



Government of **Western Australia**
Department of **Treasury**

Strategic Asset Management Framework

Office Accommodation Planning



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Introduction

This module provides guidance on the:

- principles and policies for strategic office accommodation planning in support of an agency's service delivery objectives;
- content of an agency's ten year office accommodation plan and investment proposals;
- links between an agency's plan and the Government's overall office accommodation strategy; and
- development and review of agencies' office accommodation plans and proposals during the annual Budget cycle.

Definition

Under SAMF, office accommodation is considered to be an asset whether it is owned or leased. Examples include:

- the urban or regional offices from which public services are delivered;
- office space that is part of an operational facility such as a laboratory, mental health or medical clinic, family or day care centre, warehouse or depot.

Office space may be available in a building purchased from the market or built under Government direction. It may be leased through a short, medium or long-term arrangement. It may be sub-leased to another entity such as a not-for-profit organisation, subject to the terms of the main lease.

Office accommodation involves more than the physical configuration of an asset. It provides a platform for policy and administrative work by employees in the delivery and support of front-line services.

Effective office accommodation plans and proposals help to achieve value for money by establishing the best way to enable service delivery while ensuring the safety and comfort of those who access the office space, both employees and members of the public.

Principles

- An agency's future office requirements are derived from its corporate and strategic asset planning and focused on its core functions.
- Office planning addresses significant future trends including greater staff mobility and service delivery within the community.
- A proposal to invest State funds to acquire commercial office space or to construct a new office is only considered if no suitable existing or planned government accommodation will be available.
- Effective planning at the whole-of-government level relies on close consultation between the Department of Finance and agencies in order to establish office accommodation solutions that support service delivery and provide value for money.

Application

All general government agencies, statutory authorities and government trading enterprises apply the SAMF policies and principles when they plan, deliver and manage office accommodation. This includes the annual refresh of the agency's office accommodation plan and its submission to the Department of Treasury during the Budget cycle, together with investment proposals.

SAMF applies whether the office space would be managed (or the investment proposal would be led) by the agency or by the Department of Finance under the Government Office Accommodation (GOA) planning strategy from the whole-of-government perspective.

SAMF applies whether an agency has a large or small office requirement. Regardless of their size, all agencies require effective office accommodation and are subject to internal or external review to achieve improved business operations, for which early office planning will be important.

Responsibility

An agency is responsible for conducting office accommodation planning from its own perspective and for effective liaison with other agencies and the Department of Finance to support whole-of-government planning.

The annual review and update of an agency's office accommodation plan is led and signed-off by the Chief Executive Officer based on advice from senior strategic investment planners and relevant heads of asset planning, management and operational areas. The involvement of the CIO, CFO and human resource and corporate service leaders is particularly important.

Value

The effective planning, delivery and management of office accommodation enables significant benefits to the Western Australian community and agencies.

The community benefits by having government employees with the right skills and knowledge located in offices that are accessible and which operate efficiently. The success of the agency's corporate strategy and service model depends in part on the foundation that offices provide for the work of government employees. The people in government offices also contribute to the economic prosperity of the local area through the purchase of goods and services.

The sound management and financial health of the agency are enhanced by:

- being well prepared to deal with future peaks and troughs in the availability and cost of office space;
- maintaining an up-to-date understanding of the agency's office stock and preparing in advance to address foreseeable events (such as the deadlines for lease negotiation, renewal and termination);
- providing early advice to the Government on the best future options to accommodate its employees, whether by maximising the use of existing office space or by moving to another building;
- avoiding negative impacts such as extended business disruption, staff attrition, double rent and reputation damage from committing to arrangements at short notice without Budget funding approval; and
- retaining and attracting talented employees in part through the provision of appropriate and safe office surroundings.

Summary

The whole-of-life planning and management of office space often involves a substantial, long-term commitment of Government resources. Whether an agency is large or small, uncertainty over the nature and stability of its office accommodation will present significant risk to its service delivery results and financial strength.

Given the service results and costs at stake, office accommodation planning and management requires close attention. The next part of this module explains how this is achieved at the agency and whole-of-government levels.

Part One: Planning Levels

Overview

Under SAMF, an agency focuses primarily on its individual service objectives and office requirements. If an agency is part of a portfolio group, the portfolio agency clarifies the potential for efficiencies across the group, such as from co-location or the joint procurement of office management services. When relevant, agency-specific planning reflects liaison with related agencies on the potential for cooperation.

Under the Government Office Accommodation (GOA) policy, the Department of Finance focuses primarily on standard offices of the sort established at an agency's urban and regional headquarters (as distinct from office space in an operational facility). The GOA objective is to sustain and improve office accommodation across the State from the whole-of-government perspective. The scale, benefits, risks and number of agencies involved are generally greater. A GOA initiative may also require an agency or portfolio to modify its plans, for example, for the nature, scale, location or timing of an investment.

GOA and SAMF planning are inter-dependent because one cannot be done well without reference to the other. An agency's strategic office accommodation plan helps the agency to prepare its case for improved office arrangements within or outside the GOA portfolio based on its future service requirements. Similarly, a GOA initiative depends on sound awareness by the Department of Finance of the logic for an agency's participation in the portfolio (or for it to remain outside) based on the strategic justification in the agency's plan.

Whole-of-Government

Under a Cabinet mandate, the Department of Finance is responsible for developing and implementing plans for the future location and configuration of office accommodation at a whole-of-government level.

GOA planning has four main objectives:

- support government policy and service delivery initiatives and priorities;
- support the Government's long-term planning directions as outlined, for example, in the State Planning Strategy;

- reduce the overall cost of government office accommodation; and
- support future machinery of government reform.

Considerations may include whether to:

- decentralise office accommodation from the Perth CBD and CBD fringe;
- consolidate CBD and fringe accommodation into fewer buildings;
- locate new accommodation in metropolitan activity centres;
- co-locate government agencies in regional towns; and
- enhance the sustainability of government office buildings.

Further information on GOA planning is available from the Department of Finance.

Strategic Asset Management Framework

Strategic Asset Plan

Under SAMF, an agency updates its strategic asset plan annually to address the asset-related implications of any changes to its corporate plan and its overall service delivery objectives over the next ten years. This provides the strategic justification for its highest priority asset investment proposals. The plan is considered for approval by the Minister as part of the Budget cycle.

In the office accommodation context, an agency's corporate and strategic asset planning may indicate, for example, that in six years time the agency should relocate entirely to a new activity centre, or change the balance of its office presence from urban to regional locations in order to meet future demand.

Strategic Office Accommodation Plan

This document is prepared by an agency to provide further advice on the office elements of its future service model (which was summarised across all asset types in the strategic asset plan).

A model for the presentation of an office accommodation plan is available on the Treasury internet site. Key aspects include:

- the purpose of the activity that will be conducted in (and from) the agency's office space;

- the overall functionality and condition of the agency's existing offices;
- the main strengths in the current accommodation, for example, its location or recent life extension gained from refurbishment;
- shortfalls in the current accommodation that will cause significant constraints to service delivery and daily operations; and
- why the agency's future accommodation profile will reflect cost effective investment in government-owned or leased office space.

The plan provides reassurance that sound medium to long-term thinking is underway on related high risks and opportunities, including confirmation that the:

- broad scale, schedule and cost of planning, delivering and managing the current and future office accommodation throughout its life is understood;
- office accommodation elements of major investment priorities in the strategic asset plan have been identified, for example as part of a long-term proposal to construct a hospital; and
- potential changes to an agency's office profile have been considered in the context of cooperation with other agencies, for example, to identify co-location opportunities, to enable the transfer of surplus office space or to synchronise lease renewals to obtain joint market leverage.

Given the importance of this advice, an agency refreshes its plan each year even if no changes appear to be in prospect, for example, after the recent move to a new building. In this case, the extent of the refresh will be minimal compared to the preparatory work required to support decisions on potential changes to the role or structure of an agency.

By taking a strategic approach, an agency increases the prospect that it will have suitable office accommodation in place on time and budget to support the Government's policy and service delivery objectives. An agency can also highlight the justification for unique operational requirements, for example to establish an office outside the GOA portfolio or to have greater security included in the office design and fit-out.

Investment Proposals

Strategic office accommodation planning prepares the way for the early development of timely and well-targeted investment proposals. Before drafting a proposal, the proponent refers to (and adapts) the universal SAMF models for an application for concept approval, business case and project definition plan. The following provides a summary in the office accommodation context.

Application for Concept Approval

Most proposals should be expressed first in an application for concept approval for potential investment in the 5-10 year period beyond the State's Asset Investment Program. This allows an agency to provide initial advice on the scope, benefits, options, costs, risks and schedule involved.

Early, initial coverage helps Ministers to select the proposals and options that should proceed to the detailed business case stage. For example, it may be apparent that an agency's current office location and functionality will not be adequate in five years time, and that the details of the recommended location for a new office should be clarified, together with two alternative locations, while a third should be shelved.

Business Case

An office accommodation proposal may arise at shorter notice (for investment in the four year Asset Investment Program) and be expressed in a business case which addresses the same scope, benefit and other issues covered in an application for concept approval.

Advice will be required, for example, on the benefits, costs and schedule for the recommended and alternative office locations, on whether the office space should be owned or leased, the likely office configuration, and how the GOA fit-out standards will be achieved.

In exceptional circumstances, the Government may decide to fast-track the development of a business case, for example: to obtain a new lease or to replace the fit-out in an office that has been damaged by fire; to improve security arrangements; or to minimise exposure to an unexpected and enduring increase in CBD rent. In such cases, the number of options explored in the business case may be constrained to one or two beyond the status quo.

Whether the proposal is progressed through a standard or fast-tracked business case, the level of detail and rigour will depend on the project scale and risk. For example, a proposal to refurbish the fit-out in an existing, long-term office configuration will require a less detailed case than for an office relocation.

The advice in the business case is underpinned by benchmarks and lessons learned from the planning, delivery and whole-of-life management of similar office projects in Western Australia and other jurisdictions.

Project Definition Plan

Before proceeding to the tender documentation stage, a project definition plan is completed for the office accommodation option that was endorsed by Cabinet based on the business case. The plan refines the project delivery aspects within the approved constraints, including the scope, cost, schedule and risk profile.

Project definition plans are prepared for proposals with a capital cost of \$5 million or more. However, when deciding whether a plan should be prepared, the scale of the asset, its importance to the operation of an agency's service delivery model, and the degree of risk involved in its delivery are also considered.

In the office accommodation context, most proposals to construct a new building to establish office space will exceed the cost threshold. Most leases will also require a project definition plan (with varying levels of detail), including for projects beneath the threshold given the importance of office accommodation to the operation of an agency's service model. Similarly, most projects to refurbish an existing office will require project definition, albeit with less rigour compared to a complex construction proposal.

The level of detail should be agreed with Treasury and the Department of Finance before starting the project definition plan. However, in most cases, the proposal will include:

- an improved master plan which demonstrates how people will work and move within and around the accommodation (such as through commuter links, car parks and loading docks); and
- indicative functional maps and diagrams that show the broad relationships between office layouts by division, work area and workpoint.

For higher cost and risk projects, the advice is backed by firm information from industry based on a targeted market sounding. Further information on the level of detail and rigour is in the SAMF Project Definition Plan module.

The Departments of Treasury and Finance must be advised if the definition planning reveals that it is no longer possible to stay within the cost and other constraints set by Cabinet. If there are no opportunities to redefine the project without material change to these constraints, Cabinet approval should be sought to undertake a new, revised project.

By the time a project definition plan is complete, all significant risks to successful delivery should have been identified and mitigation strategies established. The aim is to avoid late changes that will have a material impact on the functionality and cost of the office. Examples include the addition of new unplanned design, security and vehicle access features. In the absence of firm advice on the scope, cost, schedule and risks involved, a project should not proceed to tender.

Summary

An agency's strategic planning and investment proposals provide its specialist perspective on its office accommodation profile and requirements, with reference to its long-term corporate direction, its liaison with relevant agencies, and its adherence to the GOA policies, guidelines and standards. Agency planning also provides an important foundation for planning by the Department of Finance which focuses on strategic outcomes and proposals that involve more than one agency.

High quality advice to Ministers and Cabinet on the best way ahead can only be provided if planning at both the SAMF and GOA levels are integrated, including through: the sharing of market intelligence and lessons learned from procurement, delivery and management; and the joint development and prioritisation of investment proposals from an early stage in preparation for Budget.

The advice and information developed by an agency should be transferrable to support whole-of-government planning and decision-making with little need for repackaging. Standardised information transfer allows the Department of Finance to alert Cabinet to potential co-location and joint procurement initiatives that may not have been detected by a single agency, or which offer greater value for money compared to an option that was preferred by that agency.

Commonality at the whole-of-government and agency levels arises because both seek to address similar challenges as outlined in the next section of this module.

Part Two: Focus

At the whole-of-government and agency levels, strategic office accommodation planning and management focuses on:

- ensuring that offices are well-positioned and broadly scoped to address growth or contraction in service demand over the next ten years;
- balancing whole-of-government efficiencies and an agency's operational requirements in terms, for example, of office location and scale; and
- identifying opportunities for office procurement, maintenance, transfer to another agency or disposal that will maximise support for service delivery.

At both levels, an open, proactive approach is taken to address the strategic drivers and opportunities, rather than the operational issues covered later in a business case (such as the potential lease conditions at alternative locations). The objective is to prepare a sound basis for business case analysis, advice and decisions concerning individual investment proposals.

Drivers

State Plans

An agency refreshes its office accommodation plan with reference to long-term State regional and metropolitan plans, including for population, economic and infrastructure growth.

In response, an agency considers how best to locate and scope its office presence within these development patterns. Key issues include:

- the extent to which an office will be required in each State sector to support service delivery for particular types of recipient;
- whether local ICT availability and capacity will reduce the requirement for a direct presence; and
- where an office should be located for maximum service impact.

GOA Planning

The objective of GOA planning is to provide value for money accommodation that supports service delivery. Accordingly, the Department of Finance reviews the GOA portfolio and considers where agencies could potentially be located from the whole-of-government perspective.

Part of the GOA approach is to identify where to best position a government office for maximum economic and social benefit, consistent with long-term State plans.

Any decisions on future office locations are taken in close consultation with the agencies that may be involved. For its part, each agency liaises with the Department of Finance to help determine whether the agency should occupy a multi-tenanted building based on considerations including the service delivery and financial benefits.

Service Delivery

The strength of an agency's position on its future office accommodation depends on the quality of its corporate and strategic asset planning which clarifies its asset-related demand drivers and its service objectives and model, including in cooperation with others.

This provides the point of reference for a strategic approach to the offices that should be retained or acquired over the next ten years. For example, if an agency intends to consolidate functions in an urban or regional area, its profile may change from small, scattered offices to a larger central site. Another agency would consider whether its 'hub and spoke' model is the best way to support remote communities based on local offices from which out-reach services are delivered using vehicles and light aircraft.

Opportunities

Business Improvement

An agency's office accommodation plan provides evidence that the proposed scale and location of its presence will reflect business improvements that support the effectiveness of its personnel.

Rather than rely on a statement of desired personnel and workpoint numbers, an agency clarifies its business improvement approach, including proposed work practice and process reform, workforce retention and recruitment initiatives, and future use of information and communications technology.

Key issues include:

- the appropriate balance between front-line and support personnel;
- whether to transition towards greater not-for-profit or out-sourced services;
- the agency's projected ICT capacity and skills;
- the ability of ICT-enabled personnel to spend more time in the community and less at the desk; and
- the extent to which future ICT innovation may obviate the requirement for an office in a particular location.

Unique Circumstances

In some cases, the nature of an agency's operations will necessitate unique office features such as higher security for employees and information, extended consultation areas for public access, and modified parking for large vehicles. Meeting these requirements will often involve a cost premium for which an agency should provide compelling reasons.

In most cases, the unique image of an agency is unlikely to justify an iconic office concept given that the quality of a standard office would meet the public test for an investment that reflects the effective allocation of State funds on front-line service and its support.

Inter-Agency Cooperation

The potential to establish joint office locations and efficiencies with other agencies with related functions is an essential consideration, including through co-location with State, local government and not-for-profit entities.

Cooperation may include the provision of hot desk and shared facilities on a temporary basis, for example to support the local field operations of an agency at a distance from its own central office. An agency should contact the Department of Finance which may identify opportunities within the GOA portfolio.

Summary

Proposals to invest in existing or new offices are more likely to be compelling if they are derived from sound strategic planning. Based on a strategic approach, an agency will be well prepared to participate in the annual Budget cycle as outlined in the next part of this module.

Part Three: Integration with Budget

Investment Decision

Under SAMF, asset investment planning is done to provide sound advice particularly to Ministers and the Economic and Expenditure Reform Committee (EERC) during the annual Budget cycle.

The advice from agencies supports the EERC in taking an informed investment decision. The main question is whether a proposal with strong strategic justification should be assigned provisional funding in the State's Asset Investment Program based on a robust, costed business case.

Preparation

In order to provide high quality advice to the EERC, an agency starts work well in advance of the formal deadlines for the submission of documents, which for a May Budget include:

- an agency's strategic asset plan (including its office accommodation plan) by the end of October in the preceding year; and
- an application for concept approval, business case or project definition plan by January.

Agencies are strongly encouraged to share early drafts of their office accommodation plans and proposals with the Department of Finance and with Treasury in order to clarify the issues that should be addressed and the level of detail and rigour required, including in relation to the drivers and opportunities outlined in part two of this module.

Office accommodation plans and proposals are provided in the first instance to the Department of Finance (with an information copy to the relevant director and analyst in Treasury). Finance should be given sufficient time before a Budget deadline to provide comprehensive feedback to the agency and advice to Treasury.

The Department of Planning should also be contacted at an early stage to help determine whether proposed office locations align with long-term State plans.

Consultation

Finance

Early in each year, officers from the Department of Finance meet their agency colleagues to discuss the agency's office accommodation situation and issues. The discussions focus on the agency's long-term plan and emerging investment proposals.

The discussions allow Finance to:

- identify proposals that could be included in a future phase of the GOA portfolio plan (and to share this information with the agencies that could be involved);
- ensure that future GOA initiatives are based on a sound understanding of office accommodation opportunities, risks and challenges at the agency level, including the basis for an agency's unique requirements; and
- review with an agency the benefits and results achieved from recent office accommodation initiatives, and register lessons learned to inform future planning improvements.

The discussions also provide an opportunity for Finance and an agency to share their views on future office accommodation trends, standards and requirements that may impact on an agency's plan and proposals.

Treasury

Treasury officers contribute to whole-of-government and agency-specific planning at an early stage by providing advice on the key issues that should be addressed. Treasury officers are also available to review draft elements of an agency's plan and proposals for the next phase of the GOA portfolio plan.

To preserve Treasury's independent review role and to support the Department of Finance as the GOA custodian, Treasury prefers to receive the final version of an agency's office accommodation plan and proposal after it has been reviewed by Finance and revised based on Finance's advice.

Treasury liaises regularly with Finance and is unlikely to support a proposal without confirmation that it is consistent with the GOA directions and standards and that the business case is sound. Based on the final version of the proposal, Treasury prepares independent advice to the Treasurer and the EERC which may differ from that provided by the agency and by Finance.

As with the Department of Finance, Treasury officers are available to discuss with an agency the reasons for supporting (or not supporting) the recommendations in its office accommodation plan and investment proposals.

Governance

Agency

The development and review of an agency's office accommodation plan and proposals should be supported by an internal governance arrangement that involves senior decision-makers and enables input from related agencies from an early stage.

The system should include clear definition of the respective roles, responsibilities and accountability of the officers in an agency (and external participants), particularly in the development and review of a business case and the subsequent project definition planning and delivery (if the proposal receives a favourable investment decision from Cabinet).

Whole-of-Government

In the GOA context, the main distinction between the responsibilities of an agency and the Department of Finance is as follows:

- Agency: drives the annual refresh of its strategic asset plan (particularly its future service delivery model), its office accommodation plan (including its short, medium and long-term requirements) and applications for concept approval.
- Finance: leads in the development of an office accommodation business case, project definition plan and project delivery that aligns with its whole-of-government portfolio approach.

Further advice on effective governance in the GOA context is available from the Department of Finance.

