



# LAPA

Local Authority  
Property Association



25<sup>th</sup> November, 2009

Auckland Transition Agency  
P O Box 99394,  
Newmarket 1149,  
AUCKLAND

## **Local Authority Property Association - Response to Auckland Transition Agency on the Auckland Council Proposed Structure (Discussion document dated 2 November 2009)**

Dear Members,

The Local Authority Property Association (LAPA) represents the collective interests of the local authority property specialists throughout New Zealand. The association was incorporated in 2005. For the purpose of this submission, LAPA considers its advocacy role to be to represent the provision of best-practice property services to the ratepayers of the Auckland region. It is not intended that, in this case, LAPA submits on behalf of the personal or employment interests of the organisation's members, except as a secondary consequence of its recommendations. Any inference otherwise is unintended.

### **Role of Property to the Auckland Council**

Decisions regarding property will be some of the most important to be made by the Auckland Council. Traditionally, property aligns with Finance, Human Resources and Information Technology as one of the four most critical resources of any large organisation; the documentation released as part of the transition to the Auckland Council cites the regional property holdings value at more than \$7.2 billion. LAPA recommends that the Auckland Transition Agency treats the property management and related roles in this context.

Part of LAPA's submission to the Royal Commission was that, while the day to day operational management and related services can (and, on the whole, are) outsourced, the Auckland Council will need to retain the administration and management of the Council's accountability for asset ownership and the quality of service delivery to an in-house department. That recommendation still stands. LAPA believes in the value of ongoing corporate knowledge and the long-term focus that help to ensure that Elected Members' accountability for the ownership and management of property assets is maintained to a high standard.

The Draft Structure focuses largely on the asset management component of property services, however it should be noted that, across local authorities in their entirety, the scope of property services is much greater. Although the scope of a property services unit is as broad as the

Council's property needs, in addition to asset management, property services units are significantly involved in:

- Facilities Management (at least including the service levels of community buildings, swimming pools and similar, through to comprehensive facilities management of operational buildings and services);
- Public Works Act land dealings. The scope of the Public Works Act relates to land "...held for a public work...", which covers the full range of a local authority's activities, not simply land to be acquired for roading/infrastructure purposes or legalisations;
- Reserves Act property functions;
- The Council's role as landlord where properties or part-properties are used to generate income.

It is also very important to appreciate the role of property services as strategic services, not only to enhance the value of the Council's ownership and interest in its property holdings, but also to revitalise 'underperforming' community areas, for instance in the examples of the Auckland Waterfront, Wynyard Quarter and sub-regional town centres such as New Lynn.

Clearly, adding value to communities and Council investments cannot be achieved by minimising the cost and skill level of the unit that is charged with providing these services. It requires specialised property expertise and a coherent approach to development and management. For the purpose of building the new Auckland Council structure, property needs to be seen as more than an asset to be held, but as a social/economic/community tool. To use this tool effectively, a coherent and specialised group, located where skill synergies can enhance the quality of outcomes, needs to be in place.

#### **Combine Property Activities in a Single Unit/Department**

As stated above, the scope of property services is wide. Traditionally, in many Local Authorities, the distinction is made between asset management and non-management functions of planning, acquisition and disposal.

The draft structure, however, does not make it clear whether it is intended for property to be largely located in a single unit, or for the various functions to be dispersed across several areas of the organisation.

LAPA recommends the Auckland Council keeps its property team as one cohesive unit, and expands its recommendation further in this submission. It is important, however, to ensure that the final structure does not limit the ability of the property unit to work across the whole organisation, either to meet service delivery needs, or as part of cross-council teams.

While the functions of asset-management, planning and negotiation are distinct, the core business is identical, and all three functions are part of the continuum from the planning stage to the exit stage of property ownership.

The draft structure shows a variety of locations for property-related services; LAPA believes this will not provide a holistic property services function. Further, in the draft Transport Agency document, there is a separate property section established for property acquisition and disposal. Why is this? The function of acquiring property for transport-related functions is almost identical to that of other property. As stated above, Councils acquire land for a variety of purposes not just roading. Land is also purchased for Parks and Reserves, Utilities and strategic purposes.

LAPA believes that there should be one property unit in the structure, and recommends that this be located in the "Operations" section of the Auckland Council. While the recording of property purchases, book values, depreciation and insurance falls naturally in the finance section, the acquisition, management and disposal of property needs to be kept together, including that for transport-related property. There are many benefits, the main being:

- A. **Resource Levelling** – A single property unit will be able to give priority to the overall demands of the organisation at any particular time. Separating the property functions

LOCAL AUTHORITY PROPERTY ASSOCIATION

C/- MICHAEL RILEY (SECRETARY), WAITAKERE CITY COUNCIL, P O Box 93109, WAITAKERE CITY 0612



across the organisation will almost inevitably result in the situation where outsourcing occurs to cover short-term capacity constraints in one part of the organisation while, at the same time, there is spare resource available in another part of the organisation. A single property unit will also avoid the unnecessary duplication of management structures.

- B. Shared Provision of Third-Party Systems – The cost and provision of third-party systems (notably software and reference material) is an increasing component of the overall property service delivery. Unlike mainstream software, property support systems tend to be low-volume, higher cost to purchase or lease. Often, these systems are purchased for shared use by an entire property unit. Replication/Duplication of the property service across different parts of the same organisation will likely result in unnecessary expenditure of hundreds of thousands of dollars for third-party systems.
- C. Communication Across the Property Life-Cycle – As explained above, the various specialist property functions all contribute to the acquisition, management and eventual disposal of the property asset. LAPA recommends that these functions all form part of the same unit, to avoid the creation of ‘silos’ that limit the effectiveness of the overall property service delivery.
- D. Sharing of Skills and Knowledge – There are major benefits to having a single property unit in terms of knowledge- and skill-sharing. LAPA was established in part to manage an ageing workforce. Anecdotally, LAPA is aware that the average age of those with the widest range of knowledge of the local government property specialisation tends to be increasing; local governments are not always the most appealing environment for graduates who have an increasing range of options, and the general lack of focus on the local government sector at the tertiary level does not serve to make Local Government an obvious choice for qualified leavers. LAPA is currently working towards the provision of basic tertiary education, but it knows that much of the specialist skill is currently passed on through experiential means. The centralised model will help to ensure that knowledge and standards are kept to the highest level.

While LAPA endorses a single unit to acquire, manage and dispose of property assets, it does acknowledge the efficiency of locally-based staff to manage the day-to-day operational requirements. Consideration should be given to the provision of, say, one or two officers per Local Board or Ward whose role it would be to provide the “in-the-field” oversight of maintenance and related services. LAPA can see merits in both arguments as to whether these officers report to the centralised property unit or to the Ward/Board, and recommends that this factor be considered in light of the overall structure development.

### **Ownership versus Leasing**

Local government tends to be a long-term holder of property assets. Except where property is held for a specific, short- to medium-term purpose, LAPA recommends that the general policy be to own property rather than lease it. Outright purchase ‘caps’ the value and the resulting problem of inter-generational equity can easily be resolved by prudent debt-funding or public-private partnership models. Long-term leasing in the country’s highest-value property market, where capital value growth is consistently significant is not recommended.

Two important points flow from the above argument:

First, that sufficient resource exists in the organisation to ensure that appropriate attention is given to a planned “exit strategy”, to avoid the creation of one-purpose buildings that are difficult to dispose of;

Second, that the financial systems of the Auckland Council need to be able to cope with isolating specific properties and the debt-structure/public private partnership structure related to those properties.

### **Summary**

LAPA strongly endorses the provision of a single, generally centralised property unit that is resourced to manage all aspects of Property across the Auckland Council. This also includes community centres, recreations centres, swimming pools, parks and reserves through to commercial office space, art galleries, town halls and civic centres.

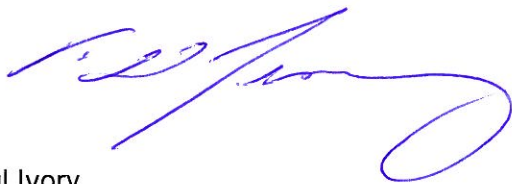
LAPA recommends that this unit be resourced to provide a high-quality service provision to meet the needs of Elected Members, who are charged with the stewardship of property assets and the provision of quality services from those assets.

LAPA believes the property services unit needs to have the capability to operate in cross-council teams, for the planning of property requirements at the earliest possible stage and to assist in the property aspects of major projects.

LAPA recommends that all property services be carried out from within the same property section, and not dispersed throughout the organisation, as exemplified by the Transport Agency discussion document.

In order to communicate the outcome of LAPA's submission to the association's members, a reply letter outlining the Auckland Transition Agency's response to this document would be appreciated.

Yours Faithfully,



Paul Ivory  
President: Local Authority Property Association