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Overview of the
Commonwealth Property
Management Framework

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Property Management Guidance

This Overview is part of the Commonwealth Property Management series of guidance material developed by the Property and Construction Division within the Asset Management and Parliamentary Services Group in the Department of Finance and Deregulation (Finance). The Property and Construction Division has developed a suite of material to assist Australian Government entities in their management of property assets. The published suite of documents form part of the Financial Management Guidance series issued by Finance including:

- No. 13 *Overview of the Commonwealth Property Management Framework*
- No. 14 *Guidance for the Two Stage Capital Works Approval Process for Australian Government Construction Projects*
- No. 15 *Whole-of-Life Costing for Australian Government Property Management*
- No. 16 *The Commonwealth Property Management Guidelines*
- No. 18 *Property Management Planning Guidance*

The Financial Management Guidance Series of Publications

- No. 1 *Commonwealth Procurement Guidelines*, December 2008.
- No. 2 *Australian Government Foreign Exchange Risk Management Guidelines*, September 2006.
- No. 4 *Australian Government Cost Recovery Guidelines*, July 2005.
- No. 6 *Guidelines for Issuing and Managing Indemnities, Guarantees, Warranties and Letters of Comfort*, September 2003.
- No. 7 *Guidelines for the Management of Special Accounts*, October 2003.
- No. 8 *Guidance on the Listing of Contract Details on the Internet (Meeting the Senate Order on Department and Agency Contracts)*, January 2004.
- No. 9 *Australian Government Competitive Neutrality Guidelines for Managers*, February 2004.
- No. 13 *Overview of the Commonwealth Property Management Framework*, January 2012.

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- No. 14 *Guidance for the Two Stage Capital Works Approval Process for Australian Government Construction Projects*, January 2012.
 - No. 15 *Whole-of-Life Costing for Australian Government Property Management*, January 2012.
 - No. 16 *The Commonwealth Property Management Guidelines*, October 2009.
 - No. 17 *Public Private Partnerships: Business Case Development*, December 2006.
 - No. 18 *Property Management Planning Guidance*, January 2010.
 - No. 20 *Guidance on the Gateway Review Process - A Project Assurance Methodology for the Australian Government*, August 2006.
 - No. 22 *Guidelines on Recruitment Advertising* - July 2009.
 - No. 23 *Commonwealth Grant Guidelines* - July 2009.

The Financial Management Reference Series of Publications

- No. 1 *List of Australian Government Bodies and Governance Relationships*.
- No. 2 *No. 2 Governance Arrangements for Australian Government Bodies*.
- No. 3 *Financial Management and Accountability Legislation*, July 2010.
- No. 4 *Commonwealth Authorities and Companies Legislation*, April 2010.
- No. 5 *Introduction to Cost-Benefit Analysis and Alternative Evaluation Methodologies*, January 2006.
- No. 6 *Handbook of Cost-Benefit Analysis*, January 2006.
- No. 7 *Gateway Review Process - A Handbook for Conducting Gateway Reviews*, August 2006.

Foreword



I am pleased to issue this overview on the *Commonwealth Property Management Framework* (the Property Framework).

The Property Framework provides a range of policy, guidance and cooperative activities to support Departments and Agencies subject to the *Financial Management and Accountability Act 1997* (FMA Act), to achieve more efficient property outcomes.

This Property Framework establishes the broad policy environment within which FMA Act Agencies (Agencies) govern and undertake their own property management activity in a transparent and informed manner.

The Property Framework ensures that comprehensive consideration is given to property ownership and divestment decisions, including the *Commonwealth Procurement Guidelines*, *Commonwealth Property Management Guidelines*, *Handbook of Cost-Benefit Analysis*, *Two Stage Approval Process for Capital Works* and the *Commonwealth Property Disposals Policy*.

The Property Framework has been developed by the Department of Finance and Deregulation (Finance) in collaboration with Agencies, including project-specific working groups of subject matter experts and Agency representatives. Application of the Property Framework is supported by Commonwealth Property Inter-Departmental Committees comprised of Deputy Secretary level and Senior Executive level representatives from Agencies, and a Senior Property Officers Forum that all Agencies can attend. Finance, in partnership with Agencies, is progressing a range of guidance material to support the Property Framework to assist Agencies to identify and move to better practice.

I commend this guidance to Australian Government officials involved in property management.

A stylized, handwritten signature in blue ink, consisting of a large, flowing loop followed by a horizontal line that tapers to a point.

The Hon Gary Gray AO MP
Special Minister of State
Department of Finance and Deregulation
January 2012

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Purpose

1. Purpose

- 1.1 The purpose of the Commonwealth Property Management Framework (Property Framework) is to facilitate informed decision-making processes and to establish the foundation for the efficient, effective, sustainable and ethical use of Commonwealth property resources.
- 1.2 The purpose of the Property Framework guidance is to provide all Departments and Agencies (Agencies) subject to the *Financial Management and Accountability Act 1997* (FMA Act) and their officials, with direction for the efficient, effective and sustainable management of Commonwealth property.¹
- 1.3 The Property Framework provides the Commonwealth's property policy within which Agencies determine their own specific property management practices. The policy is supported by guidance and whole-of-government coordinated activity.

¹ Official is defined in section 5 of the FMA Act to mean a person who is in an Agency or is part of an Agency.

Overview

2. Overview

- 2.1 The Property Framework is a subset of the Financial Management Framework and relates to the management of land or buildings which are owned or occupied by the Commonwealth. The Property Framework is comprised of policies that apply to specific components of the property management process. See the illustration ([Figure,1](#)) of this document for a visualisation.
- 2.2 The policy of the Property Framework is focused on achieving efficient, effective and sustainable property outcomes and sets out arrangements under which Agencies are accountable for their performance. The policy addresses matters identified by the Australian National Audit Office (ANAO) and Agencies which are necessary for good governance of property management, including establishing planning requirements and benchmarking.²
- 2.3 The specific policy measures within the Property Framework are supported by separate guidance material, including when undertaking cost-benefit analysis using Whole-of-Life Costs; the Two Stage Capital Works Approval Process; developing Property Management Plans; reporting specific property data and the transition towards improved occupational density. Better practice guidance is also available to assist Agencies in property management operations.³
- 2.4 The Property Framework is supported by coordinated activity across the Commonwealth. Agencies are working together to implement arrangements for more effective property management, including the use of office accommodation across Agencies. Examples include standard agreements between Agencies for sub-leasing, a common lease agreement, sharing of governance and guidance material, and the use of performance indicators to allow Agencies to identify and transition to better practice.

² Better Practice Guides include the ANAO guidance on the Strategic and Operational Management of Assets by Public Sector Entities

³ Further information is available at www.finance.gov.au

3. Scope

- 3.1 The Property Framework applies to property leased or owned within the Australian Government's property portfolio.⁴ Where a project falls outside of the scope of the Property Framework, the principles contained in the Property Framework can be applied as a matter of best practice in managing Commonwealth property resources.
- 3.2 The Department of Defence (Defence) maintains a separate Two Stage Approval process for Defence Estate Capital Works. This process is similar to, and consistent with, the Two Stage Capital Works Approval process, incorporating cost-benefit analysis and Whole-of-Life Costing processes that are undertaken in consultation with Finance. Defence is subject to the Property Framework but applies its own Two Stage Approval process for the Defence Capital Estate in consultation with Finance.
- 3.3 Property leased and owned by the Commonwealth that is located overseas is subject to the Property Framework. The Commonwealth's overseas owned property estate is managed by the Overseas Property Office (OPO) within the Department of Foreign Affairs and Trade. OPO is to develop policy and guidance for the management of the overseas leased and owned property estate, in consultation with Finance which will become part of the Property Framework.
- 3.4 Bodies subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act) are legally and financially separate from the Commonwealth and are generally not subject to the Property Framework. However, CAC Act bodies listed in Schedule 1 of the *Commonwealth Authorities and Companies Regulations 1997* (CAC Regulations) as subject to section 47A of the CAC Act (relevant CAC Act bodies) may be directed by the Minister for Finance and Deregulation to apply policies of the Property Framework.

⁴ For the purpose of the Property Framework, property means, land, buildings owned or leased by the Commonwealth or a Commonwealth Agency.

Commonwealth Property Management Framework

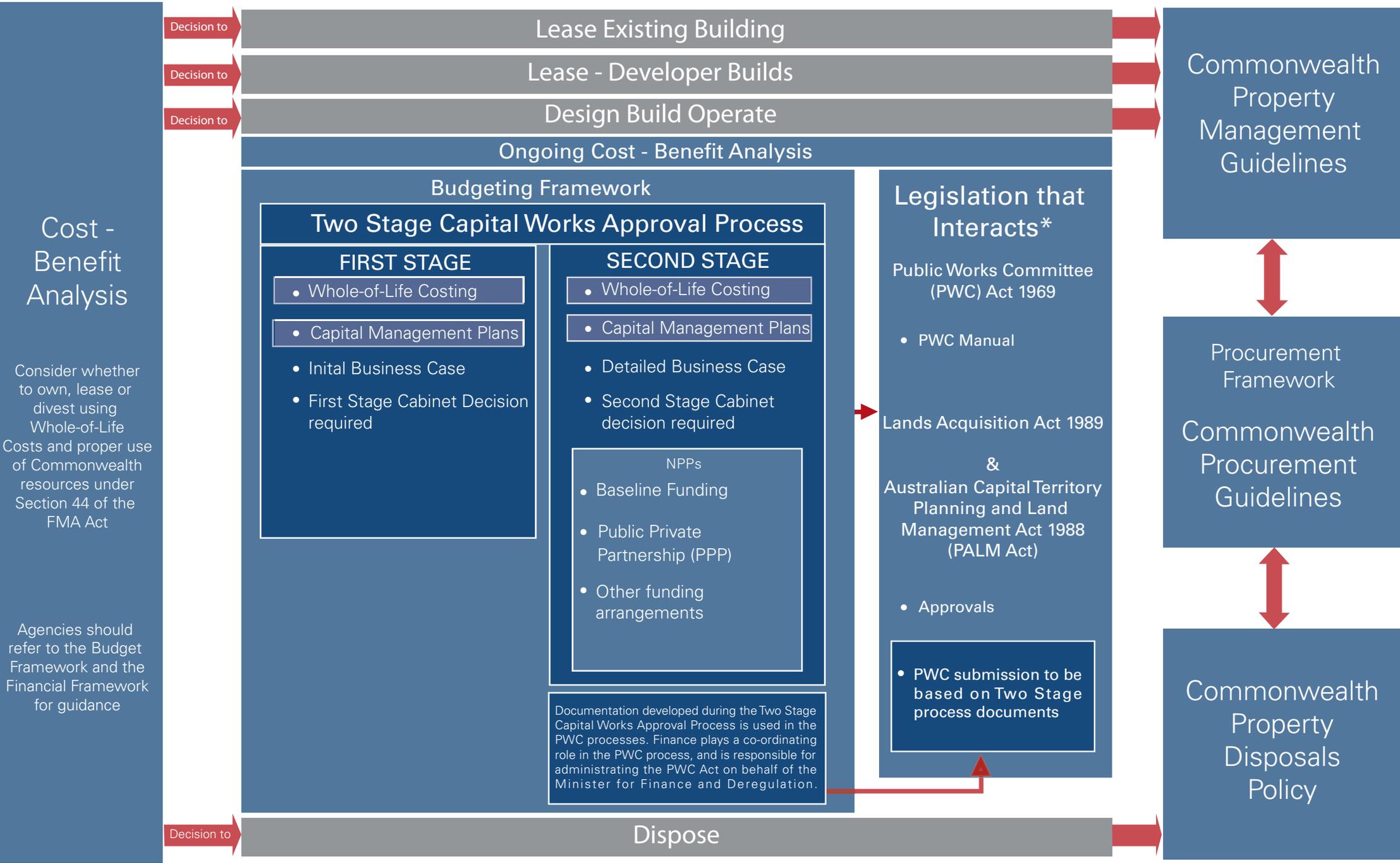


Figure 1: The policy and legislation relevant to each property transaction is dependent on the determination to lease, own or dispose of the property. The figure above shows the different policy and legislative elements for each option.

*This is not an exhaustive list and other legislation may apply.

Application

4. Application

A. The Decision to own, lease or dispose of property

- 4.1 The Property Framework enables the Government to perform balanced and transparent evaluations of the long-term costs of investment options through the adoption of cost-benefit analysis, the use of Whole-of-Life Costs, and other mechanisms, such as risk assessments, that take into consideration economic, environmental, social and other issues in their decision-making.
- 4.2 The decision for the Commonwealth to own, lease or dispose of property should be determined on a case-by-case basis and based on cost-benefit analysis, using Whole-of-Life Costs. Costs are not the only determining factor when assessing the merits of a property decision. The decision should also include analysis of other relevant factors including:
- fitness for purpose;
 - budget impact;
 - role of Government;
 - relative risks of the proposal;
 - flexibility to adapt to change over the lifecycle of the investment;
 - capacity to deliver the option;
 - environmental and heritage obligations/impacts; and
 - social and planning issues.
- 4.3 The introduction of mandatory property management plans for Agencies with property located in Australia (excluding external territories),⁵ as of 1 October 2010, allows for Agencies to foresee the decision point and plan for it well in advance.⁶
- 4.4 The decision to own, lease or dispose of property will need to be considered up to five years prior to the end of a lease or the end of the useful life of an owned building. This lead time is required to ensure that there is adequate time for the Two Stage Capital Works Approval Process, Public Works Committee hearings and building construction and fit-out (if required).

⁵ Australia's external territories comprise the territory of Christmas Island, the territory of Cocos (Keeling) Islands, Norfolk Island, Ashmore and Cartier Islands, the Coral Sea Islands Territory, the Australian Antarctic Territory, and the territory of Heard and McDonald Islands.

⁶ Refer to the *Commonwealth Property Management Guidelines* – www.finance.gov.au

Cost-Benefit analysis using Whole-of-Life Costs

4.5 The thresholds determining whether a property transaction is subject to the Property Framework cost-benefit analysis process are:

1. Capital Works projects:

- a. Non-Defence: greater than \$30 million⁷ (excluding fit-out); and
- b. Defence: greater than \$100 million (excluding fit-out).

2. Lease obligations:

- a. Non-Defence: greater than \$30 million over Whole-of-Life (full term excluding fit-outs); and
- b. Defence: greater than \$100 million over Whole-of-Life (full term excluding fit-outs).⁸

3. Divestments:

- a. Non-Defence: greater than \$30 million; and
- b. Defence: greater than \$100 million.

⁷ Threshold is expressed as in nominal value terms.

⁸ The full term is the duration of the lease arrangement including any options to extend.

Application

- 4.6 For property transactions with a nominal value of less than the thresholds, cost-benefit analysis using Whole-of-Life Costs should be undertaken as a matter of better practice. The analysis should be commensurate with the size, nature and risk profile of the project.
- 4.7 All cost-benefit analysis should comply with the methodology described in the *Handbook of Cost-Benefit Analysis* available from the Finance website.⁹
- 4.8 Whole-of-Life Costings should be consistent with the process described in the document *Whole-of-Life Costing for Australian Government Property Management*, also available from the Finance website. Property and Construction Division in Finance can provide Agencies with further advice and assistance in undertaking this process.

⁹ www.finance.gov.au

B. Property Decision

- 4.9 **Lease an existing building:** The decision to lease an existing building, owned either privately or by the Commonwealth. An Agency will be in a position to comply with s44 of the FMA Act by referring to the Whole-of-Life Costing analysis undertaken in consultation with Finance.
- 4.10 **Lease developer builds:** The decision to enter into a long-term contract for a private developer to build a new building for an Agency to occupy on a long-term basis. The Agency will be in a position to comply with s44 of the FMA Act by referring to the Whole-of-Life Costing analysis undertaken in consultation with Finance.
- 4.11 **Design Build Operate:** The decision to construct a new building, to be owned and operated by the Commonwealth. The Budget Framework requires the Two Stage Capital Works Approval Process to apply to this option, including review by the Public Works Committee (over specific thresholds). The cost-benefit analysis and Whole-of-Life Costing process undertaken in consultation with Finance will provide the foundation for the Two Stage Capital Works Approval Process and the subsequent review by the Public Works Committee. Finance can provide detailed assistance for these processes.
- Note:** As agreed by Cabinet on a case-by-case basis, Finance may be requested to undertake, on behalf of proponent Agencies, the delivery of those domestic, non-Defence capital works (excluding fit-outs).
- 4.12 **Dispose:** The decision to divest a property because it is surplus to Commonwealth requirements. Disposal of all Commonwealth property should be conducted in accordance with the Commonwealth Property Disposals Policy.¹⁰ Finance can provide advice and assist in this process.

¹⁰ Policy available from www.finance.gov.au

Application

C. Two Stage Capital Works Approval Process

- 4.13 The Two Stage Capital Works Approval Process (Two Stage Process) applies to:
- a. Non-Defence capital works proposals over \$30 million, excluding fit-out; and
 - b. Defence capital works proposals over \$100 million, excluding fit-out.
- 4.14 The Two Stage Capital Works Approval Process may apply to large construction projects where the building forms a component of the project. For example, where a building is constructed to house specialised equipment and the aggregate cost of the project exceeds the threshold. Assistance in determining whether the process applies can be determined through early consultation with Finance.
- 4.15 Refer to the Guidance for the *Two Stage Capital Works Approval Process for Australian Government Construction Projects* document issued by Finance and available from the Finance website.
- 4.16 Where a project falls outside of the scope of the Two Stage Capital Works Approval Process, Agencies may apply the due diligence principles contained within the process as a matter of best practice.
- 4.17 It is intended that in applying the Two Stage Capital Works Approval Process, Agencies will be assisted and guided by Finance's Property and Construction Division and the relevant Agency Advice Unit in Budget Group. As the Two Stage Capital Works Approval Process involves the development and costing of New Policy Proposals, Finance's Budget Group is involved.
- 4.18 Defence applies the Defence Two Stage Capital Works Approval Process for the Defence Estate in consultation with Finance.

D. The Parliamentary Standing Committee on Public Works

- 4.19 The *Public Works Committee Act 1969* (the PWC Act) requires that any public works (with certain limited exceptions) with an estimated cost exceeding \$15 million shall not be commenced unless:
- It has been referred to the Parliamentary Standing Committee on Public Works (PWC); and
 - The House of Representatives has resolved, following examination and report by the PWC, that it is expedient to proceed with the work.
- 4.20 Under an agreement between the PWC and successive Finance Ministers, works estimated to cost between \$2 million and \$15 million must be notified to the PWC as medium works, before the works have commenced. Tenders should not be called for until the PWC has agreed in writing for the work to proceed.
- 4.21 Finance undertakes a co-ordinating role in the PWC process, and is responsible for administering the PWC Act on behalf of the Minister for Finance and Deregulation. Finance is responsible for preparing referring motions, expediency motions and exemptions, and briefs the Finance Minister on works requiring referral to the PWC. Referrals are made in the House of Representatives by the Finance Minister.
- 4.22 Prior to commencing any works, Agencies should consult the *PWC Procedure Manual* (the PWC manual).¹¹ The PWC manual outlines the expectations, functions, and responsibilities of the PWC, including the processes to be undertaken to refer works, and the content requirements for PWC submissions. Further information and assistance is available through the Finance website.
- 4.23 The cost-benefit analysis and Whole-of-Life Costing exercises undertaken by the Agency and in consultation with Finance, can be used to harmonise the information being provided to the PWC.¹²

¹¹ Available at <http://www.aph.gov.au>

¹² ANAO performance audit Approval of Funding for Public Works (February 2009) included a recommendation that Finance enhance the provision of project information to the Parliamentary Standing Committee on Public Works.

Property Management

5. Property Management Policy and Guidance

5.1 Within the Property Framework, there are a number of policies that interact to ensure the effective, efficient, ethical, and sustainable use of Commonwealth property including:

- *The Budgeting Framework* – the Budget Process Operational Rules identify when a New Policy Proposal is required to obtain government approval for a capital project and provides the rules on the movement of capital budget funding between financial years to match the construction program. This framework also governs the application of the Two Stage Capital Works Approval Process for construction projects;
- *The Commonwealth Procurement Guidelines* (CPGs) - establish the core procurement policy framework and articulate the Government's expectations for Agencies and relevant CAC Act bodies in relation to procurement;
- *The Commonwealth Property Management Guidelines* – establish five property management principles for Agencies and articulate the Government's expectations for all Agencies in relation to property management; and
- *Commonwealth Property Disposals Policy* – governs the disposal of Commonwealth property.

5.2 The key legislation that interacts with the Property Framework includes the:

- *Public Works Committee Act 1969*;
- *Lands Acquisition Act 1989*;
- *Australian Capital Territory Planning and Land Management Act 1988*;
and
- *Environment Protection and Biodiversity Conservation Act 1999*.

Property Management

- 5.3 Further information on each of the policies and legislation is available on the Finance website. Agencies are responsible for the application of the relevant policies and legislation to their property transactions.¹³
- 5.4 Many policies that may affect property management are the responsibility of Agencies outside the Finance portfolio. The Agency administering a policy is responsible for providing further information and support if required.
- 5.5 A list of the Australian Government policies and legislation that Agencies should consider in relation to Property Management is available on the Finance website. This list includes a short description of the policy and which Agency is responsible for advising on the policy.¹⁴

6. Property Management Policy and Guidance – Further Collaboration

Overseas Property Management

- 6.1 The Department of Foreign Affairs and Trade, in consultation with Finance, is developing Guidance in relation to the management of overseas property.

Defence Estate

- 6.2 Additional guidance on the Defence Estate Two Stage Capital Works Approval Process, including the refinement of cost-benefit analysis methodologies and Whole-of-Life Costing principles is being refined by Defence and Finance to ensure consistency.

¹³ Available at www.finance.gov.au

¹⁴ Legislation and Policies that Interact with Commonwealth Property Management is available at www.finance.gov.au

Glossary of Terms

Glossary of Terms

TERM	EXPLANATION
Agencies	FMA Act Agencies and those CAC Act bodies who may wish to refer to the guidance as a tool.
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CAC Regulations	<i>Commonwealth Authorities and Companies Regulations 1997</i>
Cost-benefit Analysis	A method of economic evaluation for projects, programs or policies that measures benefits and costs as far as possible in monetary terms.
CPMGs	<i>Commonwealth Property Management Guidelines</i>
CPGs	<i>Commonwealth Procurement Guidelines</i>
FMA Act	<i>Financial Management and Accountability Act 1997</i>
Fit-out	The design and delivery of the interior partitioning, floor, ceiling, mechanical, electrical, and environmental components to meet the requirements of the buildings occupants.
Property	Infrastructure, land, buildings or heritage assets owned or leased by the Commonwealth or a Australian Government Agency.
Property Management Plan	A plan set out for an Agency that details its proposed property management activity over a given period.
PWC	Parliamentary Standing Committee on Public Works (Public Works Committee).
PWC Act	<i>Public Works Committee Act 1969</i>
Two Stage Process	Two Stage Capital Works Approval Process.
Whole-of-Life Costs	An estimate of all expected costs over the lifetime of the relevant lease or property, including costs of acquisition, operation and maintenance.