PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by:	Coalition	**Proposal No:**	C1352
Date Referred:	25/01/2023	**Date Published:**	20/03/2023

Proposal Title: Office Accommodation Footprint

Cluster: Whole of Government

General Government Sector Impacts

	2022-23 $'000	2023-24 $'000	2024-25 $'000	2025-26 $'000	4 year Total $'000
Expenses (ex. depreciation)	-	(6,422)	(19,544)	(31,980)	(57,946)
Depreciation					
Less: Offsets					
Revenue					
Net Operating Balance:	-	**6,422**	**19,544**	**31,980**	**57,946**
Capital Expenditure	-				
Capital Offsets					
Net Capital Expenditure:	-	-	-	-	-
Net Lending/(Borrowing):	**-**	**6,422**	**19,544**	**31,980**	**57,946**

Total State Sector Impacts

	2022-23 $'000	2023-24 $'000	2024-25 $'000	2025-26 $'000	4 year Total $'000
Net Lending/(Borrowing):	**-**	**6,422**	**19,544**	**31,980**	**57,946**

Notes and costing assumptions:

The proposal is to reduce the NSW Government's back-office accommodation by 25 per cent having regard to contemporary patterns of hybrid work practices. The accommodation footprint of agencies would be reduced at the time their lease expires.

The NSW Government office accommodation footprint is currently aligned with a pre-COVID occupancy ratio target for Activity-Based Workplace (ABW) of 80 per cent. The proposal will reduce the occupancy ratio target for ABW to 60 per cent to better align with contemporary patterns of work. This will require a back-office floor space reduction of 25 per cent.

Property NSW has advised:

- The average annual cost of leased properties is $584.15 per square metre
- Private sector back office lease expiries over the next 3 years are as follows:

	Lease Renewals (Square metres)
2023-24	87,951
2024-25	67,423
2025-26	54,235

Notes and costing assumptions continued:

- Back-office leases of government owned property total 97,323 square metres.

The PBO has assumed:

- Agencies leasing accommodation from the private sector achieve a 25 per cent reduction of leased space at the time their current lease expires (assumed to be 31 December each year).
- Space freed within government-owned accommodation as a result of the policy will be taken up by government agencies over a 4-year period reducing private sector leased space.
- No additional accommodation reconfiguration costs are incurred because of the proposed policy as agency relocations and reconfigurations already occur as part of business as usual. Should the policy result in a greater level of agency relocations than historically, possible additional costs include:
    - Fit-out costs (capital expenditure) and depreciation (expense) where agencies move to new premises
    - Make-good costs where agencies vacate currently leased space
    - Moving costs where agencies relocate
    - Additional rental costs associated with the transition to new accommodation.
- Suitable alternative accommodation is available where agencies need to relocate to achieve the 25 per cent reduction in leased space.

Based on the above, the PBO has assessed savings over the Forward Estimates of $58 million.

Risks

There is a significant risk that the proposed policy will see a higher level of agency relocations and reconfigurations. Should this occur, higher one-off expenses will be incurred as well as additional capital expenditure.