NSW Legislative Council Hansard

State Property Authority Bill

Extract from NSW Legislative Council Hansard and Papers Wednesday 24 May 2006.

Second Reading

The Hon. TONY KELLY (Minister for Justice, Minister for Juvenile Justice, Minister for Emergency Services, Minister for Lands, and Minister for Rural Affairs) [6.19 p.m.]: I move:

That this bill be now read a second time.

I seek leave to incorporate the second reading speech in *Hansard*.

Leave granted.
Honourable Members will recall that, in December 2005, the Premier announced that the NSW Government would improve the efficiency of the public sector by establishing a Property Authority to centrally manage some government property assets.

This initiative was a key recommendation of a review of the management of government property, and it was reviewed and endorsed by the independent NSW Audit of Expenditure and Assets.

The State Property Authority Bill 2006 provides the legislative basis for this significant reform.

It is one element of a broad-based plan to ensure that the NSW finances remain strong.

In contrast to other current initiatives that are focused on recurrent expenditures, this represents an initiative in the area of asset management.

I anticipate that not only will it generate significant savings, but also it will improve the support provided to those agencies engaged in front line service delivery.

The Government has, for many years, followed a "decentralized" model of property asset ownership and management. That is, individual agencies have managed the assets provided to them, including property acquisitions and disposals.

Over the eight years to June 2004, the value of Government property assets has increased by about 80%, after adjusting for inflation. Some, but not all, of this asset growth is due to recent increases in property values. Adding to this source of growth are ongoing property expenditures that have added around $1 billion or more to capital budget outlays. Property assets have, in fact, been rising faster than expenditures on the government services that they support. As a result, the services "yield" of property assets has been falling.

A recent field survey of government property found that around 60%) of Government assets (by number of sites) are "generic"—for example, depots, car parks, offices and unused land. These are unremarkable working assets that can be used by any number of agencies. The remaining 400/0 of assets are "specialised"—tightly linked to the service delivery processes of a particular agency. Specialised assets include hospitals, schools and correctional facilities. The survey identified significant opportunities for getting better productivity out of generic assets.

In contrast to the decentralised management of property, the leasing of major office accommodation for the government is managed centrally through the Crown Property Portfolio. Costs in this area have risen at only a moderate rate and each agency follows a user pays system for its office accommodation.

A number of factors are contributing to the lesser performance of the government's owned property portfolio, compared with those managed by the Crown Property Portfolio.

Agencies' top priority is—quite appropriately—service delivery. With their efforts focused in that direction, property management does not command the same attention as their primary responsibilities.

Furthermore, it can be difficult for agencies to achieve the best value from their property assets as current budgetary arrangements do not explicitly price the resources that they absorb.

Agencies may underestimate the cost of their property assets, resulting in them being underutilised. They may also be unaware that other agencies may be able to utilise particular properties more fully. These factors will contribute to the disposal of surplus assets not being given a high priority.

Outside of the Crown Property Portfolio, there are few mechanisms to facilitate cross agency sharing of property assets.

The key element of the reform package, which will come from the legislation that I am introducing into Parliament today, is the creation of a central Property Authority to manage owned property assets and to centrally manage those leased properties that lie outside the Crown Property Portfolio.

The Bill contains provisions enabling the Governor, by order published in the Gazette, to include the property of Government agencies in Schedule 1 to the Bill.

However, as previously announced by the Premier, the Authority will focus on the management of generic assets, such as offices, car parks, depots and unused land. These are properties that, because they can be used by any number of agencies, may be redeployed by the Authority where that yields a benefit.

Iconic and specialised assets, in contrast, are often closely integrated with particular service delivery activities and so cannot easily be redeployed. Common examples of these assets are schools, hospitals, national parks and correctional facilities. Because they have specialised uses, there are fewer productivity gains from "centralised" management.

By and large, these specialised assets will continue to be owned and/or managed by their respective service delivery agencies.

In developing this reform, the Government has been particularly mindful to protect those properties that are truly "precious" assets.

Section 19 of the Bill, directly excludes the Authority from dealing in National Parks and Marine Parks.

Crown land will remain under the stewardship of the Minister for lands. Where it makes sense for the Authority to own specific Crown properties, these will be transferred to it from Government agencies on a case-by case basis.
The House can rest assured that the lands reserved under the part 5 of the Crown lands Act will continue to be available for the most appropriate uses required by communities.

They will continue to be Used to deliver the variety of purposes and outcomes expected by communities, whether the land is reserved for show grounds, the scouting and girl guide movements, public reserves, car State Parks and other reserves used for community, sporting and social purposes.

Such reserved lands will only be transferred to the Authority where specific parcels have been appropriately identified by the Authority and the Minister for lands agrees to the transfer.

These may be properties that are surplus to need or, more likely, can be amalgamated with other government land to deliver improvement in service delivery for communities.

Another important set of protections provided in this legislation apply to Aboriginal land rights.

The provisions in Schedule 3 of the Bill ensures that rights to make claims under the Aboriginal land Rights Act and under the Commonwealth Native Title legislation will be unaffected merely by the act of property being vested in the Authority.

The Property Authority will allow the gradual introduction of an internal rental charging arrangement so that agencies can more easily prioritise their property needs. These charges will be fully funded for properties that are efficiently utilised.

It is important to acknowledge that the Property Authority is intended to add to measures that are already in place to promote better asset management. As part of the budget process the Government, scrutinises asset usage, including property, in the context of agencies' service delivery strategies.

Putting all generic assets together to be managed by a central Authority offers at least six important benefits to service agencies:

1. more efficient and appropriate use of property assets by agencies, thus supporting their service delivery activities;

2. more efficient access to new properties as a result of the Authority's role as a central broker of existing assets;

3. more efficient asset disposals, due to greater specialist expertise in the Authority;

4. savings in maintenance costs by aggregating work flows;

5. savings in leasing costs by extending centralised leasing arrangements to include smaller premises; and

6. improved risk management from more centralised management of maintenance.

Estimates of possible savings are, at this stage, imprecise because they will be influenced by which (and when) particular assets are vested to the Authority.

However, in broad terms, it has been estimated that recurrent savings should amount to $80 million per annum by 2009/10.

I am confident that the State Property Authority will realise economies of scale and reduced spending on new properties by better utilising existing assets.

I commend this bill to the House.