

# **ACT Auditor-General's Office**

## **Performance Audit Report**

<b>Government Office Accommodation</b>
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**Department of Education and Training  
Department of Justice and Community Safety  
Department of Territory and Municipal Services**

**August 2009**





## ACT AUDITOR-GENERAL'S OFFICE



PA08/09

The Speaker  
ACT Legislative Assembly  
Civic Square, London Circuit  
CANBERRA ACT 2601

Dear Mr Speaker

I am pleased to provide you with a Performance Audit Report titled '**Government Office Accommodation**', for tabling in the Legislative Assembly, pursuant to Section 17(5) of the *Auditor-General Act 1996*.

Yours sincerely

Tu Pham  
Auditor-General  
28 August 2009



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## LIST OF ABBREVIATIONS

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ABGR	Australian Building Greenhouse Rating
ACTPLA	ACT Planning and Land Authority
CAG	Capital Airport Group – although this is also utilised for other entities within this group e.g. Canberra International Airport and Canberra Airport Pty Limited
CMD	Chief Minister’s Department
CTL	Centre for Teaching and Learning, Stirling
DECCEW	Department of the Environment, Climate Change, Energy and Water
DET	Department of Education and Training
DHCS	Department of Disability, Housing and Community Services
ESA	Emergency Services Agency, Authority or Bureau
ESA HQ	Emergency Services Agency Headquarters
GPB	Government Procurement Board
GPG	Government Property Group
JACS	Department of Justice and Community Safety
MCO	Manning Clark Offices
OSCAR	On-line System for Comprehensive Activity Reporting
PCG	Project Control Group
PWG	Project Working Group
TAMS	Department of Territory and Municipal Services
Treasury	Department of Treasury



# **1. REPORT SUMMARY AND AUDIT OPINION**

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## **INTRODUCTION**

- 1.1 This report presents the results of a performance audit that reviewed whether ACT Government office accommodation has been strategically managed in an efficient and effective manner. The audit specifically focussed on the strategic planning and the management processes, and the compliance with requirements specified in the whole-of-government accommodation strategy.

## **BACKGROUND**

- 1.2 Agency accommodation cost is a significant administrative expense. In 2007-08, property rental and occupancy expenditure was \$50 million and represented 6.9 per cent of total actual expenditure for supplies and services of \$728 million for the ACT public sector.
- 1.3 All agencies require access to physical property to carry out business or deliver services and most agencies require office space for the purpose of undertaking general administrative and related activities.
- 1.4 Office accommodation should be appropriate to the size of an agency's business and its staff and be designed to suit and support its business operations. Furthermore, as well as ensuring that office accommodation functionality meets business objectives, other contemporary issues, such as office design, health and safety, security, cleaning, and catering for the needs of people with disabilities also need to be considered.
- 1.5 In the 2006-07 Budget, the ACT Government announced an initiative to consolidate and rationalise government office accommodation tenancies for leased and owned premises. A key target of this strategy was to reduce, incrementally, utilisation rates across the ACT Public Sector from 21.6m<sup>2</sup> per person to 18.3m<sup>2</sup> per person with a longer-term target of 15m<sup>2</sup> per person.
- 1.6 The ACT Government property portfolio consists of owned and leased properties and other properties such as land, industrial properties, heritage properties and other specialised use buildings.
- 1.7 ACT Property Group in the Department of Territory and Municipal Services (TAMS):
- manages the Territory-owned commercial buildings;
  - acts as lessee on behalf of the Territory for commercial leases;
  - manages Government office accommodation at a whole-of-government level;
  - manages multi-purpose buildings and evaluates the future use for properties which become surplus to agencies' service delivery needs; and

- undertakes a range of whole-of-government functions such as facilities management, energy procurement, and strategic policy development in relation to property issues.
- 1.8 ACT Property Group's role is limited to those properties within the portfolio for which it has direct administrative responsibility. Some properties within the portfolio, such as schools, correctional facilities, Police, Ambulance, and Fire Stations are controlled and administered by the individual portfolio Agency. These are defined as operational accommodation.
- 1.9 A commercial landlord/tenant approach has been adopted between ACT Property Group and individual ACT Government agencies as far as possible with due consideration given to functional implications, legal obligations, government directives and community expectations.
- 1.10 A coordinated whole-of-government approach for leasing office accommodation is in place, ensuring existing vacant space is occupied where possible. Priority is given to utilising existing government owned or leased accommodation, where practicable.

### AUDIT OBJECTIVES

- 1.11 The objective of the audit was to assess agency performance relating to the strategic planning, management, and delivery of government office accommodation. The audit assessed in particular, whether office accommodation projects meet governance, quality, value for money and environmental sustainability requirements.
- 1.12 The audit also examined actions taken to assist agency compliance with the *ACT Government Energy and Water Policy for Leased Accommodation* and National Australian Built Environment Rating System (NABERS Energy) scheme. NABERS Energy is formerly known as the Australian Building Greenhouse Rating (ABGR) scheme.
- 1.13 The audit considered administration at the whole-of-government level as well as the agency level, using case studies of individual office accommodation projects. These are:
- Case Study One - Relocation of Department of Education and Training (DET), from Manning Clark Offices in Tuggeranong to 220 Northbourne Avenue, Braddon;
  - Case Study Two - Refurbishment of Eclipse House, London Circuit, City for occupancy by the Shared Services Centre; and
  - Case Study Three - The acquisition of leased premises at Fairbairn to relocate the ESA Headquarters (HQ) and related issues.
- 1.14 The focus of the first two case studies was on implementation of the office accommodation projects as part of the whole-of-government accommodation strategy. The third case study, while not part of the whole-of-government accommodation strategy, focuses on the outcomes of, and the processes for, decisions to relocate the Emergency Services Agency Headquarters to Fairbairn.

- 1.15 The audit did not focus on facilities management activities.
- 1.16 The following agencies were included in the audit:
- Department of Territory and Municipal Services (TAMS) - ACT Property Group and Shared Services;
  - Department of Education and Training (DET); and
  - Department of Justice and Community Safety (JACS) - Emergency Services Agency and ACT Corrective Services.
- 1.17 Appendix A provides a chronology of events for the ESA Headquarters relocation.
- 1.18 Appendix B provides details of the audit criteria, approach, and methodology.

### AUDIT CONCLUSION

- 1.19 The audit conclusions drawn against the audit objectives are set out below.

ACT Property Group within the Department of Territory and Municipal Services has delivered within a short timeframe a range of office accommodation projects that have generally met the requirements of the ACT Government 2006-07 budget initiatives. There were improvements in utilisation rates per employee and also overall occupancy rates in both owned and leased buildings.

There were, however, shortcomings in the strategic planning, management and administration of the whole-of-government office accommodation portfolio. The approach by agencies to business continuity planning in relation to accommodation needs was inadequate. There was also scope to improve monitoring and management of performance and benchmarking information across the property portfolio and in Annual Reports.

In the two case studies delivered under the whole-of-government accommodation strategy, decisions were based on limited strategic planning and the office accommodation policies and procedures were not always effectively implemented.

Another case study, the ESA Headquarters relocation project has experienced significant delay, and substantial cost increases, and is not yet completed. This case study has highlighted serious deficiencies in the early decision-making process in entering into long-term leases and financial commitments without proper advice, planning, and analysis of suitable options. Despite actions taken subsequently to address problems arising from past decisions, the ESA relocation project to date has not achieved value for money nor delivered the ACT Government's intended outcomes.

## **KEY FINDINGS**

1.20 The audit conclusion is supported by the following findings:

### **Whole-of-government accommodation strategy (Chapter 2)**

#### ***Governance***

- The structured governance accommodation framework currently in place worked well in delivery of short term specific projects under the whole-of-government accommodation strategy and provided a sound platform for a greater and shared understanding of property related activities across the ACT Government.
- The ACT Government, however, did not have a whole-of-government office accommodation strategic plan to assess its future needs and inform its current accommodation strategy. Accordingly, office accommodation planning did not address medium and longer-term requirements, both at an agency and whole-of-government level.
- ACT Property Group has developed a new draft Government Real Estate Policy that supports the overarching ACT Government Asset Management Strategy and Framework and Guidelines for Asset Management. This Policy proposed for the strategic planning and management of the ACT Government's Real Estate Portfolio, is not yet endorsed or implemented but is scheduled for consideration by Government in August 2009.
- The ACT Property Group's risk management plan did not clearly align its business risk areas to the key priority areas as outlined in the business plan and to outcome areas as defined in the Community and Infrastructure Network Plan.
- The approach by agencies to business continuity planning in relation to accommodation needs was inadequate. Each business continuity plan should be improved by including and considering scenarios that takes into account the provision of alternative accommodation if a major business interruption resulted in the loss of premises.

#### ***Delivery of property services***

- The ACT Property Group has made good progress in the last two years towards the achievement of its key priorities, namely the reduced utilisation rate, increased overall occupancy rate and lower accommodation costs per employee.
- The delivery of specific projects and strategic planning could be further improved by addressing the weaknesses as identified below.
- The ACT Property Group did not have formal policies and procedures on quality management. This increased the risk that activities were not undertaken in a systematic, consistent, and cost-effective manner, as well as of as non-compliance with the recommended standards and benchmarks.

- The development of the ACT Government Property Policy Manual has been a key priority in the ACT Property Group business plans since 2006-07. The timeline for completion was June 2007. This is yet to be completed. Due to this delay and the failure to review and update many key documents, agencies found some existing policies, procedures, and guidance materials outdated, and less useful.
- ACT Property Group has been reliant on the corporate knowledge and experience of key property management staff rather than putting in place formal policies and procedures for quality control and assurance.
- There were inefficiencies due to the use of multiple business systems to support delivery of property services.
- There is scope to develop and implement a training and awareness program that supports the roles and responsibilities of staff with direct responsibility for administering and managing office accommodation projects.
- While there was general compliance with statutory requirements, guidelines, and standards, there was an internal control weakness in issuing certificates of occupancy. For projects reviewed by Audit, handover and agency occupancy of some buildings occurred prior to certificates of occupancy being issued to the ACT Property Group.

### *Achieving value for money*

- Some accommodation targets were defined in the 1997 Asset Management Strategy and Framework and Guidelines for Asset Management including the utilisation rate of 15m<sup>2</sup> per Full Time Equivalent staff, but these were not then implemented or monitored.
- New targets were again established in the 2006-07 Budget, and the short term target of 18.3m<sup>2</sup> for 2008-09 was achieved.
- Performance against whole-of-government targets for utilisation rates, occupancy rates and cost (\$) per Full Time Equivalent (FTE) staff continued to improve since the rationalisation and consolidation of office accommodation.
- It is anticipated that the next major opportunity to improve the utilisation rate and achieve cost savings in rental commitments would be addressed in line with the development of the whole-of-government office building option. This option is the fourth stage of implementation of the whole-of-government accommodation strategy.
- The JACS utilisation rate has consistently been above the recommended target due to unoccupied leased space at Fairbairn and limitations with the ESA Headquarters building in Curtin.
- The ACT Property Group systems for managing and administering office accommodation project budgets and expenditure could be improved through the implementation of an integrated system to better record, monitor, and report on status of the projects to relevant management forums.

### *Environmental sustainability*

- There were processes in place that considered and supported environmental sustainability principles and initiatives in Government owned and occupied buildings for which ACT Property Group and agencies are responsible.
- Building ratings for the office accommodation portfolio were not recorded in a centralised system or readily available.
- There is scope for both ACT Property Group and agencies to improve environmental sustainability in buildings and office spaces and to enhance environmental performance reporting and accountability at both an agency and whole-of-government level.

### **Case Study One – Department of Education and Training (Chapter Three)**

- The relocation project of DET was generally well delivered and met some key objectives.
- There was a lack of documentation about key decisions behind the DET relocation to 220 Northbourne Avenue, Braddon, instead of the original proposal to move to Stirling College.
- The decision was made at Management Council on the whole-of-government basis for DET to move to 220 Northbourne Avenue, Braddon hence staff had not been initially consulted about the planned move to Braddon premises. The Corporate Support Section of DET subsequently kept staff well informed during the multi-staged relocation from Manning Clark Offices, Tuggeranong.
- DET's 2005-06 accommodation target of three office locations has not been met. In June 2009, DET staff occupied four buildings and two surplus schools.
- Stirling College met the definition of a surplus property. However, as DET already used Stirling College as a Teaching and Learning Centre, DET did not follow the surplus property policy when it was introduced in August 2006. Therefore, no evaluation of the property has been done from a whole-of-government perspective to ensure its use by DET is the best use for the property.
- An assessment of the usage of resources (energy and water) at 220 Northbourne Avenue, Braddon, was not fully considered when DET was allocated the existing lease by ACT Property Group. Therefore, DET had to initiate measures to improve energy efficiency.
- DET had post occupancy OH&S issues that started in June 2007, and remained unresolved, including staff concerns about evacuation procedures.
- DET did not report energy and water efficiency for office accommodation in its annual reports.

### **Case Study Two – Eclipse House – Shared Services and ACT Corrective Services (Chapter Four)**

- The operational date for Shared Services commenced on 1 February 2007, and the Shared Services staff relocation to Eclipse House was completed at the end of June 2007.
- The Eclipse House fit-out expenses came in at \$0.40 million under budget.
- ACT Corrective Services staff had three moves as fit-out works were in progress before they were consolidated into Eclipse House on the Ground Floor and Levels 1 and 2. Two of the moves were within Eclipse House and one was to 1 Moore Street. Relocation was completed by June 2007.
- ACT Property Group accommodation guidelines did not provide a sufficient level of information for agencies to use as general reference and guidance material.
- There were examples of good practice from this case study, such as the project management approach adopted and benefits in having skilled and experienced officers to lead and manage the delivery of office accommodation projects.
- Eclipse House had some post occupancy issues in June 2007 such as air-conditioning performance and maintenance that took two years to resolve.
- Sustainability requirements for office accommodation were considered in the design and construction of refurbishing Eclipse House.

### **Case Study Three – Emergency Services Agency Headquarters Relocation (Chapter Five)**

- In 2003, the McLeod bushfire inquiry recommended consideration of a new ESA HQ, and on 19 August 2003 the government gave its response in the Legislative Assembly and announced the start of the site selection process.
- A decision by the ACT Government in 2005 to relocate the ESA HQ to Hume was not actioned.
- In 2005, the ESA committed the ACT Government to some \$11.6 million (plus fit-out costs) for Fairbairn leasing. At the time, there was a lack of adequate governance arrangements and controls over leasing accommodation.
- The ACT Government was advised in 2005 and again in 2006 that the Fairbairn HQ option was less expensive than the Hume option, but the evidence available, both before and after the decisions on Fairbairn, indicated that that was not the case.
- The ESA process to select the Fairbairn site in 2005 for relocating the ESA HQ was not robust, and was not supported by any detailed analysis of operational requirements or financial implications. There was at that time inadequate scrutiny of information and consideration of risks to operational requirements.
- In the early years of the project, the ESA lacked the necessary expertise to deliver a project of this nature by itself by the initial target date of

July 2007, but did not seek adequate assistance from other relevant agencies.

- Subsequently, in its 2006-07 Budget, the Department of Justice and Community Safety included the establishment of the ESA HQ at Fairbairn as a priority.
- The ACT Property Group was directed to be involved in leasing processes in late 2005 and an Interdepartmental Steering Committee was established in 2007 to oversee this relocation project. These were only necessary because there was no established framework to control leasing commitments in 2005.
- The ESA did not have a Business Continuity Plan, even though the Department of Justice and Community Safety 2007-09 risk plan recognised its importance. This is now being drafted by a consultant and is due for completion by the end of 2009.
- Since the establishment of the ESA under JACS, and the Government decision to continue with the relocation of the ESA Headquarters to Fairbairn, various actions have been taken to address emerging problems and mitigate operating risks. These included various re-negotiations of commercial leases and transfer of certain activities from Fairbairn back to Hume.
- Between 2006 and 2008, the ACT government's commitment to the Fairbairn location saw a base lease increase from \$33.9 million to \$61.5 million over the 15 year period, with construction estimated to be another \$13.8 million. Current arrangements increased the Fairbairn commitment to \$75.3 million, and are accompanied by a smaller ESA HQ presence at that site, as several functions are to be located at either Fyshwick or Hume at additional costs.
- The relocation project now involves two sites at Fairbairn and Hume, with a revised completion target date of December 2010, in addition to a Fyshwick site that will also incorporate operational functions. This has resulted in significant increased costs and the ESA functions being dispersed in various locations.
- A key outcome of the ESA relocation project, namely the benefits for co-location and full integration of many ESA functions in a single location, would not be realised.

## RECOMMENDATIONS AND RESPONSES TO THE REPORT

- 1.21 The audit made 15 recommendations to address the audit findings detailed in this report.
- 1.22 In accordance with section 18 of the *Auditor-General Act 1996*, the Proposed Report was provided for formal comments to the Chief Executives of TAMS, JACS, DET and Treasury, the current acting Commissioner of ESA and the former Commissioner of the ESA (when it was an Authority up to mid 2006).
- 1.23 The key points of their overall responses are shown below, and other specific comments are incorporated into the text of the report as appropriate.

### **Response from the Chief Executive of the Department of Territory and Municipal Services**

- *In relation to the Proposed Report, I note and accept the Audit conclusions that apply to TAMS. In particular I was pleased to read that the ACT Property Group has delivered a range of accommodation projects that generally met the ACT Government's 2006-07 budget requirements.*
- *I have provided comments for each relevant recommendation and you will find that many of the recommendations have been or are in the process of being implemented. For those that have not, I have asked that they be implemented as soon as possible.*

### **Response from the Chief Executive of the Department of Education and Training**

- *The Government Office Accommodation Audit Report is comprehensive and will assist the Department to meet its obligations under the whole-of government accommodation strategy.*
- *The audit report has highlighted business improvement and efficiency opportunities for the Department in relation to long term accommodation strategies, communication strategies, record keeping, and business continuity planning.*
- *The Department will continue to improve its internal administrative practices in these areas and will work closely with the Department of Territory and Municipal Services to implement and apply the findings and recommendations from this audit report.*

### **Response from the Chief Executive of the Department of Justice and Community Safety**

- *The Department of Justice and Community Safety welcomes the Auditor-General's Performance Audit of the effectiveness of the Government Office Accommodation. I restrict my response to those matters relating to Case Study Three and Recommendation 14*
- *While the Department is in agreement with the one recommendation, which relates to Case Study Three, Recommendation 14 – there are, however, a number of key findings in Chapter 5 with which the Department does not concur.*
- *It is not accepted that arrangements which provide a separation of training and operational activity from the headquarters functions will impede emergency management coordination. Nor is there credible evidence put forward to support the opinion.*
- *The efficient and effective functioning of the ESA is based on the coordination of a professional team to ensure that response capacity for emergency incidents is properly managed and maintained on behalf of the community. To support this, new headquarters have been designed to bring the four operational services together for the first time in purpose designed building layout to foster communication and response capability.*

- *The Department agrees that there is scope for improvement in formalisation of a number of administrative aspects, however, this would not occur at the expense of frontline operations at any time, not at least in a tough fiscal environment.*

### **Key points of the response from the former Commissioner of the Emergency Services Authority before establishment of Emergency Services Agency in mid 2006**

- *Overall, I believe that the Performance Audit report is a good report and generally reflects the activities that occurred during my tenure as Commissioner, ACT Emergency Services Authority*
- *The Audit Report's observation that there were no adequate processes in place to manage large leases in a whole of government manner is accurate. The process was, by necessity, conducted in ESA and the staff involved did an excellent job even though they had other pressing operational responsibilities.*
- *As preparations for the 2006-07 ACT Budget proceeded it became obvious that there would be difficulties in finding funding, recurrent or capital, for the relocation of the HQ. The subsequent announcement of the major reductions in many budget areas of the ACT Government, including the ESA, halted actions as they had been planned.*
- *The efforts of the Government to try and find a solution were appropriate, however, the lack of a whole-of-government approach and the switching from a relocation into another existing government building to a greenfield site to leasing a commercial site, created a massive workload on ESA officers. The whole process is an example of the need for more appropriate processes to be used in such large investments.*

1.24 In addition, the relevant Chief Executives provided responses to each recommendation directed to their agencies, as shown below. DET's Chief Executive also noted the recommendations relevant to TAMS, JACS, and Treasury.

#### **Recommendation 1 (Chapter 2)**

ACT Property Group should regularly review and update its business and risk management plans to ensure key priorities and risk areas are aligned to its business needs. This would need to include prioritisation of expected outputs and outcomes to be achieved annually.

#### **TAMS' Response:**

*Agreed. The 2008-09 Business Plan outcomes were reviewed during the preparation of the 2009-10 Business Plan. Both the Business Plan and the Risk Management Plan for 2009-2010 will be reviewed every three months. Each Section within the Group will develop and implement action plans to monitor progress on key outcomes.*

**Recommendation 2 (Chapter 2)**

- a. All agencies should review and revise business continuity plans to include the 'loss of premises' as a critical business activity. This would need to include identification of key business activities that may be interrupted, impact assessment and a response plan.
- b. Agencies should ensure that the business continuity plan is reviewed and tested periodically and the results are reported to management.
- c. ACT Property Group should review and update its business continuity plan to consider and assess the impact of a business interruption resulting in the loss of premises at the whole-of-government and individual agency levels.

**TAMS' Response:**

*Agreed. Recommendation 2.a and 2.b: ACT Property Group will propose to the ACT Government that these requirements be included in the ACT Government Real Estate Policy as a mandatory requirement for agencies.*

*Agreed. Recommendation 2.c: The existing ACT Property Group Business Continuity Plan identifies that 1,000m<sup>2</sup> is held vacant within the owned office portfolio. A major loss of premises would require sub leasing of alternative accommodation within an urgent timeframe.*

**Treasury's Response:**

*Agreed. Recommendations 2.a: Treasury's business continuity plan identifies strategies for continued key operations in the event of a loss of premises.*

**DET's Response:**

*Agreed. The Department has alternative accommodation strategies in place in the event of a business interruption occurring at any one of its office locations.*

*The Department's Business Continuity Plan (2008) is currently being updated to reflect the Departmental business impact assessment undertaken on accommodation requirements.*

*The enhancements will include a comprehensive accommodation response plan and testing schedule.*

**Recommendation 3 (Chapter 2)**

ACT Property Group should develop and implement an office accommodation strategy that considers short, medium, and long-term planning strategies and objectives for the whole-of-government.

**TAMS' Response:**

*Agreed. The Chief Minister's Department is currently responsible for the development and delivery of proposals for the new major office block. The proposed ACT Government Real Estate Policy will require the development of a long term accommodation strategy that covers all ACT Government employees. Work will commence on the strategy once the ACT Government announces a final decision on the development of the new major office block.*

**Recommendation 4 (Chapter 2)**

The Department of Treasury should complete the review of the 1997 Asset Management Strategy and Framework and Guidelines for Asset Management as a matter of priority.

**Treasury's Response:**

*Agreed.* Consultants have undertaken and completed an initial desktop review of the Framework and Guidelines (Stage 1) which are currently under consideration.

**Recommendation 5 (Chapter 2)**

ACT Property Group should complete the development and implementation of the draft Government Real Estate Policy and its supporting procedures and guidelines as a matter of priority and promulgate to agencies, to assist in better planning for and in managing Government office accommodation. Policies and procedures should be reviewed periodically to ensure they remain current.

**TAMS' Response:**

*Agreed.* The Government Real Estate Policy is with the ACT Government for consideration. The Policy includes a provision that once a year it is to be reviewed and brought back to the ACT Government for its further consideration.

**Recommendation 6 (Chapter 2)**

ACT Property Group should implement an integrated system to improve the recording of information for the office accommodation portfolio, individual projects and tracking of financial data, and to better manage and report on performance.

**TAMS' Response:**

*Agreed.* ACT Property Group has prepared a detailed Business Case for the development of a new project delivery business system that will greatly improve the data collection, financial processing and analysis, as well as project delivery. The Business Case will be considered by TAMS in the first half of 2009-10.

**Recommendation 7 (Chapter 2)**

ACT Property Group should develop and implement a training and awareness program that supports the roles and responsibilities of agency staff with direct responsibility for administering and managing office accommodation projects and activities.

**TAMS' Response:**

*Agreed.* Training and development of ACT Property Group staff and agency representatives will be incorporated within the development and delivery components of the ACT Government Real Estate Policy Procedures and Guidelines. The ACT Property Forum which includes Executive representatives from all agencies has established a Government Office Working Group. The ACT Property Group will discuss the arrangements for developing and implementing training awareness programs with member of this Working Group.

**Recommendation 8 (Chapter 2)**

ACT Property Group should formalise the Tenancy Manager-Co-ordinator meeting forum to improve the understanding and awareness of government policy and property activities at both the tenancy and whole-of-government levels. These forums can also assist the compliance with government accommodation standards.

**TAMS' Response:**

*Agreed.* The ACT Property Forum has over the course of 2009 overseen the review of its Working Groups. It has created a Government Office Working Group and its endorsed terms of reference will provide a basis for understanding and awareness of ACT Government policy and property activities at all levels. The Working Group will be advising the ACT Property Forum about agency compliance with government accommodation standards.

**Recommendation 9 (Chapter 2)**

ACT Property Group should adopt a more formal and structured filing system for recording and maintaining relevant property-related information, in particular where key decisions are considered and recorded.

**TAMS' Response:**

*Agreed in part.* ACT Property Group does maintain a formal and structured filing system and its staff will be provided with additional training in the proper use of the system.

**Recommendation 10 (Chapter 2)**

ACT Property Group should improve the accounting for, and reporting of, project costs to ensure more accurate information is being used for project management.

**TAMS' Response:**

*Agreed.* While ACT Property Group maintains accurate financial records, it is acknowledged that it can improve its accounting processes associated with good project management practices.

**Recommendation 11 (Chapter 2)**

ACT Property Group should improve the collection and reporting of relevant information on sustainability targets to ensure compliance with government policy, including the achievement of 4.5 star ratings in government leased and owned buildings.

**TAMS' Response:**

*Agreed.* ACT Property Group consulted extensively with the Department of Environment, Climate Change, Energy and Water in the preparation of the ACT Government Real Estate Policy. Agency compliance requirements will be detailed within the policies, guidelines, and procedures. ACT Property Group is currently reviewing all owned office buildings to establish their NABERS ratings. In addition, ACT Property Group is managing a program to install smart meters

*in a number of Government occupied offices with the objective of providing relevant data so that the sustainability performance of buildings can be improved.*

### **Recommendation 12 (Chapter 2)**

ACT Property Group should review and implement arrangements to:

- a. enhance reporting on environmental performance for ACT Government owned and occupied buildings at a whole-of-government level;
- b. establish benchmarks that will assist in identifying areas for improvement; and
- c. ensure accommodation continues to meet ACT Government requirements for long-term sustainability and accountability.

### **TAMS' Response:**

*Agreed.*

*Recommendation 12.a: ACT Property Group is actively participating in a number of fora dealing with improving the environmental performance of government office accommodation.*

*Recommendation 12.b: ACT Property Group works with property groups in other jurisdictions to produce the GPG Annual National Benchmarking Report. ACT Property Group is chairing a GPG sub-group to identify reporting benchmarks so that jurisdictions are able to identify areas for improvement based on performance in other jurisdictions.*

*Recommendation 12.c: Compliance issues with regard to sustainability and accountability will be detailed in the Guidelines and Procedures of the ACT Government Real Estate Policy.*

### **Recommendation 13 (Chapter 3)**

ACT Property Group section should address, as a matter of priority for health and safety of staff, the issues around emergency evacuation at 220 Northbourne Avenue, Braddon.

### **TAMS' Response:**

*Agreed. The issue of landlord responsible training on the buildings emergency warning evacuation system for those staff relocated to 220 Northbourne Avenue was resolved and implemented at the time of reporting. Over the balance of 2009 ACT Property Group will review other ACT Government office locations to ensure that acceptable emergency evacuation procedures are in place at each location.*

### **DET's Response:**

*Agreed. Since the commencement of this audit, ACT Property Group has assisted the Department to improve the health and safety issues around emergency evacuation at 220 Northbourne Ave, Braddon. The Department will continue to assist ACT Property Group to implement the remaining improvements.*

### Recommendation 14 (Chapter 5)

The Emergency Services Agency should:

- a. maintain records of executive meetings and stakeholder feedback, and document key decisions, with a view to monitoring action lists arising from these meetings; and
- b. develop and finalise its Business Continuity Plan as a matter of urgency, with a view to testing it as soon as practicable.

### JACS' Response:

*Agreed. The Department has already commenced a number of these initiatives, including:*

- *systematically identifying risk to the delivery of services;*
- *developing and implementing appropriate mitigation strategies, and*
- *systematically monitoring risks and their treatment.*

*As noted by Audit in the report, in relation to the Fairbairn project specifically, the Interdepartmental Steering Committee has already attended to both communication issues and assessment of value for money. The maintenance of records of meetings and documentation of key decisions is a further example of the process of continuous improvement already being undertaken by ESA in the areas identified in the recommendation.*

### Recommendation 15 (Chapter 5)

ACT Property Group should, in conjunction with other agencies, assure that adequate governance arrangements and sufficient controls for leasing office accommodation are in place so that:

- a. accommodation needs of agencies are fully understood and specified;
- b. planning and monitoring arrangements are built-in to major office relocation projects, particularly if whole-of-government assistance is needed;
- c. value for money analysis for various options is applied prior to commitment to any leasing arrangements;
- d. agencies are informed of their delegations for leasing arrangements and these delegations are monitored; and
- e. communication plans apply for all major relocation projects, including addressing stakeholder concerns.

### TAMS' Response:

*Agreed. The Guidelines and Procedures of the ACT Government Real Estate Policy will document:*

- a. *the processes for identifying and appraising accommodation needs of agencies;*
- b. *all the processes associated with major office relocation projects;*

- c. *the requirements for the value for money analysis, noting that the existing procurement and evaluation for leasing procedure includes value for money analysis;*
- d. *detailed information on agency delegations with respect to leasing office accommodation and monitoring of compliance; and*
- e. *all the processes required for major office relocation projects, including communication issues.*

### **DET's Response:**

*Agreed. The Department will continue to work closely with ACT Property Group to improve governance arrangements and controls for leasing office accommodation.*

## 2. WHOLE-OF-GOVERNMENT ACCOMMODATION STRATEGY

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### INTRODUCTION

- 2.1 This chapter describes the governance and accountability framework that is in place to effectively deliver office accommodation activities at the whole-of-government level. It also includes a review of the management model and strategic planning and administrative processes used in responding to the 2006-07 Budget initiative for the consolidation and rationalisation of ACT Government office accommodation tenancies for leased and owned premises.
- 2.2 A clearly defined governance and accountability framework promotes the use of best practice methodologies and establishes a structured approach to office accommodation planning, office space management, office fit-out and space utilisation.

### KEY FINDINGS

#### Governance

- The structured governance accommodation framework currently in place worked well in delivery of short term specific projects under the whole-of-government accommodation strategy and provided a sound platform for a greater and shared understanding of property related activities across the ACT Government.
- The ACT Government, however, did not have a whole-of-government office accommodation strategic plan to assess its future needs and inform its current accommodation strategy. Accordingly, office accommodation planning did not address medium and longer-term requirements, both at an agency and whole-of-government level.
- ACT Property Group has developed a new draft Government Real Estate Policy that supports the overarching ACT Government Asset Management Strategy and Framework and Guidelines for Asset Management. This Policy proposed for the strategic planning and management of the ACT Government's Real Estate Portfolio, is not yet endorsed or implemented but is scheduled for consideration by Government in August 2009.
- The ACT Property Group's risk management plan did not clearly align its business risk areas to the key priority areas as outlined in the business plan and outcome areas as defined in the Community and Infrastructure Network Plan.
- The approach by agencies to business continuity planning in relation to accommodation needs was inadequate. Each business continuity plan should be improved by including and considering scenarios that takes into account the provision of alternative accommodation if a major business interruption resulted in the loss of premises.

### **Delivery of property services**

- The ACT Property Group has made good progress in the last two years towards the achievement of its key priorities, namely the reduced utilisation rate, increased overall occupancy rate, and lower accommodation costs per employee.
- The delivery of specific projects and strategic planning could be further improved by addressing the weaknesses as identified below.
- The ACT Property Group did not have formal policies and procedures on quality management. This increased the risk that activities were not undertaken in a systematic, consistent, and cost-effective manner, as well as non compliance with the recommended standards and benchmarks.
- The development of the ACT Government Property Policy Manual has been a key priority in the ACT Property Group business plans since 2006-07. The timeline for completion was June 2007. This is yet to be completed. Due to this delay and the failure to review and update many key documents, agencies found some existing policies, procedures, and guidance materials outdated, and less useful.
- ACT Property Group has been reliant on the corporate, knowledge, and experience of key property management staff rather than putting in place formal policies and procedures for quality control and assurance.
- There were inefficiencies due to the use of multiple business systems to support delivery of property services.
- There is scope to develop and implement a training and awareness program that supports the roles and responsibilities of staff with direct responsibility for administering and managing office accommodation projects.
- While there was general compliance with statutory requirements, guidelines, and standards, there was an internal control weakness in issuing certificates of occupancy. For projects reviewed by Audit, handover and agency occupancy of some buildings occurred prior to certificates of occupancy being issued to the ACT Property Group.

### **Achieving value for money**

- Some accommodation targets were defined in the 1997 Asset Management Strategy and Framework and Guidelines for Asset Management including the utilisation rate of 15m<sup>2</sup> per Full Time Equivalent staff, but these were not then implemented or monitored.
- New targets were again established in the 2006-07 Budget, and the short term target of 18.3m<sup>2</sup> for 2008-09 was achieved.
- Performance against whole-of-government targets for utilisation rates, occupancy rates and cost (\$) per Full Time Equivalent (FTE) staff continued to improve since the rationalisation and consolidation of office accommodation.
- It is anticipated that the next major opportunity to improve the utilisation rate and achieve cost savings in rental commitments would be addressed in line with the development of the whole-of-government office building option. This option is the fourth stage of implementation of the whole-of-government accommodation strategy.

- The JACS utilisation rate has consistently been above the recommended target due to unoccupied leased space at Fairbairn and limitations with the ESA Headquarters building in Curtin.
- The ACT Property Group systems for managing and administering office accommodation project budgets and expenditure could be improved through the implementation of an integrated system to better record, monitor, and report on the status of projects to relevant management forums.

### **Environmental sustainability**

- There were processes in place that considered and supported environmental sustainability principles and initiatives in Government owned and occupied buildings for which ACT Property Group and agencies are responsible.
- Building ratings for the office accommodation portfolio were not recorded in a centralised system or readily available.
- There is scope for both ACT Property Group and agencies to improve environmental sustainability in buildings and office spaces and to enhance environmental performance reporting and accountability at both an agency and whole-of-government level.

## **GOVERNANCE AND ACCOUNTABILITY FRAMEWORK**

### **Background**

- 2.3 A governance framework establishes the platform for an organisation to provide strategic direction through setting outcomes and objectives for its primary business operations and support a sound decision making process.
- 2.4 Key areas reviewed within this chapter included the governance structure, strategic direction, and planning framework, risk management, business continuity planning and whole-of-government performance measures and reporting to support the management and administration of office accommodation projects.

### **Summary of agency compliance against main elements of audit criteria**

- 2.5 The table below summarises compliance by audited agencies with the main elements of the governance and accountability framework as it relates to the audit criteria.

**Table 2.1: Summary table of compliance against audit criteria**

Criteria	ACT Property Group Whole-of-government Strategy	DET Case Study 1	Eclipse House Case Study 2	ESA Case Study 3 2003-08	ESA Case Study 3 2008 to current
Was there a long-term office accommodation strategy in place?	No	No	No	No	Partially
Was there a business case or project proposal in place?	No	Partially	Yes	No	No
Was the project completed within timeframe?	Partially	Yes	Partially	No	No
Was the project completed within budget?	Partially	No	Yes	No	N/A *
Did budget funding and approval exist for the project(s)?	Yes	Yes	Yes	Partially	Yes
Were there governance arrangements in place to manage the project(s)?	Yes	Yes	Yes	No	Yes
Were project objectives clearly defined and risks considered?	Yes	Yes	Yes	No	Partially
Were business continuity plans in place?	Yes	Yes	Yes- Shared Services No- JACS	No	No
Did business continuity plans address loss of premises?	No	No	Yes- Shared Services No- JACS	No	No
Are performance measures, such as utilisation rates, recorded and reported?	Yes	Yes	Yes	Yes	Yes
Did utilisation rates meet recommended targets?	Partially	Yes	Yes	No	N/A *
Was there a communication strategy or process in place?	Yes	Yes	Yes	Partially	Yes
Was environmental sustainability requirements considered?	Partially	Yes-at Agency level	Yes	No	Yes *

**Notes:** N/A – not applicable

\* - the ESA Headquarters Relocation Project is still in progress

Source: ACT Audit Office

## Comparative summary in State government jurisdictions

2.6 The table below is a comparative summary of office accommodation principles and practices in the ACT and three State government jurisdictions.

**Table 2.2: Summary of office accommodation principles and practices**

Criteria	ACT	Vic	SA	Qld
Do office accommodation policies and guidelines exist?	✓	✓	✓	✓
Do accommodation guidelines describe the office accommodation framework, including its authority, scope, operating principles and environment and roles and responsibilities?	✗	✓	✓	✓
Does the policy and guidelines include developing strategic office accommodation plans?	✗	✓	✓	✓
Do the accommodation guidelines require business continuity plans to include the loss of premises?	✗	✗	✗	✓
Do accommodation guidelines include fit-out standards and space targets?	✓	✓	✓	✓
Do accommodation guidelines include cost benchmarks?	✗	✓	✓	✓
Is there a timeline and method to perform post-occupancy reviews on office accommodation projects?	✗	✓	✓	✓
Do new lease locations factor in accessibility for customers, proximity to public transport, cycling and walking facilities, bike sheds and parking?	✓	✓	✓	✓
Has the State taken on the responsibility that Government can lead by example by adopting environmental sustainability practices of its own government leased tenancies?	✓	✓	✓	✓
Are National Australian Built Environmental Ratings System (NABERS) and energy efficiency and recycling facilities being considered when selecting leased premises?	✓	✓	✓	✓

Source: Audit office, based on collated information from State accommodation guidelines

2.7 Audit considers the Queensland model to be an example of better practice that may assist ACT Property Group to strengthen its principles and practices for the management and administration of whole-of-government office accommodation in the ACT.

## Governance structure

2.8 A key element in the delivery of integrated property management services is support and commitment from management. Ongoing management support

provides the means for a more informed, coordinated and respected service. It is also important in promoting the significance of property management functions and in facilitating attention and support from operational areas.

- 2.9 In 2006-07 when the whole-of-government office accommodation strategy commenced, an overarching governance framework was established (Table 2.3). The governance framework consisted of existing executive management level forums and a number of committees that were established to consider and manage the implementation of the whole-of-government office accommodation strategy.
- 2.10 Composition of members for each forum varies but consists of Ministers, senior executives and/or senior managers from each agency. Broadly, the functions of these forums include:
- approval of budgets, including refurbishment projects and other capital works;
  - co-ordination and consideration of accommodation requirements, including design options, location and space utilisation matters; and
  - developing accommodation standards, policies, and supporting procedural documentation.

**Table 2.3: Governance framework for government accommodation**

Body	Representation
Cabinet	ACT Government Ministers
Management Council	Agency Chief Executives
ACT Property Forum	Chaired by TAMS Chief Executive Agency Chief Executives and/or Senior Executives
Project Control Group(s) (PCG) Supported by Project Working Groups	TAMS, ACT Property Group Treasury Agency representatives (specific to accommodation project)
ACT Property Group, TAMS	Strategic Government Accommodation and Leasing
Individual Agency	Agency specific representative(s)

Source: Audit Office

### *Summary of functions of governance structure*

- 2.11 **Cabinet** is the highest authority, considers office accommodation matters including budget approvals from time to time, and makes decisions on general and specific accommodation policies on a whole-of-government level.
- 2.12 **Management Council** advises Cabinet on major accommodation strategies, policies and budget issues related to accommodation matters on a whole-of-government level.

- 2.13 **ACT Property Forum** formulates and reviews strategies and guidelines in relation to the planning, provision and management of office accommodation for the whole-of-government.
- 2.14 **Project Control Group (PCG)** is responsible for the general oversight of each project that includes agreeing to a proposed schedule of works and budget and reporting.
- 2.15 **Project Working Group (PWG)** develops and manages the detailed project proposals going to the PCG. They operate under, and report to, the PCG.
- 2.16 **ACT Property Group, TAMS** is responsible and accountable for managing the Government's portfolio of owned and leased office accommodation, including strategic planning and budgeting. Some operational properties within the portfolio, such as schools, correctional facilities, police, ambulance, and fire stations, are controlled and administered by the individual portfolio agency.
- 2.17 **Agencies** within the context of office accommodation management, work closely with ACT Property Group to identify, plan for and document new service delivery initiatives or changes to existing service delivery methods and structures.

### Strategic direction and planning

- 2.18 This section looks at how the Territory and Municipal Services (TAMS) strategic direction flows through to the business operations within ACT Property Group and how these activities are being planned and managed at the business level to achieve the outcomes and objectives of the TAMS strategic direction.
- 2.19 The TAMS Strategic Action Plan and Community and Infrastructure Network Plan provide the strategic direction for the delivery of business activities related to the TAMS portfolio.
- 2.20 The Community and Infrastructure Network Plan, lists a number of stated outcomes and objectives that support delivery of its operations at an individual business level. There are two key objectives that relate specifically to ACT Property Group business activities, these are: Objective 1 – *Implementation of sustainability principles and practices in business operations* and Objective 2 - *Effective co-ordination of government accommodation and leasing arrangements*.
- 2.21 ACT Property Group has had a separate business plan to support its corporate directions, however, Audit found that the ACT Property Group's business plan did not clearly articulate which of its business activities aligned with the key objectives in the Community and Infrastructure Network Plan and there was no reference or link to the TAMS Strategic Action Plan.
- 2.22 Furthermore, while the ACT Property Group's business plan included activities that have stated outcomes and responsibilities, there was no formal review undertaken during the year to monitor progress against these activities. Audit considers that the plan did not provide the level of guidance and direction to staff on what was expected to be achieved by when and how performance was measured.

### *Risk management framework*

- 2.23 Risk management is a core principle that is aligned with strategic planning and should be undertaken with the full knowledge of the risks inherent in the delivery of property management activities.
- 2.24 Portfolio agencies have in place a risk management framework that outlines how key business risks are considered and monitored, and reviewed across the portfolio down to each business level and service delivery area. Risks are identified in agency risk management plans.
- 2.25 The ACT Property Group risk management plan did not explicitly address existing and future office accommodation risks and strategies to meet them. For example, there was only one key risk in the October 2008 risk management plan that related to managing government office accommodation; risk number three was '*Finding emergency accommodation and/or facilities for ACT Government staff*'.
- 2.26 In addition, one of the three actions listed as the treatment plans specified that a business continuity plan was to be prepared and regularly reviewed. This issue is discussed in more detail in the Business Continuity Planning section below.
- 2.27 The spike in the expiry of leases in 2009-10 to 2011-12, is a key risk that has not been identified in the current risk management plan. Some other risk areas that could be considered and have not been included are:
- managing the exposure to the volatility of the commercial property market;
  - maintaining premises to a good standard;
  - monitoring and addressing the impact of providing inadequate space;
  - responding to changing requirements; and
  - ensuring compliance with standards and legislation.
- 2.28 Identification of risks in these areas should be part of the strategic planning process to ensure appropriate risk management strategies are developed. Audit also found that ACT Property Group's risks were not formally reviewed or updated during the year.

### **Recommendation 1**

ACT Property Group should regularly review and update its business and risk management plans to ensure key priorities and risk areas are aligned to its business needs. This would need to include prioritisation of expected outputs and outcomes to be achieved annually.

### *Business continuity planning*

- 2.29 Business continuity planning is the ongoing process of creating, testing, and maintaining policies and procedures to follow in the event of a disaster. A business continuity plan should identify critical business activities, what the impact would be in the event of a disruption, how long could the business survive without performing its activities and a response plan.

- 2.30 The provision of office accommodation is a critical function to support the operations of any business and should be considered in developing business continuity plans.
- 2.31 For ACT Property Group, the business continuity plan does not include or consider the *loss of premises* as a critical business activity, as identified in the risk register. Audit found the business continuity plan focused purely on facilities management activities and had not been reviewed, updated or tested.
- 2.32 In reviewing the business continuity plans of agencies included as part of the case studies, Audit found that with the exception of Shared Services, business continuity plans did not exist and where they did, they had not considered or identified the *loss of premises* as a business interruption. Plans were also not tested on a periodic basis (except for Shared Services).
- 2.33 Audit found that the *loss of premises* was not included in business continuity planning at the whole-of-government level and for some individual Agencies. Continuity arrangements will become more critical if the currently proposed whole-of-government building option goes ahead.
- 2.34 By way of better practice, the Queensland State Government Office Accommodation Management Framework Guideline No. 1 – Planning and Guideline No. 4 – Occupancy, includes a section in each document that focuses on disaster recovery (or maintaining business continuity). The approach adopted for office accommodation was:
- the Department of Public Works (DPW) undertakes a formal risk management process and has developed a contingency planning framework for its office buildings if an adverse event causes office accommodation not be available for use;
  - the framework applies to the unforeseen loss of, or reduction in, available office accommodation in both owned and leased space at a whole-of-government and agency level; and
  - identified that it is also the responsibility of agencies to develop business-related disaster recovery plans with assistance and input provided by DPW.

### **Recommendation 2**

- a. All agencies should review and revise business continuity plans to include the ‘loss of premises’ as a critical business activity. This would need to include identification of key business activities that may be interrupted, impact assessment and a response plan.
- b. Agencies should ensure that the business continuity plan is reviewed and tested periodically and the results are reported to management.
- c. ACT Property Group should review and update its business continuity plan to consider and assess the impact of a business interruption resulting in the loss of premises at the whole-of-government and individual Agency levels.

### *Reporting on performance measures and benchmarking*

- 2.35 ACT Property Group is required to report against an agreed set of performance measures, at the portfolio level in the TAMS Annual Report and at a whole-of-government level in the TAMS Statement of Performance Report and the Government Property Group (GPG) National Benchmarking Report.
- 2.36 ACT Property Group is responsible for coordinating and compiling benchmarking and accountability information on a whole-of-government basis. Agencies are required to provide input into the whole-of-government reports by providing data to the ACT Property Group on a quarterly basis. The data is then collated, analysed, and reported as whole-of-government performance results against the set targets.
- 2.37 The GPG is a national sub-committee of the Australian Procurement and Construction Council, and comprises representative departments of all Australian States and Territories. GPG members share information and promote 'better practice' activities across government in the management of commercial property. ACT Property Group is a member of this forum.
- 2.38 The GPG conducts benchmarking work to measure the performance of Government office accommodation practices nationally. The GPG National Benchmarking Report is released annually. The Commonwealth Government is not represented on the GPG but Audit was advised that it is considering joining.
- 2.39 Agencies are also required to report separately in their annual reports against an agreed set of performance measures. A number of these measures relate to office accommodation, such as, details of office utilisation rates, buildings occupied; area occupied in each building; and number of occupants in each building.
- 2.40 Audit conducted a comparative analysis of office accommodation and environmental sustainability performance measures, to identify efficiencies and areas for improvement using information from the Government Property Group - National Benchmarking Report – December 2008, TAMS Statement of Performance Reports and using data from agency annual reports. Results of this analysis are included in the following sections, 'Effectiveness of space utilisation' on page 42, and 'Environmental sustainability' on page 51.

### **Strategic planning for office accommodation**

- 2.41 The key purpose of a strategic plan is to provide government with an overview of the status of office accommodation for both leased and owned premises and a summary of key factors and risks that influence the supply of and demand for government office accommodation in the medium and longer terms.
- 2.42 A strategic plan would set the framework for planning and decision-making. It should include medium and long-term strategies supported by shorter-term actions and priorities. This document should also have clear links and connection to the TAMS and Community and Infrastructure Network strategic plans. The plan should be reviewed annually.

- 2.43 Agency plans should be developed at a corporate or whole-of-agency level with clear links to the agency's strategic plan and service delivery strategy and be prepared in conjunction with the budget process so that any necessary funding can be identified and sought.
- 2.44 Office accommodation plans, especially for large agencies, should incorporate:
- current and anticipated service delivery requirements of the agency;
  - anticipated changes to the agency structure and their likely impact on accommodation needs; and
  - an inventory of current accommodation, the area occupied, recurrent costs (rental and outgoings), the number of staff, the business functions of the Agency occupying the premises and the age and condition of existing fit-outs.
- 2.45 In early 2003, an ACT whole-of-government procurement plan for leased accommodation existed but excluded owned office accommodation. The plan outlined leased accommodation arrangements for the ACT Government for the period 2003-2005. This plan was endorsed by the Government Procurement Board at its meeting on 28 March 2003:
- Plan endorsed for a two year period up to 31 March 2005, prior to which time Property Group are to review and resubmit the plan for Board endorsement for a further period.
- 2.46 This endorsement was never actioned by ACT Property Group. There was currently no procurement plan or longer-term office accommodation strategy document in place. Until the *Government Procurement Act 2001* was amended in October 2007, leasing was not included in the coverage of the Act.
- 2.47 Audit also found that there was no procurement plan or individual functional briefs or project business cases prepared for delivering projects under the whole-of-government accommodation strategy. However, in the absence of this documentation, ACT Property Group managed the projects by submitting information papers, cabinet submission and decision papers, project schedule updates and status reports through the relevant authority level as outlined in Table 2.3 above. Key decisions were documented and recorded.
- 2.48 Discussions with ACT Property Group during the audit indicated that senior managers were aware of the need to have an overarching whole-of-government office accommodation strategy in place and that it should be supported by a strategic procurement plan.
- 2.49 Audit was advised that work was expected to commence shortly on the development and implementation of these documents. The accommodation strategy would focus on short, medium, and long-term office accommodation requirements for both owned and leased premises and will also need to take into account the whole-of-government office building option that is currently being considered by the ACT Government.

- 2.50 Since the audit, this has partly been addressed through ACT Property Group developing a new draft ACT Government Real Estate Policy that will support the overarching ACT Government Asset Management Strategy and Framework and Guidelines for Asset Management.
- 2.51 This Policy provides specific directions in relation to strategic planning and management of the real estate portfolio. More specifically, the requirement for ACT Property Group to prepare a 10 year ACT Government Office Accommodation Strategy Plan. Audit noted, however, that this Policy is yet to be endorsed and implemented but is scheduled for consideration by ACT Government in August 2009.
- 2.52 In addition to the above, Audit found that the Asset Management Strategy and Framework Guidelines for Asset Management 1997, encompasses a number of chapters that focus on strategic asset management plans and environmental sustainability requirements for government office accommodation. This document is owned and controlled by the Department of Treasury (Treasury).
- 2.53 Treasury advised Audit that this 1997 document is still current and that a project is underway to revise it but work is temporarily on hold and is not expected to be completed in 2008-09.
- 2.54 Agency strategic asset management plans were prepared and completed up to 2005-06. However, they no longer exist beyond this date. ACT Property Group advised Audit that asset management plans for government accommodation have not been prepared since then.
- 2.55 Audit noted that in developing the strategic asset management plans there was a requirement for agencies to identify how the target of 15m<sup>2</sup> per employee was to be achieved. The plans were also to include targets and projected outcomes for future years. These requirements are consistent with approaches adopted in other State jurisdictions.
- 2.56 Audit also noted the target utilisation rate of 15m<sup>2</sup> per employee was established as a short to medium term objective for office accommodation in the 1997 Treasury guidelines. There was then a lack of actions to monitor and implement the guidelines, and a lack of clear accountability for the non-implementation of the policy established in 1997. The utilisation rate per employee reached around 20.6m<sup>2</sup> in 2006-07, and this has resulted in significantly higher costs for ACT Government accommodation than there should have been.
- 2.57 The target of 15m<sup>2</sup> per employee was again identified in work to support the 2006-07 Budget. As part of Government's decision, and reflected in the 2006-07 Budget, a strategy was put in place to achieve a first stage target of 18.3m<sup>2</sup> per employee, which has been achieved with current utilisation rates reduced to 17.1m<sup>2</sup> per employee.
- 2.58 Treasury and TAMS advised that the current strategic focus of the ACT Government is to further reduce utilisation rates to 15m<sup>2</sup> per employee however, with current lease and accommodation limitations, this target will be addressed with the development of the whole-of-government office block.

- 2.59 While the Treasury guidelines were issued in 1997, Audit considers they already contained a number of good practices relating to strategic planning and management of office accommodation for the whole-of-government. These practices were also consistent with guiding policies and principles adopted in other State jurisdictions office accommodation guidelines.

**Recommendation 3**

ACT Property Group should develop and implement an office accommodation strategy that considers short, medium, and long-term planning strategies and objectives for the whole-of-government.

**Recommendation 4**

The Department of Treasury should complete the review of the 1997 Asset Management Strategy and Framework and Guidelines for Asset Management as a matter of priority.

**Conclusion on governance**

- 2.60 Audit found that while there were planning processes in place, there were weaknesses with ACT Property Group's management and administrative practices. Office accommodation projects have tended to be more reactive in nature and driven by shorter-term considerations, including responding to the demands of an organisation as agency needs change.
- 2.61 While these planning processes are useful in guiding the delivery of the government accommodation functions over shorter time periods, they are considered to be insufficient to identify longer-term office accommodation requirements, and the broader and long-term objectives and priorities of the ACT Government.
- 2.62 Audit considered the lack of forward planning impacted adversely on the ability of ACT Property Group to effectively and efficiently identify, plan and work towards meeting future property requirements. This deficiency, for example, has limited opportunities for optimising office accommodation standards, particularly in terms of location, functionality, quality, size, and costs and could detract from the achievement of practical accommodation solutions.
- 2.63 Implementing a whole-of-government office accommodation strategy and office accommodation forward plans at agency level will help ACT Property Group's approach to be consistent with better practices principles including those adopted in other States. Also refer to Table 2.2, Page 23.
- 2.64 Agency office accommodation plans should be reviewed by ACT Property Group, and involve consultation with Treasury as required, in order to identify options for effectively meeting government accommodation needs across the whole-of-government and at an individual agency level.

- 2.65 In particular, the responsibilities and accountability for achieving government accommodation outcomes should be clearly defined. Otherwise, public money can be ‘wasted’ for accommodation standards above agency business needs, with no accountability at agency or whole-of-government levels.

### THE DELIVERY OF PROPERTY SERVICES

#### Background

- 2.66 This section assessed various aspects relating to the services provided by the central body, ACT Property Group to agencies, in terms of:
- administrative practices and processes such as policies, procedures and systems, training and awareness and managing documentation;
  - the office accommodation profile including how office accommodation projects take into account the different options, such as location, design and fit-out;
  - compliance with standards and statutory requirements;
  - assessment of customer satisfaction;
  - improving service delivery; and
  - planning for the future.

#### Administrative practices and processes

##### *Policies and procedures*

- 2.67 The existence of approved policy and procedural documentation plays an important role in the communication of property strategies, objectives, and key activities. Having current and up-to-date documentation in place is critical to supporting staff in the performance of their duties and in reducing the need for undue reliance on the skills, knowledge, and experience of other staff.
- 2.68 Audit found that while policies and procedures existed, a number of key documents were out-dated and have not been reviewed and updated as planned. For example:
- the *Interim ACT Accommodation Guidelines and Standards – 1 September 2006* was still interim in 2009;
  - the *ACT Government Energy and Water Policy for Leased Accommodation* which was to be reviewed by 1 July 2007, has not been updated; and
  - the *OH&S Policy P-21 Space Standards for Office-based Work Environments* dated December 1996 which was to be reviewed in two years, has also not been reviewed or updated.
- 2.69 At the time of the audit (June 2009), Audit reviewed guiding policy documentation with ACT Property Group staff and Audit identified that not all the key documents were current, such as the *ACT Government Office Fit-out Guidelines*.

- 2.70 The lack of current guidance material has led to reduced confidence by agencies in its usefulness and relevance. Shared Services was using an old guideline as reference material and JACS has drafted a supplementary set of office guidelines that duplicates elements of the Interim ACT Accommodation Guidelines and Standards. This has the potential to lead to inconsistencies in the compliance with, and application of, policy and procedures across government agencies.
- 2.71 Agencies reviewed during this audit considered that the existing policies and procedures did not clearly identify roles and responsibilities or contain sufficient information for them to be used as guidance and reference material. As a result, agency contacts were reliant on ACT Property Group staff being available to answer and respond to routine and simple enquiries which could have been found in good reference material.
- 2.72 Establishing a good set of guiding policies and procedures also brings in consistency in the interpretation and practical application of processes. ACT Property Group has commenced a process to review and update all its supporting policy and procedural documentation.
- 2.73 The first of the new policies have been drafted and were presented to the ACT Property Forum in February 2009. Following the Property Forum meeting, a submission to the Government formalising the ACT Government Real Estate Policy was prepared and signed off by the Minister for TAMS on 4 June 2009 and, at the time this audit was completed, was seeking coordination comments from agencies.
- 2.74 The development of the ACT Government Property Policy Manual has been a key priority in the ACT Property Group business plans since 2006-07. The timeline for completion was June 2007 but this was not yet done as at June 2009. It was also identified as a key priority in 2007-08 and in the current 2008-09 business plan. However, a target date for completion has not yet been identified.
- 2.75 Audit noted that the development of the new ACT Government Real Estate Policy and supporting procedures and guidelines, is underway and when implemented, will address some of the weaknesses identified in existing policies and procedures outlined above. ACT Property Group advised that this policy is scheduled for consideration by Government in August 2009.

#### **Recommendation 5**

ACT Property Group should complete the development and implementation of the draft Government Real Estate Policy and its supporting procedures and guidelines as a matter of priority and promulgate to agencies, to assist in better planning for and in managing Government office accommodation. Policies and procedures should be reviewed periodically to ensure they remain current.

#### ***Systems used to maintain the property portfolio***

- 2.76 In 2008, ACT Property Group initiated an external review of its business systems used to support the delivery of property functions.

- 2.77 ACT Property Group uses a number of systems to manage the property portfolio. These are the property management systems which integrate with the Oracle financial management system and are supported by a number of Microsoft Excel spreadsheets that provide asset management information, lease details, rental commitments, and invoicing information.
- 2.78 ACT Property Group accepted that there was duplication of effort in managing the property portfolio and data collection that resulted from numerous spreadsheets and subsidiary IT systems being used. ACT Property Group acknowledged the need for an integrated asset management system to avoid using numerous subsidiary information systems to support the delivery of its property functions and activities on a day-to-day basis.
- 2.79 Benefits of an integrated system include consistency in producing management and executive reports, in particular for data collection and reporting against performance measures and are likely to deliver cost savings, through automating manual processes, reducing data and duplication of effort. It also has the potential to improve service delivery to customers. This issue also is discussed in the section 'Project reconciliations for the whole-of-government accommodation strategy funding' on page 48.

### **Recommendation 6**

ACT Property Group should implement an integrated system to improve the recording of information for the office accommodation portfolio, individual projects and tracking of financial data, and to better manage and report on performance.

### *Training and awareness*

- 2.80 Audit found that training and awareness on government accommodation policy and property-related activities for agencies was minimal. Communication between individual agencies and ACT Property Group tended to be through provision of advice and responding to ad hoc enquiries or issues, rather than the product of a framework of regular communication that included training. There have been no formal or informal training and awareness sessions provided by ACT Property Group.
- 2.81 One mechanism that was in place, but now only exists as an ad hoc arrangement, is the Tenancy Manager (or Coordinator) meetings. These meetings were in place for some office buildings, but did not exist in all cases. The meetings were also not always attended by an ACT Property Group representative and therefore, lacked a cohesive and coordinated approach in the management and monitoring of whole-of-government office accommodation issues.
- 2.82 Audit considered that a forum of this type was a good mechanism for ACT Property Group to use in improving the understanding and awareness of property activities at both the tenancy and whole-of-government levels, and encourage compliance with relevant accommodation standards. A representative from ACT Property Group should always attend these meetings, to follow-up on issues raised and to evaluate and improve services provided.

- 2.83 The lack of formal and coordinated mechanisms could adversely impact on the effective delivery and management of property activities more broadly across the ACT Government.
- 2.84 ACT Property Group advised that it was aiming to develop and implement a number of initiatives such as a series of property related fact sheets and regular information sessions to assist in enhancing awareness and understanding of property management activities across the ACT Government.

### **Recommendation 7**

ACT Property Group should develop and implement a training and awareness program that supports the roles and responsibilities of agency staff with direct responsibility for administering and managing office accommodation projects and activities.

### **Recommendation 8**

ACT Property Group should formalise the Tenancy Manager-Co-ordinator meeting forum to improve the understanding and awareness of government policy and property activities at both the tenancy and whole-of-government levels. These forums can also assist the compliance with government accommodation standards.

### ***Records management***

- 2.85 Audit reviewed the records management, in particular documentation, for the Project Control Groups and Project Working Groups, as these were two of the key control groups responsible for managing the delivery of the whole-of-government office accommodation projects.
- 2.86 Although official registry files existed, there was on a number of occasions, no specific meeting papers found on these files to support the agenda and minutes.
- 2.87 ACT Property Group acknowledged that documentation needs to be improved and has now commenced a process to reconcile and consolidate all relevant meeting records and documentation onto centralised files.
- 2.88 Better practice principles stress that it is important to keep together relevant documentation relating to meetings, to allow for transparency and accountability of decision making. In addition, projects would be managed more efficiently, if there is an easy access to relevant and complete key documents.

### **Recommendation 9**

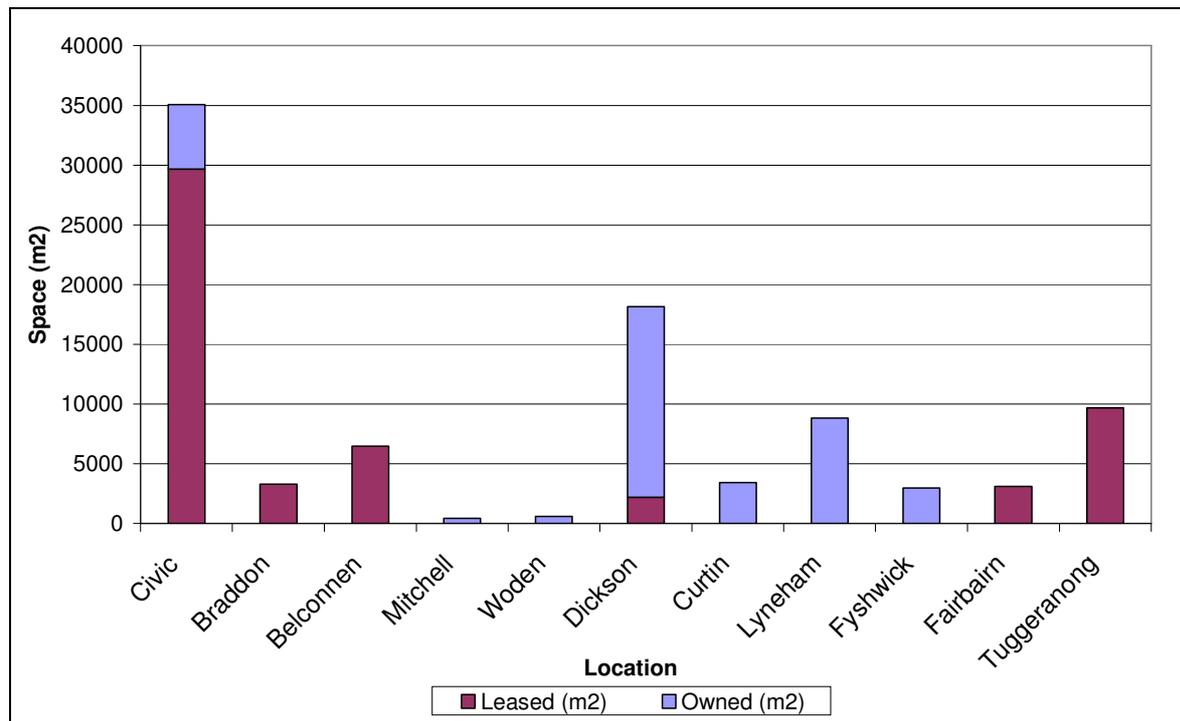
ACT Property Group should adopt a more formal and structured filing system for recording and maintaining relevant property-related information, in particular where key decisions are considered and recorded.

Office accommodation profile

2.89 The ACT Government office accommodation portfolio consists of both leased and owned premises. As at April 2009, the total number of properties in the government office portfolio was 31 properties. Of these, 21 are leased and ten are owned. These properties are in Civic and non-Civic locations as illustrated in Figure 2.1 below.

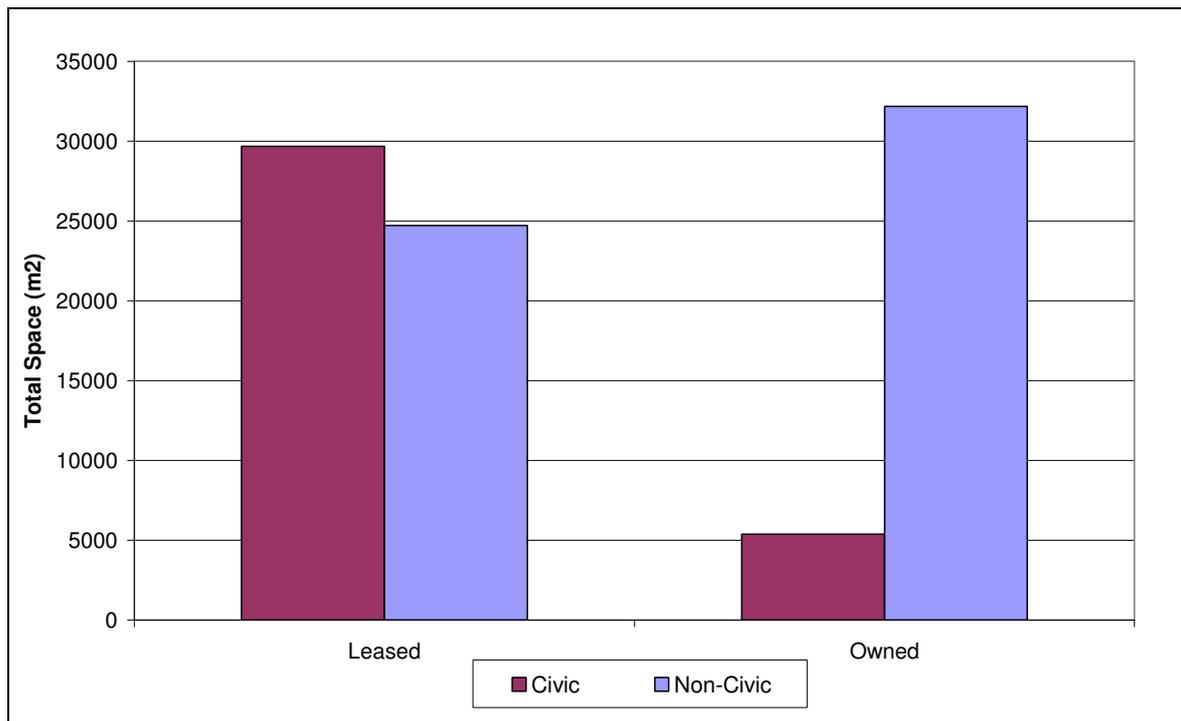
2.90 The total amount of ACT Government office accommodation space is approximately 92 000m<sup>2</sup>. This comprises approximately 35 000m<sup>2</sup> in Civic locations and approximately 57 000m<sup>2</sup> is spread across non-Civic locations.

Figure 2.1: Locations of leased and owned office accommodation



Source: ACT Property Group

**Figure 2.2: Whole-of-government – total space occupied (m<sup>2</sup>)**



Source: ACT Property Group

2.91 The ACT Government currently occupies approximately 54 000m<sup>2</sup> in leased premises (or 59 per cent of total space) and approximately 38 000m<sup>2</sup> in owned premises (or 41 per cent of total space) as illustrated in Figure 2.2 above.

### Compliance with statutory requirements

2.92 For office accommodation projects reviewed, Audit found there was a general compliance with statutory requirements and standards such as those included in the *Interim ACT Accommodation Standards and Guidelines – 1 September 2006*, *Building Code of Australia*, *Occupational Health and Safety*, *Disability Act* and *PS21 - Space Standards for Office Based Work Environment*.

2.93 One level of compliance is managed through the issue of certificates of occupancy prior to handover of premises and in post occupancy reports and reviews. Audit found that certificates of occupancy for 220 Northbourne Avenue, Braddon and Level 5, 40 Allara Street, Canberra City were not issued prior to handover and occupancy of these buildings in mid to late 2007. Certificates of occupancy were subsequently issued in March 2009 and April 2009.

2.94 There was a procedural deficiency that had been acknowledged by Procurement Solutions and they have updated their procedures to include an internal control that ensures Certificates of Occupancy are issued on completion of the project and before handover.

- 2.95 In addition, for leased premises, compliance with statutory requirements including the condition of the building is considered in sourcing suitable accommodation options at the planning and initial design phases of fit-out and construction. For owned premises, ACT Property Group conducts building condition audits on a rolling program.
- 2.96 In two case studies, there were post occupancy issues in relation to occupational health and safety, security, and disability access. ACT Property Group was aware of the issues and was working with agencies and landlords on remedial action. There have been no other major issues identified during this audit that relate to non-compliance with statutory requirements.

### Customer satisfaction

- 2.97 ACT Property Group conducted three customer satisfaction surveys in 2003, 2005, and 2008. The results of the 2008 survey indicated that clients were generally satisfied with the level of services provided by ACT Property Group. A number of areas for improvement were identified, and these related to facilities management activities.
- 2.98 The customer satisfaction survey conducted by ACT Property Group at the end of 2008 indicated that there was a general decline in the level of satisfaction of services from 95 per cent to 75 per cent. The primary reason was the need for better communication on the progress of requests from when an issue was reported to when it was actioned. For shared tenancies such as Eclipse House, a new question was added to the survey to determine whether or not staff felt the mix of tenants was appropriate or whether conflicts existed. The responses obtained did not suggest any problems exist in these areas.
- 2.99 ACT Property Group has identified a number of actions that need to be addressed and was planning to improve communication to keep ACT Government agencies better informed of property matters.
- 2.100 For the case studies, agencies indicated a high level of customer satisfaction with ACT Property Group services. Agency contact officers and ACT Property Group collaborated frequently on project issues, particularly when problems arose. Audit reviewed documentation between ACT Property Group and agencies on such activities, including options for relocating staff and the roles of the Project Control Group and Project Working Groups.
- 2.101 Customer complaints were also logged and monitored through the ACT Property Group Response Centre service. While there have been some complaints relating to facilities management services identified in the case studies, these were outside the scope of this audit. ACT Property Group should continue to monitor and respond to complaints in timely manner, and should have a process in place to use complaints information to improve its services.

## Improving service delivery

### *Changing accommodation needs*

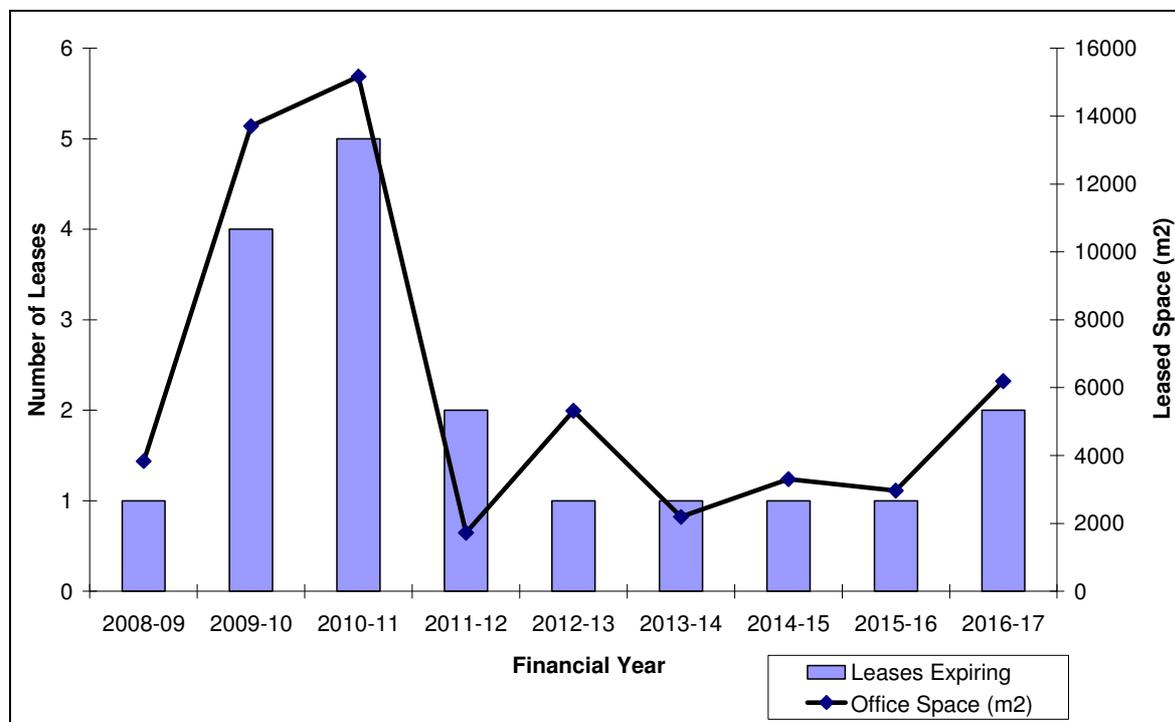
- 2.102 One of the primary drivers for changing accommodation needs is the functional requirements of an agency. Other incentives for changing needs may include improvements to service delivery, rationalisation, and reduction in costs, productivity gain, increasing staff interaction and improving communication.
- 2.103 Traditional office accommodation design is now being challenged with space allocated to work function rather than at a classification level.
- 2.104 The *Interim ACT Accommodation Standards and Guidelines – 1 September 2006* identifies how ACT Government office accommodation standards, space targets and design principles are to be established to achieve consistent, modular and generic fit-outs that are sustainable, flexible and adaptable to changes both within and across agencies. The standards and guidelines are consistent with those used in other State jurisdictions and as reported on through the Government Property Group forum.
- 2.105 In managing the whole-of-government office accommodation strategy projects, ACT Property Group was presented with the challenge of relocating a number of agencies into premises with either an existing or new fit-out. The design options were planned, considered, and documented in fit-out and construction plans, and complied with the standards set out in the *Interim ACT Accommodation Standards and Guidelines – 1 September 2006*.
- 2.106 In 2006-07, ACT Property Group also managed the complexity of establishing two different agencies into a single tenancy building, Eclipse House. Functional requirements for the agencies were different and resulted in two different design and fit-out options being planned, and constructed within the one building. Agencies advised Audit that the outcome for both agencies has been positive with no major issues being raised post-completion.

### *Planning for the future*

- 2.107 ACT Property Group has commenced a process that puts in place internal rental agreements, known as a 'Schedule A', to assist in the administration of office accommodation services. These agreements are similar to a general lease terms and conditions schedule and include the identification of key service areas as well as formalising lines of responsibility and lease arrangements between ACT Property Group and agencies.
- 2.108 Formalising these agreements provides benefits through:
- management of office accommodation risks;
  - transparency of property operating costs;
  - greater incentive to use space effectively;
  - greater commitment to maintain consistency in standards; and
  - better management of demand for space.

2.109 The proposed whole-of-government office building option to house ACT Government bodies scheduled in about 2013-14, presents a number of key issues in developing strategic office accommodation plans over the next five to ten years as the bulk of office accommodation leases are due to expire in 2009-10 and 2010-11.

Figure 2.3: Lease expiry activity and space (m<sup>2</sup>) – 2008-09 to 2016-17



Source: ACT Audit Office, based on ACT Property Group data

2.110 As illustrated in Figure 2.3, there will be a peak in lease negotiation activity from 2009-10 to 2011-12. There are two leases that will expire that are not being renewed, one in 2008-09 and one in 2009-10, these are for part of Homeworld and Manning Clark Offices in Tuggeranong.

2.111 Of the remaining nine leases due to expire in 2009-10 to 2011-12, the total amount of office space is estimated at 37 200m<sup>2</sup>. Only one of these leases has a renewal option of five years, the remaining eight have no renewal option. Therefore, it is critical that action be taken now to review and plan for agencies office accommodation requirements in the short to medium term and that these considerations also be factored into the development of the longer-term office accommodation strategic plan.

2.112 An additional six leases with an estimated total of 19 800m<sup>2</sup> of office space are due to expire in 2012-13 to 2016-17. Of these, four leases do not have renewal options and two leases have a five-year option.

2.113 The agencies that will be impacted by leases expiring during 2008-09 to 2016-17 are outlined in the Table 2.4.

**Table 2.4: Agencies occupying leased premises due to expire in 2008-09 to 2016-17**

Financial Year	Agencies
2008-09	Currently underleased to the Commonwealth. Not to be renewed.
2009-10	JACS, DHCS, CMD, Treasury, Gambling and Racing Commission
2010-11	DHCS, Shared Services, ACT Auditor-General's Office, ACT Health
2011-12	DHCS
2012-13	JACS, Treasury
2013-14	Land Development Agency
2014-15	DET
2015-16	Emergency Services Agency
2016-17	JACS, Shared Services

Source: ACT Audit Office, based on ACT Property Group data

### Conclusion for the delivery of property services

- 2.114 There were some well-established processes in place to support the management and monitoring of customer satisfaction, and compliance with accommodation guidelines and statutory requirements. Arrangements that could be improved or enhanced through ACT Property Group include:
- completing the review and issue of relevant policies and procedures;
  - ensuring that there is a formal record keeping structure in place to support the management and administration of key governance groups such as the Project Control Group and Project Working Groups; and
  - establishing a training and awareness program that encourages compliance with the Government standards and guidelines, and supports delivery of property activities for the whole-of-government.
- 2.115 The ACT Property Group will need to work closely with Government agencies in anticipating the changes in the commercial office market. Working together with agencies will help contain costs by allowing for early assistance in identifying and assessing accommodation options, negotiation of lease terms and conditions, achieving value for money, and limiting the need for unanticipated changes in accommodation requirements.
- 2.116 There are deficiencies in the current planning processes used, especially given the number of leases that are due to expire over the next two or three years. There was no strategy in place to give confidence that these demand issues had been fully examined and options considered, based on the market forecast.
- 2.117 It is important that ACT Property Group work closely with agencies during the strategic planning phase, to identify what effect this and the whole-of-government building option will have on current accommodation arrangements, and to assess and agree on the options for entering into lease negotiations for either new or existing premises and whether to invest in new or upgraded fit-out, if accommodation requirements are to change.

2.118 Accommodation decisions should not be made in isolation but take into account the broad range of different functional and business requirements facing agencies across the public sector. Specifically, they should consider the proposed whole-of-government office building.

### ACHIEVING VALUE FOR MONEY

2.119 This section considers delivery of value for money solutions for office accommodation, through effective space utilisation, office accommodation projects under the whole-of-government accommodation strategy and comparisons of costs for comparable properties on the commercial market.

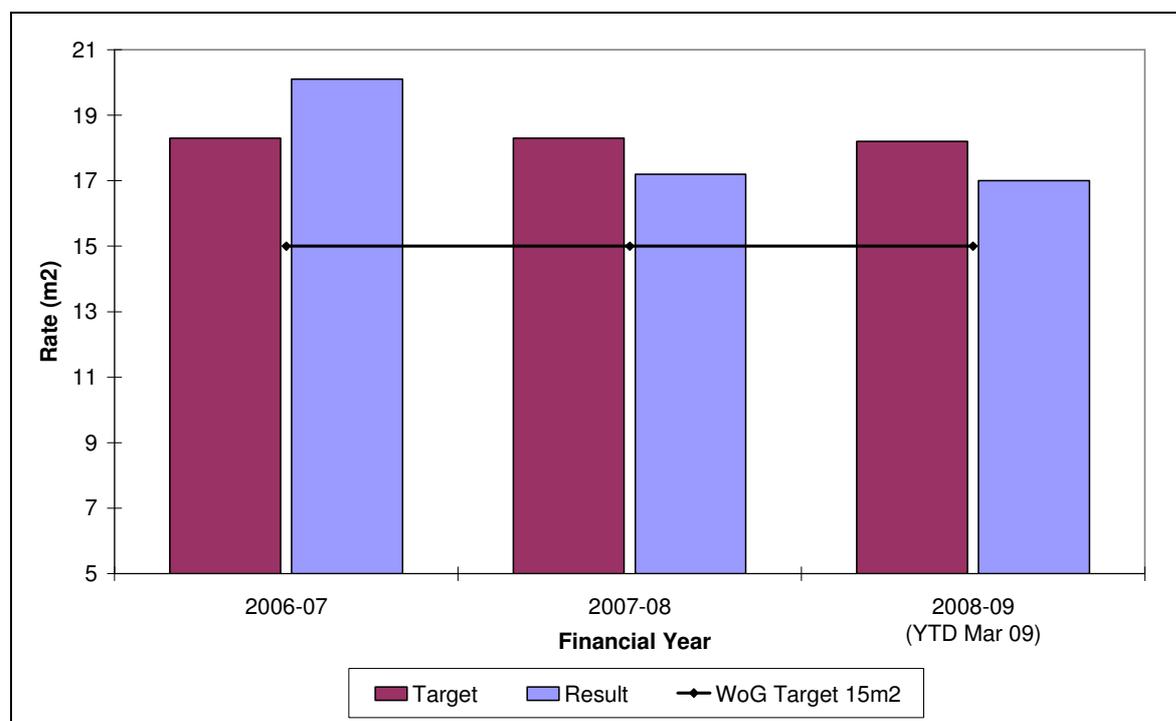
#### Effectiveness of space utilisation

2.120 A key initiative of the whole-of-government accommodation strategy was to reduce the total amount of leased office space and reduce the utilisation rate from 20.6m<sup>2</sup> per employee in 2006-07 to 18.3m<sup>2</sup> per employee by 2008-09, with a forward year target of 15m<sup>2</sup> being achieved by 2010-11.

2.121 As at March 2009, approximately 12 000m<sup>2</sup> had been removed from the leased portfolio and whole-of-government utilisation rate has reduced to 17.1m<sup>2</sup> per employee, which is 1.2m<sup>2</sup> below the 2008-09 recommended target of 18.3m<sup>2</sup>.

2.122 The following graphs show consolidated results for whole-of-government over financial years 2006-07, 2007-08 and 2008-09 (YTD March 2009). These performance measures are reported against TAMS Output 2.1c - Government Services in the TAMS Statement of Performance Reports.

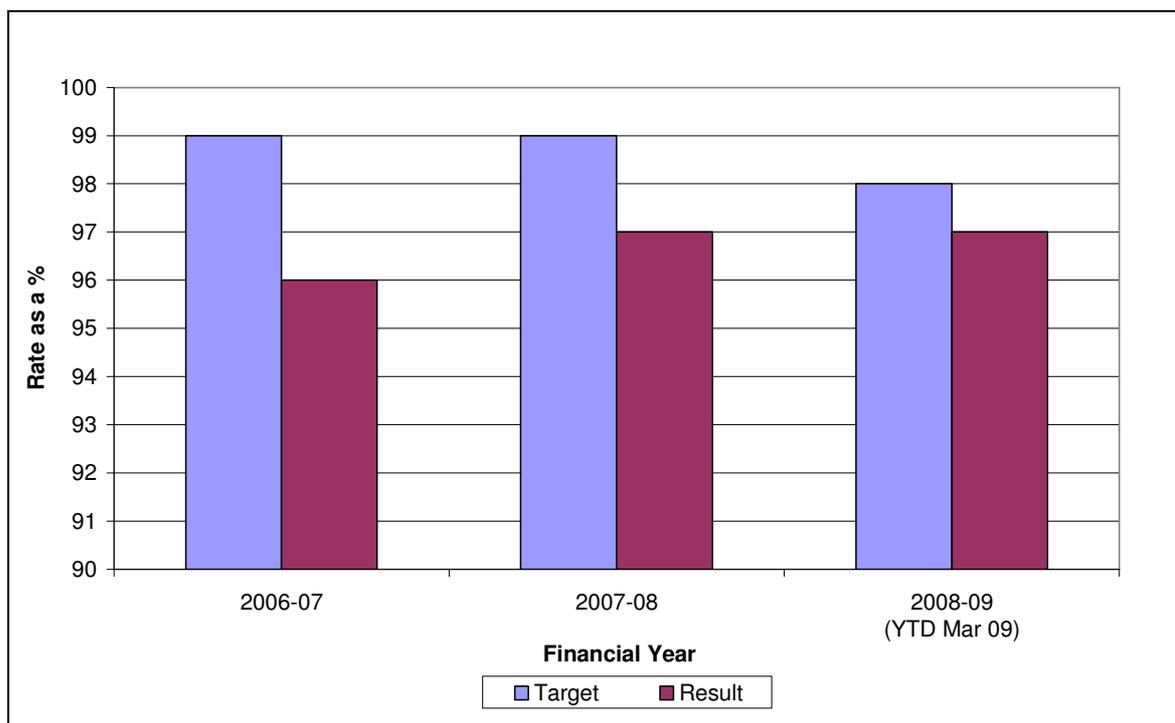
**Figure 2.4: Whole-of-Government Utilisation Rates (m<sup>2</sup> Per Employee)**



Source: TAMS Statement of Performance Reports

- 2.123 As illustrated in Figure 2.4, the whole-of-government utilisation rates have decreased since 2006-07 and were below the targets set for 2007-08 and YTD 2008-09, following a significant reduction in leased office space during these financial years. This was due to the achievement of a specific government initiated strategy to reduce the leased office portfolio.
- 2.124 Factors that influenced the whole-of-government result being above the target in 2006-07 included leased office space at Fairbairn of approximately 2 560m<sup>2</sup> for the ESA and the proposed under-leasing of approximately 4 418m<sup>2</sup> of space at Manning Clark Offices in Tuggeranong.

**Figure 2.5: Whole-of-government – occupancy rate**

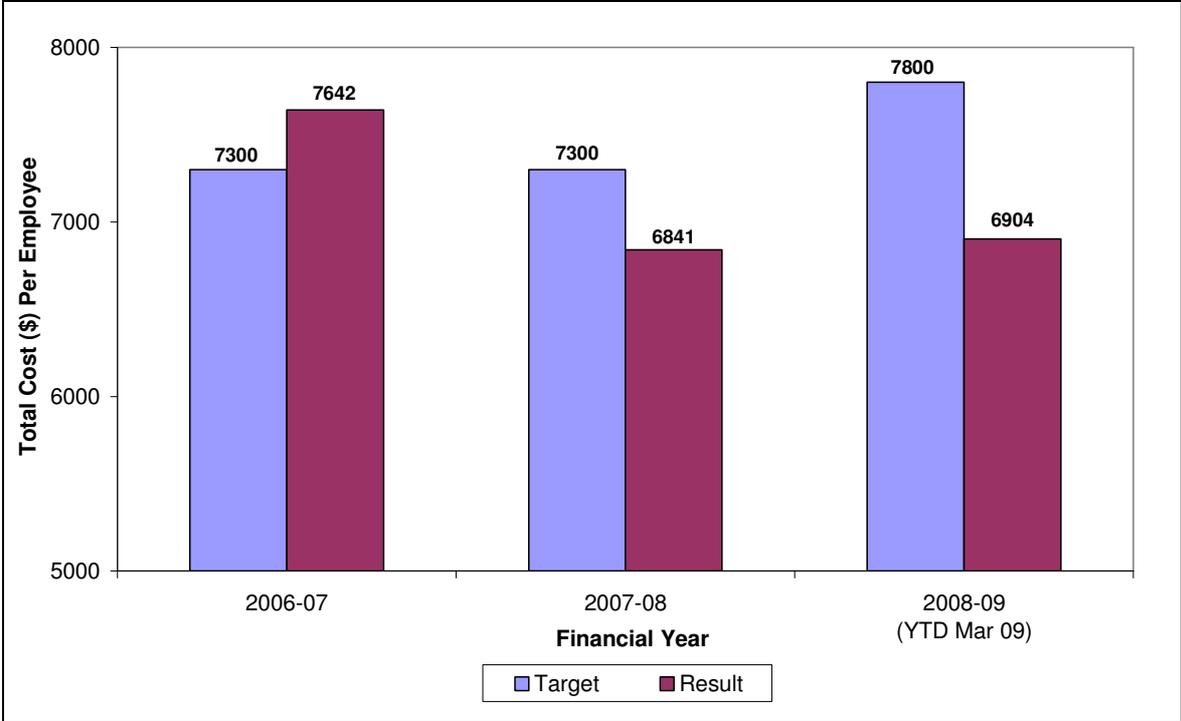


Source: TAMS Statement of Performance Reports

- 2.125 Occupancy rates are derived by dividing the total amount of space occupied by the total space available for occupation, expressed as a percentage. A high occupancy rate indicates better performance. As illustrated in Figure 2.5, occupancy rates have been below the recommended target for the three years 2006-07, 2007-08, and 2008-09 (YTD March 2009).
- 2.126 The whole-of-government result reflects the amount of actual office space utilised by all agencies in both owned and leased buildings. As at March 2009, occupied space was 97 per cent and unoccupied space was 3 per cent (this includes vacant space such as office buildings at Fairbairn).
- 2.127 The high percentage of occupied space, while being desirable, also reinforced the need for forward planning to respond effectively to agency needs, as there was little flexibility to allow for growth and/or using other premises on a temporary or more permanent basis if accommodation needs change.

2.128 Audit was advised by ACT Property Group that it allows for 1 000m<sup>2</sup> in the office accommodation portfolio to provide some flexibility and to act as a contingency in case of growth in demand.

**Figure 2.6: Whole-of-government – accommodation cost (\$) per employee**

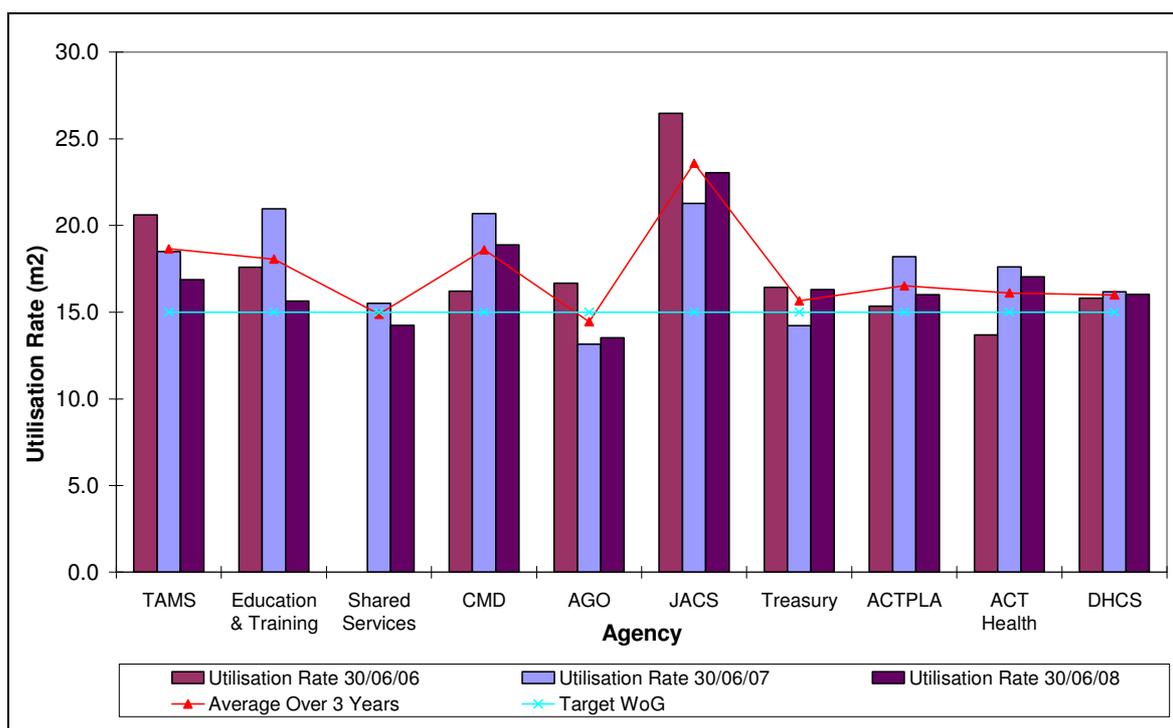


Source: TAMS Statement of Performance Reports

2.129 As illustrated in Figure 2.6, the accommodation cost per employee has decreased since 2006-07 from \$7 640 to \$6 900 per employee in 2008-09 (financial year to March 2009). This was mainly due to a reduction in rent commitments following completion of the under-leasing of Manning Clark Offices, Homeworld and 200 Scollay Street in Tuggeranong and savings that have been achieved through rationalisation and consolidation of the whole-of-government accommodation strategy projects.

2.130 Factors that influenced the results can be attributed to fluctuations in staff numbers and in the total amount of office space for leased and owned accommodation. Costs include all charges to agencies for leased and owned accommodation, such as rent, outgoings, and administration costs.

2.131 The above three areas (the overall occupancy rate, the utilisation rate, and accommodation cost per employee) remain key priorities for ACT Property Group, and are expected to continue to deliver further savings in both cost and space, and reduce the utilisation rate to 15m<sup>2</sup> per employee by 2010-11.

Figure 2.7: Agency utilisation rates (m<sup>2</sup>) per Full Time Equivalent

Source: Agency Annual Reports (Audit Analysis)

2.132 As illustrated in Figure 2.7 above, since the implementation of the whole-of-government accommodation strategy projects during 2006-07, agency utilisation rates in 2007-08 have decreased and in some cases are below the whole-of-government long-term target of 15m<sup>2</sup> per employee. The results can be influenced by a number of factors, such as, change in staff numbers, amount of space occupied and vacant space. Factoring in vacant space results in a higher utilisation rate being recorded for that agency.

2.133 The JACS utilisation rate has consistently been above the recommended target. The results are influenced by unoccupied space at Fairbairn and limitations with the ESA Headquarters building in Curtin.

2.134 Audit conducted a comparative analysis on the individual agency utilisation rates. This analysis showed inconsistencies between the data reported in the annual reports and the data provided to ACT Property Group.

2.135 The reliability of utilisation data can be affected by:

- annual report information incorporates buildings that are owned and managed by the individual agency, such as Centre for Teaching and Learning, Stirling and some operational facilities;
- ACT Property Group are not involved in the preparation of accommodation information and statistics as presented in the agency annual reports, other than for the TAMS portfolio; and
- There is no validation of agency data provided to ACT Property Group for calculating whole-of-government performance information.

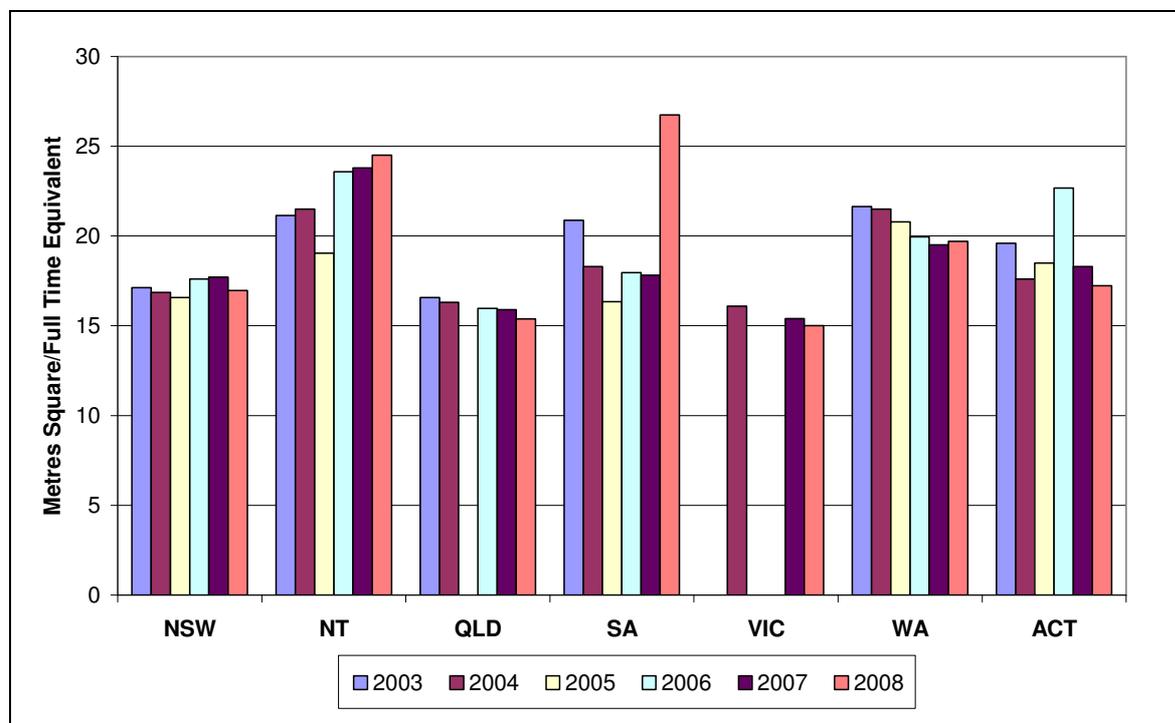
Methodology for calculating utilisation rates

- 2.136 Office accommodation utilisation rates are normally worked out by dividing the useable office area (m<sup>2</sup>) by the Full Time Equivalent (FTE) staff numbers.
- 2.137 ACT Property Group staff use staff numbers rather than FTE to report on ‘per employee’ statistics. Audit conducted a comparative analysis using annual report data and the results show there is no significant difference in using staff numbers versus FTEs.
- 2.138 One of the reasons ACT Property Group used staff numbers when determining office space was that where part-time staff members may work on the same day(s), they each need individual work spaces. ACT Property Group also confirmed that while the Government Property Group National Benchmarking Report shows (m<sup>2</sup> per FTE), the ACT used the actual staff numbers, not FTE.
- 2.139 While this practice has been adopted in the ACT, it is inconsistent with the other States, which are using FTE as the basis for calculating utilisation.

Comparing utilisation rates with other states

- 2.140 The data in Figure 2.8 below comes from Government Property Group National Benchmarking Report - December 2008.

Figure 2.8: State comparisons of utilisation rates (m<sup>2</sup> per FTE)



Source: Government Property Group National Benchmarking Report – December 2008

Note: There was no data for Tasmania. Queensland data is based on m<sup>2</sup>/workpoints rather than m<sup>2</sup> per FTE.

2.141 The States have the following targets as at December 2008:

**Table 2.5 State jurisdictions utilisation rate targets**

Jurisdiction	Existing Target
NSW	17m <sup>2</sup> (to be changed to 15m <sup>2</sup> )
NT	16.5m <sup>2</sup>
QLD	16m <sup>2</sup>
SA	15m <sup>2</sup>
TAS	17m <sup>2</sup>
VIC	15m <sup>2</sup>
WA	15m <sup>2</sup>
ACT	15m <sup>2</sup>

Source: Government Property Group National Benchmarking Report – December 2008

2.142 As illustrated in Table 2.5, the utilisation target for the ACT of 15m<sup>2</sup> was consistent with national benchmarks. However, as discussed earlier, the ACT sets the target of 15m<sup>2</sup> for the longer terms, by 2010-11.

### **Whole-of-Government accommodation strategy implementation**

#### *Delivering the office accommodation projects within nominated timeframes*

2.143 The 2006-07 Budget announcement included the decision not to renew six sub-leases totalling approximately 10 000m<sup>2</sup> of office space and involved the relocation of tenants within the existing portfolio. Five of the leases were due to expire by 31 December 2006 and the timeframes for completion of the whole-of-government accommodation strategy projects and initiatives were predetermined and driven by this decision. In the majority of cases, projects were being managed concurrently with multiple project schedules and relocation timeframes.

2.144 Timing for projects, was staged and progressed incrementally with the majority of the works completed during the period September 2006 through to September 2007.

2.145 The whole-of-government accommodation strategy introduced in 2006-07 identified sixteen individual projects, which excluded the re-leasing of Eclipse House. There were four projects still in progress as at April 2009.

2.146 The Emergency Services Agency (ESA) Headquarters relocation project, (case study three of this report), was not part of the original 2006-07 whole-of-government accommodation strategy. At the time of this audit, this project is still in progress.

### *Budget and financial control*

- 2.147 The original budget to deliver the whole-of-government accommodation strategy was \$15.46 million. At the time of the audit, there have been eight claims submitted to Treasury that relate to the whole-of-government office accommodation strategy projects; these totalled \$10.79 million. Unspent funds were estimated at \$4.67 million.
- 2.148 The \$15.46 million budget allocation in 2006-07 comprised:
- \$6.00 million – Restructure Fund – Office Accommodation Rationalisation;
  - \$5.00 million – Shared Services; and
  - \$4.46 million – JACS.
- 2.149 A key target of the whole-of-government accommodation strategy, developed in 2006-07, was to rationalise office accommodation to reduce the office space per staff member through not renewing a number of leases with the intention of cumulative savings totalling approximately \$3.47 million by the end of 2008-09.
- 2.150 As at June 2009, more than 12 000m<sup>2</sup> of office space had been removed from the leased office portfolio with close to 2 000 public servants being relocated, and the annual rental commitment has reduced by approximately \$4.50 million. This positive result has exceeded the original cumulative savings target by approximately \$1.03 million.
- 2.151 ACT Property Group anticipated that the next major opportunity to improve the utilisation rates and achieve cost savings in rental commitments would be addressed in line with the development of the whole-of-government office block.

### *Project reconciliations for whole-of-government accommodation strategy funding*

- 2.152 At the end of each financial year, ACT Property Group liaised with Treasury and confirmed through reconciliations, the expenditure to date and the funds to be rolled over to the following financial year. Treasury had responsibility for administration of the Restructure Fund, including the reimbursement of project costs associated with the whole-of-government accommodation strategy.
- 2.153 ACT Property Group has primary carriage for the monitoring and reporting of office accommodation project expenditure. All requests for project funding went through the Project Control Group for endorsement prior to a project commencing. This was evidenced through internal correspondence to the Project Control Group and minutes of meetings.
- 2.154 Funding for projects was tracked through the use of a project cost report. The project cost report template was developed by ACT Property Group to manage, monitor and report on project funds expended against the approved budget. These reports were also used to inform progress reports and decision papers and submissions provided to the relevant bodies within the Governance framework.

- 2.155 The project cost reports were maintained because the property management system and financial system did not contain sufficient information to meet the needs of ACT Property Group in managing the financial data for the whole-of-government office accommodation strategy projects.
- 2.156 Audit reviewed a selected sample of project cost reports from ACT Property Group records and files for testing and found that there were discrepancies with some of the figures reported. The errors translated into inaccurate data being reported as the *'balance of funds'* in these reports. The outcomes were brought to the attention of ACT Property Group staff who confirmed the exceptions and corrected the errors during the audit.
- 2.157 ACT Property Group staff was unable to confirm which version of the project cost reports, if any, were submitted as finals to Treasury or considered by the Project Control Group and Property Forum.
- 2.158 There was a risk, a number of these inaccurate reports have already been, provided to the Project Control Group and Property Forum. There was also a risk that these reports were used as the basis for providing source information in decision papers and submissions to Management Council or Cabinet and may have misrepresented the current financial position at the time.
- 2.159 Furthermore, the inadequate management of financial information and duplication of data collection, can result in inconsistencies in data sources, as well as a lack of confidence in the data being presented, and ultimately may lead to poor decision making.

#### **Recommendation 10**

ACT Property Group should improve the accounting for, and reporting of, project costs to ensure more accurate information is being used for project management.

#### **Lease expenditures for office accommodation**

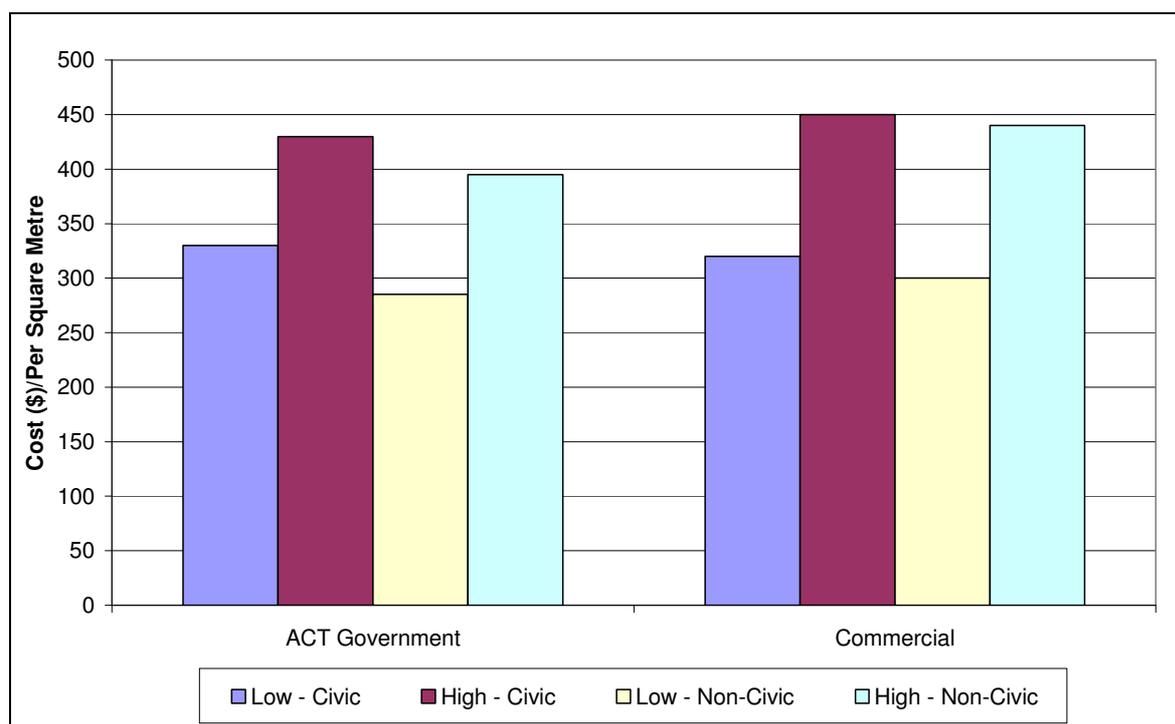
- 2.160 Leased properties are provided to agencies at actual cost, includes rent and outgoings. The majority of ACT Government leases have a fixed escalator of 3.5 per cent to 4.5 per cent per annum.
- 2.161 Expenditure for leased premises is estimated at \$21.16 million per annum. Rental income received by ACT Property Group for owned premises is approximately \$10.6 million per annum.
- 2.162 To enable ACT Property Group to meet agency lease management requirements, the ACT Property Forum at its meeting in July 2004, agreed to the proposal to introduce a 1.7 per cent property management fee on all new leases entered into after 1 July 2004. The fee is covered in rent charged for owned premises and by applying 1.7 per cent as the escalator of the annual rent per annum for leased premises.

2.163 The methodology adopted and applied by ACT Property Group to administer leases was consistent with that in other State jurisdictions. The highest rate for administrative fees in other States is 2.5 per cent for leased properties in NSW and Queensland.

### *Comparison of rents*

2.164 ACT Government rental rates per square metre as at April 2009 typically range between \$330m<sup>2</sup> to \$430m<sup>2</sup> in Civic and \$285m<sup>2</sup> to \$395m<sup>2</sup> in non-Civic locations.

**Figure 2.9: Cost (\$) per square metre**



Source: Audit analysis using ACT Property Group data and commercial property data

2.165 As illustrated in Figure 2.9, rental rates generally compare favourably with the commercial rental rates for office accommodation in Civic and non-Civic locations, and in some cases was below the commercial rental rates.

2.166 Audit considered that the benefits of security of government tenancy and the significant demand for office accommodation should place the ACT government in an advantageous position to negotiate and obtain better rents than the commercial sector.

2.167 TAMS advised that:

While the ACT Government is a substantial tenant in the local market, its total accommodation only represents less than 20 per cent of the available space. When reduced to sub-lease accommodation, the figures fall well below 10 per cent and it is not only substantially below the Commonwealth on total but also substantially below individual Commonwealth Departments such as Defence, DEEWR and Centrelink. Accordingly, the ACT Government is not in an advantageous position to negotiate and

obtain better rents while it seeks sub-leases between 5 000m<sup>2</sup> to 10 000m<sup>2</sup>. If the whole-of-government office building was approved to progress by the ACT Government and it chose to look for a sub-lease, the comments regarding the ACT Government being in an advantageous position would most likely be correct.

### Conclusion for value for money

- 2.168 There were established processes in place to support managing space utilisation against targets.
- 2.169 Timeframes for delivering the whole-of-government accommodation strategy projects were short and the majority of the projects were completed over a twelve-month period and using existing resources.
- 2.170 ACT Property Group will need to manage the office accommodation portfolio more closely, in conjunction with agencies, if the original intended savings and targets are to continue as leases expire over the next five to six years.
- 2.171 The Project Control Group provides a good internal control mechanism to support the endorsement of projects prior to commencement.
- 2.172 Audit found that accounting for and reporting of project costs could be improved, to ensure that accurate information is available for monitoring and managing accommodation services and projects.

## ENVIRONMENTAL SUSTAINABILITY

### Background

- 2.173 This section considers how agencies were implementing the intentions of the ACT Government accommodation strategy to lead in the promotion and adoption of sustainability policies and practices through its owned and leased office accommodation portfolio. The Government Property Group initiatives included the National Framework for Sustainable Government Office Buildings and the National Green Lease Policy.
- 2.174 The ACT Government aims to manage leased and owned properties consistent with sustainability principles to achieve reductions in energy use, greenhouse gas emissions, water consumption and waste management as well as encourage use of environmentally friendly products.
- 2.175 There are a number of ways that environmental sustainability is managed for ACT Government office accommodation. These include:
- new office accommodation leases are sought in buildings that are green star rated, consistent with the National Australian Built Environmental Ratings System (NABERS) formerly known as Australian Building Greenhouse Rating (ABGR);
  - upgrading leased or owned premises to improve environmental performance and resource efficiency such as lighting, heating and cooling systems; and

- reporting environmental sustainability performance and initiatives in annual reports.

### Sustainability considerations in office accommodation

- 2.176 Environmental sustainability requirements for office accommodation are outlined in the *Interim ACT Accommodation Guidelines and Standards – 1 September 2006* and the *ACT Government Energy and Water Policy for Leased Accommodation*. The ACT Property Group has a role in administering compliance with these policies in regard to environmental sustainability practices and requirements.
- 2.177 For leased premises, there are limitations on implementing environmental initiatives as this is dependent upon the building owner. There is no mandatory requirement for building owners to provide environmental improvements for water, energy, and waste. Nevertheless, ACT Property Group and agencies should seek to negotiate such arrangements as part of lease terms and conditions.
- 2.178 For owned premises, there is more direct control and influence over the implementation of environmental initiatives, such as performing building condition audits on a rolling cycle and using the results of these audits to inform and identify areas for improvement such as energy efficiency, water usage, and waste management practices.
- 2.179 The *ACT Government Energy and Water Policy for Leased Accommodation* specifies that the preferred base building rating for leased premises is 3.5 star rating or better, from 1 January 2006 this was to increase to a minimum of 4 star rating and from 1 January 2007 to a minimum of 4.5 star rating. Audit found that building ratings for the office accommodation portfolio were not recorded in a centralised system or readily available. Audit therefore was unable to determine whether ACT Property Group complied with these requirements.

### Recommendation 11

ACT Property Group should improve the collection and reporting of relevant information on sustainability targets to ensure compliance with government policy, including the achievement of 4.5 star ratings in government leased and owned buildings.

- 2.180 For the case studies, Audit found that:
- a review of the base building rating and identification of resource efficiencies was not considered at the time DET moved into 220 Northbourne Avenue, Braddon;
  - the Eclipse House fit-out design and construction complied with the Interim ACT Accommodation Standards and Guidelines and the ACT Energy and Water Policy for Leased Accommodation requirements; and
  - for the ESA, environmental sustainability requirements have been identified for Fairbairn and the construction of the new ESA headquarters building is expected to deliver a 4.5 star building rating.

### Environmental sustainability initiatives

- 2.181 Some of the initiatives currently being implemented to support sustainability in office accommodation include recycling materials (where possible), re-use of existing workstations, reviewing building systems (heating and air-conditioning), improving energy efficiency through installing diffusers and lighting sensors, installation of waterless urinals, dual flushing toilets and automatic shutdown timers. In the case studies reviewed by Audit, these initiatives were considered in the design, fit-out and construction stages of the refurbishment projects.
- 2.182 ACT Property Group also has a number of other initiatives that have commenced, these are outlined below:

### Property Sustainability Working Group

- 2.183 The Property Sustainability Working Group was established as a sub-group of the ACT Property Forum in November 2008. The working group has an agreed set of terms of reference and has a role in progressing actions in *Weathering the Change, Action Plan 1 2007-2011*, in particular:
- Action 2 – moving towards carbon neutrality of ACT Government Buildings; and
  - Action 3 – use of Energy Efficiency Fund for ACT Government agencies.
- 2.184 The Working Group comprises representatives from the ACT Property Group, Department of the Environment, Climate Change, Energy and Water, Department of Treasury, ACT Health, Chief Minister’s Department, Department of Justice and Community Safety, InTACT (Information Technology services to ACT Government bodies), Department of Education and Training, Department of Disability, Housing and Community Services, Department of Territory and Municipal Services and the ACT Planning and Land Authority.
- 2.185 The Group is working with these agencies to embed sustainability into the design and management of properties that are owned and leased by the ACT Government. This Group is also developing strategies to improve environmental performance including smart metering of office buildings and establishing building committees to identify ways to improve building performance.
- 2.186 A proposed work program has been developed and identifies a number of key projects to be undertaken, such as:
- monitoring energy usage in buildings;
  - evaluating effectiveness of energy saving investments and potential to make savings;
  - reviewing leases or tenancy agreements to monitor energy use including green lease options; and
  - developing operational guidelines to assist agencies manage properties for fit-out and new building space guidelines.

- 2.187 The work program provides the basis for reporting to each meeting of the ACT Property Forum and the Climate Change Interdepartmental Committee.

### *Government Property Group sustainability initiative*

- 2.188 The Government Property Group (GPG), as a sub-group of the Australian Procurement and Construction Ministerial Council, is to develop for the Council of Australian Governments (COAG) a National Statement for Sustainable Government Office Buildings (the Framework) for use by each of the States. The Framework, once established later in 2009, will provide a series of tools and reporting measures that will help to improve the environmental performance of government office buildings.
- 2.189 Once the Framework is endorsed, all ACT Government office buildings being built, leased, refurbished or fitted out must meet the minimum recommended targets for sustainability as identified in the Framework and must also meet the targets and guidelines specified in the ACT Government sustainability policy framework. Audit noted that these frameworks have not yet been developed or implemented.
- 2.190 The GPG in association with the Commonwealth's National Framework for Energy Efficiency (NFEE) is developing a National Green Lease Policy which will include a Green Lease Schedule that will include reporting requirements for use across all jurisdictions.
- 2.191 Audit found a number of these sustainability initiatives and projects are outlined in the GPG Strategic Plan 2008-2010 and are due for completion by the end of this financial year 2008-09.

### *Other sustainability initiatives*

- 2.192 ACT Property Group is in the process of having preliminary discussions with providers about cost and systems available to improve environmental sustainability reporting.
- 2.193 The Online System for Comprehensive Activity Reporting (OSCAR) is a web-based data gathering and benchmarking tool used by agencies to enable them to enter and report on energy and greenhouse data on-line. OSCAR standardises the calculation of energy use and greenhouse emissions to produce comparable datasets regarding environmental performance. The annual report template is also based on these requirements. However, ACT Property Group does not validate the data at a whole-of-government level.
- 2.194 ACT Property Group has commenced a process to collect information on energy and water usage, in order to gain a better understanding of usage across the whole-of-government to identify savings and areas for improvement and to improve the collection of data for future reporting requirements.

2.195 ACT Property Group is also working together with DECCEW on engaging a consultant to conduct an independent study of buildings with a view to identifying potential savings and to determine what criteria can be used for owned and leased buildings. Performance measures and setting benchmarks will also be established as an output from this study.

### Annual reporting

2.196 The annual reporting guidelines issued by the Chief Minister's Department outline the requirements for agencies to report against ecologically sustainable development (ESD) indicators, including energy use, greenhouse emissions, water consumption and resource efficiency and waste. Reporting on ESD indicators was only made mandatory in the annual reports in the financial year 2007-08.

2.197 Audit reviewed the data in the annual reports with a view to identifying environmental performance results for office accommodation in particular. These were compared for the last three financial years to see if ACT Government agencies were leading by example.

2.198 Audit found that there was inconsistency between how agencies interpret, capture, and calculate data presented as environmental performance information in the annual reports. Therefore, Audit was not able to draw overall conclusions on the impact of any practices by ACT Government agencies on resource efficiency and waste management in relation to office accommodation.

2.199 The only whole-of-government reporting is the use of green power, which has increased from 19 per cent in 2006-07 to 23 per cent in 2007-08. There is no other whole-of-government reporting on environmental performance other than at the agency level in the annual reports.

### Recommendation 12

ACT Property Group should review and implement arrangements to:

- a. enhance reporting on environmental performance for ACT Government owned and occupied buildings at a whole-of-government level;
- b. establish benchmarks that will assist in identifying areas for improvement; and
- c. ensure accommodation continues to meet ACT Government requirements for long-term sustainability and accountability.

### Conclusion for environmental sustainability

2.200 Audit found that there were processes in place that considered and supported environmental sustainability principles and initiatives in government owned and occupied buildings for which ACT Property Group and agencies were responsible. However, these principles and initiatives were not implemented consistently across the audited agencies and various accommodation projects.

- 2.201 ACT Property Group should continue to work with agencies on improving environmental sustainability in buildings and office spaces with a view to improving environmental performance that meets the requirements of the broader ACT Government's *Weathering the Change Action Plan 2007-2011*.
- 2.202 In addition, ACT Property Group in conjunction with agencies should work closer with building owners to improve resource efficiency and waste management practices as part of negotiating lease terms and conditions to determine areas for improvement.
- 2.203 While agencies have disclosed environmental performance in their annual reports, Audit has identified scope for improvements. These include reviewing the annual reporting requirements with a view to establishing clear guidelines, standard formula and methodology for agencies to apply when they collected data and report on resource efficiency and waste management.

### 3. CASE STUDY ONE – DEPARTMENT OF EDUCATION AND TRAINING

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#### INTRODUCTION

3.1 This chapter examined the relocation of the Department of Education and Training (DET) from the Manning Clark Offices (MCO), Tuggeranong to 220 Northbourne Avenue, Braddon (Braddon premises). This move was part of the ACT Government's 2006-07 whole-of-government accommodation strategy.

3.2 A brief history of DET's office accommodation is: as follows:

- in December 2004, DET moved from Homeworld, Tuggeranong to MCO, Tuggeranong;
- the 2005-06 DET Accommodation Strategy had:
  - DET Training and Adult Education division move from 40 Allara Street, Civic to MCO, Tuggeranong; and
  - many internal moves within MCO;
- in June 2007, DET began relocating to their 'four primary central locations':
  - 220 Northbourne Avenue (Ground and Levels 4, 5 & 6), Braddon (About half of former MCO staff moved here);
  - Centre for Teaching and Learning (CTL), Stirling;
  - Level 2, Annex A, Macarthur House, Lyneham; and
  - Fyshwick Annex, Pirie Street, Fyshwick;

as well as:

- the Lyons Education Centre, Lyons (not part of the 'four primary central locations');
- the 220 Northbourne Avenue, Braddon move was completed in October 2007. All MCO staff were relocated by April 2008; and
- at the time of this audit (June 2009), DET needed more office accommodation space and:
  - had moved DET staff from Level 2, Annex A, Macarthur House, Lyneham, to Level 1, 220 Northbourne Avenue, Braddon; and
  - were continuing to fit-out and relocate staff to CTL, Stirling.

#### KEY FINDINGS

- The relocation project of DET was generally well delivered and met some key objectives.
- There was a lack of documentation about key decisions behind the DET relocation to 220 Northbourne Avenue, Braddon, instead of the original proposal to move to Stirling College.

- The decision was made at Management Council on the whole-of-government basis for DET to move to 220 Northbourne Avenue, Braddon hence staff had not been initially consulted about the planned move to Braddon premises. The Corporate Support Section of DET subsequently kept staff well informed during the multi-staged relocation from Manning Clark Offices, Tuggeranong.
- DET’s 2005-06 accommodation target of three office locations had been met. In June 2009, DET staff occupied four buildings and two surplus schools.
- Stirling College met the definition of a surplus property. However, as DET already used Stirling College as a Teaching and Learning Centre, DET did not follow the surplus property policy when it was introduced in August 2006. Therefore, no evaluation of the property has been done from a whole-of-government perspective to ensure its use by DET is the best use for the property.
- An assessment of the usage of resources (energy and water) at 220 Northbourne Avenue, Braddon was not fully considered when DET was allocated the existing lease by ACT Property Group. Therefore, DET had to initiate measures to improve energy efficiency.
- DET had post occupancy OH&S issues that started in June 2007, and remained unresolved, including staff concerns about evacuation procedures.
- DET did not report energy and water efficiency for office accommodation in its annual reports.

**Table 3.1: Project objectives**

DET	Met	Comment
Was the utilisation rate reduced?	Yes	The utilisation rate for DET is 15.4m <sup>2</sup> (whole-of-government target 18.3m <sup>2</sup> ). See Table 3.2.
Did the move result in cost savings?	Yes	Less rent was paid at 220 Northbourne Avenue than at Manning Clark Offices. The relocation utilised the vacancy under the Government existing lease at 220 Northbourne Avenue, Braddon. However, limited documentation was available to compare the Braddon location to the Stirling location.
Did the move factor in the building efficiency?	Yes	By DET, not at a whole-of-government level.
Was the relocation performed within the scheduled timeframe?	Yes	Relocation completed between June and October 2007, as planned.

Source: Audit Office summary

## GOVERNANCE AND ACCOUNTABILITY

### Background

3.3 DET's 2005-06 Accommodation Strategy stated the long-term plan was to relocate its entire office staff to the Centre for Teaching and Learning (CTL) at Stirling. The key driver for the strategy is to consolidate the department's accommodation in order to minimise rent payments.

3.4 On 9 August 2006, the Management Council discussed the option of DET relocating to 220 Northbourne Avenue, Braddon (Braddon premises), not the CTL at Stirling. Estimated costs of refurbishing Stirling in this document were \$3.96 million. This compared with the estimated relocation and fit-out costs of the Braddon premises of around \$230 000. However, Audit found there was a lack of documentation within DET and ACT Property Group files about full consideration for the decision to move.

3.5 TAMS provided the following comments on the history of the use of the Braddon premises:

Braddon premises had been sub-leased to accommodate the former Department of Economic Development, which was abolished, as part of the 2006-07 Budget.

As a result of this abolition, staff either left the employment of the ACT Government or physically moved to other locations and ACT Property Group found itself with a sub-lease to fill or underlease.

The latter was not looking promising at the time, whereas ACT Property Group was being pressed by Commonwealth agencies in Greenway that wanted to obtain more accommodation to cover new Commonwealth programs to be located in that region.

The combination of circumstances and opportunity made the underleasing of Manning Clark Offices and the relocation of DET to 220 Northbourne Avenue, Braddon and to the Annex of Macarthur House financially very attractive for the ACT Government.

3.6 In April and May 2007, correspondence between DET and TAMS confirmed the arrangements for DET re-locations within the context of the whole-of-government accommodation strategy.

3.7 In brief, Audit found that a separate business case was not prepared for the DET project. However, consideration of the relocation of DET was part of the implementation of the whole-of-government accommodation strategy. Audit also noted that the option of 220 Northbourne Avenue, Braddon was selected as it was already under an existing sub-lease and the tenancy was vacant at the time.

### Project planning including risk management and business continuity

3.8 The DET Business Continuity Plan uses a 'risk management process designed to reduce the residual risk of an event, in terms of its likelihood of occurrence and/or its consequence, to an acceptable level.'

- 3.9 Even though DET's Business Continuity Plan Executive Summary and a Business Continuity Plan Manual address business interruptions if a disruptive event occurs, they do not consider or identify the loss of premises and providing alternative accommodation in the event of a major business interruption.
- 3.10 DET conducted a risk management exercise around the relocation to the Braddon premises. The DET strategic management risk was 'negative Departmental outcome resulting from the central office relocation'. This risk was addressed using a strong communication strategy for staff. The risk assessment was updated as the relocation commenced, with a completion time frame of February 2007.
- 3.11 Creating business continuity plans and risk management around office accommodation are not requirements of the ACT Government accommodation guidelines. It is left up to each agency to use its initiative to address these areas. As this audit focuses on office accommodation and office accommodation is critical in the delivery of ACT Government services, it is considered that agencies should explicitly address accommodation-related risks including the loss of premises in the event of a major business interruption.
- 3.12 Since the audit, DET advised that a business impact assessment for accommodation and alternative sites is in place and it had commenced work to enhance its business continuity plan and risk management framework.

### THE DELIVERY OF PROPERTY SERVICES

#### Background

- 3.13 The DET move from MCO, Tuggeranong to the Braddon premises involved quite a complex staging of DET staff movement during fit-out of 220 Northbourne, while the Commonwealth was staging its move into MCO as DET vacated these premises. DET moved into the Ground Floor, Levels 4, 5 and 6 of 220 Northbourne Avenue between June 2007 and October 2007. At this time, the ACT Property Group was managing concurrent projects and timeframes, including moving staff out of the Braddon premises to make way for DET staff and the DET fit-out.

#### Project management arrangements

- 3.14 DET's Corporate Support Services division oversaw the relocations and managed the day-to-day issues arising from the relocations. The decision was made at Management Council on the whole-of-government basis for DET to move to 220 Northbourne Avenue, Braddon hence, staff had not been initially consulted about the planned move to Braddon premises. Only following the announcement of the relocation, DET put in place a structured communication plan and consultation process to ensure staff were kept well informed.
- 3.15 The DET Corporate Support Services communicated with ACT Property Group to address issues like access passes, workstation numbers and fit-out issues and repairs and maintenance, to ensure the relocation was performed within the timeframe and met requirements of the ACT Government accommodation

guidelines. The communication between DET and ACT Property Group was on an informal basis, but it generally achieved the desired outcome.

- 3.16 DET's relocation of 139 staff to the Braddon premises happened in four stages. This was driven by both the commitments to the Commonwealth for vacancy of MCO and completion dates for minor fit-out at the Braddon premises. This four and a half month separation of DET sections over different locations was likely to have caused some disruption in normal business operations.

### Government office accommodation policies and guidelines

- 3.17 In August 2006 the ACT Government Surplus Property Policy Version 1.1, was included with the *ACT Interim Accommodation Standards and Guidelines – 1 September 2006*. Surplus property was defined as a property where an agency has ceased to utilise the property according to the property's approved service delivery purpose. Stirling College meets this definition, as it was no longer being used as a college. However, by 2006 DET had already utilised parts of Stirling College as a Teaching and Learning Centre and continued to use the Stirling site for its chosen purposes and has not had the site evaluated for potential better uses from a whole-of-government perspective.
- 3.18 Roles and responsibilities of ACT Property Group, Procurement Solutions and the agency are not clearly stated in the existing office accommodation guidelines. DET relied on ACT Property Group staff to be available to respond to its requests and inquiries including routine matters. If DET had greater clarity of its role then ACT Property Group staff may be more efficiently focussed on providing more significant advice.

### Compliance with statutory requirements

- 3.19 Agencies addressed compliance with the *ACT Interim Accommodation Standards and Guidelines – 1 September 2006* in the following ways:
- engaging an architect to draw up floor plan options consistent with the requirements in these guidelines;
  - maximising the use of an existing walls and dividers; and
  - complying with the Building Code of Australia (BCA) requirements.
- 3.20 Audit found that the Building Code of Australia requirements were not adhered to. The Certificate of Occupancy and Use for the Braddon premises ground floor, levels 4, 5 and 6 was not issued until 7 April 2009.<sup>1</sup> This indicated that the Certificates of Occupancy and Use were not obtained prior to DET staff occupying the premises. Therefore, there is an internal control weakness in procedures used by Procurement Solutions. This has been acknowledged by Procurement Solutions and procedures have subsequently been updated.

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<sup>1</sup> Australian Building Codes Board website shows that building regulatory legislation in each State and Territory fulfil any technical requirements which have to be satisfied in order to gain approval of a building proposal. Each State's and Territory's building regulatory legislation contains the administrative provisions including issue of certificates of occupancy or compliance.

- 3.21 DET had two post occupancy staff issues relating to OH&S, namely:
- ambulance stretchers do not fit in lifts when laid flat; and
  - fire warden and fire evacuation training have caused DET staff concerns since June 2007. Issues included:
    - no prior warning given to DET about time and date of warden training resulting in staff who had volunteered to be trained as fire wardens not being available;
    - the chief fire warden and the deputy chief fire warden positions have been vacant for part of the time between June 2007 and April 2008;
    - a training evacuation session for the Braddon premises had no chief fire warden (CFW) present, leading to inadequate communication between the CFW and floor wardens about evacuation procedures to be followed, such circumstances potentially place people’s lives at risk;
    - evacuation assembly point instructions were not provided for the levels occupied by DET in the Braddon premises prior to trial evacuations; and
    - the consultant who presented the fire warden training had an out of date emergency evacuation team list.
- 3.22 DET was required to coordinate through the Property Projects and Services Section within ACT Property Group, who then have the responsibility to liaise with the landlord of the Braddon premises about the conduct of evacuation training. This training is then delivered by TRIMVAC, a private training provider. This appears to be a complex arrangement, with risks around effective communication and inadequate safety procedures.
- 3.23 Audit was concerned that in two years, communications between DET and ACT Property Group Property Projects and Services section have not rectified all the staff concerns about the fire warden and evacuation training issues.

### **Recommendation 13**

ACT Property Group should address, as a matter of priority for health and safety of staff, the issues around emergency evacuation at 220 Northbourne Avenue, Braddon.

### **Improving Service Delivery**

#### *Cyclical accommodation needs*

- 3.24 DET, unlike most ACT Government agencies, has cyclical accommodation needs that are determined by school terms. These are dealt with by use of facilities such as the former school sites at Stirling, Kaleen, and Higgins and did not directly influence requirements at the Braddon premises.

*Planning for the future*

- 3.25 The DET 2005-06 Accommodation Strategy included both short-term and long term strategies. DET’s long-term strategy at this time was to relocate to Stirling. This strategy included a table summarising the total DET office accommodation profile. It covered six financial years.
- 3.26 There was no current long-term accommodation strategy for DET at the time of this audit. Audit was informed that this was because the whole-of-government accommodation strategy replaced the DET 2005-06 strategy.
- 3.27 At the time of this audit, DET were moving from Level 2, AnnexA, Macarthur House to Level 1, 220 Northbourne Avenue, Braddon. This resulted in a new five-year lease (with a five-year option to extend) being negotiated for all 220 Northbourne Avenue levels occupied by DET. The new lease has a commencement date of April 2009, and an expiry date of 2014, or 2019 if extended.
- 3.28 Table 3.2 below compares what was intended by 2008-09, in the 2005-06 accommodation strategy, with the actual outcomes as at June 2009. Fyshwick Annex is used for records management and has eight staff in 1 121m<sup>2</sup>.

**Table 3.2: DET long-term intentions compared to actual 2009 outcomes**

<b>DET original intentions for 2008-09</b>	<b>DET actual position At May 2009</b>	<b>DET actual position At June 2009*</b>
To occupy 3 office locations	Occupied 5 office locations (and 2 surplus schools)	Occupied 4 office locations (and 2 surplus schools)
To occupy 7 650m <sup>2</sup>	Occupied 6 694 m <sup>2</sup>	Occupied 6 934m <sup>2</sup>
434 employees	385 employees	386 employees
Utilisation rate 17.6m <sup>2</sup>	Utilisation rate 14.8m <sup>2#</sup>	Utilisation rate 15.4m <sup>2#</sup>

Source: DET 2005-06 accommodation strategy (left column); audit findings (middle and right columns)

\*DET Staff at Macarthur House relocated to level 1 of the Braddon premises

#This utilisation rate excludes the staff and m<sup>2</sup> of Fyshwick Annex, which is used for record storage

**ACHIEVING VALUE FOR MONEY**

**Introduction**

- 3.29 Four aspects were addressed in this case study relating to value for money:
- Office accommodation profile;
  - Budget versus actual expenditure;
  - Expenditure on leased space; and
  - Overall financial effect of the DET relocation.

**Office accommodation profile**

*Leased and owned accommodation and distribution of space*

3.30 DET staff was located in four buildings as at June 2009. One of these locations is regarded to be government office accommodation. Two locations are offices set up in surplus schools. The Fyshwick site is occupied by the Records Management Section. Table 3.3 below shows whether DET leases or owns each of the government accommodation locations, and how much space is occupied.

3.31 Table 3.3, however, does not include the Higgins Annex or the Kaleen Maribyrnong Centre, as DET has set these locations up as offices in surplus schools. These centres accommodate a mix of full-time staff and itinerant teaching staff providing services to schools throughout the ACT.

**Table 3.3: DET leased or owned office accommodation**

Location	Leased or Owned by DET	Area (m <sup>2</sup> ) May 09	Area (m <sup>2</sup> ) June 09*
220 Northbourne Avenue	Leased	2 235	3 303
Level 2, Annex A, Macarthur House	Leased by DET owned by ACT Government	828	0
Stirling Centre for Teaching and Learning	Owned	2 162	2 162
Lyons Education Centre (Use: Board of Senior Secondary Studies)	Owned	348	348
Fyshwick Annex – Pirie Street (Use: DET Records Management)	Leased	1 121	1 121
<b>Total space occupied by DET (m<sup>2</sup>)</b>		<b>6 694</b>	<b>6 934</b>
Total space adjusted for storage (Fyshwick Annex)		5 573	5 813

Source: Compiled by Audit from information supplied by DET and the DET 2007-08 Annual Report

\* Following the relocation of DET staff from Macarthur House to the Braddon premises.

3.32 DET previously occupied 5 407m<sup>2</sup> in the MCO, Tuggeranong site only. As shown in the table, DET new accommodation involved 5 573m<sup>2</sup> to 5 813m<sup>2</sup> in all sites.

3.33 Since the audit, DET had moved out of Level 2, Annex A, Macarthur House and now occupied Level 1, 220 Northbourne Avenue, Braddon. Under the whole-of-government accommodation strategy, the next opportunity for DET to improve functionality and consolidation of leased accommodation space is dependent upon the whole-of-government building option.

### Space utilisation

- 3.34 When DET staff moved into the Braddon premises, they were able to use the existing fit-out. Moving into existing fit-outs is one of the cost saving measures in the ACT whole-of-government accommodation strategy. There were some adjustments needed to meet DET office requirements, but the adjustments worked around the existing walls and floor plan layout. This resulted in some offices exceeding the sizes set out in the *Interim ACT Government Accommodation Standards Guidelines – 1 September 2006*. It was, however, the best use of space in the existing premises and saved time and money.
- 3.35 The ACT Property Group used the 15m<sup>2</sup> per person target to determine the space allocation for DET. The application of this target did not take into account agency growth or specific agency requirements. DET has saved space by no longer allocating offices to managers, and this has resulted in a greater demand for meeting rooms.
- 3.36 DET annual reports showed MCO utilisation rate in June 2006 at 17.5m<sup>2</sup>. At June 2008, the average DET utilisation rate was 17.4m<sup>2</sup>, if this figure was adjusted to exclude the records management premises at Fyshwick Annex (1 121m<sup>2</sup> and 8 staff) the utilisation rate is 14.8m<sup>2</sup>. The Braddon premises utilisation rate is at 16.0m<sup>2</sup>. Refer to Table 3.2 for the utilisation rate at the time of this audit.

### Budget versus actual expenditure

- 3.37 As part of the approved budget for the whole-of-government accommodation strategy, DET was initially allocated \$100 000 for relocation to the Braddon premises. This was to include removalist services as well as costs associated with minor fit-out such as architect fees and construction costs. Actual expenditure came to approximately \$230 000.
- 3.38 An explanation for the variance from budget to actual was that ten additional workstations were required and fourteen workstations had to be replaced on level five. These costs were not expected when moving into the new premises as only minor adjustments to the existing fit-out had been the basis for the initial budget. The extra funding was approved by the Project Control Group on 17 July 2007.
- 3.39 The final moving and minor fit-out costs at 220 Northbourne Avenue represented approximately \$100 per m<sup>2</sup> (for 2 235m<sup>2</sup>). This compares favourably with figures from the Government Procurement Group – National Office Accommodation Benchmarking Report – December 2008, which stated fit-out cost starting from an empty shell were between \$1 000 and \$1 500 per m<sup>2</sup>. Costs to rework an existing fit-out in DET's 2005-06 accommodation strategy were estimated at \$175 per m<sup>2</sup> (for 2 000m<sup>2</sup>) i.e. a total of \$350 000.

### Expenditure on leased space

- 3.40 The Braddon premises are leased by the ACT Government. This lease commenced in 2004 and DET was able to move into the Braddon premises utilising the existing lease. Therefore, the decision to move to the Braddon

## Case Study One – Department of Education and Training

premises has not minimised DET rent payments as would have been achieved by the initial planned move to CTL, Stirling.

- 3.41 The annual rent payment for the Braddon premises for 2008-09 is estimated at \$720 000.
- 3.42 CTL, Stirling is owned by DET and therefore no rent is payable but there is an opportunity cost, such as rent received if any non-government tenant were to occupy space in CTL. At this site, the required fit-out, outgoings, and repairs and maintenance would be funded and paid for by DET as an ongoing cost. Fit-out at the Braddon premises was funded as part of the whole-of-government accommodation strategy.

### Overall financial impact of DET relocation

- 3.43 Table 3.4 below shows the overall financial impact of the DET relocation, taking into account the revenue from the MCO, Tuggeranong underlease, the other lease commitments and the relocation costs.

**Table 3.4: Overall financial impact of DET relocation \***

	2006-2007 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
<b>Revenue received from MCO underlease</b>	0.02 #	1.85	1.94	0.81
<b>ACT Government rent expense for MCO</b>	(0.02) #	(1.85)	(1.94)	(0.81)
<b>DET rent expense</b>				
220 Northbourne	(0.60) #	(0.72)	(0.72)	(1.10)
Macarthur House	0	(0.17)	(0.22)	0 <sup>^</sup>
Fyshwick Annex	<u>0</u>	<u>(0.08)</u>	<u>(0.10)</u>	<u>(0.11)</u>
<b>Total rent expense</b>	(0.60)	(0.97)	(1.04)	(1.21)
<b>Relocation &amp; fit-out costs</b>				
220 Northbourne	(0.23)			
CTL, Stirling	(1.73)	Nil	Nil	Nil
Macarthur House	(0.68)			
Lyons Education	(0.20)			
Fyshwick Annex	<u>(0.20)</u>			
<b>Total Relocation costs</b>	(3.04)			
<b>Sub Total</b>	(3.64)	(0.97)	(1.04)	(1.21)
<b>Cumulative Total</b>	(3.64)	(4.61)	(5.65)	(6.86)

Source: Audit office calculations using ACT Property Group and DET data.

\* all figures are GST exclusive

# for 1 month

<sup>^</sup> DET staff will no longer be in Macarthur House in 2009-10. Instead they will occupy level 1, 220 Northbourne Avenue, Braddon

- 3.44 The Braddon premises, and Macarthur House relocation and fit-out costs were paid for as part of the whole-of-government accommodation strategy. The relocation and fit-out costs for CTL, Stirling, Lyons Education Centre and Fyshwick Annex were paid for by DET and are not included in the whole-of-government accommodation strategy expenses.
- 3.45 The lease for MCO, Tuggeranong will expire on 30 November 2009, ending the obligation for the ACT Government and the current arrangements with the Commonwealth. By the 2009-10 financial year, the DET staff that were located in Macarthur House will have moved into Level 1 of the Braddon premises.
- 3.46 DET is paying less rent as a result of the relocation. In the 2008-09 financial year the cost saving was \$900 000. The fit-out costs (excluding Stirling) totalled \$1.31 million. Therefore, if taking the fit-out cost as a portion of the savings, the cost would be paid off in one and a half years.
- 3.47 The Stirling fit-out cost was \$1.73 million. As DET owns Stirling and does not pay rent, the expense seems justified, as the staff would occupy the space for many years.
- 3.48 Audit found no detailed analysis done to compare the merit over the medium and longer terms of DET moving to Braddon against other options, including the original Stirling option. Such analysis could also inform the decision making process, using different assumptions for the potential use of the Stirling site or the likelihood of ACT Property Group being able to underlet the vacant lease in Braddon buildings to others. As TAMS advised, the DET move to Braddon was not occasioned as a result of a careful analysis of DET's accommodation options, but rather was a result of circumstance and opportunity.

### Customer satisfaction

- 3.49 In relation to the DET relocation case study, customers are DET as an agency and also DET staff.
- 3.50 As identified by DET in its risk assessment, dissatisfied staff may have contributed to a negative departmental outcome. To address this risk, DET developed and implemented a communication strategy. After the relocation was announced, the Corporate Support Section of DET kept staff well informed during the multi-staged relocation. The communication processes implemented to manage the day-to-day aspects of the relocation included:
- meeting with ACT Property Group, to address issues like access passes, work station numbers and fit-out issues, repairs and maintenance etc;
  - establishment of Relocation Groups to address staff concerns and report to staff, comprised of staff relocating to the Braddon premises. These groups met monthly initially, then fortnightly;
  - issuing relocation information to all staff through their intranet 'Index';
  - providing accommodation progress reports to the Chief Executive;
  - publishing Chief Executive updates for staff;

- offering and encouraging MCO staff to attend the Braddon premises on site visits prior to relocation. Repeat visits were provided if requested;
  - keeping unions informed of the relocations via Joint Union/Management Consultative Committee (JUMCC) meetings; and
  - providing staff feedback sheets about the issues with the Braddon premises relocations, and incorporating feedback into progressive moves.
- 3.51 This well structured DET approach to keeping staff informed of the Braddon premises relocation resulted in a smooth transition during the move. Satisfaction was monitored via the staff feedback sheets. Lessons learned enhanced the process used by DET for the progressive moves into the Braddon premises.
- 3.52 The satisfaction of DET the agency following the move to the Braddon premises was monitored in the 2008 customer satisfaction survey. This survey was from ACT Property Group. Issues that were raised by DET included:
- staff not being aware of emergency procedures;
  - inadequate emergency signage; and
  - insufficient parking.
- 3.53 DET identified in the survey they would need to accommodate more staff in the building in the near future.

## ENVIRONMENTAL SUSTAINABILITY

### Background

- 3.54 As listed earlier, environmental sustainability is to be applied for ACT Government office accommodation through:
- selecting leased premises on the basis of Australian Building Greenhouse Ratings (ABGR) and energy and water efficient fittings and fixtures;
  - annual reporting requirements where agencies disclose their resource (energy and water) efficiency; and
  - upgrading leased or owned premises to include resource (energy and water) efficient fittings and fixtures.
- 3.55 The implementation of these initiatives during the DET relocation is discussed below.

### Improving the sustainability of government office accommodation

#### *Lease selection*

- 3.56 When DET moved into the vacant Braddon premises, this was under an existing Australian Capital Territory lease. While the building was refurbished to Building Code of Australia requirements prior to initial occupancy in 2004, Audit found that a review and upgrade of resource usage for energy and water efficient fittings and fixtures were not fully taken into account as part of the relocation project.

- 3.57 If the requirement of the *ACT Government Energy and Water Policy for Leased Accommodation* had been applied, then DET should have moved into a building with a minimum 4.5 star AGBR rating. When the building was initially leased in 2004, the building rating was not requested and its rating is not known.

### *Annual reporting requirements*

- 3.58 The only environmental information reported by DET in its annual reports was on schools, no information on office accommodation resource efficiency, such as energy and water, was reported.

### *Upgrading fittings and fixtures*

- 3.59 In May 2008, DET sought response from ACT Property Group Facilities Management Section (now the Property Projects and Services Section) on what could be done to manage and regulate power consumption on the premises on a more cost effective basis, to enable staff to turn lighting on and off over weekends. This example, suggested that ACT Property Group did not fully consider and apply whole-of-government resource efficiency measures, and DET consequently initiated the energy saving measures itself, four years after the lease started with the Territory.

## CONCLUSION

- 3.60 Overall, the DET relocation to the Braddon premises and associated moves were satisfactorily completed within stipulated timeframes and to the general satisfaction of DET staff. No major issues have been raised around the relocation process, although it is noted that initially staff were not consulted about the options for locations.
- 3.61 There was justification in 2005 for rent savings if all DET office functions were located at the DET-owned CTL, Stirling site. Audit found there was a lack of information about the 2006 decision to relocate some functions to leased premises at Braddon. Although TAMS explained the circumstances combined with the opportunity leading to the decision to relocate DET to Braddon, the lack of documentation on major accommodation decisions did not provide the assurance that such decisions were fully justified against all other available options, including Stirling.
- 3.62 DET ongoing rent commitment at the Braddon location was estimated at \$1.1 million per year for 2009-10. The rent paid for the Braddon premises and Macarthur House was less than the rent paid for MCO, and the Braddon premises relocation resulted in a reduction in office space utilisation. However, the DET business areas were currently spread over four office locations and two surplus schools, leading to inefficiency in its day-to-day performance.
- 3.63 Developing business continuity plans and risk management around office accommodation is not a requirement of the ACT Government accommodation guidelines. Agencies, however, should include strategies that consider the loss of premises in the event of a major business interruption.

- 3.64 DET's main concerns around the relocation have been post-occupancy issues, aspects of which have remained unresolved at the time of this audit. One issue, the inadequate training for evacuations, remains a concern to staff.
- 3.65 Whole-of-government environmental sustainability for office accommodation should be planned, coordinated and managed centrally and not left to individual agencies to initiate. A more centralised approach would have the added advantage of providing opportunities to:
- inform all agencies in a timely and consistent manner about government priorities and policies; and
  - coordinate the necessary action for energy and water efficiency across all agencies.

## **4. CASE STUDY TWO – ECLIPSE HOUSE – SHARED SERVICES AND ACT CORRECTIVE SERVICES**

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### **INTRODUCTION**

- 4.1 This chapter addresses the refurbishment of Eclipse House for occupancy by the Shared Services Centre (Shared Services). The ACT Government made the decision to establish Shared Services in April 2006. Shared Services included an amalgamation of staff from multiple ACT Government agencies in the areas of InTACT (the ACT government information, communications and technology provider), Procurement Solutions, finance and human resources, records and publishing services.
- 4.2 Eclipse House was the selected location for the majority of Shared Services finance and human resources staff from across government. The original timeframe intended that Shared Services will be fully operational by 1 February 2007. Shared Services was operational by this date, however, the relocation of Shared Services staff was performed in stages through to June 2007. The timeframe was the driver in sourcing suitable accommodation options.
- 4.3 A brief to the Shared Services Implementation Steering Committee on 20 June 2006 highlighted that the co-location of staff was essential to facilitate efficiencies for Shared Services and presented a number of accommodation options, noting that it was unlikely that the total co-location of all Shared Services personnel and functions would be achievable due to the amount of space required.
- 4.4 The potential accommodation mix was also discussed in the paper and included options for finance and human resources to be co-located and that the other business units of Shared Services, such as InTACT and Records Services, remain in their current locations and that Procurement Solutions remain at Dame Pattie Menzies House, Dickson. The full co-location of finance and human resources did not eventuate and additional space was required on Level 5, 40 Allara Street.
- 4.5 Shared Services staff were finally located across five locations:
- Eclipse House, Civic;
  - Level 5, 40 Allara Street, Civic;
  - Dame Pattie Menzies House, Dickson;
  - Callam Offices, Woden; and
  - 9 Sandford Street, Mitchell.
- 4.6 This case study focuses on the relocation of Shared Services staff to Eclipse House and includes aspects that relate to ACT Corrective Services remaining in Eclipse House.

### KEY FINDINGS

- The operational date for Shared Services commenced on 1 February 2007 and the Shared Services staff relocation to Eclipse House was completed at the end of June 2007.
- The Eclipse House fit-out expenses came in at \$0.40 million under budget.
- ACT Corrective Services staff had three moves as fit-out works were in progress before they were consolidated into Eclipse House on the Ground Floor and Levels 1 and 2. Two of the moves were within Eclipse House and one was to 1 Moore Street. Relocation was completed by June 2007.
- ACT Property Group accommodation guidelines did not provide a sufficient level of information for agencies to use as general reference and guidance material.
- There were examples of good practice from this case study, such as the project management approach adopted and benefits in having skilled and experienced officers to lead and manage the delivery of office accommodation projects.
- Eclipse House had some post occupancy issues in June 2007 such as air-conditioning performance and maintenance that took two years to resolve.
- Sustainability requirements for office accommodation were considered in the design and construction of refurbishing Eclipse House.

### GOVERNANCE AND ACCOUNTABILITY

#### Background

- 4.7 The ACT Government announcement of the creation of Shared Services occurred around the same time the whole-of-government accommodation strategy was announced in 2006. The Shared Services announcement resulted in the planning and management of many issues including:
- relocation of finance and human resources staff from multiple agencies into a single agency;
  - the selection office accommodation; and
  - the refurbishment of the selected office accommodation.
- 4.8 Shared Services became part of the Department of Treasury (Treasury) portfolio on establishment. At the time of this audit, Shared Services was part of the Department of Territory and Municipal Services (TAMS).

### Project management responsibilities

- 4.9 A Project Control Group was established in September 2006 in order to formalise arrangements between Chief Executives from the Department of Territory and Municipal Services (TAMS), the Department of Treasury and the Department of Justice and Community Safety (JACS). The Project Control Group held regular meetings to consider and discuss accommodation options for the location of Shared Services and ACT Corrective Services. The Project Control Group was also in control of the oversight of project budget approval and monitoring progress through to project completion and reported to Management Council.
- 4.10 A Project Working Group existed and consisted of officers from ACT Property Group, Treasury (Shared Services, Budget, InTACT, and Procurement Solutions) and JACS. The Project Working Group operated as a sub-group of the Project Control Group and provided regular progress reports on the project implementation for Eclipse House.
- 4.11 The Shared Services Transition Team was set up on a temporary basis with the intention to get the Shared Services initiative operational by 1 February 2007. This team comprised representatives from agencies and was operational from mid June 2006. It provided Treasury with regular progress reports on the status of the implementation of the Shared Services Centre.
- 4.12 The Shared Services Implementation Steering Committee was established in August 2006 and comprised all agency Chief Executives. Meetings were held fortnightly to guide the transition project and sign off on key strategies, such as accommodation, project risks, and communication. This Committee became the Shared Service Governing Committee from February 2007. Its bi-monthly meetings provided governance and stewardship of Shared Services in its delivery of services across the ACT Government.
- 4.13 Audit found that a strong governance and support structure existed and this worked well in meeting the office accommodation needs for establishing Shared Services and ACT Corrective Services in Eclipse House and Shared Services in 40 Allara Street, Level 5.

### Property selection of leased office accommodation

- 4.14 As part of the whole-of-government accommodation strategy, savings were to be made by the ACT Government surrendering six leases. One of these leases was for Eclipse House.
- 4.15 In June 2006, the Management Council and the Shared Services Implementation and Steering Committee considered accommodation options to facilitate the establishment of Shared Services to commence on 1 February 2007. The submission highlighted that ACT Property Group would identify building options that would house between 400-500 staff. Eclipse House had not yet been identified as the most suitable option.
- 4.16 An examination of the existing office portfolio indicated that it was not possible to provide the approximate 6 000m<sup>2</sup> of space required for Shared Services

functions of human resources and finance, including the Executive, to be fully co-located in one building, without prohibitive costs and disruption to agencies. Therefore, it was decided to locate the finance and human resources staff in a single location and leave InTACT and Procurement Solutions in their existing locations. Relocating the finance and human resources staff slightly increased space per person at all ACT Government agencies but provided some office space for growth.

- 4.17 It was identified that Eclipse House was the best option for the location of finance and human resources staff of Shared Services. However, the lease was due to expire on 30 November 2006. The ACT Government considered a submission and agreed to re-lease Eclipse House in August 2006. A new sub-lease for a ten-year term was negotiated with the landlord and a sub-lease executed in early November 2006.

### Government office accommodation policies and principles

- 4.18 The *Interim ACT Accommodation Standards and Guidelines* space and fit-out targets were used in the planning and design phases for Eclipse House and Level 5, 40 Allara Street.
- 4.19 However, Shared Services staff also used out-of-date guidelines titled *ACT Government Office Fit-out Guidelines*. Shared Services staff found this document more useful to assist and guide them in performing activities related to office accommodation projects as it contained more detail than the *Interim ACT Accommodation Standards and Guidelines – 1 September 2006*.
- 4.20 JACS had also prepared a draft internal guideline and fact sheet for accommodation relocation projects. While there is duplicate information in these guidelines from the *Interim ACT Accommodation Standards and Guidelines*, JACS needed to ensure that guidelines and fact sheets were updated in accordance with any changes in the overarching accommodation standards and guidelines issued by ACT Property Group.
- 4.21 Due to the deficiencies in the existing policies and procedures, there was reliance on ACT Property Group for ongoing advice about the processes to be followed. A more comprehensive set of policies and procedures would assist agencies, and reduce the reliance on ACT Property Group for routine and simple advice. Audit noted good working relationships existed between agencies and ACT Property Group.
- 4.22 A good outcome was achieved for the Eclipse House project, partly because it was resourced with skilled agency staff with prior knowledge and previous experience in managing and delivering office accommodation projects. This worked well for this project, but this should not replace good policy and procedures. Without them, there was undue and greater reliance on skilled and qualified staff always being available, and there was also the risk of losing corporate knowledge if a skilled staff member leaves an organisation.

### Project planning including risk management and business continuity

- 4.23 The decision on the accommodation solution of Eclipse House for Shared Services did not occur until September 2006. Level 5, 40 Allara Street had also been identified for use by Shared Services. Potential issues and risks were considered and managed, such as the critical timeline to deliver the project and contingencies for delays and staged works.
- 4.24 An office fit-out feasibility study for establishing Shared Services in Eclipse House was conducted by architects in August 2006. The feasibility study explored options that Shared Services could be accommodated based on a government office accommodation target of 15m<sup>2</sup> per person.
- 4.25 Following the feasibility study, an accommodation brief was prepared in September 2006 and provided details for establishing Shared Services on Levels 3 to 9 in Eclipse House and Level 5, 40 Allara Street. The accommodation brief was inclusive of considerations and compliance with the *Interim ACT Accommodation Standards and Guidelines* space and fit-out targets, statutory legislation and standards, occupational health and safety issues, disability access and ergonomic furniture requirements.
- 4.26 Project risks and contingency plans were effectively managed and controlled by the Project Working Group and Shared Services Transition Team and by providing regular updates to the Project Control Group and Shared Services Implementation Steering Committee.
- 4.27 Shared Services business continuity plans included the loss of premises as one of the critical support functions and a response plan that identified a series of actions that needed to be undertaken should a business interruption occur. The business continuity plan was tested in February 2009 and results reported to management in March 2009. There were some areas that required follow-up action but these did not relate to the loss of premises.
- 4.28 The JACS business continuity plan did not include the loss of premises as one of the critical support functions and there was no separate business continuity plan for ACT Corrective Services. Audit has recommended (Recommendation 2, page 27) that business continuity plans are reviewed, revised and tested and include loss of premises as a critical business activity.
- 4.29 Audit considered that Shared Services had a sound management and support structure in place to deliver office accommodation projects, in particular the approach used for planning and managing projects, risks, and business continuity planning and this could be used as an example of good practice to other agencies.

## THE DELIVERY OF PROPERTY SERVICES

### Background

- 4.30 The Eclipse House project timing for Shared Services establishment had consequential impacts on a number of agencies and other whole-of-government accommodation projects running concurrently. These included:

- JACS, ACT Corrective Services – Ground Floor, Levels 1 and 2 – Eclipse House;
- DET move to 220 Northbourne Avenue and Macarthur House; and
- finalising the underlease arrangements for Manning Clark Offices, Tuggeranong.

4.31 The proposed move of ACT Corrective Services also presented issues surrounding where they would be located and resulted in internal moves within Eclipse House and the Training Unit to Level 4, 1 Moore Street until works were completed. There was a need to have synergies between groups within ACT Corrective Services with some special needs such as specific security and access requirements and the need to separate the parole functions from other areas of Corrective Services.

### **Project management and completion of works**

4.32 Two contractors were appointed to refurbish Eclipse House. The engagement of the initial contractor from the project management panel of providers changed in the early stages of the project and a different contractor was appointed as there was a risk that the works would not have been completed by the 1 February 2007 commencement date.

4.33 This date determined the timeline for completing the project and from this it was identified that the sequential works program of landlord refurbishment, followed by tenant fit-out works would not achieve the deadline with the original contractor. The original contractor identified the earliest time for completion of four floors was end March 2007 and the full building by mid July 2007.

4.34 Two architectural firms were used to produce consistent design fit-outs for Eclipse House and 40 Allara Street. This was due to contract arrangements already being in place for 40 Allara Street. While this presented some challenges to ensure consistency was maintained, a satisfactory outcome was achieved.

4.35 Submissions to the Management Council on the accommodation strategy foreshadowed the possibility of integrating the Eclipse House fit-out with landlord works in order to achieve the target of 1 February 2007. A single select procurement process led to the engagement of a new contractor in October 2006 on the same terms and fee structure as the engagement of the initial contractor under the panel contract arrangements. This led to Procurement Solutions allocating other project works to the initial contractor. Using a single contractor who had the ability to complete an integrated fit-out worked well for this project.

4.36 The Transition Team factored in tasks required to achieve the relocation of staff by the operational date of 1 February 2007. However, it has taken until late in 2006 to identify and select appropriate accommodation, and this made the relocation and refurbishment task a more involved project for the Transition Team, ACT Property Group, Procurement Solutions and the contractors.

- 4.37 The operational date of 1 February 2007 was accomplished but staff relocation was incremental for both Shared Services and ACT Corrective Services and the Eclipse House project was not fully complete until June 2007.
- 4.38 The timeline for the project was as follows:
- establishment of a Shared Services Centre announced – April 2006;
  - relocation to Eclipse House by Shared Services Staff – Levels 6-9 complete and handed over in February 2007 and Levels 3-5 progressively completed and handed over in June 2007;
  - relocation to Level 5, 40 Allara Street by Shared Services – handed over in February 2007; and
  - relocation within and to Eclipse House by ACT Corrective Services – Ground Floor, Levels 1-2 completed and handed over by 31 May 07 as agreed by Lessor and Lessee.

### Office accommodation profile

#### *Distribution of space*

- 4.39 Eclipse House was originally intended to house just Shared Services staff. This did not eventuate for the following reasons:
- ACT Corrective Services was going to be relocated to another building but the probation and parole clients require ‘public interface’. Building access was required for twenty-four hours, seven days a week. Existing parole interview rooms and specific security requirements (with specialised equipment, cameras and alarms) led to the decision to limit access for clients to the Ground Floor and ACT Corrective Services remained in three levels of Eclipse House, the Ground floor and on Levels 1 and 2; and
  - Level 10 of Eclipse House did not meet the disability access requirements.
- 4.40 Shared Services ended up occupying Levels 3 to 9<sup>2</sup> of Eclipse House and Level 5, 40 Allara Street.

#### *Compliance with statutory requirements*

- 4.41 There was consideration of, and compliance with, the *Interim ACT Accommodation Standards and Guidelines* space and fit-out targets, statutory legislation and standards such as *Building Code of Australia* and *Occupational Health and Safety* issues.
- 4.42 For Eclipse House, Certificates of Occupancy and Use were issued and handover occurred progressively as each stage of the works was completed. However, there were a few exceptions noted as post-occupancy issues:

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<sup>2</sup> Pages 70, 71 Treasury Annual Report 2007-08

- Level 10 had no lift access, therefore did not meet disability access requirements. This was also identified as an issue that needed to be resolved in the ACT Property Group 2008 customer satisfaction survey. Level 10 is currently leased to a private tenant;
  - some initial problems with the security contract provider arrangements; and
  - the air-conditioning system was not upgraded by the landlord when the building was refurbished. This resulted in unsatisfactory air quality issues.
- 4.43 Audit found that the air-conditioning issue had not been resolved at the time of the audit (June 2009) and considered that the delay of two years was too long to address this issue, as it had the potential to become an occupational health and safety hazard for staff.
- 4.44 However, since the audit was completed, Audit was advised that the landlord completed an upgrade of the Building Management System (BMS) in May 2009 to facilitate a higher degree of improvement in the building management controls, including the air-conditioning system. Both ACT Property Group and the landlord have confirmed they are unaware of any ongoing air-conditioning issues since the BMS was upgraded and are dealing with issues as they arise.
- 4.45 For Level 5, 40 Allara Street, the Certificate of Occupancy and Use was not issued until 18 March 2009. This indicated that the Certificates of Occupancy and Use were not obtained prior to Shared Services staff occupying the premises in February 2007. There was an internal control weakness in procedures used by Procurement Solutions, and this has been acknowledged and addressed by Procurement Solutions.
- 4.46 ACT Property Group initiated a post-occupancy review of Eclipse House in February 2008. This was conducted by an independent provider and the outcome of the review did not present any new issues that had not already been identified from the original handover or logged through the ACT Property Group response centre, who manage and respond to facilities management issues.

### **Improving service delivery**

#### *Changing accommodation needs*

- 4.47 The functional and operational requirements for the two tenancies of Eclipse House were different and by tailoring the design layouts the needs of both ACT Corrective Services and Shared Services have been met. This demonstrated that while it presented challenges in meeting the functional and operational requirements of two agencies, by placing emphasis on the planning and design stages of the project, it was possible to achieve the desired outcome.
- 4.48 Where agencies are required to occupy the same building, it is important that functional and operational requirements of each agency are scoped correctly and early on in the planning and design stages. Refer also to Chapter Two – Whole-of-Government Accommodation Strategy, Improving service delivery on page 39.

*Planning for the future*

- 4.49 Shared Services and ACT Corrective Services advised audit that there is limited capacity to allow for future growth being factored in for Eclipse House if agency needs change in the coming years.
- 4.50 There is no current short, medium, or long-term accommodation strategy in place for either Shared Services or ACT Corrective Services. This has implications more broadly in planning for future office accommodation requirements at both the agency and whole-of-government level. The lease expiry date for Eclipse House is 30 November 2016. There is no option for renewal.

**ACHIEVING VALUE FOR MONEY**

**Background**

- 4.51 Three aspects were addressed in this case study relating to value for money:
- space utilisation;
  - budget versus actual costs; and
  - lease and fit-out expenses for Eclipse House.

*Space utilisation*

- 4.52 Shared Services functional areas were located in five buildings as at June 2009. Table 4.1 below shows each location, Full Time Equivalent staff numbers, how much space is occupied and the utilisation rate as at December 2008.

**Table 4.1: Shared Services utilisation rate as at December 2008**

Location	Business Unit	Staff* as at Dec 08	Area (m <sup>2</sup> )	Useable Office Area (m <sup>2</sup> )	Utilisation Rate (m <sup>2</sup> )
Eclipse House, Civic	HR/Finance	289	4 051	3 849	13.3
40 Allara Street, Civic	HR/Finance & Executive	66	1 145	1 059	16.0
Dame Pattie Menzies, Dickson	Procurement Solutions	108	1 787	1 787	16.5
Callam Offices, Woden	InTACT	340	4 940	4 375	12.9
9 Sandford Street, Mitchell – Bldg 7 {Storage and Mail Room}	InTACT, Record Services	9	960	256	28.4
9 Sandford Street, Mitchell – Bldg 6	InTACT, Record Services	14	264	264	18.9
<b>Totals</b>		<b>826</b>	<b>13 147</b>	<b>11 590</b>	<b>14.03</b>

Source: ACT Property Group, TAMS Statement of Performance Report – December 2008

\* Staff numbers are on a full time equivalent basis

- 4.53 ACT Corrective Services space utilisation rate as at December 2008 was 13.4m<sup>2</sup>. Total Full Time Equivalent staff was 93 and useable office space was 1 242m<sup>2</sup>.

## Case Study Two – Eclipse House – Shared Services and ACT Corrective Services

4.54 There is currently no vacant space in Eclipse House or in Level 5, 40 Allara Street. This did not provide any capacity and flexibility to respond to agency needs if changes were to occur, such as an increase in staffing.

### Budget versus actual

4.55 The fit-out of Eclipse House and Level 5, 40 Allara Street was completed before 30 June 2007. The financial component was completed in the 2007-08 financial year with a favourable result of \$0.4 million under budget. In the Treasury 2007-08 annual report, the total cost for Shared Services was \$4.6 million and the original budget for the project was \$5.0 million.

4.56 For ACT Corrective Services, the original budget for the project was \$1.5m for the refurbishment and \$0.15 million allocated for internal moves. The actual fit-out and relocation costs for ACT Corrective Services were \$1.28 million. This included the cost of moving ACT Corrective Services staff in and out of Level 1 Moore Street. Anticipated rental savings was estimated at \$80 000 per year.

### Lease and fit-out expenses for Eclipse House

4.57 Lease and fit-out expenses for Eclipse House are provided in the Table 4.2 below.

**Table 4.2: Lease and fit-out expenses for Eclipse House \***

	2006-2007 \$ m	2007-08 \$ m	2008-09 (YTD) \$ m
<b>Shared Services Centre rent expense</b>			
Eclipse House, Civic	0.38	1.36	1.41
<b>Total rent expense</b>			
<b>ACT Corrective Services rent expense</b>			
Eclipse House	0.55	0.54	0.57
<b>Total rent expense</b>			
<b>Relocation &amp; fit-out costs</b>			
Eclipse House, Civic	5.88	Nil	Nil
<b>Total relocation &amp; fit-out costs</b>			
<b>Total</b>	6.81	1.90	1.98
<b>Cumulative Total</b>	6.81	8.71	10.69

Source: ACT Property Group data.  
\* All figures are GST exclusive

### Customer satisfaction

4.58 A formal communication strategy existed and consisted of negotiation with unions, staff consultative forums, regular staff bulletins, web updates and staff briefings. The Shared Services Transition Team was simultaneously managing staffing of the new organisation and the office accommodation project.

4.59 Shared Services and ACT Corrective Services indicated a high level of customer satisfaction with the refurbishment and relocation project. No major issues were

presented following completion of the project. There was also a high level of praise for the work undertaken by ACT Property Group from the Shared Services and ACT Corrective Services staff.

- 4.60 The customer satisfaction survey conducted by ACT Property Group at the end of 2008 included, for shared tenancies, a new question to determine whether staff felt the mix of tenants was appropriate or whether conflicts existed. The responses obtained did not suggest any problems existed in these areas.
- 4.61 The 2005 customer satisfaction survey identified a number of actions and recommendations to improve Eclipse House before it was re-occupied, such as upgrading of lifts and wet areas, full Building Code of Australia upgrade including mechanical, electrical, and internal upgrades, new windows and carpet. These were completed as part of the Eclipse House project.

### ENVIRONMENTAL SUSTAINABILITY

#### Improving the sustainability of government office accommodation

##### *Selection of leased accommodation*

- 4.62 Prior to Shared Services moving in, the landlord of Eclipse House refurbished and upgraded the building to comply with the Building Code of Australia requirements. Additional works also included installation of new carpet, ceilings, replacement of all electrical fittings and fixtures, replacement of all external windows with double glazing, an additional disabled toilet and shower and foyer upgrade.
- 4.63 As part of the upgrade works, a building rating between 4 and 4.5 stars was agreed in the lease agreement. The *ACT Energy and Water Policy for Leased Accommodation* specified a minimum of 4.5 star rating from 1 January 2007. The agreed building rating was therefore slightly lower than that set by the policy.
- 4.64 Energy and water efficiency of fittings and fixtures were addressed in the feasibility study by the architect. The following areas were analysed:
- maximising natural light; and
  - ensuring that existing bathroom facilities complied with the Building Code of Australia.
- 4.65 A building energy audit was to be performed on completion of the project, at the building owner's expense, to identify pre-refurbishment and post-refurbishment energy ratings. This requires a minimum of twelve months operating time before an assessment of performance can be measured. ACT Property Group advised they do not have a copy of this report. Audit found there was no follow-up to ensure compliance and has recommended (See Recommendation 11, page 52) that confirmations are obtained to ensure green ratings are actually achieved.
- 4.66 Government agencies should follow-up and ensure compliance by building owners to the building rating previously agreed as part of lease negotiations.

### *Annual reporting requirements*

- 4.67 Treasury reported Shared Services information for the 2007-08 financial year. Below is a summary of the resource efficiency requirements and whether they were reported for Shared Services locations:
- electricity use for all five locations was reported;
  - gas use was only applicable to two of the five locations and was reported;
  - greenhouse emissions were not reported for Shared Services locations;
  - water consumption were not reported for Shared Services locations; and
  - waste consumption was not available under the contract arrangements for Shared Services and therefore was not reported in the 2007-08 Treasury Annual Report.

### **CONCLUSION**

- 4.68 The refurbishment of Eclipse House and Level 5, 40 Allara Street was managed effectively and has achieved a satisfactory outcome for Shared Services and ACT Corrective Services.
- 4.69 There were examples of good practice that highlighted the benefits to be gained in having skilled and experienced staff lead and manage the delivery of office accommodation projects at an Agency level, including the project management approach adopted from commencement through to completion of the project.
- 4.70 The roles and responsibilities of agencies, Procurement Solutions and ACT Property Group were not clearly defined in the current whole-of-government accommodation guidelines. This led to Shared Services using expired guidelines and JACS drafting supplementary guidelines, which had risks of inconsistencies and the potential for non-compliance with Government policy.
- 4.71 The main concern around the refurbishment of Eclipse House had been an ongoing post-occupancy issue relating to the air-conditioning system. This issue had remained unresolved for a period of two years up to the time this audit was concluded, but had since been addressed by the landlord through the upgrade of the Building Management System.

## 5. CASE STUDY THREE – THE EMERGENCY SERVICES AGENCY HEADQUARTERS RELOCATION

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### INTRODUCTION

- 5.1 This chapter describes the processes involved and actions taken by ACT agencies in relocating the Emergency Services Agency (ESA) HQ from its present Curtin suburban site, including the current status and outcomes to date for the project.
- 5.2 There are three phases considered for this case study, namely 2003 to 2005, 2006 to 2008 and current status in 2009, mainly to reflect the different ESA management structures under which decisions concerning this project were made.
- 5.3 Up to 30 June 2004, emergency services were provided by the Emergency Services Bureau, an entity within the Department of Justice and Community Safety. On 1 July 2004, these functions were taken over by an independent body, the Emergency Services Authority. On 1 July 2006, the authority returned to the Department of Justice and Community Safety as the Emergency Services Agency. In this report, the acronym ESA, is used to refer to all of these bodies.
- 5.4 At various times, ESA under different organisational structures, was subject to different operational imperatives. These included the response to the bushfires post 2003, to the Commonwealth government response to terrorism in 2005 and 2006, and other organisational changes in recent years. These operational imperatives played a large role in influencing the priorities and directions of the ESA. Accordingly, the ESA Headquarters Relocation project was not always given the highest strategic priority by the ESA.

### KEY FINDINGS

- In 2003, the McLeod bushfire inquiry recommended consideration of a new ESA HQ, and on 19 August 2003 the government gave its response in the Legislative Assembly and announced the start of the site selection process.
- A decision by the ACT Government in 2005 to relocate the ESA HQ to Hume was not actioned.
- In 2005, the ESA committed the ACT Government to some \$11.6 million (plus fit-out costs) for Fairbairn leasing. At the time, there was a lack of adequate governance arrangements and controls over leasing accommodation.
- The ACT Government was advised in 2005 and again in 2006 that the Fairbairn HQ option was less expensive than the Hume option, but the evidence available, both before and after the decisions on Fairbairn, proved that that was not the case.
- The ESA process to select the Fairbairn site in 2005 for relocating the ESA HQ was not robust, and was not supported by any detailed analysis of operational requirements or financial implications. There was at that time inadequate scrutiny of information and consideration of risks to operational requirements.

- In the early years of the project, the ESA lacked the necessary expertise to deliver a project of this nature by itself by the initial target date of July 2007, but did not seek adequate assistance from other relevant agencies.
- Subsequently, in its 2006-07 budget the Department of Justice and Community Safety included the establishment of the ESA HQ at Fairbairn as a priority.
- The ACT Property Group was directed to be involved in leasing processes in late 2005 and an Interdepartmental Steering Committee was established in 2007 to oversee this relocation project. These were only necessary because there was no established framework to control leasing commitments in 2005.
- The ESA did not have a Business Continuity Plan, even though the Department of Justice and Community Safety 2007-09 risk plan recognised its importance. This is now being drafted by a consultant and is due for completion by the end of 2009.
- Since the establishment of the ESA under JACS, and the Government decision to continue with the relocation of the ESA Headquarters to Fairbairn, various actions have been taken to address emerging problems and mitigate operating risks. These included various re-negotiations of commercial leases and transfer of certain activities from Fairbairn back to Hume.
- Between 2006 and 2008, the ACT Government's commitment to the Fairbairn location saw a base lease increase from \$33.9 million to \$61.5 million over the 15 year period, with construction estimated to be another \$13.8 million. Current arrangements increased the Fairbairn commitment to \$75.3 million, and are accompanied by a smaller ESA HQ presence at that site, as several functions are to be located at either Fyshwick or Hume at additional costs.
- The relocation project now involves two sites at Fairbairn and Hume, with a revised completion target date of 2010, in addition to a Fyshwick site that will incorporate additional operational functions. This has resulted in significant increased costs and the ESA functions being dispersed in various locations.
- A key outcome of the ESA relocation project, namely the benefits for co-location and full integration of many ESA functions in a single location, would not be realised.

### SITE SELECTION – 2003 - 2005

#### Background

- 5.5 On 18 January 2003, the ACT experienced devastating bushfires. Although the subsequent 2003 McLeod Report<sup>3</sup> recommended an urgent upgrade of the ESA HQ facility at Curtin, and consideration of an alternative HQ site, this matter was not new. Ever since moving to the disused Curtin Primary School site in 1993, it was clear that this HQ had to be relocated.

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<sup>3</sup> Inquiry into the Operational Response to the January 2003 Bushfires in the ACT, Ron McLeod AM, 1 August 2003

### **Case Study Three – The Emergency Services Agency Headquarters Relocation**

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- 5.6 Upon receiving the recommendations of the 2003 McLeod Report, the ACT Government committed to significant funding to improve on the ESA bushfire capacity and commencing a process to find a new site for the ESA HQ.
- 5.7 On 10 February 2004, the Minister for Emergency Services announced that a Monaro Highway site was under consideration, leading to a decision in principle, in May 2005, to move the ESA HQ to a site along the Monaro Highway at Block 6, Part 12 and 13 of Section 18, Hume.
- 5.8 Audit could not find documentation about any action taken in 2005 by ACT Government agencies to implement the Hume move. Instead, the ESA became involved in considerable negotiations with the Capital Airport Group, about the use of vacant Fairbairn airport buildings, vacated by a RAAF helicopter squadron. These buildings are alongside the RAAF VIP facilities, on the eastern side of the Canberra airport.
- 5.9 The former Commissioner of the ESA, when it was an Authority up to mid 2006, provided the following information:
- The Hume site was selected after discussions with ACTPLA – other sites were considered however those that were available were on the western boundary of the city and were in high fire risk areas. Given that the Curtin HQ had been prepared for evacuation because of imminent risk of attack by fire on 18 January 2003, these western locations were not considered suitable.
  - A full consultant's report for the re-location of the ESA HQ and the ESA Training Centre was prepared for ESA/Government.
  - The Hume site was deemed suitable and a budget bid prepared by ESA and submitted.
  - The bid initially received favourable consideration however it was not followed through because of a serious shortfall in capital available for expenditure on facilities projects, due to priorities relating to the relocation of the Quamby and the ACT correctional facility, the Alexander Maconochie Centre.
  - The ACT Government was, throughout this process, committed to meeting its responsibilities to implement all of the McLeod Report's recommendations.
  - At this point, the ACT Emergency Services Minister received an unsolicited letter from the Canberra Airport Group offering facilities at the airport for a new HQ ESA location. Their proposal included leased older, renovated buildings and a new building. As this option required much smaller amounts of capital expenditure and relied mainly on recurrent funding, ESA was directed to examine this option.
  - The ESA examined the Airport site and found that it was suitable, and in fact offered some bonuses. The site was still close to the AFP site at Majura Road and the site allowed full operation of the assets of the National Aerial Firefighting Centre.

## Case Study Three – The Emergency Services Agency Headquarters Relocation

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- 5.10 In an ESA September 2005 briefing to the Minister the following information was provided:
- there was advantage in moving to leased buildings compared to ACT Government-owned infrastructure;
  - the Capital Airport Group identified the availability of two other buildings (Building 183 and Building 207) and sought early approval and commercial commitment by 16 September 2005, otherwise the facilities would be leased by other parties;
  - the Fairbairn proposal was consistent with the principles and objectives agreed to by government of a purpose designed greenfield construction for the ESA at Hume;
  - the Fairbairn proposal presents advantages over the Hume option, including 20 year savings of approximately \$11 million; and
  - relocation of the Communications Centre and the ESA HQ into a purpose designed building within 18 months and the disposal of Curtin by December 2006.
- 5.11 The Fairbairn option was announced by the Minister on 15 December 2005, who stated the following intended outcomes for this project:
- the location at the Fairbairn Precinct provides a cost effective approach for the ACT Government and the ACT community and presents significant operational advantages in the capacity of the ESA to manage the full range of emergency incidents;
  - the proposal would see a state-of-the-art outdoor training facility established and would mean the consolidation of many different ESA functions in one location; and
  - the plan will also allow key components of the ESA organisation which are currently spread across the ACT, to be co-located in the one place.
- 5.12 The ESA then undertook further stakeholder negotiations to initiate the move.
- 5.13 The plan for a HQ move to Fairbairn had been preceded by negotiations and commitments to establish increased ACT bushfire helicopter capacity, again using disused airport space. This time, half of Hangar 48 and its offices were to be occupied. This move and associated office upgrades was completed early in 2006. The ESA anticipated a similar HQ relocation to nearby buildings, with a similar need to upgrade the older Fairbairn buildings.

### **Governance and accountability in decision making**

- 5.14 The existence of a governance framework is necessary for setting clear objectives and decision-making processes for major projects. In 2005, there were no such governance arrangements within the ESA for its HQ relocation, nor a strategy with clear objectives and timeframes. In this context, the consideration of alternative sites was not focused on critical selection criteria, which should include, for example, the functional requirements of an ESA HQ.

### **Case Study Three – The Emergency Services Agency Headquarters Relocation**

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- 5.15 In a similar way, the then Department of Urban Services also had not established a framework for obtaining new leases for ACT Government agencies. In fact, the then *Government Procurement Act 2001* did not include accommodation leasing in the coverage of the Act, until it was amended in October 2007.
- 5.16 TAMS advised, at that time ACT Property Group was arranging ‘pure’ office accommodation and all agencies were managing the construction, purchase or subleasing of operational properties, including those properties that contained substantial office components. Accordingly, it was practice in 2005 for agencies or authorities, such as the ESA, to not include ACT Property Group in the consideration of proposals for new operational facilities, even if the facilities would include substantial office accommodation.
- 5.17 By 20 December 2005, the then Department of Urban Services was aware of the procurement plan requirements for the acquisition of commercial leases. This document included a diagram that outlined the framework for ‘Procurement Methodology for Leasing of Commercial Space on Behalf of the Territory’. Although, this methodology was not formally in place at the time, its elements were known and should have been part of any arrangements for leasing.
- 5.18 Instead, during complex lease negotiations, the then Department of Urban Services offered some advice to the ESA. The ACT Government Solicitor’s Office also offered advice to the ESA. This advice included exercising caution about:
- using older buildings without first making extensive condition analyses; and
  - agreeing to the high rents and high rent escalators being offered.
- 5.19 Further, the ACT Government Solicitor’s Office reminded the ESA of the need to:
- satisfy the Procurement Board conditions for single select contracts, such as preparation of a business case prior to commitment;
  - obtain government agreement to the financial obligations prior to commitment;
  - amend the lease start date of 1 October 2005; and
  - re-consider the standard Capital Airport Group terms being offered.
- 5.20 The Capital Airport Group had reserved two buildings, and set a deadline of 16 September 2005 for a leasing commitment. Because an adequate process was not in place, considerable debate and exchanges between the then Department of Urban Services (DUS) and the ESA took place about who should take carriage of the commitment. In the three days prior to the deadline set by the Airport Group, the ESA was advised by the then Department of Urban Services that the DUS Chief Executive had to sign any commitment and then, one day later revised its advice to, that the ESA Commissioner had the delegation as Chief Executive.

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- 5.21 After receiving ministerial approval, the ESA Commissioner exercised what was seen to be his delegation and confirmed a Heads of Agreement for a 10 year lease of Building 183 at Fairbairn. This allowed the ESA commitment to some \$11.6 million of base rental, with a 4.5 per cent annual increase, without adequate supporting business cases and details. The capital cost of the necessary fit-out was in addition to this rent.
- 5.22 Audit found that the agreement to lease was signed on 15 September 2005 on the basis of the Heads of Agreement terms and conditions and contained a start date of 1 October 2005. This was later amended to 1 March 2006 in a replacement Heads of Agreement that incorporated six vacant buildings, one of these being Building 183.
- 5.23 After the October 2005 agreement, the ACT Property Group led the subsequent Capital Airport Group negotiations and finalised a 10-year sub-lease for the Hangar 48 premises (commencing on 6 February 2006) and a revised Heads of Agreement to use an additional five older buildings, as well as Building 183. The six buildings had varying lease periods, and the new commitment increased from \$11.6 million plus fit-out, to \$33.9 million plus fit-outs.
- 5.24 The involvement of ACT Property Group, after the event, saw it attempting to re-negotiate a better outcome than the one already agreed to by the ACT Government. Under these circumstances, the prudent sequence of specifying the ESA needs, reviewing site options, achieving value for money and presenting considered options for decision, had been constrained by the ACT Government decision to select the Fairbairn site and its subsequent commercial commitments.
- 5.25 Given that the need for a new HQ was well known (even prior to the 2003 bushfires), and that the ESA was itself undergoing considerable additional workloads, there could have been more recognition at whole-of-government level of the significance of this accommodation project, and better leadership in coordinating relevant expertise and assistance provided to the ESA, for what was an urgent need. The ESA actions during 2005 were taking place in a context of a series of inquiries and reviews (including a difficult and lengthy coronial inquiry and movement of this entity from a Bureau, to an independent Authority, and then an agency within the Department of Justice and Community Safety).
- 5.26 Any agency could find itself with an urgent need to undertake a relocation exercise, particularly if delays and inaction could adversely affect the wellbeing of ACT residents, as is the case for this ESA HQ relocation. The ESA experience showed that there should be better scrutiny by the ACT Government and that there should be a whole-of-government capacity to assist any agency with such a clear and urgent need. Such assistance did not happen up to 2005, nor adequately through to 2007. No agency should be expected to independently implement its own major relocation, particularly without the necessary expertise and capacity.

- 5.27 The ESA should have sought greater assistance as soon as the urgency for a new HQ was identified in the McLeod Report, if not beforehand. There was a wide range of expertise needed and that could have been provided by such agencies as the ACT Government Solicitor's Office, ACT Property Group, Land Development Agency, ACT Procurement Solutions and the ACT Planning and Land Authority, or through external expertise.
- 5.28 In 2009, the ESA Commissioner indicated there were considerable risks in maintaining HQ operations at the present Curtin HQ site. This is consistent with the 2003 McLeod findings. As it stands, in August 2009, the ESA still has not completed its relocation and it is currently estimated that the project will not be completed until the end of 2010.

### **Financial consideration**

- 5.29 During the ESA deliberations about whether it should move its HQ to Hume or Fairbairn, the ESA sought advice about the costs of relocation at each site, in order to advise the Minister and the ACT Government about the 'best' option. Advice in September 2005 to the ESA indicated:
- the Hume site option had the lower net present value by approximately 23 per cent;
  - reduction in the Fairbairn workshop area and significantly lower Fairbairn rental rates were needed to make the comparison cost neutral;
  - the then Curtin and Fyshwick rents being paid by the ESA for each square metre were about half that offered at Fairbairn; and
  - the Canberra market was using rent escalators of 2.5 to 3.5 per cent, lower than 4.5 per cent being offered at Fairbairn.
- 5.30 The ACT Property Group offered similar advice to the ESA. Despite such advice, the ESA maintained its preference for the Fairbairn site, because it considered the Fairbairn option offered a \$15 million saving over the Hume option.
- 5.31 The ESA view, that vacant Fairbairn buildings on Commonwealth land were cheaper, was not consistent with the consultant advice in 2005 that Hume on ACT Government land was a cheaper HQ option.
- 5.32 Audit found evidence available in the ESA in 2005 supporting a cheaper option at Hume. Evidence gathered in more recent times also confirms the 2005 consultant advice that, in addition to other potential operating problems, the Fairbairn HQ option was more expensive than that for Hume. Indeed, some Fairbairn HQ functions are now being moved to Hume because the Hume site is cheaper, and more suitable to some of the ESA operational needs.
- 5.33 In 2005, the ACT Property Group was not given the opportunity to bring its expertise to bear on the site selection process. Therefore, it could not make a judgement about value for money on which option, whether leased or built on ACT land, could best assist the ESA HQ relocation. On the other hand, Audit noted that, as the ACT Government knew of the need for the ESA HQ relocation since 1993, relevant agencies (including, ACT Property Group) did have ample

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opportunity prior to the 2003 bushfires to be proactive and advise the best outcome for the Territory. That this did not occur indicates there was a lack of adequate strategic planning at the whole-of-government level at that time for the provision of office accommodation and accommodation for special purposes.

- 5.34 ACT Property Group commented that it was not the Group's role, then or now, to deliver operational facilities for agencies, even if the facilities include a high proportion of office space. To do otherwise may require ACT Property Group to also get involved with the delivery of new schools, health facilities, etc. While it is possible that the ACT Government may direct such a policy change in the future, this was and is not the Group's role.
- 5.35 In brief, there were a number of problems at the planning and commencement of this project. These included:
- the insufficient priority given at whole-of-government level for planning the HQ relocation;
  - the lack of prudence applied in 2005 commitment to \$11.6 million for HQ buildings at Fairbairn, especially given the advice available to the ESA about the relatively high cost of the Fairbairn lease option;
  - no expertise in charge of the complex commercial negotiations to protect the ACT's interests; and
  - no follow-through by the ESA on the advice provided by the Department of Urban Services and the ACT Government Solicitor's Office.

### LEASING COMMITMENTS AND ALTERNATIVE SITES – 2006 - 2008

#### Background

- 5.36 On 27 April 2006 a new Heads of Agreement was signed with the Capital Airport Group, committing the ACT to \$33.9 million of base rent, plus fit-out costs, for six older Fairbairn buildings.
- 5.37 Within two months, the ACT Government decided to restructure the ESA from an independent authority to a business unit within the Department of Justice and Community Safety, from 1 July 2006. The ESA then advised the Minister of its consequential, amended accommodation needs, derived from:
- a change in operational needs and functions;
  - putting leadership and direction on hold while a Commissioner was appointed;
  - downsizing and restructuring; and
  - implementation of a new Shared Services model, which itself had further staffing and business impacts.
- 5.38 In December 2006, a new ESA Commissioner took office. This coincided with a ACT Government review of HQ requirements and site options.
- 5.39 Audit found there were serious concerns raised within the ESA about the suitability of the Fairbairn site to meet its operational needs. These included:

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- response times for the Specialist Operational Response Teams and the general constraints of single access to and from the Fairbairn site;
- buildings within the Fairbairn precinct were of varying age and condition;
- the day-to-day operational aspects of the ESA may be compromised by designing to fit the existing building, rather than designing to solve the problems; and
- costs involved in the Fairbairn option were much higher than originally anticipated by the ESA.

5.40 The ACT Government confirmed the Fairbairn site for the relocation of the ESA HQ in November 2007. A number of actions were taken to address problems identified with the Fairbairn site. These included:

- response-critical HQ functions to be moved closer to suburban areas (these are now being mooted for the existing Fyshwick operational station);
- location of the special operations store to be at the Fyshwick Fire Station;
- relocation of the training centre to the Hume site;
- an Interdepartmental Steering Committee be established to oversee the HQ relocation; and
- ACT Property Group to complete negotiations for a replacement Heads of Agreement.

5.41 The Interdepartmental Steering Committee was chaired by the ESA and initiated engagement of expertise, to design a new HQ building at Fairbairn (now with a smaller number of buildings), as well as a design for the training centre and archives at the alternative Hume site.

5.42 Negotiations resulted in a new Heads of Agreement signed with the Capital Airport Group on 18 December 2008, with a continuation of the Building 183 arrangements and three new structures, namely:

- a new 2 940m<sup>2</sup> HQ building;
- a new 4 bay 1 040m<sup>2</sup> workshop; and
- a new 1 035m<sup>2</sup> secure vehicle compound.

5.43 The base rent for these four HQ facilities was specified, with fit-out and construction costs to be added to base cost of buildings. In accordance with the new Heads of Agreement, all four facilities have a conditional 15 year lease term.

5.44 Since completion of Audit fieldwork, new leasing documentation has been signed and this substituted some of the detail contained in the original 2008 Heads of Agreement.

5.45 Since the audit, the ESA has also advised that on commencement of the sub-lease for the new HQ building, the term of all sub-leases will be aligned to have a consistent term of 15 years. This will be achieved by a variation to the respective terms of the sub-leases for Building 183, the Workshop, and the Vehicle Compound. Until that occurs the following applies:

## Case Study Three – The Emergency Services Agency Headquarters Relocation

- Building 183 – 1 March 2006 commencement date with a 20 year lease term;
- Workshop – the sub-lease commences upon issue of certificate of occupancy for the Workshop base building;
- Vehicle Compound – commencement of rent obligations under the sub-lease is directly linked to the lease for the Workshop and will commence upon the issue of a certificate of occupancy for the base building of the Workshop; and
- the new HQ building sub-lease will be a 15 year lease term commencing on the date of issue of certificate of occupancy for the building in which those premises are located.

5.46 Table 5.1, Table 5.2 and Table 5.3, include a summary of the commitments contained in various Heads of Agreement, and the amended financial commitments for these structures.

**Table 5.1: Commitments from 27 April 2006 Heads of Agreement**

Building	Use	Lease term from 1 Mar 06	Monthly rental as at June 09 <sup>(1)</sup>	Estimated amount paid to Feb 09	Estimated commitment over full lease term <sup>(2)</sup>	Estimate balance of commitment <sup>(3)</sup>
B148 <sup>(4)</sup>	Office	5 years	\$66	\$2 630	\$3 747	\$1 117
B53	Warehouse and vehicles	10 years	\$38 177	\$1 355 800	\$4 617 671	\$3 261 871
B65	Office	10 years	\$18 124	\$654 000	\$2 151 144	\$1 497 144
B207	Office	10 years	\$5 905	\$209 500	\$672 471	\$462 971
B297	Office	10 years	\$11 337	\$401 900	\$1 345 693	\$943 793
B183	Office, workshop and vehicles	20 years	\$97 776	\$3 266 600	\$31 059 258	\$27 792 658
		<b>TOTAL</b>	<b>\$171 385</b>	<b>\$5 890 430</b>	<b>\$39 849 984</b>	<b>\$33 959 554</b>

Source: Audit Office Summary. Includes 4.5% annual escalator as in the 27 April 2006 Heads of Agreement.

- Notes:
- (1) Annual increases of a mixture of 4.5% or CPI apply.
  - (2) Calculated from February 2009 invoice figures provided by ACT Property Group.
  - (3) Assumes that obligations continue until end of lease term.
  - (4) Free rent for this warehouse, but outgoings and levies still applied.

**Table 5.2: Leasing commitments from 18 December 2008 Heads of Agreement**

<b>Building</b>	<b>Use</b>	<b>Lease term</b>	<b>Estimated monthly rental as at July 2010</b>	<b>Estimated commitment over full lease term from 1 July 2010</b>
B183	Office, workshop and vehicles	20 years commencing 1 March 06 – term to be adjusted to align with commencement of the new HQ building sub-lease	\$97 776	\$24 294 757
NEW	HQ office	15 years after construction completed	\$119 507	\$29 728 934
NEW	Workshop	15 years after issue of Certificate of Occupancy for base building containing workshop	\$26 116	\$5 587 187
NEW	Vehicle Compound	15 years with rent commencement will be upon commencement of the sub-lease for the Workshop	\$7 558	\$1 867 315
<b>TOTAL</b>			<b>\$250 958</b>	<b>\$61 458 193</b>

Source: Audit Office Summary. Estimated costs calculated in accordance with the 2008 Heads of Agreement.

5.47 Lease terms for Building 183, the Workshop and the Vehicle Compound as outlined in Table 5.2 above, will be adjusted to align with that for the new HQ sub-lease commencement date.

**Table 5.3: Fairbairn design and estimated construction costs**

<b>Building</b>	<b>Need</b>	<b>Estimated cost</b>
Existing Building 183	Refurbishment and fit-out	\$2 300 000
New HQ office	Construction and fit-out	\$8 300 000
New Workshop	Construction and fit-out	\$2 200 000
New Vehicle Compound	Construction	\$1 000 000
<b>TOTAL</b>		<b>\$13 800 000</b>

Source: Costs provided by JACS, August 2009.

5.48 As can be seen from the above tables, between 2006 and 2008 the ACT Government’s commitment to the Fairbairn location saw a base lease increase from \$33.9 million to \$61.5 million. Construction costs are estimated to be another \$13.8 million. In total, the commitment is \$75.3 million from the date the lease for the new HQ building commences, plus the base rent spread over the subsequent 15 years. This increased Fairbairn commitment is accompanied by a smaller ESA HQ presence at that site, as several functions are to be located at either Fyshwick or Hume.

5.49 Audit expects the final costs of this project will be much higher, when including the costs of transferring some HQ functions to other sites in Hume and Fyshwick.

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5.50 The 2005-06 Emergency Services Authority annual report states:

The ACT Rural Fire Service relocated to 4 Point Cook Avenue, Fairbairn in November 2005 alleviating accommodation pressures in Curtin and as part of establishing the Air Support Operations Centre (ASOC), approved by Cabinet. The ACT Government announced \$17.329 million funding for full establishment of the ESA Headquarters and Support Complex at Fairbairn for completion by 1 July 2007. This will allow the return of the Curtin facility to Department of Urban Services Property Branch, as directed by Cabinet.

5.51 The original target date of 1 July 2007 was not met, and the construction of the HQ building is yet to be completed. The contributing reasons for such delays are discussed in the following sections.

5.52 Further, the \$17.32 million funding announced in 2005-06, incorporates Fairbairn with the Support Complex (including the Support Centre of Building 183 and the outdoor training centre). These same components were more recently estimated to cost \$13.8 million at Fairbairn plus the \$5 million for the outdoor training centre, which was moved to Hume. This total capital of some \$18.8 million did not include Fairbairn rental already paid for vacant buildings, nor the average rent commitments of over \$3 million per annum for 15 years.

5.53 Another consultant report was commissioned in September 2006 by the ESA that advised the risks associated with Fairbairn. The ACT Government decided to continue with its commitment to Fairbairn and the Interdepartmental Steering Committee established in December 2007 to oversight the implementation of the ESA HQ relocation project.

### Leasing controls, negotiations and commitments

5.54 The significant problems experienced with the ESA relocation project can be partly attributed to the early lack of adequate governance over the leasing of ACT Government office accommodation.

5.55 TAMS advised that there was a procurement process for leasing in place in ACT Property Group, but leasing was not covered in the *Procurement Act 2001*. Subsequently the inclusion of leasing in the changes to the Act in October 2007 formalised this process. However, in terms of governance in leasing, the ACT Government, through its direction in 2006 that only ACT Property Group can sub-lease property on behalf of the Government, has strengthened the governance arrangements for leasing of office accommodation.

5.56 This lack of appropriate governance control also led to the Government direction for the establishment of the Interdepartmental Steering Committee in November 2007, to oversee this relocation project. If an Interdepartmental Steering Committee (or a similar body) is necessary, then relevant agencies should have had in place sufficient processes to be able to evaluate if such a need existed, as an integral part of the implementation of the whole-of-government accommodation strategy.

5.57 The ESA HQ relocation has undergone involved and complex changes and re-negotiations, and it had been difficult for agencies involved to undo past decisions

## **Case Study Three – The Emergency Services Agency Headquarters Relocation**

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to achieve the best possible outcomes for the project. There have been three Heads of Agreement for the ESA HQ and, legally, these have the same obligations to pay base rent as a sub-lease of Commonwealth land. All three Heads of Agreement have in common the fit-out and use of Building 183.

- 5.58 Another contributor to the delays with the ESA HQ relocation project was the decision to replace the ESA Authority with an Agency from 1 July 2006. The Minister advised the 2008 Estimates hearing,<sup>4</sup> ‘that this administrative change resulted in some fairly major changes to the staffing profile of the ESA, and because of those decisions, the headquarters project was put on hold ...’.
- 5.59 The new lease commitments are in place for about the next 15 years. If the delays seen in this project are to be avoided, it may be useful for relevant agencies to develop a timetable to plan and consider Territory planning controls (like the Territory Plan), and other land planning issues, to cover the option of a new site for the ESA HQ at the end of the present Fairbairn lease. Adequate planning would avoid the pressure of making decisions when deadlines are at hand.
- 5.60 It is of significant concern that the relocation of the Curtin ESA HQ to a new location has not yet been completed, some five years after the 2003 bushfires and there has been a blow-out of commitments to the higher Fairbairn costs, with the ESA functions now to be dispersed in various locations.
- 5.61 Although there were no specific recommendations in the McLeod Report about a joint and single emergency communication centre for the Police and the ESA functions, the benefits of fully integrated emergency functions in one suitable location was discussed in the McLeod Report and was also highlighted in a November 2008 consultant report. Given the costs and activities to date on the ESA HQ project and associated operational matters, there were risks that the ESA relocation project would not be able to achieve such benefits, together with the long-term savings in the delivery of ESA functions.
- 5.62 The ESA advised that discussions about communication projects had continued in close liaison with ACT Policing, to maximise opportunities for inter-operability.

### **Achieving value for money (2006 - 08)**

- 5.63 As mentioned earlier, Audit found that in 2005 there was insufficient analysis to justify the ESA commitment to \$11.6 million in Fairbairn office accommodation and leasing costs.
- 5.64 The Interdepartmental Steering Committee established in November 2007 entered into arrangements that gave it better assurance about obtaining the appropriate expertise and the assessment of value for money analysis. This Interdepartmental Steering Committee agreed to the ESA engagement of architects, to both design and make recommendations about the designs that would best meet amended HQ needs and how to best meet both the whole-of-government accommodation

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<sup>4</sup> Pages 253 and 259 of 20 May 2008 ACT Legislative Assembly Select Committee on Estimates – *Appropriation Bill 1, 2008-09*

- strategy and financial constraints. This included discussion with staff and stakeholders about making changes e.g. limiting storage and introducing space savings by taking advantage of new technology in communications.
- 5.65 During 2008, the Interdepartmental Steering Committee approved the ESA to engage another consultant, to report on a value management study, where this compared various Fairbairn and Hume options, making recommendations and providing cost analysis about optimal sizes of buildings and opportunities for savings. This provided the Interdepartmental Steering Committee members with appropriate background to make informed choices. At the same time, this confirmed the advantages of maximising use of the Hume site, and minimising use of the Fairbairn site, as much as the constraints of the Capital Airport Group Heads of Agreement allowed.
- 5.66 This value management study presented four capital options, as well as an extensive list of recommendations that covered issues such as:
- minimising building size (e.g. moving functions away from Fairbairn);
  - designing with reduced scope for growth;
  - use of demountable buildings; and
  - workspace design and furniture options.
- 5.67 The value management study highlighted that present Police and ESA functions are disaggregated. Therefore, there may not be full integration of functions and economies of scale for a joint and single emergency communications centre for the ACT.
- 5.68 In fact, the ESA has decided to move the Air Support Operations Centre (Hangar 48) from Fairbairn to Hume, after only three years at the new location and before the sub-lease expiry date of February 2016, because it is proving too expensive. Even with the risk that the ESA will not be able to find a suitable tenant to take-over its Fairbairn Hangar 48 lease obligations, the ESA has decided to take that risk, rather than leave the ASOC at Fairbairn. If left vacant, the potential ongoing commitment to the ACT, through to 2016, is some \$340 000 per annum, plus a 4.5 per cent annual escalator. The 2009-10 Budget announced \$5.7 million for the Hume helicopter facilities and a new training centre.
- 5.69 Audit concluded that the existence of the Interdepartmental Steering Committee has attended to both communication issues and assessment of value for money. Again, and it is a point worth reinforcing, the function of the Interdepartmental Steering Committee should have been established through normal procedures consistent with a governance framework of major projects, not through the intervention of the ACT government when problems emerged.
- 5.70 Since 2005, construction and completion dates had been determined and changed a number of times, including the 2006 forecast that the sale of the Curtin HQ site would provide an income during 2007. In hindsight, such forecast has proven to be unreasonable. There could be an opportunity for those more experienced in such matters within the ACT Government to become involved with the larger

relocation projects, to provide more accurate advice based on a better understanding of the processes involved.

- 5.71 The HQ relocation project has proven to be a long and drawn-out process, and of considerable size and complexity. The current delay partly reflected the lack of effective governance arrangements and prudence applied in the early stages of the project. The project has subsequently received greater attention and benefited from better governance arrangements, including more timely coordinated assistance from other agencies. Nevertheless, Audit found that many actions that have been taken since 2006 were largely to react to, and address, outcomes of previous decisions. Under these circumstances, Audit concluded that significant spending on this project to date has not achieved value for money, nor the ACT Government's intended outcomes.

### THE ESA HEADQUARTERS RELOCATION PROJECT – CURRENT STATUS

#### Background

- 5.72 In August 2008, a new HQ relocation projects team was established within the ESA and has increased from two to up to five staff during 2009. In the past it had not attended to all its tasks, such as maintaining records and documentation, recording stakeholder consultation outcomes, and assessing and reviewing project management issues.
- 5.73 Audit found that for the HQ relocation project, consultation with staff was through:
- the ESA IT Portal which had an ongoing update for all staff to access;
  - updates on the staff noticeboard at the Curtin HQ; and
  - ongoing internal communication with staff dispersed across some 24 operational stations. However, the ESA had a concern about being able to effectively deliver a single HQ relocation message to these staff.
- 5.74 For this project, meetings with stakeholders were undertaken appropriately, showing that there were ongoing issues with staff associations and unions centred around isolation of the Fairbairn site.
- 5.75 Audit noted that the commitment to the Fairbairn lease and construction costs has added to the challenges of meeting a constrained budget and that the Interdepartmental Steering Committee continues to both monitor and take action to address emerging issues for the ESA HQ relocation project.
- 5.76 The ESA is facing significant challenges, including:
- administration of a large relocation project;
  - the movement of Curtin staff and others from dispersed locations to three sites at Fairbairn, Fyshwick and Hume;
  - the training for staff as they move to reduced space and open plan offices and into 4.5 green star ABGR (Australian Building Greenhouse Ratings) offices; and

- the possibility of a further submission to ACT Government about revised design and funding needs.

### Governance in decision making and planning

- 5.77 The Interdepartmental Steering Committee, chaired by the ESA, had appropriate control and review mechanisms in place. Since 26 August 2008, however, the ESA no longer kept records of its executive meetings. In a similar way, although stakeholder meetings are held, there was no maintenance of records of stakeholder needs or concerns. Not keeping appropriate records of such meetings exposes a risk that key decisions or actions are not addressed.
- 5.78 Current budget constraints are giving little room for planning for future needs. For example, there are no obvious options for providing additional accommodation if the ESA HQ needs to accommodate an increase in staff. There is therefore an increasing likelihood the ESA may need to prepare a further submission to government, about revised cost estimates and provision for such items as growth, contingencies and amended cash flows (as more functions will need to be provided for at Hume and Fyshwick).
- 5.79 As at June 2009, an ESA Business Continuity Plan (BCP) did not exist, although the ESA had engaged a consultant to develop a BCP. Audit was advised that the Hume training facility would be duplicating the Fairbairn communications centre, thereby providing an alternative communications network. For the present (as indicated in the previous *Emergency Act*), the Police Operations Centre at Belconnen can be utilised as an alternative communications centre, as a backup to the present Curtin operations.<sup>5</sup> Audit noted that a BCP for the ESA Communications Centre has been documented and in place since 2007.
- 5.80 The Department of Justice and Community Safety Strategic Plan 2008-11 and the ESA Business Plan 2007-11 did not mention the BCP, although other priority tasks were identified. On the other hand, the Department of Justice and Community Safety 2007-09 Business Risk Management Plan stressed that the failure to have a BCP for the ESA was a key risk for the portfolio with a major impact on the ESA, moving to lower risk rating if this is tested, after introduction of the BCP.
- 5.81 The lack of an ESA BCP has considerable implications. In the absence of a BCP being in place and tested, the ESA could not plan well to facilitate continuation of its critical operations in whatever emergency. This is a likely risk, particularly when its operations are located at the airport. Audit was advised by the ESA that the BCP is due for completion by the end of 2009.
- 5.82 In brief, attention to the HQ relocation project has improved and is now appropriate. Nevertheless, the ESA needs to attend to a number of issues, including those identified below:

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<sup>5</sup> The 2003 McLeod Report indicates at Page 116, that 'The Territory's Emergency Management Plan identifies the Police Operations Centre at Belconnen (the Winchester Police Centre) as the normal venue for the Territory Emergency Operations Centre, with the ESB headquarters at Curtin nominated as the alternative centre. During the January fires the Curtin centre was the primary operations centre throughout the event'.

## Case Study Three – The Emergency Services Agency Headquarters Relocation

- the current relocation project budget did not reflect the emerging requirements, provide for contingencies, nor allow for affordable growth and the extensive shifting of various HQ and ASOC functions from the Fairbairn to the Hume site option;
- there is a Business Continuity Plan for the ESA Communications Centre, but no full Business Continuity Plan for the whole of the ESA; and
- the discontinuation of recording executive meetings and stakeholder feedback has reduced the ESA capacity to produce and monitor action lists.

### Recommendation 14

The Emergency Services Agency should:

- a. maintain records of executive meetings and stakeholder feedback, and document key decisions, with a view to monitoring action lists arising from these meetings; and
- b. develop and finalise its Business Continuity Plan as a matter of urgency, with a view to testing it as soon as practicable.

### Staff consultation

- 5.83 In the ESA case, the relocation to the HQ and associated buildings is still some time away, but other mechanisms were being adopted to gauge staff satisfaction, such as participation in planning. In looking at progress to date, it was seen that the 2005 efforts for the Fairbairn move were well presented to staff, and an itemised list of responses to staff feedback was prepared and included actions to address staff concerns.
- 5.84 Since the 2007 reconfirmation of the Fairbairn HQ site, there had not been the same diligence applied to continued gathering and responding to staff feedback, especially when there had been various changes in decisions applied to this project. Audit found that stakeholder meeting summaries indicated the information provided but not the concerns or views expressed at such meetings.
- 5.85 Without adequate records of meetings, there was no opportunity to record or map the needs of stakeholders, and any subsequent actions taken to address them or to explain what cannot or can be done. Even though such actions may have taken place at meetings, there were insufficient records kept. If stakeholders express dissatisfaction, there was little collated information available to indicate whether the ESA had taken appropriate action to address issues.
- 5.86 Audit noted that since January 2009 regular stakeholder meetings have been held, such as weekly design meetings and six-weekly stakeholder meetings, as well as ad hoc discussions. In addition, the ESA also had a process of debriefing its staff following each stakeholder meeting.

### Community consultation

- 5.87 The ACT Government has prepared an ACT Community Service Charter. This Charter sets out the ACT Government's commitment to engaging the Canberra community in the development and implementation of government policies,

## Case Study Three – The Emergency Services Agency Headquarters Relocation

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programs, projects, public works and services. In addition, the Department of Disability, Housing, and Community Services (DHCS) issued the whole-of-government ACT Community Engagement Manual in 2005. This manual provides government employees with information on how to effectively engage the community in the government decision-making process, although it does not seek to override current statutory obligations.

- 5.88 Community consultation is usually initiated by government, and should include a two-way flow of information, including meetings, briefings, and public fora. Audit noted the ACT Government issued two media releases about the ESA HQ relocation.
- 5.89 Audit was informed by the ESA that it had no obligations, for the Commonwealth land at Fairbairn, to undertake public consultation, and had not done so. On the other hand, for the ACT land at Hume, it appears desirable for some public consultation about what is intended to be located at the site in Hume. Although Audit was not aware of any community concerns, a public consultation process would improve the ACT Government's transparency towards ACT residents. The ESA advised that consultation for the Hume site was in progress.

### Ongoing need for additional expertise

- 5.90 Audit noted that the ESA has its own capacity to manage some operational projects, such as its current upgrading of suburban stations project. The complexities arising since the 2005 Hume HQ decision, however, detracted from the ESA's capacity to deliver the HQ relocation project and resulted in the need for additional expertise and assistance. The HQ relocation project needed additional expertise, if the ESA were to have a chance of coping with the technical and administrative issues of such a large project, while maintaining its day-to-day operations.
- 5.91 One example of this need is the role of Procurement Solutions. Procurement Solutions is a member of the Interdepartmental Steering Committee for this relocation project, but also acts as technical adviser for issuing of contracts. Procurement Solutions receives a fee of four per cent of total project costs for its services.
- 5.92 Procurement Solutions communication with ESA has been assisted with the allocation of a contact officer from Procurement Solutions and participation in the Interdepartmental Steering Committee. Audit considers that Procurement Solutions could have been actively involved in this project at an earlier stage, to alleviate some of the issues that the HQ relocation project has experienced.
- 5.93 The introduction of higher standards in accommodation in the whole-of-government accommodation strategy requires ACT Property Group to provide agencies with familiarity about these standards and their implementation, but Audit observed that this did not happen in the ESA project. One measure is to conduct information sessions for relevant ESA staff to explain, for example, the role and functions of ACT Property Group, and other advisory bodies, the whole-of-government accommodation strategy and standards, and the availability of expertise and assistance for complex lease negotiations. The ESA advised

Audit that they had undertaken staff and stakeholder briefings about the *Interim ACT Accommodation Guidelines and Standards – 1 September 2006*.

### Improving the environmental sustainability of government office accommodation

- 5.94 In April 2008, the Interdepartmental Steering Committee was provided assurances that the new HQ had received feedback from each of the ESA services, and space requirements had been aligned with the ACT accommodation standards. Audit could not find similar assurances about the use of energy efficient fittings and fixtures, although a feasibility study did highlight how the ACT Accommodation Guidelines will need to be complied with. It is, however, early in the design process, particularly as the Capital Airport Group is responsible for the construction of the new HQ building and the ESA is yet to engage contractors to conduct fit-out work.
- 5.95 For Hume, the ESA informed the Interdepartmental Steering Committee in February 2009 that environmental planning considerations are required in the early design stage and that the impact of raptors on the Grassland Dragon is the main environmental concern. This was noted by the Interdepartmental Steering Committee.
- 5.96 In short, the initial environmental considerations are present, and it is too early for Audit to comment on the environmental sustainability of this project. The ESA advised that consideration of environmental issues was part of the ongoing relocation project.

### CONCLUSION

- 5.97 This case study highlighted the need to improve the management and coordination of accommodation projects at both agency and whole-of-government levels.
- 5.98 There was also a need for the ACT Property Group to ensure accommodation policies and procedures clearly identify the roles and responsibilities of various agencies and key actions required. The policies and procedures should also include linkages to project management and coordination. This has already been discussed in the whole-of-government chapter in this report.
- 5.99 Importantly, the decision making process for this project, particularly the selection of the Fairbairn location, suggested lack of robustness and due diligence which was required to deliver a significant government accommodation project. This is of particular concern, given that the accommodation project was to support the delivery of critical government emergency services. The Fairbairn site was first chosen without proper analysis of needs, risks, and consequences of the location on the operation of the ESA. There should be improvement to the scrutiny process of the validity, accuracy, and completeness of information provided to the government in the decision-making process.
- 5.100 The concerns subsequently raised included the HQ and all HQ surge staff and special operations would be remotely located outside response-critical zones, lack of road access, airport traffic congestion, and these factors could seriously compromise the delivery of emergency services to the ACT community.

## Case Study Three – The Emergency Services Agency Headquarters Relocation

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- 5.101 Subsequently, the ACT Government were provided with more updated and complete information including costs, risks, and implications on operational matters for the various options for the ESA HQ relocation project. The ACT Government decided to retain the Fairbairn decision together with associated actions to mitigate the risks.
- 5.102 The outcome of this decision to date, had resulted in the ACT Government commitment of \$75.3 million including rents over 15 years at Fairbairn, accompanied by a smaller ESA HQ presence at that site, as several functions are to be located at either Fyshwick or Hume.

### **Recommendation 15**

ACT Property Group should, in conjunction with other agencies, assure that adequate governance arrangements and sufficient controls for leasing office accommodation are in place so that:

- a. accommodation needs of agencies are fully understood and specified;
- b. planning and monitoring arrangements are built-in to major office relocation projects, particularly if whole-of-government assistance is to be needed;
- c. value for money analysis for various options is applied prior to commitment to any leasing arrangements;
- d. agencies are informed of their delegations for leasing arrangements and these delegations are monitored; and
- e. communication plans apply for all major relocation projects, including addressing stakeholder concerns.

## APPENDIX A THE ESA HEADQUARTERS RELOCATION CHRONOLOGY

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Date	Event/Item
19 August 2003	The McLeod Report (recommendations 19, 22 and 27) recommended either upgrade Curtin or preferably build a new Headquarters, Incident Control System and outdoor training centre for Emergency Services. Government accepted the McLeod recommendations and committed \$173 000 to upgrade Curtin HQ.
10 February 2004	Minister Wood announced that the Monaro Highway site for the new ESA HQ and Joint Emergency Services Training Academy would be pursued.
2 May 2005	The Government decided in principle on a new ESA Headquarters and joint NSW/ACT training centre at Block 6, Part 12 and 13 of Section 18, Hume.
July 2005	Negotiations for Hangar 48 (Air Support Operations Centre, ASOC) commenced with the Capital Airport Group.
August 2005	ESA provided briefing to the Minister on deployment of its HQ to the Fairbairn Precinct at the Canberra Airport.
14 September 2005	ESA brief to the Minister indicated that the then Department of Urban Services had an urgent need for the ESA to vacate the Fyshwick site, therefore Fairbairn was the HQ (highlighting Buildings 183 and 207 as lease options) and noted Hangar 48 (itself the new ACT Rural Fire Services HQ, as well as the helicopter operations centre) – Minister signed and approved this subject to costs to be covered by existing resources.
15 September 2005	ESA letter to the Capital Airport Group agreed to proceed with lease of Building 183 as per the Capital Airport Group's letter of 26 August 2005. A Heads of Agreement was signed on 15 September 2005.
21 October 2005	ESA brief to the Minister indicated that the ESA had already leased ASOC and Building 183 at Fairbairn for ten years.
November to December 2005	The ESA provided various submissions to ACT Government about lease commitments and various relocation issues at Fairbairn.
13 December 2005	The Chief Executive of Department of Urban Services (after the Procurement Board process) approved a single select process for the new ESA HQ at the Fairbairn precinct, including Hangar 48 for ASOC.
15 December 2005	The Minister announced that an ESA Headquarters and Support Centre would be established in the Fairbairn Precinct of the Canberra International Airport by mid 2007.
6 February 2006	Sub-lease between Canberra Airport Group and ACT for ASOC at Fairbairn signed.
27 April 2006	Following Government approval, a new Heads of Agreement signed for six ESA HQ buildings – numbers 183, 53, 148, 207, 65 and 297.
1 July 2006	ESA commenced as an agency within the Department of Justice and Community Safety.

## The ESA Headquarters Relocation Chronology

Date	Event/Item
September 2006	A consultant report highlighted significant issues for a Fairbairn HQ site, covering concerns about the location, operational restrictions, building conditions, leasing and construction costs, commercial issues and building-specific considerations.
December 2006	New ESA Commissioner commenced.
20 September 2007	The ACT Government Solicitor advised that there was no specific obligation at that time, and earlier, for constructing a new HQ building at Fairbairn.
October 2007	Fifteen alternative HQ sites were identified by the ESA, with ten highlighted as being on ACT land and six without encumbrances.
November 2007	The ESA HQ for Fairbairn option was confirmed by the ACT Government, with the ACT Property Group (now within the Department of Territory and Municipal Services) to complete replacement of Heads of Agreement for the ESA accommodation at Fairbairn.
24 January 2008	The first Interdepartmental Steering Committee meeting noted the draft project plan (a Gantt Chart) and endorsed a procurement process.
28 November 2008	The Interdepartmental Steering Committee received an ESA brief on the outcomes of a review (the Value Management Study). The review provided information on current and capital costs under the two Heads of Agreement and recommended a number of actions including minimise building size, relocation of training, archive and ASOC to Hume, to save money.
18 December 2008	After ACT Government approval, a new Heads of Agreement signed for B183 Support Centre plus three new HQ facilities.
9 February 2009	The ESA reported to the Interdepartmental Steering Committee on progress with relocation to both Fairbairn and Hume sites of certain ESA functions.
5 May 2009	The Minister announced \$5.7 million in the 2009-10 ACT Budget to expand the current emergency services facilities at Hume. 'The project includes upgrading medical training and staff facilities at the current helicopter base, relocating the bushfire helicopters to the site from the current ESA hangar at Canberra Airport and constructing a new emergency services training centre'.
10 June 2009	Commencement of construction of the new ACT ESA HQ at Fairbairn. The Minister stated that the overall cost of the ESA move to the three Fairbairn premises and the two new premises at Hume was \$26 million.

# APPENDIX B AUDIT CRITERIA, APPROACH AND METHODOLOGY

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## AUDIT CRITERIA

Efficiency and effectiveness was assessed through audit criteria based around, but would not necessarily be limited to, *governance, quality, value, and sustainability*:

### Governance

- The function(s) of Government office accommodation delivers and supports current and future ACT Government planning strategies and objectives.
- There is a clear strategy in place for informing key stakeholders of the whole-of-government accommodation strategy and its supporting policies and procedures.
- In developing strategic property plans, relevant ACT Government agencies identify and record key risk areas along with appropriate mitigation strategies to address risks identified and take into account business continuity planning arrangements.
- Key performance measures are identified, collected, reviewed and reported on against prescribed benchmarks such as cost (\$), occupancy rates, utilisation rates of office space per person, energy and water consumption. Discrepancies of performance measures from targets lead to corrective action as appropriate.

### Quality

- Individual office accommodation projects (acquisitions, relocations or refurbishments):
  - are planned and implemented in an efficient and effective manner and take into account design options for the types and location of accommodation based on agency operations, total number of staff, functionality and office space requirements, security and access for people with all levels of ability; and
  - comply with statutory requirements concerning issues such as accommodation standards for occupancy density and fit-outs, occupational health and safety (OH&S) and the Building Code of Australia and the whole-of-government accommodation strategy and its supporting policies and guidelines, both pre and post occupancy.

### Value

- Management of Government accommodation achieves value for money accommodation solutions for the Territory and individual Government agencies, through:
  - effectiveness of space utilisation;
  - cost comparison of \$/m<sup>2</sup> for comparable properties to those available on the commercial property market and-or other jurisdictions;

- assessment of office accommodation project funds expended against approved budget(s) and project delivery timeframes;
- assessment of established benchmarks against those prescribed in the Whole-of-government Accommodation Strategy, including lease terms and conditions; and
- assessment of customer satisfaction levels in response to services delivered by the ACT Property Group, such as the case study agencies.

### **Sustainability**

- Management of accommodation promotes and improves the environmental sustainability of Government accommodation in order to reduce environmental impacts, deliver operational cost savings, reduce consumption of energy, water and resources and provides a healthier and more productive workplace environment.

### **AUDIT APPROACH AND METHODOLOGY**

The audit approach and methodology consisted of:

- an examination and assessment of the implementation of the whole-of-government accommodation strategy, including a review of two completed office accommodation projects as case studies and a third case study presenting a different accommodation scenario in regard to a project that is still in progress;
- briefings, interviews, and correspondence with relevant staff of the audited agencies, including ACT Procurement Solutions and the ACT Government Solicitor;
- an examination of audited agencies' annual reports and other relevant material published by audited agencies;
- an examination of other State jurisdictions office accommodation standards and guidelines with the intention of drawing comparisons and finding better practices;
- an assessment of the adequacy of policies and procedures, and systems used in the management and administration of office accommodation activities; and
- determining whether all the relevant administrative requirements, policies and guidelines had been adequately followed.

# AUDIT REPORTS

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