



14.2 **PROPERTY POLICY - FIRST YEAR UPDATE**

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1. PURPOSE

1.1 To present an update on the implementation of the Property Policy after its adoption on the 18 September 2019.

2. EXECUTIVE SUMMARY

- 2.1 Council has an extensive and varied property portfolio, consisting of Council owned land and Crown Land worth over \$3.2 billion.
- 2.2 The portfolio directly supports delivery of many Council services, such as libraries, transport, waste collection, street and beach cleaning, maternal child health services, passive recreation opportunities and staff accommodation.
- 2.3 Within this portfolio there are currently 201 agreements in place with a current rental value of approximately \$14m per annum. Approximately 84% of the rental value is provided as an in-kind contribution to support community groups.
- 2.4 Being such a significant and dynamic asset, Council property must be managed in way that responds to the changing needs of Port Phillip, while also providing consistency and certainty in service delivery.
- 2.5 In September 2019, Council adopted a new Property Policy that responds to the changing needs of the community, plans for the future, and provides a transparent and consistent guide to ensure sustainable delivery of benefits and best value for the community.
- 2.6 Due to the significant work required to implement the Property Policy, it was proposed that the policy be reviewed after the first year to ensure it remains aligned to other emerging policies within Council, such as the Community Funding Policy, and does not have any unintended consequences.
- 2.7 At the end of 2019, officers set out to develop a phased program for implementation which would align with the implementation of the Community Funding Policy. This plan included internal and external consultation to help develop a funding mechanism to operationalise the Community Funding Policy.
- 2.8 The funding mechanism would then support the Property Policy by providing weightings against the criterion set under the policy allowing for enhanced transparency and consistency when assessing Council support under a property agreement.
- 2.9 While internal consultation has been conducted, the external consultation was put on hold due to the uncertainty with the COVID-19 pandemic. Officers will be seeking to resume mechanism development once the current environment settles to ensure the consultation provides an accurate representation of the mechanism requirements.
- 2.10 In the meantime, officers have been implementing the Property Policy including setting up processes, the strategic property plan and assessing all agreements against the



policy on a case by case basis allowing for appropriate transition arrangements as required.

- 2.11 The team have implemented 61 agreements since the policy's implementation and ongoing work will be required as agreements come up for renewal.
- 2.12 It is proposed that Councillors; note the delays in the development of the funding mechanism, with consultation with the community and finalisation of this work to occur in 2021, and; accept the continued implementation of the Property Policy, with further review to occur once the funding work has been completed.

3. RECOMMENDATION

That Council:

- 3.1 Notes the activities undertaken by officers to date to implement the Property Policy.
- 3.2 Notes that the implementation of the policy requires ongoing work to assist in managing the impacts of change on affected community groups and appropriate transition arrangements are required to be entered on a case by case basis.
- 3.3 Notes that continued community engagement with an increased focus on the implementation of the Community Funding Policy has been placed on hold and will be restarted once appropriate to do so.

4. KEY POINTS/ISSUES

- 4.1 Council has an extensive and varied property portfolio, consisting of Council owned land and Crown Land worth over \$3.2 billion.
- 4.2 The portfolio directly supports delivery of many Council services, such as libraries, transport, waste collection, street and beach cleaning, maternal child health services, passive recreation opportunities and staff accommodation.
- 4.3 It also indirectly supports service delivery by generating income from commercial properties to fund service provision and subsidised accommodation for community groups to deliver services aligned with Council priorities.
- 4.4 There are currently 201 agreements in place with a current rental value of approximately \$14m per annum. Approximately 84% of the rental value is provided as an in-kind contribution to support community groups.
- 4.5 Being such a significant and dynamic asset, Council property must be managed in way that responds to the changing needs of Port Phillip, while also providing consistency and certainty in service delivery.
- 4.6 In September 2019, Council adopted a new Property Policy that responds to the changing needs of the community, plans for the future, and provides a transparent and consistent guide to ensure sustainable delivery of benefits and best value for the community.
- 4.7 A comprehensive approach was undertaken for the development of a new Property Policy, including a two-stage community consultation approach in recognition of the potential impact on both the benefits that Council generates and the distribution of the costs associated with the management of the portfolio over time between Council and tenants.

This policy replaced the October 2009 Property Policy and seeks to:



- provide clear guidance allowing for the introduction of systems and processes to help meet statutory obligations and increase transparency in decision making.
- promote the sharing of assets by community groups leading to an agile and flexible property environment.
- provide a more consistent and transparent approach to the allocation of Council support.
- support the regimented maintenance of buildings to maintain assets in a condition that satisfies the community, minimises risk and demonstrates best value.

- 4.8 The property policy was written as a basis for best practice property management and has been designed to fit within, and compliment other Council policies including the Community Funding Policy.
- 4.9 Many of the concerns raised throughout the consultation period were regarding the implementation of the policy. In order to move forward with the implementation and develop the required processes, clear guidelines were agreed through the adopted policy.
- 4.10 Due to the significant work required to implement the changes, it was proposed that the property policy was reviewed after the first year to ensure it remains aligned to other emerging policies within Council and sets the portfolio up for success.
- 4.11 Over the last year, officers have been working with tenants to implement the policy while allowing appropriate transition arrangements for each group on a case by case basis.

5. IMPLEMENTATION OF THE POLICY

Processes

- 5.1 Officers have created a set of decision flowcharts and checklists to assist them in their assessment of each renewal to ensure that all recommendations are aligned to the Property Policy principles.
- 5.2 These flowcharts were used at the start of the year to assess the 121 agreements due for renewal during the 2020 year and provide recommendations to Councillors. Around 20% of the renewals assessed were identified as requiring a transition plan to bring them into alignment with the policy.

Strategic Property Plan

- 5.3 The Property Policy requires Council to maintain a Strategic Property Plan that covers a period of not less than 10 years.
- 5.4 The Strategic Property Plan has been developed with each property being assessed against a number of factors including current condition, climate change and highest/best use. Further development of this plan will occur ongoing.
- 5.5 This plan has assisted in understanding the portfolio to better prepare officers for leasing negotiations.



Agility and Flexibility

- 5.6 The policy has allowed officers to be more agile in our approach to helping the community through COVID-19 allowing for new temporary licences for multi-use facilities.
- 5.7 It has also provided a set of basic criteria to help officers assess new applications for space as they arise.

Maintenance

- 5.8 In order to maintain building assets in a condition that satisfies the community, minimises risk and demonstrates best value, a standard Maintenance Schedule has been developed.
- 5.9 This standard template aligns with a standard retail requirement ensuring that tenants are contributing to operational maintenance.
- 5.10 Any deviation from the standard template is considered on a case by case basis and treated as an in-kind contribution.

Financial

- 5.11 Changes to the way we assess agreements provides greater transparency with all in-kind contributions now being captured consistently and reported within the annual budget.

Community Funding Policy

- 5.12 At the end of 2019, officers set out to develop a phased program for implementation which would align with the implementation of the Community Funding Policy.
- 5.13 This plan included internal and external consultation to help develop a funding mechanism under the Community Funding Policy.
- 5.14 The funding mechanism would then support the Property Policy by providing weightings against the criterion set under the policy allowing for enhanced transparency and consistency when assessing Council support under a property agreement.
- 5.15 While internal consultation has been conducted, the external consultation was put on hold due to the uncertainty with the COVID-19 pandemic.
- 5.16 Officers will be seeking to resume mechanism development once the current environment settles to ensure the consultation provides an accurate representation of the mechanism requirements.
- 5.17 In the meantime, as we are required to maintain our renewal programme, each agreement requiring support is being assessed on a case by case basis in line with the criteria already set by the Property Policy.
- 5.18 The team have implemented 61 agreements since the policy's implementation and ongoing work will be required as agreements come up for renewal.
- 5.19 It is proposed that Councillors accept the continued implementation of the Property Policy, with further review to occur once the funding work has been completed.



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6. CONSULTATION AND STAKEHOLDERS

- 6.1 A communications campaign continued throughout the life of the policy development with two phases of community and stakeholder engagement undertaken.
- 6.2 While external consultation for the Community Funding Policy has been put on hold due to the uncertainty with the COVID-19 pandemic, officers will be seeking to resume this once the current environment settles to ensure the consultation provides an accurate representation of the mechanism requirements.

7. LEGAL AND RISK IMPLICATIONS

- 7.1 The Property Policy ensures a transparent, equitable, consultative and consistent process for granting new leases or licences as well as for any acquisition or sale of land.
- 7.2 Clear guidance allows for the introduction of systems and processes to help meet statutory requirements and mitigate risk.

8. FINANCIAL IMPACT

- 8.1 One of the approved guiding principles for the Property Policy relates to financial sustainability, which states that decisions and practices will ensure that Council has the funds to care for, improve and grow its building assets, combined with a market driven and equitable approach to financial sustainability, to allow for continued service delivery for current and future generations.
- 8.2 The Property Policy will continue to ensure the use, acquisition, disposal and redevelopment of Council property is strategically aligned with Council's Annual Plan, Long Term Plan and Policy Objectives.
- 8.3 There is now accountability for Council expenditure and subsidy decisions to assist in managing competing funding demands across a broad range of projects, programs and services.

9. ENVIRONMENTAL IMPACT

- 9.1 The Property Policy includes reviewing the impacts of Climate Change on the management of the CoPP Property Portfolio.
- 9.2 Future planning the property portfolio considers both the impact on the environment and resiliency to the effects of climate change allowing actions to be taken to mitigate against potential risks.
- 9.3 The Property Policy encourages consolidation and co-location of services and activities to provide for more sustainable use of Council assets.

10. COMMUNITY IMPACT

- 10.1 Building assets deliver agreed levels of service to the organisation and the community, relative to the benefits received in terms of function (including safety and accessibility), condition and capacity, and will be recognised in the agreement between Council and user.
- 10.2 Use of Council assets and leverage of Council facilities maximises defined community benefits where possible, with any associated discounted rent and other financial or in-kind support to be clearly linked to the benefits to be delivered to the local community and alignment with the Council Plan.



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- 10.3 Community members have been able to provide input into various elements of policy development and participate in broad and targeted consultation activities.
- 10.4 Some of the policy changes are expected to have significant impact on tenants and the community, however, the policy continues to allow Council the flexibility to consider the needs of each community group on a case by case basis.

11. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 11.1 The proposal aligns to Strategic Direction 6 – Our Commitment to You in the Council Plan 2017 – 2027 through supporting;
 - 11.1.1 Transparent governance and an actively engaged community.
 - 11.1.2 A financially sustainable, high performing, well-governed organisation that puts the community first.

12. IMPLEMENTATION STRATEGY

12.1 TIMELINE

- 12.1.1 Continue with the implementation of the property policy with further direct engagement with tenants on a transition plan as agreements come up for renewal.
- 12.1.2 Work with the Community Funding Policy Implementation project team to develop a funding mechanism that will enhance transparency within the Property Policy.

12.2 COMMUNICATION

- 12.2.1 Community members will be able to provide input into various elements of the implementation of the Community Funding Policy when consultation is considered viable.
- 12.2.2 Officers will work directly with Tenants as their agreements come up for renewal.

13. OFFICER DIRECT OR INDIRECT INTEREST

- 13.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

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ATTACHMENTS Nil