

AUDITOR-GENERAL'S REPORT

PERFORMANCE AUDIT

Relocating Agencies to Regional Areas



The Legislative Assembly
Parliament House
SYDNEY NSW 2000

The Legislative Council
Parliament House
SYDNEY NSW 2000

In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled **Relocating Agencies to Regional Areas**.

A handwritten signature in black ink, appearing to read 'R J Sendt'.

R J Sendt
Auditor-General

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Foreword

Decisions to relocate government agencies to non-metropolitan areas are not made purely for cost reasons. They can also serve government policy objectives, such as promoting regional economic development.

Regardless of the policy objectives that may exist, I would expect that decisions on individual agency relocations would be based on sound business cases. Those business cases would show how the relocation achieves any relevant government objectives, what costs (or savings) would be involved, logistical considerations such as obtaining appropriate accommodation and staff, and any impacts on levels service to the public.

In my view, the existence of government policy objectives does not remove the need for individual decisions to be made in a transparent, rational and accountable manner. Responsible public servants should provide the appropriate information to government to allow it to judge how best to implement its policies.

Bob Sendt
Auditor-General

December 2005

Executive summary

Since 1999 the Government has actively pursued a policy of relocating agencies, or parts of them, to regional NSW.

The audit assessed whether there was good quality information and analysis available to support the selection of agencies and their new locations and whether outcomes have met expectations. We reviewed processes co-ordinated by the Government Asset Management Committee (GAMC) and four relocations. Two of the relocations, the WorkCover Authority to Gosford and the Department of Local Government (DLG) to Nowra, were announced in early 1999. The other two relocations we reviewed, Mineral Resources to Maitland and the State Debt Recovery Office (SDRO) to Lithgow, were announced in late 2001.

Opinion

On balance, we believe that the decisions by the Government to relocate the four agencies were not adequately supported by advice from GAMC.

On the positive side, we found that decisions to relocate the agencies were arrived at quickly by the Government, that GAMC began developing appropriate processes to support government decisions and that the relocations were operational within three years from announcement.

Significant weaknesses in our view were:

- the decisions to relocate the agencies were made either without advice or with only limited advice from GAMC
- GAMC's processes did not provide timely and thorough advice when required.

GAMC's advice to the Government on WorkCover and SDRO provided only limited options and analysis. The decisions to relocate DLG and Mineral Resources were made by the Government with no advice or business cases provided by GAMC.

The absence of business cases with clear objectives also means that no evaluations have been undertaken of outcomes against relocation objectives.

Auditors-General in various jurisdictions have highlighted the need for governments to be circumspect when making decisions affecting marginal electorates. Three of the four relocations that we examined were to marginal electorates. Without transparent processes in such situations, history has shown that governments may be exposed to criticism.

If the Government and GAMC are to achieve more accountable decisions they must support:

- processes providing more thorough analysis of options and timely advice
- compliance with established and relevant guidelines, and
- evaluation and reporting of results.

Summary of recommendations

We recommend that GAMC:

- document its processes for implementing government accommodation reform policies and strategies (page 19)
- produce business cases for all important office accommodation reform recommendations (page 19)
- evaluate significant accommodation reform initiatives, such as relocations, against objectives and targets (page 23)
- report annually on performance of government accommodation reforms (page 23)
- conduct a review assessing the need for any further relocations to regions and identifying more pressing regional priorities (page 20).

Key findings

Chapter 1 - Developing the policy and its means of implementation

The Government began a policy in 1997 of improving economic growth in regional areas by relocating jobs. To implement the policy, the Government Office Accommodation Reform Program was established in late 1998.

GAMC's role includes testing the viability of agencies to relocate to regional NSW and advising the Government on agencies that could be relocated.

Chapter 2 - Selecting the agencies and the new regional locations

GAMC did develop a process to test the suitability of agencies for relocation to regions by assessing agency leases and the nature of their business. However this did not result in timely recommendations to government.

GAMC did not support its advice to government with well-developed business cases assessing the viability of relocating the agency and possible new locations. When studies were undertaken, they did not comply with business case principles.

GAMC's provision of advice to government in two of the four cases is clear recognition of its role to provide advice to government on relocations.

Without robust assessment and justification it is not possible to conclude that the most appropriate relocations were approved and that public funds were applied in the best possible way.

Chapter 3 - Have the relocations been evaluated?

Without business cases setting out performance expectations, such as targets for ongoing economic impacts, it was impossible to undertake evaluations. Therefore, Parliament and the public are unaware of whether or not the relocations were successful.

Co-ordinated response from Premier's Department

I refer to the letter of 16 November 2005 from the Assistant Auditor-General Performance Audit concerning the Performance Audit on Agency Relocations to Regional NSW.

The Premier's Department has coordinated this response on behalf of WorkCover, Department of Local Government, Department of Primary Industries (former Department of Mineral Resources), State Debt Recovery Office and the Government Asset Management Committee which I am the Chair.

The basis upon which this Audit was established was flawed from the outset as it involved the review of policy decisions taken by the Government of the day. It is clear that the intent of these policy decisions by Government was to stimulate local communities by enriching economic growth through much needed employment, infrastructure and improved access to services by the community.

The inference that the decisions taken have not demonstrated whether the relocations were successful or that public funds were applied in the best possible way is not justified given the significant indicators provided below.

Construction (Employment and Economic Impact)

The relocation of the four agencies to regional areas resulted in significant job creation and local industry development opportunities during construction of the premises. Construction of office buildings results in substantial direct employment on-site, as well as indirect jobs in the building component supply industry. Direct and indirect jobs created during the construction of premises include:

*Mineral Resources - Maitland: 150 direct jobs; 200 indirect jobs
State Debt Recovery Office - Lithgow: 48 direct jobs; 60 indirect jobs
Local Government - Nowra: 65 direct jobs; 85 indirect jobs
WorkCover - Gosford: 322 direct jobs; 420 indirect jobs.*

Total construction expenditure across the four agencies has been estimated at approximately \$70 million - \$30 million in Gosford, \$22 million in Maitland, \$11 million in Lithgow and \$7 million in Nowra.

In the case of the WorkCover relocation to Gosford, 78% of trade/tender packages were let to local contractors, 75% of sub-contractors were employed from within the region, and 100% of supplies were obtained from local businesses.

Post Occupancy - (Employment, Economic Impact and lessons learned)

Relocation has been a successful strategy in increasing public sector employment in rural and regional areas to stimulate economic activity. As noted in the report, over 1500 positions have been relocated since January 2000, bringing over \$50 million annually in salaries alone into their communities. Of these positions, 872 are located in the four agencies specifically reviewed by the audit.

Approximately 75% of positions in those four agencies have been filled through local recruitment, improving employment outcomes for their respective areas. Relocation of the remaining staff from Sydney has contributed to local population growth.

Apart from the contribution of staff salaries to the respective local economies, all relocated agencies purchase locally, within government procurement guidelines. Local purchasing includes printing, cleaning, catering, security and newsagency services. WorkCover, for example, also has motor vehicle maintenance undertaken by Central Coast firms.

The overall economic impact on regions over and above the staff employed can be very significant. It has been estimated that, for the 200 positions relocated to Maitland with the now Division of Mineral Resources, Department of Primary Industries, there is an annual economic impact of approximately \$15 million, including supporting a further 130 jobs in the local community.

Evaluation of other elements of the relocations also allowed the identification of best practice and its application to succeeding relocations. For example, the post relocation report prepared by WorkCover was an important guide for the relocation of the now Division of Mineral Resources, Department of Primary Industries. WorkCover staff also provided direct advice to other relocating agencies.

Earlier agency relocations include the former Superannuation Administration Corporation to Wollongong, the NSW Police Firearms Registry Branch to Murwillumbah, the Registry of Cooperatives to Bathurst and, of course, previous governments undertook significant relocations such as the Department of Agriculture to Orange and the Central Mapping Authority to Bathurst.

There are no further significant relocations currently under consideration. However, should this situation change, GAMC will consider the recommendations of the audit in relation to any decision making processes.

In conclusion, I reiterate my position that I consider the basis of this audit flawed. It is a matter of government policy where agencies are located. Both sides of politics in this State have made decisions to relocate agencies to regional and rural NSW, predicated on a clear policy of encouraging employment opportunities and economic activity outside Sydney

(signed)

*C Gellatly
Director-General*

Dated: 6 December 2005

1. Developing the policy and its means of implementation

At a glance

This chapter discusses the Government's policy to relocate agencies to regional locations and the audit's focus on whether the Government was provided with appropriate and timely support to implement the policy.

Government policy and the regional relocations

Government's policy objective

In 1997 the Government made a policy commitment to relocate government jobs to rural or regional areas to stimulate regional development. A number of agencies or parts of agencies have subsequently been relocated to regional centres.

The following table lists all the agencies, or parts of agencies, that have been relocated to regional NSW under the Government's policy. We are advised that no further relocations to regions are planned.

| Agency/unit | Relocated from | Relocated to | Positions relocated | Date relocated |
|--|----------------|--------------|---------------------|--|
| Registry of Cooperatives ^a | Bankstown | Bathurst | 43 | January 2000 |
| Firearms Licensing Branch ^b | Hurstville | Murwillumbah | 50 | January 2000 |
| Pillar Administration ^c | Sydney CBD | Wollongong | 313 | 220 in late 2001 59 in Dec 2002 & 35 in May 2003 |
| WorkCover Authority | Sydney CBD | Gosford | 480 | September 2002 |
| Long Service Payments Corp. | Sydney CBD | Gosford | 60 | 4 Nov 2002 |
| Department of Local Government | Bankstown | Nowra | 60 | 20 January 2003 |
| Infringement Processing Bureau ^d | Parramatta | Maitland | 150 | In 3 stages June to Dec 2002 |
| Department of Mineral Resources ^e | St Leonards | Maitland | 200 | 10 November 2004 |
| State Debt Recovery Office ^f | Sydney CBD | Lithgow | 132 | January 2005 |
| Native Vegetation Unit ^g | Sydney CBD | Wellington | 24 | May 2002 |

Key

^a Part of the Department of Fair Trading

^b Part of NSW Police

^c Previously the Superannuation Administration Corporation

^d Relocated when part of the NSW Police, transferred to the Office of State Revenue (NSW Treasury) on 1 October 2003

^e Merged with the Department of Primary Industries in July 2004 and became the Division of Mineral Resources

^f Transferred to the Office of State Revenue (NSW Treasury) on 2 April 2002 from the Attorney-General's Department

^g Part of the Department of Natural Resources

Source: GAMC and Premier's Department

A structure for implementation

GAMC created in late 1998

The Premier's Department, assisted by the then Department of Public Works and Services (DPWS), began implementing the Government's announcement in 1997. The Government Asset Management Committee (GAMC) took over responsibility after it was created in late 1998.

GAMC's chair is the Director-General of the Premier's Department and it reports to the Budget Committee of Cabinet. Membership includes the chief executive officers of Treasury, DPWS, the Attorney-General's Department and the Roads and Traffic Authority.

DPWS assisted GAMC as it had previously assisted the Premier's Department.

DPWS became the Department of Commerce in April 2003 and, in December 2003, the GAMC secretariat moved from Commerce to Treasury.

Processes to identify and select relocations

Increasing focus on agencies' viability to relocate

After the Government's policy announcement in 1997, the Director-General of the Premier's Department made it clear to heads of agencies that the Government was committed to relocating government jobs to regions and that they should be identifying business units that could be relocated to regional NSW.

At that time Premier's Department and DPWS were developing processes to implement the Government's Accommodation policy. The objective was to achieve accommodation savings by moving public sector positions from the Sydney central business district (CBD) to lower cost accommodation in the metropolitan area, particularly at Parramatta and Sydney CBD South.

Premier's Department and DPWS were particularly examining agencies located in the Sydney CBD whose leases expired in three to four years to see if they were suitable for relocation to lower cost metropolitan locations. They began also examining these agencies to see if they were suitable for relocation to regions.

In late 1998 DPWS issued the *Government Office Accommodation Reform Program*, which formally brought together these two initiatives. The primary focus of the Program was to reduce the Government's exposure to high accommodation costs in the high rent CBD. Agencies were required to prepare annual strategic office accommodation plans, including justification of future locations and lease implications. However the Program also required agencies to annually test the viability of relocating staff and units from the metropolitan area to regional locations as a means of achieving rural economic development.

Agencies began including results of their examination of the viability of moving to regional locations in their annual strategic office accommodation plans from 1999.

What we audited

This audit examined whether the Government was provided with appropriate and timely advice to support its decisions on selection of agencies for relocation to regions and on their future locations.

We also examined whether the results of relocations were evaluated against the expected outcomes.

The audit focussed on the actions of the Premier's Department, GAMC, DPWS and other central agencies and advisory committees to support implementation of the Government's regional relocation policy objective.

We examined advice and support to government on the relocation of four agencies - WorkCover, the Department of Local Government, the State Debt Recovery Office and the Department of Mineral Resources - whose relocations were announced between 1999 and 2001 and completed by 2005.

The Appendix, *About This Audit*, provides more detail.

2. How were the agencies and the new regional locations selected?

At a glance

We examined whether GAMC's advice to government on regional locations was robust and timely and whether their processes provided accountability for the use of public resources.

This chapter explores our concerns about:

- whether the most suitable agencies were selected for relocation to regions
- whether the most appropriate locations were selected for relocated agencies
- the inconsistent methodology for investigating agencies to relocate
- the studies undertaken not complying with business case guidelines
- the limited involvement of agencies being considered for relocation.

We were not satisfied that the Government was provided with appropriate and timely advice to support its decisions on selection of agencies for relocation to regions and on their future locations.

Better practices

In our view, better practice principles that should apply in this situation are that:



- GAMC would provide the Government with sound and timely advice on agencies for relocations and on appropriate regional locations.
- The advice to government would be supported by:
 - (i) well-developed and documented processes to identify agencies, or parts of agencies, suitable for relocation to regional locations
 - (ii) robust and transparent business cases to fully inform decision makers of costs and benefits of each of the proposed agency relocations.

These expectations are based on government guidance: the *Government Office Accommodation Reform Program* issued by the Premier's Department in December 1998 and the *Business Case Guidelines* issued by the Premier's Department in 2000.

How the policy objective was implemented

In the following four case studies we examine the implementation of the relocations against better practice.

WorkCover to Gosford - quick analysis

The first announcement following the introduction of the *Government Office Accommodation Reform Program* was the relocation of WorkCover. This began in mid January 1999, just before the Premier's announcement.

WorkCover Authority, Gosford



Photograph provided by WorkCover Authority

Department of Local Government, Nowra



Photograph provided by Department of Local Government

Case Study 1: WorkCover to Gosford

On 22 January 1999 the Chairman of GAMC asked DPWS to prepare a study of the relocation of the head office of WorkCover. The study recommended that WorkCover relocate to Gosford.

GAMC considered and endorsed the study at its meeting on 28 January 1999. The Premier made the announcement on 2 February 1999.

DPWS's study titled 'WorkCover - Assessment of Head Office Locations Options', and dated 28 January 1999, took the form of a business case but with limited options and analysis.

The study did not include a clear statement of the Government's objective in relocating agencies or how relocation would contribute to Government objectives. It examined options for WorkCover to remain in the existing location in the Sydney CBD, relocate to CBD South or relocate to Gosford. It gave no reasons why WorkCover was the agency examined or why Gosford was the only location considered outside the Sydney CBD.

The study included a cost-benefit analysis of the three options. This found that the Gosford option would be cost effective because of lower accommodation costs. However the analysis did not include costing of the impact of staff losses on agency services during and after relocation. There was no examination of risks - for example the risk to service continuity while the agency was relocating or after it was operating in Gosford.

WorkCover's CEO and officers were not involved in the assessment study. They were unaware that they were to be relocated to Gosford until a few days before the announcement.

**DLG to Nowra -
decision not
documented**

Our second case study concerns the move of DLG to Nowra. In this case GAMC did not provide advice to support the Government's decision to relocate the department.

Case Study 2: Department of Local Government to Nowra

The Premier announced DLG's relocation to Nowra a few months later, in May 1999.

GAMC and DPWS claim not to have identified DLG a candidate for relocation or to have produced any studies or to have made any recommendation to government in support of DLG's move from Bankstown to Nowra.

We have not been able to determine who recommended the relocation of DLG, why it was recommended or how Nowra was chosen as the destination for relocation. We have also been unable to locate any analysis or report related to the relocation of DLG.

DLG was unaware it was being considered for relocation to Nowra until the day of the announcement and was expecting to remain in Bankstown. DLG had advised DPWS in April 1998 that it proposed to renegotiate the ten-year lease option for its head office in Bankstown.

The decision to relocate DLG to Nowra seems to have been made by the Government without any advice from agencies. We were unable to determine the rationale behind the selection of DLG or of Nowra.

Gradual developments May 1990 to September 2001

An uncertain basis for future decisions

The above two case studies illustrate that in 1999 there was not an established and consistent approach to identify and provide advice to government on the relocation of agencies to regions.

Agencies began including results of their examination of the viability of moving to regional locations in their annual strategic office accommodation plans from 1999. This gave GAMC an improved basis to identify agencies or parts of agencies that might be suitable for regional relocation. GAMC and DPWS analysed this information and prepared annual reports for the Budget Committee of Cabinet that indicated agencies, or parts of agencies, that could be suitable for relocation.

The Premier announced the relocations of the Department of Mineral Resources (DMR) to Maitland and the State Debt Recovery Office to Lithgow in late 2001, more that two years after the announcements of WorkCover's and DLG's relocations.

DMR to Maitland - no documentation

The move of DMR to Maitland was another case where there was no supporting documentation for the decision to relocate from GAMC.

| Case Study 3: Department of Mineral Resources to Maitland |
|--|
| <p>The Premier announced DMR's relocation to Maitland on 23 October 2001. We do not know who recommended Maitland as DMR's relocation destination or why it was recommended.</p> <p>GAMC says that it did not prepare a business case on the relocation and did not advise the Government. No other business case is known.</p> <p>Just the year before, DPWS had advised GAMC, in the Office Accommodation Strategies Review 2000, that 'DMR has already regionalised to various centres in NSW and that there are currently no plans to further relocate jobs/functions to regional areas at this stage.'</p> <p>DMR was unaware of the proposed relocation and the new destination until advised shortly before the announcement. No DMR officers were involved in any studies.</p> |

SDRO - limited justification

The SDRO relocation, like the WorkCover relocation, was one where inadequate documentation was provided in support of the relocation.

Case Study 4: State Debt Recovery Office to Lithgow

On 6 December 2001, the Premier announced SDRO's relocation to Lithgow.

The Chairman of GAMC asked DPWS to prepare a feasibility study for relocating the head office of SDRO two or three weeks before the announcement. DPWS again produced a study supporting the relocation of SDRO two to three days before the announcement. As specific dates could not be confirmed by GAMC, we have based our understanding on interviews.

The feasibility study recommended that SDRO relocate to Lithgow.

The feasibility study compared three options for the relocation of SDRO - remain in the existing location in the CBD; relocate within the metropolitan area; or relocate to Lithgow. The study includes a cost-benefit analysis of the three options that found that the Lithgow option would be cost effective because of lower accommodation costs.

Lithgow was the only regional location examined in the study. The report does mention other possible locations but gives no analysis of these locations. The study simply prefers Lithgow because of possible facility sharing with the Police Assistance Line. GAMC is unable to advise the date of the feasibility study but advice received by the Audit Office is that it was completed in haste earlier in the week of the announcement.

The DPWS study did give a clear statement of the Government's objective in relocating agencies. However it omitted important considerations including any serious consideration of other regional options. It did not give the reasons why SDRO was the agency selected for relocation, the criteria for a successful relocation the risks to continued provision of services during and after relocation. Overall the study was very similar to that carried out on WorkCover more than two years before.

SDRO was not involved in the feasibility study and was unaware that relocation to Lithgow was being considered until shortly before the announcement.

Were the most suitable agencies selected for relocation to regions?

A number of agencies were identified as suitable for relocation to regions but other agencies were not considered suitable.

Limited options considered in selection processes

We have not received any documentation that explains why the four agencies we examined were selected and others were not. We expected to find processes, criteria, analysis and ranking supporting the selection of these agencies for relocation.

GAMC and DPWS appear to have had some criteria for selecting agencies. However these are not documented and transparent. The two studies that were prepared did not indicate why the subject agency had been selected for study. We were unable to determine why the four agencies were considered particularly suitable to move to regional locations and others were not considered.

Mineral Resources, Maitland



Photograph provided by Department of Primary Industries

State Debt Recovery Office, Lithgow



Photograph provided by GAMC Secretariat

Were the most appropriate locations for the four agencies selected?

No alternative regional sites considered

We could find no documented processes, criteria or analysis supporting the decisions on future locations of the four agencies. The decisions on the future regional locations of the four agencies were made without their involvement.

In the studies on WorkCover and SDRO, DPWS examined only one possible regional location - Gosford for WorkCover and Lithgow for SDRO. There was no analysis of alternative regional locations in these studies.

It appears that the Government selected the locations for its own reasons and without robust advice from GAMC. It is not possible to conclude that the most appropriate locations were selected.

Auditors-General in various jurisdictions have highlighted the need for governments to be circumspect when making decisions affecting marginal electorates. Three of the four relocations that we examined were to marginal electorates. Without transparent processes in such situations, history has shown that governments may be exposed to criticism.

Was the methodology for investigating agencies for relocation consistent?

Variations in extent of advice sought and provided

GAMC requested studies of two agencies - WorkCover and SDRO - before recommending them for relocation. It sought to have at least the appearance of a robust and transparent analysis in place for these agencies.

GAMC did not request studies for DLG and DMR.

Therefore the processes followed for investigating agencies were not consistent. We were unable to determine why GAMC was involved in some investigations and not others.

Did studies undertaken comply with business case guidelines?

Inadequate business cases provided

The logical step, after identifying agencies potentially suitable for relocation to regions, would have been to prepare a rigorous business case for each agency along the lines set out in the Premier's Department's '*Business Case Guidelines*' issued in 2000.

As discussed above, GAMC asked DPWS to prepare studies for WorkCover and SDRO but not for DLG and DMR. The fact that GAMC requested studies for WorkCover and SDRO indicates that it recognised that it should be providing a business case to support any recommendation it made to government on relocating an agency.

The two studies DPWS prepared recommended that WorkCover be relocated to Gosford (1999) and SDRO to Lithgow (2001). However they did not comply with the requirements of the *Guidelines*. DPWS's studies were limited assessments with significant omissions. They omitted, for example, alternative regional locations and also the ability of the agencies to continue to provide their services during and after relocation.

The studies were less rigorous and complete than the guideline recommends. However, a poor business case may be better than no business case. The decisions to relocate DLG to Nowra (1999) or DMR to Maitland (2001) were made without any studies or supporting documentation being prepared.

Were agencies being considered for relocation involved in investigations?

A lack of consultation with agencies

The four agencies we examined were advised for the first time that they were to be relocated outside the metropolitan area, and the proposed destination, shortly before the announcements.

They had provided some information to DPWS and were aware that they could be relocated outside the CBD. However none had any involvement in, or knowledge of, any studies leading to the decisions to relocate them to regions.

The CEOs of WorkCover and the Department of Local Government were advised just before the announcement in 1999. The CEOs of the Department of Mineral Resources and the State Debt Recovery Office were advised just before the announcements in 2001.

Conclusions

GAMC, with the assistance of DPWS, appears to have taken some steps towards providing robust advice based on analysis.

However, we were not satisfied that the Government was provided with appropriate and timely advice to support its decisions on selection of agencies for relocation to regions and on their future locations.

GAMC did not apply standards that it expects of others, such as those set out in *Business Plan Guidelines*.

Recommendations We recommend that GAMC:

- document its processes for implementing government accommodation reform policies and strategies. This will help clarify its role to provide independent and comprehensive advice to government.
- produce business cases for all important office accommodation reform recommendations. This will ensure appropriate and transparent assessment of options, costs and benefits.

GAMC providing better advice in future

Managing new priorities

GAMC's secretariat advised us that there are no significant relocations to regions identified and planned in the immediate future. The emerging emphasis for GAMC is on collocation of agencies in regional locations and on improving service delivery to clients in the regions.

The new priorities should be implemented along the lines discussed above, learning from the mistakes of the regional relocations.

Recommendation

We recommend that GAMC:

- conduct a review assessing the need for any further relocations to regions and identifying more pressing regional priorities.

3. Have the relocations been evaluated?

At a glance

This chapter examines whether or not post-relocation evaluations were conducted to assess the outcomes of the agency relocations against the objectives justifying the move.
We found that no evaluations have been carried out.

Should relocations be evaluated?

We believe that GAMC, or another agency, should evaluate outcomes of the relocations of the four agencies against the outcomes stated in the business. We based this on *Business Case Guidelines*:



Without evaluation it is impossible to know whether the project achieved the promised improvements. The importance of evaluation is self-evident, but it is surprising how many projects are superficially evaluated, or not evaluated at all. How will this project be evaluated? Make sure you link what you say here to the planned outcomes and indicators you outlined under the Project Scope (which includes project purpose, planned outcomes, the project's boundaries, and timeframe and milestones).

See *Business Case Guidelines* NSW Premier's Department, December 2000, page 13

Were the relocations evaluated?

No clear objectives, no evaluations

The feasibility studies conducted did not clearly define any expected outcomes of relocating the four agencies we examined. The two studies for WorkCover and SDRO did quantify some of the expected net benefits in accommodation savings but did not attempt to forecast the net benefits to New South Wales of relocating the agency and related jobs to regional locations. There were no business cases for DLG and DMR and therefore no stated expected outcomes.

GAMC has not carried out any post-audit assessment of outcomes against any expectations in the original reports and studies or against any other criteria. The lack of evaluations also means that GAMC was not able to readily identify potential improvements in the process to identify agencies suitable for relocation.

Several agencies did prepare reports on the management of their relocations. These reports did not assess whether the predicted economic and employment benefits of relocating the agency were achieved. In general they assessed whether the agency had managed the relocation:

- within the timeframe and budget they were given
- while continuing to deliver their services to government and the public and
- while providing maximum opportunity for local businesses during and after relocation.

As there have been no evaluations of actual outcomes against expected outcomes:

- GAMC has not met the expectations set out above from the Premier's Department, and
- Parliament and the public are not well informed about how public resources are applied, how the relocations performed and whether the relocations achieved benefits.

Recommendation We recommend that GAMC, or another agency:

- evaluate significant accommodation reform initiatives, such as relocations, against objectives and targets. These actions will meet the requirements of the Premier's Department *Business Case Guidelines*.

Should evaluations be publicly reported?

There is no medium for reporting the evaluations of relocations or the performance of office accommodation reforms in general. GAMC's last annual report was for 2001-02.

Recommendation We recommend that GAMC:

- report annually on performance of government accommodation reforms.

Appendix

About the Audit

Objectives and focus

The audit reviewed the quality of information and analysis supporting specific decisions and actions to implement the Government's policy objective to strengthen regional economies through relocating government activities.

The audit focused on two key lines of inquiry:

- the selections of agencies for relocation and the new locations
- assessing the results of the relocations.

Scope and approach

The audit's scope was the framework for implementing the policy objective created by the Government Office Accommodation Reform Program. We reviewed the procedures and processes supporting the selection of agencies and their new locations within and between GAMC, the Premier's Department, The Cabinet Office, NSW Treasury, DPWS (now Department of Commerce) and the relocated agencies.

The agency relocations selected for review were the WorkCover Authority, the Department of Local Government, the State Debt Recovery Office and the Department of Minerals Resources (now a the Division in the Department of Primary Industries).

We examined submissions to government, meeting minutes, media releases, guidance references and reports, such as business cases and evaluations. We interviewed representatives of the entities involved.

We received advice from Premier's Department, which co-ordinated liaison for the audit, that we had been given access to all GAMC and Cabinet Office documents related to the audit scope.

Important reference points for the audit were the:

- *Government Office Accommodation Reform Program* of December 1998, which was later incorporated in the Total Asset Management Policy's *Office Accommodation Strategic Planning Guideline* in September 2004
- *Business Case Guidelines* issued by the NSW Premier's Department in 2000.

Exclusions

We did not examine how well the four agencies project managed their relocations or whether they maintained their operations and services during and after relocation.

The audit did not question government policy objectives, which are a matter for political and public debate, and outside the Auditor-General's mandate. However, the means by which a policy objective is pursued are quite separate and auditable. Once a policy objective is in place, the government - and the taxpayer - are entitled to expect that the actions taken to achieve the objective produce the best possible outcomes.

| | |
|---------------------|--|
| Criteria | <p>The audit assessed whether:</p> <ul style="list-style-type: none">• a clear framework guided the selection of agencies for relocation and the selection of new locations of the agencies• robust business cases were prepared that sufficiently evaluated costs and benefits to fully inform decision-makers of the implications involved for each of the four agencies selected for relocation?• evaluations were conducted to assess the outcomes of the agency relocations against the objectives justifying the move. |
| Appreciation | <p>We gratefully acknowledge the co-operation and assistance provided by representatives in the four agencies and in Treasury and Premier's Department.</p> <p>However there were delays starting the conduct phase of the audit. We experienced extended initial discussions with the Premier's Department about the audit's lines of inquiry and a longer than expected search for Cabinet related information.</p> |
| Audit team | <p>Our team leader for the audit was Chris Bowdler, who was assisted by Neville Johnson.</p> <p>Sean Crumlin provided direction and quality assurance.</p> |
| Cost | <p>Including printing and overheads, the estimated cost of the audit is \$211,000.</p> |

Performance Audits by the Audit Office of New South Wales

Performance Auditing

What are performance audits?

Performance audits are reviews designed to determine how efficiently and effectively an agency is carrying out its functions.

Performance audits may review a government program, all or part of a government agency or consider particular issues which affect the whole public sector.

Where appropriate, performance audits make recommendations for improvements relating to those functions.

Why do we conduct performance audits?

Performance audits provide independent assurance to Parliament and the public that government funds are being spent efficiently and effectively, and in accordance with the law.

They seek to improve the efficiency and effectiveness of government agencies and ensure that the community receives value for money from government services.

Performance audits also assist the accountability process by holding agencies accountable for their performance.

What is the legislative basis for Performance Audits?

The legislative basis for performance audits is contained within the *Public Finance and Audit Act 1983, Part 3 Division 2A*, (the Act) which differentiates such work from the Office's financial statements audit function.

Performance audits are not entitled to question the merits of policy objectives of the Government.

Who conducts performance audits?

Performance audits are conducted by specialist performance auditors who are drawn from a wide range of professional disciplines.

How do we choose our topics?

Topics for performance audits are chosen from a variety of sources including:

- our own research on emerging issues
- suggestions from Parliamentarians, agency Chief Executive Officers (CEO) and members of the public
- complaints about waste of public money
- referrals from Parliament.

Each potential audit topic is considered and evaluated in terms of possible benefits including cost savings, impact and improvements in public administration.

The Audit Office has no jurisdiction over local government and cannot review issues relating to council activities.

If you wish to find out what performance audits are currently in progress just visit our website at www.audit.nsw.gov.au.

How do we conduct performance audits?

Performance audits are conducted in compliance with relevant Australian standards for performance auditing and operate under a quality management system certified under international quality standard ISO 9001.

Our policy is to conduct these audits on a "no surprise" basis.

Operational managers, and where necessary executive officers, are informed of the progress with the audit on a continuous basis.

What are the phases in performance auditing?

Performance audits have three key phases: planning, fieldwork and report writing.

During the planning phase, the audit team will develop audit criteria and define the audit field work.

At the completion of field work an exit interview is held with agency management to discuss all significant matters arising out of the audit. The basis for the exit interview is generally a draft performance audit report.

The exit interview serves to ensure that facts presented in the report are accurate and that recommendations are appropriate. Following the exit interview, a formal draft report is provided to the CEO for comment. The relevant Minister is also provided with a copy of the draft report. The final report, which is tabled in Parliament, includes any comment made by the CEO on the conclusion and the recommendations of the audit.

Depending on the scope of an audit, performance audits can take from several months to a year to complete.

Copies of our performance audit reports can be obtained from our website or by contacting our Office Services Manager.

How do we measure an agency's performance?

During the planning stage of an audit the team develops the audit criteria. These are standards of performance against which an agency is assessed. Criteria may be based on government targets or benchmarks, comparative data, published guidelines, agencies corporate objectives or examples of best practice.

Performance audits look at:

- processes
- results
- costs
- due process and accountability.

Do we check to see if recommendations have been implemented?

Every few years we conduct a follow-up audit of past performance audit reports. These follow-up audits look at the extent to which recommendations have been implemented and whether problems have been addressed.

The Public Accounts Committee (PAC) may also conduct reviews or hold inquiries into matters raised in performance audit reports. Agencies are also required to report actions taken against each recommendation in their annual report.

To assist agencies to monitor and report on the implementation of recommendations, the Audit Office has prepared a Guide for that purpose. The Guide, *Monitoring and Reporting on Performance Audits Recommendations*, is on the Internet at www.audit.nsw.gov.au/guides-bp/bpplist.htm

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards. This includes ongoing independent certification of our ISO 9001 quality management system.

The PAC is also responsible for overseeing the activities of the Audit Office and conducts reviews of our operations every three years.

Who pays for performance audits?

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament and from internal sources.

For further information relating to performance auditing contact:

Stephen Horne
Assistant Auditor-General,
Performance Audit
(02) 9275 7278
email: stephen.horne@audit.nsw.gov.au

Performance Audit Reports

| No | Agency or Issues Examined | Title of Performance Audit Report or Publication | Date Tabled in Parliament or Published |
|-----|--|--|--|
| 78 | State Rail Authority (CityRail) State Transit Authority | <i>Fare Evasion on Public Transport</i> | 6 December 2000 |
| 79 | TAFE NSW | <i>Review of Administration</i> | 6 February 2001 |
| 80 | Ambulance Service of New South Wales | <i>Readiness to Respond</i> | 7 March 2001 |
| 81 | Department of Housing | <i>Maintenance of Public Housing</i> | 11 April 2001 |
| 82 | Environment Protection Authority | <i>Controlling and Reducing Pollution from Industry</i> | 18 April 2001 |
| 83 | Department of Corrective Services | <i>NSW Correctional Industries</i> | 13 June 2001 |
| 84 | Follow-up of Performance Audits | <i>Police Response to Calls for Assistance The Levying and Collection of Land Tax Coordination of Bushfire Fighting Activities</i> | 20 June 2001 |
| 85* | Internal Financial Reporting | <i>Internal Financial Reporting including a Better Practice Guide</i> | 27 June 2001 |
| 86 | Follow-up of Performance Audits | <i>The School Accountability and Improvement Model (May 1999) The Management of Court Waiting Times (September 1999)</i> | 14 September 2001 |
| 87 | E-government | <i>Use of the Internet and Related Technologies to Improve Public Sector Performance</i> | 19 September 2001 |
| 88* | E-government | <i>e-ready, e-steady, e-government: e-government readiness assessment guide</i> | 19 September 2001 |
| 89 | Intellectual Property | <i>Management of Intellectual Property</i> | 17 October 2001 |
| 90* | Intellectual Property | <i>Better Practice Guide Management of Intellectual Property</i> | 17 October 2001 |
| 91 | University of New South Wales | <i>Educational Testing Centre</i> | 21 November 2001 |
| 92 | Department of Urban Affairs and Planning | <i>Environmental Impact Assessment of Major Projects</i> | 28 November 2001 |
| 93 | Department of Information Technology and Management | <i>Government Property Register</i> | 31 January 2002 |
| 94 | State Debt Recovery Office | <i>Collecting Outstanding Fines and Penalties</i> | 17 April 2002 |
| 95 | Roads and Traffic Authority | <i>Managing Environmental Issues</i> | 29 April 2002 |
| 96 | NSW Agriculture | <i>Managing Animal Disease Emergencies</i> | 8 May 2002 |
| 97 | State Transit Authority Department of Transport | <i>Bus Maintenance and Bus Contracts</i> | 29 May 2002 |
| 98 | Risk Management | <i>Managing Risk in the NSW Public Sector</i> | 19 June 2002 |

| No | Agency or Issues Examined | Title of Performance Audit Report or Publication | Date Tabled in Parliament or Published |
|-----|---|--|--|
| 99 | E-Government | <i>User-friendliness of Websites</i> | 26 June 2002 |
| 100 | NSW Police Department of Corrective Services | <i>Managing Sick Leave</i> | 23 July 2002 |
| 101 | Department of Land and Water Conservation | <i>Regulating the Clearing of Native Vegetation</i> | 20 August 2002 |
| 102 | E-government | <i>Electronic Procurement of Hospital Supplies</i> | 25 September 2002 |
| 103 | NSW Public Sector | <i>Outsourcing Information Technology</i> | 23 October 2002 |
| 104 | Ministry for the Arts Department of Community Services Department of Sport and Recreation | <i>Managing Grants</i> | 4 December 2002 |
| 105 | Department of Health Including Area Health Services and Hospitals | <i>Managing Hospital Waste</i> | 10 December 2002 |
| 106 | State Rail Authority | <i>CityRail Passenger Security</i> | 12 February 2003 |
| 107 | NSW Agriculture | <i>Implementing the Ovine Johne's Disease Program</i> | 26 February 2003 |
| 108 | Department of Sustainable Natural Resources Environment Protection Authority | <i>Protecting Our Rivers</i> | 7 May 2003 |
| 109 | Department of Education and Training | <i>Managing Teacher Performance</i> | 14 May 2003 |
| 110 | NSW Police | <i>The Police Assistance Line</i> | 5 June 2003 |
| 111 | E-Government | <i>Roads and Traffic Authority Delivering Services Online</i> | 11 June 2003 |
| 112 | State Rail Authority | <i>The Millennium Train Project</i> | 17 June 2003 |
| 113 | Sydney Water Corporation | <i>Northside Storage Tunnel Project</i> | 24 July 2003 |
| 114 | Ministry of Transport Premier's Department Department of Education and Training | <i>Freedom of Information</i> | 28 August 2003 |
| 115 | NSW Police NSW Roads and Traffic Authority | <i>Dealing with Unlicensed and Unregistered Driving</i> | 4 September 2003 |
| 116 | NSW Department of Health | <i>Waiting Times for Elective Surgery in Public Hospitals</i> | 18 September 2003 |
| 117 | Follow-up of Performance Audits | <i>Complaints and Review Processes (September 1999)</i> <i>Provision of Industry Assistance (December 1998)</i> | 24 September 2003 |
| 118 | Judging Performance from Annual Reports | <i>Review of Eight Agencies' Annual Reports</i> | 1 October 2003 |

| No | Agency or Issues Examined | Title of Performance Audit Report or Publication | Date Tabled in Parliament or Published |
|------|---|---|--|
| 119 | Asset Disposal | <i>Disposal of Sydney Harbour Foreshore Land</i> | 26 November 2003 |
| 120 | Follow-up of Performance Audits NSW Police | <i>Enforcement of Street Parking (1999) Staff Rostering, Tasking and Allocation (2000)</i> | 10 December 2003 |
| 121 | Department of Health NSW Ambulance Service | <i>Code Red: Hospital Emergency Departments</i> | 15 December 2003 |
| 122 | Follow-up of Performance Audit | <i>Controlling and Reducing Pollution from Industry (April 2001)</i> | 12 May 2004 |
| 123 | National Parks and Wildlife Service | <i>Managing Natural and Cultural Heritage in Parks and Reserves</i> | 16 June 2004 |
| 124 | Fleet Management | <i>Meeting Business Needs</i> | 30 June 2004 |
| 125 | Department of Health NSW Ambulance Service | <i>Transporting and Treating Emergency Patients</i> | 28 July 2004 |
| 126 | Department of Education and Training | <i>School Annual Reports</i> | 15 September 2004 |
| 127 | Department of Ageing, Disability and Home Care | <i>Home Care Service</i> | 13 October 2004 |
| 128* | Department of Commerce | <i>Shared Corporate Services: Realising the Benefit including guidance on better practice</i> | 3 November 2004 |
| 129 | Follow-up of Performance Audit | <i>Environmental Impact Assessment of Major Projects (2001)</i> | 1 February 2005 |
| 130* | Fraud Control | <i>Current Progress and Future Directions including guidance on better practice</i> | 9 February 2005 |
| 131 | Follow-up of Performance Audit Department of Housing | <i>Maintenance of Public Housing (2001)</i> | 2 March 2005 |
| 132 | Follow-up of Performance Audit State Debt Recovery Office | <i>Collecting Outstanding Fines and Penalties (2002)</i> | 17 March 2005 |
| 133 | Follow-up of Performance Audit Premier's Department | <i>Management of Intellectual Property (2001)</i> | 30 March 2005 |
| 134 | Department of Environment and Conservation | <i>Managing Air Quality</i> | 6 April 2005 |
| 135 | Department of Infrastructure, Planning and Natural Resources Sydney Water Corporation Sydney Catchment Authority | <i>Planning for Sydney's Water Needs</i> | 4 May 2005 |
| 136 | Department of Health | <i>Emergency Mental Health Services</i> | 26 May 2005 |
| 137 | Department of Community Services | <i>Helpline</i> | 1 June 2005 |
| 138 | Follow-up of Performance Audit State Transit Authority Ministry of Transport | <i>Bus Maintenance and Bus Contracts (2002)</i> | 14 June 2005 |

| No | Agency or Issues Examined | Title of Performance Audit Report or Publication | Date Tabled in Parliament or Published |
|-----|---------------------------------------|---|--|
| 139 | RailCorp NSW | <i>Coping with Disruptions to CityRail Passenger Services</i> | 22 June 2005 |
| 140 | State Rescue Board of New South Wales | <i>Coordination of Rescue Services</i> | 20 July 2005 |
| 141 | State Budget | <i>In-year Monitoring of the State Budget</i> | 28 July 2005 |
| 142 | Department of Juvenile Justice | <i>Managing and Measuring Success</i> | 14 September 2005 |
| 143 | Asset Management | <i>Implementing Asset Management Reforms</i> | 12 October 2005 |
| 144 | NSW Treasury | <i>Oversight of State Owned Electricity Corporations</i> | 19 October 2005 |
| 145 | Follow-up of 2002 Performance Audit | <i>Purchasing Hospital Supplies</i> | 23 November 2005 |
| 146 | Bus Transitways | <i>Liverpool to Parramatta Bus Transitway</i> | 5 December 2005 |
| 147 | Premier's Department | <i>Relocating Agencies to Regional Areas</i> | December 2005 |

* Better Practice Guides

Performance audits on our website

A list of performance audits tabled or published since March 1997, as well as those currently in progress, can be found on our website www.audit.nsw.gov.au.

If you have any problems accessing these reports, or are seeking older reports, please contact our Office Services Manager on (02) 9275 7116.