

# **ADMINISTRATIVE AND SUPPORT SERVICES BENCHMARKING REPORT**

**PROPERTY MANAGEMENT PERFORMANCE FINDINGS  
FY 2011/12**

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# 1. COMMENTARY

David White, Director, Government Property Management Centre of Expertise

## Commentary

**In April 2011, Cabinet established the Property Management Centre of Expertise (PMCoE) within the Ministry of Social Development to provide leadership, support and guidance for all public sector departments and Crown agents.** The PMCoE operated on this basis, publishing Property Management Guidelines 2011, until the State Services Commission launched the Better Public Services programme in 2012 and announced the Ministry of Social Development Chief Executive as the Functional Leader for Property.

**The PMCoE delivers the mandate of the Functional Leader for Property.** Mandated by Cabinet across office accommodation and public interface property, and reporting to the Head of State Services, the Functional Leader will:

- Develop strategies, principles, standards, tools and processes for use in relation to property across the state sector,
- Approve the acquisition or disposal of all leased or owned accommodation,
- Undertake all-of-government procurement for property related goods and services,
- Manage the property management function of some agencies,
- Launch and operate a centralised information database supporting management of leases, assets, facilities and workplace,
- Provide a brokerage service to align agencies with available space in other sites already leased,
- Optimise the Crown office accommodation and public interface property space,
- Publish the Crown Office Estate Report annually.

## Commentary

**The PMCoE will continue with some current practices, such as providing shared space online as an informative community for state sector property teams and supporting agencies during change in property portfolios.** Significant change will occur however, in strategy and the workplace. The PMCoE will deliver a National Property Strategy outlining key strategic objectives for the national Crown portfolio, Workplace Principles which set the expectation of agencies in the design and use of the workplace, and Workplace Standards & Guidelines which will establish specific standards to be applied to all office accommodation and public interface properties.

**This centralised strategic approach means both the state sector, and the marketplace, know what is expected within the portfolio and can plan accordingly.** This approach will deliver some key benefits:

- Drive efficiency through property, including savings through reduction of property footprint,
- Enhance the state sector ability to adapt to change with minimal cost and disruption,
- Enable access to people, information and amenities; increasing engagement and openness,
- Achieve consistency of workplace quality; with common efficient design, and
- Provide safe, healthy and secure working environments for staff.

**The PMCoE is developing strategies, principles, standards, tool and processes.** A full work programme will be implemented across the state sector throughout 2013.

## Commentary

**The PMCoE, supporting the Functional Leader for Property, works closely with the other Functional Leaders to maximise opportunities for integration in each Leader's programme.** The capability of the property teams within agencies is key to PMCoE delivering Cabinet's mandate for the Functional Leadership. Already in engagement and consultation with agencies, PMCoE will continue this and is planning a capability programme focussed on identifying opportunities for agency property team staff to up skill and build knowledge.

**PMCoE initiatives have numerous benefits.** These include providing more transparent information on the Crown property portfolio, providing a more coordinated and effective partner for the private sector to deal with, and helping agencies attract and retain quality staff. As part of the expanded role, the PMCoE will be operating an integrated workplace management system for all departments and crown agents. This system will enable a greater level of reporting and performance measurement of property metrics. This system will be utilised to provide information to report on BASS measures, as well as the PMCoE Crown Office Estate report.

## **2. HIGHLIGHTS**

## Highlights

**FY 2011/12 Property expenditure of \$285.8m is up \$1.7m (or 0.7 percent) from FY 2009/10 when adjusted for inflation.** Agencies that experienced the largest cost increase cited organisational mergers as the key reason.

**Agencies reported efficiency gains over the three reporting periods, but there is potential for \$74.1 million to be saved annually by agencies moving to demonstrated best practice.** NZ agencies reported a reduction in the property cost per FTE (down by \$301), and reported a reduction in the total office accommodation to 20.6m<sup>2</sup> per FTE. However, \$60.8 million would be saved annually if all agencies above 16m<sup>2</sup> per FTE moved to that target (conservative NZ target) and \$116.0 million would be saved annually if all 29 agencies above 12m<sup>2</sup> per FTE moved to that target (aggressive NZ target).

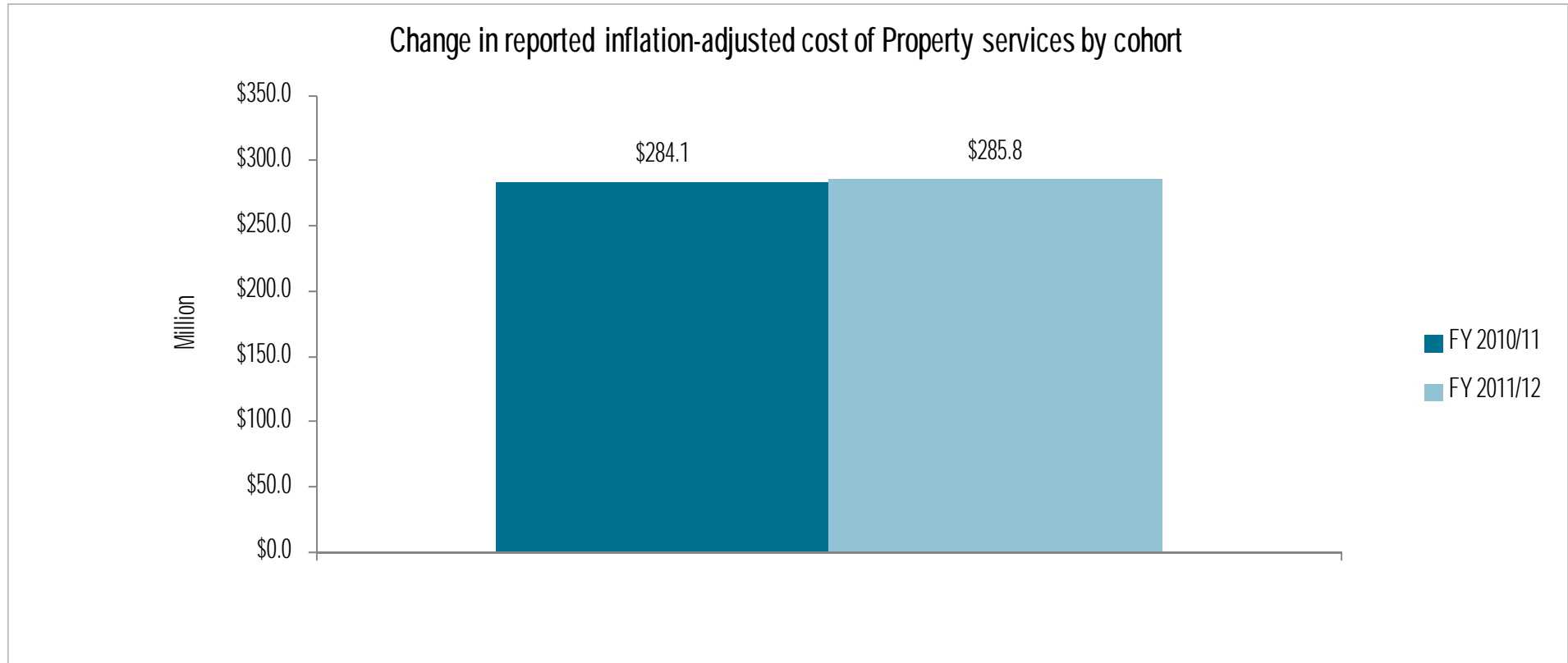
**Overall MPI scores are higher than in FY 2009/10, but variability across agencies suggest opportunities to leverage best practice.** One area of management practice in particular has remained low over the three reporting periods. In FY 2011/12 only 25 percent of agencies answered yes to the following statement: The organisation performance manages the value for money of assets by challenging, managing, benchmarking and monitoring targets for improvement. This is down from 33 percent of agencies in FY 2009/10.



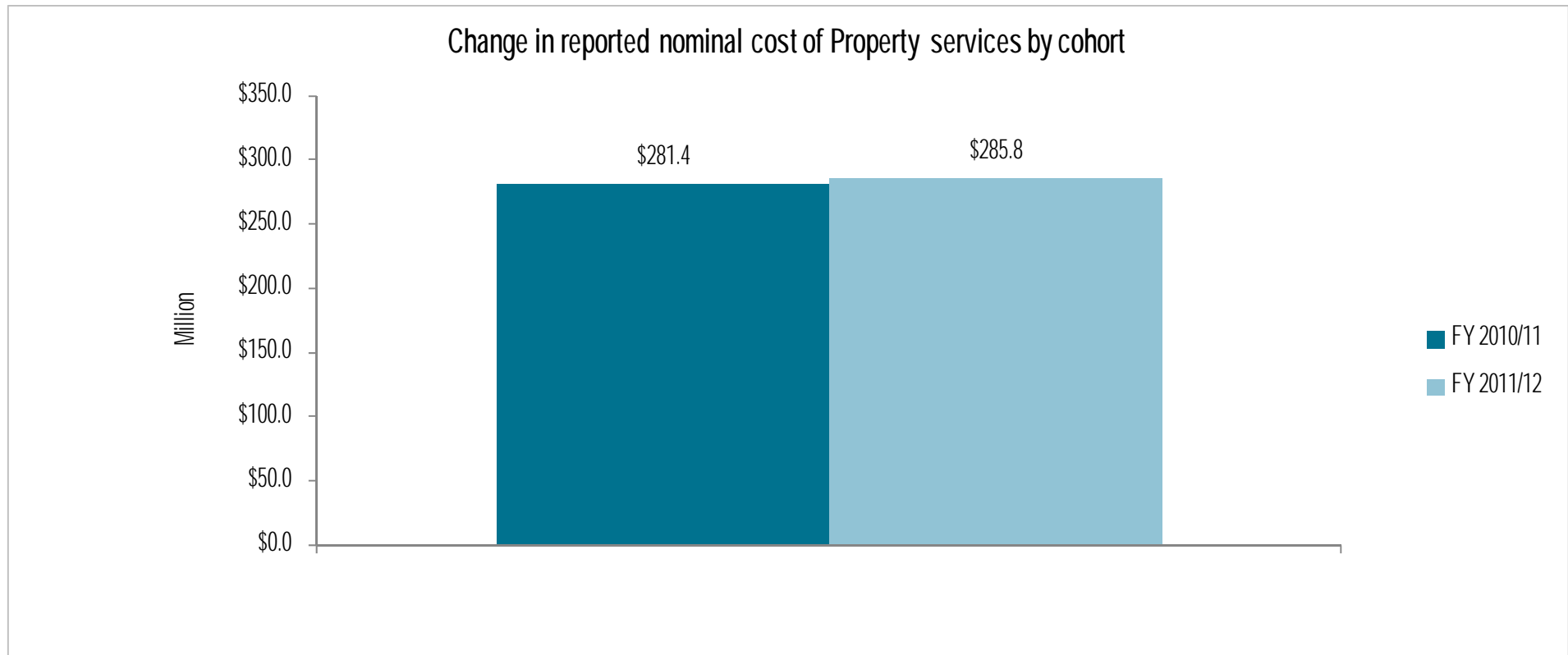
## **3. COST**

Cost findings include total spending overall and by cohort. This section also provides information about changes in spending since the previous reporting period both in nominal and inflation-adjusted terms.

**Agencies spent \$285.8m on the Property function in FY 2011/12, which is up \$1.7m (or 0.7 percent) from FY 2010/11 when adjusted for inflation**



**Agencies reported a nominal spending increase of \$4.4m (or 1.5 percent) since FY 2010/11**

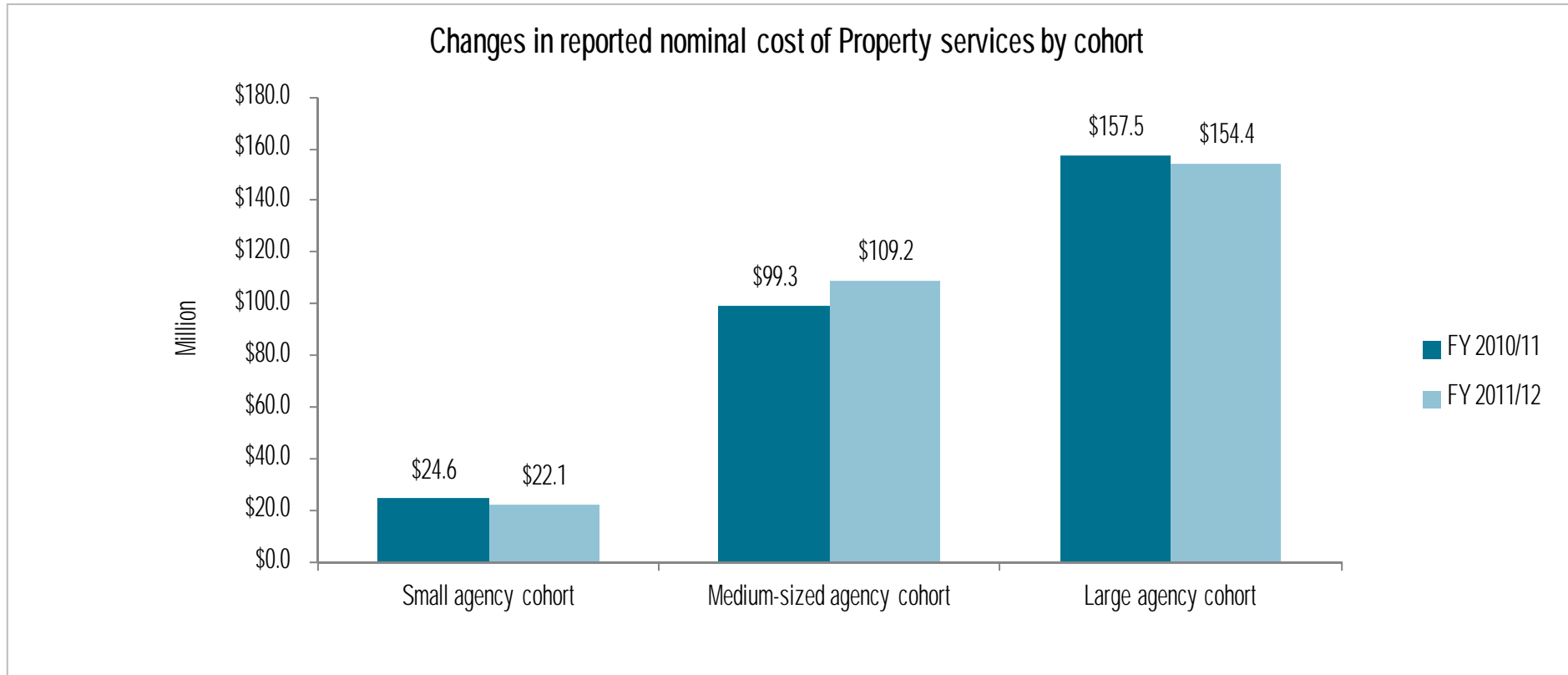


## **A net spending increase of \$4.4m results from 12 agencies spending \$15.1m less and 17 agencies spending \$19.5m more than in FY 2010/11**

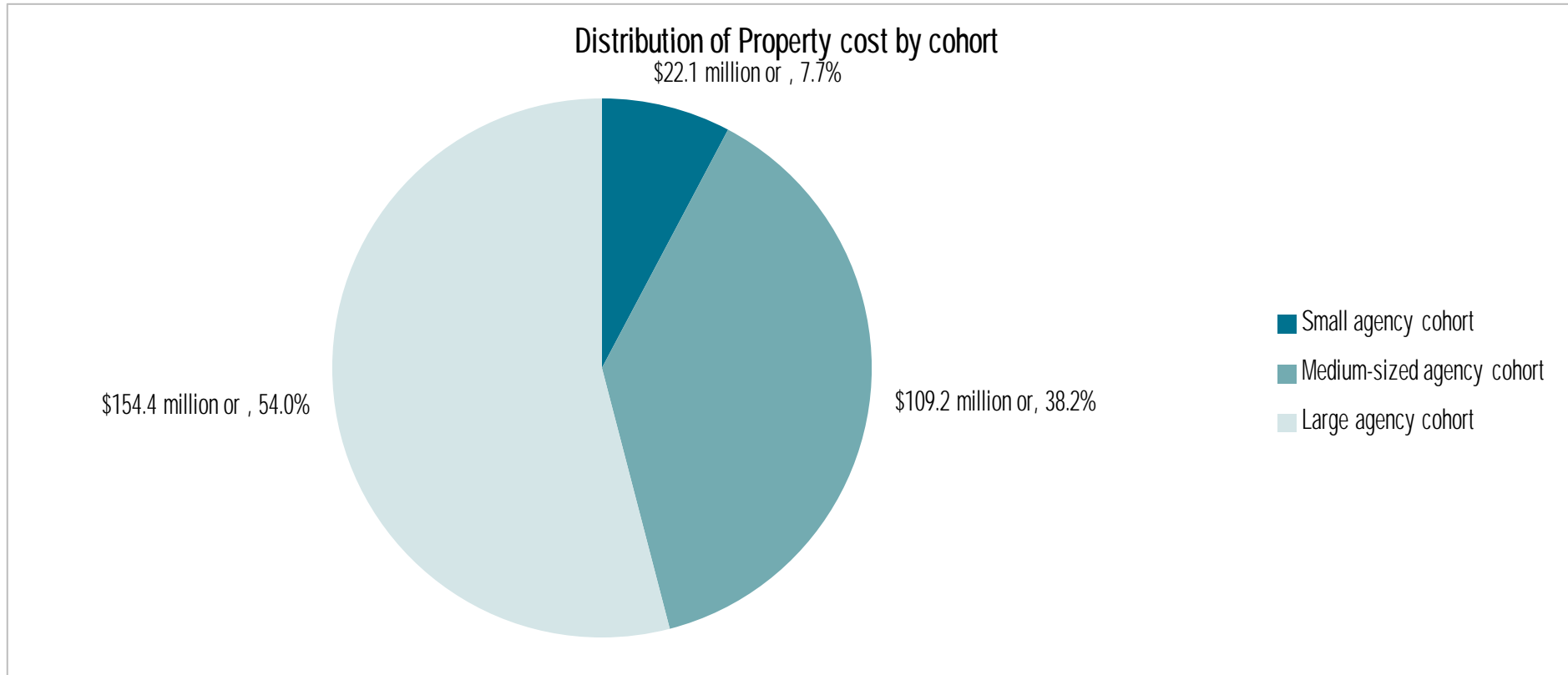
12 agencies reported a collective reduction of \$15.1 million. Two of these agencies contributed a reduction of \$12.7 million (or 84 percent) of the total reported reduction. For those agencies with the most significant reductions in spend on property, the key reason cited was the end of leases, as office space was reduced and property assets consolidated.

17 agencies reported a collective increase of \$19.5 million. Three of these agencies contributed \$13.4 million (69 percent) of the total reported increase. The key reason cited by agencies reporting the largest increase in spend on property was organisational mergers, resulting in increases in lease costs since the previous reporting period.

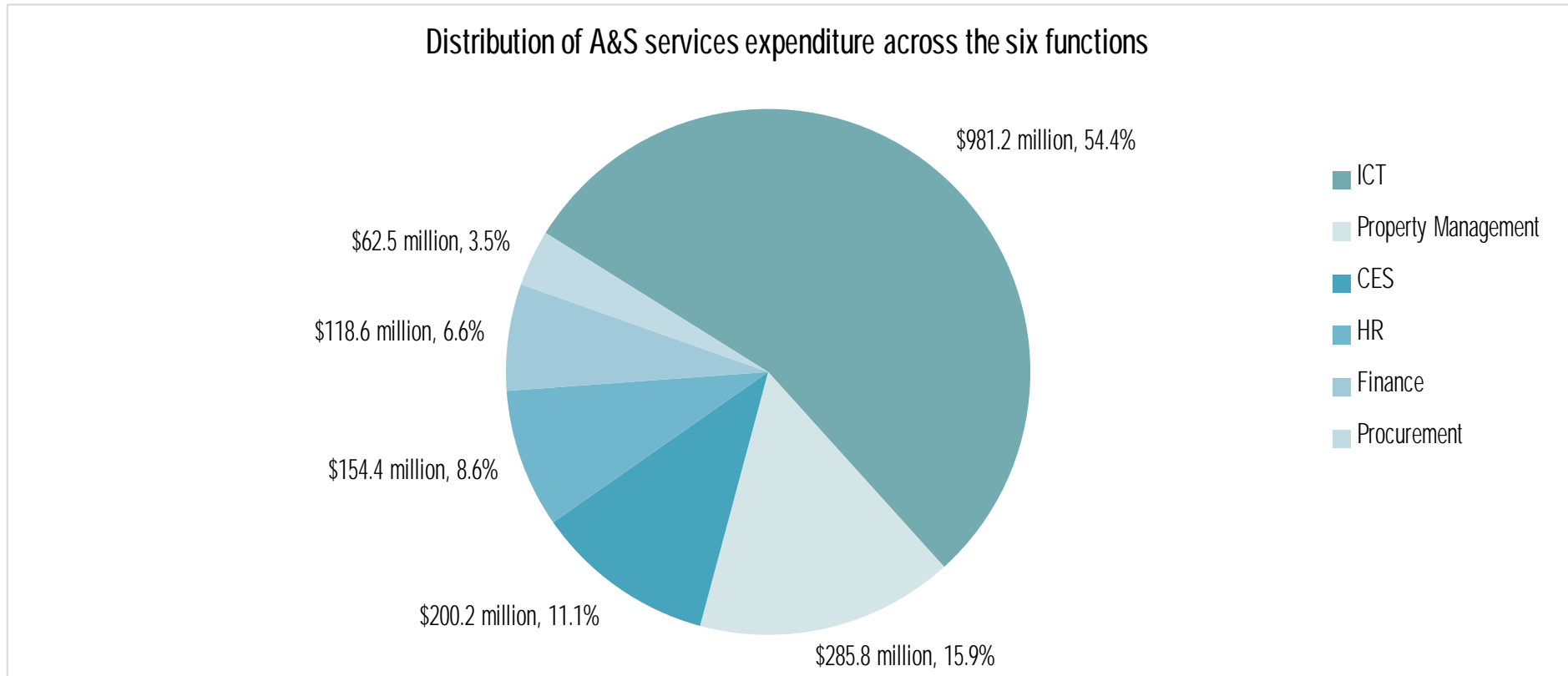
## The small and large agency cohorts have reported overall reductions in Property expenditure since FY 2010/11



## The medium-sized and large agency cohorts make up 92.3 percent of reported Property expenditure



## Property makes up 15.9 percent of A&S service spending, making it the second largest function by reported expenditure

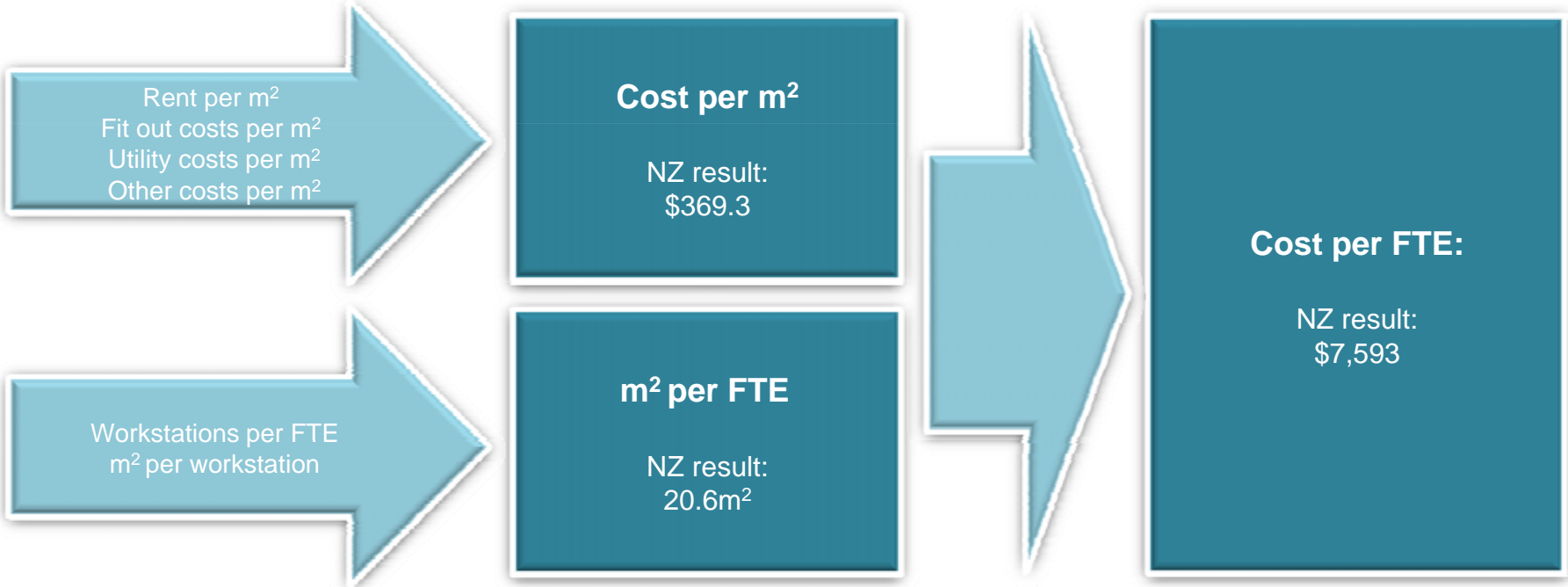


## 4. EFFICIENCY

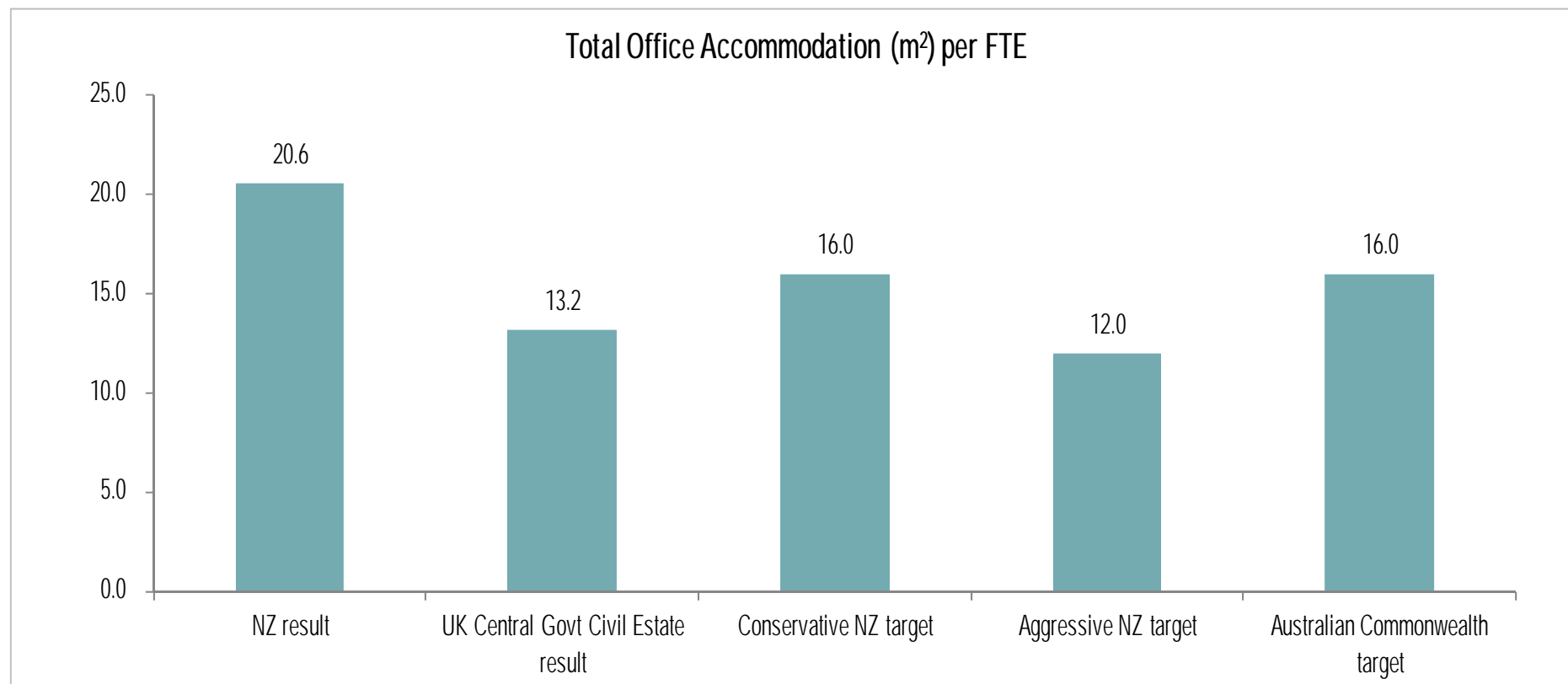
Efficiency findings report on the ratio of input to output (or the use of resources in a manner that minimises cost, effort, and time) as well as opportunities for efficiency gains and their implications for gross savings. This section also compares cohort efficiency with international comparators and examines changes in efficiency since the last reporting period, adjusting for inflation as appropriate. The key efficiency metric is property cost per FTE, where a lower cost is considered more efficient. Two other efficiency metrics drive property cost per FTE: total office cost per m<sup>2</sup>, where a lower cost is considered more efficient and office accommodation per FTE, where a lower m<sup>2</sup> is considered more efficient.



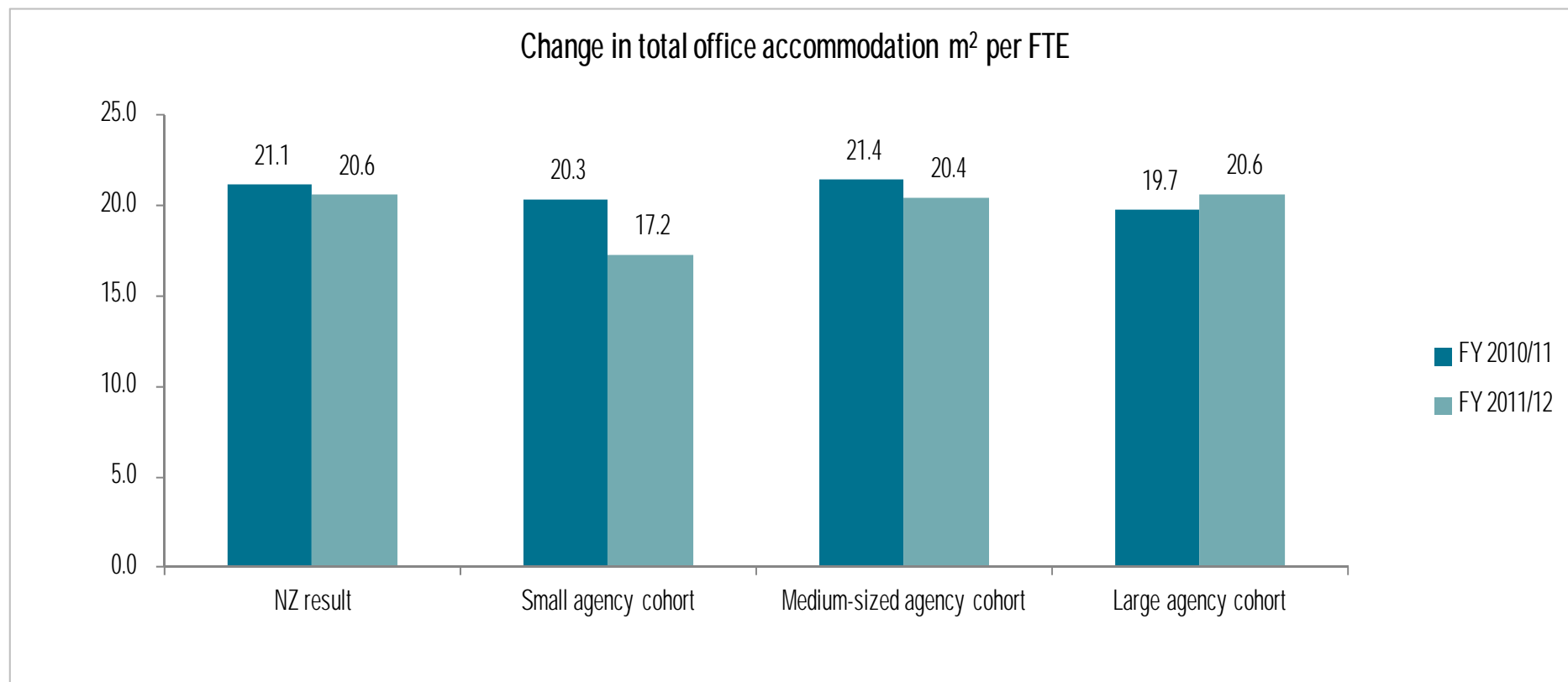
**New Zealand Property efficiency findings for FY 2011/12 are based on the three metrics shown in the boxes of the figure below**



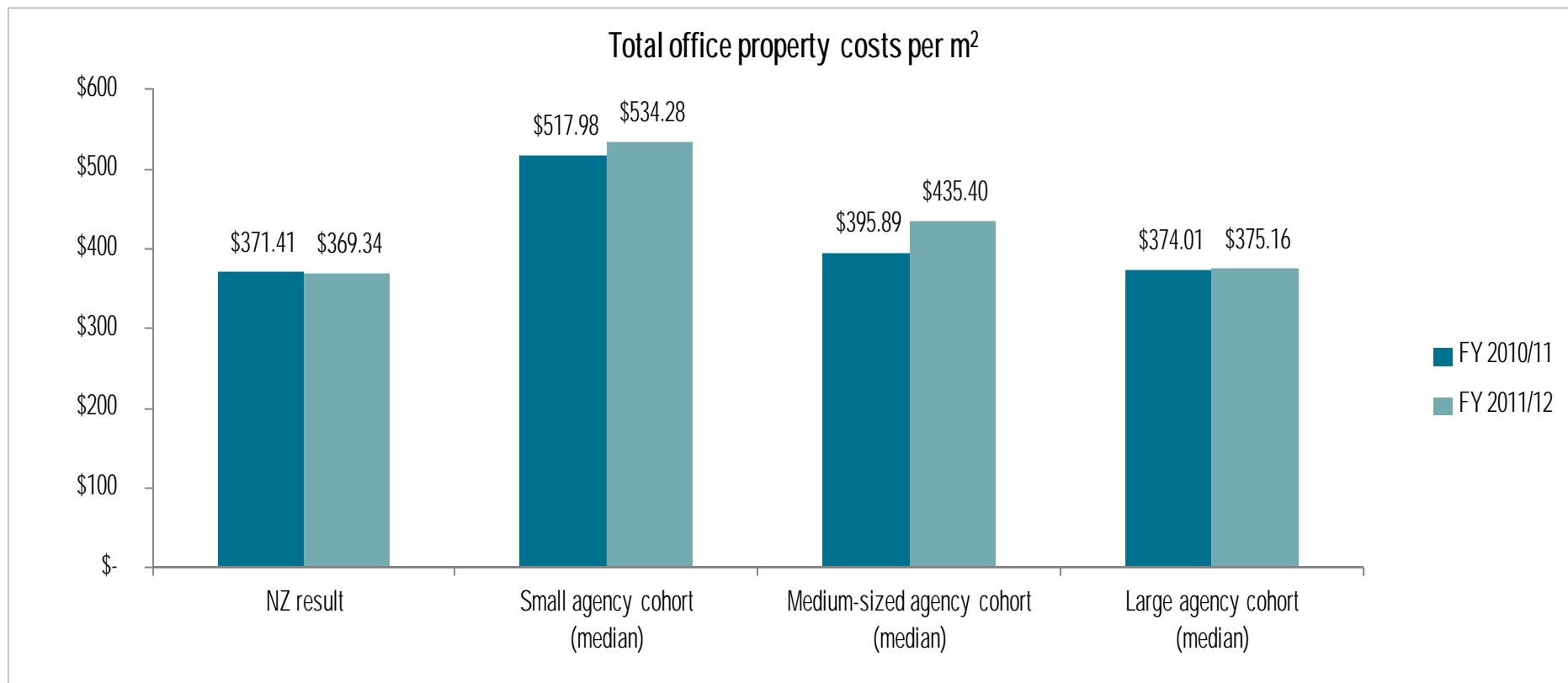
## At 20.6 m<sup>2</sup> per FTE, NZ agencies are not efficient relative to international comparators and targets



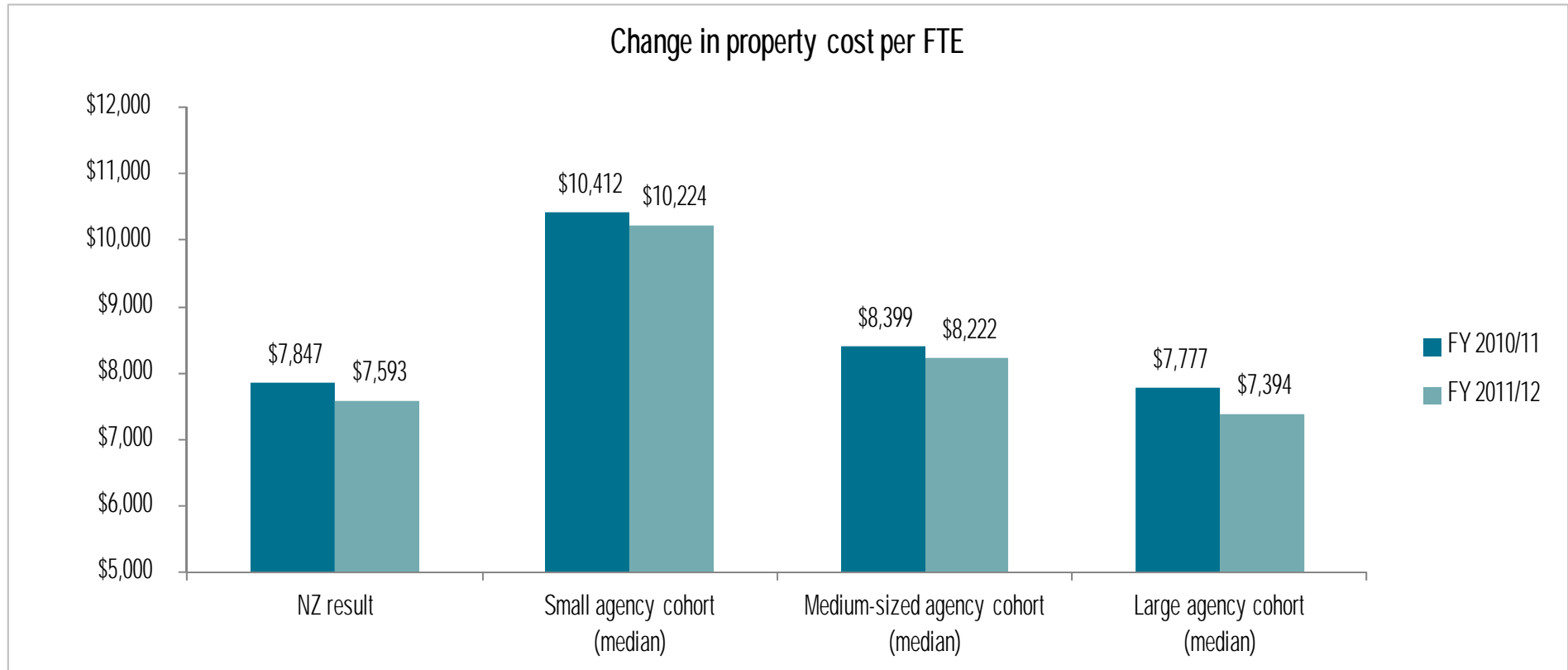
## Overall m<sup>2</sup> per FTE has reduced since FY 2010/11, driven by changes in the medium-sized and small agency cohorts



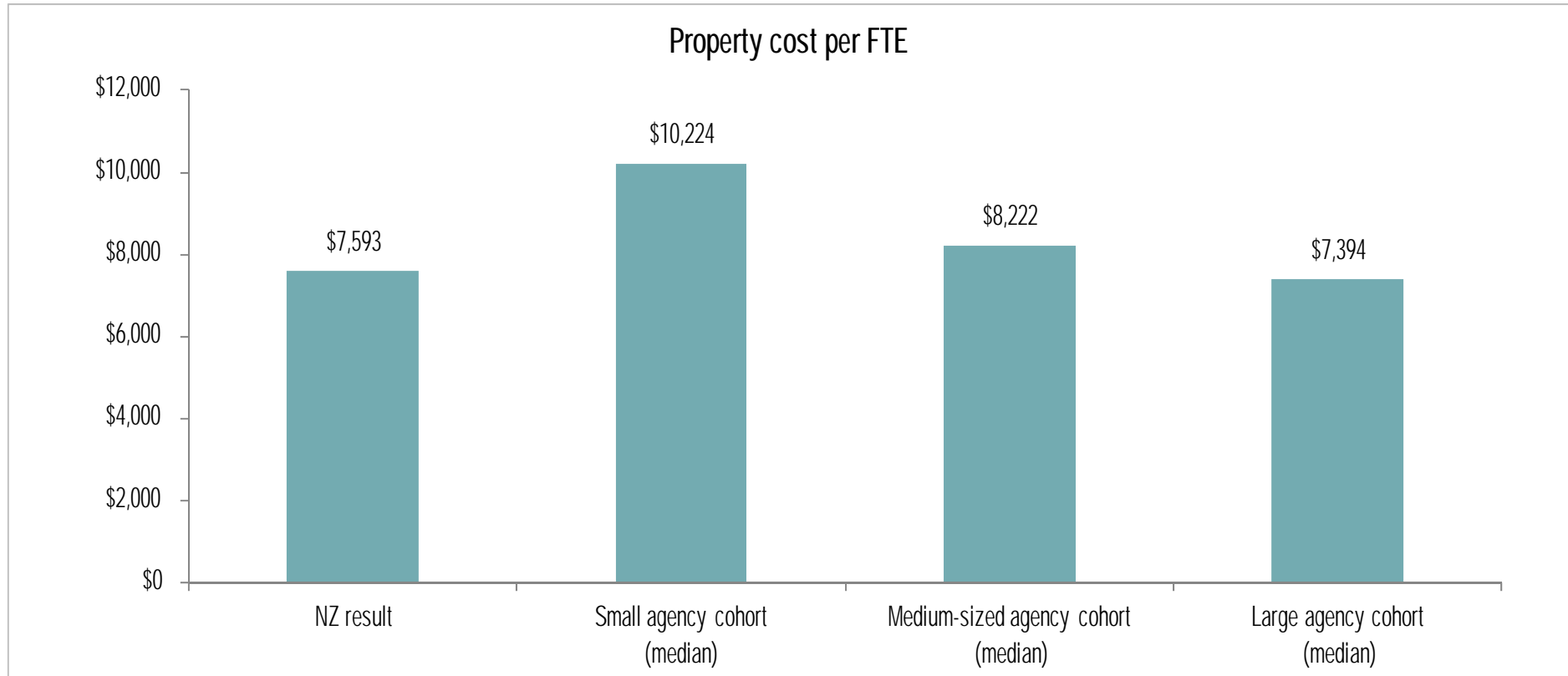
## Overall, efficiency measured by cost per m<sup>2</sup> remained flat over the two reporting periods



**Overall the total property cost per FTE has reduced since FY 2010/11 by \$254 or 3.2 percent**

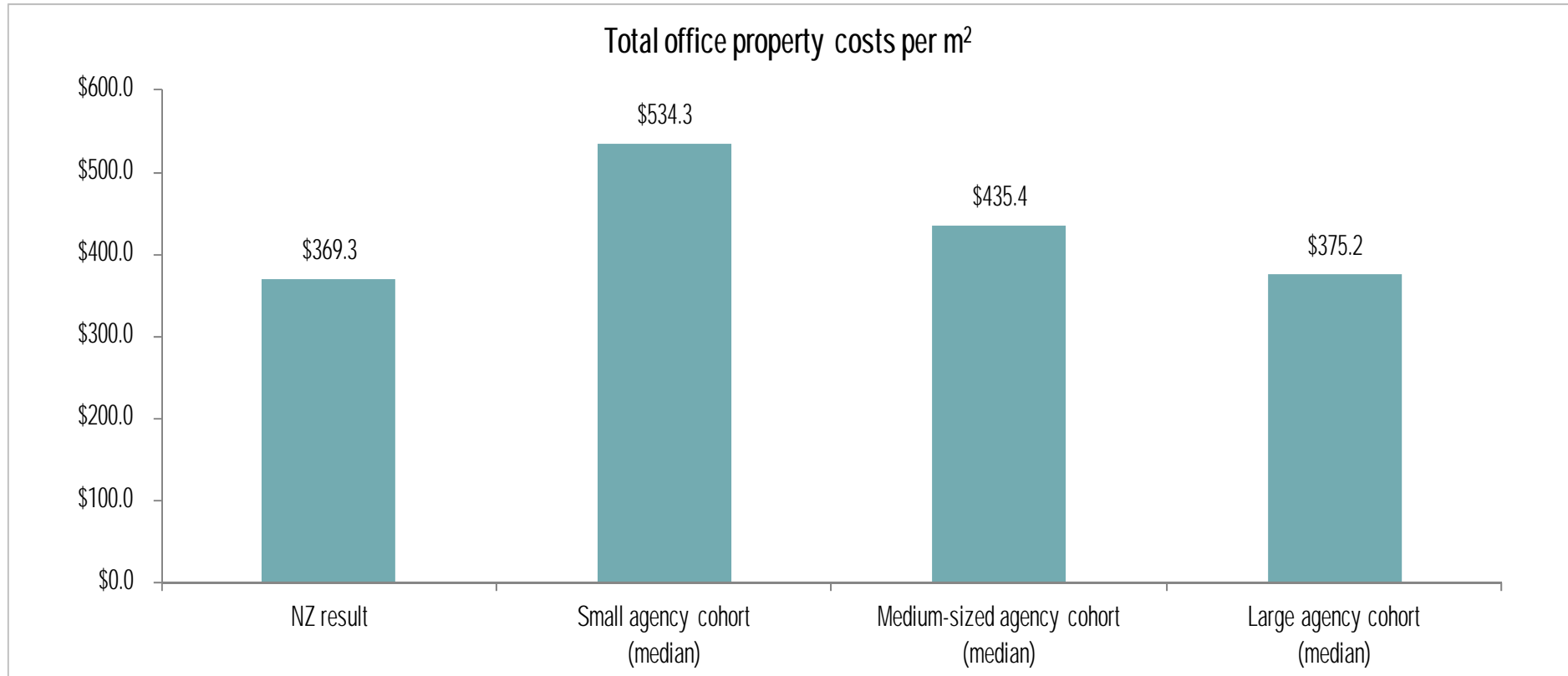


## The large agency cohort demonstrates stronger property efficiency than the small and medium-sized cohorts based on property cost per FTE



This graph shows that the small agency cohort property cost per FTE (\$10,224) is 38 percent higher than the large agency cohort property cost per FTE (\$7,394), and the medium-sized agency cohort (\$8,222) is 11 percent higher.

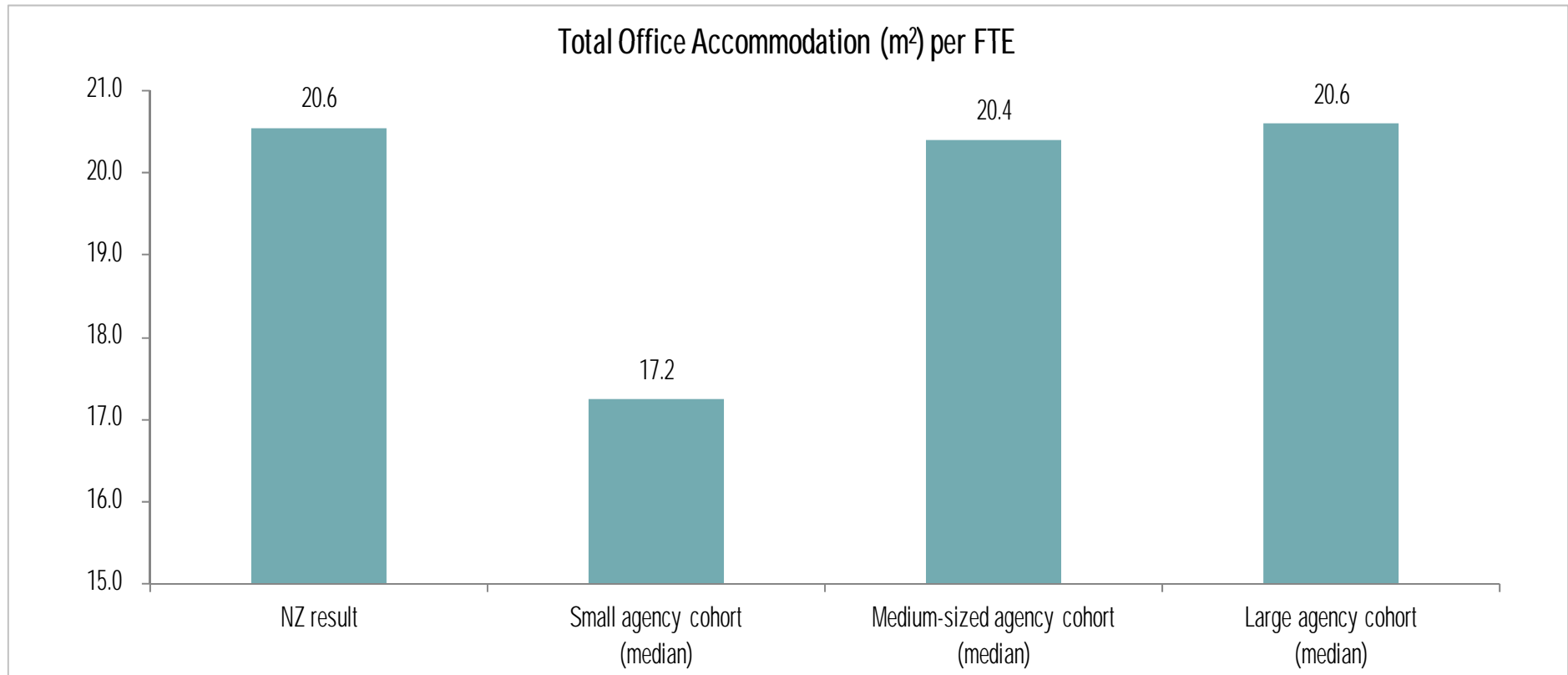
## Stronger property efficiency in the large agency cohort is driven by lower total property costs per m<sup>2</sup>



This graph shows that the median cost per m<sup>2</sup> in small agency cohort (\$534) is 42 percent higher than the large agency cohort (\$375), and the medium-sized agency cohort (\$435) is 16 percent higher.

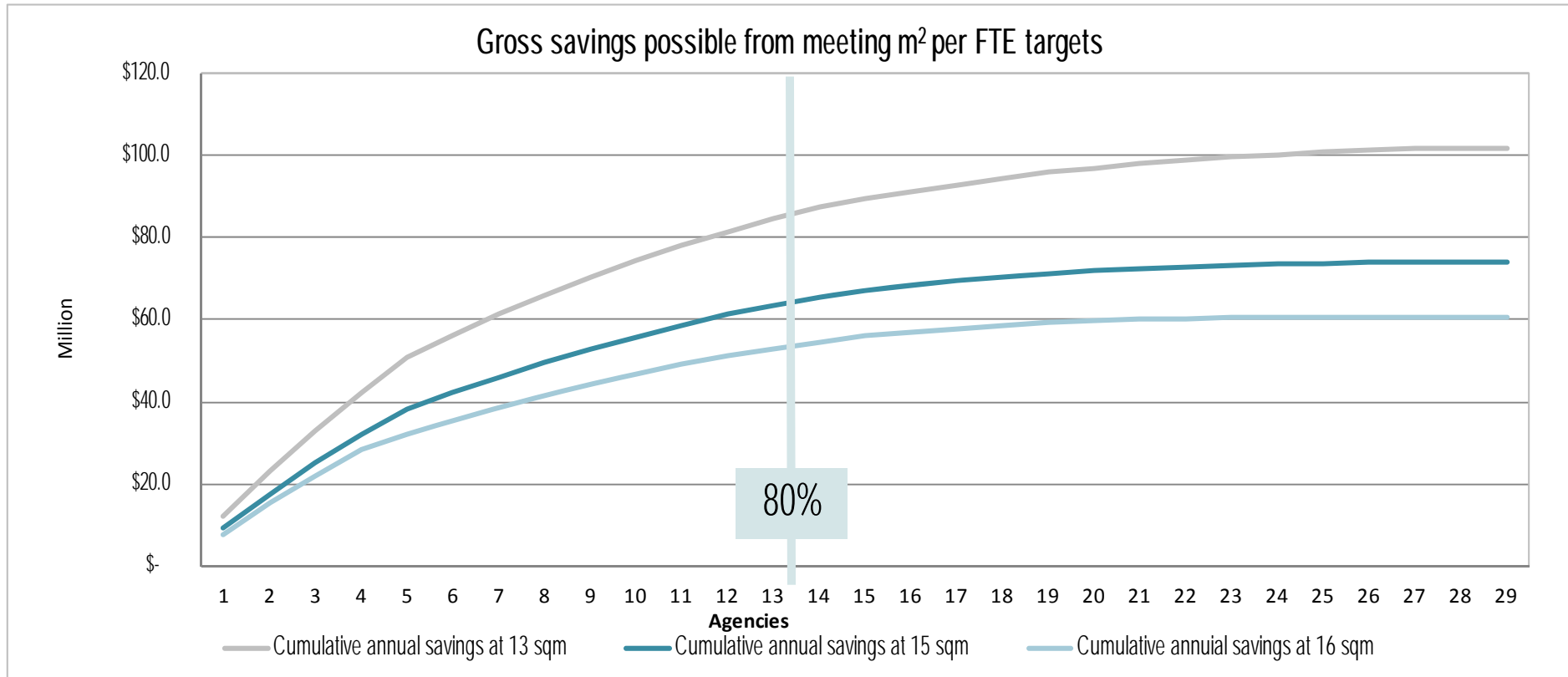
Larger agencies are more likely to have less expensive office space outside the central business districts of Auckland and Wellington and multiple buildings at different costs, giving them flexibility to locate different functions at different property costs. Smaller agencies are likely to have one central location in Wellington.

## The large agency cohort does not demonstrate greater efficiency measured by m<sup>2</sup> per FTE





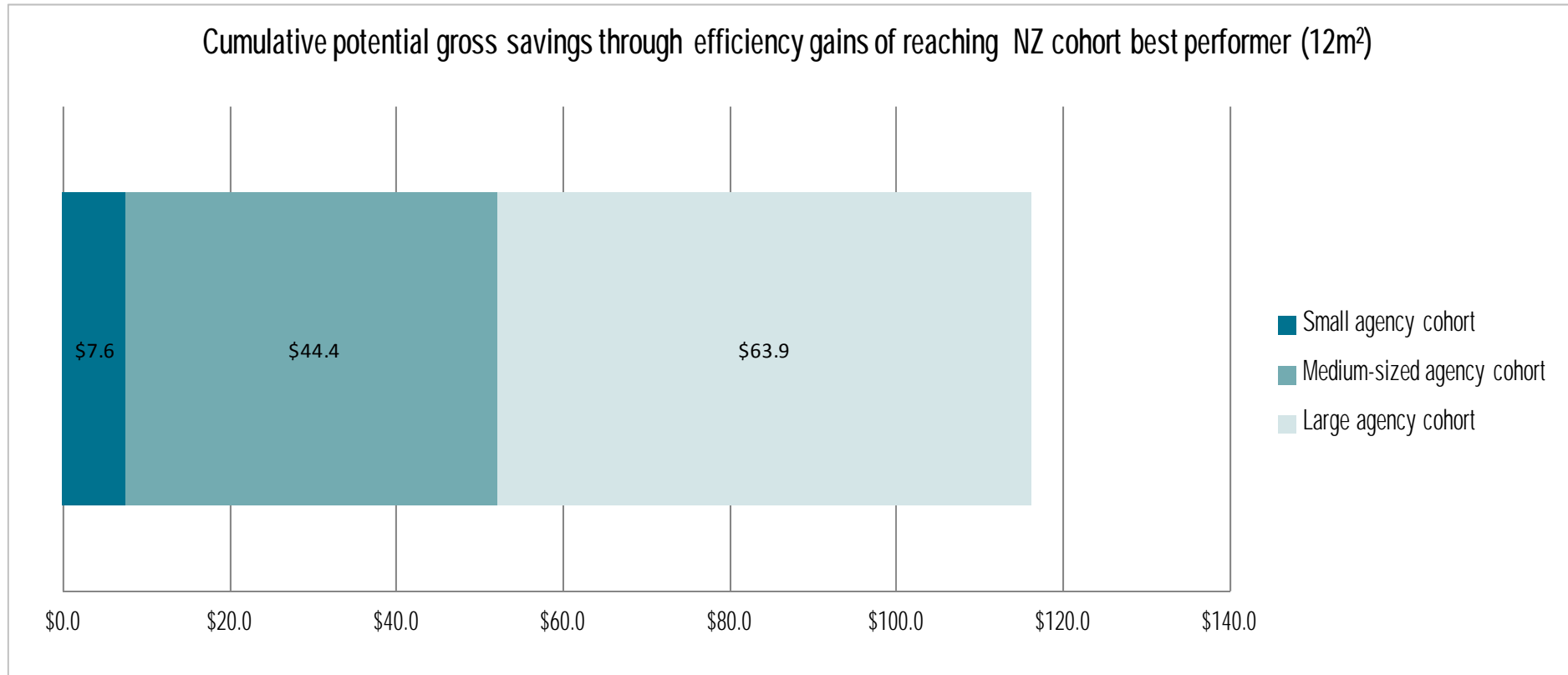
## Gross savings of \$60.8 to \$101.8m are possible if agencies pursue more aggressive targets for m<sup>2</sup> per FTE



The potential annual gross cost savings at different m<sup>2</sup> per FTE targets are:

- \$60.8 million would be saved annually if all agencies above 16m<sup>2</sup> per FTE moved to that target (conservative NZ target)
- \$116.0 million would be saved annually if all 29 agencies above 12m<sup>2</sup> per FTE moved to that target (aggressive NZ target)

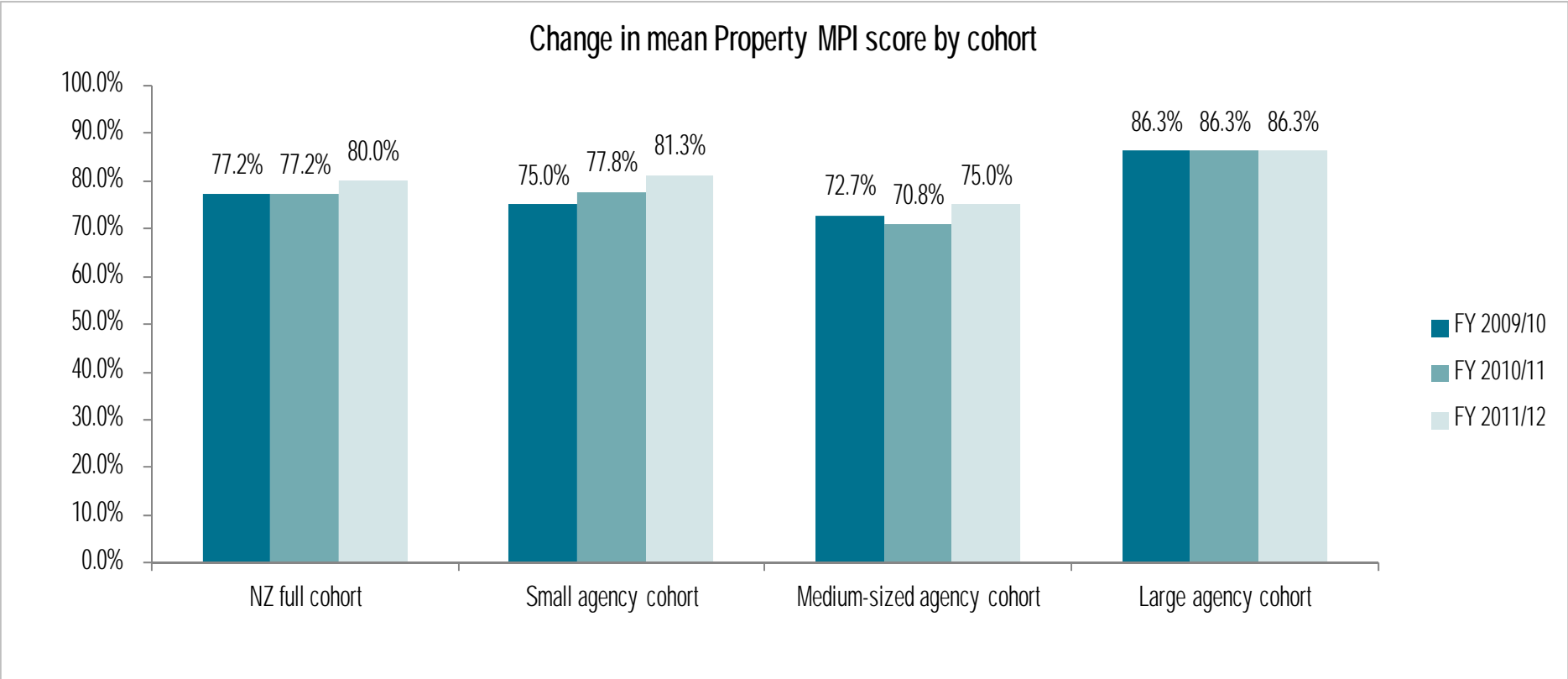
## Medium and large agency cohorts have the greatest potential for gross savings



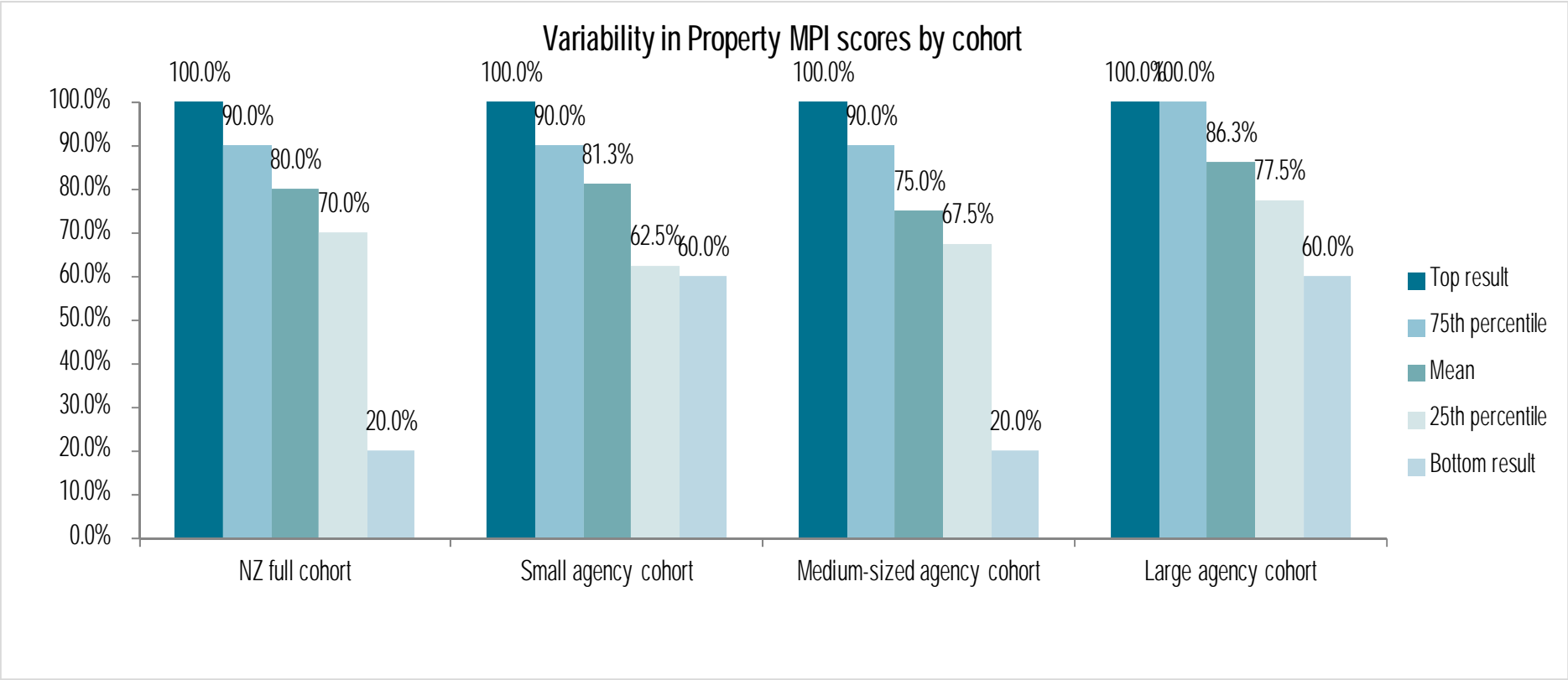
## **5. EFFECTIVENESS**

Effectiveness findings report on the extent to which property management activities achieve intended or targeted results. They compare NZ agency effectiveness with international comparators and examine changes in effectiveness since the previous reporting period.

# Overall, the mean property MPI has increased slightly since FY 2009/10



**There is considerable variability in MPI scores across all cohorts, suggesting opportunities for agencies to learn from each other**



## Opportunities to improve effectiveness

**A closer look at the most common missing elements of property management practice indicates a need for more robust performance measurement and greater collaboration among agencies**

- Only 25 percent of agencies reported having property management functions that manage the value for money of assets by challenging, managing, benchmarking and monitoring targets for improvement or that use asset management performance indicators to track performance. This is down from 26 percent in FY 2010/11.
- Only 76 percent of agencies reported having a property management function that has comprehensive information on assets which support strategies and decision-making on investment and disinvestment. This is down from 80 percent in FY 2010/11.

## **6. QUALITY OF MANAGEMENT INFORMATION**

These findings report on known Property data quality issues, limitations of the indicator set in providing insight into Property service performance, and opportunities for improvement. The introduction section in the summary BASS report includes common quality of management information findings across all functions that are not repeated in this chapter.

## Quality of Management Information

**Data from the PMCoE property management database has been incorporated for FY2011/12.** This has allowed the Treasury and property practitioners to improve the property metric set for FY 2011/12. The metrics remain the same as in FY 2010/11, but the BASS data has been aligned with the PMCoE definition and data.

**The quality of the data underlying the metrics is generally of a high standard, and information can be meaningfully compared.** Office space performance can be understood using a small number of recognised metrics that can be calculated with accurate data. The three primary metrics are property cost per FTE, cost per m<sup>2</sup>, and m<sup>2</sup> per FTE, and the data required to calculate these metrics can be readily obtained from tenancy agreements and basic human resources reports.

**While results are broadly comparable, results need to be understood within the context of each organisation.** Different agencies have different property needs. For example, Wellington based office operations, especially where there is a case for a CBD location, will be more costly than operations dispersed in less expensive locations around the country.



## More information

A glossary of terms, definitions and source material can be accessed via the main report, available on the Treasury website: <http://www.treasury.govt.nz/statesector/performance/bass/benchmarking/2011-12>

A full set of BASS data can also be accessed via the Treasury website:  
<http://www.treasury.govt.nz/statesector/performance/bass/benchmarking/2011-12>

Questions about the findings in this report should be directed to [BASS@treasury.govt.nz](mailto:BASS@treasury.govt.nz)