

## Outcome 4

Efficient management of the Commonwealth overseas owned estate

### OUTPUT 4.1

EFFECTIVENESS  
QUALITY AND QUANTITY

### OUTPUT 4.2

EFFECTIVENESS  
QUALITY AND QUANTITY



## PERFORMANCE INFORMATION FOR OUTCOME 4

### **Effectiveness indicators—overall achievement of the outcome**

Indicators to assist in assessing the success of the department's contribution to the achievement of this outcome are:

- Management of the owned overseas property estate meets the Government's property needs, and achieves the agreed dividend and return on investment in accordance with the Government's overseas property principles
- Australian Government representatives overseas provided with appropriate accommodation, including through effective management of the United Process Solutions strategic alliance contract
- Efficient financial and physical management of assets.

TABLE 15. FINANCIAL AND STAFFING RESOURCES SUMMARY FOR OUTCOME 4

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|   | 2004-05<br>Budget and<br>Supplementary<br>Additional<br>Estimates<br>(\$'000) | *Actual<br>2004-05<br>(\$'000) | Variation<br>(actual less<br>budget)<br>(\$'000) | Budget<br>2005-06<br>(\$'000) |
|---|---|--------------------------------|--|-------------------------------|
| <b>Administered expenses</b>  | 0   | 0                              | 0  | 0                             |
| <b>Total administered expenses</b>  | 0   | 0                              | 0  | 0                             |
| <b>Price of departmental outputs</b>  |   |                                |  |                               |
| Output 4.1—Property management  | 51 210  | 68 863                         | 17 653   | 48 889                        |
| Output 4.2—Contract management  | 0   | 0                              | 0  | 0                             |
| <b>Total price of departmental outputs</b>  | 51 210  | 68 863                         | 17 653   | 48 889                        |
| <b>Appropriation from government for departmental outputs</b>                                       | 0   | 0                              | 0  | 0                             |
| Revenue from other sources  | 51 210  | 68 863                         | 17 653   | 48 889                        |
| <b>Total resourcing for Outcome 4</b><br>(Price of departmental outputs plus administered expenses) | 51 210  | 68 863                         | 17 653   | 48 889                        |

\* Includes proceeds from property divestments.

|   | 2004-05<br>Budget and<br>Supplementary<br>Additional Estimates | 2004-05<br>Actual | 2005-06<br>Estimate |
|---|--|-------------------|---------------------|
| <b>Average staffing level (number)*</b> | 17   | 17                | 21                  |

\* Includes overseas locally engaged staff.

## **OUTPUT 4.1:**

### Property management

#### **Overview**

Through effective management of the overseas owned property estate, the department met the Government's property needs in accordance with the Australian Government Property Principles—the standard that ensures maintenance of the value of the Government's property assets.

The department's Overseas Property Office (OPO), which is responsible for the management of all aspects of the Australian Government's overseas owned property estate, continued to apply rigorous commercial practice to management of the estate.

The department met indicative targets under output 4.1 relating to the maintenance of the overseas property portfolio. We paid a dividend to the Government, made a return on investment and maintained a management expense ratio consistent with property industry guidelines.

The department maintained regular close consultation with the Department of Finance and Administration and government agencies represented at our overseas posts to ensure effective inter-agency communication on relevant property management issues.

The international security environment continued to place significant additional pressures on the management of the overseas property estate, necessitating the relocation of a number of our overseas properties to meet new security requirements (see output 1.2 for more information).

#### **Provision of accommodation overseas**

Through a combination of owned property and property leased from private landlords, the Government fully met the wide range of office and staff accommodation requirements of agencies representing the Australian Government's interests overseas.

In 2004–05, the department managed owned properties in 57 locations, commercially valued at \$1.3 billion at 30 June 2005.

The leased overseas estate comprises property leased by the department and other agencies from private landlords. The leased estate is funded from departmental appropriations (see Section 3: Corporate management and accountability on page 251 for information about the department's leased estate).

### **New chancery for the Australian embassy in Baghdad**

The Overseas Property Office (OPO) completed construction of our new chancery in Baghdad in June 2005. The building, located in the International Zone, is leased from the Iraqi Government. It was extensively reconstructed and modified to provide a secure working and living environment for embassy staff.

The fast-track delivery of this project called for detailed planning and management in a uniquely difficult environment. There was close collaboration between relevant work areas of the department and consultation with the post throughout the project's design and delivery stages.

OPO managed the project through an on-site Australian project manager employing Iraqi contractors and a local work force. Difficult logistical problems caused in part by the security situation were overcome to ensure the regular supply of labour and the shipping and delivery of materials, including from Australia.

From the beginning of construction, continuous reviews of security requirements led to substantial additional works to ensure the chancery's effective future operation, as well as staff and visitor safety. A detachment of the Australian Defence Force provided security at the site, and will continue to provide security for the new chancery and embassy staff.

### **Physical management of assets**

The department maintained a program of continuous assessment of all overseas property, involving annual inspections by qualified facilities managers and consultation with post management and agencies.

We assess properties using a model we developed for measuring and monitoring their physical condition. The model is based on property industry standards, including: expenditure on repairs and maintenance as a percentage of asset value; compliance with safety and storage codes; structural soundness; strategic importance of the individual properties; age of the properties with allowance for mid-life upgrades and refurbishments; and functionality and amenity of the properties.

The model is used to develop an age and condition profile of the estate, which provides a basis for determining priorities for upgrading, acquiring or disposal. It also guides the forward refurbishment program approved annually by the department's Senior Executive. The model identified a continuing significant trend of modernisation and renewal in the age profile, reflecting current and recently completed major construction works and relocations, as well as property divestments determined on the basis of market assessments.



## Financial management of assets

The department operates a Special Account to manage the overseas owned estate. The account, which is separate from the department's Budget appropriations, was established in May 2002 by the Minister for Finance and Administration. Revenue into the account is derived from commercially based rents paid by agencies that occupy Government owned property overseas.

For detailed reporting on financial management of the overseas owned estate, see quality and quantity information for output 4.1, which reports on the rate of return on investment achieved from the operation of the estate in 2004-05, the annual dividend paid to the Government and the management expense ratio, which measures management costs.

## Output 4.1: Quality and quantity information

### Quality indicators

- Portfolio condition to be maintained to industry standards
- Tenant satisfaction to be reviewed by annual survey

### Quantity indicators

- Return on investment to be compared with external industry benchmarks and the agreed annual requirement as determined each year
- Management expense ratio to be consistent with external industry benchmarks
- Pay agreed annual dividend to Government

### Portfolio condition

The department's Overseas Property Office (OPO) assessed the overall condition of the overseas owned estate in 2005 as good, based on the assessment model described in the Overview section. The condition of the estate continued to improve, reflecting a substantially increased construction program, refurbishments of existing properties and an increased rate of delivery of maintenance programs.

The condition of properties in the estate can be expected to improve further over the next five years as a result of planned refurbishments, updated compliance with relevant Australian and local building codes, and current and proposed major construction projects (see output 4.2).

### Tenant satisfaction

The department conducts surveys twice a year to monitor the level of tenant satisfaction with the delivery of property management services in the overseas estate by United Process Solutions (UPS). In general, survey results demonstrated a satisfactory level of performance by UPS. OPO's estate managers ensured that liaison was maintained between tenants and the service provider and that service was delivered to agreed standards (see also output 4.2 quality and quantity information).

## Quantity information for output 4.1

### *Return on investment*

The rate of return on investment on the overseas owned estate was 21.32 per cent. This relatively high rate of return reflected a number of specific property revaluations in 2005, and net proceeds from the sale of property as foreshadowed in the department's 2003–04 annual report.

### *Management expense ratio*

The management expense ratio indicates the relationship between costs of management and value of the estate. For 2004–05 the ratio was assessed at 0.67 per cent, which was consistent with external industry benchmarks.

### *Annual dividend*

The department paid to the Government a dividend of \$21.986 million from the operations of the overseas owned estate in 2004–05, as agreed between the Minister for Foreign Affairs and the Minister for Finance and Administration. The department also paid \$20.675 million to the Government in property divestment proceeds.

## OUTPUT 4.2:

### Contract management

#### Overview

The department made extensive use of contracted services to ensure effective management of the overseas estate. Providers of these services were selected in accordance with the department's competitive tendering and contracting procedures. Services provided under contract included project management, property disposal, audit and legal.

The department effectively managed a substantial program of construction projects to provide secure and functional accommodation and office space for Australia's overseas representatives. Construction services were also provided on a subcontracted basis.

A range of outsourced property services was provided to the overseas owned estate under the department's contract with United Process Solutions (UPS).

#### Construction projects

The department managed the planning and implementation of a significant construction program in the overseas estate throughout 2004–05. Construction continued on two major new chanceries, in Colombo and New Delhi. Parliament's approval was obtained for the construction of new offices for the consulate-general in Bali, and a new chancery in Vientiane. Parliament also approved projects for the substantial refurbishment of owned chanceries in Singapore, Wellington and London.

In addition to projects in the owned estate, OPO managed the department's leased estate projects, including the fitting-out of our new chancery in Baghdad. Leased estate projects completed or begun in 2004–05 included the relocation of a number of our chanceries and the fitting-out of chanceries for our newly opened posts in Accra and Kuwait.

Details of projects undertaken in 2004–05 are provided under output 4.2 quality and quantity information.

## **Contract with United Process Solutions (UPS)**

The department has an outsourcing contract with UPS for the provision of property services in the overseas owned estate. The department maintained its dialogue with UPS throughout the year to ensure the effective delivery of contract services.

Under the contract, UPS provides facilities management in the owned overseas estate, including servicing of plant and equipment and preventive maintenance programs in posts. In some larger posts UPS provides on-site facilities managers to oversee locally engaged UPS staff. Posts report faults or problems to the company's 24-hour call service in Australia.

Posts' satisfaction with services provided by UPS was surveyed through the year as a measure of the contract's effectiveness. In general, survey results demonstrated a satisfactory level of performance by UPS (see output 4.1 quality information, and output 4.2 quality and quantity information).

## Output 4.2: Quality and quantity information

### Quality indicators

- Efficient and effective management of construction projects for new capital works
- Ensuring measurement of contractual outcomes required of United Process Solutions
- Tenant satisfaction with United Process Solutions contract delivery


### Quantity indicators

- Number of project contracts managed
- Number of calls answered by United Process Solutions call centre and agreed response times for successful service delivery achieved

### Management of construction projects

Major projects in the overseas owned estate that began in 2003–04 continued on schedule in 2004–05. These were construction of new chanceries in Colombo and New Delhi and refurbishment of staff apartments in the embassy complex in Paris. Projects in the overseas owned estate were managed in accordance with contract specifications, and within current budget and timing parameters. Projects for refurbishment of the chanceries in Wellington and Singapore, works on Australia House in London, and proposals for the construction of new premises for our embassy in Vientiane and our consulate-general in Bali were the subject of departmental submissions to the Parliamentary Joint Standing Committee on Public Works and were subsequently approved by Parliament. Refurbishment works began on the head of mission residence in Washington. Planning continued for proposed construction of new chanceries in Phnom Penh and Rangoon.

In addition to these works in the owned estate, repairs and additional security works were begun on the chancery in Jakarta following the bombing at the embassy in September 2004. Because of the urgency of this project, Parliament approved these works without formal reference to the Public Works Committee. The department provided an informal briefing on this project to the Committee.



Leased estate projects completed in 2004–05 included the relocation of our embassies in Ankara, Athens, Baghdad and Rome. We continued work on relocating chanceries in Brunei and Harare. Premises for new posts were completed in Accra and Port of Spain. Work proceeded on establishing offices for our new post in Kuwait. Project development continued on new chanceries in Port Vila and Tehran, to provide improved protection against local seismic risk.

### **Contractual outcomes required of United Process Solutions (UPS)**

The performance of UPS is measured against contractual indicators relating to financial and business processes, tenant satisfaction, portfolio condition, divestments and capital works. Overall, the contract delivered acceptable outcomes.

#### **Tenant satisfaction with UPS**

See output 4.1 quality and quantity information.

#### **Quantity information for output 4.2**

##### *Number of project contracts managed*

During 2004–05 OPO had oversight of 23 substantial construction and refurbishment projects in the overseas owned and leased estate (see above and output 4.2 overview).

##### *Number of calls answered and response times*

A total of 6534 calls were made to the call centre, with 97.41 per cent of calls responded to within contractually defined response times.



The Minister for Foreign Affairs Alexander Downer with former and serving female employees of the department at the launch of the 'Women Working for Australia' display, 8 March 2005. Back row (L-R): Penny Richards, Minister, Australian embassy Tokyo; Caroline Millar, First Assistant Secretary, International Organisations and Legal Division and Ambassador for People Smuggling Issues; Felicity Volk, Director-Projects, Images of Australia Branch; Diana Page, Department of External Affairs cadet recruited in 1943; Mr Downer; Di Johnstone, former Ambassador to Nepal; Sue Tanner, Ambassador to Spain. Front row (L-R): Glenda Gauci, former Executive Director, Aichi Expo Unit; Karina Campell, former Ambassador to Laos; Ruth Pearce, recently returned Ambassador to the Philippines; and Heidi Venamore, recently returned deputy Head of Mission in Iraq. 'Women Working for Australia' celebrated the contribution made by Australian women to international diplomacy since the early 1900s. Photo: Michael Jensen

