

# Premier and Cabinet Circular

**PC 018 – GOVERNMENT OFFICE ACCOMMODATION FRAMEWORK**

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## Introduction

This circular sets out the policy adopted by Cabinet to govern office accommodation including the roles, responsibilities to be followed and the processes for the strategic planning, leasing and fit-out of office accommodation leased or owned by the South Australian Government.

The policy applies to office accommodation used by all public authorities subject to the *Public Finance and Audit Act 1987* (agencies) except the Universities and the Australian Energy Market Commission. It does not apply to operational accommodation such as hospitals, schools and police stations managed by public authorities, however space usage and cost standards are applicable to the office areas within operational accommodation.

This circular outlines the responsibilities for agencies to achieve a standardised approach for all Across Government Office Accommodation and the process for gaining approval for office accommodation proposals. The aim of the Across Government approach is to ensure increased efficiency of space and the minimisation of investing and operating expenditure.

Further information on the application of this policy relating to the processes of planning, space usage, fit-out design, fit-out cost and tenant behaviour is provided in the *SA Government Office Accommodation Guidelines* prepared by the Department for Infrastructure and Transport (DIT).

The policy is intended to ensure that office accommodation decisions are made in the context of whole-of-government considerations. This is to focus all those involved in planning and decision making to consider opportunities for flexibility and efficiencies and any budget impacts.

All agencies are to review their approach to the management and planning of office accommodation against this policy and the strategies outlined in the SA Government Office Accommodation Guidelines. [Copies of the Guidelines can be downloaded from the DIT website [Government Office Accommodation Guidelines](#)]. References to these guidelines are made throughout this Circular.

This circular replaces Premier and Cabinet Circular PC018, dated February 2019.

## Objectives

The cost of office accommodation is a significant annual financial commitment for agencies and government. Implementation of strategies to meet SA government's office accommodation standards and policies can result in significant savings and more efficient operational accommodation.

Cabinet has directed that government should only be represented in office accommodation matters by DIT, in order to avoid competition between agencies for space (which would compromise the ability to negotiate competitively in the market place on behalf of government).

Guiding principles for a centralised Whole of Government office accommodation model are:

- Across government needs should take precedence over single agency needs when significant benefits to government are to be realised or significant costs are involved in order to achieve the best financial outcome for Government.

- Priority will be given to existing government owned or leased accommodation, including space that is owned or leased by public corporations.
- Owned properties should not be vacated by the sitting tenant without an alternate suitable backfill for the accommodation, inclusive of rental commitments or in line with Government strategy (this equally applies to long term finance lease properties which are treated similarly to owned properties).
- The Minister for Infrastructure and Transport may direct designated agencies in circumstances where an across government benefit has been identified. Designated agencies are all agencies except:
  - Public Finance Corporations; and
  - Public Non-Finance Corporations.
- The Minister for Infrastructure and Transport may endorse office accommodation proposals based on advice from DIT and GOAC.
- Approval of the lease proposal will be granted by the Minister or Cabinet, depending on the value of the proposal. Agencies will be bound by those approvals.

The key principles of a Whole of Government Accommodation fit-out governance approach are:

- Standards – Updating of Government Office Accommodation Fit-out Standards providing a consistent central project management of fit-out projects. This approach will ensure across government procurement of fit-out Furniture, Fixtures and Equipment (FF&E) will leverage Government purchasing power for all fit-out projects.
- Cost – Accommodation and fit-out costs to be consistently applied in line with the approved document “Whole of Government Office Accommodation Treatment of Financial Impacts”. Costs to be centrally managed and minimised where possible whilst allowing for the operational and business needs of agencies.
- Scope Changes– Accommodation and fit-out provision is to be based upon Cabinet (or Delegate) approval, with no increase in project scope without further approval from the originating approval delegate.
- Flexibility – Accommodation and fit-out provisions to enable sufficient flexibility to meet agencies business requirements, in the context of effectively managing costs and vacant space in existing government owned or committed lease accommodation and maintaining consistency across government fitout designs. Special needs can only be approved by Cabinet (or Delegate).

### **Accommodation Requirements and Timing**

DIT’s Across Government Accommodation Section in the DIT Property Directorate is responsible to actively strategically plan and implement the leasing of office accommodation space to meet whole of government requirements and support individual agency business needs.

DIT will work collaboratively with agencies to plan accommodation needs in advance as lead times for new office accommodation can be significant. Adequate time will be allowed for evaluation, application and approval of operating and investing funding within the relevant Agency.

Agencies must work with DIT to define their accommodation needs and develop their long-term strategic accommodation plans to ensure the best whole of government outcomes.

### **Memorandum of Administrative Arrangements (MoAA)**

All office accommodation leases are held in the name of the Minister for Infrastructure and Transport and are prepared by or agreed to by the Crown Solicitor's Office.

Agencies (tenants) are required to provide financial authorisation by the appropriate Agency delegate for expenditure associated with new leases and lease renewals (for all Leased or Owned Accommodation) and to enter into a Memorandum of Administrative Arrangement (MoAA) with DIT which represents the Minister for Infrastructure and Transport.

This is consistent with Treasurer's Instruction 8.

The MoAA:

- Reflects the essential terms and conditions of the occupation and outlines for the agency its consequent roles and responsibilities as the primary beneficiary of the lease and the user of the facility;
- Confirms that the agency has the budget and expenditure approval to cover rental and other accommodation expenditures and that the agency wishes to have a formal tenancy relationship with the Minister for Infrastructure and Transport;
- Should be executed by a Chief Executive, representative or Minister of the agency in accordance with the agency's delegations.
- Where a lease has been approved by the Minister and/or Cabinet, the occupying Agency is bound by the MOAA in accordance with the approval. The delegated officer of the Agency (usually the Chief Executive) is to sign the respective MOAA prior to occupation or as soon as practicable thereafter.

### **Leasing Government Owned Accommodation**

Lease arrangements between DIT and agencies for government owned buildings are similar in approach. Tenancy agreements between DIT and agencies are documented in a MoAA as described above. DIT acts as the building owner and manager and the agency is the user or tenant.

### **Accommodation Fit-outs**

DIT will coordinate all office accommodation fitouts, in particular those relating to new lease proposals. The adoption of a central approach to managing Government fitout projects will ensure:

- Consistency in the procurement of fitout Furniture, Fixtures and Equipment (FF&E) to leverage government buying power;

- Standardisation of approach to achieve compliance with all relevant government policies, legislation and standards (including Industry Participation, Environmental and Work Health & Safety requirements); and
- Consistency in fitout design and application to provide greater flexibility across different agencies to allow ease of movement between government offices and the reduction in churn costs.

All office accommodation fitouts must be logged with DIT for compliance with government guidelines and procurement processes.

Office accommodation fitouts with a total project value of \$150k to \$1m can be managed via the Across Government Facilities Management Agreements (AGFMA) for those agencies mandated to use AGFMA, with the DIT Fitout Construction Manager to be notified of the projects for coordination and planning.

Office accommodation fitouts with a total project value in excess of \$1m must be managed by the DIT Fitout Construction Manager.

It should be noted that the total project value is the total cost of works (including any landlord incentive), not just the cost to government.

DIT will work closely with agencies to engage the necessary resources to ensure that fitout designs, stakeholder and change engagement and occupancy requirements are met. All major office accommodation projects will be managed in accordance with a Whole of Government Accommodation Governance model to ensure a consistent approach to all government agency office accommodation.

## **Roles, Responsibilities and Approvals**

### **Introduction**

Cabinet has directed that only DIT will represent government in the market place for government occupied office accommodation.

DIT has the centralised across government responsibility for the Whole of Government office accommodation management, to ensure the efficient, cost effective provision of government's office accommodation in accordance with government accommodation policies, guidelines and regulatory requirements.

DIT is responsible for developing and implementing strategies to allow the delivery of government's Whole of Government office accommodation standards and other whole of government targets for effective accommodation use.

Both DIT and the individual Agencies need to work in partnership to balance the Agency's operational needs with the most effective Whole of Government outcomes.

### **Agencies**

Chief Executives are accountable and responsible for the effective and efficient use of office space and associated facilities and agencies are required to:

- Engage and coordinate with DIT on agency accommodation, strategic planning and changes in accommodation requirements;

- Complete space usage audits and surveys and submit to DIT annually within required time frames;
- Consider the cost of office accommodation in all new initiatives and include funding for accommodation in budget bids where the funding is not identified in existing operating budgets;
- Ensure DIT is informed of new initiatives to allow adequate time to procure and fit out new accommodation;
- Submit Agency Request for New Office Accommodation Form to DIT in a timely manner to allow accommodation briefs to be accurately prepared. The request should demonstrate that the budget for accommodation already exists and must include executive endorsement of the proposal (this should be the Agency's CE or authorised delegate);
- Ensure that all contact with leasing market operatives (agents and landlords) is arranged by DIT only.
- **No direct contact should be made by agencies** with leasing agents or landlords on leasing matters;
- Enter into tenancy agreements in the form of a Memorandum of Administrative Arrangement (MoAA) with the Minister for Infrastructure and Transport prior to occupation or as soon as practicable after occupation if circumstances don't allow for signing prior to occupation;
- Comply with private landlord and DIT's building and tenancy policies and other related legislation and standards;
- Provide appropriate delegate approval for the funding associated with office accommodation proposals, new leases and lease renewals using documentation provided by DIT;
- Recognise the full cost of occupying leased and Government owned office accommodation in financial reports; and
- Provide Chief Executive written sign-off for all accommodation projects, with such written endorsement to be attached to all Ministerial and Cabinet Submissions.

### **Department for Infrastructure and Transport (DIT)**

DIT is responsible for:

- Strategic accommodation advice:
  - Provide strategic advice to agencies, GOAC and the Minister on office accommodation proposals;
  - Review agency strategic accommodation plans and advise GOAC and the Minister on potential across government rationalisation and cost saving opportunities;

- Coordinate government office accommodation to reduce the associated costs and maximise the efficiency of space;
  - Develop across government strategic accommodation plans;
  - Evaluate accommodation options and provide financial analysis of proposals as required;
  - Advise agencies of accommodation strategies and solutions where whole of government benefits can be realised;
  - Report annually to GOAC and the Minister on potential rationalisation and cost saving opportunities based on a review of all agencies' strategic plans;
  - Develop and review policies and guidelines in relation to the planning and management of office accommodation for agencies including policies and targets that address fit out flexibility, ecological sustainability, improved productivity and employee wellbeing.
- Lease and Property Management
    - Act as a single entity for the Whole of Government market approach, exerting market leverage to get the best value for Government from its lease negotiation and management activity;
    - Coordinate and manage the CBD, metropolitan and regional office accommodation portfolio of leases under the name of the Minister;
    - Ensure that priority is given to existing government owned or committed leased accommodation, including that owned or leased by public corporations;
    - Act as landlord for government owned offices and lessee for leased offices;
    - Manage accommodation proposals and all lease approvals and document execution.
  - Whole of Government accommodation fitout projects
    - Develop, implement, formulate and review standards and guidelines in relation to the planning and management of Whole of Government office accommodation for agencies including standards that address fitout flexibility;
    - Coordinate office accommodation project management and change management services for government agencies;
    - Coordinate fitout planning, design and construction where required;
    - Develop and implement Whole of Government office accommodation fitout standards and guidelines.
  - Approval processes:
    - For office accommodation proposals under \$1.5 million (inclusive of GST) prepare and arrange appropriate delegate approvals;



- Arrange for approval of agencies office accommodation proposals as part of the Ministerial process for projects and leases where the total net cost is \$1.5 million (inclusive of GST) and over;
- Present proposals to the Minister for Infrastructure and Transport and prepare Cabinet submissions on behalf of the Minister seeking approval for office accommodation proposals of \$15 million and over (inclusive of GST).

Approval of lease proposals will be in accordance with those delegations as set out in Treasurer's Instruction 8 – Financial Authorisations.

### **Government Office Accommodation Committee (GOAC)**

GOAC is responsible to the Minister for Infrastructure and Transport. GOAC's purpose is to:

- consider office accommodation proposals as part of the Cabinet or Ministerial process for projects and new leases where the total cost is \$1.5 million (GST inclusive) and over or where the proposal will affect the CBD Accommodation Strategy and to have the power to direct agencies on the preferred solution;
- endorse and provide comment as necessary on all proposals of \$15.0 million and over (GST inclusive) that are submitted to Cabinet for approval;
- endorse and provide comment on strategic accommodation plans prepared by DIT and advise DIT regarding any potential rationalisation or practical cost saving opportunities across government before DIT seeks leasing offers from the Market;
- review and approve changes to policies and guidelines in relation to Across Government office accommodation;
- consider proposals before DIT seeks any leasing offers from the Market where the lease cost will be greater than \$1.5 million or the proposal will affect the CBD Accommodation Strategy.

### **Minister for Infrastructure and Transport**

All office accommodation proposals where:

- the value of the lease proposal is greater than \$1.5 million and up to \$15 million (inclusive of GST) will be referred to the Minister for Infrastructure and Transport for endorsement and to ensure that office accommodation standards and policies have been met.

Proposals that meet the Government's mandated standards and policies may be endorsed by DIT for subsequent Ministerial or Cabinet approval.

The expected time line and process for review by the Minister for Infrastructure and Transport and Cabinet should be appropriately managed by DIT and the agency. In planning an accommodation project, sufficient time must be allowed to enable Ministers and Cabinet to properly consider a proposal. DIT must also be given adequate time to conduct its assessment and respond to that agency if required.

For proposals requiring the Minister for Infrastructure and Transport endorsement, DIT will prepare the submission and will liaise with the agency for input.

The MOAA must be approved by the relevant Agency's Minister and returned to DIT prior to the lease proposal being approved by the Minister for Infrastructure and Transport.

## **Cabinet**

All proposals where the total cost to government of the lease commitment is over \$15 million (inclusive of GST) will be referred to Cabinet for approval. Submissions to Cabinet will carry the Minister for Infrastructure and Transport endorsement and comment on the proposal.

The Department of Treasury and Finance has directed that in addition to the short term considerations given to forward estimates (i.e. Net Operating Balance and Net Lending Balance), lease proposals are also considered on the basis of their Net Present Value (NPV), taking into account the whole of lease (initial term) benefit to Government and the positive effect of lease incentives negotiated.

Generally budget impacting proposals above \$500,000 will need to be considered by the Budget Cabinet Committee before being referred to Cabinet.

## **Lease Management**

### **Annual Space Usage Audit**

DIT will undertake annual audits of office accommodation usage to measure the performance of government agencies in meeting key accommodation policies and standards.

The annual audits will enable:

- Identification of inefficient and high cost accommodation sites for potential rationalisation;
- Development of annual office accommodation plans which will:
  - Incorporate future demands;
  - Focus on achieving reduction in space usage;
  - Identify potential for consolidation of corporate service and service delivery activities of government.

Agencies will provide the following information to DIT for each site on an annual basis to assist in the preparation of across government accommodation strategies:

- Total number of staff accommodated;
- Total number of workspaces i.e. total number of staff that could be accommodated in open workstations and enclosed offices;
- Number of open workstations and number of staff accommodated in open workstations;
- Number of enclosed offices and number of staff accommodated in enclosed offices;
- Details of 'special agency facilities' (refer to definition in SA Government Office Accommodation Guidelines); and
- Net lettable area (m<sup>2</sup>) taken up by 'special agency facilities'.

## Accommodation Strategic Plans

Agencies will engage and coordinate with DIT on agency accommodation, strategic planning and changes in accommodation requirements.

DIT will update the Whole of Government Strategic Plan to identify strategies with realisable across government benefits, savings and efficiencies.

This will be a Cabinet in Confidence document due to the commercial and government sensitivity of the information included.

## Lease Process

DIT has developed standard documentation and business processes for all its lease negotiation and lease management activities. This provides efficiencies and appropriate risk management and reflects industry best practice.

Where required, DIT will coordinate the development of a program for the procurement of new accommodation in line with the Whole of Government Strategic Plan.

Key steps in this process are outlined below and in the flowchart in appendix 1.

- The agency will submit an Agency Request for New Office Accommodation Form to DIT. The request should demonstrate that the budget for accommodation already exists. The request must include executive endorsement of the proposal.
- As approved by the Budget Performance Cabinet Committee on 4 May 2017, the “Whole of Government Office Accommodation Treatment of Financial Impacts” document outlines that all savings and costs associated with accommodation proposals are to be retained and met by agencies to ensure a consistent treatment of financial impacts of office accommodation proposals. In exceptional circumstances, if additional funding is required, Cabinet approval will be necessary through the budget or Cabinet process. Funding requests should set out the circumstances and reasons why costs cannot be met.
- DIT will ensure the new proposal meets government policy requirements for space usage, energy efficiency and fit out design criteria and will consult with the agency if requirements exceed standards to ensure the request is made compliant.
- DIT may seek to co-locate the agency with compatible agencies in groupings that would benefit the tenants and their clients or have whole of government benefits.
- DIT will conduct a search of Government’s current office accommodation commitments to identify any appropriate accommodation within the desired location that is already owned or leased by government.
- Where no suitable government owned or leased committed space is available, DIT will seek leasing offers from the market.
- DIT will evaluate the options proposed by the market against area, cost and quality criteria and short list before discussing with the agency. DIT will arrange building inspections for the agency as required and will arrange a building appraisal taking into consideration, but not limited to:

- building services – electrical, mechanical, security
  - base building condition, access to natural light and views, efficiency of floor plate to suit generic fit out planning, floor loads
  - access (*Disability Discrimination Act 1992*) compliance/requirements
  - energy efficiency
  - sustainability standards and targets
  - government's earthquake guidelines
  - access to government ICT networks
  - existing fitout condition and suitability.
- DIT will advise the agency if a building audit is required and will arrange the audit at the agency's cost.
  - DIT will seek detailed leasing proposals and will conduct financial analysis and building appraisal of options to determine the preferred option(s). The final selection of the preferred option will be based on the most suitable building to meet agency service delivery requirements balanced with the best outcome for whole of government.

### Approvals

- When all above approvals are finalised per the relevant delegations, DIT will arrange for preparation and execution of the lease.
- Delegation levels are in accordance with FIN 1 of DIT Authorisations and Delegations.

## Across Government Office Accommodation, Standards and Approach

The following government office accommodation standards and fitout cost benchmarks are to be used to establish accommodation requirements and are to be applied to all accommodation projects.

### Compliance

Cabinet has mandated that agencies are to comply with the SA Government Office Accommodation Guidelines.

### Fit-out Design and Cost Standards

Government office accommodation standards have been established to achieve consistent office fit-outs that are sustainable, flexible and adaptable to changes both within and across agencies.

Design standards for fit-outs are documented in the *SA Government Office Accommodation Guidelines* and demonstrate how space usage targets can be achieved. The Guidelines assist agencies in planning and providing appropriate office space and fit outs and provide examples of sustainable and flexible arrangements.

### Environmental Targets

Tenant responsibilities and guidelines for tenant behaviour in regard to sustainability are outlined in the SA Government Office Accommodation Guidelines which can be downloaded from the DIT website [Government Office Accommodation Guidelines](#).

## **Across Government Accommodation Fit Out Governance & Project Approach**

DIT will assist agencies through both the planning and implementation stages of each office accommodation project. DIT has a Whole of Government Governance and Project approach. The model is made up of Project, Program and Portfolio levels, to cover the requirements for details, information and visibility required at each level and specifies (if required) an escalation process for resolving any issues.

## **Financial Evaluation & Budget Impacts**

The financial evaluation of lease options is undertaken and identifies the cost/ benefit of available options against the base case including assessment of the expected cash flows and net present value (NPV), (with comparisons and rankings of the alternative options).

The budget impacts of the preferred option are identified over the shorter 4 year period of the budget forward estimates and are expressed in line with Accounting Standards and Treasurer's Instructions.

The budget impacts will differ from the NPV impacts for a number of reasons including:

- timing differences (budget impacts are determined on an accrual basis)
- inclusion of non-cash items such as depreciation and amortisation
- the amount in agencies' existing lease budgets, not actuals
- accounting treatment of leases
- accounting treatment of lease incentives
- accounting treatment of fit outs (where irrespective of who actually owns or pays for the fit out it is included as a budget impact)

The financial impacts for approval by Cabinet are measured in terms of the impact on the budget's net operating balance, net lending and net debt measures in the forward estimates. However, NPV calculations must be included in the Cabinet Submission to inform decision making.

The budget net operating balance, net lending and net debt measures over the forward estimate period do not consider the favourable cash flows and actual dollars associated with a lease deal that may extend over a longer timeframe.

Costs and savings (noting that savings are available only after costs have been met), are measured by the budget impacts that the proposal has on the forward estimates rather than the actual costs and benefits of the proposal.

NPV calculations are included in Cabinet Submissions so that the true measure of the proposal can be assessed against the base case and other options to inform decision making. The NPV provides the full information and measurement of the lease costs and benefits and will identify and allow for significant lease incentives that are negated in the Budget Impacts due to accounting treatment of lease incentives (either in part if the incentive is a rental rebate or in full if the incentive is used for fit-out).

## Across Government Accommodation – Treatment of Financial Impacts

A consistent approach is to be adopted to the treatment of financial impacts, costs, incentives and savings arising from office accommodation leasing proposals.

Decisions in relation to office accommodation costs and savings are to be determined with reference to the following key principles:

- **Budget & Savings:** Costs and Savings are to be met and retained by agencies for the consistent treatment of financial impacts of office accommodation proposals;
- **Costs:** Accommodation and Fit Out Costs are to be consistently managed across government to minimize capital, operating and churn costs;
- **Fit-outs:** Are to follow a consistent approach across government and are to be managed centrally to allow for the procurement of consistently managed Fit Out FF&E (Furniture, Fixtures & Equipment) to leverage government buying power, ensure compliance (i.e. compliance with Industry Participation, Environmental and WH&S requirements and standards) and provide a consistent government fit out that can be used by multiple agencies;
- **Flexibility:** Accommodation and Fit Out provision to be consistent across government to allow for effectively managing vacant space in all government owned or committed lease accommodation and reduce government churn costs;
- **Scope Changes:** Accommodation and Fit Out provision is to be based upon Cabinet (or Delegate) Approval, with no increase in project scope or budget without further approval from the original approval delegate.

Any additional costs will need to be accommodated within existing agency resources.

- **Contingency:** Fit Out project contingency funding is only to be used for latent conditions and not for additional scope, with the objective being to return any un-spent contingency to budget.

## Definitions

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**‘Agency or agencies’** means a public authority or public authorities subject to the *Public Finance and Audit Act 1987* except the Universities and the Australian Energy Market Commission.

**‘Base Building’** means the building's primary structure; the building envelope (roof and facade) in whole or part; public circulation and fire egress (lobbies, corridors, elevators and public stairs); and primary mechanical and supply systems (electricity, heating and air conditioning, telephone, water supply, drainage, gas, etc.) up to the point of contact with individual occupant spaces.

**‘Fit-out’** means the design and completion of *base building* space with the specific interior partitioning, workstations, joinery, floor treatments, ceiling, mechanical, electrical, and environmental requirements of the tenants.

**“Memorandum of Administrative Arrangement (MoAA)”** reflects the essential terms and conditions of the lease, and outlines for the agency its consequent roles and responsibilities as the primary beneficiary of the lease and the user of the facility.

**‘Government Office Accommodation’** means the physical workspace in commercial premises that is used for general administration and client service functions and does not include operational accommodation such as schools, hospitals, police stations, workshops, specialist facilities and industrial storage and the term applies equally to leased and owned accommodation.

**‘Special Agency Facilities’** means ‘non-office’ areas and include but are not limited to:

- basements, workshops, storage areas used for non-office items (e.g. armouries);
- operational areas such as police stations, hearing rooms, laboratories, cashiers, public front counter areas, public galleries, public reception and waiting areas and rooms used to interview, assess or counsel members of the public;
- additional facilities that form part of the fit out (i.e. not part of base building) such as bathrooms, showers, kitchenettes etc. designed to specifically support operational activities; and
- areas specifically used for directing or coordinating response to emergency or crisis situations.

**‘Net Lettable Area’** (NLA) means the method by which commercial property is measured. The measurement is complex and is carried out by a survey according to the Property Council of Australia guidelines for measuring floor space in leased premises. The guidelines aim to provide consistency by documenting a defined approach to floor space measurement that is both practical and cost effective.

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## For more information

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