIEW OF OPERATIONAL ACHIEVEMENTS

	1 July 2002 – 30 June 2003		
	Actual YTD	Budget YTD	Difference
Expenditure	8,823,208	10,401,570	(1,578,362)
Total Revenue	(16,729,548)	(16,962,623)	(233,075)
NET COST of SERVICE	(7,906,340)	(6,561,053)	(1,345,287)

The report for the year ending 30 June 2003 shows a credit balance of \$1,345,287.

Operational Expenditure

The year ending report shows an under expenditure of \$1, 578,362 compared to budget. This is the outcome of a number of factors.

1. As a result of the city revaluation there was a reduction in the rates expenditure of approximately 22% (being \$161,910) spread over the portfolio.
2. The changes to the city revaluation also reduced depreciation of the portfolio by \$615,840.
3. A saving of \$101,436 or 28% across the portfolio was in part a result of the electricity costs from commercial to residential users by the power supply networks.
4. Expenditure was limited on properties that were vacant, under a review of future use, demolished, sold or other. This was approximately \$112,000 an example being Cathedral Junction Holding Costs whereby the commitment to purchase unsold units within this development was not required, thereby negating operational expenditure of \$60,000.
5. A number of facilities were involved in substantial capital upgrades negating operational expenditure that would have otherwise occurred.
6. A number of other planned maintenance works have not been expended due to the deferral of associated capital projects.
7. \$200,000 was allocated for structural strengthening of the Civic Offices, this was planned to coincide with structural strengthening capital works which have been carried forward to 2004/05.

8. The impact of a long recruitment period and the team being in deficit of two Asset Planners resulted in an increased expenditure and a need to use external service providers.
9. Following a rationalising of contracts expenditure on lifts has been reduced by approximately 17% over the portfolio. This should result in a saving of approximately \$27000 over the full 12 months.
10. Contract savings were achieved in the areas of fire services and heating, ventilation & air conditioning. Resulting in a 15% saving (approximately \$50,000) for the year.

Operational Revenue

The year-end report shows a shortfall of \$233,075 received revenue (throughout the portfolio) compared to budget sums. This short fall is made up of a number of factors.

1. Some internal lessees adopted to pay outgoings direct, thus creating a shortfall in budgeted recoveries
2. A number of internal vacancies existed as a result of reviews of future use, and identification of appropriate tenants have resulted in a shortfall of revenue cashflow.

Overview of Capital Achievements

	1 July 2002 – 30 June 2003		
	Actual YTD	Budget YTD	Difference
Capital	21,973,266	22,887,040	(913,774)

Capital Expenditure

1. Capital expenditure shows an under spending for the year end of \$913,774 this is due to the contingency allowances for the commercial property capital renewals and replacements, office building asset improvement and general contingencies having an overall surplus of approximately \$817,020
2. The Property Asset Management Team have applied a conservative approach to the consideration of new capital initiatives in light of the impact that the Asset Management Plan under development may have. Part of this process is a condition assessment programme (currently underway) that will improve identification of priority capital renewal expenditure.

SUMMARY FINANCIAL OVERVIEW

A number of substantial capital works projects were successfully completed during the year with other significant capital and operational projects identified with commitments made for further community facility upgrades. As a result of reprioritisation of projects, contingency sums unspent along with management issues detailed net expenditure has come in under budget for the year.

MANAGEMENT ISSUES

The Property Asset Management Team has undergone significant changes over the financial year. In the first half of the year the team lost the existing planner, who had many years experience with the Council's financial package and systems, as well as the portfolio. During this time the structural review of the Property Unit also took place, resulting in the loss of four operational staff and a move to operating under an FMM style contract for carrying out the Operational and Capital Works programme.

A recruitment process last year to fill two Asset Planner positions (September/October) failed. This was re-advertised and applicants were assessed in February/March with two appointments being made at the end of April. This has had a significant impact on the development of the Asset Management Plans for both the Housing and Commercial portfolios. The Asset Management Plan for Housing was completed in April with the focus now on the development of the Commercial Asset Management Plan. Within this process a condition assessment of the commercial portfolio facilities is planned and has commenced. This will facilitate more accurately the identification of future operational and capital expenditure requirements.

The phasing out of multiple invoicing for individual maintenance jobs from multiple contractors and the phasing in of the FMM contract with City Care has been, and is, a significant change to how the PAMT operate the works programme. Ongoing improvements to the new systems and data flows are refining these.

Outputs	Net Expenditure		External Revenue		Net Cost			
Profit Centre Group	Act Net Exp	Plan Net Exp	Act Ext Rev	Plan Ext Rev	Actual NCS	Plan NCS	Variance	Note
32101 Contrib to Capital	113,648	65,611	2,246,148-	2,202,233-	2,132,500-	2,136,622-	4,122	
** Operational Outputs	113,648	65,611	2,246,148-	2,202,233-	2,132,500-	2,136,622-	4,122	
32401 Commercial Proptie	450,477	557,107	1,034,011-	1,044,150-	583,534-	487,043-	96,491-	
32402 Property Mgmt	273,628	196,203			273,628	196,203	77,425	
32403 Restricted Property	564,123	684,632	692,874-	742,540-	128,751-	57,908-	70,843-	
32404 Service Delivery Property	7,534,981	8,963,628	15,002,663-	15,175,933-	7,467,682-	6,212,305-	1,255,377-	
* Property - Asset Management	8,823,208	10,401,570	16,729,548-	16,962,623-	7,906,340-	6,561,053-	1,345,287-	
32501 Cost Centres	7,571		7,571-					
** Cost Centre Balances	7,571		7,571-					
*** Asset Mgmt Net Cost of Service	8,944,428	10,467,181	18,983,268-	19,164,856-	10,038,840-	8,697,675-	1,341,165-	
32201 Fixed R&R General	144,869	312,871			144,869	312,871	168,002-	
32202 Fixed R&R Libraries	80,446	80,446			80,446	80,446	0	
32203 Fixed R&R Office								
32204 Fixed R&R Off Equipment	4,268	8,474			4,268	8,474	4,206-	
* Fixed Assets Renewals/Replacements	229,583	401,791			229,583	401,791	172,208-	
32205 Fixed Impr Com Facilities	383,032	457,965			383,032	457,965	74,933-	
32206 Fixed Impr General	90,954	508,814			90,954	508,814	417,860-	
32207 Fixed Impr Libraries	14,506	32,901			14,506	32,901	18,395-	
32208 Fixed Impr Office	21,929	256,749			21,929	256,749	234,820-	
* Fixed Assets Improvements	510,421	1,256,429			510,421	1,256,429	746,008-	
32209 Fixed New Commun Facilities	875,630	863,704			875,630	863,704	11,926	
32210 Fixed New General	16,836,151	16,843,671			16,836,151	16,843,671	7,520-	
32211 Fixed New Libraries	3,497,212	3,497,212			3,497,212	3,497,212	0-	
* Fixed Assets New	21,208,993	21,204,587			21,208,993	21,204,587	4,406	
32251 Fixed Asset Sales	10,157	10,391			10,157	10,391	234-	
* Fixed Asset Sales	10,157	10,391			10,157	10,391	234-	
** Asset Mgmt Fixed Assets	21,959,154	22,873,198			21,959,154	22,873,198	914,044-	
32214 Restricted Imp General	14,112	13,842			14,112	13,842	270	
* Restricted Assets Improvements	14,112	13,842			14,112	13,842	270	
*** Asset Mgmt Capital	21,973,266	22,887,040			21,973,266	22,887,040	913,774-	

Chairman's

Recommendation: That the information be received.