

Fit-out of new leased premises for the Australian Federal Police at 45 Commercial Road, Newstead, Queensland

- 2.1 The Australian Federal Police (AFP) seeks approval from the Committee to fit-out new leased premises at 45 Commercial Road in Newstead, Queensland.¹
- 2.2 The estimated cost of the project is \$25 million, excluding GST.
- 2.3 The project was referred to the Committee on 17 March 2016.

Conduct of the inquiry

- 2.4 Following referral, the inquiry was publicised on the Committee's website and via media release.
- 2.5 The Committee received one submission and one confidential submission from the AFP. A list of submissions can be found at Appendix A.
- 2.6 The Committee received a briefing from the AFP and conducted public and in-camera hearings in Canberra on 19 April 2016. 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

- 2.7 The AFP's national property portfolio is a key enabler to its capabilities, enhancing readiness, capacity and ability to carry out organisational responsibilities for law enforcement, investigations and national security.³

1 AFP, submission 1, p. 8.

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

3 AFP, submission 1, p. 5.

- 2.8 The AFP maintains an office in each state to lead and coordinate the AFP's functions within areas of their responsibility. State Offices are required to accommodate AFP resources and capabilities to perform the full range of the AFP's diverse and evolving responsibilities.⁴
- 2.9 The AFP has leased its current facilities at 203 Wharf Street since 1996 with a net lettable area of 4,695m². The lease associated with these premises expires on 31 March 2017.
- 2.10 The existing fit-out is at the end of its useful life having not been refurbished since occupation, and has over time become increasingly less efficient and fit for purpose. Whilst the AFP has optimised the current facilities and the existing fit-out, this has resulted in less efficient work procedures and practices in support of AFP operations.⁵
- 2.11 Deficiencies with the current accommodation and fit-out include:
- Occupational density - 225 work points at an occupational density of approximately 16.2m², which does not align with target of 14m² set by Department of Finance;
 - Inefficient internal design - fit-out does not provide flexibility to adapt to new and changing operational requirements and contributes to inefficient work practices and procedures; and
 - Energy Efficiency - not compliant with policy objective of achieving 4.5 star National Built Environment Rating System (NABERS).⁶
- 2.12 The AFP has leased a new facility at 45 Commercial Road, Newstead to facilitate relocation of the AFP Queensland State Office, and in doing so support the continuation of AFP operations in Queensland post the expiration of the Wharf Street lease. This proposal seeks approval for the fit-out of 4,112m² of net lettable area of the new premises.⁷ In the pre-hearing briefing the Committee heard that the owner of the building at Wharf Street was considering redeveloping the site, therefore the AFP continuing to lease the premises was not a viable option.
- 2.13 The Committee is satisfied that the need for the work exists.

Options considered

- 2.14 In May 2013 the AFP commenced a competitive two-stage open market procurement process to identify accommodation options available within the Brisbane area for its future state office accommodation requirements.

4 AFP, submission 1, p. 5.

5 AFP, submission 1, p. 5.

6 AFP, submission 1, p. 7.

7 AFP, submission 1, p. 6.

To inform this process, a spatial analysis audit of all AFP Brisbane-based accommodation was undertaken to confirm:

- the current spatial and organisational characteristics of personnel and specialised areas in Brisbane;
- options for dispersion of some occupants in 203 Wharf Street to vacant space at other AFP facilities in Brisbane as an efficiency measure;
- the area required for an AFP state office in Queensland based on the Australian Government Productivity Data Collection (PRODAC) requirements; and
- recommendation for efficiency gains and/or area reductions of 203 Wharf Street that could inform the size and characteristics of a new facility.⁸

2.15 The AFP also explored alternate accommodation options through co-location with other Commonwealth agencies. This search identified no suitable accommodation options due to insufficient available floor area or the location of those Commonwealth facilities with vacant space.⁹

2.16 The AFP received fourteen lease proposals in response to its request for expressions of interest. Of the fourteen proposals received, six were assessed as providing potentially viable property options and were shortlisted for further consideration. Shortlisted respondents were then invited to respond to a formal Request for Quotation. An assessment of the six formal quotations identified 45 Commercial Road as representing the greatest value for money. A Cost Benefit Analysis was then undertaken by the AFP, which accompanied a proposal to the Department of Finance for approval to lease 45 Commercial Road. The Department of Finance approved the lease and the AFP subsequently executed a 15 year Commonwealth National Lease as the sole tenant of the building, with two extend options of 5 years.¹⁰

2.17 At the public hearing the Committee queried the stages of the procurement process that led to the final selection of the Commercial Road premises as the most appropriate future site for the AFP. Mrs Helen Elliott from the AFP stated:

The responses that were received from the original 14 ranged in size from too large in some cases to too small in other cases. Some facilities were just outside of the catchment area that the AFP was

8 AFP, submission 1, p. 6.

9 Mr Gunning, AFP, transcript of evidence, 19 April 2016, p. 1.

10 AFP, submission 1, p. 6.

interested in situating its state office. The expression of interest that was put out to market was very specific around the requirements of the AFP and a number of those respondents provided information that did not meet that expression of interest. That is essentially how we short-listed down to six. Of the six properties, we looked at the location of those facilities – whether they were co-location or whether they were sole tenancy facilities. We looked at value for money. We looked at their ability to meet the Commonwealth Property Management Framework, staff amenity and also the overall operational suitability. So, taking all of those things into account, we were then able to short-list down further. At that point we conducted site inspections, and it was after those site inspections that further internal briefing took place and we came to 45 Commercial Road as the most appropriate future site for the AFP.¹¹

2.18 In correspondence to the Committee, the AFP advised that the process between May 2013 to May 2014 of shortlisting to six potential sites included assessments of:

- Value for money (including lease costs)
- Lease incentives
- Suitability of floor plates
- Suitability of location (either in or close to the CBD)
- Suitability of tenancy (including considerations of the number of potential co-tenants)
- Quality of the building and/or existing fit-out
- Efficiency of the site and potential works required to meet a required 4.5 NABERS rating.¹²

2.19 The AFP advised that the building location catchment area was specified as within a two kilometre radius of the Brisbane central business district (CBD). This was based on an assessment of the activities undertaken by the AFP in Queensland and to ensure that a new location was adequate in support of these activities. The AFP places a high premium on proximity to the courts and partner agencies, such as Queensland Police (headquarters) and the Commonwealth Attorney-General's Department, which are typically located in CBDs. Further, the AFP in its EOI process

11 Mrs Elliott, AFP, transcript of evidence, 19 April 2016, p. 3.

12 AFP correspondence, dated 22 April 2016.

requested properties in or adjacent to the Brisbane CBD with preference to be within close proximity to public transport options.¹³

- 2.20 Further investigation was conducted by AFP Commercial Support which reduced the number of shortlisted properties to two and site visits were conducted by the Commercial Support, AFP Technology and Innovation (ICT), AFP Security and relevant Senior Executive in the AFP. Commercial Road was selected as the preferred site in September 2014.
- 2.21 Following Commercial Road being identified as the preferred site, AFP Security conducted a detailed security assessment at 45 Commercial Road only.
- 2.22 The AFP advised that in October 2014 the Department of Finance provided approval for the site selection and the AFP was committed to the Commercial Road site from that date.
- 2.23 In 2015, as design works commenced, the project was halted to reassess risks associated with a heightened security environment. Based on that assessment and the risks identified, there were additional mitigations to the works required, including construction of bollards and treatments to the building perimeter and façade.
- 2.24 These treatments escalated the estimated costs of security treatments from \$1.2 million to \$9.11 million.¹⁴
- 2.25 Mr Gunning commented on alternative site options considered following the changed security and threat environment in 2015:

For considerations going forward, firstly, we looked at different options to continue with the Newstead Road site and put in risk mitigations and hardening treatments for the site. Secondly, we looked at other accommodation alternatives in Brisbane, and thirdly, whether we could reassess our own footprint and re-use other facilities that we had in a different way to accommodate people. It was not possible to accommodate all our staff. Lastly, would we walk away from the arrangement and look to seek a completely new site and walk away from the deal. The latter would have been, firstly, expensive, because we would have to negotiate out with the landlord in terms of the arrangement we had entered into and, secondly, we would still have to find and source a new site that would, again, cost us as much, if not more, than the arrangement we had in place. We weighed up a number

13 AFP correspondence, dated 22 April 2016 and 29 April 2016.

14 Mr Gunning, AFP, transcript of evidence, 19 April 2016, p. 4.

of options before we then re-committed once we were satisfied with our security assessments to that site.¹⁵

- 2.26 The leased facility at 45 Commercial Road is located within 1km of Brisbane's central business district (CBD). It provides a net lettable area of 4,112m² across three levels and includes 75 secure underground car parks over three basement levels. The facility includes an existing Property Council of Australia (PCA) 'A Grade' quality open plan fit-out completed in 2012.¹⁶
- 2.27 The AFP submission indicates that the planning and design concepts which have informed the design of the fit-out included:
- delivering a fit-out that aligns with Commonwealth standards and current best practice for office accommodation, whilst re-using the existing PCA A-grade fit-out to the maximum extent possible;
 - providing an office fit-out that utilises energy efficient, environmentally friendly and sustainable materials, goods and services. The fit-out design intends to achieve an overall tenancy rating of NABERS 4.5 rating;
 - designing to maximise the occupational density of the fit-out. The fit-out design achieves an occupational density of 14.7m² per occupied work point. Whilst occupational density exceeds the PRODAC target of 14m² per occupied work point, this has been influenced by the extent of re-use of the existing fit-out (predominantly workstations) on the basis that it is more cost effective to re-use than replace;
 - creating an environment which provides increased opportunities for improved operational collaboration;
 - providing increased opportunity to support organisational change and flexibility of functions and mobility through the provision of shared amenity and flexible work spaces for non-technical functions;
 - maximising operational efficiencies and addressing business needs that cannot be met in current accommodation;
 - maximising efficiencies through the incorporation/diversification of functions and groups in satellite facilities;
 - sharing similar rooms/spaces between capabilities wherever practical to optimise interaction and efficiencies; and
 - establishing a consistent approach to the planning and design of State Offices consistent with the AFP's Property Plan.¹⁷

15 Mr Gunning, AFP, transcript of evidence, 19 April 2016, pp. 4-5.

16 AFP, submission 1, p. 6.

17 AFP, submission 1, pp. 9-10.

2.28 At the public hearing the Committee queried the occupational density targets of the fit-out. Mr Gunning stated:

For this site we are currently looking at 14.7 square metres per work point and, through the detailed design, we are hoping to work that down further as we finalise things. One of the reasons it is slightly higher than the government target is that firstly, you cannot always get an ideal site; and secondly, in relation to the fitout that is already there that we are hoping to maximise the reuse of, if you configure that differently you could achieve lower square metres per person. Because we are trying to maximise reuse and not spend money there, it means that we do not quite meet the density target at present.¹⁸

2.29 Mr Gunning added that the AFP is working towards reducing the occupational density to closer to 14m² through the detailed design stage. Mr Markey from RPS Project Management stated:

That is inclusive of retaining up to 70 per cent of the existing workstations. The arrangement of those workstations inhibits the ability to achieve the 14 square metre rate. That can be addressed through a future fitout by simply changing those desks to straight desks. It is a relatively easy solution to bring to increase the efficiency of the floor, but it is just not value for money to replace all those workstations at this point in time, given that they are relatively new, and it is a very good fitout. As the design progresses, we will have more detail about the exact layout of the floor plates and the general arrangement. We are quite confident that we will bring down the 14.7 square metres to around 14.2 square metres.¹⁹

2.30 The Committee has some concerns about the choice of the Commercial Road site and whether an earlier consideration of security would have led to a different outcome. Restricting the “catchment area” to a two kilometre radius of the CBD may have unnecessarily constrained the options available to the AFP, leading to selection of a building which was found to require increased security mitigation measures and therefore contributing to the associated additional cost.

2.31 However, given the commitment to the lease, the Committee is satisfied that AFP considered alternative options and decided to proceed with the

18 Mr Gunning, AFP, transcript of evidence, 19 April 2016, pp. 5-6.

19 Mr Matthew Markey, RPS Project Management, transcript of evidence, 19 April 2016, pp. 6-7.

most appropriate outcome. The Committee comments on this matter later in the chapter.

Scope of the works

2.32 The scope of the proposed fit-out works includes:

2.33 **Base building works**

- physical and operational security requirements including hardening upgrades to the façade;
- structural loading reinforcement of the base building to support required loads, including additional mechanical, electrical and communications plant; and
- specialist services reticulation and redundancies.²⁰

2.34 **Base building integration of services**

- design and construction of services to be integrated with the base building works including electrical, mechanical, communications, security, fire and hydraulic services.²¹

2.35 **Office fit-out**

- functional workspaces comprising workstations which are generally open plan with functional areas appropriately located, segregated and controlled to support operational requirements;
- operational rooms and briefing facilities;
- forensic Laboratories and Workshops;
- exhibit Store and associated secure storage;
- interview Rooms;
- store/loading dock facility;
- breakout and muster spaces;
- meeting rooms;
- communications/server room;
- conference and training facilities;
- dedicated first aid and carers room;
- amenities areas;
- kitchens;
- gymnasium; and

20 AFP, submission 1, p. 10.

21 AFP, submission 1, p. 11.

- showers and lockers.²²

2.36 **Security**

- design and installation of security controls including a security alarm system, an electronic control system, door hardware and electronic access control at the main entrances, other entrances, exits, vehicle access point and internal areas with higher than normal security needs.²³

2.37 Materials and finishes will be selected from those readily available locally for their functionality, durability, low maintenance and for their ecologically sustainable design properties. Firearms stores and unloading bays will be constructed to meet AFP standards and comply with AS 2343:1997 Bullet Resistant Panels and Elements. Materials will generally be of reinforced concrete, core filled concrete block and plated Hebel construction depending on the specific room function.²⁴

2.38 The design of ICT systems including active equipment is required to support business continuity requirements of the AFP during the relocation. This requirement introduces some duplication of ICT systems associated with critical functions.²⁵

2.39 Fixed furniture and joinery within the existing fit-out will be re-used where possible. The fit-out will seek to maximise re-use of the exiting loose furniture from the existing fit-out as well as loose furniture items to be relocated with Wharf Street. Approximately 70% of the existing workstations will be retained. Specialist forensic equipment will be relocated from the existing Wharf Street facility. Specific proprietary loose items, including pallet racking, compactus, open metal shelving, lockers, cabinets and acid and solvent cabinets will be re-used and relocated.²⁶

2.40 At the public hearing Mr Peter Gunning, Chief Financial Officer, AFP summarised the requirements for building integration works and upgrades to the base building:

These upgrades are a key component of the works to ensure adequate protection to AFP and its people, and include physical operational security works and it is hardening upgrades to the

22 AFP, submission 1, p. 11.

23 AFP, submission 1, pp. 11-12.

24 AFP, submission 1, p. 12.

25 AFP, submission 1, p. 15.

26 AFP, submission 1, pp. 15-16.

facade, installation of external bollards, structural loading reinforcement, specialist reticulation and redundancies.²⁷

- 2.41 During the in-camera hearing the AFP provided further advice on the base building works associated with the physical security of the new leased premises.
- 2.42 Subject to Parliamentary approval, the works are expected to commence in July 2016 and be completed by February 2017.²⁸
- 2.43 The Committee finds that the proposed scope of works is suitable for the works to meet its purpose.

Cost of the works

- 2.44 The estimated cost of the project is \$25 million, excluding GST.
- 2.45 At the public hearing the AFP confirmed there would be a saving if approximately \$1 million per year in lease costs following the AFP's move to new leased premises at Commercial Road, Newstead. The AFP anticipated a requirement for renewal of the fit-out in approximately 15 years.²⁹
- 2.46 Of note the proposed physical security hardening measures represents \$9.11 million of the total cost of the works. This cost increased by almost \$8 million (approximately 650% increase) from the original estimate following the security assessment of the Commercial Road site in mid-2015.³⁰ The Committee makes further comment in relation to the security assessment in the next section of the report.
- 2.47 The AFP provided further detail on the project costs in the confidential submission and during the in-camera hearing.
- 2.48 The Committee considers that the cost estimates for the project have been adequately assessed by the AFP 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

- 2.49 The Committee is satisfied that the project has merit in terms of need, scope and cost.
- 2.50 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

27 Mr Peter Gunning, AFP, transcript of evidence, 19 April 2016, p. 2.

28 AFP, submission 1, p. 19.

29 Mr Peter Gunning, AFP, transcript of evidence, 19 April 2016, pp. 2, 4.

30 Mr Peter Gunning, AFP, transcript of evidence, 19 April 2016, p. 5.

value for money for the Commonwealth and constitutes a project which is fit for purpose, having regard to the established need.

Recommendation 1

- 2.51 **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 new leased premises for the Australian Federal Police at 45 Commercial Road, Newstead, Queensland.**
- 2.52 The Committee notes that the AFP conducted a detailed security assessment on the Commercial Road site only. This was following the selection of Commercial Road as the preferred site in October 2014.
- 2.53 The Committee recognises the changed security and threat environment since the AFP first approached the market in May 2013. However, the Committee is concerned that the early stages of a major procurement process for the AFP, conducted in the year 2014, did not include an assessment of security requirements.
- 2.54 The Committee notes that the AFP paused the project during 2015 to enable an assessment on new threat and risk information and to assess options to mitigate those risks. As a consequence, the cost for building works at Commercial Road increased by almost \$8 million from original estimates. This is a significant cost increase and a major part of the overall cost of the works.
- 2.55 The Committee has concerns that building security considerations were not given significant attention at an earlier stage in the procurement process when assessments of suitable accommodation options for the AFP were being made. The Committee considers that building security considerations at the early assessment stage could have led to a different outcome in the final selection of preferred building. However, the Committee accepts that in the circumstances, continuing with the Commercial Road premises with enhanced security was the most appropriate outcome.
- 2.56 Given that security is a significant factor for the AFP in selecting premises such as State Offices, the Committee considers that security should have been addressed at an earlier stage of the procurement process. Therefore the Committee requires that the AFP review and amend as necessary its public works procurement processes to ensure the early identification and assessment of security requirements.

Recommendation 2

- 2.57 **The Committee requires that the Australian Federal Police review and amend as necessary its public works procurement processes to ensure early identification and assessment of security requirements. The review should include consideration of site selection processes to ensure that it is not unnecessarily constrained.**
- 2.58 The Committee understands and supports the reuse of the existing fitout at Commercial Road, however considers that the AFP should explore all options for activity based workplaces and any vacant space to achieve greater efficiencies for areas where operational requirements allow and strive to achieve the 14m² target.
- 2.59 The Committee requires the AFP to keep it updated on progress with the fit-out's final design specifications and the final occupational density targets reached.

Recommendation 3

- 2.60 **The Committee requires that the Australian Federal Police provide it with an update on the occupational capacity reached in the final design specifications for new leased premises at 45 Commercial Road, Newstead. This update should be provided as soon as the information is available.**
- 2.61 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.

Senator Dean Smith

Chair

2 May 2016