

FUNCTIONAL LEADERSHIP - PROPERTY

Proposal

- 1 The purpose of this paper is to set out how MSD will fulfil its responsibilities as Functional Leader for Property. The paper seeks a Cabinet mandate to require all Departments and expect Crown Agents to comply with detailed standards, tools and processes that will prescribe how agencies will develop and implement their property strategies. The mandate will also require agencies to secure Property Management Centre of Expertise (PMCoE) approval for their property strategies, and final decision on tenure prior to implementation. The paper proposes that the standards, tools and processes be developed by PMCoE in consultation with affected agencies and reported back to the State Sector Reform Ministerial Group by 28 February 2013.

Executive summary

- 2 In April 2011, the PMCoE was established, hosted by the Ministry of Social Development. In June 2012, Cabinet agreed in principle that in order to achieve the medium term ambition for functional leadership for property, that the mandate of the chief executive of the Ministry of Social Development (MSD) be extended, subject to a report back on future scope of activity [SEC Min (12) 10/2 refers]. This paper provides that report back.
- 3 Office accommodation is generally considered to be a commodity input to desk-based activities. Decisions relating to the quality, cost or quantity of office space have a limited impact on the choice of substantive outputs of agencies, while better accommodation property decisions can add efficiency and effectiveness gains supporting those outputs. Providing over-arching strategy and standards will add to the objectives of joined up government, and the development of common workplace standards will provide economies of scale in the provision of furniture systems and the professional services such as architects, but will also provide consistency between agencies allowing for sharing and re-use of facilities
- 4 There may be resistance from agencies to a transfer of property decision making, however this will be managed with robust consultation and clear standards and operational boundaries. Savings will largely accrue to the agencies. This approach is supported by international research into the centralisation of government property functions.
- 5 The gains from property functional leadership are both in terms of efficiency and effectiveness. A more centralised approach will enable greater gains within a shorter timeframe than the present approach. Effectiveness gains are obtained through the creation of more consistent, flexible and productive workplaces. Efficiency gains are largely through the reduction in footprint, amounting to \$110m per annum in 3-4 years time.
- 6 Functional leadership for property is proposed to be given effect by the following five mandates for office accommodation across Departments and as an expectation of Crown Agents:
 - mandatory property principles and standards
 - mandatory all-of-government procurement for office accommodation related goods and services

- mandatory biannual property strategies/plans requiring PMCoE approval
 - mandatory signoff for all acquisition or disposal (partial or whole) of office or public interface accommodation whether leased or owned
 - mandatory, common integrated workplace management system.
- 7 PMCoE will require additional capacity to undertake the strategy development and procurement functions. The increased mandate will require investment in the operations of providing advice, support and monitoring of agency property management operations. The ongoing funding requirement for PMCoE is \$2.5 million per annum, comprising a unit consisting of 15 to 17 FTEs, database administration, and research & consultancy services.
 - 8 It is imperative that agencies fully engage in the process and operational boundaries are well understood. It is proposed that operating procedures will be established in consultation with agencies. These will outline the timeframes and process for interactions between agencies and the PMCoE on respective roles, obligations and escalation.
 - 9 The State Services Commissioner, acting as Head of State Services, will support and assist the work of the property functional leader by communicating government expectations to agencies in the State services, supporting the property functional leader in engaging the wider State sector, supporting the property functional leader in engaging with Ministers on significant agency-level issues, and where necessary taking a hands on role in helping resolve issues that arise in the interactions with agencies.
 - 10 The exercising of the functional leadership mandate will commence immediately, with the completion and implementation of plans for savings initiatives. In parallel, the PMCoE will develop the detailed processes, plans, and benefits calculations with a report back in November 2012 to the State Sector Reform Ministerial Group. It is proposed that a quarterly progress report thereafter will be provided to the State Sector Reform Ministerial Group.

Background

- 11 In April 2011, PMCoE was established to drive efficiency and effectiveness gains in property management across Departments and Crown Agents by providing leadership, guidance and support, monitoring and brokerage, but without changing the accountability for decision making [Cab Min (11) 14/14 refers].
- 12 In June 2012, Cabinet agreed in principle that in order to achieve the medium term ambition for property functional leadership, that the mandate of the chief executive of the Ministry of Social Development (MSD) be extended, subject to a report back on future scope of activity [SEC Min (12) 10/2 refers].
- 13 Cabinet in June also provided a mandate to the property functional leader to undertake office accommodation co-ordination roles in Christchurch and Wellington. These streams of work are proceeding well and have been well supported by agencies.
- 14 This paper responds to Cabinet's request for further work on the future scope and activity in the property area as part of its programme to accelerate functional leadership for Better Public Services. The paper is being submitted along with other functional leadership papers focusing on ICT and Procurement.
- 15 Office accommodation is generally considered to be a commodity input to desk-based activities. Decisions relating to the quality, cost or quantity of office space have a limited impact on the choice of substantive outputs of agencies. It is therefore an operational decision which can be removed from the direct responsibility of chief executives without

materially detracting from accountability for key agency outputs. Those specialist facilities which may directly affect agency outcomes or operations are excluded from the mandate.

- 16 This is not to say that the workplace does not have an impact on productivity. There is a growing acceptance within the property industry which suggests that office accommodation can be both an enabler and a resistor to productivity in the workplace. However, this linkage between office accommodation and effective workplaces will be consistent between agencies, and therefore a standardised approach can be adopted without compromising individual agency requirements.
- 17 The development of common workplace standards will provide economies of scale in the provision of furniture systems and the professional services such as architects, but will also provide consistency between agencies allowing for sharing and re-use of facilities
- 18 The 'Report on the Crown Office Estate' report produced by the PMCoE as at 30 June 2011 July estimated that across the 59 departments and Crown Agents surveyed, approximately 1 million square metres of office accommodation is occupied at an average of 20.5 square metres per person, which is more than 25% above industry good practice and the Cabinet's expectation of 12 to 16 square metres per person. A standardised centrally-led approach will accelerate the rate at which efficient and effective layouts are adopted and this is a key fiscal benefit of the Functional Leadership approach proposed.
- 19 Increasingly, the government is looking to better co-ordinate between agencies and deliver services in a joined up manner. The proximity of agencies to each other and the ability to share collaborative spaces will contribute to this co-ordination. A centralised function will ensure cohesive planning and early implementation. The PMCoE will develop inter-agency strategies and regional approaches that will enable greater sharing of facilities, providing both efficiency and effectiveness gains.
- 20 Some agencies may be reluctant to manage their property portfolios with a shift in decision rights to more centralised property management. The proposed response to this is as follows:
 - secure a strong mandate from Cabinet to require all Departments and expect Crown Agents to comply with the Functional lead mandate
 - work with the affected agencies to develop the overarching standards, tools and processes that will prescribe how agencies will develop their property strategies
 - provide agencies with clear operational boundaries by agreeing 2 yearly property strategies/plans
 - provide the cross-government strategy and procurement opportunities that will provide significant savings on accommodation, the majority of which will be retained within agencies
 - provide agencies with a high quality integrated workplace management system that will enhance management practices and facilitate cross-government collaboration.
- 21 PMCoE commissioned a study of international best practice relating to centralised government property management functions. The objective of the study was to ascertain:
 - the rationale for centralisation
 - lessons learnt that could be expressed as critical success factors
 - issues associated with centralisation of property decisions and/or property management.

- 22 The study reviewed 13 international jurisdictions. The study found overwhelming evidence to support establishment of a centralised property function with critical success factors including:
- securing the right mandate
 - mandatory property controls/standards
 - an organisational structure that retained central strategic overview but outsourced some operational functions such as lease administration
 - excellent communication and marketing
 - the right skill mix
 - a centralised data management system
 - a metrics regime to drive performance.
- 23 In investigating mandate and role, options were considered ranging from providing voluntary best practice guidelines at one end of the spectrum to fully centralised decision making with budget and management responsibility sitting in a single, central body at the other end of the spectrum.
- 24 A balance needs to be struck between the costs and benefits of the extent of centralisation. Centralisation will maximise the efficiency and effectiveness gains across the system, but will also have costs and risks associated with the change implications, such as incentive alignment and chief executive accountability. We believe the proposal within this paper provides the best balance.
- 25 PMCoE propose an approach (outlined below) wherein the functional leader retains control of those elements which allow for the greatest efficiency and effectiveness gains (strategy setting and standardisation), and agencies retain the autonomy to manage property portfolios within these parameters.
- 26 PMCoE consider this approach to be the best. It is consistent with the experience of the PMCoE since April 2011, the gains are based upon robust information gathered, and it is supported by experience in comparable jurisdictions.

Benefits of Functional Leadership

- 27 Since its establishment in April 2011, PMCoE has been in working with agencies to identify efficiency and effectiveness gains by improving the performance of individual agency management practices; encouraging the sharing of resources and the capture of scale in contracting.
- 28 However, these gains are limited by the current decentralised model. By moving to the more centralised functional leadership model, efficiency and effectiveness gains will increase and the timeframe for achieving the related cost savings will reduce. The improvements in performance are due to the following advantages of centralisation decision making:
- central co-ordination between ICT and Property decisions to provide an integrated workplace solution
 - decisions on co-location and other sharing of resources can be based on all-of-government efficiency and effectiveness gains, rather than individual agency preference
 - standardisation reduces the cost of implementation and allows for economies of scale and flexibility to allow for low cost of change

- better quality decisions and performance monitoring via centrally held information and signoff of strategies / plans.

29 These performance improvements result in direct fiscal benefits through the following changes to property management practices:

- common workplace strategy will ensure that all new accommodation decisions reflect best practice on occupancy ratios. Across the 1 million square metres of leased office space, each square metre per person that is saved equates to approximately \$12 million per annum. Reducing the office footprint by 5 sqm per person from approximately 21 sqm per person to 16 sqm per person represents a saving of \$60 million per annum
- in the next three years there are around 390,000 square metres of leases expiring, presenting the opportunity to reduce the footprint by between 100,000 square metres (at 16 sqm per person) or approximately 135,000 square metres (if we achieve 14 sqm per person)
- centralised approval of strategies and accommodation decisions will ensure that opportunities to co-locate and share facilities are a component part of accommodation decisions within regions. Our regional footprint of approximately 700,000 square metres can realistically be reduced by 10%
- in Wellington alone we occupy 520,000 sqm of office accommodation at an average of 20.5 square metres per person. With 160,000 sqm expiring in Wellington over the next three years, we have the potential to reduce this footprint by 35,000 sqm (to 16 sqm per person) which will save around \$12 million per annum. If we can reduce this further to 14 sqm per person, this will save an additional \$5 million per annum
- to achieve the most efficient workplace configurations (12-14 sqm per person), will require a significant investment in workplace design; integration with technology; and associated workplace change management. A centralised approach will reduce consultancy cost significantly, and ensure that lessons can be shared and a planned approach taken to innovation
- a centralised database, signoff of bi-annual plans, and approval of all new leaseings will ensure that plans be developed for co-location of agencies and footprint reduction. This is achieved by smaller agencies re-locating into existing footprint and by re-configuration of larger tenancies freeing up space for sublease
- centralised procurement of facilities management (compliance, minor repairs and maintenance, cleaning and consumables) using the integrated workplace management system will deliver savings of around \$6 million per annum
- it is estimated that average expenditure on furniture and fittings is in the order of \$40-\$50 million per annum. The development of standards and centralised procurement should enable savings of 10% to be achieved through scale, and whole of life savings through re-use of assets between agencies.

30 Anticipated fiscal savings from mandates supporting more centralised functional leadership of property are:

	2013/14 (\$m)	2014/15 (\$m)	2015/16 (\$m)	2016/17 & Outyears (\$m)
Operating savings	\$9	\$60	\$95	\$110

- 31 It is proposed that around 95% of these benefits be retained within agencies, with a small element of funding to be provided to the PMCoE on a cost-recovery basis and/or a share of fiscal savings. Mechanisms will be developed to allow for sharing of costs and benefits between agencies to reflect the relativities of cross-agency transactions.
- 32 Retaining the savings within agencies will incentivise agencies to support the initiatives, and will enable chief executives to offset cost pressures elsewhere within the agency and, in conjunction with relevant Ministers, to make the most appropriate reprioritisation decisions.

Proposed Mandate

- 33 It is proposed that the mandate for the Functional lead for property will apply to all Departments (public service and non-public service) and be an expectation of Crown Agents (with the exception of District Health Boards). A list of agencies proposed to be covered by the property functional leadership mandate is included in Appendix 1. It is proposed that property types will include all 'office accommodation'¹ and 'public interface'² areas, but will exclude 'operational areas'³ as defined in the 'property management guidelines for office space' document issued by the Minister of State Services. There is potential to expand to other agencies or other types of property over time as appropriate.
- 34 Functional Leadership will be given effect by the following five mandates for Departments and expectations of Crown Agents:
- mandatory property principles and standards
 - mandatory all-of-government procurement for office accommodation related goods and services
 - mandatory biannual property strategies/plans requiring PMCoE approval
 - mandatory signoff for all acquisition or disposal (partial or whole) of office or public interface accommodation whether leased or owned
 - mandatory, common integrated workplace management system.
- 35 The mandatory principles and standards will be developed by PMCoE in consultation with affected agencies. These principles and standards will cover those items which directly contribute to efficiency and effectiveness gains such as location and co-location principles, workplace layouts, furniture systems, and standard lease provisions. It is important to thoroughly consult on these property principles and standards and accordingly, it is proposed that these will be developed by PMCoE and approved by the State Sector Reform Ministerial Group by 28 February 2013.
- 36 PMCoE will undertake a centralised procurement function for all property related goods and services that will give effect to the property standards and provide economies of scale. Examples include goods such as furniture, fitouts, repairs and maintenance, consumables, and services such as cleaning, security, architects or project managers. This will include syndicated and panel arrangements for both services and products. Agencies will be required

¹ Office Accommodation: Areas used primarily for undertaking desk based activities and associated facilities including meeting spaces, storage, kitchen staff facilities, amenity areas, circulation and reception facilities.

² Public Interface: Areas used primarily for face to face interactions with the public for the purposes of delivering government services.

³ Operational: Areas used for activities not found in the private sector, not used for desk based activities, or a 'public interface area' (e.g. custodial facilities, Judge's chambers)

to adopt these all-of-government contracts as current contracts expire. Note that this excludes the acquisition or disposal of accommodation itself, which is separately mandated.

- 37 It is proposed that agencies will submit property strategies or plans which cover a two year (minimum) horizon for approval by the PMCoE. This will provide agencies with the necessary certainty to undertake the majority of operations. The PMCoE will, however, retain the signoff for acquisition or disposal decisions.
- 38 The approval of the functional leader will be required prior to agencies entering into contracts for the acquisition or disposal (including partial disposal) of leasehold or owned accommodation (office accommodation and public interface). Consultation with the PMCoE will commence prior to commercial negotiations, and commercial terms entered into as agreed in advance. As noted in paragraph 41 below, operating procedures for the practical application of this process will be consulted on and agreed.
- 39 Best practice research has identified that accurate, up to date, centrally held property information is essential for the calculation of costs and benefits to inform optimal property solutions. PMCoE has procured an integrated workplace management system, following a public tender process. The successful product was 'Archibus' and is presently being implemented. This was evaluated by and configured for a cross-government user group. It will be ready for implementation for all agencies in November 2012, by the migration of the current PMCoE database of agency data. Due to the economies of scale in procurement, this product can be adopted by agencies at a much reduced cost.
- 40 Agencies will retain responsibility for operational property management, and compliance with approved bi-annual strategies. They will continue to be responsible for managing their properties within the frameworks and standards. For some agencies (perhaps those which do not have specialist property functions and/or capability) the property functions could be transferred to PMCoE (or outsourced providers) on a cost-recovery basis.
- 41 It is proposed that operating procedures will be established in consultation with agencies. These will outline the timeframes and process for interactions between agencies and the PMCoE on respective roles, obligations and escalation.
- 42 The State Services Commissioner, acting as Head of State Services, will support and assist the work of the property functional leader by communicating government expectations to agencies in the State services, supporting the property functional leader in engaging the wider State sector, supporting the property functional leader in engaging with Ministers on significant agency-level issues, and where necessary taking a hands on role in helping resolve issues that arise in the interactions with agencies.
- 43 The exercising of the functional leadership mandate will commence immediately, with the completion and implementation of plans for savings initiatives. In parallel, the PMCoE will develop the detailed processes, plans, and benefits calculations with a report back in November 2012 to the State Sector Reform Ministerial Group. It is proposed that a quarterly progress report thereafter will be provided to the State Sector Reform Ministerial Group.

Resourcing and Funding

- 44 PMCoE will require additional capacity to undertake the strategy development and procurement functions. The increased mandate will require considerable investment in the operations of providing advice, support and monitoring of agency property management operations.
- 45 The ongoing funding requirement for PMCoE is \$2.5 million per annum, comprising a unit consisting of 15 to 17 FTEs, database administration, and research & consultancy services.

- 46 Over time, there may be a reduction in the need for property management capability within agencies, but the expectation is that this can be managed without significant restructuring in the majority of agencies. There may be the potential for existing staff within agencies to be transferred or seconded into the PMCoE.
- 47 Funding is proposed for the current and next financial year from the between budget contingency, but this will be repaid in the subsequent two years, ensuring fiscal neutrality over the forecast period.
- 48 In the longer term, property functional leadership will be funded from the benefits that accrue to agencies from the outputs of the PMCoE. It is proposed that a percentage of up to 5% of the average savings over the initial four years will be transferred by agencies to PMCoE on an ongoing basis. In addition, agency-specific services provided to agencies or groups of agencies will be provided on a cost-recovery basis.
- 49 Any surplus of funding will be returned to the Crown.
- 50 There are often tradeoffs required between agencies, and timing issues associated with payback on investment decisions. It is important that a mechanism is developed and consulted on that provides a consistent and fair approach. The detailed mechanism for this charging regime will be consulted upon with affected agencies and central agencies, and agreed between the Functional Leader and the Head of State Services by 30 November 2012. If any ministerial decisions are required to give effect to this mechanism, these decisions will be made by the State Sector Reform Ministerial Group.

Governance and Risk Management

- 51 A key risk to functional leadership is stakeholder support and ensuring that the activities of the functional leader provide agencies with a high standard of advice and support; a high level of operational certainty; the appropriate standard of property related goods and services; and tangible savings. The initial risk mitigation approach taken by PMCoE has been close collaboration in the development of the high level cross-government standards, tools, processes and infrastructure.
- 52 Ongoing risk management will be to increase PMCoE capacity and continue with close collaboration in the development of the high level cross-government standards, tools, processes and infrastructure. PMCoE will also develop an annual operational plan and an end of year report to stakeholders. This annual plan will outline to stakeholders the workplan and key deliverables for the year ahead to assist in planning for stakeholder engagements and to monitor progress. The first annual operational plan will be completed by 30 November 2012 for the period from 1 December 2012 to 30 June 2014. Thereafter annual plans will be prepared by 30 June for the upcoming fiscal year.
- 53 The current PMCoE Deputy Chief Executive Advisory Group will be reconvened to provide the functional leader a wider government perspective, including an appropriately qualified independent external member. Regular updates will be provided to chief executives via the established forums. This approach has the support of public service chief executives.
- 54 To ensure consistency of approach and the efficient and effective operation of property management practices within the sector, agencies will be required to submit bi-annual strategies to PMCoE for review and approval, with the first to be completed by 30 June 2013.
- 55 PMCoE has done considerable work on metrics that will measure the success of agencies' property management and PMCoE's programmes to date - these measurement tools include:

- property management guidelines (operationalising the Government's seven property management expectations)
- crown office estate report
- management practice indicators
- integrated property management system

Financial Implications

- 56 Additional Crown operating funding of \$1.4 million is sought in the next two years to develop capability of the PMCoE to undertake functional leadership. This Crown funding will be repaid to the Crown within the forecast period, from funding by agencies that has resulted from savings within the sector as a result of activities undertaken by PMCoE.
- 57 It is proposed that following the first three years of operation, PMCoE will be funded solely from agency revenue, and will have repaid to the Crown the initial capability funding of \$1.4 million.
- 58 It is proposed that the majority of fiscal benefits as outlined in paragraph 30 above will be retained within agencies, but with some fiscal savings being used to fund the PMCoE as outlined in paragraph 56.

Consultation

- 59 This paper has been prepared in close consultation with the other Functional leads, Ministry for Business Innovation and Employment; and the Department of Internal Affairs. The State Services Commission and Treasury have reviewed this paper. DPMC has been informed.

Human rights implications

- 60 There are no human rights implications in this paper.

Legislative implications

- 61 There are no legislative implications in this paper.

Regulatory impact analysis

- 62 There are no regulatory implications in this paper.

Publicity

- 63 We anticipate interest from agencies and industry in the future direction of government office property management and we intend to release communications as required, in consultation with State Sector Reform Ministers. This may include the proactive release of this paper and corresponding Minute, subject to consideration of any redactions that would be justified if the information had been requested under the Official Information Act 1982 (CO Notice (09) 5).
- 64 Further consultation and communication with agencies will occur during implementation.

Recommendations

65 It is recommended that the Committee:

Proposed mandate

- 1 **agree** that the mandate for property functional leadership will apply to all Departments, including non-public service Departments;
- 2 **invite** the responsible Minister for each Crown Agent (except District Health Boards) to convey their expectation that Crown Agents comply with the property functional leadership mandates;
- 3 **note** that in the recommendations below 'mandated agencies' means Departments that are required, and Crown Agents that are expected, to comply with the property functional leadership mandate;
- 4 **agree** that the mandate for the functional leader for property will include all 'office accommodation' and 'public interface' areas, and will exclude 'operational areas' as defined in the 'property management guidelines for office space' document issued by the Minister of State Services;
- 5 **agree** that the Property Management Centre of Expertise (PMCoE), as agent of the functional leader for property, will develop, in consultation with agencies, property strategies, principles, standards, tools and processes that will prescribe how agencies will develop and manage their individual property strategies;
- 6 **agree** that all mandated agencies will obtain the approval of the functional leader for property prior to entering into contracts for acquisition or disposal (in part or full) of leased or owned office accommodation or public interface accommodation;
- 7 **agree** that these property principles, standards, tools and processes be submitted to the State Sector Reform Ministerial Group for their approval by 28 February 2013;
- 8 **agree** that, once these have been approved by Ministers, all mandated agencies will be required to comply with the detailed standards, tools and processes and standards for property related products and services;
- 9 **agree** that pending approval of the principles, tools and standards outlined in recommendation 7, agencies will seek approval of the functional leader for property for any decisions on acquisition, disposal or procurement of any property related goods or services;
- 10 **agree** that mandated agencies will be responsible for developing bi-annual property strategies for approval by the PMCoE (the first to be completed by 30 June 2013), that adhere to the principles, standards and strategies established by the functional leader for property;
- 11 **agree** that agencies will continue to manage their own properties within the functional leader for property established principles, guidelines and standards and the agreed bi-annual strategy;
- 12 **direct** all mandated agencies to adopt the integrated workplace management system, 'Archibus', procured by the Ministry of Social Development, on a cost-recovery basis;
- 13 **agree** that PMCoE will undertake the all-of-government procurement function for all office accommodation and public interface property related goods and services;
- 14 **direct** chief executives of mandated agencies to take up all all-of-government contracts for property related goods and services, as existing contractual commitments allow;
- 15 **direct** the State Services Commissioner, acting as Head of State Services, to support and assist the work of the functional leader for property by communicating government

expectations to agencies in the State services, supporting the functional leader for property in engaging the wider State sector, supporting in engaging with Ministers on significant agency-level issues, and where necessary taking a hands on role in helping resolve issues that arise in the interaction of the property functional leader and agencies;

16 **note** that the functional leader for property will develop, in consultation with mandated agencies, operating procedures for the interaction between agencies and the PMCoE, such procedures to be published by the PMCoE by 30 November 2012;

17 **note** that some agencies could elect to transfer property management functions to the PMCoE (or procured outsource providers) on a cost-recovery basis;

Resourcing and funding

18 **note** that the anticipated financial savings from functional leadership of property are:

	2013/14 (\$m)	2014/15 (\$m)	2015/16 (\$m)	2016/17 & Outyears (\$m)
Operating savings	\$9.000	\$60.000	\$95.000	\$110.000

19 **agree** that Chief Executives of agencies contribute to the costs of PMCoE on a cost recovery basis (for direct services) and on an ongoing basis up to 5% of four year average savings;

20 **note** that the objective of the funding regime will be to ensure funding for property functional leadership is fiscally neutral over the forecast period;

21 **note** that the detailed mechanism for this funding regime will be consulted upon, agreed between the functional leader for property and the Head of State Services, and issued by PMCoE by 30 November 2012;

22 **authorise** the State Sector Reform Ministerial Group to make any decision that may be needed to give effect to the funding mechanism outlined in recommendation 21 above;

23 **approve** the following changes to appropriations to provide for the costs of the Property management Centre of Expertise, with no impact on the operating balance over the forecast period:

Vote Social Development Minister of State Services	\$m – increase/(decrease)				
	2012 /13	2013 /14	2014 /15	2015 /16	2016 /17 & Outyears
Departmental Output Expense: Property Management Centre of Expertise (funded by revenue Crown)	0.400	1.000	(0.700)	(0.700)	-
Departmental Output Expense: Property Management Centre of Expertise (funded by revenue other)	0.400	1.500	3.200	3.200	2.500
Total operating	0.800	2.500	2.500	2.500	2.500

24 **approve** the following changes to appropriations to provide for the costs of the 'Archibus' integrated workplace management system, to be funded on a cost recovery basis from mandated agencies, with no impact on the operating balance:

Vote Social Development Minister of State Services	\$m – increase/(decrease)				
	2012 /13	2013 /14	2014 /15	2015 /16	2016 /17 & Outyears
Departmental Output Expense: Property Management Centre of Expertise (funded by revenue other)	0.901	0.255	0.255	0.255	0.255
Total operating	0.901	0.255	0.255	0.255	0.255

- 25 **agree** that the proposed change to appropriations for 2012/13 above be included in the 2012/13 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

Governance and risk management

- 26 **note** that the functional leader for property will maintain an advisory group of Deputy Chief Executives and an external independent advisor, and will provide regular updates to Chief Executives via the established CE forum;
- 27 **direct** the functional leader for property to report to the State Sector Reform Ministerial Group via an annual operational plan and end of year report for each fiscal year including performance metrics for the PMCoE, with the first annual operational plan for the period from 1 December 2012 to 30 June 2014 to be completed by 30 November 2012 and thereafter annual plans to be completed by 30 June for the upcoming fiscal year;
- 28 **direct** the functional leader for property to provide a quarterly progress report tracking benefits realisation to the State Sector Reform Ministerial Group, with the first report in March 2013;

Publicity

- 29 **invite** the Minister of State Services to release this paper and resulting Cabinet Minute, along with those relating to the functional leadership of ICT and procurement, in consultation with the State Sector Reform Ministerial Group.

Hon Dr Jonathan Coleman
Minister of State Services

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Appendix 1

Agencies within the current PMCoE role (Departments and Crown Agents)

<u>Public Service Departments</u>	<u>Crown Agents</u>
Canterbury Earthquake Recovery Authority	Accident Compensation Corporation
Crown Law Office	Careers New Zealand
Department of Conservation	Civil Aviation Authority of New Zealand
Department of Corrections	Earthquake Commission
Department of Internal Affairs	Education New Zealand
Department of the Prime Minister and Cabinet	Energy Efficiency and Conservation Authority
Education Review Office	Environmental Protection Agency
Government Communications Security Bureau	Health Promotion Agency
Inland Revenue Department	Health Research Council of New Zealand
Land Information New Zealand	Health Sponsorship Council
Ministry of Business, Innovation and Employment	Housing New Zealand Corporation
Ministry for Culture and Heritage	Maritime New Zealand
Ministry for the Environment	New Zealand Antarctic Institute
Ministry of Defence	New Zealand Blood Service
Ministry of Education	New Zealand Fire Service Commission
Ministry of Foreign Affairs and Trade	New Zealand Qualifications Authority
Ministry of Health	New Zealand Tourism Board
Ministry of Justice	New Zealand Trade and Enterprise
Ministry of Maori Development Te Puni Kokiri	New Zealand Transport Agency
Ministry for Primary Industries	New Zealand Walking Access Commission
Ministry of Pacific Island Affairs	Pharmaceutical Management Agency
Ministry of Social Development	Real Estate Agents Authority
Ministry of Transport	Social Workers Registration Board
Ministry of Women's Affairs	Sport and Recreation New Zealand
New Zealand Customs Service	Tertiary Education Commission
Serious Fraud Office	
State Services Commission	
Statistics New Zealand	
The Treasury	
<u>Non Public Service Departments</u>	
Office of the Clerk of the House of Representatives	
New Zealand Defence Force	
New Zealand Police	
New Zealand Security Intelligence Service	
Parliamentary Counsel Office	
Parliamentary Service	