



Australian Government
Australian Taxation Office

ATO Proposed Fit-out of Leased Premises

6-20 Gladstone Street, Moonee Ponds

Submission 1.0

Statement of Evidence and Supporting Documents Submitted to the Parliamentary Standing Committee on Public Works

October 2018



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1.0 Executive Summary

1.1 Introduction

- 1.1.1 This submission refers to the fit-out of 14,000 square metres of refurbished office accommodation at 6-20 Gladstone Street in Moonee Ponds for the Australian Taxation Office (ATO). The works will be staged and are due for completion by mid-2020 to align with the ATO's current lease end date. The project supports a leasing decision that has received Ministerial endorsement via the Department of Finance.

1.2 Need for work

- 1.2.1 The ATO has a long term operational requirement in North West Melbourne; however, the current accommodation is underutilised due to the continual evolution of work practices.
- 1.2.2 Following an approach to market, the ATO proposes to remain in the current Moonee Ponds site with a reduction in Nett Lettable Area (NLA) of approximately 7,200 square metres. The new agreement for lease is for 14,000 square metres located over four floors from ground to level 3 inclusive. The fit-out works of the floors will coincide with a proposed upgrade of the base building services as they approach the end of their acceptable life cycle.
- 1.2.3 The new office accommodation will provide staff with modern, flexible and cost effective accommodation that aligns with the ATO's Vision and objectives.
- 1.2.4 The proposed fit-out will allow the ATO to meet Commonwealth density targets and Energy Efficiency in Government Operations (EEGO) targets that are not being met under the current design and lease, where the NLA exceeds demand.

1.3 Purpose of works

- 1.3.1 This project will reduce the leased area and provide a full refurbishment of the retained area, which will be subject to a new lease. It will deliver a newly designed office fit-out that supports more agile, flexible and innovative work practices. This will reduce the number of vacant work points and assist the ATO to meet Commonwealth density targets as well as providing overall savings in lease costs.
- 1.3.2 The proposed works are both architectural and service related and will be developed in consultation with relevant experts to ensure all essential ATO and legislative requirements are met.

- 1.3.3 The office space will meet, or exceed, all ATO and Commonwealth guidelines and deliver Grade A office accommodation.

1.4 Cost effectiveness and public value

- 1.4.1 The ATO will fund the fit-out within existing departmental funds using a budget forecast of \$35,521,865 GST exclusive for the works.
- 1.4.2 The refurbishment of the retained area in the existing site provides the most cost effective outcome for the Commonwealth through the surrender of excess space.
- 1.4.3 The ATO has engaged Cushman & Wakefield Pty Ltd to project manage the fit-out works to ensure a value for money outcome and protect the interests of the ATO throughout the project. The ATO has worked with this service provider in a number of recent projects all of which have been delivered on time and within budget.
- 1.4.4 A community benefit is expected through the delivery of the project as it will boost employment and investment in the region during the works, and maintain the existing ATO workforce in a smaller footprint, allowing further building occupants and in the building.

2.0 Need for Works

2.1 Identified need

- 2.1.1 The lease at the ATO's Moonee Ponds site expires on 5 February 2020.
- 2.1.2 The ATO has an ongoing requirement for a presence in the North West Melbourne region.
- 2.1.3 The current Moonee Ponds lease is for an NLA of 21,034 square metres. The ATO requires a reduced NLA of 14,000 square metres due to a 19.12% vacancy rate and a dated fit-out that negatively impacts on density targets.
- 2.1.4 The ATO requires a site capable of satisfying the current and future needs of our staff by providing more agile, flexible and innovative work spaces.

2.2 Options considered to fulfil identified need

- 2.2.1 The ATO followed lease expiry guidelines outlined in the Commonwealth Property Management Framework and Resource Management Guide No.500.
- 2.2.2 The Department of Finance identified no surplus space suitable for the ATO's requirements.
- 2.2.3 An approach to market was undertaken using the ATO's contracted Property Service Provider. Cushman and Wakefield Pty Ltd was the ATO's provider at that time.
- 2.2.4 Ministerial endorsement via the Department of Finance was received for 14,000 square metres of office accommodation in Gladstone Street Moonee Ponds.

2.3 Reasons for adopting proposed course of action

- 2.3.1 The endorsed agreement for lease provides the ATO with an opportunity to deliver an integrated fit-out.
- 2.3.2 Although the finishes have reached end of life, the Moonee Ponds building is generally considered functional and in good condition. The proposed refurbishment will deliver accommodation that is contemporary and supports organisational agility and performance, and meets Commonwealth occupational density targets and EEGO targets.

2.4 Historical background

- 2.4.1 The building at 6-20 Gladstone Road, Moonee Ponds was purpose built for the Commonwealth circa 1991.

2.5 Heritage considerations

- 2.5.1 There are no heritage issues that are required to be addressed with this proposal.

- 2.5.2 The building will conform to the requirements of the *Environmental Protection Biodiversity Conservation Amendment Act 2003*.

2.6 Key legislation

- 2.6.1 All local, state and federal legislation governing or related to the project will be complied with.
- 2.6.2 Through project delivery, the ATO will comply with all relevant building codes, standards and regulations.

2.7 Local impact

- 2.7.1 No significant impact on the local community is expected as the building is existing and there are no significant changes proposed to the nature or use of the building.
- 2.7.2 The project is expected to have a positive effect on the local economy through:
- > Creation of jobs during construction and fit-out works
 - > Continued support for local trades and services with ongoing maintenance and supply requirements
 - > Continued support of local businesses frequented by ATO employees
 - > Promotion of employment and training opportunities for Indigenous Australians through the ATO's commitment to Indigenous procurement targets

2.8 Key stakeholders

- 2.8.1 The ATO has consulted with a number of internal and external stakeholders and will continue to consult and engage with key stakeholders throughout the process.
- 2.8.2 The following agencies and businesses have been, or will be, consulted and engaged with throughout the project:
- > Department of Finance
 - > Cushman & Wakefield Pty Ltd (Property Leasing, Project Management and Facilities Management)
 - > Peckvonnartel PVH (Interior Designer)
 - > Umow Lai (Services Engineers)
 - > Aquenta (Quantity Surveyors)
 - > McKenzie Group (Building Surveyor)
 - > ATO Executive
 - > ATO business lines
 - > ATO Work Health & Safety

- > Unions (Community and Public Sector Union and Australian Services Union)
- > ATO Workforce Strategy

3.0 Purpose of Works

3.1 Project objectives

- 3.1.1 The objective of this project is to refurbish the reduced leased area and decommission the surrendered space.

This approach will:

- > Provide value for money and a good financial outcome for the ATO by improving occupational density
- > Provide contemporary A-Grade office accommodation that supports organisational agility and flexibility
- > Provide a reduced footprint reflecting change of business functions and future ATO accommodation requirements for the site
- > Implement more collaborative work practices, uniformity and more efficient use of the workspace
- > Meet Commonwealth occupational density and Energy Efficiency in Government Operations (EEGO) targets
- > Make use of existing public transport facilities
- > Provide alignment to the ATO Location Strategy that recognise the long-term business need to maintain a presence in North West Melbourne
- > Maintain a skilled and settled workforce in the area to continue to provide business functionality and offer appropriate services to clients.

3.2 ATO scope of works

- 3.2.1 The proposed works to be undertaken by the ATO are both architectural and service related and will be conducted without any disturbance to ATO delivery obligations and requirements.
- 3.2.2 The fit-out will be undertaken in accordance with the ATO approved building briefs and specifications. These have been developed in consultation with relevant experts to ensure all essential ATO and legislative requirements are met.
- 3.2.3 The fit-out design is a contemporary open-plan office space with:
- > Modular work points that can be easily and quickly reconfigured
 - > Collaboration, offices and meeting areas that are flexible and designed for future reconfiguration
 - > A robust security system that protects ATO information, people, other assets and operations
 - > Enhanced conference, training and video conference facilities to support contemporary work practices
 - > New computer room designed to current specifications
 - > First aid room and amenities areas

- 3.2.4 To support staff wellbeing, contemporary end of trip facilities will be provided by the landlord as part of its base building refurbishment including:
- > Increasing the number of bike racks from 80 to 120
 - > Provision of staff lockers used by cyclists and staff undertaking physical exercise (including at local gyms)

3.3 Planning and design concept

- 3.3.1 The quality of building finishes and services will be designed in accordance with Property Council of Australia (PCA) “Grade A” standards and Office Quality Grade Matrix.
- 3.3.2 Planning and design concepts will specifically address the following criteria for fit-out, mechanical, hydraulic and electrical services, acoustics, security and fire protection:
- > Proven reliability and performance
 - > Ease of maintenance and replacement
 - > Energy efficiency
 - > Effective utilisation of natural light and space
 - > Environmental responsibility and cost effectiveness
 - > Flexibility for ongoing works relating to staff churn
 - > Minimum noise and vibration characteristics
- 3.3.3 The following are specified in the design brief to minimise energy usage and operating costs without a reduction in accommodation standards:
- > Floor plan layouts are configured to enhance the level of natural daylight into office floors
 - > The Building Management System will monitor and control lighting, mechanical services and energy

3.4 Workplace Health and Safety

- 3.4.1 The ATO will work closely with its project manager, Cushman & Wakefield Pty Ltd, to ensure that the fit-out design complies with the relevant work health and safety legislation and codes of practice.
- 3.4.2 Additionally, consultants and architects will recommend a selection of internal furniture and fittings suitable for a wide range of staff to use safely.
- 3.4.3 The inclusion of internal stairs and contemporary end of trip facilities supports and encourages the health and wellbeing of staff located at the site.

- 3.4.4 The design, materials and finishes used in the furniture and fit-out construction will take into account Workplace Health and Safety (WH&S) aspects and avoid sharp edges, furniture legs which cause obstructions and highly reflective surfaces.
- 3.4.5 All contractors and sub-contractors will comply with WH&S legislation appropriate to the building site.

3.5 Provisions for people with disabilities

- 3.5.1 Fit-out design and specifications will meet all applicable codes and standards, including access requirements and provision of services. This includes wheel chair access to the building, office areas, door widths and heights, lift arrangements, parking and staff amenities.

3.6 Child-care provisions

- 3.6.1 The experience for staff will not change as a new lease is being undertaken at the existing site. While the ATO does not currently provide child-care facilities in any of its sites there are six registered child-care facilities within a one kilometre radius of the building.

3.7 Environmental impact assessment

- 3.7.1 The building upgrades and refurbished ATO fit-out will enable the ATO to meet the Energy Efficiency in Government Operations (EEGO) Policy. As such, the premises will achieve or exceed a NABERS target of 4.5 stars.
- 3.7.2 The base building and fit-out works will:
- > Have no significant impact on the natural or human environment
 - > Make use of existing engineering services including water, sewerage and storm water in the area
 - > Encourage the use of existing public facilities and transport infrastructure
 - > Increase fit-out density which will assist the ATO in reducing its carbon footprint and meeting other Energy Efficiency in Government Operations (EEGO) targets
 - > Dispose of existing materials, including workstations, in an environmentally appropriate manner
 - > Procure furniture and other equipment in recyclable packaging wherever possible
 - > Review current metering arrangements to allow tenant lighting and power to be separately metered on each floor
 - > Deliver a more efficient, effective and environmentally sustainable air-conditioning system

- > Provide individual after-hours air-conditioning zones operated by push on/off buttons reducing energy use outside standard operating hours (7:00am to 7:00pm business days).

3.7.3 The Lessor's responsibility for ongoing environmental management of the building is specified in the lease.

3.8 Landlord scope of works

3.8.1 As part of the lease terms the landlord will be undertaking upgrades to existing infrastructure and services. This work will be integrated with the ATO fit-out works to minimise disruption to ATO business.

3.8.2 The landlord's works will see all base building fixtures and fittings upgraded to a standard and durability commensurate with the PCA Grade A building specifications.

3.9 Concept plans

3.9.1 The proposed design of a typical floor plate, corporate floor and floor with a computer room are attached at Annexure B. These plans are indicative only as the formal design process is yet to be completed.

4.0 Cost-effectiveness and Public Value

4.1 Overall project budget

- 4.1.1 A budget of \$35,521,865 GST exclusive has been forecast for the ATO fit-out works based on the Quantity Surveyor assessment of the concept designs.
- 4.1.2 Funding for the project will come from within the existing departmental budget.
- 4.1.3 A breakdown of the project cost estimate is detailed in Annexure A – Submission 1.1.

4.2 Methodology

- 4.2.1 The ATO has engaged Cushman & Wakefield Pty Ltd to project manage the fit out works to ensure a value for money and to protect the ATO's interests throughout the project.
- 4.2.2 The ATO has engaged a consultant to complete the concept designs. A Quantity Surveyor has been engaged to prepare a cost estimate based on the concept design.
- 4.2.3 All consultants, the builder, and sub-contractors procured for the project will be required to be of high quality and have a proven track record on similar projects.
- 4.2.4 Competitive tender processes will be run to engage the fit-out designer, peer review services engineer and quantity surveyor for the project. This process requires respondents to address key project criteria such as capacity, capability, methodology and previous experience. These criteria, as well as a risk assessment and a cost assessment, will ensure that the best value for money outcome is achieved.
- 4.2.5 The landlord will be responsible for ensuring the builder complies with the tender process for engagement of all other consultants and the sub-contractors required to complete the fit-out works. The landlord will provide a recommendation for approval for each sub-contractor trade package, which will be assessed by the Cushman & Wakefield Pty Ltd project manager and quantity surveyor to ensure the best value for money outcome is achieved.
- 4.2.6 Throughout the life of the project, the quantity surveyor will review and assess all fit-out costs, with a predominant focus on construction costs to ensure the ATO only pays what is considered fair and reasonable and based on current market rates. The quantity surveyor will also be required to undertake construction site inspections and certify fit out construction progress on a monthly basis to ensure the ATO's interest are protected.
- 4.2.7 An integrated fit-out is expected to provide the ATO with the following benefits:
 - (a) Costs will be less because work related to the fit-out will be done at the same time as the base building refurbishment work. This means there is less re-work in modifying the base building to accommodate the fit-out after the base building is completed
 - (b) Time will be saved because the ATO does not have to wait until the base building refurbishment is completed before the fit-out works commence
 - (c) Coordination is easier because the same project team manages all aspects of the work, including work for the building owner and the ATO. There are fewer over-laps in responsibilities and less potential for disputes
 - (d) There is less duplication of resources with one team of design, supervision and management personnel for both aspects of the work.

4.3 Project Schedule

4.3.1 The indicative ATO fit-out construction schedule dates are as follows:

Activity	Start	Finish
Ground floor and half level 1	March 2019	August 2019
Half level 1 and level 2	July 2019	November 2019
Level 3	October 2019	February 2020
Practical completion		February 2020

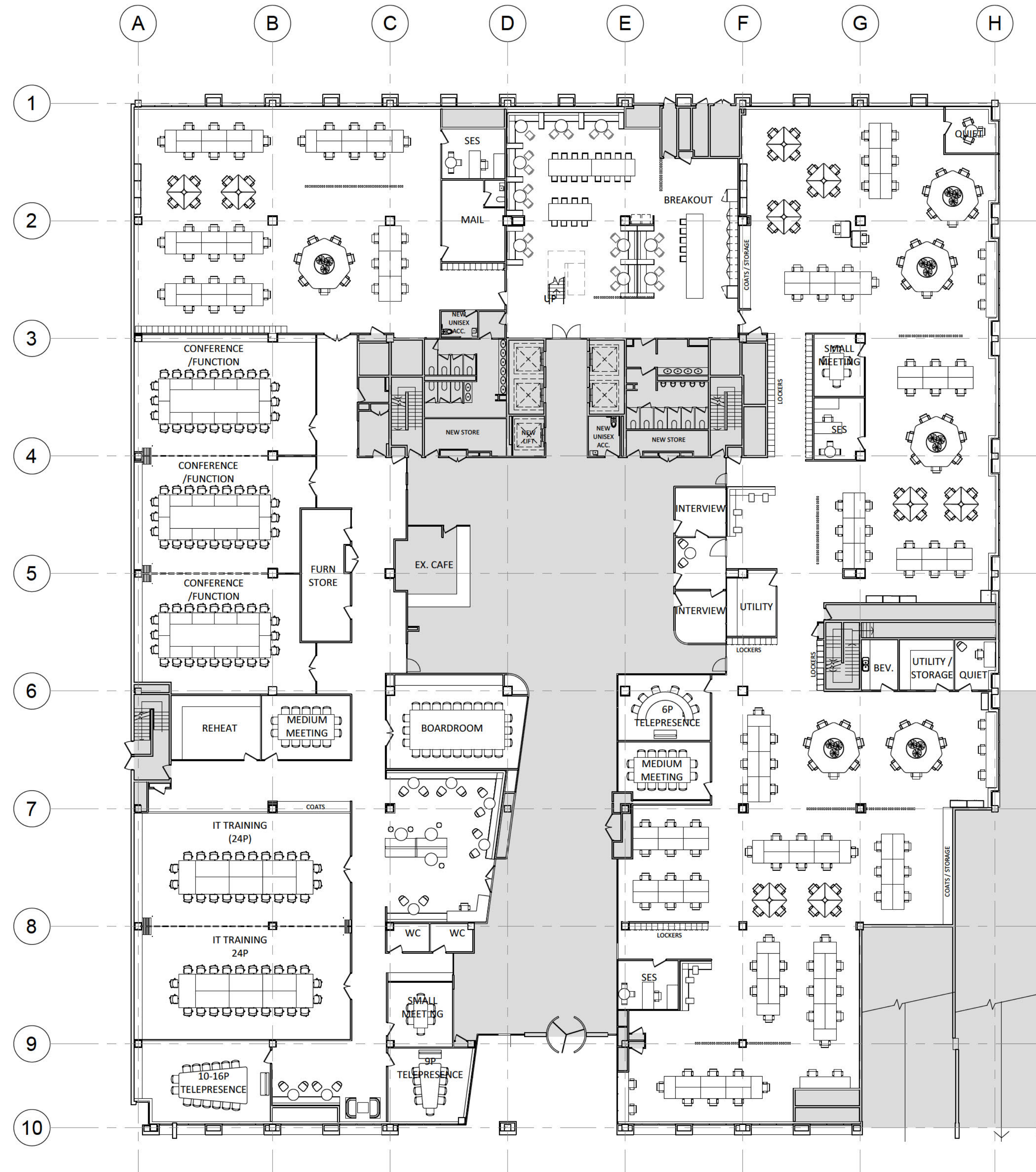
4.4 Public Value

4.4.1 The refurbishment of the ATO's existing premises will benefit the community as it:

- > Is the most cost effective outcome for the Commonwealth
- > Enables the surrender of excess space and consolidation of staff over a smaller footprint
- > Will provide the ATO with contemporary and flexible office accommodation
- > Provides a long term commitment to staff and local businesses
- > Creates jobs during construction and fit-out works
- > Make use of existing public transport facilities.

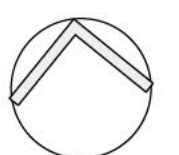
4.5 Revenue

4.5.1 By nature, ATO buildings are used to collect revenue and do not generate it.



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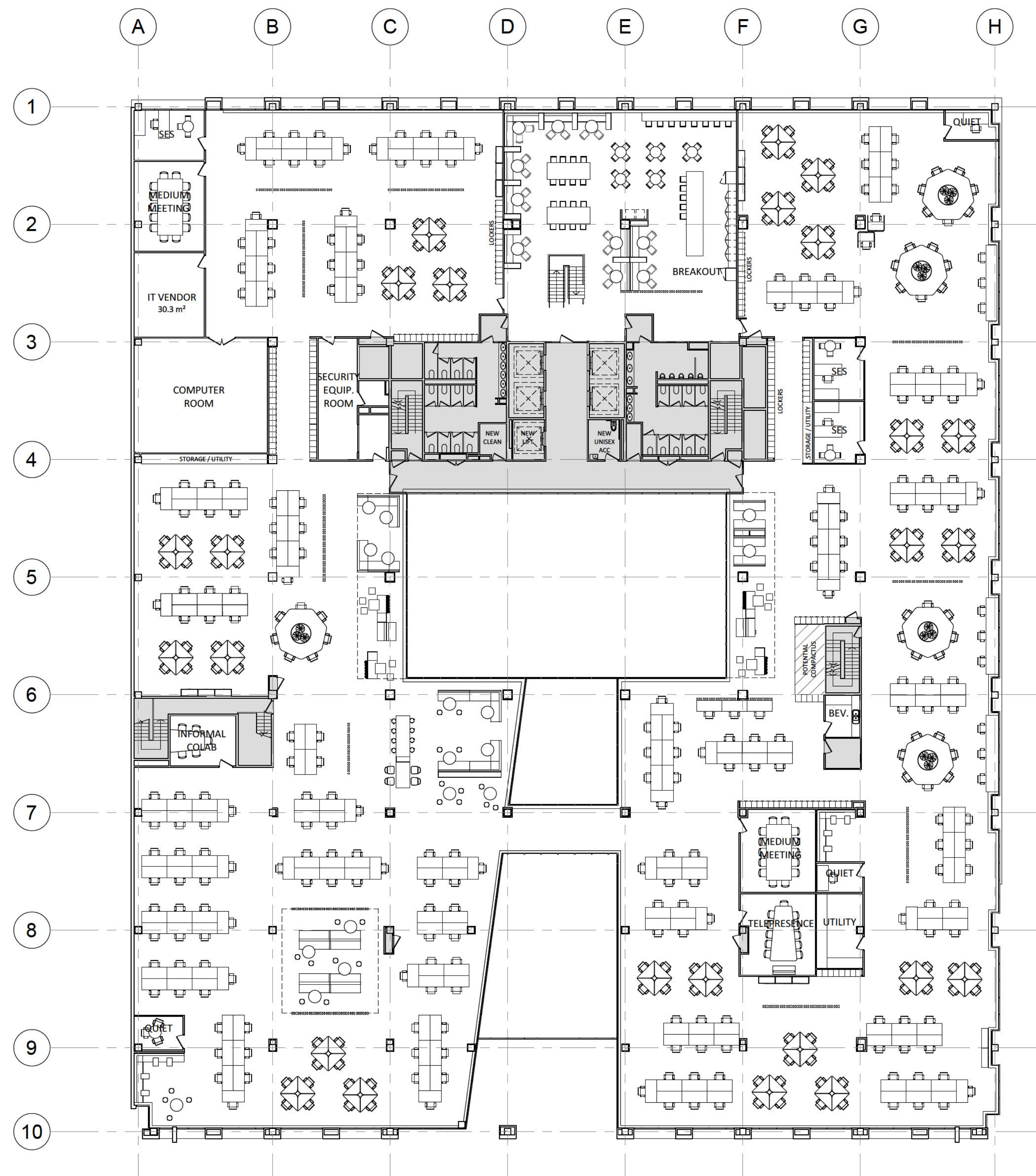


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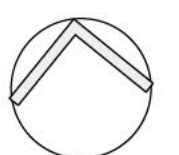
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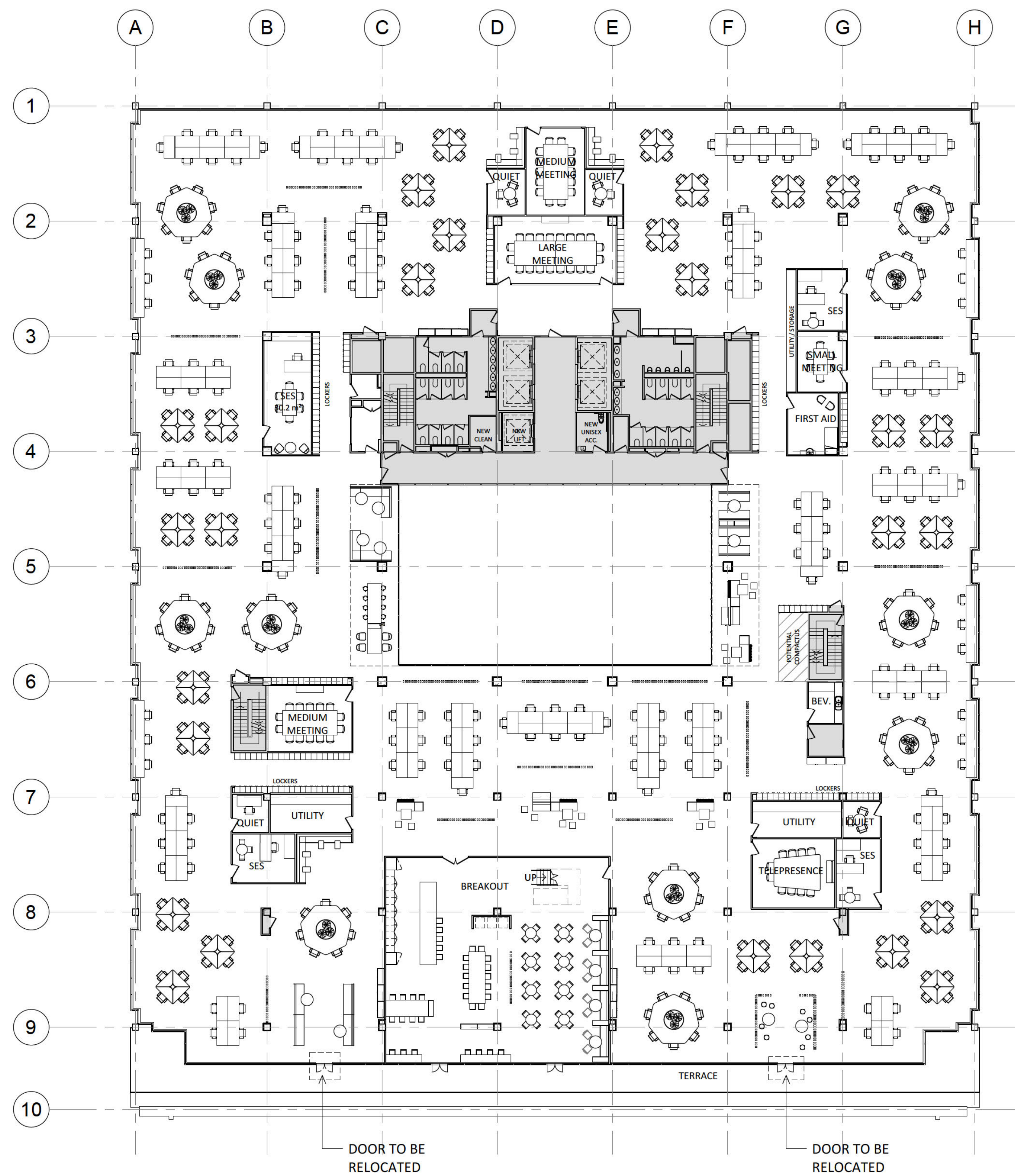
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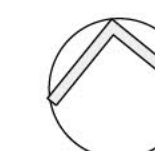
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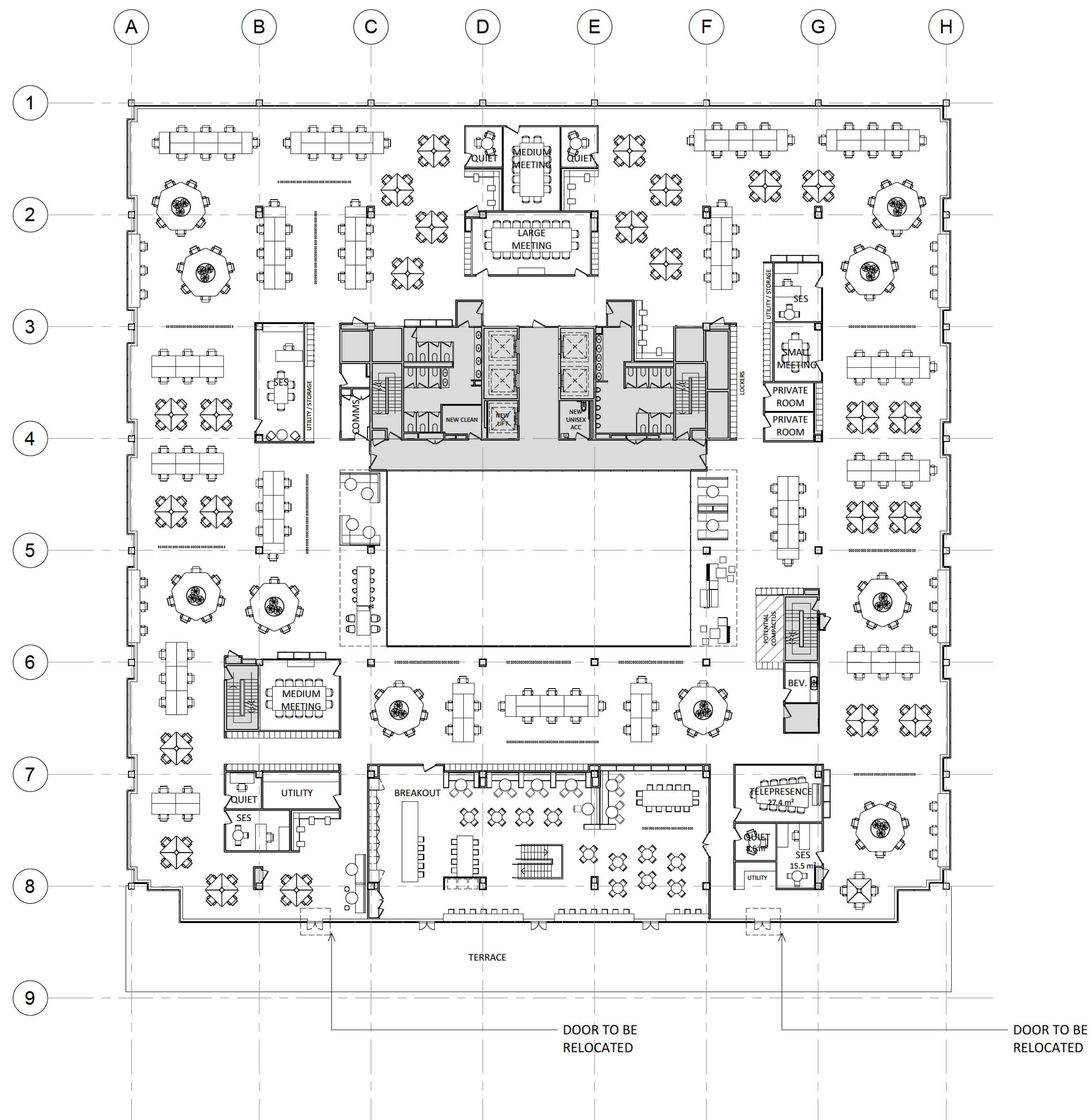


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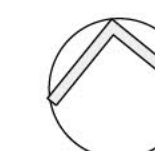
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