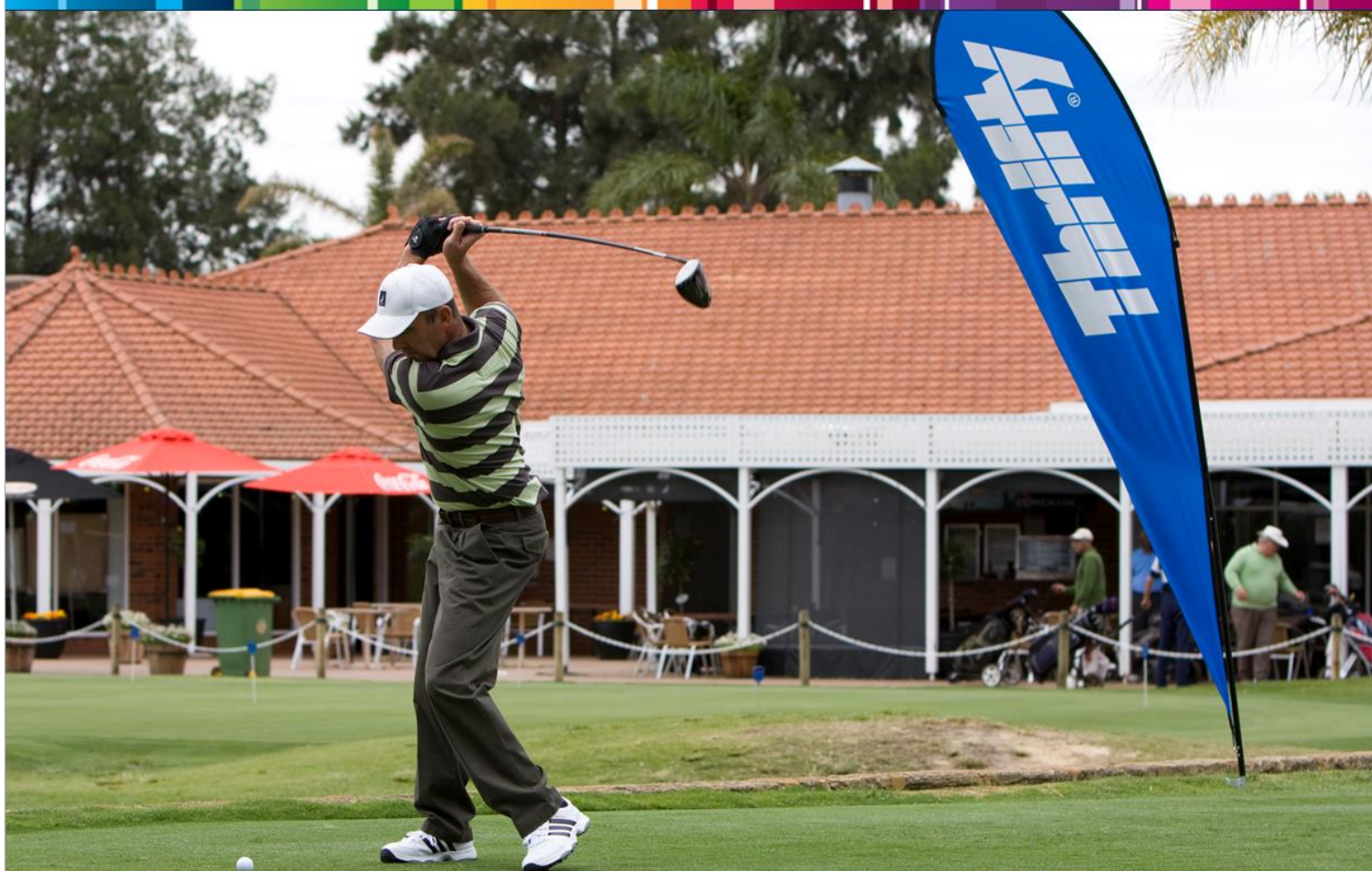




City of Bayswater



SEED Report

Leasing and Management Agreements

December 2017



SEED REPORT - LEASING AND MANAGEMENT AGREEMENTS

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Approval

This document is accepted as an approved product of the Service Review project:

Name	Title	Signature	Date
Andrew Brien CEO / Sponsor			

Consultation

The following were consulted and were on the Reference Panel:

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CONTENTS PAGE

1. Executive Summary	2
2. Purpose	3
2.1. Aim	3
2.2. Scope	3
3. Background.....	3
4. Methodology	4
5. Strategic Intent.....	5
5.1. Strategic Intent for the Service Review	5
5.2. Future Operating Environment.....	5
6. Key Themes.....	6
7. Leasing and Management Agreements Function	7
7.1. Service Delivery Model	7
7.1.1. Services Delivered	7
7.1.2. Customer Perception of Service.....	7
8. Benchmarking.....	8
9. Issues	9
10. Solutions.....	10
11. Recommendations	11
12. Appendices.....	14
12.1. Appendix 1 - Service Statement	14
12.2. Appendix 2 - Summary of Issues.....	15
12.3. Appendix 3 - Solutions Identified	16



1. EXECUTIVE SUMMARY

The SEED Project was formed to evaluate the City's service excellence through a process of discovery; our processes and outputs, their benefits and/or issues and opportunities to improve our services to the betterment of staff and the community. Leasing and Management Agreements is one of the areas for review which will be explored in this report.

The approach used throughout the review process was to gather existing information relating to the Leasing and Management Agreements function, analyse the sub services, benchmark these sub services against best practice organisations, identify inefficiencies and provide recommendations. Through this process, a number of key themes related to inefficiency were identified across a majority of service areas including:

- Training;
- Use of Technology;
- Communication and Knowledge; and
- Customer Service

The recommendations for the future delivery of Leasing and Management Agreements have been centred around the Council's decision making criteria set out in the City of Bayswater Strategic Community Plan 2017-2027 and include:

- Establish a strategy for leasing of Council assets, in conjunction with the land asset disposal and acquisition strategy and program, that details the preference for a commercial return, break even operation or subsidised community focus throughout the various property portfolios.
- All leasing to fall under one department / centralise leasing to one team;
- Implement consistent and standardised agreements as they are up for renewal;
- Create KPI's and assessment criteria for clubs wanting to lease facilities which include; community benefits, best use of facility etc., which are used to determine and justify terms of lease and renewal of facilities; and
- Delegated authority for minor changes to leases for City assets.

It is anticipated that the implementation of the reviews recommended improvements will better position the organisation to provide efficient service delivery. The City has the opportunity to recognise significant financial and social benefits in this area, increasing the utilisation and community benefit of City assets.



2. PURPOSE

2.1. Aim

The aim of this document is to:

- Report on the findings of the review of Leasing and Management Agreements;
- Present conclusions based on quantitative and qualitative data obtained; and
- Provide recommendations on the options for a structural change under a new operating model.

2.2. Scope

The scope of the review includes:

- The end to end Leasing and Management Agreements system;
- The Leasing and Management Agreements function in the City of Bayswater;
- All City of Bayswater functions who are a stakeholder in Leasing and Management Agreements;
- External environmental factors; and
- Benchmarking of services and structures against other similar organisations.

3. BACKGROUND

The Chief Executive Officer and Project Sponsor, Andrew Brien, provided an Organisational Assessment Report for Council in July 2017. As part of this assessment, he provided high level observations of the organisation and proposed a number of key tasks and performance indicators to improved outcomes. These recommendations were adopted by council. One of those recommendations was to undertake a Service Review Project. Service reviews are undertaken for a number of reasons including:

"Service reviews are vital processes to ensure local government services are:

- appropriate – that is, services meet current community needs and wants, and can be adapted to meet future needs and wants;*
- effective – that is, councils deliver targeted, better quality services in new ways; and*
- efficient – that is, councils improve resource use (people, materials, plant and equipment, infrastructure, buildings) and redirect savings to finance new or improved services.*

The key benefits of service delivery reviews include:

- alignment of services with community needs and a more engaged community;*
- improved quality of service provision;*
- cost savings and potential income generation in some cases;*
- increased efficiency and refocusing of often limited resources;*
- partnerships and networks with other local governments and service providers;*
- increased capacity of staff to respond to the changing needs of the community;*
- staff who work more cooperatively across departments; and*
- a more systematic approach to understanding future community needs."*

The Australian Centre of Excellence for Local Government has produced a comprehensive Service Delivery Review Manual which has formed the basis of this internal Service Review project. The outcomes of the Service Review Project will help drive changes in the



development of the City's budget and the Corporate Business Plan going forward and inform a new organisational alignment.

This 12 month project, seconding qualified and experienced internal staff, has been focussed on building trust and confidence in the process and providing opportunities for input from all staff regardless of position or work location. The intention has been to work collaboratively to identify ways to create a better Bayswater.

The review process and recommendations are based around Council's decision making criteria set out in the City of Bayswater Strategic Community Plan 2017-2027:

Strategic Direction	Does it fit with our strategic direction as outlined in the Strategic Community Plan?
Community Views	What does the community think? Were they provided with adequate information when giving feedback?
Equity	Are we ensuring equitable distribution of benefits in the community? Does the option consider and balance current and future community needs?
Risks	What types of risks are involved? Does it fit within our risk tolerance level?
Costs	How well does the option fit with the Long Term Financial Plan? What is required to manage the whole of life costs of the asset / project / service?

4. METHODOLOGY

The approach and methodology used to conduct the review is as follows:

- A desktop review of documentation held within Leasing and Management Agreements including policies, procedures, structures and responsibilities;
- Identification of subservices provided within the Leasing and Management Agreements function;
- Collection of information about each subservice;
- Review of services to identify levels of service and mode of delivery options;
- Benchmarking of services against other similar organisations;
- Identification of issues including the need for the service, service provision gaps, and those services not delivering corporate value;
- Interview with Managers and super users to gain an understanding of the customer requirements;
- Mapping of current state processes to identify improvement opportunities;
- Solutions workshops conducted with all interested staff;
- Personal interviews with staff offering ideas and solutions;
- Assessment of the solutions and options for change;
- Identification of solutions that could be quickly implemented in collaboration with service owners;
- Documentation of the findings and recommendations;
- Review of findings and recommendations by a reference panel; and
- Submission to ELT for endorsement.



5. STRATEGIC INTENT

An assessment of the strategic intentions for the Service Review and the Leasing and Management Agreements function gave guidance on the approach and options for change. The strategic intent is assessed in this section.

5.1. Strategic Intent for the Service Review

The CEO's vision for the Service Review is to ensure that all the services, activities and projects that are undertaken are done so in an efficient and effective manner and take into account whole of life costs and performance.

The issue of Red Tape Reduction was raised in relation to a number of service reviews and there is a clear opportunity to automate more processes. Whilst there has been some work undertaken in this space, the lack of a coordinated approach across the entire organisation needs to be addressed in a consistent manner. This should be addressed through the Service Review project.

The Service Review requires the following outcomes:

- Systems and services that:
 - support a safe work environment;
 - are customer centred;
 - are designed for ongoing improvement and agility;
 - have defined value and efficiency improvements are able to be measured;
 - meet the City's obligations and expectations;
 - are the most efficient and effective use of our available resources;
- An organisational structure that best meets the requirements of the Strategic Community Plan (SCP);
- Staff actively engaged in a positive change program; and
- Collaborate with the City's customers as a means to achieve a better outcome.

5.2. Future Operating Environment

In addition to the strategic intention, it is essential to plan for the future environment that Leasing and Management Agreements will need to operate within. The following are the key environmental factors that will impact upon a Leasing and Management Agreements system in future:

- Sector wide collaboration delivering value for councils and communities.
- Increasing pressures to deliver positive financial outcomes for the community both via developing income streams and lower inflationary pressure on rates.
- Transparency and accountability.





6. KEY THEMES

A number of key themes related to inefficiency have been identified across a majority of service areas. These key themes have developed over time and contribute to the existing culture of the City of Bayswater. In order to influence the culture and embed efficiency and innovation in every day operations, a coordinated focus on outcomes is required.

Element	Current	Future
Training	<p>Training is mostly decentralised and reactive to individual and departmental cultural requirements.</p> <p>Training attendance varies from moderate to poor.</p> <p>Centralised induction of new staff is standardised but inconsistent at a department level.</p>	<p>Training is coordinated to facilitate strategic direction balanced with departmental needs.</p> <p>Procedures and processes are documented to allow effective training, consistency, accountability and risk management.</p>
Use of Technology	<p>City core systems have significantly greater functionality than is currently being employed. This functionality has either been turned off or abandoned part way through the implementation phase.</p> <p>Manual process work arounds have been implemented to bypass unwanted, misunderstood or imperfect automated systems.</p> <p>Departments undertaking similar processes utilise technology in different ways.</p>	<p>City processes are engineered to maximise the functionality of existing systems.</p> <p>Existing and new systems are reviewed to assess the fit for the requirements of the City.</p> <p>Processes are "Digital by default" with the aim of reducing duplication of tasks and allowing easier customer interaction.</p>
Communication and knowledge within the organisation	<p>Communication between departments and Council locations within the City is inconsistent, can often be misunderstood, misinterpreted or ignored.</p> <p>Knowledge of business processes and procedures are not documented adequately. Knowledge is lost when an officer leaves.</p> <p>Manual work arounds and inefficient, undocumented practices are transferred to inductees.</p> <p>Feedback from customers on wants, needs and perceived service quality is not generally sought.</p>	<p>Communication is clear and open with proactive stakeholder identification and effective channels formalised.</p> <p>Processes and procedures are mapped and documented centrally to allow transparency, more effective induction and easier identification / mitigation of risk.</p> <p>Customer feedback is sought for benchmarking and performance feedback and is used to guide ongoing service review.</p> <p>Council is provided with information and support to enable informed decision making.</p>
Customer Service	<p>Delivery can focus on what is easiest for the business rather than what is best for the community.</p> <p>Customer service standards and delivery varies throughout the organisation.</p> <p>Knowledge of key functions of the various services that the City provides (internal and external) is inconsistent.</p>	<p>Consult with the community to review and update service offerings that adapt to current and future needs.</p> <p>Accountable to consistent customer service standards throughout the organisation.</p> <p>An informed workforce with the necessary resources to efficiently respond to issues and direct enquiries.</p>



7. LEASING AND MANAGEMENT AGREEMENTS FUNCTION

7.1. Service Delivery Model

Leasing and Management Agreements are linked to the Strategic Community plan through the outcomes C1 A strong sense of community through the provision of quality services and facilities and C2 Accessible services that recognise diversity and L1 Accountable and good governance, through the below strategies:

- C1.1 Plan and provide a range of community facilities to meet current and future needs.
- C2.1 Ensure the City's services and facilities are accessible and inclusive.
- L1.1 Integrate all planning, resources and reporting in accordance with best practice and statutory requirements.

The table below provides a summary of the sub services, their outputs and related resource utilisation. Further information can be found in the Service Statement attached in section 12.1

7.1.1. Services Delivered

Sub Service	Degree of Discretion	Outputs	FTE	Link to SCP Strategies
Commercial Leases	Discretionary	Obtaining tenants, preparation and signing of new leases/ renewals /assignments, relationship management, inspections, collections and recovery	0.1	C2.1 L1.1
Community Leases	Discretionary	EOI's. renewals, inspections, reviews, major maintenance, payments	0.6	C1.1 L1.1
Management Agreements	Discretionary	Monitoring performance, maintenance of asset, relationship management, golf courses	0.1	L1.1

7.1.2. Customer Perception of Service

Leasing and Management Agreements currently operates in four separate areas; Corporate Services, Community Services, Strategic Planning and Place and Environmental Health.

There is confusion throughout the organisation as to which area deals with what from an internal and external perspective. It is assumed that all leases are the responsibility of the Leasing Officer, when in fact, commercial leases are the responsibility of Strategic Planning and Place. The majority of the organisation believes that having different areas responsible for leasing and management agreements is inefficient and it would make more sense for the function to be managed centrally.

Leasing and Management Agreements were not captured in the City of Bayswater's 2016 Catalyse Survey, although, the customer's view of the current community leasing process is positive, as the City provides subsidised and peppercorn leases, dependant on the buildings use.



Internal customers have made comments about the service including:

"There is no assessment criteria for the clubs that are leasing the buildings"

"No real system or process for dealing with users that owe the City money"

"There are no synergies between the departments"

"No delegated authority for leasing issues, especially minor ones"

Old lease agreements require updating - they need to be standardised"

8. BENCHMARKING

A benchmarking activity was undertaken to review the delivery of the services provided by Leasing and Management Agreements. By comparing the City of Bayswater's Leasing and Management Agreements processes and performance metrics against industry best practice, it allows us to understand and evaluate the current position of the organisation

When lessons learned from a benchmarking exercise are applied appropriately, they facilitate improved performance in critical functions within an organisation or in key areas of the business.

The City of Swan, City of Belmont, Town of Cambridge and Shire of Mundaring were contacted to provide benchmarking data. Unfortunately, the above mentioned councils failed to provide us with any feedback.



9. ISSUES

A number of issues were identified by staff through the review process. These perceived issues are summarised in the table below. Further details are included in section 12.2.

Sub Service	Issue	Element
Commercial Leases	Leases are handled by different departments and have no consistency.	Customer Service
	No standard, documented evaluation process.	Communication and Knowledge
	No proactive seeking of properties/buildings for commercial lease.	Communication and Knowledge / Training
	No master lease template.	Communication and Knowledge
	Decision on assignment of existing lease to new tenant requires Council resolution.	Communication and Knowledge
	Inspections are only completed every 2 years.	Communication and Knowledge
	Commercial leases are not entered or captured in City Spatial	Use of Technology
Community Leases	No real structure for EOI's.	Communication and Knowledge
	There is no pricing strategy.	Communication and Knowledge
	Inconsistency of agreements.	Communication and Knowledge
	No delegated authority for leasing issues.	Communication and Knowledge
	No KPI's about community benefit.	Communication and Knowledge
	No process for making clubs rectify longer term issues that require attention	Communication and Knowledge
	No process or criteria for getting rid of underperforming tenants or tenants that breach the lease.	Communication and Knowledge
	No real system or process for dealing with users that owe the City money.	Communication and Knowledge
	Waste management absorbs a lot of the costs from the clubs.	Communication and Knowledge
	Very few clubs are paying Rates and ESL.	Communication and Knowledge
Management Agreements	Audits are not undertaken.	Communication and Knowledge
	Possible overstating of budgeted income from users.	Communication and Knowledge
	Rely on users to provide correct information i.e. green fees	Communication and Knowledge
	No agreements in place for hairdressers and podiatry at aged care facilities.	Communication and Knowledge



10. SOLUTIONS

A number of organisation-wide 'Solutions Workshops' were held to identify possible solutions to issues identified during the review process. Facilitated brainstorming sessions were held to give all staff the opportunity to contribute and assist in solving problems in a constructive way.

The following rules were established to support the effective running of the workshop:

- There are no wrong answers or ideas;
- Everyone's view is valuable;
- Facilitators are not to edit responses;
- No defending services or arguing; and
- Try to make ideas practical

All ideas were captured and compiled into one list (refer to section 12.3) and shared on the City's 'Engage Bayswater' page for all staff to view.

The 'Solutions Workshop' has assisted in recommending solutions and issues that may have been missed during the review process. These solutions have assisted in forming the recommendations that have been suggested under a new service delivery model for the Leasing and Management Agreements function.

Through this process, a number of 'quick wins' were identified that could be implemented with minimal resource requirements, prior to the final review recommendations. A quick win was defined as an opportunity that could be implemented within 2 months. Quick wins for Leasing and Management Agreements were identified as:

- Central repository of information in ECM which is clear and easy to find.
- Leased building inspection records to be stored in a centralised location.
- Weekly meetings with Building Services to ensure items actioned and to keep records of activities.
- All officers involved in leasing to meet regularly.

The Executive and Management teams were presented with these quick wins and accountability for implementation was established. The quick wins are either in the process of being implemented or have now been implemented into operations.



11.RECOMMENDATIONS

The recommended solutions for priority implementation for Leasing and Management Agreements are:

Recommendation 1		Establish a strategy for leasing of Council assets, in conjunction with the land asset disposal and acquisition strategy and program, that details the preference for a commercial return, break even operation or subsidised community focus throughout the various property portfolios.
Benefits	Red tape reduction	Consistency of management of property across the organisation with streamlined management practices and processes.
	Customer Focus	Provides guidance on determining the extent of subsidy to be offered to groups hiring Council managed facilities, to ensure hire subsidies are applied in a consistent, transparent and equitable manner. Maximisation of income stream to effectively utilise resources.
	Accountability and transparency	Establishes categories and associated principles under which Council owned and managed property may be used and occupied Outlines a framework for the long-term management of Council assets that aligns to broader strategic objectives and reflects a sustainable approach to service delivery.
Strategic Direction		L1.1 Integrate all planning, resources and reporting in accordance with best practice and statutory requirements. L1.2 Ensure policies, procedures and practices are effective. L1.3 Deliver long term financial planning. C1.1 Plan and provide a range of community facilities to meet current and future needs.
Community Views		It is unlikely that community members would have a view of the leasing service that the City provides unless they are directly involved either through a group that utilises a lease or frequent an area with a leased building. Leasing of City assets represents an opportunity to generate an income stream for the City which will provide benefits to the broader community included decreased pressure for rate increases.
Equity		The solution is equitable as it promotes effective and sustainable management practises for the use and occupation of Council owned and managed property.
Risks	of implementing	<ul style="list-style-type: none"> Framework is not followed and/or reviewed.
	of not implementing	<ul style="list-style-type: none"> Services and facilities are not equitably provided to the community.
Costs		Officer time
Timeframes for Delivery		Long term - 18 to 24 months
Resource Implications		Resources time required

Recommendation 2		All leasing to fall under one department / centralise leasing to one team.
Benefits	Red tape reduction	<ul style="list-style-type: none"> Decisions can be made consistently.
	Customer Focus	<ul style="list-style-type: none"> Provides consistency and a dedicated point of contact.
	Accountability and transparency	<ul style="list-style-type: none"> Ensures leasing conditions are enforced consistently and fairly.
Strategic Direction		L1.1 Integrate all planning, resources and reporting in accordance with best practice and statutory requirements.
Community Views		It is unlikely that community members would have a view of the leasing service that the City provides unless they are directly involved either through a group that utilises a lease or frequent an area with a leased building. Leasing of City assets represents an opportunity to generate



SEED REPORT - LEASING AND MANAGEMENT AGREEMENTS

		an income stream for the City which will provide benefits to the broader community included decreased pressure for rate increases.
Equity		The solution is equitable as the recommendation will be rolled out across the organisation The benefit will be in the efficiency of services provided to the community.
Risks	of implementing	<ul style="list-style-type: none"> No foreseeable risks.
	of not implementing	<ul style="list-style-type: none"> Leases continue to operate from various business areas with no consistency across the board.
Costs		Dependant on resourcing requirements.
Timeframes for Delivery		Medium term - 6 to 12 months
Resource Implications		Additional resources needed / restructure of roles required

Recommendation 3		Implement consistent and standardised agreements as they are up for renewal.
Benefits	Red tape reduction	<ul style="list-style-type: none"> Less time spent drafting and negotiating - cost savings. Standardisation leads to greater certainty about contractual terms. Standardisation of contractual language leads to more streamlined and centralised processes for fulfilling obligations under the contract.
	Customer Focus	<ul style="list-style-type: none"> All occupants on a standardised agreement.
	Accountability and transparency	<ul style="list-style-type: none"> Establishes standardised terms. Risk mitigation.
Strategic Direction		<p>L1.1 Integrate all planning, resources and reporting in accordance with best practice and statutory requirements.</p> <p>L1.2 Ensure policies, procedures and practices are effective.</p>
Community Views		It is unlikely that community members would have a view of the leasing service that the City provides unless they are directly involved either through a group that utilises a lease or frequent an area with a leased building. Leasing of City assets represents an opportunity to generate an income stream for the City which will provide benefits to the broader community included decreased pressure for rate increases.
Equity		The solution is equitable as the recommendation will be rolled out across the organisation The benefit will be in the efficiency of services provided to the community.
Risks	of implementing	<ul style="list-style-type: none"> Does not allow for variation.
	of not implementing	<ul style="list-style-type: none"> Inconsistent agreements continue to go out.
Costs		Nil
Timeframes for Delivery		Medium term - 6 to 12 months
Resource Implications		Resource to create.

Recommendation 4		Create KPI's and assessment criteria for clubs wanting to lease facilities which include; community benefits, best use of facility etc., which are used to determine and justify terms of lease and renewal of facilities.
Benefits	Red tape reduction	<ul style="list-style-type: none"> N/A
	Customer Focus	<ul style="list-style-type: none"> Most effective utilisation of City's facilities for both the City and the community.
	Accountability and transparency	<ul style="list-style-type: none"> Provides for informed decision making.
Strategic Direction		C1.1 Plan and provide a range of community facilities to meet current and future needs.



SEED REPORT - LEASING AND MANAGEMENT AGREEMENTS

Community Views		It is unlikely that community members would have a view of the leasing service that the City provides unless they are directly involved either through a group that utilises a lease or frequent an area with a leased building. Leasing of City assets represents an opportunity to generate an income stream for the City which will provide benefits to the broader community included decreased pressure for rate increases.
Equity		The solution is equitable as the recommendation will be rolled out across the organisation The benefit will be in the efficiency of services provided to the community.
Risks	of implementing	<ul style="list-style-type: none"> Progress is not followed up
	of not implementing	<ul style="list-style-type: none"> Underutilisation of City's facilities. No process for getting rid of underperforming tenants or tenants that breach the lease.
Costs		Officer's time.
Timeframes for Delivery		Long Term - 24 months (relies on recommendation 1 being implemented)
Resource Implications		Resource to create.

Recommendation 5		Delegated authority for minor changes to leases for City assets.
Benefits	Red tape reduction	<ul style="list-style-type: none"> Officers do not have to write reports to Council who in turn do not need to endorse minor changes. A reduction in the number of decisions that must be made by Council.
	Customer Focus	<ul style="list-style-type: none"> Quicker turnaround times for lessee enquiries and execution of leases.
	Accountability and transparency	<ul style="list-style-type: none"> Guidelines for the delegation allows for greater accountability at the delegated level
Strategic Direction		L1.1 Integrate all planning, resources and reporting in accordance with best practice and statutory requirements. L1.2 Ensure policies, procedures and practices are effective.
Community Views		Leasing is not generally an area of focus for the community but becomes a focus when community or commercial facilities start to have negative impacts on the community.
Equity		The solution is equitable as the recommendation will be rolled out across the organisation The benefit will be in the efficiency of services provided to the community.
Risks	of implementing	<ul style="list-style-type: none"> Delegated authority is inconsistent with any changes to strategic direction. Officers overstep their delegated authority.
	of not implementing	<ul style="list-style-type: none"> There will be a continuing need for Council to deliberate over all decisions relating to leasing.
Costs		Officer time
Timeframes for Delivery		6 - 12 months
Resource Implications		Officer time



12. APPENDICES

12.1. Appendix 1 - Service Statement



Service Statement - Leasing and Management Agreements

<i>Department</i>	Various	<i>Directorate</i>	Various
<i>Service Custodian</i>	Corporate Services Community Services Strategic Planning and Place Environmental Health	<i>Internal or External</i>	Internal
<i>Degree of Discretion</i>	Discretionary	<i>Method of Delivery</i>	Local Government

<i>What the service does</i>	<ul style="list-style-type: none"> • Lease City assets for community benefit and/or financial return • Advertises city assets for lease (as available) • Facilitates the evaluation and agreement phase • Manages the financial aspects relating to leases and agreements • Manages the relationship with lessees and service providers • Rent/service inspections • Management Agreement budget and reporting • Excludes aged care leases 		
<i>Link to Strategic plan</i>	<p>Outcome</p> <p>C1 - Facilities that offer a sense of community, that caters for a range of affordable services and social amenity.</p> <p>C3 - Strong local groups which are self-sustaining</p> <p>L1 - Accountable and good governance</p>	<p>Strategies</p> <p>C1.3 - Increase participation in leisure and recreation activities within the City.</p> <p>C3.3 Strengthen and develop new partnership arrangements with the community.</p> <p>L1.1 Integrate all planning, resources and reporting in accordance with best practice and statutory requirements</p>	
<i>Relevant Legislation/Policies</i>	<p>Internal</p> <p>Community Facility Lease and Licence User Agreement Policy</p>	<p>External</p> <p>Residential Tenancies Act (WA) 1987 Commercial Tenancy (Retail Shops) Agreements Act 1985 Local Government Act 1995 - section 3.58</p>	
<i>Customer Definition</i>	Community/Sporting Groups, not-for-profit organisations and commercial operators utilising City facilities for commercial or community purposes.		

Commercial Leases				
<i>Outputs</i>	<i>Service Standards/KPI's</i>	<i>Community's view of quality of service</i>	<i>Community's view of importance of service</i>	<i>Customer demographic</i>
Obtaining tenants for lease opportunities	<ul style="list-style-type: none"> • Compliance with section 3.58 of the LG Act for disposal (including lease) of LG property, which is use of one of three methods: <ul style="list-style-type: none"> ○ Public auction ○ Tender ○ Private treaty • No formal KPIs or priorities for commercial leases, however Council decisions on individual leases indicates they balance financial return, facility utilisation, and community benefit in choosing tenant • Council makes decision on preferred tenant and key lease terms • No proactive seeking of new properties/buildings for commercial lease 	unknown	Unknown	Commercial Operators
Preparation and signing of new leases , renewal s, or assignments	<ul style="list-style-type: none"> • Give effect to Council decision (new lease) or lease condition (renewals - tenant option) • Decision on assignment of existing lease to a new tenant requires Council decision (no delegation). 	unknown	unknown	Commercial Operators
Relationship management / Tenancy inspections	<ul style="list-style-type: none"> • Tenancy inspections are undertaken every 2 years to ensure compliance with lease conditions - tenancy and the City's equipment (if applicable) is being maintained, and identify repairs or preventative maintenance that the City is responsible for (as determined in the lease) • Reactivate addressing of tenant issues as necessary 	unknown	unknown	Commercial Operators
Collections and recovery	<ul style="list-style-type: none"> • Mix of annual and monthly invoicing for rental income • Annual invoicing for rates • Monthly invoicing for service charges, where applicable (some paid directly by tenant) 	unknown	unknown	Commercial Operators

	<ul style="list-style-type: none"> Rental increases applied as per terms of lease - mix of CPI, market valuation (City organises the valuation) and none 			
City as tenant	<ul style="list-style-type: none"> With the closure of the Max Tulley One Stop Shop in August 2017, there are currently no situations where City is the tenant 	unknown	unknown	N/A
Historic Performance Data				
<p>Obtaining tenants for lease opportunities:</p> <ul style="list-style-type: none"> Building is available for lease. Obtain a valuation (gives council a benchmark) and report to council on their options for filling the tenancy. Three lease options; public auction, tender and private treaty. Decide whether City will use an agent or market using internal resources. Once there is a Council decision; generally use tender or EOI method followed by private treaty. If using tender method, we must use tender rules - section 3.57 LG Act. Choose preferred operator - evaluation process occurs with an independent valuation - generally completed internally, real estate agent may assist in valuation. There is no standard documented evaluation process. Generally follow same process used for tenders. Heads of Agreement completed - sets out key terms and conditions - based on EOI at tender. Outcomes reported to council with recommendations for a decision - council resolution is needed (there is no delegated authority). PA's pass on council resolution to relevant directorates so that information is disseminated. If EOI/private treaty process used, City must give 14 day public notice in the local paper followed by further final council decision - different to tender which is a final decision. Notify various parties of successful and unsuccessful. <p>Preparation and signing of new leases, renewals, or assignments:</p> <ul style="list-style-type: none"> Engage with lawyers to draw up agreements/lease (Mcleods used in the past) - officers choice who to engage - depends on expertise of law firm. The City's lawyers generally draw up legal documents - back and forth with potential tenant and lawyers to reach agreement of terms (often put clause in to agree to share legal costs) Documents agreed to by both parties Executed by both parties - internally use signing form - signed by CEO and Mayor. Common Seal to be affixed. No sub delegation to Directors on any execution documents. Once signed by CEO and Mayor, a copy is sent to the tenant and copy to Records. 				

Relationship management / Tenancy inspections

- Inspections occur every 2 years - all 6 leases are inspected in one block.
- Completed by Strategic Planning & Place, and Building team for building asset point of view.
- A date is set with a letter going to the tenant, notifying them of the inspection.
- City attends with lease schedule which details who is responsible for maintenance and completes the inspection.
- Follow-up letter is sent to tenant with any actions required from them.
- There is also often actions for the City to take - Building team gets them actioned (not budgeted - buildings completes work and finds funds).
- If there is a breach in health, Environmental Health will be notified to go out and inspect.
- Environmental Health also undertake regular inspections of City owned "Public Buildings" (refer to Compliance Service for inspection schedule).
- Requirement in the follow-up letter to notify City when they have completed the actions that were identified and documented in the letter. There are no timeframes in which the actions must be completed.
- Excel spreadsheet used to capture lease expiry dates, when reviews are due etc.
- Maintenance request comes in via phone call or writing - check lease to see whose responsibility it is. If it's the City's, it is passed over to Building Services to action.
- No other regular inspections/contact - deal with customer complaints if they occur / answer queries when they receive them.
- Breaches in agreements - non-payment of lease fee - Finance deal with it in the first instance - work out payment plans for the tenant.
- If payment becomes an ongoing issue, City has contact with tenant directly.
- Finance alert if payments have not been made.
- Generally not an issue with non-payment - 4 out of the 6 leases are bigger businesses (Bendigo Bank, Dome etc.) who look after themselves. Smaller cafes are usually the issue.
- Environmental Health (Waste Transfer Station) - Don't have an issue with payment, but they do have bank guarantees, surety/bond for risk management in the event the business goes into administration. There is a fall back to bring in a third party to take over. Other breaches are referred to the Licensing Authority as they have to comply with the licensing commission approval. There are no lease inspections as the City is there so often, they are aware of the issues in terms of the operational side.

Collections and Recovery

- Finance (accounts receivable) deals with collections and recovery.
- **Environmental Health** - A memo is provided to Finance to advise of the financial implications that they need to be aware of e.g. payment schedules and CPI adjustments.
Rates - Rates are standard in commercial leases. There are no exemptions - tenants must pay rates. If they want to seek an exemption, they must make a separate application that goes to Council.

Community Leases				
<i>Outputs</i>	<i>Service Standards/KPI's</i>	<i>Community's view of quality of service</i>	<i>Community's view of importance of service</i>	<i>Customer demographic</i>
Expression of Interest	<ul style="list-style-type: none"> • EOI publically advertised • Sent to known community groups • Standard Lease document • Mcleods provide advice re legality and preparation of more complex Standard Lease docs 	Good deal - subsidised/ peppercorn lease		Council Tenants
Renewals	<ul style="list-style-type: none"> • Council must approve leases - as per policy • Contact 6 months out from expiry - check whether continuing • Average term of lease is 5+5 years 			Council Tenants
Inspections	<ul style="list-style-type: none"> • Min 1 inspection per year, usually 2-3 conducted • 30 day follow up if issues found 			Tenants
Reviews	<ul style="list-style-type: none"> • Rent reviewed annually - CPI 			Council
Major Maintenance	<ul style="list-style-type: none"> • COB responsible 			Council
Payments	<ul style="list-style-type: none"> • Peppercorn rent - invoice not issued • Less than 1k - invoiced once - pay upfront • Greater than 1k - paid in instalments 			Council Tenants
Historic Performance Data				
<ul style="list-style-type: none"> • Similar process to Commercial leases with the differences in Community Leases including: • One standard lease document applicable for all community leases adopted in 2009/10. • Leases were sitting with Building Services up until 2010 - rationale being that Rec Services had the ongoing dialogue and liaison with a lot of the community clubs but a lot of the dialogue was about building and building maintenance. • Managing approx. 90 leases (buildings, small offices, Maylands Hall, sports clubs incorporating their social facilities, non-sporting clubs i.e. WA Car Club). • Copy of the lease details when signed is sent to finance and rates so they can bill correctly. • Lease Information is updated in Finance One. • Ensure the leased area is correct in City Spatial. • A lot of the community leases are shorter leases - 5 + 5 years - not as long as commercial leases. 				

Two types of leases:

1. Leases for bigger organisations e.g. Bayswater City Soccer Club
2. Usage agreements - more formal, usually drawn up by Mcleods and then altered by leasing officer slightly. E.g. Croquet Club
 - Some of the leases have sub leases. Most leases and usage agreements do not allow for sub leasing unless it is specifically stated.
 - As leases come up for renewal, rates and ESL are being added to new leases and usage agreements - weren't paying these up until a few years ago.
 - The renewal process or any alterations to agreements, no matter how minor, all have to go through Council. There is no delegated authority.
 - Shorter leases but more regular inspections than commercial leases.
 - Lease Officer conducts a yearly inspection - approximately 84 properties - 2 a week inspected on average - takes a few hours to complete inspection.
 - Health attends the inspections due to the kitchens, accommodation, health aspects, whilst Lease Officer looks at general items.
 - If there are any issues from a building structural view point - Building will go out later to inspect but do not go out on the initial inspections.
 - Tenant is emailed a week before the inspection to notify - tenant does not have to be there during inspection - receive the keys to access the premise from Building Services.
 - Building Services go out to maintain fire extinguishers etc. on a separate schedule - external contractor engaged.
 - Once inspection has been completed, report is created from a template which includes; photos, list of actions that each party is responsible for and give timeframes for actions if anything is urgent.
 - Report is then emailed to the tenant and a copy mailed out to them. A copy is also sent to Building Services to advise of the actions the City must action and a copy to Health if there are any health issues they need to action. All reports are then stored in ECM.
 - If there are major issues that the tenant needs to action, there will be a 30 day reinspection and if actions have not been completed, a report is taken to Council.
 - If lease allows any sub leasing or hiring of premises, the lessee is responsible for any issues that may arise.
 - Lessee doesn't have to inform City if they are hiring the premise out, but if they are sub leasing they have to give the City written notice which must be approved before it is subleased.
 - Onus on clubs to tell City if there are maintenance issues - stated in usage agreement that they must inform City of issues that may arise.
 - Tenant must put complaint/issue in writing to be able to action. Try to have one point of contact, rather than liaise with a range of people.

Renewals

- Leasing Officer keeps a list of people that may be interested in any new available leases - new community leases are publicly advertised.
- Current leases/usage agreements - assuming they are good tenants, they receive first priority to renew lease.
- Letter is sent to tenant before lease expires asking whether they would like to renew.
- Inform tenants that terms will generally be the same but will be adding in the rates and ESL payments.

- If tenant agrees to renew, a report is written to Council recommending a renewal of lease.
- Leases are almost always rolled over.
- If the premise becomes available, an ad is put in the paper.
- A report then goes to Council with the list of applicants and recommendations regarding the best use of the building.
- All correspondence is sent out via email. Proof of financials is provided each year.

Payments

- Most are peppercorn payments with requirements for rates dependent on when the lease was drawn up.
- Payment depending on building use - not making an income = pay lower fee.
- When lease is up for renewal they are generally renewed for the same amount.
- On billing to clubs for utilities - City pays first and then apportions up the costs.

Management Agreements

Monitoring Performance	• Standardised for comparison with city managed facilities
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Maintenance of the asset

Relationship management

Golf Courses	• As per terms in Management Agreement
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Council Tenant

Historic Performance Data

- Council is a stakeholder in the relationship.
- Similar process in establishment of agreement - tender
- Managed by a third party but is a City of Bayswater Facility i.e. Morley Sport and Rec.
- General expectations are set: must be community focussed, the fees and charges should commensurate with ours.

Relationship management

- Meetings with Morley Sport and Rec
- There used to be more governance in terms of Council involvement, now it is more self-managing with Finance providing oversight.

Maintenance

- Similar to the leases.
- In agreement the maintenance is split: schedule of who is responsible for what.
- Initial baseline inspections are undertaken. Report includes photos and conditions of assets.
- Work with Building and senior manager to inspect.
- There are no fixed timeframes for inspections/visits - more of an ongoing relationship.
- 20 year agreement for golf courses and Morley Sport and Rec (currently in year 2).
- Percentage of green fees received - Manager Rec Services coordinates and monitors.
- Finance and Recreation work together to reconcile - Nigel pays an agreed percentage of green fees
- City reconciles what hits muni to what the invoice is.
- Clauses put into management agreements to give the City the right to audit their systems but audits have yet to be undertaken.
- No cut from Morley Sport and Rec - they charge the City a percentage of the budgeted income under the operating budget we have developed with them.
- Morley Sport and Rec propose an annual operating budget which is put to council to endorse. They charge the City based on the budgeted income, not actual income.
- Performance is measured at year end to determine if budgeting is out.

Sub Services	Actuals (\$000s) 2016/17				Delivery	
	Income	Expenditure	Net Cost of Service	Fixed vs. variable cost ratio	Staff numbers (FTE)	Service utilisation (annual)
Commercial Leases	167	29	137	95/5	.1	6 leases
Community Leases	106	44	62		.6	90 leases
Management Agreements (Maylands and Embleton Golf Courses)and Morley Sport and Rec Centre	1,521	1,386	-135		.1	2 agreements covering 3 facilities
Notes: Current Transfer Station lease relates to % of materials which pass through the MRF and the Transfer. The MRF is currently not operational. The current lessee is on a month-by-month lease. The City will be releasing the Tender for the future lease very shortly.						



12.2. Appendix 2 - Summary of Issues



Service Name	Leasing and Management Agreements
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Sub services

Commercial Leases	
Output	Issues
Obtaining tenants for lease opportunities	<ul style="list-style-type: none"> There is no standard documented evaluation process. Generally follow same process used for tenders. No proactive seeking of properties/buildings for commercial lease.
Preparation and signing of new leases, renewals, or assignments	<ul style="list-style-type: none"> No master lease template. Decision on assignment of existing lease to new tenant requires council resolution.
Relationship management/tenancy inspections	<ul style="list-style-type: none"> Inspection is only completed every 2 years. There are no timeframes in which the follow-up actions must be completed - mainly due to resourcing. The City does not tend to follow up to check whether they have completed works unless it was a serious issue. These actions are not captured anywhere.
Collections and recovery	<ul style="list-style-type: none"> It is critical that Finance is aware of any financial implications and any other relevant information that needs to be performed either on a regular or annual basis e.g. payment schedules and rise and fall adjustments.
City as tenant	
Miscellaneous	<ul style="list-style-type: none"> Commercial leases not entered or captured in City Spatial.

Community Leases	
Output	Issues
Expressions of interest	<ul style="list-style-type: none"> No real structure for the EOI's. No real process on what to do.
Renewals	<ul style="list-style-type: none"> There is no pricing strategy - when lease is up for renewal they are generally renewed for the same amount. Inconsistency of agreements/lack of agreements. Similar facilities with different terms and conditions. Hard to make clubs with the long leases (21 years) give them up. Wording and language in agreements is obsolete. There are no assessment criteria for the clubs that are leasing the buildings. No KPIs about community benefit.
Inspections	<ul style="list-style-type: none"> Data on previous inspections only goes back a few years. Hard to follow up internally with work that needs to be done through City and involves Building and there is sometimes a communication breakdown. No real process for making clubs rectify longer term issues that require attention.
Reviews	<ul style="list-style-type: none"> There are no real KPI's on people using the building correctly. Everything contained in lease relates to maintaining the building and paying fees not usage to maximum capacity/efficiency.

	<ul style="list-style-type: none"> No process or criteria for getting rid of underperforming tenants or tenants that breach the lease. Normally they are just given warnings and that seems to be it.
Major Maintenance	<ul style="list-style-type: none"> City is responsible for the maintenance of the buildings. Poor communication between Building and Rec services on what items are scheduled going forward. Problems often not rectified.
Payments	<ul style="list-style-type: none"> On billing to clubs - City pays first - double handling. Can't distinguish whose bills are whose for multi user clubs. All gas, electricity and water meters need to be audited. No real system or process for dealing with users that owe the City money. Tenants are billed in arrears for rent and utilities charges, increasing the chance of the tenant being behind and owing the City money.
Miscellaneous	<ul style="list-style-type: none"> Tenants changing locks - other users cannot access the building. Lots of keys - mka key can open multiple mka locks. Keys are often not returned - low key bond. Considered low risk = low bond. Waste management absorbs a lot of the costs from the clubs Very few clubs are paying Rates and ESL (although this is changing as new agreements come in). Low bonds for key and building.

Management Agreements

Output	Issues
Monitoring performance	<ul style="list-style-type: none"> Clauses put into management agreement to give City the right to audit their systems but audits have yet to be undertaken. Possible overstating of budgeted income from Morley Sport and Rec - they charge the City a percentage of the budgeted income under the operating budget the City has developed with them.
Maintenance of the asset	<ul style="list-style-type: none">
Relationship management	<ul style="list-style-type: none">
Golf courses	<ul style="list-style-type: none"> Collect portion of green fees but rely on operators records of green fees.
Miscellaneous	<ul style="list-style-type: none"> Currently no agreements in place for hair dressers and podiatry at aged care facilities.

General

<ul style="list-style-type: none"> Leases are handled by different departments and have no consistency. There are no synergies between the departments No delegated authority for leasing issues, especially minor ones Leasing interacts with Building and Finance and communication can be limited. Confusion as to which department/area deals with what from an internal and external perspective. E.g. it is assumed all leases are done by the leasing officer, but some are done by Strategic Planning (e.g. commercial)
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12.3. Appendix 3 - Solutions Identified



Service Name	Leasing and Management Agreements
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- All leasing under one department
- Start new department - leasing
- Outsource leasing? Is it possible?
- Too many people involved - should be centralised, ownership (specialist skills) - restructure to allow this to happen.
- Finance managing aged care - childcare and YMCA - centralise
- Centralised staff member to work with the below, but the staff member is responsible overall
 - Recreation, community
 - Strategic planning, commercial
 - OSH, building, risk management
- Leasing officer full time job
- Centralise leasing to one officer - standardised leasing document, SOP for assessment
- Recruitment of qualified property management/real estate team members
- Staff to have qualifications in property management
- Central suppository of information - ECM - Leasing - clear and easy to find (i.e. Shire of Geraldton)
- Must store information of inspections on centralised inspections
- Create master template for leasing
- Old lease agreements require updating - need to be standardised
- Create SOP for EOI
- Standardise agreement with reference to rates and terms
- Consistency in clarity of agreements:
 - Fees,
 - Conditions
 - Inspections
 - Templates
 - criteria for leasing
 - Bonds
 - Keys,
 - Renewals
 - Compliance
 - Records management
 - Utility bills
 - Leasing criteria correct usage
- More consistent leasing -
 - Must cover buildings need to be fit for purpose
 - Costs and cost recovery
- Leasing capacity prior to any agreements entered in to
 - Cost analysis
 - Financial responsibility (should it be leased at all?)

- Best use of facility/asset
- KPI's for clubs - must provide community benefit
- Create an assessment criteria for clubs
- Establish criteria and reporting structure/requirements for community leases - link to SC; what benefits co community get for subsidised lease?
- Undertake cost benefit analysis for community groups
- Officers to assess the community benefit of clubs against set criteria
- Community need of tenants to be assessed
- Assess site for reuse
- Look for opportunities to share leases i.e. sports clubs use for 6 months
- More regular inspections (1 - 6 months)
- Inspection should include:
 - Minimum standard
 - Areas of responsibility standard procedure
 - Utilities charges
 - Depends risk rating
 - Building conditions
 - Compliance
 - Public safety - WHS
 - Public liability
- Get some teeth for problem tenants -
 - get delegated authority
 - get tough on problematic tenants
 - put policy in place
- Email to confirm other departments have completed works request
- Re resources for undertaking inspections
- Ensure that the lease holders undertake their maintenance obligations. If not, City to undertake and bill clubs/organisations.
- Weekly meetings with Building Services to ensure items actioned and to keep records of activities
- Make sure keys are not changed
- Ensure leasing conditions are enforced
- Less leniency when tenants cause damage - cost recovery
- Finish the audit on utilities on all council buildings
- Separate compliance team for inspections
- Meeting of lease team (all team members)
- Remove historical inconsistencies with billing
 - Look at other Council's procedures
 - SAB metering - investigate
- COB is very generous at expense of rate payers
- Generate income for City or benefit community
- Streamline systems - invoicing?
- City loses money - rectifying problems - seek costs

- 3 strikes - link in compliance department
- No peppercorn leases = more revenue = less rate hike
- Review value for money of leases
- Increase lease bond
- Budget Asset Management, Leasing Register
 - Review uniformity - commercial and community
 - Review leasing agreements
- Contracts department:
 - No peppercorn leases - \$1 lease
 - Costs not covered by leases
 - Take the politics out of leasing - officers must have backing to enforce compliance
- Consistent database for hiring facilities
- Booking needs to be centralised
- Need SOP and advertise on different platforms - social media, website and print
- Separate space within ECM for leasing
- Record keeping is required for leases are coming to an end
- As agreements come up for renewal update to standard/consistent agreement
- Start again - renegotiate agreements when due
- Must have flags so team can be proactive in negotiating lease agreements
- Health leases to waste management facilities
- Benchmark processes against other LGA's
- Centralise Powers
- Sell liabilities (rationalise)
- Risk Management - work with WHS and Environmental Health compliance re regular inspections - should be more often
- Look at depreciation in terms of risk and rationalisation
- Process on how to evaluate and dispose of effectively
- Process on how to decide quickly