

**Item No:** C1218(1) Item 29

**Subject:** INNER WEST COUNCIL LAND AND PROPERTY POLICY AND STRATEGY

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### **SUMMARY**

The Inner West Council is the custodian of community assets including over 2 million square metres of land with a value of \$723M and 298 buildings to the value of \$316M.

The Land and Property Strategy and Policy (LAPS) is a framework including the asset register that is audited and benchmarked, a Policy, four principles and strategic actions delivered over 4 years, Implementation Action Plans and a ten year Strategic Property Program. A Building audit has been undertaken to provide data for the 2019 Asset Management Plan and the LAPS. This report recommends that the Draft Land & Property Policy and Strategy is placed on public exhibition and community feedback reported back to Council.

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### **RECOMMENDATION**

#### **THAT:**

- 1. The draft Land & Property Policy and Strategy be placed on public exhibition for a minimum period of 28 days;**
  - 2. The results of the public exhibition and community engagement process be presented to Council recommending further action;**
  - 3. Note the outcomes of the Building audit will be incorporated into the 2019 Asset Management Plan; and**
  - 4. Note the draft implementation plans.**
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### **BACKGROUND**

The Inner West Council is the custodian of community assets including over 2 million square metres of land with a value of \$723 million and 298 buildings with the value of \$316 million. The land and property includes all Council owned, managed and controlled lands and property. This includes land and property that is occupied by council staff for corporate services such as administration buildings and depots; Council-operated community services such as childcare centres and aquatic centres; and spaces that Council leases to others for both community and commercial use.

A strategy has been developed that identifies Council's assets, their current use, main issues and risks and strategic needs.

## Project Objectives

The Land and Property Strategy (LAPS) aims to:

- ensure the assets are being properly managed and protected for the long term best interests of the community;
- provide a framework to ensure equity, consistency, accountability and transparency in Council's property asset decision making;
- provide a sound basis to achieve a sustainable property portfolio, generating positive community outcomes by developing and enhancing community capacity;
- guide future investment and resource allocation decisions associated with Council-owned and operated property assets to meet the diverse and evolving needs of the local community;
- ensure Council is able to undertake property asset management activities in accordance with its statutory obligations and best practice principles.
- support and deliver the outcomes from the Community Strategic Plan and other strategic plans and programs.

## Strategy Process and Timeline

The process to develop and implement the strategy is outlined in fig 1 and below:

*Consolidated Property Register; Building Audit & Revaluation:* a comprehensive integration, verification, audit and revaluation of Council's land and property assets was undertaken in the first year to understand what council own, how it is used, what it costs and how we are managing the assets and land.

*Internal Stakeholder/Councillor engagement:* There has been extensive internal engagement across Council's various service units to ensure the strategy and policy meets current business needs. Councillors have received three (3) briefings in June, September and November 2018 to provide input into the LAPS. In addition to this report, a further report will be provided post-exhibition.

*Community Engagement:* It is proposed the Strategy and Policy is publicly exhibited in early 2019 for community feedback. All feedback will be provided to Council before endorsement.

*Implementation:* The LAPS will be implemented with a long term strategic focus. Informed decision making will ensure that short term decisions do not have an adverse impact on long term goals. The community is encouraged to provide valuable information through the engagement processes. Council will work closely with community groups to build capacity to deliver on the relevant strategic actions.



Fig 1. Strategy Process and Timeline

## STRATEGIC FRAMEWORK

The strategic framework is identified in Fig 2 below. The framework connects data (single register) to support policy and strategic decision making.

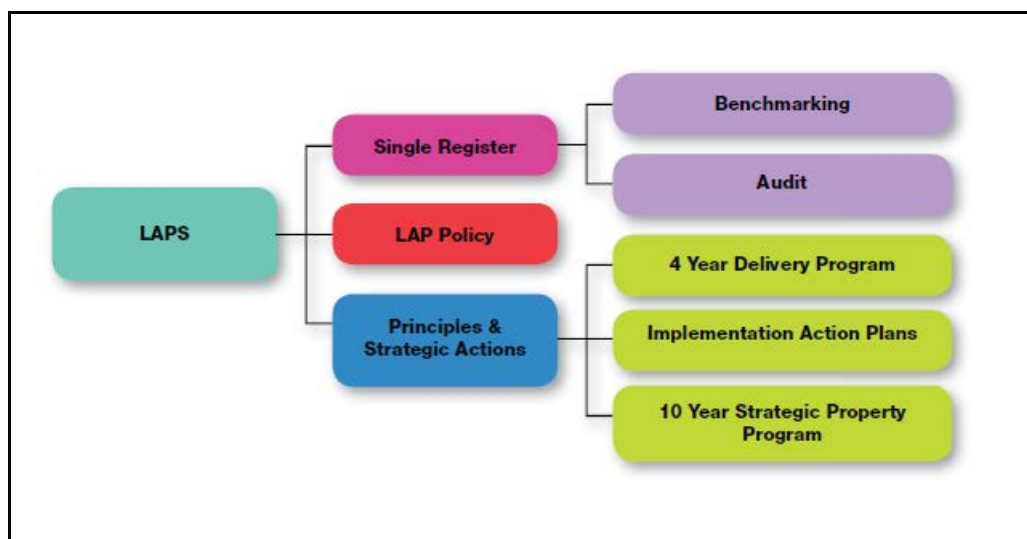


Fig 2: Land and Property Strategy Framework

### Single Register - Auditing and Benchmarking

#### The Asset Register – Asset Management

In the first year of forming the new Inner West Council, the asset registers of the 3 former councils were combined to create a single asset register. It was identified at this time that the register was not aligned in terms of the asset components, the allocation of condition and the valuation. Council must revalue assets at a minimum every 5 years or where there is a material change in condition or value within the asset class ie. the buildings asset class.

Consultants were engaged to undertake a comprehensive audit and valuation on all council-owned buildings. The audit was undertaken in accordance with industry standards and legislation. The Condition Assessment Report, Building Summary Reports and Hazardous Materials Reports are available on Councils website. [www.innerwest.nsw.gov.au/laps](http://www.innerwest.nsw.gov.au/laps)

The following provides a summary of the audits and inspections:

- The condition, value, useful life of all asset components ie. substructure, superstructure, finishes, fitout & fittings and services are identified in the financial asset register.
- There is \$26.2 million or 7.1% of the building assets in poor or very poor condition. This is the identified backlog.
- A revaluation of building assets in the 2018 Annual financial Statements of \$316 million. The annual depreciation has increased from \$5.8 million to \$8.9 million.
- A functionality & performance assessment was undertaken and included identifying works to improve accessibility, fire safety, functionality, general compliance, safety, security, toilets. There is \$4.3 million of priority works identified with another \$16 million of low – medium priority.
- \$444,000 of defects were identified and processed through Councils work order system as high, medium, low priority works.
- A risk assessment of the components due to condition and consequences of failure identified \$1.4 million in the extreme risk and \$11.9 million in the high risk.
- Hazardous materials inspections were undertaken for all Marrickville and Leichhardt buildings. Ashfield buildings will be undertaken in 2020 in accordance with the five year legislative requirement. \$1.3 million of works are required within 3 years, \$25,000 within 12 months.

The information collected in the audit will be utilised in developing the Asset Management Plan for 2019 including the 10 year capital works program, operational and maintenance schedules and the 2019/20 budget. This will be reported to Council in the new calendar year.

*The Land & Property Register - Property Management (leases and licences)*

The Land & Property Register is available on Council's website:

[www.innerwest.nsw.gov.au/laps](http://www.innerwest.nsw.gov.au/laps)

Council staff have completed an initial audit of the Land & Property register. The following provides a summary of the status:

- All invoicing of rent and outgoings aligns with the agreed terms of the lease. This includes back invoicing for any errors identified in the reconciliation.
- A schedule for inspections and ongoing monitoring of tenant responsibilities under the lease including ensuring maintenance and fire safety is undertaken.
- There are over 30 expired or expiring leases for the Leasing Implementation Plan.
- There are 81 leases of council facilities with a total income of approximately \$3.7 million per year. There are 5 commercial leases earning \$3.4 million, while all of the other leases are for a significant discount to commercial rates.
- The land at Tempe currently leased to Tyne container yard and Tempe Golf Driving Range provides an investment income to Council of \$3 Million annually. Transport NSW has advised that it plans to compulsory acquire the Tempe land in 12 – 18 months for the Sydney Gateway Project.

A review of Councils current property management processes was recently undertaken by KPMG to provide a program of improvements. The following is a list of improvement projects that were identified through the review that will be completed within 12 – 18 months. These processes will be included in the Property Management Guideline:

- Implementation of TechOne Property Management System.
- Prepare & Implement a process for managing hazardous materials in buildings.
- Prepare & implement a process for any amendments to tenanted properties.
- Prepare & Implement a process for tenants including a regular debtor report.
- Undertake due diligence on all tenancy agreements.

- Prepare & implement a Policy and Strategy for reclaiming outgoings to reduce costs to council.
- Develop a prioritisation framework and process for improving management of major reactive works or facilities management.

#### Data Management – The System

The data collected through the audits will be incorporated in the implementation of the new integrated One Council system. This includes the Strategic Asset Management system, Financial system (including the financial asset register), works order system and the lease and license system. It is intended that all of these systems are integrated and implemented by June 2019.

#### Benchmarking

The key performance indicators or benchmarks have been identified. These benchmarks will provide a target for Council and enable monitoring of progress. The performance will be tracked annually and reported to council. The proposed 10 year targets are identified below.

*Condition:* Condition is measured on a 1 (very good) to 5 (very poor) rating. The benchmark for condition is nothing less than 3 Satisfactory ie no assets to be in condition 4 or 5. The condition benchmark will identify properties that require significant investment to bring up to condition and potential opportunities for partnerships with tenants on capital contributions, change of use or disposal.

*Utilisation:* This is a measurement of hours of operation that is current versus what is available. The benchmark proposed is nothing below 80%.

*Capacity:* This is the physical constraints of the property including accessibility, compliance, space efficiency. The measures are based on legislation, industry standards, LEP, DCP, BCA and Australian Standards. The benchmark proposed is nothing below 80%.

*Cost Neutral:* Cost neutral means that it does not cost council to provide the property portfolio. There are two parts to this, outgoings recouped and commercial rent paid.

<b>Benchmark</b>	<b>Current</b>	<b>10 years</b>
Condition - backlog (poor/very poor assets)	7.1%	2%
Utilisation	40%	80%
Capacity	40%	80%
Cost Neutral – outgoings recouped (excl Tempe land leases)	12%	100%
Cost Neutral – rent received (excl Tempe land leases) ie. Council provides 30% Accommodation Grants	50%	70%

### **Draft Land & Property Policy**

The Inner West Council draft Land & Property Policy proposes to replace the following former Council policies that are available on Councils website. [www.innerwest.nsw.gov.au/laps](http://www.innerwest.nsw.gov.au/laps)

- Former Leichhardt Council – Sale of Council Land, Leasing Policy – Property, Leasing Policy - Residential, Leases of airspace over roads
- Former Marrickville Council – Leasing of Community Facilities Policy,
- Former Ashfield Council – Leasing Policy, Assets disposal policy (property and other assets)

The Land & Property Policy sets the framework for how Council manages its land & property ensuring a sustainable, equitable, consistent, transparent, risk management approach. The policy will include the process, terms, assessment criteria and legislative requirements for matters including:

- Classification of land (operational and community)
- compulsory acquisition
- sale, purchase, exchange or surrender of any land or other property
- Plans of management
- Land management
- Lease management
- Service Agreements
- Asset and Land Register
- Rental expectations including market benchmarking, cost recovery and accommodation grants
- Dividing Fences
- Unsolicited proposals
- Capital contributions where there are long lease/licences
- Contributed assets from developers, State Government eg residual lands, VPAs

### **Draft Land & Property Strategy**

The principles of the Land & Property Strategy form the pillars of how land and property is managed to deliver the Community Strategic Plan. The four principle pillars of the strategy bring together Council and its property users to deliver on strategic actions. The strategic actions are staged short, medium and long term goals that provide a strategic pathway in connection with the Integrated Planning and Reporting Framework.

#### **Council and its Property Users:**

- 1. Optimise benefits to the community, are sustainable and equitable;**  
Council has responsibilities to deliver on a range of programs as described in the Community Strategic Plan. The Land & Property assets that Council own or manage support the service delivery now and in the future. The collection of data, process mapping, regular reviews, clear guidelines enable transparent, consistent and fair decision making.
- 2. Demonstrate industry 'Best Practice', be transparent, consistent, manage risk and demonstrate best value for money;**  
Council will operate in accordance with the legislative requirements and guidelines to ensure that it maintains its role as custodian and delivers superior services to the Community.
- 3. Meet the needs of our Community now and in the future;**

Council will undertake Strategic property management to ensure that opportunities are capitalised and properties are managed efficiently. Long Term Planning is essential for Council to meet the needs of the future community.

- 4. Optimise council revenue to support services delivery and community capacity;**  
Council will undertake professional financial property management and provide value for money to the community. This will include commercial property management processes and an Accommodation Grants Program.

### **Draft Implementation Plans**

The LAPS strategic actions identified under the four principles will be undertaken over the 4 year action plan. The strategic actions will require longer term, ten year implementation action plans.

The benchmarking of each of the properties based on condition, utilisation, capacity and function is provided on Councils website [www.innerwest.nsw.gov.au/laps](http://www.innerwest.nsw.gov.au/laps). This benchmarking will be updated regularly and will inform the implementation plans.

The Leasing Implementation Action Plan provides a prioritised list of lease renewals, Expressions Of Interest (EOI) and Request For Tenders (RFT). The Property Initiatives Implementation Action Plan provides a prioritised list of projects that are either new assets/spaces, reuse projects or new property needs.

These plans are prioritised based on vacant properties, lease expired/expiring, income can be increased or costs to council can be decreased, community benefit can be increased, adopted strategy, condition, utilisation functionality, capacity. The implementation plans must be flexible to change or opportunities and therefore they are live documents continuously updated based on moving priorities.

### **FINANCIAL IMPLICATIONS**

The current implementation plans are based on existing resources. Capital resourcing for project initiatives will be identified in the ten year capital works program. Resource implications on strategic actions will be identified as part of the 4 year Strategic Action Plan.

### **OTHER STAFF COMMENTS**

The Leadership Team and internal stakeholders from across all of Council have collaborated and contributed to the LAPS. Refinement and ongoing discussions will continue through the Community Engagement period.

### **PUBLIC CONSULTATION**

Public Exhibition is proposed as the next phase of the LAPS process. Public Exhibition will allow the community and stakeholders including current and future tenants to have a say in the Policy and Strategy. The Public Exhibition period will commence in accordance with the Community Engagement Framework, after the school holiday period in January 2019 for 4 weeks. The feedback will be presented back to Council along with any amendments for final adoption.

### **CONCLUSION**

The LAPS provides a strategic framework to deliver savings and increased revenue, identify inconsistencies, deliver efficiencies and support data driven decision-making, improve

governance, processes and compliance with Councils statutory obligations, aligns with Councils long term financial plan, identify the true cost of services to Council and ratepayers and deliver a level playing field for all the community.

The LAPS is a long term strategy that will be implemented over ten years. It will require building capacity within Council and the Community to deliver on the benchmarked key performance indicators of condition, utilisation, capacity and functionality. The community engagement will provide feedback into the draft strategy prior to reporting back to Council for endorsement.

#### **ATTACHMENTS**

1. Draft Land and Property Policy
2. Draft Land and Property Strategy
3. Draft Leasing Implementation Plan
4. Draft Initiatives Implementation Action Plan