



Treasurer of New South Wales
Australia

Mr K Greene MP
Chair
Legislative Assembly
Standing Committee on Public Works
Parliament of NSW
Macquarie Street
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6 SEP 2004

Dear Mr Greene

Thank you for your invitation to make a submission to the Standing Committee's inquiry into joint use and collocation of public buildings.

There is general support for proposals by agencies to collocate, provided value for money is achieved from the decision. All accommodation decisions, whether to provide office space or to meet operational requirements, require agencies to conduct an economic appraisal in accordance with the *NSW Government Guidelines for Economic Appraisal* (June 1997) to determine if the most efficient way of meeting public service objectives is being identified and implemented.

In addition, a financial appraisal will normally also be required to consider if the proposed scheme is financially optimal from the point of view of the agency, or if a collocation is contemplated, the collaborating agencies. At this point, consideration of the choice between asset ownership and leasing occurs.

With regard to the public/private management of public buildings, I advise that these projects are part of wider service agreements to which the *Guidelines for Privately Financed Projects* (November 2001) apply. The Guidelines set down a special approval process with additional analyses needed to compare the potential advantage over government delivery which may be available from offering the opportunity to a private sector party to undertake the project.

The regulatory arrangements are generally contained in the following sections of the *Public Authorities (Financial Arrangements) Act 1987*:

- Part 2 Financial Accommodation – relevant if an accommodation arrangement were a finance lease.
- Part 2B Joint Financing Arrangements – relevant if an agency (or agencies) enter an arrangement in which a private party constructs or acquires assets which it then uses for an exercise of an authority's functions.
- Part 2D Joint Ventures – relevant if one or a number of legally distinct government agencies collaborate with each other or a private sector party to meet an accommodation need.

Treasury's view on the cost implications of joint use, collocation and private/public management of public buildings is that all options should be initially explored by agencies planning for their ongoing accommodation needs. In making recommendations to Government on a preferred approach, the results of economic and financial appraisals which have been discussed with Treasury officers, together with a comprehensive analysis of the proposed contractual allocation of risks and an opinion on how the arrangement will be accounted for, is taken into consideration.

In terms of the private management of public buildings, you may be interested to know that the day to day property management of the Crown's portfolio of owned and leased premises is undertaken by a private sector managing agent. While the Department of Commerce retains direct control over portfolio and asset management functions on behalf of Treasury, property management services are outsourced as they are not part of the core capabilities of the Department of Commerce.

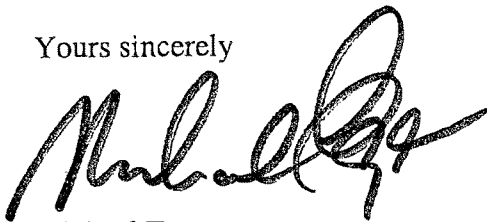
You may also be interested to know that the Government has recently announced the construction of a justice precinct at Parramatta. The precinct will allow for multiple uses on the site, including the provision of Children's Courts, Trial Courts and office accommodation for the Attorney General's Department. While the project is still in the concept stage, it is intended that the precinct's occupants share facilities where security and operational needs permit. In early planning, the ability to share lobbies, conference rooms and training facilities and provide common "shopfront" type services to the public has been identified. There may also be opportunities to provide private sector facilities that complement the concept of a justice precinct.

In projects such as this, where contributions from different agencies are required for public building infrastructure, a lead agency is normally tasked with the function of seeking Budget funding. This allows Budget Committee to assess the merits of the entire project, while making the appraisal process administratively simpler.

I would also like to draw the Committee's attention to the fact that after a certain size, building costs may increase. This is because larger buildings require additional structural support and more complex building management systems and services such as air-conditioning and extra lifts. The challenge, therefore, is to optimise building size within site and operational constraints.

Thank you for the invitation to comment and I look forward to reviewing the outcome of the Committee's inquiry.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Egan', written in a cursive style.

Michael Egan
Treasurer