

Department of Finance Capital Works Scoping Study

Final Report

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Appendix B

Activity Based Work (ABW)

Overview

Workplace strategy is an important area for consideration to assist in greatly reducing leasing, occupation and minor capital work costs across the WoAG portfolio. An effective workplace strategy begins with understanding how the WoAG workforce operates and utilises existing space helping identify inefficiencies and surplus space and in turn reducing occupation costs by reducing the WoAG occupation footprint in the short term. Longer term, the more flexible design maximises the ability of the workplace to accommodate future change with minimal change, if any, to fit-out.

One of the recent initiatives undertaken by corporates and some government entities to reduce surplus space and increase efficiencies is through the adoption of activity based working (“ABW”). Proponents also noted additional benefits from ABW over and above cost efficiencies, including increased productivity, flexible workspaces, and contribution to the attraction and retention of talent.

Currently, the Commonwealth allows Entities to make their own decision on whether or not to pursue ABW work places through trials or pilot projects.

What is activity based work?

ABW is a concept to design your office in such a way, that it supports work activities optimally, rather than drawing a boundary around employee personal spaces. Employees instead choose a variety of pre-determined activity areas that allow them to conduct tasks that are part of their everyday work environment. These may include areas for:

- **High focus:** areas which are typically agreed to be quiet zones located in a quieter part of the office away from high traffic, social and collaborative areas;
- **Quiet rooms:** these are typically located in unassigned desk zones and/or home zones away from high traffic, social and collaborative areas and used as required without a booking requirement for confidential and/or very high focus work;
- **Collaboration/ project work:** these areas would typically be set up for group work, ideally seated and standing, rather than singular work points and have tools to facilitate project work such as e-boards, whiteboards, one or more large smart TVs. These devices would preferably be Wi-Fi enabled and pre-set up on staff laptops mitigating the need for cables. These areas would often be close to printing zones;
- **Learning:** meeting rooms designated for staff training, these rooms would differ in design dependent on the functionality of the business / organisation;
- **Socialising:** this would include kitchen hubs and other break-out areas, typically located near high traffic areas; and
- **Home zones:** these can be either unassigned desks or anchor desk areas allocated to a specific team. Ideally these would be desks that can be adapted to either sit or stand.

The first step towards ABW is to carry out an utilisation study which assesses for each department and/or building:

- how staff work;
- the percentage of staff who use their nominated office space at any one time (taking into account commuters, leave and part-time workers);
- any expected changes to the department or staff numbers;
- the demographics and skills of the current staff to identify whether skill transfer is a consideration; and
- any foreseen ABW limitations such as anchor desks for disabilities or home zones required for roles with a high level of confidential and/or collaborative work.

The above assessment will identify any challenges and projected future efficiencies. A project plan and costings can then be developed for ABW to be assessed and implemented.

The cost savings obtained by implementing an ABW environment can be further augmented through the initiation of flexible working policies which enable employees to work remotely from other offices, hubs, and/or to work from home.

The benefits of activity based working

The benefits of moving to a flexible and ABW environment include:

- **Cost reduction:** this is often listed as a positive by-product of ABW policies rather than the objective. A recent report on ABW and its application to the Commonwealth Government indicates that organisations employing 6000 people save approximately \$10 million per year on a portfolio of 100,000 square metres due to a 30-40% under-utilisation of existing employee workstations.²⁵
- **Competitive recruitment in a changing workforce:** the millennial generation is fast becoming the more dominant age group within the workforce. Millennials appear to be more comfortable with modern workplace environments. As a result, for Government to attract skilled workers, workplace strategy will need to align with market trends toward a more modern and flexible workplace to assist in recruiting suitable candidates.
- **Collaboration supporting business objectives:** flexible workplace design better connects and supports staff and fosters collaboration, productivity and agility, as well as attracting and retaining talent.²⁶ Collaboration and subsequent knowledge share is important in an ageing workforce, where the corporate knowledge held by staff approaching retirement is at risk of being lost.²⁷
- **Future-proofing:** given the non-assigned desk policy of ABW, if FTE numbers change unexpectedly, there is no limitation of set locations. This is an important consideration for Entities which are subject to changes in staffing levels or surge requirements. In addition, due to the lower density design of ABW (taking into account activity based zones), if changes to work points are required, it can often be easier to find space and/or cheaper to adapt the existing fit-out or undertake reinstatement at lease expiry than it would be for a traditional office environment.²⁸ The need to future proof office infrastructure was also part of the Australian Tax Office design considerations for their offices in Geelong and Docklands in Victoria.²⁹
- **Sustainability:** the Energy Efficiency in Government Operations Policy, encourages Entities to lease properties that meet a minimum 4.5 star NABERS rating through reporting and contracting requirements.³⁰ A 4.5 star NABERS rating is a mandatory requirement where the tenancy area exceeds 2,000 square metres and the lease is for longer than two years. ABW fit-outs align to this directive as they lower energy bills, reduce travel if flexible work policies are introduced, reduce wired IT provision and reduce paper usage with fewer printers.
- **Staff health and productivity:** a recent study by the University of Sydney evaluated the impact of ABW on sedentary behaviour.³¹ Moving office workers to ABW appears to reduce self-reported sitting time and increase standing time as well as have positive effects on musculoskeletal discomfort.³² It concluded that overall work ability was high and employees were positive about working in an ABW environment.³³

²⁵ JLL News release 4 June, 2014 'Applying an Activity Based Working (ABW) environment to Commonwealth Government agencies'

²⁶ Department of Finance RMG 506 'Flexible and Efficient Workplace Design Guidance' November 2014, replaced by the RMG-500 Commonwealth Property Management Framework as of 26 September 2017.

²⁷ Information gained from discussions with NSW DFSI

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²⁹ Department of Finance RMG 506 'Flexible and Efficient Workplace Design Guidance' November 2014

³⁰ GGER Fact Sheet 1 'Energy Efficiency in Government Operations'

³¹ August 2015 – Sydney University Evaluation of Activity Based Work on Sedentary Behaviour

³² August 2015 – Sydney University Evaluation of Activity Based Work on Sedentary Behaviour

³³ August 2015 – Sydney University Evaluation of Activity Based Work on Sedentary Behaviour

The challenges of activity based working

The most significant challenges of ABW is the negative perception of how it influences both team culture and team performance, the ICT systems required to support ABW, and flexible work policies. To assist in mitigating these negative perceptions, consideration should be given to the following:

- **Workplace design:** the fit-out of the office needs to be appropriately designed for ABW including:
 - sufficient storage space for personal belongings;
 - quiet rooms that do not require booking for confidential work and conversations (especially if senior management are hot-desking) and high phone usage;
 - project focused zones where the design reflects the nature of work undertaken; and
 - high, medium and low focus areas to facilitate different levels of concentration and noise.
- **Workplace procedures:** policies and procedures should be adopted and communicated to ensure minimal disruption to staff and productivity when working in open spaces such as:
 - no phone use in high focus areas;
 - informal or confidential meetings at specific times to be held in quiet rooms; and
 - confidential work to be undertaken in private meeting rooms.
- **Team culture:** cultural change must be driven by senior management and assisted through the allocation of team 'zones'.³⁴
- **Technology and digitalisation:** Entities may already have the technology capability to work remotely, however, departments without existing technology need to assess the practicality of digitalisation needs to enable ABW and flexible working practices. It is important to evaluate each case objectively and to consider the overall cost of digitalisation in comparison to the tangible savings that ABW generates.
- **Staff adapting to a new way of working:** where possible, ABW is best implemented when an office or department moves and/or restructures. At these times, change is already anticipated and better adapted to as former routines are associated with the former place of work.
- **End of trip facilities:** from the sample of PWC projects reviewed, it was noted a number of Entities potentially funding 'end of trip' facilities. These facilities could be argued as being a base building responsibility/aspect. Inclusion in Government fit-outs would push up costs.

Case study – NSW Department of Finance, Services, and Innovation

Overview

In 2007, the NSW Department of Finance, Services and Innovation ('DFSI') carried out an office space utilisation study which analysed the following:

- Average square metre per FTE: in 2007 this was an average 17 m² per FTE;
- Profiling roles: identify which roles and FTE's are able to roam, which were unable to roam requiring 'home zones' for reasons such as collaboration and confidentiality, and anchor desk requirements for reasons such as disability; and
- Commuters: the utilisation study found that some staff did not operate in just one office.

Following this study, DFSI in Sydney transitioned from a traditional office fit-out to open plan (with the exception of 2 of its 20 floors) which reduced space utilisation to 13 m² per FTE. It was believed that by further progressing to an ABW environment, DFSI could further improve space utilisation by approximately 20% which equated to a space utilisation rate of just over 10 m² per FTE. This was implemented in June 2014 following a 3-4 week trial and project plan including, for the first time, change management specialists.

³⁴ Department of Finance RMG 506 'Flexible and Efficient Workplace Design Guidance' November 2014, replaced by the RMG-500 Commonwealth Property Management Framework as of 26 September 2017.

Result

The transition to ABW achieved the expected 20% reduction in occupancy costs including rent, outgoings, depreciation of capital costs for the fit-out, office services and security. DFSI also recognised that a more open workspace promoted the transfer of knowledge more effectively which was important in an ageing workforce, where the corporate knowledge held by staff approaching retirement was at risk of being lost. In addition, they recognised that a more modern workplace design is important in attracting new talent, with the prevalence of the millennial generation in the workforce unfamiliar to a conventional workplace design.

Future

DFSI is considering the option of introducing a flexible working policy enabling its staff to work remotely, which would be supported by current technology platforms. If this option was implemented, it is expected that there will be further improvements in space utilisation, staff productivity, and also support of DFSI's sustainability drive by reducing traffic in and out of Sydney.

Case Study - UK Government

Following an office space utilisation study, it was determined that ABW would be a fundamental part of the UK Government's Estate Strategy to drive whole of government property savings and efficiencies.³⁵ The UK Government Property Unit, founded in 2010 to identify and drive these efficiencies, recognised that workplace strategy is the first step to reducing their need for office space.³⁶ The UK Government realised that by implementing ABW there were whole of government benefits including:

- Increased productivity from collaborative ABW and flexible work policies that reduced travel time;
- Reduced costs in terms of office space and operational costs;
- Improved wellbeing; and
- Contribution to objectives such as sustainability, localism and reduction of pressure on transport systems.

A number of UK Government departments have already trialled ABW and seen the benefits. Examples of these departments are detailed below.

UK Government - Leeds Health & Social Care Information Centre

Overview

In 2014, when the Leeds Health & Social Care Information Centre (HSCIC) relocated from one of its four buildings, it began to roll out new flexible ways of working aligning to the UK Government's 'The Way We Work' programme.

Result

The new building provided 325 workstations to accommodate 406 FTEs which reduced space utilisation to 6.4 m² per FTE which is below the UK Government's March 2018 target of 8 m² per FTE. This contributed to HSCIC being on track to see a reduction of occupation costs of 47% as a result of adopting ABW.

³⁵ HM Government 'The State of the Estate 2013/ 2014', 'Government's Estate Strategy October 2014'

³⁶ HM Government 'The State of the Estate 2013/ 2014', 'Government's Estate Strategy October 2014'

UK Government - Ministry of Justice

Overview

In February 2015, the Ministry of Justice (MoJ) implemented the UK Government's 'The Way We Work' strategy which included ABW practices, including reduction in the use of paper, working from different locations, and the use of commuter hubs; the first of which opened in May 2014. As at October 2014, the MoJ had reduced its London estate from eighteen buildings to four, saving GBP£30 million a year.

Result

Due to the implementation of ABW and flexible working policies, the MoJ is on track to further reduce its four buildings to one central headquarters by 2016 which was expected to achieve their objective of 7 m² per FTE. As at the date of this Report, we do not know if this objective was achieved.

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