

# Energy Management of Commonwealth Buildings

Department of Primary Industries and Energy  
Department of Administrative Services

## Follow-up Audit

Tabled 16 October 1996

Audit Report No. 10 1996-97

### Abbreviations / Glossary

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<b>ACS</b>	Australian Construction Services
<b>AEM</b>	Australian Estate Management
<b>ANAO</b>	Australian National Audit Office
<b>Asset Services</b>	Was ACS Asset Services now Asset Services
<b>ATO</b>	Australian Taxation office
<b>BOMA</b>	Building Owners and Managers Association of Australia Limited (now Property Council of Australia Limited)
<b>CSIRO</b>	Commonwealth Scientific and Industrial Research Organisation
<b>Customs</b>	Australian Customs Service
<b>DAS</b>	Department of Administrative Services
<b>DASCEM</b>	DAS Centre for Environmental Management
<b>DPIE</b>	Department of Primary Industries and Energy
<b>DPG</b>	Domestic Property Group

<b>EEAP</b>	Enterprise Energy Audit Program
<b>Finance</b>	Department of Finance
<b>GBEAP</b>	Government Buildings Energy Audit Program
<b>GBE</b>	Government Business Enterprise
<b>IDC</b>	Interdepartmental Committee
<b>NTA</b>	National Training Authority
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>POE</b>	Property Operating Expenses
<b>PRA</b>	Property Resource Agreements
<b>PWC</b>	Parliamentary Standing Committee on Public Works
<b>PM&amp;C</b>	(Department of) the Prime Minister and Cabinet
<b>PWPG</b>	Public Works Policy Group (in DAS Corporate)
<b>Standards</b>	Standards for Energy Use in New and Refurbished Commonwealth Owned Buildings

## Energy Management of Commonwealth Buildings

Audit Report No. 10 1996-97

### *Part One - Summary And Recommendations*

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[Summary](#)

## Summary

### Background

1. This audit considered the action taken in relation to the recommendations of Audit Report No.47, 1991-92, *Energy Management of Commonwealth Buildings*, tabled in the Parliament in June 1992.
2. The original audit reviewed the management of energy in both owned and leased Commonwealth buildings. At the time of the audit the ANAO estimated the cost of energy in Commonwealth buildings at some \$258 million per annum and estimated that there was the potential for savings of between \$29 million and \$46 million per annum. The original audit examined the management of the program by the Department of Primary Industries and Energy (DPIE) and the role played by a number of business units in the Department of Administrative Services (DAS) in assisting departments and agencies to improve their energy efficiency. The audit made 26 recommendations.

### Audit objective and criteria

3. The objective of this follow-up audit was to assess whether DPIE, DAS, and the Department of Finance (Finance) had taken appropriate action in relation to the recommendations. The criteria used in the audit were the extent to which the original recommendations agreed by the agencies had been implemented and what had been achieved.

### Recent organisational changes in the Department of Administrative Services (DAS)

4. Since the original audit there have been a number of organisational changes within DAS including the merger of Australian Property and Australian Estate Management (AEM) to form the Domestic Property Group (DPG) and the outsourcing of the management of the Commonwealth's commercial offices.
5. In the 1996 Budget the Government announced the sale of Works Australia (which replaced Australian Construction Services), Asset Services and DAS Centre for Environmental Management (DASCEM).

### Department of Primary Industries and Energy (DPIE)

6. In a devolved environment, responsibility for energy management and energy efficiency measures in Commonwealth buildings lies with departments and budget dependent agencies but DPIE still has responsibility for the overall management of the program.

### Energy management plans

7. Even though it is a requirement that all departments and agencies develop energy management plans, four of the twenty departments have not prepared energy management plans. It is not known how many budget dependent agencies do, or do not, have plans.
8. Until July 1996 budget dependent agencies largely were excluded from DPIE's strategy.

The ANAO considers this was a serious omission given that this sector is estimated to incur more than 50 per cent of the total energy consumption bill for Commonwealth offices.

### **Financial incentives**

9. Since the original audit, Property Operating Expenses have been incorporated into the budget allocation known as Running Costs. All savings from expenditure on energy efficiency measures under Running Costs can be retained by departments and budget funded agencies; which provides a strong incentive for departments and agencies to invest in energy efficiency measures.

### **Evaluation**

10. DPIE has not been able to progress the development of appropriate, quantifiable performance indicators because base year data for 1992-93 for departments, let alone budget dependent agencies, are still not available. While there are practical problems involved in collecting data on energy use, the ANAO notes that DPIE has been working on this issue since 1990.

11. DPIE has not evaluated the success or otherwise of the energy management program but plans an evaluation in 1998 as part of a wider evaluation of energy efficiency programs. DPIE expects most departments will achieve the former Government's five year energy savings target but in the absence of reliable data does not have a firm conviction for this view.

### **Energy efficiency building standards**

12. In 1990 the Government called for the establishment of, and adherence to, high standards of energy efficiency in the construction and leasing of Commonwealth buildings. In 1992 the Government again called for guidelines to address energy efficiency considerations in relation to building design, refurbishment and lease arrangements.

13. DPIE and DAS developed *Standards for Energy Use in New and Refurbished Commonwealth-Owned Buildings* which were ready for publication early in 1996. However, these *Standards* have not yet been released generally pending the development of a submission by DPIE to the Government as part of a comprehensive package of energy efficiency initiatives.

14. Development of guidelines for leased accommodation has also been slow. DPIE has a document in draft which is also being held pending the development of a submission to Government.

### **Annual reporting**

15. One of the cornerstones of the energy management program was the requirement that departments publish in their annual reports their energy use and energy efficiency improvement initiatives. Changes to make the *Guidelines for the Preparation of Departmental Annual Reports* more specific on energy related matters took place for the 1992-93 reporting year.

16. Information on energy use and efficiency initiatives were no longer required to be

included in published annual reports from 1993-94. Since then DPIE has instituted alternative mechanisms to collect this data but the ANAO found that the data is often late, varies in quality and excludes important information and may or may not cover budget dependent agencies.

### **Energy managers**

17. Effective energy managers are vital for improving energy management in departments and budget dependent agencies, however, the ANAO found that energy managers often have difficulty getting support from senior management.

### **Consultation**

18. The ANAO found that there has been some communication between DPIE and DAS on a needs basis but considers that a small joint working party to explore options to encourage departments and agencies to improve the energy efficiency of their buildings could prove cost effective from a whole of government perspective.

### **Implementation plan**

19. In 1992 the ANAO found that there was no formal plan in DPIE to implement the program. Although progress has occurred since, the ANAO found that there is still insufficient detailed planning by DPIE. This has contributed to delays in the program.

## **Department of Administrative Services**

20. The ANAO recognises that DAS commercial business units cannot dictate energy efficiency requirements to departments and agencies. Nevertheless, as major providers of property services to departments and agencies in the design of new buildings or refurbishment of existing buildings or the leasing of accommodation, such businesses are well positioned to influence improvements in the energy efficiency of Commonwealth occupied buildings.

### **ACS Project Services** (*now Works Australia*)

21. Although most new projects designed by ACS Project Services and reviewed by the PWC of late have used energy targets and more recently the draft energy standards, others have not because cost restraints have resulted in energy efficiency measures being excluded. The ANAO considers that guidance on energy standards should assist both DAS and its clients to consider energy efficiency measures in new and refurbished buildings more consistently.

### **Australian Property Group** (*now DPG*)

22. Australian Property was the largest supplier of accommodation services such as contract negotiation and property administration to Commonwealth departments and budget dependent agencies. In 1995-96 some 66 per cent of Commonwealth office accommodation was leased.

23. The ANAO considered that Australian Property was in a strong position to influence the leasing of energy efficient accommodation on behalf of its clients and to assist agencies in implementing strategies to improve their energy efficiency. The ANAO found that Australian Property has done relatively little to assist client departments to improve

the energy management of their accommodation and what has been achieved has been on an ad hoc basis. DPG considers that it is unreasonable for it to insist or 'strongly influence' the purchasing decisions of departments and agencies, particularly when such decisions may have significant financial implications. The ANAO notes that energy efficiency requirements have been included in the tendering documentation for the management of the Commonwealth's commercial offices.

### **Australian Estate Management (now DPG)**

24. AEM was responsible for the strategic management of the Commonwealth's owned estate, which in 1995-96 represented 34 per cent of total Commonwealth office space.

25. All recent major development projects sponsored by AEM have been required to be energy efficient. Such arrangements should also apply to major refurbishments of existing buildings.

### **Management information needs**

26. The original audit found that AEM lacked an adequate information system to enable it to assess the energy performance of its buildings. The ANAO found that the weaknesses in the property information system persist. In the 1996 Budget the Government announced that it will establish a centralised Commonwealth property register for all domestic land, property and accommodation.

### **Overall conclusions**

27. The ANAO concludes that progress on the implementation of the previous Government's requirements for energy management in Commonwealth buildings by DPIE has been slow and inadequate in a number of areas. The achievements of the program, against the former Government's savings targets, are unable to be measured because of the paucity of performance information.

28. DAS' role in influencing improvements in energy efficiency in Commonwealth buildings could well be reduced by the recent organisational changes announced in the DAS portfolio. It is important, therefore, that DPIE reinforces the strong financial incentive for agencies to improve energy efficiency by increasing its efforts to raise awareness of the importance of energy efficiency in the interests of both the economical use of resources and energy savings.

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## **Recommendations**

*Set out below are the ANAO's recommendations with Report paragraph reference and DPIE's and DAS' abbreviated responses. More detailed responses and any ANAO comments are shown in the body of the report. The ANAO considers that DPIE should give priority to Recommendations Nos. 1, 2 and 5.*

### **Collection of energy consumption data from agencies**

The ANAO recommends that DPIE:

Recommendation  
No. 1  
Para. 2.12

- collects energy consumption data from all major budget dependent agencies; and

- recommends to its Minister an energy consumption threshold below which the Government's requirement for energy plans and reporting would not apply.

**DPIE Response:** Agreed.

### **Data collection mechanisms for energy management**

Recommendation  
No. 2  
Para. 2.43

The ANAO recommends that DPIE examines its current data collection mechanisms for reports on energy management with a view to improving the timeliness and quality of the data collected.

**DPIE Response:** Agreed.

### **Energy managers**

Recommendation  
No. 3  
Para. 2.49

The ANAO recommends that DPIE writes to departments and agencies to encourage the appointment of a sufficiently senior officer to be responsible for improvements in the energy efficiency of the department or agency.

**DPIE response:** Disagreed.

### **Evaluation of training**

Recommendation  
No. 4  
Para. 2.54

The ANAO recommends that DPIE assesses the result its training courses have on improvements in the energy efficiency of Commonwealth buildings.

**DPIE response:** Disagreed.

### **Working party for whole of government energy management**

Recommendation  
No. 5  
Para. 2.60

The ANAO recommends that DPIE and DAS consider the establishment of a small joint working party to explore options to encourage departments and agencies to improve the energy efficiency of their buildings.

**DPIE Response:** Agreed.

**DAS Response:** Agreed.

### **Implementation plan for DPIE**

Recommendation  
No. 6  
Para. 2.66

The ANAO recommends that DPIE develops a formal implementation plan (including a timetable) to ensure the Government's energy reduction targets are achieved.

**DPIE Response:** Noted.

## **1. Introduction**

### **Background**

1.1 Audit Report No.47, 1991-92, *Energy Management of Commonwealth Buildings*, tabled in the Parliament in June 1992, reviewed the program administered by DPIE for improving the energy efficiency of Commonwealth buildings, the role played by DAS in assisting Commonwealth Government departments and agencies to improve their energy efficiency, the barriers to improved energy efficiency and the state of energy management in departments.

1.2 Audit Report No.47 found that there was no aggregate data on the amount and cost of energy consumption in Commonwealth buildings. The ANAO estimated the cost of energy in Commonwealth buildings at some \$258 million per annum and estimated that there was the potential for savings of between \$29 million and \$46 million per annum if buildings were brought up to meet the energy efficiency targets developed by the Building Owners and Managers Association Limited (BOMA) or those developed by the then Australian Construction Services (ACS). At the time of the original audit building energy efficiency standards required by the Government had not been set. Responsibility for energy management was in a state of transition as responsibility was devolved to departments and agencies from a commercialised DAS. This situation led to a regulatory vacuum and a lack of effective mechanisms to ensure that departments and agencies complied with Government energy management initiatives.

1.3 The original audit made 26 recommendations designed to improve energy management in Commonwealth owned and leased buildings. These included the introduction of energy management plans by departments and budget dependent agencies, including a quantifiable target reduction in energy consumption and cost; more practical assistance to departments and agencies in the development of such plans; improved program monitoring; the inclusion of departments and budget dependent agencies in Commonwealth energy auditing programs; improved reporting of energy related matters in annual reports; a resolution of the regulatory vacuum; the appointment of sufficiently senior energy managers in departments and agencies; an evaluation to focus on the outcomes of energy manager training; improved program planning by DPIE; a more proactive approach by DAS to promote its energy management services and assist its client departments and agencies; improvements in the collection of energy data; and appropriate program performance indicators.

### **Audit objective, criteria and scope**

1.4 The objective of this audit was to assess whether DPIE, DAS and the Department of Finance had taken sufficient and appropriate action in relation to the recommendations made in Audit Report No.47. Progress in implementing the recommendations formed the basis of the audit criteria.

1.5 The ANAO interviewed DPIE and DAS officers and consultants employed by DPIE to assist in managing the program. The ANAO also reviewed departmental files and documentation, and addressed a series of written questions to DPIE, DAS, Finance, PM&C and the secretariat of the Parliamentary Standing Committee on Public Works.

### **Policy description**

1.6 In October 1990, as part of the policy to reduce greenhouse gas emissions, the previous Government agreed to a number of initiatives designed to improve the energy efficiency of Commonwealth buildings. The main features were:



- the appointment of energy managers in government departments and authorities;
- the annual reporting by government departments and authorities of energy use and energy efficiency improvement initiatives undertaken;
- the establishment of, and adherence to, high standards of energy efficiency in the construction and leasing of Commonwealth buildings;
- energy management training;
- the use of Commonwealth buildings for demonstrations of energy efficient technologies; and
- the establishment of a database of Commonwealth energy use.

1.7 On 1 July 1992 the Government Buildings Energy Audit Program (GBEAP) was initiated for departments and budget-funded agencies in Commonwealth occupied owned and leased buildings. This program provided funding for energy audits of Commonwealth buildings. In November 1992 the then Government either agreed, or agreed in principle, to further initiatives, some of which addressed ANAO recommendations. These included:

- reaffirming that all departments and budget-funded agencies were responsible for effecting energy efficiency improvements in their own operations;
- commencing with the 1992-93 reporting year, all departments and budget-funded agencies developing annual energy management plans which addressed all aspects of energy consumption (buildings, vehicles, and equipment) and which should be reported annually;
- reviewing progress on improvements to energy management in Commonwealth occupied buildings following the 1992-93 reporting year by departments and budget-funded agencies;
- developing a target for energy efficiency improvements in Commonwealth occupied buildings;
- establishing guidelines to determine the manner in which energy efficiency considerations would cover building design, refurbishing and leasing arrangements;
- all new Commonwealth buildings, including major refurbishments, meeting or bettering the standards set in a prospective national commercial energy building code;
- DPIE developing appropriate, quantifiable performance indicators which could be used to evaluate the program of enhanced energy management initiatives in the Commonwealth's own operations; and
- DPIE consulting DAS to resolve the regulatory vacuum that currently existed and allocating higher priority to the establishment of high energy efficiency standards in Commonwealth buildings than had been the case to date.

1.8 In December 1992 the then Prime Minister announced that, using 1992-93 as a base

year, departments and budget funded agencies would reduce energy use in Commonwealth occupied buildings by 15 per cent before 1998-99 and by 25 per cent before 2003-04.

1.9 The Government's policy statement before the election in March 1996 stated that it would:

- set a target of achieving world's best practice in the efficient use of energy including as a first step meeting or exceeding the OECD energy efficiency average for industrial, commercial and residential usage; and
- lead by example through ensuring government procurement and operations maximise energy efficiency. It would:
  - undertake an energy efficiency audit of every government department and agency with a three month reporting deadline;
  - set objectives for future end-use energy efficiency; and
  - institute an annual whole-of-government energy efficiency audit.

1.10 In the 1996 Budget the Government stated that it would focus on new areas for improving energy efficiency in Commonwealth operations. The Minister for Resources is to consider a whole-of-Commonwealth approach as part of the Resources and Energy Policy of the new Government.

### **Recent organisational changes in DAS**

1.11 Since the original audit there have been several organisational changes in DAS. In January 1993 DAS established a new business unit, the DAS Centre for Environmental Management (DASCEM). DASCEM's core business activities include the delivery of energy management services, either using its own resources or those of other DAS businesses.

1.12 ACS was replaced by a smaller Works Australia and the Public Works Policy Group (PWPG) was established as part of the Corporate Division of DAS. A major role of the PWPG is to promote implementation by agencies of relevant policies. ACS Asset Services became Asset Services.

1.13 In late April 1996, the Secretary of DAS announced the amalgamation of AEM and another of DAS' business units, the Australian Property Group (APG), to form the Domestic Property Group (DPG). On 31 July 1996 the Minister for Administrative Services announced a timetable for outsourcing the management of the Commonwealth's commercial offices (including office buildings). The services required will include energy management.

1.14 At the time of the audit a review of the DAS commercial business units was in progress. Decisions announced in the 1996 Budget included the sale of Asset Services, DASCEM and Works Australia.

### **Whose responsibility?**

1.15 The principal responsibility for delivery of energy efficiency in Commonwealth

operations resides with the heads of departments and agencies, with DPIE having the key overview and guiding role. DAS' role since 1992 has generally been to advise departments and agencies, including DPIE, on energy matters and to provide energy management services to departments and agencies on a commercial basis.

### **Conduct of the audit**

1.16 The audit was conducted in accordance with the ANAO Auditing Standards and cost \$92,000. Field work was conducted between April and July 1996.

### **Previous reports**

1.17 Since June 1992 the following related ANAO reports have been tabled in the Parliament:

- Report No.32, 1992-93, *Implementation of an Interim Greenhouse Response*, Department of Primary Industries and Energy, Energy Management Programs, tabled in May 1993;
- Report No.29, 1994-95, Project Audit *Energy Management in Defence*, tabled in June 1995; and
- Report No.29, 1995-96, *Management of the Commercial Estate, Australian Estate Management*, tabled in June 1996.

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## **2. Energy Management Initiatives in Commonwealth Buildings**

*This chapter examines progress by DPIE on the recommendations addressed to it in Audit Report No.47, 1991-92. The cross reference to the recommendations in the original report is given in parentheses.*

### **Strategy similar to earlier programs of limited success**

*(Refer Recommendation No.1)*

2.1 In the original report the ANAO found that the strategies being adopted by DPIE to improve the energy efficiency of Commonwealth occupied buildings were very similar to previous strategies that had had only limited success. As a consequence the ANAO recommended that DPIE propose to Ministers that departments and authorities be required to develop an energy management plan which included quantifiable target reductions in energy consumption and cost. To ensure these plans were sufficiently rigorous the ANAO recommended that DPIE provide more practical assistance to departments and agencies, approve the plans and, to ensure targets were met, monitor progress and report any difficulties to government. The ANAO recognised that this would involve DPIE in increasing its efforts in this area and recommended sufficient resources be allocated to meet the additional workload.

2.2 DPIE either agreed, or agreed in principle, to all of the recommendations. The Government subsequently decided that DPIE should not approve energy management plans.

2.3 In November 1992, following a submission from DPIE, the Government agreed that

for 1992-93 and onwards all departments and budget-funded agencies should develop energy management plans. Such plans were to be updated annually and to be reported as part of annual reporting requirements on energy efficiency matters. Quantifiable target reductions in energy consumption in Commonwealth buildings were subsequently announced in December 1992 in the then Prime Minister's Environment Statement. Using 1992-93 as the base year, energy use in Commonwealth occupied buildings was to be reduced by 15 per cent within five years and 25 per cent within ten years.

2.4 However, in June 1996 the ANAO found:

- some four years after the requirement for departments to prepare energy management plans four of the twenty Commonwealth departments had not prepared energy management plans; and
- DPIE did not know how many budget dependent agencies did, or did not, have plans.

2.5 Because DPIE does not seek copies of departmental energy plans it was also unable to supply information on the quality of such plans, for example, whether all departments with plans actually included quantifiable target reductions in energy consumption and cost or whether plans were updated annually. A consultant employed by DPIE observed that many of the energy management plans prepared by departments were quite superficial.

2.6 However, the ANAO found that DPIE was trying to monitor progress in achieving the former Government's energy reduction targets and had reported progress (or the lack of it) to the Government. For example, in late 1994 and 1995 DPIE drew the Government's attention to the lack of compliance with the Government's energy management plan requirements and proposed that it produce a public report each year on energy efficiency across Commonwealth agencies. The ANAO would support such a proposal as a means of providing a whole of government approach to reporting progress against the energy reduction targets set by the former Government.

2.7 The value of DPIE reporting on energy management in Commonwealth buildings has been constrained by the fact that the energy data for all Commonwealth departments for the 1992-93 base year has not been available. DPIE has advised that the base year data for departments is now expected to be completed by December 1996.

2.8 In addition, DPIE has not collected any energy consumption data from any of the budget dependent agencies. DPIE originally advised that it had not focussed on budget dependent agencies because 'few agencies are likely to realise major gains'. The ANAO questioned the wisdom of this approach given that many of the budget dependent agencies, such as ATO, Customs, NTA, and CSIRO, are very large consumers of energy in their buildings. DPIE subsequently advised that it now considers major budget-funded agencies ought to be included as there is scope to realise major gains. The ANAO understands that, from July 1996, DPIE intended to identify and survey agencies where energy collection would be cost effective.

2.9 On the other hand, DPIE has provided more practical assistance to departments and agencies. For example, a guide for energy managers in government departments and agencies, called *Energy Management Planning*, was published and distributed by DPIE in October 1993. DPIE sponsored training courses for energy managers in departments and

agencies have also continued.

2.10 Only one part-time staff member in DPIE provided advice to departments and agencies on the more technical aspects of energy management in Commonwealth buildings from 1992 to mid-1994. Although DPIE has not allocated any additional departmental resources, a professional building energy advisory service was engaged in September 1994 and provided assistance to departments and some agencies from February 1995. This service to departments and agencies ceased in June 1996. The ANAO found that progress in implementing energy policies in Commonwealth occupied buildings improved markedly once the consultant was appointed. DPIE has also used the consultant advisory service to provide DPIE with technical advice on energy management and renewed this contract in July 1996.

2.11 In ANAO's opinion the exclusion of budget dependent agencies from DPIE's strategy until July 1996 was a significant omission given that this sector is estimated by the ANAO to represent more than 50 per cent of the Commonwealth's total energy consumption bill for office accommodation. The ANAO recognises that the reporting of progress or otherwise on energy targets for some of the smaller agencies can impose a cost that is not warranted by the likely benefits in terms of energy savings. It is suggested that a threshold be established below which agencies are not required to prepare energy plans or report energy consumption.

### **Recommendation No.1**

2.12 The ANAO recommends that DPIE:

- collects energy consumption data from all major budget dependent agencies; and
- recommends to its Minister an energy consumption threshold below which the Government's requirement for energy plans and reporting would not apply.

### **DPIE Response**

2.13 Agreed. DPIE noted that this issue will be considered as part of the Government's development of a whole-of-Commonwealth approach.

### **Financial incentives**

*(Refer Recommendation No.2)*

2.14 The ANAO found in the original audit that one of the barriers considered by departments to inhibit the implementation of energy efficiency improvements was their belief that any savings resulting from improved energy efficiency would have to be returned to Consolidated Revenue. Finance advised the ANAO at the time that once Property Operating Expenses (POE) were incorporated into Running Costs, departments and agencies would be able to retain all savings that are made from improvements in energy efficiency.

2.15 The ANAO recommended that Finance issue a clear statement to departments how the financial savings from energy efficiency improvements were to be treated in the budgetary context.

2.16 Since the original audit POE have been incorporated into Running Costs for most agencies. Generally all savings from expenditure on energy efficiency measures under

Running Costs can be retained by departments and budget funded agencies. If a Property Resource Agreement (PRA) has not been signed then savings can only be spent on current POE. Once a PRA has been signed, and a majority of agencies have an agreement, then savings can be spent on any expenditure item under Running Costs. The ANAO considers that under the Running Costs arrangements there is a strong incentive for agencies to invest in energy efficiency measures as they retain the financial benefits. Unfortunately there are several internal and external factors, such as the level of technical expertise available and the extent of devolution within departments, that may negate the benefit of these financial incentives. In other words the financial incentives are a necessary but not sufficient factor in improving energy efficiency in Commonwealth buildings.

### **Enterprise Energy Audit Program**

*(Refer Recommendation No.4)*

2.17 The largest single financial component of the initiatives announced by the Government in October 1990 was the allocation of some \$4.9 million over three years to the Enterprise Energy Audit Program (EEAP) for private organisations and GBEs. However, government departments and agencies were excluded from this initiative. The ANAO recommended that, as a means of 'kickstarting' the program, DPIE seek to include Commonwealth departments and budget dependent agencies in the program.

2.18 The Government Buildings Energy Audit Program (GBEAP) was initiated in July 1992 for departments and budget funded agencies in Commonwealth occupied owned and leased buildings. Program expenditure between July 1992 to about December 1994 was \$1.8 million and produced 331 energy audits covering some 300 buildings.

2.19 A review commissioned by DPIE in August 1994 of a sample of 129 of the energy audits estimated energy cost savings of over \$5.9 million per annum based on a 'one off' investment of \$4.6 million.

2.20 However, there have been difficulties with the implementation of the recommendations resulting from energy audits conducted under GBEAP. Many departments did not know best to take advantage of the results of the energy audits. Technical aspects were not always easy to understand, with many early energy managers having little or no background in energy matters. Departments and agencies had problems in drawing up tenders, selecting tenderers and obtaining value for money. Training courses for Commonwealth energy managers since late 1994 have included a major section on how to commission energy audits and how to interpret the results. The energy consultancy service has also assisted departments to make the best use of the audits by interpreting and setting priorities for the recommendations.

### **Evaluation**

*(Refer Recommendation No.5)*

2.21 The original audit found that the program of enhancing energy management initiatives in the Commonwealth's own operations did not have any performance targets, either in terms of quantifiable energy reduction or cost savings targets, which would enable DPIE and others to judge the success of the program. The ANAO recommended that DPIE develop appropriate, quantifiable performance indicators.

2.22 DPIE agreed to this recommendation but pointed out that quantification of performance indicators presumed the availability of appropriate energy use data which was

to be provided by a study under way at the time. The ANAO noted that the establishment of a database of Commonwealth energy use was originally required as part of the Government's 1990 policy to improve the energy efficiency of Commonwealth buildings. It was also recognised by DPIE in 1992 that quantifiable performance indicators could not be established until there was a reliable database of energy consumption available.

2.23 The ANAO considers that the achievement of the energy reduction targets required by the previous Government would be an appropriate outcome measure of the success of the program.

2.24 In advice to the Government in November 1995 DPIE said that most, but not all, departments were expected to achieve the five year target, with principal gains in the latter years. In a briefing prepared for the Senate Additional Estimates hearings also in November 1995, DPIE stated that, based on feedback from departments and the advisory service, it was confident that the target would be achieved on an aggregate basis by departments.

2.25 Unfortunately, measurement of the success in, or progress towards, achieving the Government's energy consumption targets is not possible at present because, as reported above:

- aggregate 1992-93 base year data for all departments and budget dependent agencies is unavailable, and
- data on current aggregate energy use is also unavailable, particularly as far as budget dependent agencies are concerned.

2.26 Part of the difficulty in collecting aggregate data for 1992-93 has been the lack of energy consumption records held by departments or DPIE. This has meant that utility suppliers have had to be approached to provide much of the base line data.

2.27 Another problem has been that the data published in departmental annual reports has proved inadequate for the purpose of aggregating the 1992-93 energy consumption data. There has also been some confusion over the definition of the energy data to be collected; for example, whether or not energy used for common services such as lifts and air-conditioning in leased buildings should be included. DPIE has advised that its energy consultancy service has been working with AEM to collect common services data for all AEM buildings. Figures for the ACT are complete, WA and SA are almost complete, with the remainder of States to follow. Disaggregation on a department-by-department basis will then occur.

2.28 The ANAO recognises the practical difficulties in collecting energy consumption data across the Commonwealth. However, DPIE has been working on this issue since 1990 when a database of Commonwealth energy use was first required by the Government and delays in coming to grips with the difficulties are only exacerbating the problem. The ANAO noted DPIE now has more confidence in the accuracy of the energy consumption information as a result of the involvement of the energy consultancy service in validating some of the 1992-93 base year data and consumption in later years. DPIE has advised that data for Commonwealth owned buildings and estimates for leased buildings occupied by Commonwealth departments should be completed by December 1996 and that it will start collecting data for major budget dependent agencies.

2.29 An evaluation of energy savings in Commonwealth operations, as part of a wider evaluation of energy efficiency programs, has been scheduled for 1998.

### **Energy efficiency building standards**

*(Refer Recommendation No.6)*

2.30 As a means of encouraging energy efficient construction of new Commonwealth buildings and the leasing of commercial buildings, the Government's policy in 1990 called for the establishment of, and adherence to, high standards of energy efficiency in Commonwealth buildings. Such standards were to be based on the energy efficiency guidelines already established by ACS for buildings. In its earlier report the ANAO found that progress by DPIE and DAS in developing any standards had been very slow, that no standards were in place and there was confusion as to the status of the earlier standards. This situation was complicated in that ANAO also found that with the commercialisation of DAS business units DAS could not dictate energy standards to other departments and agencies. As a consequence of the lack of standards and any mechanism to enforce such standards the ANAO recommended that DPIE consult DAS to resolve the regulatory vacuum and allocate a higher priority to the establishment of high energy efficiency standards in Commonwealth buildings.

2.31 In response to the recommendation DPIE agreed and said that it was addressing the issues with DAS. DAS stated that it did not believe that it should have any regulatory role in ensuring adherence to such standards.

2.32 The Government subsequently agreed in November 1992 that the Minister for Resources, in consultation with the Minister for Administrative Services, would approve guidelines to address energy efficiency considerations in relation to building design, refurbishment and lease arrangements.

2.33 By mid-1995 DPIE and DAS had developed guidelines which were called *Standards for Energy Use in New and Refurbished Commonwealth-Owned Buildings* and which were endorsed by the then Minister for Primary Industries and Energy and the then Minister for Administrative Services. Further development work took place on the *Standards* document until it was considered ready for publication early in 1996. It was then decided that it would be better to distribute the *Standards* document to departments and budget dependent agencies after the March 1996 election.

2.34 In conjunction with the *Standards* document, DPIE has developed descriptive and quantitative guidelines suitable for use in building briefs (new buildings, major refurbishments and tenancy fit-outs) with a draft being completed in June 1996.

2.35 The ANAO notes that in November 1992 the Government agreed to arrangements to address energy efficiency considerations in leased buildings. However, until recently little action had taken place by DPIE or DAS to progress the issue of energy efficiency standards in leased accommodation. DPIE has prepared guidelines for energy and operating cost criteria to be used as the basis for negotiations with building owners on energy aspects of leased buildings. A draft was completed in June 1996.

2.36 DPIE has advised that the release of the *Standards* document and guidelines for use in building briefs and leased accommodation is on hold pending the development of a submission to the Government as part of a comprehensive package of energy efficiency initiatives.



2.37 The ANAO finds that almost six years after it was first required there are still no generally available energy guidelines for Commonwealth owned and leased buildings. The ANAO considers that the opportunity to release the *Standards for Energy Use in New and Refurbished Commonwealth-Owned Buildings* and the guidelines for energy and operating cost criteria for leased buildings, which would greatly assist departments and agencies, should be kept under regular review pending the Government's consideration of its approach to energy management in Commonwealth buildings.

### **Annual reporting**

(Refer Recommendations Nos.7 and 8)

2.38 One of the cornerstones of the energy management program was the requirement that departments publish in their annual reports their energy use and energy efficiency improvement initiatives. However, the *Guidelines for the Preparation of Departmental Annual Reports* issued by the Department of the Prime Minister and Cabinet in April 1991 were not specific on what should be included on energy related matters. The ANAO recommended that DPIE approach the Department of the Prime Minister and Cabinet to make the *Guidelines for the Preparation of Departmental Annual Reports* more specific in terms of reporting energy related matters.

2.39 DPIE agreed to this recommendation and in 1992 the Government decided that the Minister for Resources be given the responsibility to approve the detailed annual reporting guidelines on energy efficiency in Commonwealth operations. New guidelines were introduced from 1992-93. Following changes to annual reporting arrangements which took effect from 1993-94, information on energy use and efficiency initiatives were no longer required to be included in published annual reports. However, if the information is requested, it must be made available within five days of the request.

2.40 To provide relevant and timely advice to the Government on progress in achieving the Government's energy policies, it is important that DPIE has access to accurate data on energy consumption in Commonwealth buildings. The only mechanism available to DPIE in 1992 was to review the annual reports published by departments and budget dependent authorities each year. The ANAO recommended that DPIE institute a better mechanism to enable it to consolidate and analyse the material in annual reports on energy use and energy efficiency improvements.

2.41 DPIE considered that the current mechanism was suitable. However, given that DPIE still does not have an aggregated figure for energy consumption for all of the 20 Commonwealth departments let alone the numerous budget dependent agencies, the ANAO remains of the view that the current data collection mechanism by DPIE is inadequate. Now that energy consumption data is no longer published in annual reports DPIE collects the data by requesting manual returns from departments once a year. Returns from departments often take several months to arrive, vary in quality, often exclude important information and use different measures of energy usage. It is also not always clear if energy information for budget dependent agencies is included or excluded. In November 1995 when DPIE sought the annual reports on energy management only two-thirds of the departments returned reports within five days. The longest took 87 days.

2.42 DPIE has not specifically written to departments about the inadequacy of their reporting of energy matters. The only action DPIE has taken to try to address the data collection difficulties was to draw the attention of the Minister for Primary Industries and

Energy to the inadequacies in reporting by departments. A letter from the Minister was sent to all Ministers in 1993 on this issue but the difficulties remain. The ANAO considers that if DPIE provided a standard proforma, preferably as a computer disk, for departments it would make it easier for them to respond to requests for data from DPIE. This in turn would encourage the provision of more timely and consistent data from departments.

## **Recommendation No.2**

2.43 The ANAO recommends that DPIE examines its current data collection mechanisms for reports on energy management with a view to improving the timeliness and quality of the data collected.

### **DPIE Response**

2.44 Agreed. Monitoring and reporting mechanisms will be considered as part of the Government's development of a whole-of-Commonwealth approach. However, DPIE notes that adherence to Government requirements on timely provisions of data to DPIE is the responsibility of each Commonwealth body.

### **ANAO Comment**

2.45 Currently DPIE collects information from some 20 departments only. When the major budget dependent agencies are included in the reporting arrangements the workload for DPIE will increase considerably. DPIE's methods of processing the current information will not be able to cope with a substantial increase in information to be collected and processed. While the ANAO acknowledges that reporting to DPIE is the responsibility of each Commonwealth body the inconsistencies in the reporting and in some cases the long delays in forwarding the information to DPIE made it difficult for DPIE to fulfil its responsibilities of reporting to Government on the energy management of Commonwealth buildings.

## **Energy managers**

*(Refer Recommendation No.9)*

2.46 The Government's decision in October 1990 required the appointment of energy managers in all government departments and authorities. The ANAO was concerned that the energy managers that had been appointed were often not sufficiently senior to drive an effective program of energy efficiency improvement within their department or agency. The ANAO recommended that DPIE ask each department and authority to appoint an energy manager with appropriate seniority, experience and commitment; and that the officer be the focal point of contact on energy efficiency matters and be made responsible for promoting improvements in energy efficiency in that department or authority.

2.47 DPIE's response was that this was a matter for departments and authorities. The ANAO accepts that ultimately this is the case. However, it is recognised that energy managers:

- do not stay long in the job;
- are often not consulted on issues that affect energy efficiency;
- often have difficulty getting support from senior management; and

- often have other responsibilities.

2.48 The ANAO found that the problems identified in the original report are still present. In other words, problems with energy managers still appear to exist because there is no sufficiently senior officer responsible to ensure that the issue has a high profile in the organisation and appropriate action is taken on a corporate basis.

### **Recommendation No.3**

2.49 The ANAO recommends that DPIE writes to departments and agencies to encourage the appointment of a sufficiently senior officer to be responsible for improvements in the energy efficiency of the department or agency.

### **DPIE Response**

2.50 Disagreed. This is matter for each department and agency to determine. DPIE agreed with the principle of responsibility residing at a sufficiently senior level. The issue of responsibilities will be considered as part of the Government's development of a whole-of-Commonwealth approach.

### **Evaluation of training**

(Refer Recommendation No.10)

2.51 Training of energy managers had been a major activity for DPIE which had not been formally evaluated until just before the original audit. Concerns were also raised by the ANAO at possible duplication with State courses, and the age of some of the training material. The ANAO recommended that DPIE *inter alia* evaluate the training program in terms of what it had actually achieved by way of energy efficiency improvements.

2.52 DPIE agreed with the recommendation and said that the proposals were standard practice. Since the original audit the training program has been contracted out to a private sector consultant. The consultant has reviewed DPIE's courses and made a number of changes as a result. However, DPIE has not carried out any evaluation of the outcome of the courses so does not know whether or not the courses are effective in improving energy efficiency in Commonwealth buildings.

2.53 The ANAO considers that some evaluation of these training courses should assess the outcome of the courses. This could be done on the basis of data collected for annual reporting.

### **Recommendation No.4**

2.54 The ANAO recommends that DPIE assesses the result its training courses have on improvements in the energy efficiency of Commonwealth buildings.

### **DPIE Response**

2.55 Disagreed. DPIE accepts responsibility for the inherent value of the courses in informing and educating participants and this is regularly evaluated. The ANAO's recommendation suggests that DPIE should have responsibility for assessing the consequential improvements in energy efficiency arising from staff having attended the training courses. Responsibility for transferring the benefits derived from the courses resides with each department and agency.

**Standing Interdepartmental Committee  
on Energy Conservation  
in Commonwealth Buildings**  
(Refer Recommendation No.11)

2.56 In the original audit the ANAO was concerned that the Standing Interdepartmental Committee on Energy Conservation in Commonwealth Buildings (IDC) had not met since February 1989, nor had there been any other regular consultation between DPIE and DAS before late in 1991. DPIE questioned the value of the IDC.

2.57 The value the ANAO saw in the IDC was the fact that although DPIE had responsibility for driving the program it did not have the technical expertise. On the other hand DAS had the technical expertise and could play a major role in influencing the implementation of energy efficiency improvements in both owned and leased Commonwealth buildings. The ANAO recommended that DPIE and DAS review the role of the IDC and make recommendations to their respective Ministers concerning its future.

2.58 DPIE's response was that it agreed in principle but that it considered a more fundamental issue than the IDC itself was establishing an effective communications mechanism which provided for all departments and agencies and not simply those with an overview function. DAS agreed to participate in a review of the role of the IDC.

2.59 No review has taken place. The ANAO found that there has been communication between DPIE and DAS on a needs basis, for example, discussions on the preparation of submissions to government and consultation on the development of the *Standards*. The ANAO is disappointed that the role of the IDC was not reviewed for the reasons outlined above. Although the ANAO recognises that an IDC may no longer be the appropriate mechanism, a small joint working party to explore options to encourage departments and agencies to improve the energy efficiency of their buildings could prove cost effective from a whole of government perspective.

**Recommendation No.5**

2.60 The ANAO recommends that DPIE and DAS consider the establishment of a small joint working party to explore options to encourage departments and agencies to improve the energy efficiency of their buildings.

**DPIE Response**

2.61 Agreed.

**DAS Response**

2.62 Agreed. The focal point within DAS for the working party would be the PWPG.

**Implementation plan**

(Refer Recommendation No.12)

2.63 For the efficient and effective implementation of any program it is important that a management plan be drawn up specifying what action is required, who is going to complete the task and when it is to be completed. No detailed, formal plan appeared to have been drawn up by DPIE. DPIE advised the ANAO that the various initiatives had been programmed for implementation in a structured manner and its approach to setting

milestones had been a dynamic rather than a simple one-off event. Nevertheless, the ANAO believed that the development of a more formal plan by DPIE would have assisted in the speedier implementation of many of the initiatives. The ANAO recommended that DPIE develop a formal implementation plan including a timetable.

2.64 DPIE's response at the time was that extensive planning existed which reflected flexibility and responsiveness to changing circumstances and priorities. Although the situation has improved since the time of the original audit the ANAO found that there is still insufficient detailed planning to ensure priorities are established, milestones set and progress monitored. It also appears that each initiative was tackled without regard to an overall strategy. The lack of a plan or a coordinated strategy has contributed to delays in establishing the base year data, the promulgation of the building energy standards and the collection and aggregation of current energy consumption and cost data. Without such data and standards achievement of the former Government's energy reduction targets will be at risk.

2.65 In addition, given the administrative changes announced in the DAS portfolio and the sale or outsourcing of a number of DAS business units which previously had an influential role in encouraging departments and agencies to improve their energy efficiency, it is important that DPIE increase its efforts to raise awareness of the importance of energy efficiency.

#### **Recommendation No.6**

2.66 The ANAO recommends that DPIE develops a formal implementation plan (including a timetable) to ensure the Government's energy reduction targets are achieved.

#### **DPIE Response**

2.67 Noted. The Government has not yet given consideration to the question of setting energy reduction targets. In the event that it does as part of development of a whole-of-Commonwealth approach, DPIE will give priority to implementation planning (including a timetable).

### **3. The Role of the Department of Administrative Services in Energy Management**

*This chapter examines progress by DAS on the recommendations addressed to it in Audit Report No.47, 1991-92. Since the original audit changes to the DAS commercial business units have occurred. In 1993 DAS established a new business unit, the DAS Centre for Environmental Management (DASCEM). ACS was replaced by a smaller Works Australia and the Public Works Policy Group (PWPG) established as part of the Corporate Division of DAS. ACS Asset Services became Asset Services. In April 1996, the amalgamation was announced of AEM and the Australian Property Group to form the Domestic Property Group (DPG). In July 1996 a timetable was announced for outsourcing the management of the Commonwealth's commercial offices (including office buildings). Decisions announced in the 1996 Budget included the sale of Asset Services, DASCEM and Works Australia.*

#### **Australian Construction Services**

## **ACS Project Services**

*(Refer Recommendation No.13)*

3.1 It is generally more cost-effective to design buildings to be energy efficient in the first place than to fit energy saving devices later. In a decision in October 1990 the Government required the establishment of, and adherence to, high standards of energy efficiency in the construction of Government residential and commercial buildings. The Government decision envisaged that such standards would be based on the concept of 'Energy Targets' for buildings already established by ACS.

3.2 During the original audit an ANAO survey revealed that only a few of the buildings designed by ACS Project Services over the previous three years had had energy targets calculated.

3.3 The ANAO recommended that ACS Project Services encourage its clients to specify the use of energy targets in all building design work undertaken by ACS. DAS responded that it encouraged its clients to apply energy targets in building design work. However, clients were free to choose design requirements and subsequent usage patterns in buildings.

3.4 In 1992 the then Government noted that ACS Project Services would apply the concept of energy targets to new building projects, where possible, and continue to encourage the application of energy targets in services provided to its clients.

3.5 Works Australia has advised the ANAO that since 1992 its clients, both government and semi-government, have been encouraged to set energy targets as part of the design brief, and if Works Australia was involved in writing the brief then energy targets were set. Works Australia stated that targets have been set for all AEM (now DPG) buildings that have been reviewed by the PWC in recent years.

3.6 However, for budgetary reasons there are occasions where energy targets are not set. This confirms the findings of Audit Report No. 47, that is, where cost constraints apply, energy efficiency is one of the first building features to be sacrificed. This, unfortunately, reflects a short-term perspective.

## **Status of technical directives**

*(Refer Recommendation No. 14)*

3.7 In 1992 there was some confusion over the status of the ACS technical directives that formed the basis of energy targets. The confusion, in part, was associated with the commercialisation of DAS. Although they had not been formally withdrawn, technical directives were regarded in some ACS regional offices as guidelines only. The ANAO recommended that their status be clarified.

3.8 The former Minister for Administrative Services was advised by DAS that the technical directives were now viewed as non-mandatory. DAS reviewed all ACS directives as to currency and those remaining in use were examined and updated during 1992-93. Those directives which DAS considered remained useful have been included in the ACS Quality Management System Reference Index. All ACS regional offices were advised on 30 June 1992 that the 'technical directives' are advisory documents only.

## **Information to PWC on energy management**

*(Refer Recommendation No.15)*

3.9 In 1991, the PWC had recommended that all projects referred to it be thoroughly analysed to ensure the most efficient use of energy. In its response to this recommendation the Government indicated that ACS Project Services would make these arrangements in all future projects for which it had responsibility.

3.10 The ANAO found that ACS Project Services had not actioned these requirements and the ANAO recommended that ACS Project Services consult the secretariat of the PWC to develop more specific detailed guidelines which satisfied the needs of the Committee.

3.11 The PWC secretariat has advised the ANAO that there has been some progress in the development of guidelines for energy use in new and refurbished Government-owned buildings (a draft version of the *Standards* was made available to the PWC in mid-1995) since ACS ceased to be the Commonwealth's design and construction authority. However, it is experiencing difficulties in interpreting some of the technical information that is provided with submissions.

3.12 The PWC reiterated its continuing concern about energy efficiency in Commonwealth building and stated that it will monitor closely energy management in buildings assessed as part of the public works program.

**Energy management in recent Commonwealth building projects** *(Refer Recommendation No.16)*

3.13 Building projects examined during the original audit by the ANAO indicated that the implementation of energy management features in buildings involving ACS Project Services varied from project to project. The ANAO believed that ACS Project Services could do more and recommended that ACS Project Services develop and implement a strategy to ensure that consideration of energy management became a regular feature of all Commonwealth building projects for which it was responsible. ACS's response in 1992 was that consideration of energy management is a normal feature of the project design process.

3.14 Works Australia advised the ANAO that energy targets have been developed for each proposal put to the PWC for which it has had design responsibility and that more recent mechanical services systems include facilities for energy management. In addition, Works Australia personnel have developed strategies for the evaluation of energy performance of buildings and services and these are being implemented (for example, energy use monitoring during the design phase and building performance during the defects liability period).

3.15 According to DAS, responding to individual customer's priorities naturally leads to some inconsistency across regions and projects within Works Australia as it does within any commercial design consultancy. There was, however, a consistent high regard for, and promotion of, energy efficiency within Works Australia. Because of its role as a pseudo-commercial fee-for-service provider, Works Australia was no longer in a position to dictate policies to its customers on energy or other matters of significance. However, Works Australia considers that, for the main, targets are not met as building owners and tenant staff are not fully conversant in monitoring and regulating energy use in buildings. Their capabilities are improving but further training and skill in application is required.

3.16 The ANAO recognises that given the commercial nature of DAS and that responsibility for energy efficiency rests with individual departments and agencies there will be variations in the priority given to energy efficiency practices. However, guidance on energy standards in Commonwealth owned and leased buildings for Commonwealth departments and agencies should assist both DAS and its clients to consider energy efficiency measures in new and refurbished buildings more consistently.

### **ACS Asset Services**

*(Refer Recommendation No.17)*

3.17 In 1991 ACS Asset Services was a major supplier of services to repair and maintain Commonwealth building plant and equipment on a commercial basis.

3.18 There was a concern by the ANAO that ACS Asset Services was not being sufficiently active in offering its services to improve the energy efficiency of its client departments and agencies; and that some agencies did not fully understand their responsibilities for energy management.

3.19 Since the original audit DAS established a new business unit, DASCEM, in January 1993. DASCEM's core business activities include the delivery of energy management services. DASCEM delivers energy services through its own resources and, where appropriate, by using other DAS businesses including Asset Services.

3.20 Although DASCEM is the principal energy service provider in DAS, Asset Services still acts independently where appropriate; for example, in areas where DASCEM is not represented or for services directly related to Asset Services' core business of maintenance of buildings and equipment.

3.21 The Asset Services' Environmental Management Plan now includes the aim of providing energy-efficient management services for its clients. The National Marketing Manager and sales staff are responsible for highlighting the advantages of energy efficiency to customers and the energy services that Asset Services can provide. Asset Services also requires its Operations Centre managers to incorporate energy saving strategies into maintenance service agreements with clients.

3.22 In November 1992 the previous Government reaffirmed that departments and budget funded agencies were responsible for effecting energy efficiency improvements in their own operations.

3.23 In the 1996 Budget the Government announced the sale of Works Australia, Asset Services and DASCEM.

### **Australian Property Group (now Domestic Property Group)**

#### **Role in energy management**

3.24 At the time of the original audit Australian Property was the largest supplier of accommodation services such as contract negotiation and contract administration to Commonwealth departments and most budget dependent agencies. In 1995-96 some 66 per cent of Commonwealth office accommodation was leased.

3.25 In October 1990 the Government required the establishment of, and adherence to,



high standards of energy efficiency in the leasing of commercial buildings. In 1992 the ANAO found that no standards had been developed by DPIE and no standards were applied for leased accommodation. Australian Property advised the ANAO that since being commercialised its role was not a regulatory one and that it was not in a position to set standards.

3.26 Although acknowledging Australian Property was not in a position to regulate adherence to energy standards the ANAO considered that in 1992 Australian Property was in a strong position to influence the leasing of energy efficient accommodation on behalf of its clients and to assist agencies in implementing strategies to improve their energy efficiency. The ANAO made a number of recommendations (*Recommendations 18 to 22*) designed to achieve this including:

- the development of a standard lease specification incorporating quantifiable energy criteria;
- that, where market conditions were favourable, Australian Property negotiate leases on a net (i.e. excluding common services such as lifts and air conditioning) rental basis; and
- do more to assist client departments and agencies including:
  - reviewing electrical tariffs and bill paying arrangements;
  - making it clear that responsibility for energy management lay with individual departments and agencies; and
  - resolving a number of data problems relating to performance information on energy use in individual Commonwealth owned buildings.

### **Current leasing guidelines and practices**

(Refer Recommendation No.18)

3.27 At the time of the original report Australian Property said that the Commonwealth's ability to implement energy efficiency standards was dependent on the degree of influence the Commonwealth had in the marketplace but that it would examine the feasibility of a 'model' lease. The ANAO could find no evidence that such a feasibility study was conducted. Australian Property (now DPG) has advised the ANAO that the *National Tenants Lease* dated November 1995 is now the lease document used nationally. The ANAO found that it does not incorporate any quantifiable energy criteria.

3.28 Australian Property's standard request documentation for all proposed Commonwealth leased accommodation includes the *Building Standard and Performance Requirements for Commonwealth Leased Premises* which includes reference to building efficiency and energy targets. Although general reference is made to energy targets in the document no specific targets are set.

3.29 Australian Property noted that establishing criteria which might apply for all buildings would be extremely complex due to the diversities in functions, hours of operations, age of plant and building, climate and other factors. It could also be extremely difficult to enforce any such criteria. However, Australian Property recognised that the *National Tenants Lease* Schedule 3 could possibly incorporate energy targets for pre-

commitment leases; however, it thought these targets may conflict with other lease clauses. The ANAO acknowledges the difficulties referred to by Australian Property but notes that Schedule 3 currently includes quantified standards for the mechanical performance of plant and equipment and cannot see why similar standards cannot be applied to energy consumption.

3.30 The ANAO found that Australian Property has taken very little action to progress energy efficiency guidelines in leased accommodation. DPIE has done some work on developing such guidelines (see paragraph 2.34).

### **Rent basis of leases**

*(Refer Recommendation No.19)*

3.31 The ANAO considers that a net rent arrangement (whereby the tenant is responsible for the payment of all energy consumed by the tenant including common services such as lifts and airconditioning) provides a greater incentive to save energy than a gross rental arrangement where all or the majority of energy costs are included as part of the rent. As a consequence, the ANAO recommended that consideration be given to negotiating leases on a net rental basis.

3.32 Australian Property advised the ANAO that the whole leasing arrangement must be taken into account, including the client department's accommodation objectives, timetable, building preference, and the local market conditions and practices. All of these determine whether the lease is going to be negotiated on a net or gross lease basis.

3.33 It is difficult for Australian Property to assess whether there has been a shift to net or gross leases 'across the board' because each market region has its own version as to what constitutes a net or gross lease.

3.34 The ANAO considers that one of the benefits of a net rent arrangement is that departments and agencies are aware of the energy costs for each lease and are more able to target energy efficiencies.

### **Assistance to clients**

*(Refer Recommendations No.20, 21 and 22)*

3.35 Australian Property has taken some steps to assist its client departments and agencies to improve their energy efficiency and some limited success has been achieved. For example, it has:

- made some efforts to advise clients of suitable energy efficiency improvements;
  - defined its role with regard to its energy management responsibilities in its services guides and service agreements with individual agencies;
  - taken advantage of electricity generating industry deregulation to obtain savings for some of its clients and is continuing to monitor opportunities in other states arising from electricity generating industry deregulation;
  - reviewed tariffs in AEM owned buildings as part of the ongoing management of the buildings or as part of energy audits conducted under the GBEAP program;
- and

- taken steps to improve the energy consumption data available to clients.

3.36 On the other hand, little progress has been made in developing a policy or strategy along the lines of that developed by Asset Services to comprehensively assist its clients. Nor has Australian Property reviewed the bill paying arrangements of its clients as it had agreed.

3.37 DPG has advised that agencies are not required to use the commercial services of DPG and could manage the procurement of their accommodation in-house, as some already do. Therefore, it is unreasonable for DPG to insist or 'strongly influence' the purchasing decisions of these agencies, particularly when such decisions may have significant financial implications. DPG also points out that its ability to achieve improvements in energy efficiency is also constrained because the final decision whether or not to implement improvements in energy efficiency is a decision for its clients.

3.38 However, DPG has also advised that its services are constantly evolving, and it is developing a new service line specifically to offer its energy management service as part of a new approach to the purchase of electricity. For example, DPG is developing a service to report energy costs and savings potential to its clients. In this regard ANAO notes that, in its response to the recommendations in the original report, Australian Property said that it would write to its customers to tell them about their energy costs and offer advice on how Australian Property and other DAS businesses could help them make savings. Another opportunity, which DAS expects may lower energy costs to government, is changes to the electricity industry, making whole of government purchase of electricity possible.

### **Australian Estate Management**

**(now Domestic Property Group)** (*Refer Recommendations Nos.23 and 25*)

3.39 AEM was responsible for the strategic management of the Commonwealth's owned estate (office, industrial and special purpose sectors) in accordance with the Government's financial, social, environmental and heritage policies. It aimed to achieve the Government's financial performance objectives set for the owned office estate and was responsible for managing the assets of that estate.

3.40 In 1995-96 the office estate represented 34 per cent of total Commonwealth office space, comprising 183 buildings in all States and Territories. The industrial estate consists of 91 buildings and the special purpose estate, 93 buildings.

3.41 AEM was responsible for specifying the features to be included in new Commonwealth owned office buildings and is ultimately responsible for the energy efficiency of Commonwealth owned office buildings themselves. Responsibility for operating the industrial and special purpose estate rests with the individual departments and agencies concerned.

3.42 At the time of the original audit AEM advised the ANAO that it was developing a program to identify and evaluate the potential for reducing energy consumption and costs in Commonwealth owned office buildings.

3.43 The ANAO recommended that AEM:

- take a whole of government approach in any decision to improve the energy

efficiency of Commonwealth owned office buildings; and

- incorporate energy efficiency requirements, including energy targets, in all new office accommodation design briefs.

AEM agreed with the recommendations.

3.44 In March 1996, AEM advised the ANAO that in recent years all major development projects sponsored by AEM have had a specified design requirement that the projects be energy efficient. Indicative energy targets have been determined and nominated by AEM's design consultants at the preliminary design phase formulated by a computer based energy consumption model. In future it was AEM's intention that all projects will be designed to meet the *Standards*. The three most recent proposals submitted to the PWC by AEM have adopted these standards. It was also AEM's intention with future projects to undertake post-occupancy monitoring to enable a comparison of actual energy consumption against the relevant targets.

3.45 The ANAO is pleased to see the incorporation of energy targets in design briefs in new buildings and proposals to monitor the achievement of such targets. The ANAO considers that such arrangements should also apply as far as possible to major refurbishments of existing buildings.

3.46 In late April 1996 AEM was amalgamated with Australian Property to form DPG. The Minister for Administrative Services announced on 31 July 1996 the timetable for outsourcing the management of the Commonwealth's commercial offices (including office buildings). The services required will include tenancy management and leasing, building maintenance, income and cost administration, energy management and performance reporting.

#### **DPG management information needs**

*(Refer Recommendation No.24)*

3.47 The original audit found that AEM lacked an adequate information system to enable it to assess the energy performance of its buildings. MENTOR was the computer based management information system used by AEM to manage the Commonwealth's real estate. A number of earlier reviews, some going back ten years, had been critical of the lack of an adequate management information system which would enable AEM to assess the financial and other performance features of its buildings. Proposed changes had not progressed at the time the audit was tabled in the Parliament in June 1992.

3.48 The ANAO recommended that AEM:

- seek a higher priority to the introduction of its property information requirements into MENTOR; and
- consider the inclusion of information on energy costs and consumption in individual buildings in MENTOR.

3.49 DPG now uses a management information system known as EMPIRE to collect information, on a building basis, on the cost of energy consumption under the categories of electricity, oil and gas but not in units of energy consumed. The limitations of the EMPIRE system for DPG's requirements have long been recognised (as have the

limitations of MENTOR).

3.50 AEM had been assessing an alternative management information system to replace EMPIRE for some time but without success. Audit Report No. 29, 1995-96, *Management of the Commercial Estate, Australian Estate Management*, provides further details of the extensive difficulties experienced by AEM in addressing its management information needs.

3.51 The ANAO finds that the length of time taken to resolve the weaknesses of the property information system by AEM is unsatisfactory. The effect of this has been that AEM and DPG have had to continue using its paper files to assess performance of the Commonwealth's real estate. The Government announced in the 1996 Budget that in addition to reviewing Commonwealth ownership of property it will establish a centralised Commonwealth Property Register for all domestic land, property and accommodation.

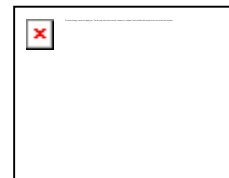
### **Schedule of regulatory activities**

*(Refer Recommendation No.26)*

3.52 The former Minister for Finance and the former Minister for Administrative Services agreed in January 1991 that it was inappropriate for DAS service providers to undertake a regulatory role. However, the Ministers agreed that their departments should develop a schedule of regulatory activities and how they would be discharged in future. At the time of completing Report No. 47 in June 1992 the schedule had not been completed.

3.53 The ANAO recommended that DAS, together with Finance, complete the schedule of regulatory activities as required by the Ministers.

3.54 It would appear that no action has been taken by either DAS or Finance to address this recommendation. The ANAO accepts that given the changes that have taken place in DAS in the intervening period and the increased commercial and reduced regulatory role for DAS there is now little point in pursuing this recommendation.



Canberra, ACT  
15 October 1996

P.J. Barrett  
Auditor-General