



New South Wales
TREASURY

TOTAL ASSET MANAGEMENT GUIDELINE

Office Accommodation Strategic Planning

TAM06-5 June 2007 [updated]

Office Accommodation Strategic Planning

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1 Office accommodation strategic planning within Total Asset Management

1.1 Introduction

Total asset management applies to all assets owned or controlled by an agency. However not all assets are managed in the same way. There are different risks associated with the management of different classes of assets and these assets are often managed separately. This often reflects not only the different risks but the different skills needed of those who manage particular types of assets.

General Government agencies are responsible for delivering particular services in line with Government's overarching service delivery agenda and priorities.

Agencies determine the best way to achieve Government requirements. Accordingly, their planning recognises current and future risks including changes in service demands and delivery methods, and in the level of resources available. The Government's Strategic Management Framework (accessible at Premier's Department website www.premiers.nsw.gov.au) outlines agencies' roles in Government service delivery.

Office accommodation supports operations in most agencies and is a key component of the Government's asset base. As at 2003, the NSW Government occupied approximately 1.2 million square metres of office accommodation, housing some 60,000 employees at a cost of around \$300 million per annum.

In 1997, the Government Office Accommodation Reform Program was implemented, primarily to:

- Ensure that agency accommodation requirements are consistent with their service delivery needs.
- Reduce the average utilisation of office space across the NSW public sector from around 24m² per employee at that time.
- Reduce exposure to increasing leasing costs. Accommodation costs are one of an organisation's highest recurrent expenditure items.
- Ensure that there was a coordinated approach to planning and acquiring office accommodation.

In 2005, Government adopted a new target of 17m² per employee across the whole portfolio and retained the target of 15m² per employee for new accommodation.

The program has resulted in a reduction of the average utilisation of office space to 17.44m² per employee in 2006 which is equivalent to a reduced rental exposure of \$138.6 million per year currently and accumulated savings of \$987 million since 1995.

Since 2005 the Government Asset Management Committee has adopted a revised agency portfolio average space use target of 17m² per person. All new fitouts or major refurbishments are to be designed to achieve a space use of no more than 15m² per person.

A strategic, cross-agency approach to accommodation planning and management is integral to the success of the Government's accommodation reforms. Agencies' strategies for managing their office accommodation are key enablers. These strategies are part of an agency's Asset Strategy, and should be developed at a whole-of-agency level with clear links to the agency's Results and Services Plan (RSP) to ensure a strategic approach to the management of this important resource.

Demonstrable benefits of this approach include:

- Maximising the Government's 'purchasing' power.
- Reduced overall space use of Government agencies through effective accommodation planning, minimising occupancy costs including "churn", through greater design flexibility.
- Establishing direct links between an agency's required service delivery results and accommodation requirements, to improve service delivery capability/support, including flexibility to meet the changing community needs and optimising the results of initiatives such as co-location and decentralisation.
- Greater employee satisfaction (and productivity improvement) within more intelligent working environments, specifically catering to business and staff needs, including equitable redistribution of space based on functionality rather than seniority/grade.
- Enhancing the capital value of owned stock through improving the standard of accommodation.

2 Agency roles and responsibilities

2.1 Service agencies

Treasury Circular TC 04/09 issued in 2004, reconfirms the Government's reform in asset management. These strategies cover the areas of whole-of-Government coordination, investment practices, location, regional development, space utilisation, co-location, and lease rationalisation. Agencies are required to address the implementation of these strategies in planning their office accommodation within their overall asset strategies.

General Government agencies are required to refer any proposed office accommodation changes to the State Property Authority at the earliest stage in the planning process and prior to any approach to private sector property owners or agents. This is to ensure that preference is given to surplus Government office accommodation.

General Government agencies are required to prepare annual Office Accommodation Strategies covering their office accommodation portfolio. They must also integrate the planning of office accommodation assets with the planning of all other assets in their annual TAM Strategies.

For other requirements, see Treasury Circular TC 04/09 and Premier's Memorandum 2002-09.

2.2 NSW Treasury

Treasury will review existing accommodation funding and management policies to ensure they support the objectives of best practice in accommodation planning and that all assets are planned and managed together for optimum service delivery.

Treasury will also:

- Approve all office accommodation proposals for budget sector agencies within the annual budget process; and
- Review the economic appraisals for lease versus own options for accommodation proposals for budget sector agencies.

2.3 State Property Authority

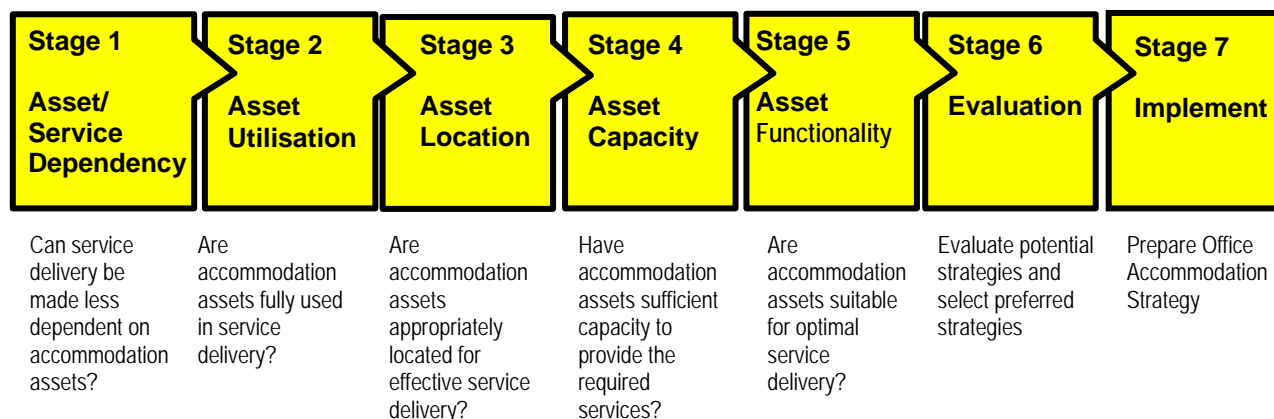
A coordinated, whole-of-Government approach is required to reduce any existing duplication and overlap of functions in the planning and management of government office accommodation. The State Property Authority is responsible for this coordination role.

It advises the Government Asset Management Committee (GAMC) on the government's current and future strategic property and accommodation needs.

Specifically, the roles and responsibilities of the State Property Authority include:

- Assisting agencies in preparing their Office Accommodation Strategies;
- Assisting NSW Treasury in:
 - reviewing agencies' office accommodation strategies and reporting progress made towards the space utilisation targets;
 - identifying the State's future and current accommodation needs from a whole-of-Government perspective through:
 - developing office accommodation strategies for Sydney CBD and regional centres;
 - considering and implementing major investment strategies; and
 - developing and monitoring benchmarks and performance standards for asset and property portfolios.
- Approving and coordinating changes to leasing arrangements including new leases and lease renewals; and
- Maintaining the Government Office Accommodation Database.

3 Office accommodation issues to consider in the Asset Strategy



3.1 Office accommodation issues

TAM emphasises that all assets should be planned jointly so that an agency has the optimal asset mix to deliver its services consistent with the resource limits in which it operates. Yet some classes of assets are singled out from others within TAM. This is particularly so with office accommodation and information and communication assets.

In both cases whole of government regulations have been developed to direct their overall planning and in both cases third parties are responsible for monitoring agency planning performance against government expectations. Thus both office accommodation and ICT assets must be planned and managed in accordance with the whole of government regulations governing them, and with consideration for all other agency assets.

Integrating the planning of all assets within TAM promotes the breakdown of agency silos responsible for management of particular types of assets. It requires the co-operation of people with specialist skills, including for office accommodation, a detailed knowledge of the accommodation portfolio.

The TAM Guideline “Asset Strategic Planning” should be consulted regarding development of an asset strategy for all asset types including office accommodation. An Asset Strategy should be prepared for a minimum four year time frame (the current year plus three years out) and should be reviewed and updated as situations change over time. The Strategy should include longer term planning with such details as lease dates and rent review dates being included.

Forward planning ensures:

- where possible, suitable vacant Government space is utilised as it becomes available;
- sufficient time is allowed for the planning and implementation of accommodation changes; and
- ongoing evaluation of leases against current and future market trends to achieve the best long term financial performance.

3.2 Service delivery considerations

A well-defined and comprehensive RSP together with appropriate service delivery related corporate planning documents are essential to the development of a meaningful and effective Office Accommodation Strategy. These must specify the services to be provided in sufficient detail to assess office accommodation options against each service delivery component and should:

- define the agency’s core business and services it intends to deliver, examine service delivery methods and determine the most efficient and cost effective means of service delivery;
- show the agency organisational structure together with client and other major stakeholder relationships;
- broadly define the resource requirements (human, IT and financial) of the agency and/or its various divisions/business units together with the associated overall accommodation needs; and
- establish the key accommodation issues based on the agency's and/or its divisional/business unit accommodation needs as well as its corporate objectives.

Criteria should be developed for assessing existing accommodation for its suitability to support service delivery objectives. This suitability will be expressed as a performance gap between existing accommodation and what is required. It should be measured at each step in the framework (eg; location, capacity, functionality etc.).

This gap analysis should also highlight areas of waste, (such as under-utilisation of space or payment of rents above market value), and clarify opportunities for improving performance.

An agency's future direction is influenced by a number of factors including budgetary constraints, advances in technology, Government initiatives or changes in legislation etc. These factors impact on the way an agency delivers its services and need to be taken into account when determining future accommodation requirements.

The facilities planning procedure is provided at the Government Asset Management Committee (GAMC) website (www.gamc.nsw.gov.au) for use by agencies and as a structured basis for reporting accommodation analysis undertaken as part of this strategy.

3.3 Asset/service dependency

Can Service delivery be made less dependent on assets?

Opportunities for reducing dependency on accommodation assets may exist through utilisation of non-or less-asset intensive solutions and/or cross-agency asset sharing.

Non-or less-asset intensive solutions to office accommodation could involve employment of:

- New and innovative workplace strategies such as shared office spaces, hotelling, telecommuting, etc. in addition to traditional open and closed office layouts; and
- Information kiosks or call out centres or the out-sourcing of some service delivery functions.

Strategies such as telecommuting will also impact on ICT requirements and on the type of buildings agencies require.

Cross-agency asset sharing involves joint use of:

- IT systems and administrative functions (shared service centres), and/or
- Accommodation spaces such as conference facilities, educational facilities, etc.

The Government Office Accommodation Workspace Guidelines (www.gamc.nsw.gov.au) provide descriptions of a range of workplace strategies and selection criteria.

Before implementation, any options for reducing dependency on office accommodation assets should be assessed with respect to total economic advantages, demand for other resources, the need for inter-agency agreements, and the impacts on service delivery.

3.4 Asset utilisation

Are assets fully used in service delivery?

Office accommodation utilisation is concerned principally with the assessment of floor space requirements. Critical questions that need to be asked include:

- Does floor space utilisation meet the Government's overall targets (see Section 1.1)
 - If above the targets, can it be reduced?
 - If at or below the targets is it overcrowded and/or does it meet occupational health safety and rehabilitation (OHS&R) and building code of Australia requirements?
- Is there vacant space or can it be created by better use of existing space?
 - If so can it be sublet?
 - If not can it be reorganised so that part of it can be sublet?
- Is office space being used for items that can be stored off-site?

Where unplanned surplus accommodation space is identified, it can be:

- Utilised to improve or enhance service delivery, providing this can be achieved in an efficient and effective manner.
- Allocated to other agencies via cross-agency asset sharing arrangements.
- Disposed of by way of sale or sub-letting arrangements.

It will not always be possible or desirable however, to utilise or dispose of surplus accommodation space. When this is evident an agency may elect to continue supporting surplus assets but to review the situation regularly for future opportunities.

Agencies are required to notify the State Property Authority of any vacant or surplus office space in their portfolios. Through its role of coordinating leases across the State, the State Property Authority will be able to assist agencies in backfilling the space.

3.5 Asset location

Are assets appropriately located for effective service delivery?

The location of offices should support the core business of the organisation by identifying the clients and employees, and where they come from and how they travel.

The impact of office accommodation location varies with the type of services provided. Services that require personal contact or emergency response are obviously more sensitive than administration or information services.

Current developments in information technology can potentially reduce sensitivity to location by allowing more service interface to occur at remote locations electronically.

There is potential for a wide range of Government charges to be paid by telephone or internet. Many government issued licences can now be issued remotely. Market and weather information for farmers could be provided by the Internet reducing reliance on access to field offices.

Changing demographics in the demand for Government services may also indicate the need to relocate office accommodation.

One important initiative to be considered when developing accommodation strategies is the Government's commitment to investigating regional development opportunities. If a whole agency cannot be relocated from the Sydney metropolitan area, jobs may still be able to be moved to regional centres.

The *Government Office Accommodation Reform Program* requires agencies to annually test the viability of relocating to regional areas as part of their accommodation planning process. The test should examine whether:

- The agency provides services critical to regional business development;
- There is scope to place staff at regional locations;
- Any withdrawal of agency staff from regional locations will affect service quality to clients or the regional labour market;
- Agency activities are similar to prospective private sector activities in regional locations; and
- There is scope to place staff in regional locations to complement private sector developments.

3.6 Asset capacity

Have accommodation assets sufficient capacity to provide the required services?

Office accommodation capacity relates to the size of the accommodation and whether it is sufficient for the agency to deliver its services satisfactorily. It is also concerned with compliance of the accommodation with OHS&R and Building Code of Australia requirements. The demand for services as defined in the RSP and appropriate planning documents will determine required accommodation capacity.

Peaks and troughs in the demand for services along with their timing will also affect accommodation capacity requirements.

The nominal area requirements should be calculated in accordance with the [Government Office Accommodation Workspace Guidelines](#) (see www.gamc.nsw.gov.au). These area requirements are also to be calculated three years in advance based on the projected staff numbers.

As with every step in the framework, the required office accommodation capacity can be met either by adjustments to the accommodation portfolio or by changing the way in which services are delivered to make better use of the existing office accommodation.

3.7 Asset functionality

Are accommodation assets suitable for optimal service delivery?

Office accommodation functionality is concerned with the degree to which the accommodation is suitable for the delivery of the service it is intended to support.

For example, while older office accommodation buildings may meet their intended capacity, location utilisation and service delivery requirements, their heating, cooling, insulation, lighting, ventilation, etc, functions may not satisfy currently accepted service delivery standards regarding comfort.

Other questions that need to be asked in assessing office accommodation functionality include:

- Does the accommodation meet the agency's predetermined building selection criteria?
- In leased accommodation is the rental consistent with market rentals and the desired image?
- Does the shape of the space allow for efficient floor layouts?

Care needs to be taken in assessing solutions to reduce office accommodation functionality. While replacement with newer assets may be required in some cases, many asset functionality problems can be overcome by:

- Retrofits, refurbishment or upgrades to existing assets; and/or
- Reconfiguring service delivery utilising human resources (HR) and information technology (IT) solutions.

Cost benefit analyses will assist agencies in assessing alternative solutions to office accommodation functionality problems.

3.8 Evaluating strategic options and selecting preferred strategies

Since potential strategies identified at any one stage of the Asset Strategy development may conflict with those at another, all potential strategies must be evaluated as a whole rather than separately in order to identify a set of preferred strategies.

The inherent guiding principle in the selection of preferred strategies is to maximise benefits to the agency while minimising costs (time, disruption and dollars).

Over time all agencies will experience degrees of mismatch between their service delivery needs and the office accommodation assets within their portfolios, either because of changing accommodation requirements or because of asset deterioration.

The Office Accommodation Strategy should develop a culture in agencies that contemplates changes to their accommodation portfolios only when:

- Deterioration of an asset to the point where OHS&R becomes compromised;
- Optimum service delivery is seriously threatened;
- Additional space is required to meet service delivery requirements;
- Floor space utilisation does not meet the Government's targets; and/or
- Office accommodation costs are significantly higher than market rentals.

3.9 Preparing the office accommodation strategy

The Office Accommodation Strategy should include:

- A summary of the agency's owned and leased office accommodation in accordance with the spreadsheet at Appendix A;
- The relative performance of the accommodation occupied in terms of space utilisation and rental costs per person;
- An assessment of existing service delivery methods and whether they will continue to be appropriate to meet your agency's corporate objectives;
- An examination of existing work practices along with the extent to which they might change and the impact this could have on office space required;
- A review of the agency's existing accommodation portfolio and its suitability to meet service delivery goals in regard to location, size, quality and cost;
- An assessment of whether leases are to be renewed or owned premises are to be retained, and if not, what action is proposed;
- The average space usage per person for the agency and where necessary the identification of strategies to meet the Government's space utilisation target; and
- A regional viability test to assess the viability of a move to regional areas.

The preparation of the final Strategy should include a commentary on the methodology with reference to policy compliance, for each stage including the needs analysis, assessment of existing accommodation and the assessment of accommodation strategies. Finally the Strategy should explain the preferred strategies proposed to meet the Government's accommodation targets.

(See Appendix B for Office Accommodation Planning Checklist)

4 Reviewing the office accommodation strategy

4.1 Office accommodation review process

Agencies' Office Accommodation Strategies are reviewed by NSW Treasury with assistance from the State Property Authority, and reported to the Budget Committee of Cabinet via the Government Asset Management Committee. As part of this review, the State Property Authority identifies the Government's current and future strategic property and accommodation needs from a whole-of-Government perspective by:

- identifying opportunities for relocating jobs/functions to regional centres; and
- analysing key performance indicators for the State's property portfolio to compare agency performance over time and identify under performing agencies and locations to be targeted for review.

The methodology used for reviewing each agency's Office Accommodation Strategy is to:

- review each plan to identify service delivery objectives, space use ratios, accommodation costs and any proposed strategies to meet service delivery goals and the Government's space use target;
- record proposed accommodation changes and/or strategies identified; and
- review agencies' responses to their regional viability tests (*see* Section 3.5).

The outcome of the review process is the development of regional/major centre office accommodation strategies, which identify how Government objectives can be achieved and what investment decisions need to be considered. These strategies are developed in line with the Premier's Department's *Regional Service Delivery Plans* and in accordance with agreed priorities and timetables. When completed, the strategies are continually updated and reviewed in line with Government priorities and the information provided in agencies' annual Office Accommodation Strategies.

Implementing these strategies will benefit agencies by delivering:

- increased service delivery through improved access to multiple Government services;
- opportunities for integrated service delivery;
- more efficient use of resources through shared facilities etc;
- improved accommodation standards/work environments; and
- reduced accommodation costs from reduced space use and increased flexibility.

Appendix B Office accommodation planning checklist

Stage 1 Assess asset/service dependency

- Examine existing service delivery methods and determine if they will continue to meet the agency's corporate objectives.
- Examine existing work practices and determine the extent to which they might change and the impact this could have on office space required.
- Identify accommodation needs consistent with the future direction of the agency and taking into account future trends in information technology, work practices and human resources.
- Establish criteria for key accommodation issues (eg. utilisation, location, capacity, functionality etc.) to assess the gap between desired and actual performance of current accommodation.

Stage 2 Assess existing accommodation

- Document scope of existing office accommodation portfolio.
- Use the criteria identified in Stage One to evaluate the suitability of existing accommodation to meet service delivery goals.

Asset utilisation

- Calculate the average space usage per person and where necessary identify strategies to meet the Government's target of 17m² per person across the portfolio.
- Determine if accommodation assets are fully utilised in service delivery.
- Identify existing and potential surplus space and determine if space can be utilised to enhance service delivery, allocated to another agency or disposed of.
- Notify the State Property Authority of any vacant or surplus space.

Asset location

- Determine if accommodation assets are suitably located for effective service delivery ie, do they support the agency's core business and needs of stakeholders and staff.
- Investigate opportunities to relocate jobs/functions to regional areas.

Asset capacity

- Determine if accommodation assets have sufficient capacity for the agency to delivery its services satisfactorily.
- Determine area requirements in line with Government benchmarks for the next three years based on projected staff numbers.

Asset Functionality

- Determine if accommodation assets are suitable for optimal service delivery eg. is rental consistent with market rentals and the desired image.
- Determine efficiency of floor layout.
- Determine if accommodation assets meet the agency's predetermined building selection criteria.
- Determine whether existing accommodation meets DDA and OH&S legislative requirements and BCA standards.
- Identify opportunities to improve functionality through retrofits, refurbishments and upgrades or through HR and IT solutions.

Stage 3 Evaluation

- Identify opportunities for change to meet the gap between existing and required accommodation.
- Determine whether leases should be renewed or owned premises retained and if not identify what action is proposed.
- Develop accommodation options in line with the Government Office Accommodation Reform Program.
- Determine preferred options.

Stage 4 Implementation

- Outline methodology with reference to policy compliance for each stage including the needs analysis, assessment of existing accommodation and the assessment of accommodation strategies.
- Identify and explain preferred strategies proposed to meet the Government's accommodation targets.

Appendix C Key performance indicators

Office accommodation

Defined Success	Performance Indicator	Basis of Comparison
Reduction in the area occupied per employee across an agency's portfolio.	Area occupied per person (m2/person)	Government benchmark target of 17m2/person across whole portfolio. 15m2/person for new tenancies.
Accommodation is provided at a cost consistent with market trends.	Cost per square metre (\$/m2)	Market rental
Reduction in the cost of providing accommodation per employee taking into account the movement in average rents.	Cost per employee (\$/person)	Trend over time (present value)