

## Election Costing Request Form

Details of request	
Party:	Liberals and Nationals Government
Name of Policy:	Office accommodation footprint
Date of request:	25 January 2023

Description of policy	
Summary of policy (please attach copies of relevant policy documents and include information on what the policy aims to achieve):	Reduce the NSW Government's office accommodation by 25% to 'right-size' the NSW Government office footprint having regard to contemporary patterns of hybrid work practices.
Has the policy been publicly released yet?	No

Your estimated costing of the policy <sup>1</sup>						
	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	Total \$'000
Impact on General Government Sector (GGS) net operating result <sup>2</sup>						
Impact on GGS capital expenditure <sup>3</sup>						
If different from above, impact on total State Sector net financial liabilities <sup>4</sup>						

**Note:** Has the policy been costed by a third party? Assumptions are based on estimates from Property NSW which have been used to inform this election commitment. If yes, can you provide a copy of this costing and its assumptions?

<sup>1</sup> Amounts should be expressed in nominal dollars. GGS - General Government Sector.

<sup>2</sup> Negative for a saving that reduces expenditure

<sup>3</sup> Negative for a reduction in capital expenditure.

<sup>4</sup> Only required if proposal is outside GGS. Negative for a reduction in net financial liabilities.

<b>Key assumptions made in the policy</b>	
Does the policy relate to a previous announcement? If yes, which announcement?	No
What assumptions have been made in deriving the financial impacts in your estimated costing? <i>(See checklist)</i>	<p>The NSW Government office accommodation footprint is aligned with a pre-COVID occupancy ratio target for activity-based workplace (ABW) of 80%. However, the rapid adoption of flexible work practises as a result of COVID-19 has resulted in utilisation rates of less than 50% in NSW Government back-office workplaces.</p> <p>This proposal would reduce the occupancy ratio target for ABW to 60% to better align with contemporary patterns of work. This will require a floor space reduction of 25%.</p> <p>The current NSW back office workplace is 602,432m<sup>2</sup> Net Leasable Area. 25% of that footprint is approximately 150,000m<sup>2</sup>. Assuming an average annual cost per m<sup>2</sup> of \$684, reducing the NSW Government floor space by 150,000m<sup>2</sup> would result in annual savings of around \$100m.</p> <p>The policy assumes that when leases cease agencies are required to reduce their footprint.</p> <p>It is assumed that agencies are already required to relocate premises from time to time as leases cease and that there may be capacity to consolidate agencies into a single premise or hand back excess space. Therefore, fit out, make good and other relocation costs do not need to be factored into the policy.</p>
Is there a range for the costing or any sensitivity analysis that you have undertaken?	
Are there associated savings, offsets or, in the case of a revenue proposal, offsetting expenses? If yes, please provide details.	
Are there significant costs or savings <b>outside</b> the forward estimates period which should be considered in costing this policy? <sup>5</sup>	Savings are ongoing, however the profile outside of the forward estimates remains flat.

<sup>5</sup> Particularly important for large projects with long lead times, policies with a delayed timetable for implementation, or policies where up-front investment is required to achieve long term savings.

<b>Administration of policy</b>	
Intended date of implementation:	Upon formation of Government with first savings to be achieved from 1 July 2023
Intended duration of policy:	Ongoing
Who will administer the policy (e.g. Government entity, non-government organisation, etc.)?	The policy will be administered by Property NSW in consultation with Treasury.
Are there any specific administrative arrangements for the policy that need to be taken into account (e.g. agreements between different levels of government)?	N/A
Are there transitional arrangements associated with policy implementation?	

<b>If the policy is mainly an expenditure<sup>6</sup> commitment</b>	
Demand driven or a capped amount:	N/A
Eligibility criteria or thresholds:	

<b>If the policy is mainly a revenue commitment</b>	
Transaction based or capped:	N/A
Thresholds and/or exemptions:	
Collection method:	
Additional expenditure associated with collection:	

<b>If the policy is mainly a capital costs<sup>7</sup> commitment</b>	
<b>Nature of Capital Spending</b>	
Type of work, size and capacity:	N/A
Proposed start and completion date of work:	
Intended construction schedule/cashflow:	
Associated asset sell off (if any):	
<b>Recurrent Impacts</b>	
Offsetting expenditure savings:	
On-going maintenance, depreciation and operational expenses:	
Third party funding involvement:	

<sup>6</sup> Expenditure is operating expenses, e.g. salaries, interest cost and grants. Expenditures are fully included in the impact on operating balance.

<sup>7</sup> Capital costs differ from expenditure in that only depreciation will be included in the impact on operating balance.

Delivery model <sup>8</sup>	
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<sup>8</sup> There is a range of possible delivery models, e.g. built, owned and operated by a NSW government agency; built and transferred to a private operator; privately built for public operation; privately built and operated with government assuming risk or providing a guarantee in relation to future income (often applicable to public/private partnership arrangements), and so on. The policy should provide assumptions about the proposed delivery model.