

Fit-out of existing leased premises for the Australian Taxation Office located in Northbridge, WA

- 3.1 The Australian Taxation Office (ATO) seeks approval from the Committee to fit-out office accommodation at its current location in Francis Street, Northbridge, Western Australia.
- 3.2 The primary objective of the project is to refurbish a reduced leased area and to meet current legislative and efficiency standards.¹
- 3.3 The estimated cost of the project is \$27.5 million, excluding GST.
- 3.4 The project was referred to the Committee on 22 October 2015.

Conduct of the inquiry

- 3.5 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 3.6 The Committee received one submission and one confidential submission regarding the project costs from the ATO. A list of submissions can be found at Appendix A.
- 3.7 The Committee received a briefing from the ATO and conducted public and in-camera hearings in Canberra on 4 December 2015. A transcript of the public hearing and the public submissions to the inquiry are available on the Committee's website.²

Need for the works

- 3.8 The building at Francis Street, Northbridge was purpose-built for the ATO in 1992.

1 ATO, submission 1, p.3.

2 <www.aph.gov.au/pwc>.

- 3.9 The ATO has a long term operational requirement in Perth, however, through the continual evolution of work practices, a significant area of the accommodation was being underutilised.
- 3.10 The ATO has renegotiated a reduced tenancy on the property. The ATO previously leased the entire building comprising of five floors and a basement. The renewed lease has reduced the nett lettable area by approximately 8154 m² [approximately 1/3 of the area previously leased].³ The ATO has a lease contract in place with the current landlord until 2024.⁴
- 3.11 The revised tenancy area requires a refurbishment as the current fit out is 13 years old and has reached end of life.⁵ At a private briefing the ATO showed the Committee a video of the existing fit-out. The video demonstrated the aged and poor condition of the existing fit-out.
- 3.12 At the public hearing, Mr Untersteiner from the ATO commented on the occupational density rates of the current and proposed fit-out:
The current fit-out has a density rate of 20 square metres per occupant. This is well outside the Department of Finance target of 14 square metres per person. The proposed fit-out will allow the ATO to meet the target. We anticipate that the post fit-out occupational density rate will be approximately 12½ square metres, a very big improvement on the current fit-out.⁶
- 3.13 The Committee is satisfied that the need for the work exists.

Options considered

- 3.14 A strategic lease assessment and market test exercise was undertaken to consider all accommodation options available to the ATO.⁷ The ATO stated in its submission that the most cost effective outcome for the Commonwealth was to renegotiate a reduced tenancy in the current property:
Through the reduction in nett lettable area and negotiating considerable extra value in incentives and refurbishment works from the landlord, that took into account the downturn in the Perth office market, the ATO will achieve significant savings during the lifetime of the lease.⁸

3 ATO, submission 1, pp. 3-4.

4 Mr Justin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 3.

5 ATO, submission 1, p. 3.

6 Mr Justin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 2.

7 Mr Justin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 7.

8 Mr Jutsin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 4.

3.15 The ATO listed the following reasons for adopting the proposed course of action:

- the current premises is generally functional but the finishes have aged and the fit out has reached end of life. The proposed refurbishment will deliver an office that provides staff with accommodation that is contemporary and supports organisational agility and performance, plus meets Department of Finance density targets
- the ATO previously leased the entire building comprising of five floors and a basement. The renewed lease has reduced the nett lettable area from 22,556.3 square metres to 14,401.9 square meters by surrendering:
 - ⇒ east side of ground floor
 - ⇒ levels 4 and 5
 - ⇒ exclusive use of the basement and reducing basement car bays from 100 to 64
- this approach enabled the surrender of excess space and consolidation of staff over a smaller footprint, and will provide the ATO with refurbished accommodation at the current site.⁹

3.16 The refurbishment of the ATO's existing premises at 45 Francis Street, Northbridge was considered to public value to 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 facilities¹⁰

3.17 The Committee found that the ATO has considered multiple options to deliver the project and has selected the most suitable option.

9 ATO, submission 1, p. 4.

10 ATO, submission 1, p. 10.

Scope of the works

- 3.18 The fit-out design is predominately a contemporary open-plan office space with:
- modular work points that can be easily and quickly reconfigured without disturbing productivity
 - 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
- 3.19 At the public hearing, the ATO advised that the life expectancy of a fit-out is in the range of 10 to 15 years. However, the ATO puts in high-quality furniture and fittings which gives it the longest return on the investment.¹¹
- 3.20 To support staff wellbeing, facilities to support exercise will be provided through:
- increasing the number of bike racks from 70 to 110; and
 - increasing the number of staff lockers used by cyclists and staff undertaking physical exercise at local gyms from 265 to 286¹²
- 3.21 As part of the lease incentives, the building owner will undertake, at their own cost, an upgrade to existing infrastructure and services. This work will be scheduled to coincide with the fit-out works to minimise disruption to ATO business. The following is specified as a program of works to be undertaken by the landlord:
- central plant
 - ⇒ chillers to be replaced
 - ⇒ install power factor correction unit for the building
 - lift services
 - ⇒ upgrade drive mechanisms with modern energy efficient systems
 - ⇒ upgrade cabins to meet current code compliance
 - electrical metering

11 Mr Jutsin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 3.

12 ATO, submission 1, p. 6.

- ⇒ reconfigure main electrical distribution boards on the ground level to separate house
 - ⇒ power from tenancy supply
 - control equipment
 - ⇒ install and integrate and new web based after-hours air conditioning booking system
 - ⇒ retaining key switches for on-floor use
 - amenities
 - ⇒ a full refurbishment of male, female and disabled amenities
 - ⇒ full refurbishment of base building tea rooms, staff showers and change rooms
 - lighting;
 - ⇒ upgrade of all luminaires with energy efficient lamps and electronic addressable control gear
 - ⇒ install a new automatic lighting control system, including occupancy sensors
 - air distribution, install air diffusers
 - replace all office ceiling tiles and ceiling grids
 - sun protection, install high quality block out roller blinds to all external windows
 - apply sun glare treatment to the Roof Skylights over the atrium
 - repaint the internal core base building surfaces¹³
- 3.22 The building as a whole currently holds a 5 star National Australian Built Environment Rating Scheme (NABERS) energy rating, which exceeds the Commonwealth guideline of 4.5 stars. The proposed ATO fit-out is designed to target at least a 4.5 star rating, however, at the public hearing ATO representatives stated that with the refurbishment, they expect the fit-out to exceed the 4.5 star target with at least a 5 star rating.¹⁴
- 3.23 Mr Untersteiner from the ATO summarised:
- We see that this proposal represents a good outcome for the Commonwealth. It secures our presence in Perth, represents a

13 ATO, submission 1, p. 8.

14 ATO, submission 1, p. 7. Mr Jutsin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 8.

strong value-for-money outcome and allows us to meet government targets for density and environmental performance.¹⁵

- 3.24 Subject to Parliamentary approval, fit-out works would be undertaken in a staged approach commencing in March 2016, with an anticipated completion date of April 2017.¹⁶ The project schedule and plans have been developed to minimise disruption to employees of the ATO throughout the refurbishment.¹⁷
- 3.25 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

Cost of the works

- 3.26 The estimated cost of the project is \$27.5 million, excluding GST. The project cost will be funded from the ATO's existing capital budget.¹⁸
- 3.27 At the public hearing, representatives of the ATO discussed procurement methodology, construction costs and leasing arrangements to demonstrate the proposed project represents the best value for money for the Commonwealth. Representatives of the ATO reiterated their confidence in the pricing and costings for the fit-out works.¹⁹
- 3.28 The ATO provided further detail on the project costs in the confidential submission and during the in-camera hearing.
- 3.29 The Committee considers that the cost estimates for the project have been adequately assessed by the ATO and the Committee is satisfied that the proposed expenditure is cost effective. As the project will not be revenue generating, the Committee makes no comment in relation to this matter.

Committee comments

- 3.30 The Committee did not identify any issues of concern with the ATO's proposal and is satisfied that the project has merit in terms of need, scope and cost.
- 3.31 Having regard to its role and responsibilities contained in the *Public Works Committee Act 1969*, the Committee is of the view that this project signifies value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

15 Mr Jutsin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 2.

16 ATO, submission 1, p. 10.

17 Mr Jutsin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 2.

18 ATO, submission 1, p. 9.

19 Mr Jutsin Untersteiner, ATO, transcript of evidence, 4 December 2015, p. 2 & 9.

Recommendation 4

- 3.32 **The Committee recommends that the House of Representatives resolve, pursuant to Section 18(7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: Fit-out of existing leased premises for the Australian Taxation Office located in Northbridge, WA.**
- 3.33 Proponent agencies must notify the Committee of any changes to the project scope, time, cost, function or design. The Committee also requires that a post-implementation report be provided within three months of project completion. A report template can be found on the Committee's website.

