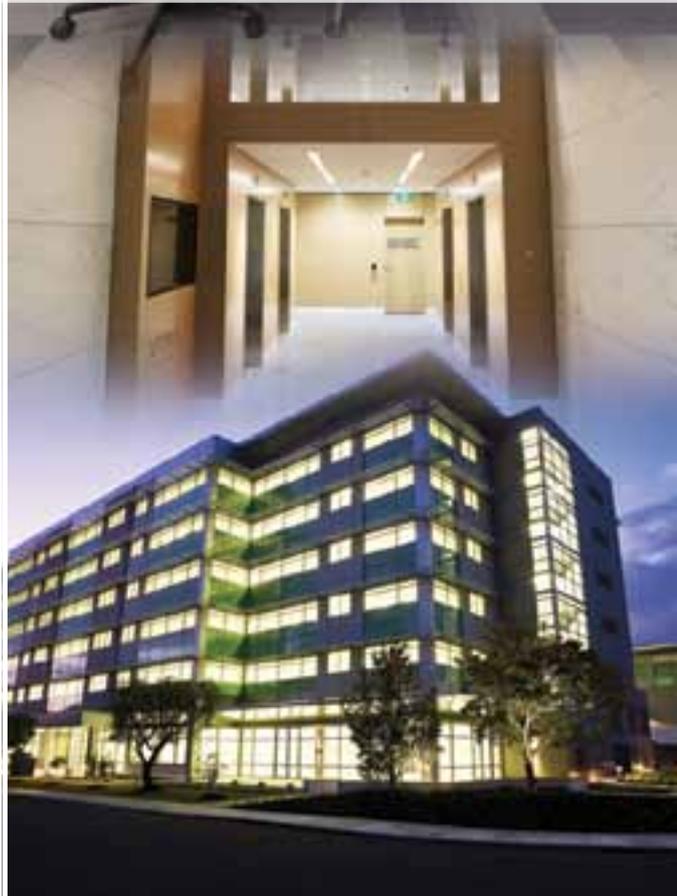


Government Office

Accommodation Master Planning

Discussion Paper



June 2010

Foreword



This Master Planning for future Government office accommodation aims to make services more accessible to the public and achieve significant savings in leasing and operating costs. Under the plan, a number of departments will be relocated from expensive Central Business District (CBD) accommodation to suburban commercial settings, reducing the amount of city floor space leased by the Government by as much as 20%. Those that remain in the city because they need to be there will be consolidated in fewer buildings, which will improve the efficiency and effectiveness of Government work environments.

There had been a glaring need to improve on the previous piece-meal approach to leasing and fit-out arrangements. There is potential to save as much as \$25 million a year by 2015 by rationalising, decentralising and taking better advantage of the Government's considerable buying power in negotiating leases. Savings and efficiencies will also be achieved by standardising office fit-outs and reducing the current average office space leased per person from 19 square metres to around 15 square metres per person, and by sharing facilities such as reception areas and meeting rooms. This strategy is driven equally by our desire to improve Government service delivery, achieved by moving services to within better reach of the community, and lifting the efficiency with which they are provided.

The Master Planning will involve major State Government office buildings being established at several suburban activity centres over the next five years. Choosing locations close to a major rail route and the freeway, and ease of access to and from the Perth CBD, make suburban centres attractive locations for new Government office accommodation. Apart from the direct savings in accommodation costs, the decentralisation of services will provide a valuable economic stimulus to the development of metropolitan centres beyond the CBD. It will also have additional benefits for the public transport system and improve community access to front-line Government services.

Cabinet has approved the objectives and principles of the Master Planning, as well as the first steps in its implementation. However, there is still considerable planning required to fully implement all aspects of the five year plan.

I commend the direction taken in this plan and I encourage Government agencies and our industry partners to do their part in its successful implementation. I also look forward to your feedback on the plan, as we finalise its implementation.

Bill Marmion MLA

Minister for Commerce; Science and Innovation; Housing
Minister Assisting the Treasurer

June 2010

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Executive Summary

The Works Reform Business Solution plan, published in June 2009, outlined a program of reforms – over four years – to the planning and project management of the design, construction and leasing of Government buildings.

Key recommendations regarding the State Government's office accommodation were aimed at enhancing value for money through a more strategic approach to the planning and coordination of both accommodation locations and the design of office fit-out.

Currently, some 58% of Government office accommodation is located in the Perth Central Business District (CBD) and CBD fringe – across 10 large Government owned buildings and 148 individual leases in 86 buildings. CBD rents are typically 30% higher than rents in the Perth metropolitan area.

The current occupancy density of the Government's office accommodation is averaging around 19 square metres per person – compared with the Government standard of 15 square metres per person.

Cabinet has approved a new Master Planning approach for future Government office accommodation, to be led by the Department of Treasury and Finance's Building Management and Works business unit. The objectives of Master Planning are to:

- reduce the overall cost of Government office accommodation;
- support Government service delivery;
- support the Western Australian Planning Commission's *Directions 2031 Draft Spatial Framework for Perth and Peel*; and
- support future machinery of Government reforms.

The Master Planning will be driven by the following principles.

1. Decentralise Government office accommodation from the CBD and CBD fringe.

Only agencies with a demonstrable operational requirement should be located in CBD locations. Actions underway include the leasing of the Optima Centre in Herdsman Business Park to accommodate the Department of Training and Workforce Development and the Department of Treasury and Finance business units of Building Management and Works and Government Procurement. Planning has commenced for new Government office accommodation in activity centres north and south of the Perth CBD and its fringe.

2. Consolidate remaining CBD and CBD fringe office accommodation into fewer buildings.

Government has committed to leasing all the office space (37,600 square metres) in the new five-star Green-Star rated office building at 140 William Street, Perth – as the sole tenant to house some 2,500 public sector employees.

Government has also committed to retaining and refitting two major Government owned buildings: Albert Facey House and Dumas House. Additionally, two new buildings are being considered for the car park at Dumas House, to create a planned Executive Government and Central Agency Precinct near Parliament House.

Government has a long-term commitment for the lease on Westralia Square which potentially provides a key multi-tenanted building to house agencies with operational requirements for a CBD location – potentially for use as a State Development Precinct.

An opportunity also exists for the redevelopment of the Old Treasury Building on St Georges Terrace – to establish new office space ready for occupation in 2014 – potentially for use as a Justice Precinct.

3. Locate new Government office buildings in metropolitan activity centres.

The Master Planning proposes to establish new Government office buildings in several metropolitan activity centres, in support of *Directions 2031*, over the next five years.

4. Co-locate Government agencies in regional towns.

Co-location in regional towns has the potential to improve community access to Government service delivery, enhance agency collaboration and rationalise resource use through shared common facilities and resources.



5. Adhere to the policy of 15 square metres of floor space per person.

Continued strict adherence to the 15 square metres per person standard, as existing fragmented tenancy arrangements are rationalised and consolidated, will see the average occupancy density continue to fall, with resultant cost savings.

6. Standardise office fit-out and share facilities in major buildings.

A new modern standard open-planned fit-out will provide a quality work environment and staff amenity, and the flexibility to accommodate individual agency growth and relocations. A new approach to facilities management in larger multi-agency buildings will provide a wide range of common facilities and a more co-ordinated approach to building services.

7. Enhance environmental sustainability of Government office buildings.

Improved environmental performance in office buildings will deliver savings in energy and water use, and enhance the working environments.

The Works Reform Business Solution plan (released in June 2009) recommended a number of reforms to the planning and management of Government office accommodation, and set a savings target of \$15 million per year by 2012-13. Based on further planning since June 2009, it is expected this target will be surpassed – being driven by Government's enhanced negotiating power, savings from relocation out of the CBD and its fringe, and reducing the current average office space per person. The current forecast savings are between \$20 and \$25 million per year, achieved by 2015.

Now that the Master Planning objectives and principles have been approved, and the first steps in delivering the plan have commenced, the implementation planning needs to extend to a five year plan.

This discussion paper provides an opportunity for stakeholders to provide input into the five year implementation plan. The final date for submissions is 31 August 2010. The implementation plan will then be finalised – with a view to its approval by the end of 2010.

Background to Master Planning

Previous Government office accommodation processes in which each agency generally decided where and how to accommodate itself (and requested and obtained funding to do so) were not always delivering the best value outcomes for Government.

A more strategic approach to planning and a co-ordinated whole-of-Government approach to implementation (of both accommodation locations and fit-out) has the potential to deliver significant savings. The Works Reform Business Solution plan has outlined a strategy to deliver this.

Key recommendations in the Works Reform Business Solution plan endorsed by the Treasurer in June 2009 include:

- that agencies be required to include a 10 year office accommodation plan as part of their annual capital investment plan;
- that Building Management and Works be given a new leadership role in the development of business cases and office accommodation programs, using a Master Planning approach; and
- that Building Management and Works reviews existing Government office accommodation policies, and develops a policy suite that aligns with the total portfolio approach.

The Department of Treasury and Finance's Building Management and Works business unit has been progressing these initiatives over the last 12 months.

Cabinet has now considered a new Master Planning approach, and has approved the objectives and principles of the plan. It has also approved the first steps in implementing the plan over the next two years.



Current Office Accommodation Portfolio

General Government Sector agencies now occupy approximately 615,500 square metres of office accommodation across Western Australia. Around 58% (358,500 square metres) is located in the Perth CBD and CBD fringe (East Perth and West Perth), 29% (176,000 square metres) in the Perth metropolitan area, and 13% (81,000 square metres) in regional Western Australia.

Across the CBD and CBD fringe, 42% of this accommodation is within 10 large Government owned buildings, and the rest is spread across 148 leases in 86 buildings – as shown in Figure 1 below.

Over \$220 million per year is spent on leasing office accommodation or managing the Government owned buildings for Government agencies, and typically a further \$30 to \$40 million per year on fit-out projects.



Figure 1: Location of Government agencies in Perth CBD and CBD fringe (as at June 2010)

Master Planning Objectives

The proposed objectives of Master Planning are as follows.

Reduce the overall ongoing cost of Government office accommodation, through:

- decentralisation from the CBD;
- consolidation to fewer buildings; and
- new fit-out standards.

Support Government service delivery, through:

- improved community access to Government agencies;
- enhanced agency collaboration; and
- the provision of more efficient, effective and sustainable workplaces.

Support the Western Australian Planning Commission's *Directions 2031 Draft Spatial Framework for Perth and Peel*, particularly in regard to:

- the development of metropolitan activity centres on rail routes; and
- increased utilisation of public transport.

Support future machinery of Government reforms, through:

- more efficient and cost effective agency restructuring and associated office relocations.





Master Planning Principles

It is proposed that Master Planning be driven by the following principles.

PRINCIPLE 1:

Decentralise Government office accommodation from the CBD and CBD fringe

Long-term trends show that lease rates in the CBD are typically 30% higher than rates in the Perth metropolitan area. Hence, only agencies with a demonstrable CBD operational requirement should be located in the CBD.

The lease rates in the CBD fringe (West Perth and East Perth) are generally lower than the CBD, and decentralisation to the CBD fringe would reduce lease costs. However, the decentralisation from the CBD to the CBD fringe does not support the Western Australian Planning Commission's *Directions 2031* planning proposal, primarily due to the missed opportunity in transport savings.

Good quality accommodation in Perth suburban centres can be similar to lease costs in the CBD fringe – although parking costs are usually significantly lower.

Hence, the proposed decentralisation strategy is to relocate some agencies now in either the CBD or CBD fringe to Perth suburban centres – in support of the Western Australian Planning Commission's *Directions 2031* plan.

The Government has also committed to establish a greater public sector presence in Bunbury – involving the relocation of some operational activities from Perth. An estimated 3,000 to 5,000 square metres of additional office accommodation in Bunbury is anticipated.

In total, it is proposed to relocate around 15 to 20% (60,000 to 80,000 square metres) of existing CBD and CBD fringe Government office accommodation to metropolitan activity centres, plus Bunbury, by 2015.

This will require aligning the termination of existing CBD and CBD fringe office leases with the procurement and fit-out of new office accommodation outside Perth. This may require short-term interim accommodation moves for some business units within agencies, prior to the agency's longer-term move to new office accommodation.

Figure 2 shows the impact of an 80,000 square metres decentralisation, with 5,000 square metres relocated to Bunbury, and 75,000 square metres to suburban Perth.

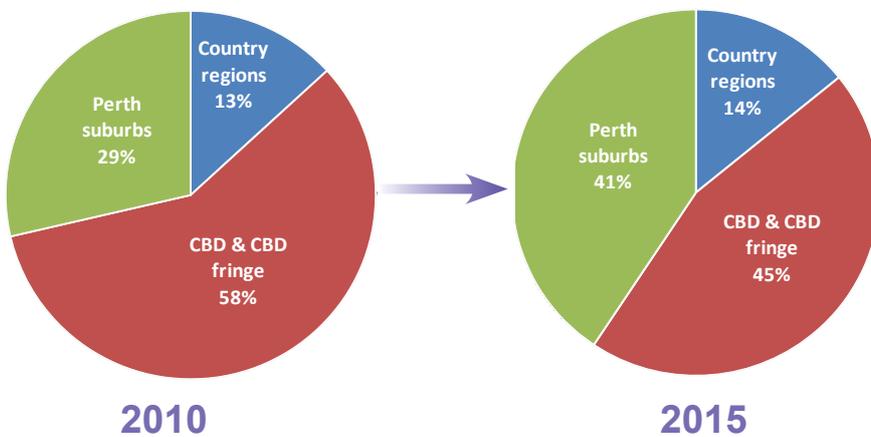


Figure 2: Proposed change in Government Office Accommodation from 2010 to 2015

PRINCIPLE 2:

Consolidate remaining Perth CBD and CBD fringe Government office accommodation

As outlined previously, Government office accommodation in the Perth CBD and CBD fringe is currently scattered across some 96 buildings, involving 148 individual leases, largely as a result of incremental agency accommodation growth over many years. This unco-ordinated approach to Government office accommodation has resulted in many agencies having business units spread across numerous buildings.

Under the proposed Master Planning approach, CBD and CBD fringe office accommodation remaining following decentralisation will be aggregated and consolidated into 15 to 20 leased or Government owned buildings. This will provide increased flexibility to accommodate individual agency growth and restructuring at minimal cost, as well as provide improved opportunity to leverage Government's buying power.

Wherever possible, this consolidation will establish precincts of similar agencies in the one location. This could include:

- Executive Government and Central Agencies near Parliament House;
- agencies with a strong community interface in the city centre at 140 William Street and Albert Facey House (Perth Central Precinct);
- agencies with a justice focus near the Supreme Court and Central Law Courts;
- agencies with a state development focus in St George's Terrace near Westralia Square;
- Health Department consolidated at 189 Royal Street, East Perth; and
- Education Department consolidated at 151 Royal Street, East Perth.



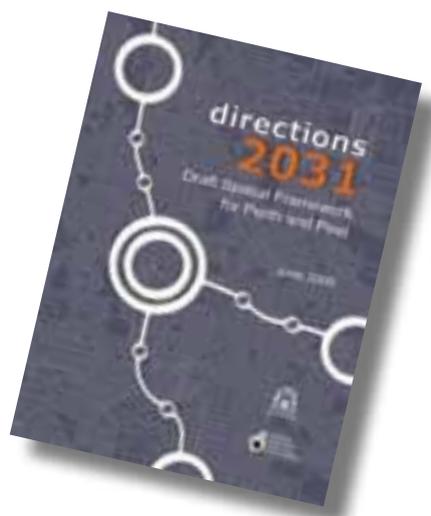
Figure 3: Location of Government agency precincts

PRINCIPLE 3:

Locate new Government office accommodation in metropolitan activity centres

The Western Australian Planning Commission's *Directions 2031* identifies a number of activity centres for higher density, mixed use, and transport oriented development. There are two Primary Centres and eight Strategic City Centres and these locations are shown on the map (opposite). The Centres shown are in draft and subject to a review. The 10 locations include:

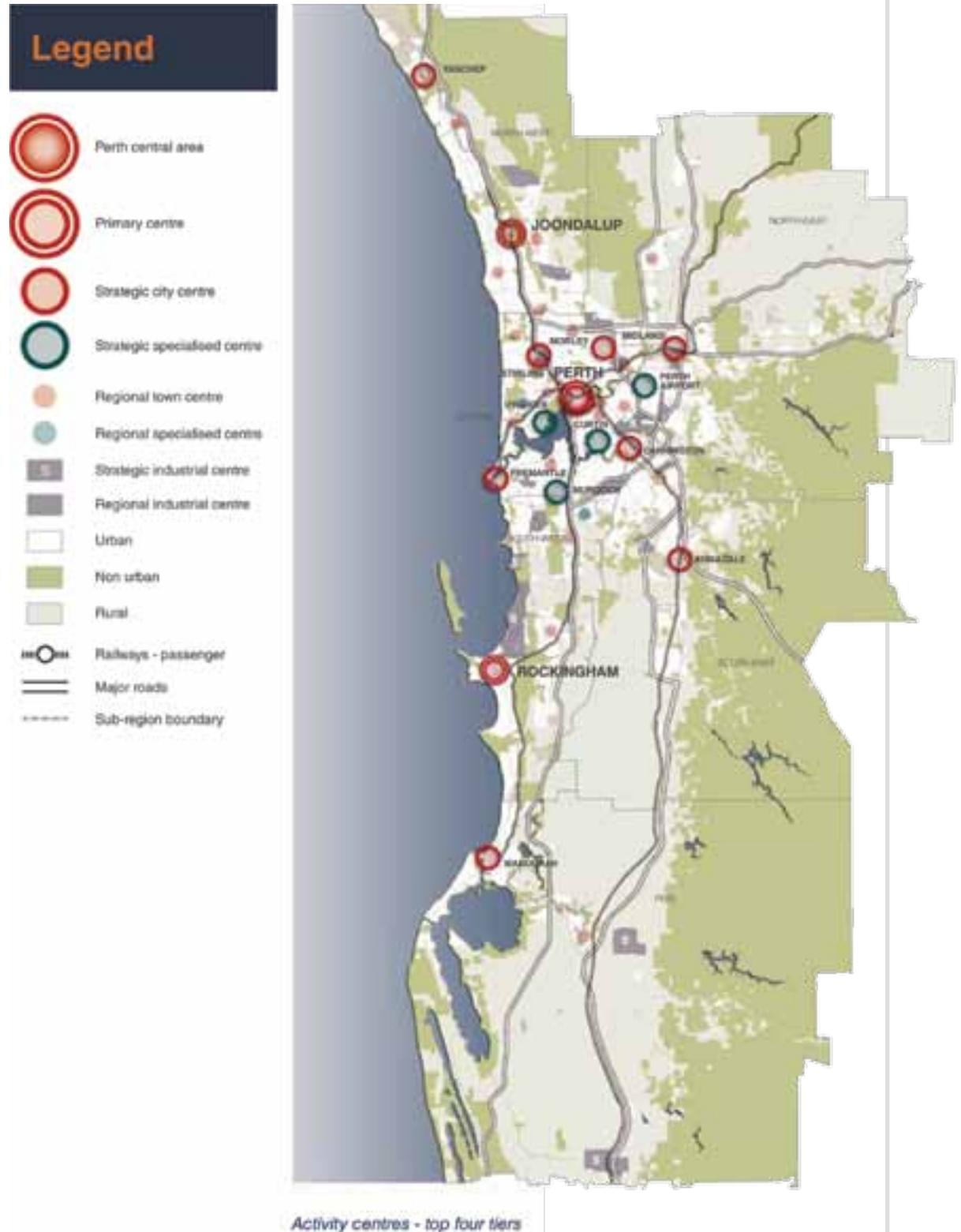
- Armadale;
- Cannington;
- Fremantle;
- Joondalup;
- Mandurah;
- Midland;
- Morley;
- Rockingham;
- Stirling; and
- Yanchep.



Government already has significant office building in two of these centres - Midland and Cannington - and has a small presence in some others.

Under the proposed Master Planning approach, new Government office accommodation will be established in several more metropolitan activity centres. Each new building will generally require, as an anchor tenant, the relocation of one or two major Government agencies from the CBD and CBD fringe.

Directions 2031 Draft Spatial Framework for Perth and Peel (June 2009)



Map sourced from page 24 of *Directions 2031 Draft Spatial Framework for Perth and Peel* available from www.planning.wa.gov.au

PRINCIPLE 4:

Co-locate Government agencies in regional towns

In many regional towns, a piece-meal approach to Government office accommodation has also occurred. Just like in Perth, the co-location of Government agencies in regional towns throughout Western Australia has the potential to improve community access to Government service delivery, enhance agency collaboration and rationalise resource use through shared common facilities and resources.

In line with the whole-of-Government strategic asset management framework, business cases will be undertaken looking at the potential for co-location of Government agencies in regional towns. This will initially focus on major centres including Bunbury, Geraldton and Kalgoorlie. There are also emerging opportunities at Karratha, South Hedland and Carnarvon.

PRINCIPLE 5:

Adhere to the policy of 15 square metres of floor space per person

Industry trends show that efficient and effective work environments can be established within the current Government office accommodation standard of 15 square metres of floor space per person (on average). The application of this policy over recent years has seen the average occupancy density of the Government's office accommodation portfolio reduced from 21.5 square metres per person in 2004, to a current level averaging around 19 square metres per person.

Continued strict adherence to the 15 square metres per person target, as existing fragmented tenancy arrangements are rationalised and consolidated, will see the average occupancy density continue to fall, with resultant cost savings.

PRINCIPLE 6:

Standardise office fit-outs and share facilities in major buildings



The fit-out of new office space will be undertaken to a new modern standardised design. The new open-planned standard will provide a quality work environment and staff amenity, which meets the business needs of the large majority of Government agencies.

The proposed new standard will provide the flexibility to accommodate individual agency growth, restructuring and relocation, without the need for costly fit-out changes and refurbishment.

The new standard will also include a new approach to facilities management in larger multi-agency office buildings – with a wide range of common facilities (such as reception and security, mail, meeting rooms, staff amenities), and some commonly used information technology and telecommunications services, being co-ordinated by a facilities management contractor for all Government agencies in the building.

The new fit-out standard and co-ordinated facilities management approach is now being developed and trialled in the fit-out planning for 140 William Street, Perth.

PRINCIPLE 7:

Enhance environmental sustainability of Government office buildings

A key principle of Master Planning will be to use Government's purchasing power to enhance working environments and drive reductions in the environmental impact of Government office accommodation through the procurement of environmentally efficient premises.

The Australian Sustainable Built Environment Council found that the building sector is responsible for 23% of Australia's total greenhouse gas emissions, and energy use in buildings is rapidly growing.

Office buildings alone represent 8.8% of the national greenhouse emissions and play a major part in meeting Australia's international greenhouse targets. They also account for as much as 10% of a capital city's water use.

The Green Building Council of Australia's 'Green Star' rating system for office accommodation uses benchmarks in eight different environmental categories, including energy efficiency and reduced emissions. Existing or new buildings can be analysed or procured at specified performance levels and green leasing agreements used to ensure buildings are managed to achieve environmental benefits and reduced operational costs.

Research has shown that 'Green Star' office accommodation delivers benefits such as increased productivity and occupant health outcomes through initiatives including enhanced natural ventilation and increased daylight. Energy efficiency in buildings can ensure significant operational savings, reducing energy costs by up to 50% over the standard 2-3 Star NABERS rated office accommodation.

A green building combines design, construction and operational practices to significantly reduce or eliminate the negative impact of development on both people and the environment. Green buildings balance environmental, social and economic issues to contribute to a high quality of life and meet the diverse needs of both current and future generations. Most importantly, building green is an opportunity to create a better world through:

1. Energy efficiency
2. Greenhouse gas emission abatement
3. Water conservation
4. Waste avoidance, reuse and recycling
5. Pollution prevention – noise, water, air, soil and light
6. Enhanced biodiversity
7. Reduced natural resource consumption
8. Productive and healthy environments
9. Flexible and adaptable spaces

Green Building Council Australia; Evolution 2010 –
www.gbca.org.au

Decentralisation Actions

The first steps in the relocation of Government office accommodation from the Perth CBD and CBD fringe are already underway. A range of other actions are also identified to implement the decentralisation principle. These are outlined below.

ACTION 1:

Lease new office accommodation in the Herdsman Business Park

The Department of Treasury and Finance will lead decentralisation by example and relocate its Building Management and Works and Government Procurement business units to Herdsman Business Park by early 2011. A lease has recently been signed for 13,250 square metres of office accommodation at the Optima Centre (at the corner of Parkland and Hasler Roads in Herdsman). The public sector employees who will relocate to the Optima Centre are currently spread across seven different buildings in the CBD and CBD fringe. This initiative will also support Government Works Reform and Procurement Reform programs more generally, by enabling the business units to consolidate into one location, and then develop common approaches to procurement.

The Department of Training and Workforce Development will also relocate from its East Perth office (now with the Department of Education) – bringing the total workforce at the Optima Centre to 880 people.

The relocation to the Herdsman Business Park provides a timely accommodation solution in support of decentralisation and will support the necessary accommodation moves due to the Governor Stirling Tower (at 197 St Georges Terrace, Perth) lease expiry in June 2012.



Optima Centre

ACTION 2:

Commence planning for new Government office accommodation in the northern metropolitan area of Perth

The location of Joondalup and Stirling on the Perth to Joondalup Railway and Mitchell Freeway, and ease of access to and from the Perth CBD, makes them primary targets in which to establish new Government office accommodation north of Perth city.

For an activity centre to be viable, a suitable Government agency anchor tenant needs to be identified and agreement reached with the agency on timing of the move.

Office accommodation is a significant issue for the Department of Commerce which currently has business units scattered throughout the Perth CBD and metropolitan area. The Department of Commerce is keen to consolidate its office accommodation, and is a likely anchor tenant for one of the new buildings.

It is proposed to commence a procurement process for two office buildings in the Perth northern corridor, subject to the approval of a supporting business case currently in development. An Expression of Interest is likely to be called around August 2010.



ACTION 3:

Commence planning for new Government office accommodation in the southern metropolitan area of Perth

Similar to the plan for the northern corridor, the Master Planning is considering a major new Government building in a significant activity centre on the Perth to Mandurah Railway.



Fremantle also appeals as a potential location for a new major Government office building.

The implementation planning will consider establishing one or two new Government office accommodation buildings in the Perth southern corridor, subject to the approval of a supporting business case. An Expression of Interest for potential locations is likely to be called in conjunction with the northern corridor, around August 2010.

ACTION 4:

Commence planning for additional office accommodation in country regions

Bunbury is the third largest city in Western Australia, after Mandurah and Perth. It is estimated that by 2031, the population of greater Bunbury will exceed 100,000 people. The Western Australian Planning Commission has created the *Interim Greater Bunbury Commercial Centres Strategy* to guide commercial development in the region. The strategy supports the role of Bunbury as the centre for the South West region.

The Government has announced its intention to relocate an agency from Perth to Bunbury in its second term. Planning will now commence to establish a new Government office accommodation building of 3,000 to 5,000 square metres in Bunbury. To be viable, Government will need to identify a significant function of a Government agency now based in Perth to relocate. In addition, the consolidation of Bunbury based business units of some other Government agencies would also support the viability of the additional Bunbury building.

The implementation planning will also consider the potential consolidation of agencies in other regional towns where there is some demand for new accommodation. This includes Carnarvon, Geraldton, Kalgoorlie, Karratha and South Hedland.

CBD Consolidation Actions

The first steps in the consolidation of Government office accommodation across the Perth CBD are already underway. A range of other actions are also progressing in support of the consolidation principle. These are outlined below.

ACTION 1:

Lease additional office accommodation at 140 William Street, Perth

The Government had already pre-committed to lease 23,000 square metres of office accommodation in a new five-star Green-Star rated office building at 140 William Street, immediately above the Perth underground railway station.

Government has now leased the remainder of the office space in the tower (12,400 square metres), and proposes to lease 2,200 square metres of office space in three restored heritage buildings that front onto Wellington Street.

Government will now be the sole tenant of office space within this development, leasing a total of 37,600 square metres, establishing 140 William Street as a major Government office accommodation building within the CBD. When fully occupied, 140 William Street will accommodate approximately 2,500 public sector employees from around 10 agencies.

The first agencies will relocate in late 2010.



140 William Street

ACTION 2:

Retain and refurbish Albert Facey House and Dumas House

The Master Planning also provides the opportunity to undertake a major modern refit of two significant Government owned buildings.

Albert Facey House will be retained as a key CBD Government office building within the Perth Central Precinct. The building is ideally located within the CBD for those agencies that require community access, due to its central location. However, much of the current internal fit-out is quite old and inefficient, and requires refurbishment to extend the working life of the building.

It is intended that Albert Facey House will become the centre for agencies with a regulatory focus (at least until the Executive Government and Central Agency Precinct comes to fruition). The ground floor will be retained for agencies requiring direct public access.

Dumas House (at 2 Havelock Street, West Perth) will also be retained as a key Government office building for Executive Government and Central Agencies. This makes good use of a valuable and well-maintained Government asset. The building was constructed in the 1960s, and is now heritage listed. Parts of the existing fit-out in the building is quite old and inefficient, and will be refurbished to ensure it meets the needs of Government for at least the next decade.



Dumas House

ACTION 3:

Use the Dumas House carpark site to fully establish an Executive Government and Central Agency Precinct near Parliament House

Two new buildings on the existing Dumas House carpark (each around 10,000 square metres) would fully establish an Executive Government and Central Agency Precinct, by consolidating accommodation for the Premier and all Ministers, plus the Departments of the Premier and Cabinet, and Treasury. The precinct would include agencies that report directly to Parliament. These include the Public Sector Commission, Office of the Auditor General, Ombudsman, Office of the Information Commissioner, Office of the Inspector of Custodial Services and State Records Commission.



Dumas House Carpark

The Premier has requested the Government Architect to examine the potential for new Government office accommodation in the context of developing a concept plan for the broader Parliamentary Precinct. The concept plan will also consider the accommodation needs of Parliament as well as how the precinct can better link with the City, West Perth and Kings Park.

ACTION 4:

Establish a State Government 'one-stop-shop' service centre at 140 William Street

A concept is currently being developed for a State Government 'over the counter' service centre, to be located at 140 William Street. The building is highly accessible, located in the centre of the CBD and the urban public transport system – so it is an ideal location for a service centre. Government has an option to lease 1,200 square metres of retail space on level 1 of the building.

Conceptually, the 'one-stop-shop' service centre would provide the public with a shopfront to access a wide range of Government services and information. Services being considered include consumer protection, bill paying, license applications, land use information and approvals and general State Government information and publications.

A project team has been established and around 15 agencies have so far indicated interest in participating. Considerable planning is required to bring this concept to fruition – with a target start up set for around mid 2011 at this stage.



ACTION 5:

Include a significant office accommodation in the development of the Old Treasury Building



In February 2009, the Mirvac/Cbus consortium was chosen as the State's preferred developer to undertake the development of the Old Treasury Building (at the corner of Barrack Street and St George's Terrace, Perth).

The State's primary objective for the Old Treasury Building redevelopment is to reactivate the site through a long-term sustainable use that will regenerate the buildings while preserving the site's significant heritage values and bring public activity to the location. Consistent with this objective, incorporation of a high-class hotel was specified as a mandatory development component.

Negotiations between the State and Mirvac/Cbus have been ongoing, seeking to achieve a commercial and development outcome that is acceptable to the parties. The negotiations are focussing on a development proposal that includes:

- reuse of the existing heritage buildings as a high class boutique hotel;
- a new office tower; and
- redevelopment of the adjacent Cathedral Square site to create new public amenities, underground car-parking (also servicing the Old Treasury Building site) and further office accommodation.

Closure of the negotiations is contingent on Mirvac/Cbus reaching commercial agreement with the current owners of the Cathedral Square site (Anglican Diocese and Public Trustee) and City of Perth.

If the terms of the development proposal are accepted by Government, the State will enter into a development agreement with Mirvac/Cbus that will realise a new CBD office precinct of approximately 36,000 square metres, expected to be ready for occupancy in 2014.

Given the proximity of the Old Treasury Building redevelopment site to the courts – a Justice Precinct could be an ideal use for this new accommodation.

ACTION 6:

Consider a State Development Precinct on St George's Terrace

The Government has a long-term lease until 2020 on approximately 24,000 square metres of office accommodation within Westralia Square at 141 St George's Terrace, Perth. A major refurbishment is nearing completion on office accommodation within the building.

The Government also has a lease on approximately 11,000 square metres of office accommodation within the Atrium Building at 168 St George's Terrace, Perth until 2020.

A St George's Terrace precinct could progressively be established with a state development focus – to co-locate agencies with a focus on the State's economic development and a requirement for a CBD location. This would be done in conjunction with the development of the Justice Precinct.

Costing and Financial Implications

Under the new Master Planning approach, the Department of Treasury and Finance is now project managing major multi-agency tenanted building fit-outs. This requires a change in the funding model, with Department of Treasury and Finance appropriated for the fit-out (rather than each individual agency). This change was incorporated into the 2010-11 budget, with a specific capital item established for Government Office Accommodation Master Planning.

Offsetting these fit-out costs will be a progressive reduction in the recurrent cost of Government office accommodation – as the savings from decentralisation, consolidation and more efficient use of space are delivered. The savings targeted in the Works Reform Business Solution plan (released in June 2009) were to achieve at least a 10% reduction in leased accommodation costs by 2012-13 (\$15 million per year), with an estimated cumulative saving of \$45 million over the next four years. There will also be a saving in fit-out costs that would have occurred under the previous piece-meal approach.

Existing approved funds in the 2010-11 budget and forward estimates will enable the fit-out of new office accommodation at 140 William Street and Herdsman Business Park, and modern refit of Albert Facey House and Dumas House.

Other proposals outlined in this submission are only at concept stage, and estimates of the cost and timing of the recommended options are preliminary.



Current Costs of Office Accommodation

The Department of Treasury and Finance now manages a portfolio of office accommodation for the General Government Sector totalling around 615,500 square metres.

The current cost to the Department of Treasury and Finance to lease and manage this office accommodation is over \$220 million per year. This cost is spread between 19 Government owned buildings, and over 450 leases of privately owned buildings statewide.

The portfolio includes some office buildings fully occupied and owned by agencies, including:

- Department of Housing Headquarters (at 99 Plain Street, East Perth);
- Minerals House (at 100 Plain Street, East Perth);
- Main Roads Headquarters (at Waterloo Crescent, East Perth); and
- Police Headquarters at (2 Adelaide Terrace, East Perth).

The operational cost of these buildings is not included in the Department of Treasury and Finance budget – because they are fully managed and administered by the respective agencies.

The Department of Treasury and Finance has Memorandum of Understandings - in effect, sub leases - with agencies which outline the terms of the accommodation arrangement – which includes recovering the cost of the accommodation from the agency through monthly charges. This covers the cost of the leasing and managing of floor space, car parking, and building outgoings (such as power, water, air-conditioning and lift maintenance, ground maintenance, security and cleaning costs).

In the case of Government owned buildings, the rental charged to agencies is based on market values obtained from the Valuer General's Office. This ensures that the amount charged to agencies reflects the true value of the accommodation.

In summary, the total Department of Treasury and Finance office accommodation costs for 2009-10 are projected to be:

Program Management	\$12m
Government owned buildings	\$20m
Leased buildings	\$193m
Total	\$225m

In addition to these ongoing lease and management costs, the Department of Treasury and Finance also arranges the fit-out of new tenancies, plus the refurbishment of existing tenancies for Government agencies. In the past, this has been based on plans and budget submissions led by individual agencies. In the new Master Planning approach, there are new controls over this fit-out.

The expenditure on fit-outs managed by the Department of Treasury and Finance Government Office Accommodation unit over recent years was as follows:

Financial Year	New tenancies	Refurbishments	Total
2007/08	\$19.8m	\$16.7m	\$36.5m
2008/09	\$15.1m	\$19.0m	\$34.1m
2009/10 (projected)	\$14.5m	\$12.5m	\$27.0m

In addition to these funds, an estimated \$5 to \$10 million per year was spent on minor accommodation changes managed by the agencies.

The new controls introduced in mid 2009 involve a more rigorous approval process and aligns capital investment in Government Office Accommodation to the Government's Strategic Asset Management framework. General Sector agencies are now required to:

- develop an office accommodation plan as part of their 10 year strategic asset plan. Agency 10 year office accommodation plans are used to inform whole-of-Government office accommodation Master Planning;
- develop a business case for each new office accommodation project that demonstrates the best option has been recommended for accommodation location, and its procurement and fit-out. Once the business case has been endorsed by the agency Chief Executive Officer (or delegate), it is required to be submitted to the agency's Minister for endorsement (if it is over \$1 million in value) prior to it going to the Department of Treasury and Finance for consideration of new funding (if required) and implementation; and
- obtain Ministerial endorsement for office accommodation fit-out projects above \$100,000 in value prior to it going to the Department of Treasury and Finance for consideration of new funding (if required) and implementation.

Savings from Master Planning – next five years

As outlined earlier, the Master Planning savings will be driven by:

- decentralising some Government office accommodation from more expensive Perth CBD leases into metropolitan centres;
- consolidating accommodation into a much smaller number of buildings managed by Department of Treasury and Finance, and taking better advantage of Government's considerable buying power in negotiating leases; and
- reducing the space that is leased per person and sharing facilities (such as reception and meeting rooms) in major office buildings.

Estimates of the extent of savings will be refined as part of the detailed implementation plan. The Works Reform Business Solution plan refers to a saving of \$15 million per year achieved by 2012-13. Based on the Master Planning over the last 12 months, this preliminary estimate should be exceeded and savings of \$20 to \$25 million per year are achievable, particularly if the floor space saving is achieved through more efficient fit-outs.

Savings from 2010-11 Budget Initiatives

New leased accommodation

The current lease on office accommodation in Governor Stirling Tower expires in June 2012.

A procurement process was commenced in January 2008, seeking 30,000 square metres of leased office accommodation for the Department of the Premier and Cabinet and the Department of Treasury and Finance – as replacement office accommodation for Governor Stirling Tower.

The procurement process was extensive, involving negotiations at differing times with two preferred proponents. In March 2009 the procurement process was cancelled. At that time, the then preferred proponent was asking over \$750 per square metre per year.

The additional 27,850 square metres of office accommodation being leased at 140 William Street (14,600 square metres) and the Optima Centre (13,250 square metres) is essentially replacement office accommodation for Governor Stirling Tower which

was not achieved through the previous (aborted) procurement process. Excellent long-term lease rates have been negotiated in both instances – averaging \$520 per square metres per year (a total of \$14.5 million per year). The new fit-out standards will enable around 1,850 workstations in this 27,850 square metres – compared with only 1,250 work stations in the current 25,480 square metres of Governor Stirling Tower.

In summary, through better leveraging of Government's considerable buying power, and decentralising some Government office accommodation from the Perth CBD into a metropolitan centre (the Optima Centre in Herdsman Business Park), replacement office accommodation for Governor Stirling Tower has been obtained for \$14.5 million per year, as opposed to \$21 million per year (or higher) if Government had proceeded with more expensive Perth CBD lease rates offered in the earlier procurement process – a saving of at least \$6.5 million per year.

There is also additional space for another 600 public sector employees valued at around \$4.7 million per year. Hence recurrent savings from these first steps will be at least \$11 million per year (effective from mid 2012).

Refurbishments

The current fit-outs in Dumas House and Albert Facey House are generally quite old, and they have been developed in a piece-meal approach over many years. The retention and major refurbishment of Dumas House and Albert Facey House will create modern fit-outs that will maximise efficient use of the space, extending the effective economic life of both buildings.

There are two options Government could consider in respect to these buildings:

- sell both buildings and lease the equivalent space from the private sector. At a typical current Perth CBD lease rate of about \$700 per square metres per year, the additional 30,300 square metres would cost \$21.2 million per year in rent. A one-off capital fit-out budget of approximately \$50 million would be required for the new leases; and
- alternatively, as is being proposed, major refurbishment of these buildings at an estimated one-off capital fit-out cost of around \$42 million will ensure they provide modern office accommodation for many years to come.

In summary, either option will involve a \$40 to \$50 million fit-out. The proposed retention and refurbishment of Dumas House and Albert Facey House avoids a potential \$20 to \$25 million per year increase in recurrent expenditure, albeit at the expense of a one-off capital return.

Implementation Plan

The implementation planning needs to extend the actions outlined earlier to a full five year plan. The detailed Plan will need to:

- determine several suburban precincts that will have new office buildings;
- identify agencies that will decentralise to the suburban precincts, and Bunbury;
- outline how existing leases will be phased out, and agencies relocated to the relevant suburban precincts, or consolidated into precincts within the CBD and the CBD fringe; and
- identify existing Government owned buildings that will be sold.

The timeline for the 2010 – 2015 Implementation Plan is shown below. Before the Plan is finalised, interested stakeholders have the opportunity to comment on this discussion paper. Information on how to lodge a submission is provided overleaf. The feedback received will be considered in the development of the Implementation Plan.



The following table reflects the impact of the decentralisation and consolidation strategies in the Perth CBD, West Perth and East Perth. It shows a reduction of 132,000 square metres of existing leased accommodation, and a reduction of 40,000 square metres of Government owned accommodation.

This will be offset by an estimated 172,000 square metres of new accommodation fitted out to the new standards, 92,000 square metres in the CBD and CBD fringe, and 80,000 square metres in suburban precincts and Bunbury.

Perth CBD (sqm)			West Perth (sqm)			East Perth (sqm)		
Current Office Portfolio (sqm)			Current Office Portfolio (sqm)			Current Office Portfolio (sqm)		
	Leased	Owned		Leased	Owned		Leased	Owned
2010	157,000	9,000	2010	14,000	21,000	2010	25,000	110,000
2015	60,000	9,000	2015	4,000	21,000	2015	Nil	70,000
Reduction	97,000	Nil	Reduction	10,000	Nil	Reduction	25,000	40,000
+			+					
New Office Space (sqm)			New Office Space (sqm)					
140 William Street	37,000		Dumas House Carpark	20,000				
Old Treasury Building	35,000							
Increase	72,000		Increase	20,000				
Total			Total			Total		
Net Reduction (sqm)	25,000		Net Increase (sqm)	10,000		Net Reduction (sqm)	65,000	
Total Net Reduction (sqm) – potential relocation to suburban precincts and Bunbury							80,000	



Invitation to Make a Submission

Comments are invited from anyone with an interest in Government office accommodation.

You are invited to make a submission on the discussion paper before a detailed Implementation Plan is finalised. Submissions should be made by 5pm on 31 August 2010 and be clearly marked – ‘Government Office Accommodation Master Planning Discussion Paper’.

Electronic submission using the following web address is preferred.

worksreform@bmw.wa.gov.au

If this is not possible, please submit by mail to:

Director Government Office Accommodation

Building Management and Works

Locked Bag No 44

Cloisters Square WA 6850

Please ensure the author of the submission and organisation is clearly stated. If you would like your submission to be treated as confidential, please indicate this clearly.

For further information on the draft Master Plan please contact Karen Schmidt, Director Government Office Accommodation on 08 9488 2640.



Government of **Western Australia**
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Building Management and Works

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This Discussion Paper has been prepared by the Building Management and Works business within the Department of Treasury and Finance.