



# Head Office Storage and Logistics Change

## Statement of Evidence to the Parliamentary Standing Committee on Public Works

Submission 1

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## Glossary of Terms

AS	Relevant Australian Standards
Bank	Reserve Bank of Australia
DDA	Disability Discrimination Act 1992
HO	Head Office, 65 Martin Place, Sydney
HOWP	Head Office Workplace Project
Information Technology	The department within the Reserve Bank responsible for overseeing information technology.
NABERS	National Australian Built Environment Rating System
NCC	National Construction Code
PGPA Act	Public Governance, Performance and Accountability Act 2013
PWC	Parliamentary Standing Committee on Public Works
WHS	Work Health and Safety
Workplace	The department within the Reserve Bank responsible for the management of facilities owned by the Reserve Bank.
Works	As defined within the PWC Procedure Manual

## Executive Summary

### Purpose

1. In its role as Australia's central bank, the Reserve Bank of Australia (the Bank) determines and implements monetary policy, fosters financial stability, undertakes a range of activities in financial markets, acts as a banker to the Australian Government, issues Australia's banknotes and has policy, supervisory and operational roles in the payments system.
2. A project (Head Office Workplace Project (HOWP)) is underway to refurbish the Bank's Head Office (HO) at 65 Martin Place, Sydney. As part of the HOWP, all Bank staff and functions must relocate out of the building.
3. The Bank is seeking approval from the Parliamentary Standing Committee on Public Works (PWC) to undertake a fitout project at an existing leased facility to provide a temporary offsite storage and logistics function while the HOWP works are underway.

### Need for Works

4. The Bank originally planned to progressively refurbish the HO building with a small number of staff and critical operations remaining within the building. However, after the discovery of significant amounts of asbestos within the structure, a decision was made to vacate the site and demolish the building back to its steel frame to be rebuilt to its current architectural form to make the building safe for future occupation. The Bank will recommence the refurbishment from January 2025 with the progressive demolition of the tower from Level 20 to Level 3.
5. Office space has been leased at a nearby building, 8 Chifley Square, and the majority of Bank staff were relocated to the building by May 2024.
6. As the Bank discussed in the advice to the PWC dated 1 February 2024, some specialist Bank functions will remain within the HO basement levels until they can be transferred to new premises. Given the specialised nature of these functions, these relocations are complex standalone projects.
7. This submission is to undertake a fitout project within an existing leased facility to provide a temporary offsite storage and logistics function to facilitate the safety of staff and continuity of the Bank's critical operations.

### Cost Effectiveness

8. The estimate of the reportable construction cost of the project will be \$35.3 million (excluding recoverable GST). This cost will be funded by the Bank.
9. This cost is based on the Bank's assessment to fitout a new temporary location for storage and logistics requirements.
10. Preliminary programming indicates a construction duration of 10 months and a 3 month commissioning period. It is planned to commence construction in mid-2025 with an expected practical completion by mid-2026.

### Revenue

11. There will be no revenue generated from this site.

## **Public Value**

12. The building is required to enable the Bank to meet its legislated obligations under the *Reserve Bank Act* and to the broader economic stability, prosperity and welfare of the Australian people. The site will support resilience and continuity of critical Bank functions.
13. Public value is realised by the Bank meeting its policy objectives. Failure to meet these could potentially result in a much higher cost to the public purse than the costs associated with the proposed project.

## Purpose of the Works

### Reserve Bank of Australia

14. The Bank is established by statute as Australia’s central bank. Its enabling legislation is the *Reserve Bank Act 1959*. In its role, the Bank determines and implements monetary policy, fosters financial stability, undertakes a range of activities in financial markets, acts as a banker to the Australian Government, issues Australia’s banknotes and has policy, supervisory and operational roles in the payments system.
15. The Bank is a Commonwealth statutory authority operating within the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

### Purpose

16. The Bank’s storage and logistics function must meet key objectives:
  - a) **Alignment with Bank’s policy objectives** – Ensure the Bank can deliver on its statutory requirements and the priorities outlined in its Corporate Plan.
  - b) **Business continuity** – Provide effective resilience to a range of potential operational risks and disruptions, to ensure the Bank can maintain critical operations.
  - c) **Operational capability** – Deliver sufficiently flexible options to adapt to changes in the Bank’s external and internal operating environment.
  - d) **Staff Safety** – Ensure the Bank can meet compliance and safety outcomes as required under WHS legislation.
17. During the HOWP works, the Bank’s critical functions cannot be interrupted. To ensure that storage and logistics functions are not affected, the Bank proposes to construct a temporary facility within an existing leased site. It is anticipated that building works near the storage and logistics functions will not commence until the new location is fully active, ensuring that critical functions remain operational.

## Need for Works

18. As the owner of the HO building, the Bank has the responsibility to ensure the building is safe, compliant, and fit to support the future needs of the Bank fulfilling its obligations as Australia’s central bank.
19. The Bank received PWC approval for the refurbishment of the existing HO building in 2020, with an update in 2024 where the Bank advised it has become clear that the construction work (including the significant amount of asbestos removal) could not continue while the Bank remained onsite.
20. To address the serious work health and safety risks associated with the existing building, the Bank will temporarily relocate specialist Bank functions to new premises, as discussed in its letter to the Parliamentary Standing Committee on Public Works on 1 February, and confirmed by the Parliamentary Works Committee Chair on 5 April 2024.
21. As part of the relocation, the Bank needs to establish a storage and logistics facility with bespoke requirements for some of the Bank’s critical functions.
22. The Bank explored using existing Government facilities and requested that the Department of Finance conduct a search. No sites were identified as suitable.

## Options Considered

23. A Project Team comprising Bank subject matter experts and external service providers was established to evaluate the most effective approach to storage and logistics functions during the HOWP works.
24. Three options were considered – reassessing the feasibility of staying in HO (take no action); relocating to an existing Bank site at an interstate location; or establishing a temporary facility at an external site in New South Wales.
25. These options were assessed against the Bank’s objectives for the logistics and storage function to recommend the most suitable option (Table 1).

**Table 1: Summary of Options**

Objectives	Stay in HO	Relocate to existing site	Temporary facility
Alignment with Bank’s policy objectives	Yellow	Green	Green
Business continuity	Red	Red	Green
Operational capability	Yellow	Red	Green
Staff safety	Red	Green	Green

### Option 1 – Stay at HO (take no action)

26. Analysis reconfirmed that this option is not feasible:
  - a) **Alignment with the Bank’s policy objectives:** The ongoing disruptions from operating in a major building site would reduce the Bank’s ability to meet its policy objectives.
  - b) **Business continuity:** Critical Bank operations could be severely disrupted or unable to continue due to building works negatively impacting critical structural, security and services infrastructure.
  - c) **Operational capability:** There would be limited capacity to respond to internal or external operational changes that required a quick response from the Bank.
  - d) **Staff safety:** It was determined that it was not reasonably practicable to ensure Bank staff and contractor safety and security during all phases of the HOWP building works, including during asbestos removal.

### Option 2: Relocate to an existing Bank site

27. This option involves temporarily relocating HO storage and logistics requirements to an existing interstate Bank site during the HOWP building works.
28. Our analysis has indicated that this option is not viable for the Bank, due to the risks around operational continuity and capability:
  - a) **Alignment with the Bank’s policy objectives:** Use of the existing site would allow the Bank to meet its policy objectives.

- b) **Business continuity:** This option would lead to a significant concentration in geographic risk, providing the Bank with little business resilience. Concentrating nearly all storage and logistics in an existing site would not allow the Bank to react effectively to operational disruptions such as those in a pandemic, natural disaster, or logistics breakdown.
- c) **Operational capability:** Concentrating operations would also have an impact on existing operational capability and resilience, due to storage limitations and the flow-on effects this would have on logistics. Under some reasonable scenarios, operational capability would be exceeded over the life of the HOWP works.
- d) **Staff safety:** The existing Bank site has high levels of staff safety and security.

### Option 3: Establish a temporary facility at a leased site

- 29. The Bank engaged a service provider to investigate options for a leased storage and logistics facility. From a list of over 80 potential sites, a suitable location was identified in the Greater Sydney area.
- 30. The proposed site supports a fitout of the appropriate size and functionality that is safe, secure, and flexible on a timeline that will enable delivery of the Bank's requirements during the HOWP building works.
- 31. Establishing a temporary storage and logistics facility within a leased site meets all the Bank's objectives:
  - a) **Alignment with the Bank's policy objectives:** The leased facility would allow the Bank to meet its policy objectives.
  - b) **Business continuity:** A site geographically separate from the Bank's existing sites provides effective resilience and mitigates business continuity risks, allowing the Bank to respond to operational disruptions.
  - c) **Operational capability:** The site would provide sufficient storage capacity over the life of the HOWP project and provide the Bank with flexibility to manage changing business requirements.
  - d) **Staff safety:** The new leased facility would have high levels of staff safety and security.

## Scope of Works

### Project location

- 32. The potential leased site is in Greater Sydney in a privately owned Industrial Estate. The proposed works are consistent with the use of the site.

### Details of applicable codes and standards

- 33. The National Construction Code (NCC)
- 34. *Disability Discrimination Act 1992* (DDA)
- 35. Relevant Australian Standards (AS)



## Design concept

36. In translating the Bank’s objectives and requirements into the built form, the design concept aims to ensure the fitout is safe and secure.
37. The workspace should enable a safe, productive and healthy work environment. The new workplace will cater for changes in operational needs, which necessitates inbuilt flexibility and adaptability.
38. The proposed design takes into account the temporary nature of the relocation of the Bank’s storage and logistics function while ensuring staff and operations remain safe and secure.
39. To reduce costs the Project will be utilising existing furniture and fittings from the HO building where possible and make minimal changes to the office area of the leased site.
40. As part of developing the design concept, the Bank will undertake a rigorous risk assessment process, including analysis of safety, security, cost, operations. Risk estimation has been undertaken to review the contingent and inherent risks and identify mitigation strategies.

## Sequence of the works

41. Bank functions are required to be kept operational throughout the HOWP construction period. Multiple project teams will ensure that critical operations continue until the leased site is fully active. Bank staff health and safety will remain paramount throughout.
42. The sequence of works include (Table 2):

**Table 2: Work Sequencing**

Stage	Description
1	Procurement of consultant team: including architect, engineering services, quantity surveyor, and other specialist consultants
2	Design
3	Procurement of head construction contractor and key long lead time items
4	Fitout construction
5	Commissioning
6	Relocation

## Architecture, Building Services and Workspace

43. This project is for a fitout within an existing facility available for lease. Works will mainly be conducted inside the facility, with some upgrades to the external fencing and access gates.
44. This project will require the construction of a bespoke storage and logistics facility, and minor modifications to existing office workspace accommodation. The project will deliver custom services such as:
  - a) bulk storage;
  - b) improved security;
  - c) altered logistics systems, including in the loading docks;
  - d) specialised electrical infrastructure to some spaces within the leased facility; and
  - e) altered fire safety, air-conditioning, hydraulic, lighting, and mechanical services.

45. The existing office space includes most services required, except for some IT and Audio-Visual requirements.

### **Provisions for people with disabilities**

46. The proposed site is a leased facility and the potential landlord has been requested to supply documentation outlining the design is compliant with the appropriate codes.
47. The Bank promotes a diverse and inclusive workplace and aims to help all staff perform at their best. The design of the Bank's fitout will consider the requirements of staff working within those areas.

### **Childcare provisions**

48. There are currently no childcare facilities on the proposed leased site. No childcare facilities will be provided as part of this project. A parents' room will be available.
49. The Bank investigated the childcare facilities currently available near the leased premises and identified that several facilities have spaces available for enrolment. Prior to the relocation of staff, the Bank will assist staff with information on the location of childcare facilities and available options.

### **Environmental considerations**

50. The proposed site is a leased facility that has a 150kw solar electricity generation and electric vehicle charging stations already present. The potential landlord has been requested to supply documentation outlining additional environmental strategies.
51. The design fitout approach will aim to effectively combine best practice sustainable strategies to enable efficient and effective operations and occupant well-being and satisfaction. The sustainable design approach will be developed to meet Australian and international standards including:
  - a) Compliance with the minimum requirements for the energy efficiency performance of building services equipment per the NCC.
  - b) Have and maintain an energy rating at least equal to a 4 star or higher NABERS rating (as part of the Net Zero in Government Operations Strategy)
  - c) 5-star Green Star Interiors v1.2 design equivalence.
52. To achieve the above targets, the following key sustainability initiatives will be implemented:
  - a) Increased use of fresh air and zoning control of air conditioning to reduce energy usage;
  - b) Efficient LED lighting to reduce energy usage; and
  - c) Metering of energy and water use to manage and reduce consumption.

### **Workplace health and safety measures**

53. The Bank takes the safety of its staff and contractors working on its sites very seriously. During delivery of the works, workplace health and safety will be monitored by the Bank and will form part of the Head Construction Contractor's responsibilities. The Bank has established Safety in Design procedures to ensure the design considers the safety of the construction workers as well as the occupants of the space when works are complete.

54. The Project Team, in consultation with the Bank’s work health and safety teams, will establish protocols and management procedures to ensure the safety of staff and visitors on site during the construction works. The procedures will address separation of construction work zones, clear access provisions, mitigations for noise and dust, ongoing updates to emergency evacuation procedures and regular communication of upcoming works or changes affecting staff safety.
55. All project contractors will undertake a site induction and be required to have appropriate safety management plans in place before commencing any work on site.

### **Design documentation**

56. The concept design drawing is available at *Appendix A*.

## **Other Issues**

### **Heritage considerations**

57. The Bank has sought external planning advice and has confirmed that there are no heritage considerations at the proposed site.

### **Impacts on local community**

58. The proposed leased site has only one neighbouring site. The proposed fitout is contained within the structure of the existing building.
59. There are minor upgrades to some existing external infrastructure such as fences, which will be done in consultation with the landlord.
60. As the works are not changing the footprint of the building or its access, there are no post-construction impacts. There will be make-good work at the end of the lease.
61. The Bank will create the following management plans to address any stakeholder concerns:
  - a) A stakeholder management plan including a point of contact for liaison for external stakeholders; and
  - b) A construction management plan that will also include an environmental management component to control noise, dust and water run-off during construction.

### **Consultation**

62. To achieve the project objectives and maximise its benefits, a comprehensive and well-structured consultation plan will be developed. A stakeholder engagement plan has been established for the project identifying the key stakeholders and the potential impacts on each of them. The plan outlines the various engagement activities required to support the delivery of the project including who is involved, how the activities will be undertaken and when they will occur.
63. A Stakeholder Engagement Group representing impacted functional groups within the Bank will provide feedback on the progress of the design and works to ensure it reflects the best interests of their wider team.
64. A variety of consultation activities has taken place with impacted staff, who have contributed to the fitout through interviews, workshops and site tours. The Bank will

continue consulting with staff on the impact of the proposed change in their work location to ensure all people related matters are considered and addressed appropriately.

65. The Project Team has subject matter expert staff members. The Project Team will work together on the remaining design work, oversee the fitout construction and champion the change to the new location.
66. The following external stakeholders have been contacted and/or consulted by the Bank and its consultants during the preparation of this submission:
  - a) Landlord;
  - b) Appropriate authorities; and
  - c) Planning consultant.
67. External stakeholders who are impacted by the establishment of the site will be consulted during the design phase to ensure that the site meets their requirements.

## Cost Effectiveness and Public Value

### Outline of project costs

68. The total estimated cost of the fit-out works proposed is \$35.3 million (excluding recoverable GST). This cost is inclusive of all construction costs, site preparation, infrastructure, management and design fees, contingencies and escalation.
69. Other costs associated with the project, referred to as “below the line” items within the PWC Procedure Manual, include:
  - a) Technology hardware and software to enable the new workspace including wi-fi, meeting room audio visual, telephony and other mobility enabling tools. The estimated cost for technology components is \$1.8 million.
  - b) Loose furniture and fixtures. An assessment of the existing loose furniture within the current HO building will be undertaken to assess its condition and re-use at the proposed lease site where practical. The estimated cost for loose furniture is insignificant.

### Project delivery methodology

70. A project management team has been established to manage the project and administration. The team consists of an internal project management team and an external project management company leading a team of external providers to deliver services in architecture, engineering, quantity surveying and other specialist expertise.
71. The Bank’s preferred delivery method is to complete the full design and then appoint a construct-only head contractor with responsibility for implementing the design. In this approach the design is fully documented, and a head contractor is engaged on a lump sum contract following a two-stage procurement process (a public Expression of Interest followed by a select Request for Tender) to implement the design. The procurement process will follow the Commonwealth Procurement Rules as the construction value will exceed the \$7.5 million threshold. The procurement strategy will be confirmed once the detailed design is completed.

## **Project schedule**

72. The Project Team has assessed the construction duration of the project to be 13 months inclusive of delay contingencies and building services commissioning. Subject to Parliamentary approval, and assuming commencement in mid-2025, it is expected that the project would achieve overall practical completion in mid-2026. Staff and storage relocation activities would occur after that point.

## **Public value**

73. The building is required to enable the Bank to meet its legislated obligations and to the broader economic prosperity and welfare of the Australian people. The site will support resilience and continuity of critical Bank functions.
74. Public value is also realised by the Bank meeting its policy objectives. Failure to meet these could potentially result in a much higher cost to the public purse than the costs associated with the proposed project.

## Appendix A: Concept Design

