



## Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party  
Date Referred: 16/10/2018

Proposal No: A034  
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Proposal Title: Efficient Government work space - promote work-from-home arrangements

Cluster: Finance, Services and Innovation

### General Government Sector Impacts

|                               | 2018-19<br>\$'000 | 2019-20<br>\$'000 | 2020-21<br>\$'000 | 2021-2022<br>\$'000 | 4 year Total<br>\$'000 |
|-------------------------------|-------------------|-------------------|-------------------|---------------------|------------------------|
| Expenses (ex. depreciation)   | -                 | (5,836)           | (33,235)          | (54,347)            | (93,418)               |
| Depreciation                  | -                 | -                 | -                 | -                   | -                      |
| Less: Offsets                 | -                 | -                 | -                 | -                   | -                      |
| Revenue                       | -                 | -                 | -                 | -                   | -                      |
| <b>Net Operating Balance:</b> | -                 | <b>5,836</b>      | <b>33,235</b>     | <b>54,347</b>       | <b>93,418</b>          |

|                                 |   |   |   |   |   |
|---------------------------------|---|---|---|---|---|
| Capital Expenditure             | - | - | - | - | - |
| Capital Offsets                 | - | - | - | - | - |
| <b>Net Capital Expenditure:</b> | - | - | - | - | - |

|                                 |   |              |               |               |               |
|---------------------------------|---|--------------|---------------|---------------|---------------|
| <b>Net Lending/(Borrowing):</b> | - | <b>5,836</b> | <b>33,235</b> | <b>54,347</b> | <b>93,418</b> |
|---------------------------------|---|--------------|---------------|---------------|---------------|

### Total State Sector Impacts

|                                 |   |              |               |               |               |
|---------------------------------|---|--------------|---------------|---------------|---------------|
| <b>Net Lending/(Borrowing):</b> | - | <b>5,836</b> | <b>33,235</b> | <b>54,347</b> | <b>93,418</b> |
|---------------------------------|---|--------------|---------------|---------------|---------------|

### Notes and costing assumptions

The proposal is to promote working from home arrangements and reduce accommodation space for NSW Government general government sector desk-based public servants to reflect 5 per cent fewer staff. The policy excludes service delivery staff, desk-based staff in schools, hospitals, the NSW Police Force, NSW Ambulance and Fire & Rescue NSW. The implementation date is 1 July, 2019.

Current Activity Based Working (ABW) standards are 13m<sup>2</sup>/FTE at a workpoint/FTE ratio of 0.8:1, which means, in effect, the average space is 10m<sup>2</sup>/FTE. This costing provides for a 5% FTE reduction on that effective ratio of 10m<sup>2</sup>/FTE. In this costing, because total space requirements are a function of FTE, a 5% FTE reduction provides the same saving as a further 5% space reduction per FTE. On this basis, this costing is calculated using a 5% reduction in space to 9.5m<sup>2</sup>/FTE.

The key assumption is that the entire portfolio can move to ABW. This would need to be validated on an agency by agency basis to ensure service delivery needs are met and to assess any occupational health and safety risks.

The rent saving is estimated at \$93 million over the period 2019-20 to 2021-22. The estimated cost is based on Property NSW's model and information about existing and future accommodation needs of NSW Government agencies.

**Notes and costing assumptions continued:**

| <b>5% space reduction</b>        | <b>2018-19</b> | <b>2019-20</b> | <b>2020-21</b> | <b>2021-2022</b> | <b>4 year Total</b> |
|----------------------------------|----------------|----------------|----------------|------------------|---------------------|
|                                  | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>    | <b>\$'000</b>       |
| Activity Based Working - Savings |                | 4,089          | 29,964         | 49,785           | 83,838              |
| Further 5% space reduction       |                | 1,747          | 3,271          | 4,562            | 9,580               |
| <b>Total saving</b>              | <b>-</b>       | <b>5,836</b>   | <b>33,235</b>  | <b>54,347</b>    | <b>93,418</b>       |

**Fit out and make good costs**

The costing assumes that the relocation of agencies from time to time occurs irrespective of the introduction of this policy and that there may be some capacity to consolidate agencies and/or hand back excess space without the need to incur relocation costs. Consequently fit out, make good and relocation costs have been excluded from the costing.

**Leasing assumptions**

The lease expiry profile is based on the JLL RED system with adjustments for leases expiring up to and including 2018-19. For leases expiring up to and including 2018-19, it is assumed that the new lease expiry is the maximum of i) original lease expiry + 5 years or ii) 2019-20.

It is assumed that appropriate vacancies exist in the relevant markets to allow for a relocation to a new smaller tenancy.

**Financial costs of the new lease**

It is assumed that the new rent rate is the same as the current rent rate. The rent is assumed to be escalated by 2.5% per annum, which is broadly consistent with Treasury's advice. Existing leases will be retained for three months to allow sufficient time for agencies to relocate to the smaller tenancy (if necessary) and complete property related works (e.g. make good of existing premises).

**Exclusions from the costing**

Tenancies that are non-office based spaces, including industrial, car parking, laboratory, land, storage and the like have been excluded.

Owned sites are excluded as the Government would continue to be liable for ongoing utilities, maintenance and capital costs, irrespective of space savings.

**Property NSW fees**

Property NSW fees have not been included in the cost model. This is not unreasonable because the net impact is likely to be broadly neutral. Fees incurred and passed onto agencies are based on cost-reflective pricing principles and are likely to be offset, by avoided future costs.

**Indexation of costs**

Property NSW has applied an escalation rate of 2.5% in its model, as per its expected growth in property prices.