



Australian Government

Services Australia

SUBMISSION ONE

**PROPOSED FITOUT OF NEW LEASED
PREMISES AT
52–62 KING WILLIAM STREET
ADELAIDE, SOUTH AUSTRALIA**

**SERVICES AUSTRALIA
CANBERRA, ACT
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1 EXECUTIVE SUMMARY

1.1 Introduction

- 1.1.1 Services Australia (the Agency) is responsible for the delivery of advice and high-quality, accessible social, health and child support services and payments, through the Centrelink, Medicare and Child Support programs. To support these activities, the Agency is required to manage a large, diverse property portfolio and is seeking to consolidate five sites (six leases) in the Adelaide Central Business District (CBD) to deliver operational and financial efficiencies for the Agency.
- 1.1.2 The Agency provides essential government services, which need to continue to operate to deliver critical services to the Australian people. The Agency is responsible for delivering the Centrelink, Medicare and Child Support programs for the Australian Government.
- 1.1.3 The Agency has determined that staff are required to attend the workplace in order to meet functional and operational requirements, and deliver customer services and ensure system security.
- 1.1.4 The Agency currently leases 30,307.5 m² of office accommodation providing 2,482 work points across the five sites (six leases) in Adelaide, South Australia.
- 1.1.5 The Commonwealth Leasing Strategy includes the consolidation of the Agency's leases in Adelaide, providing benefits through streamlining the portfolio and allowing for improved business collaboration, providing commercial leverage through a larger space requirement and efficiencies throughout the procurement process, and reducing the administrative burden of multiple leases. It is a requirement that entities implement viable strategies outlined in the Commonwealth Leasing Strategy.
- 1.1.6 In November 2018, an Approach to Market was undertaken seeking Expressions of Interest (EoI) for the provision of approximately 29,000 m² of leased office accommodation in Adelaide, South Australia to consolidate the five sites.
- 1.1.7 The positive response to the EoI resulted in a Request for Proposal (RFP) being issued on 9 April 2019. Evaluation of the RFP identified a new lease arrangement at 52–62 King William Street, Adelaide as the best value for money proposal. This proposal included the construction of a new building at this location. The Agency proposes to consolidate its five Adelaide sites into 28,500 m² of office accommodation at 52–62 King William Street, Adelaide in 2023 through a 10-year lease with two further five-year options with an estimated whole-of-life lease cost of \$585,832,295 (excluding GST). This result in a reduction in the Agency's property footprint of 1,807.5 m².
- 1.1.8 On 29 May 2020, the Minister for Finance, Senator the Hon Mathias Cormann, endorsed the Agency's lease proposal for 28,500 m² at 52–62 King William Street, Adelaide.
- 1.1.9 The proposed premises will be developed as a multi-tenant, multi-function building of 42,902 m². The development includes 39,264 m² of office accommodation and 3,638 m² of retail space. The Agency will occupy 28,500 m² of office accommodation within the building.
- 1.1.10 The preferred proponent will be responsible for delivery of the office base building as well as the Agency's integrated fitout. This project will deliver A-grade accommodation with an energy efficient building design reducing operational costs into the future. The Agency's fitout works at this premises will provide office accommodation to support the delivery of the Agency's business objectives, in

accordance with the Commonwealth Leasing Strategy. The cost of the proposed fitout works are estimated at \$52,997,340 (excluding GST), being \$1,860/m².

1.1.11 The development is scheduled for completion in July 2023, allowing the Agency to undertake a staged occupation in alignment with lease expiries for the sites proposed to be consolidated under the proposal. Four of the Agency’s six leases expire in September 2023, and two leases expire in November 2023. Five months’ early access to the premises will be provided by the landlord, at no cost to the Agency, allowing the completion of fitout works and site occupation before these leases expire.

1.1.12 The proposed consolidation will not reduce the number of jobs for Agency staff in the Adelaide region.

1.1.13 This proposal will have a positive economic impact on the Adelaide community through the employment of local trades for the fitout.

1.1.14 The following table provides a summary of key dates.

Planned Schedule	Total
Development Approval	October 2020
Construction Commencement – site preparation/demolition	January 2021
Construction Commencement – building/fitout	April 2021
Construction Completion – base building	June 2023
Construction Completion – fitout	June 2023
Relocation Period	July 2023 – September 2023

1.1.15 The following table provides a summary of the proposal.

Proposed Development	
Land Area (m ²)	4,259
Building Area (m ²)	42,902
Carparks – including accessible parking (No.)	41
Bicycle Storage (No.)	296
Agency Arrangements	
Net Lettable Area (m ²)	28,500
Fitout Density/PRODAC Area (m ²)	11.8
Work Point (No.)	2,420
Total Fitout Cost (\$)	52,997,340
Total Fitout Cost (\$/m ²)	1,860
Agency’s Current Arrangements	
Number of sites to be consolidated	5
Staff (No.)	2,243
Net Lettable Area - at 12.2 m ² per work point (m ²)	30,307.5
Work Point (No.)	2,482

2 PURPOSE OF WORKS

2.1 Purpose and Key Objectives of Proposed Works

2.1.1 The Agency proposes to undertake fitout works at 52–62 King William Street, Adelaide, to provide office accommodation to support the consolidation of the Agency’s five Adelaide sites in 2023 in accordance with the Commonwealth Leasing Strategy. The cost of the proposed fitout works are estimated at \$52,997,340 (excluding GST), being \$1,860/m².

2.1.2 The key objectives of the proposed works will be the realisation of operational and financial benefits including:

- a fit for purpose property solution for the consolidation of Agency sites in Adelaide to support the continuation of Agency operations over the longer term
- a cost effective, value for money outcome for the Commonwealth through a reduction in the number of leases and outgoings
- the delivery of an A-grade building amenity which meets Commonwealth energy and waste management targets
- achieving efficiencies through an average work point density of 11.8 m²—with consideration for physical distancing—which is below the Commonwealth occupation density requirement of 14 m² per occupied work point
- provide an environment to support staff wellbeing, productivity, connectivity and collaboration.

3 NEED FOR WORKS

3.1 Entity Operations

3.1.1 The Agency has assessed there is an ongoing requirement to maintain a presence in the Adelaide region to support the delivery of the Agency’s business objectives and the government commitment to service delivery.

3.1.2 The Agency has assessed that maintaining five separate leases is inefficient, costly and would require significant investment to ensure existing amenity meet policy and operational standards.

3.1.3 The Agency provides essential government services, which need to continue to operate to deliver critical services to the Australian people. The Agency is responsible for delivering the Centrelink, Medicare and Child Support programs for the Australian Government.

3.1.4 The Agency also provides essential government services under the Department of Health Emergency Response Plan for Communicable Disease Incidents of National Significance: National Arrangements.

3.1.5 The Agency has determined that staff are required to attend the workplace in order to meet functional and operational requirements, and deliver customer services and ensure system security.

3.2 Policy requirement

3.2.1 In accordance with the Commonwealth Leasing Strategy the Agency is required to explore all opportunities in the Adelaide market which would achieve the consolidation of staff and the best value for money outcome for a new lease.

3.2.2 Consultation with the Department of Finance and the subsequent approach to market identified that there are no existing buildings available in Adelaide within the timeframe to provide the required 28,500 m² of office accommodation. The open market approach and supporting Cost Benefit Analysis indicated the most beneficial option is to enter a lease associated with the construction of a new building at 52–62 King William Street.

3.2.3 Fitout works are required at the proposed site to deliver office accommodation that supports the nature of the work undertaken by the Agency and its business operations.

3.3 Deficiencies in Current Facilities

3.3.1 The Agency's five sites included in this consolidation proposal are located in Adelaide within 5 kilometres of each other, four of which are in the Adelaide CBD.

3.3.2 The Agency has identified that these five sites are not fit for long term occupation. The main deficiencies are summarised as follows:

- the average fitout age at the Agency's five existing sites in 2023 will be 14 years (the oldest being 18 years) and approaching the end of their useful life
- the sites require base building refurbishment of bathrooms, ceilings, light fittings, air conditioning plant, lifts and floor coverings throughout to ensure efficient and cost effective performance for the next 15 to 20 years
- separation of the five sites creates operational and functional inefficiencies together with increased security risks
- temporary 12-month leases and fitouts of additional floors would also be necessary to provide staging space to facilitate the required base building and refurbishment works.

4 OPTIONS CONSIDERED

4.1 Preferred option – New construction or existing vacant premises

4.1.1 Market analysis undertaken by the Commonwealth's Strategic Property Adviser—included in the Commonwealth Leasing Strategy 2020—indicated that Adelaide provides the lowest occupancy costs in the country offering value for money for entities able to either relocate or expand their presence in this market.

4.1.2 The preferred option was identified through an open approach to market for newly constructed or existing vacant premises.

4.1.3 A Request for Tender process was undertaken, which resulted in four viable proposals for consolidation into a single building.

4.1.4 A financial and qualitative analysis indicates the 52–62 King William Street proposal is the best value for money for the Commonwealth.

4.1.5 All submitted proposals were assessed over an initial 10-year period with two further five-year options. All other assessment considerations were obtained from the submitted proposals, with a Net Present Value discount rate of 6% as provided by the Department of Finance.

4.1.6 The works that are the subject of this submission are required to fitout the newly constructed building identified through the open approach to market.

4.2 Option – Status quo

4.2.1 Maintaining the status quo by renewing the current leases is more costly when compared with the proposed new lease at 52–62 King William Street, is not in line with occupational density targets, nor does it achieve the agency's Adelaide Precinct Plan strategy of consolidating Adelaide staff for operational efficiencies. Market evidence indicated that there were viable alternate building solutions offering significantly improved value for money, financial terms and incentives.

4.2.2 The agency's five existing sites (six leases) will also need refurbishment in 2023 as the average timeframe for refurbishment of the agency's non-face-to-face premises is 12–15 years. All base building amenities are aging and would require significant works to ensure the buildings are at acceptable standards for a potential 20-year commitment. Temporary 12-month leases and fitouts of additional floors would also be necessary to provide staging space to facilitate the required base building and refurbishment works.

4.2.3 The status quo analysis was assessed on assumptions over an initial 10-year period with two further five-year options. The cash flow for the status quo sites was based on current market conditions, with consideration for existing agreed terms and conditions. Market incentives were applied in accordance with independent evidence. The cash flow for the status quo option included lease, make good and an allowance for staging space to allow for refurbishment of the current floors in each site over the initial 12 months.

4.3 Option – Existing Commonwealth Leases or owned properties

4.3.1 The option to relocate to surplus leased government space in the Adelaide CBD was explored and was not possible as the Department of Finance confirmed there is no existing Commonwealth leased or owned accommodation in Adelaide that could accommodate the operational requirements of the Agency.

4.3.2 At this time the Department of Finance advised there were no impediments to the Agency approaching the market in accordance with the Commonwealth Procurement Rules and the Commonwealth Property Management Framework.

4.4 Option – Alternative funding arrangements

4.4.1 Not applicable. Funding for the lease and fitout of the proposed new building will be from the agency's approved property operating expenses, capital budgets and incentive contributions.

4.5 Option – Build own operate buy

4.5.1 A new development would require the Commonwealth to identify and acquire an appropriate site which would add significant risk to achieving a new development prior to the expiry of current leases.

4.5.2 Capital funding to support such an initiative is not readily available within the Agency's existing annual allocations. Approval of a submission for capital funding of this magnitude through the Budget process would not be certain. This lack of certainty risks the delivery of the project within required timeframes.

4.6 Justification for Proposed Course of Action

4.6.1 The Agency has identified an ongoing requirement for a tenancy of approximately 28,500 m² of office accommodation in Adelaide.

4.6.2 Market analysis undertaken by the Commonwealth's Strategic Property Adviser indicated that beyond 2020 there is no further supply confirmed in the Adelaide office market. Tenant demand in the Adelaide office market has steadily grown for a number of years resulting in reduced vacancy rates in existing leased premises and fewer opportunities for larger occupiers.

4.6.3 Market research conducted by the Agency's property service provider, Jones Lang LaSalle (JLL), supports this analysis and identified there is no suitable alternative existing accommodation in Adelaide that would provide the required space for the Agency to implement the consolidation plan.

4.6.4 The Cost Benefit Analysis supported by the Department of Finance assessed various options for the agency in the Adelaide region. This demonstrated that the option to progress with a newly constructed building for the required space at 52–62 King William Street was the best value for money outcome for the Commonwealth.

4.6.5 This proposal maximises efficiencies and provides close access to a wide range of surrounding amenities for staff. The project will deliver A-grade accommodation with an energy efficient building design reducing operational costs into the future.

4.7 Cost Benefit Analysis

4.7.1 Further details of the Agency's Cost Benefit Analysis endorsed by the Department of Finance are included in Submission 1.1.

5 SCOPE OF WORKS

5.1 Site Selection and Project Location

5.1.1 The Agency undertook a two-phase approach to market, commencing on 27 November 2018 for the provision of approximately 29,000 m² of leased office accommodation in Adelaide, South Australia. The tender process was undertaken in accordance with the Commonwealth Procurement Rules.

5.1.2 Twenty-two responses were received for Stage 1, with seven proponents shortlisted and invited to participate in the Request for Proposal. Four proponents submitted valid offers with further details of the responses provided in Submission 1.1.

5.1.3 The tender evaluation panel included Agency senior representatives, supported by external subject matter experts.

5.1.4 The procurement process identified the best value for money outcome being a newly constructed building at 52–62 King William Street. A location map is provided at [Attachment A](#).

5.1.5 The redevelopment of the site will include demolition of the existing buildings and construction of a 42,902 m² commercial and retail building. The site is located on King William Street, the city's principal north-south boulevard.

5.1.6 The Agency's office fitout proposal at 52–62 King William Street covers Levels 1 to 10.

5.2 Relevant Local Facilities

5.2.1 The site is situated within the business hub of the Adelaide CBD on King William Street which is known for its focal point of businesses, shops and other prominent establishments.

5.2.2 The site is within the commercial and retail precinct and is surrounded by local amenities, including public parking facilities within 200 metres.

5.2.3 The development will provide retail space in addition to the Agency's office accommodation, providing opportunities for new businesses and cafes to open.

5.3 Public Transport

5.3.1 The site is in the Adelaide CBD and has road frontage on King William Street. The location is well serviced by public transport.

5.3.2 The Glenelg tram line runs along the middle of King William Street through the city centre.

5.3.3 Numerous bus and tram stops are located along King William Street.

5.3.4 Adelaide Railway Station is within 400 metres of the proposed site.

5.4 Local Roads and Traffic Concerns

5.4.1 Construction traffic will have minimal impact on local traffic networks with project activities to be coordinated with the City of Adelaide Council.

5.5 Zoning and Local Approval, Including Land Acquisition

5.5.1 The site is located within the Central Business Policy Area, within the Capital City Zone of the City of Adelaide Council Development Plan. This development is compliant with the zone intended use.

5.5.2 A Development Application for the site was submitted to the City of Adelaide Council. The application is scheduled for consideration by the State Commission Assessment Panel (SCAP) in October 2020.

5.5.3 The preferred proponent holds an executed contract of sale for the purchase of the land. Settlement of the land is due to occur in December 2020, allowing early works construction, including demolition and site preparation, to commence in January 2021 in line with the development project programme.

5.6 Building Structure

5.6.1 The building is a new commercial office development of 42,902 m² comprising of 15 floors of office accommodation and retail space.

5.6.2 The Agency will occupy 28,500 m² office accommodation across 10 floors. The space dedicated to the Agency will include the following:

- a ground floor lobby with provisions for a guarding desk, security turnstiles and waiting area
- 30 secure parking spaces, including one accessible space
- 228 bike spaces
- first aid and multi-function carers/prayer rooms.

5.6.3 The office accommodation is designed with central cores including lifts and bathroom facilities, with large fully contiguous floor plates, maximising flexibility, connectivity and natural light.

5.6.4 Vehicle access to the basement parking will be by a two-way dual lane ramp from Imperial Place (off Grenfell Street).

5.6.5 The building features will include a supermarket, food outlets, basement parking, wellness centre and gym, end of trip facilities. A sky lobby on level 1 will be the building access point for all other office tenants of the building, which will include casual meeting spaces and will be publicly accessible via escalators and stairs from the ground floor. The rooftop space will accommodate solar panels.

5.6.6 The King William Street building frontage will comprise of two different facades. The retail and common area spaces on Ground and Level 1 will comprise a sandstone, steel and glass façade. The office accommodation on Levels 2 to 14 features steel and glass façade. A concept graphic is provided in [Attachment B](#).

5.7 Fitout Material and Furnishings

- 5.7.1 Materials and finishes used in the fitout will be selected for appearance, durability, functionality and ease of maintenance and cleaning.
- 5.7.2 Typical materials and finishes will include glass for office and meeting room partitions, plasterboard walls, fabric panels on workstation screens, timber veneer or laminate finishes to workstations and meeting tables.
- 5.7.3 The fitout will be delivered using the Agency's existing panel arrangements for furniture. These panels have been established to achieve value for money, meet the Agency's workplace health and safety requirements and take into account use of recycled and sustainable materials where possible.
- 5.7.4 Refer to 5.13 of this submission for environmental sustainability considerations relating to base building and fitout.

5.8 Mechanical Services

- 5.8.1 The Mechanical Engineering Service installations to the building will be in accordance with the requirements of the AS/NZS 1668 series and include:
- (a) minimum noise and vibration characteristics
 - (b) reasonable maintenance costs
 - (c) proven design
 - (d) reliability
 - (e) durability
 - (f) ease of maintenance without entry to tenant areas
 - (g) ease of replacement
 - (h) efficiency of operation
 - (i) environmentally sustainable principles.

5.9 Hydraulic Services

- 5.9.1 The Hydraulic Engineering Service installations to the building will be in accordance with requirements of the National Plumbing Code AS/NZS 3500 and include:
- (a) potable and non-potable water supply
 - (b) cold water storage and pump system
 - (c) domestic hot water via a central gas-boosted solar hot water system
 - (d) sewer drainage and sanitary plumbing
 - (e) natural gas service for base building and tenant provision
 - (f) roof drainage designed to include drainage to a rainwater harvesting tank
 - (g) water efficient tapware and flushing devices
 - (h) grey water treatment and re-use, along with harvested rainwater for toilet flushing.

5.10 Electrical Services

- 5.10.1 The electrical installation will include electrical supply, metering, distribution, lighting and special purpose power in compliance with statute and regulations.
- 5.10.2 The building will employ tenancy sub-metering; a highly efficient automated lighting system with provision for a diesel standby generator.
- 5.10.3 An automated lighting control system will be installed consisting of occupancy sensors, daylight harvesting, switch controls every 50 m² and afterhours security and cleaning modes.
- 5.10.4 Category 6a data cabling will be used throughout the building.
- 5.10.5 Vertical power and data distribution will be provided through riser ducts.
- 5.10.6 A Distributed Antenna System for mobile and 4G coverage and a Video Distribution System including Internet Protocol Television (IPTV), Digital Signage and Way Finding will be incorporated into the design of the building.

5.11 Acoustics

- 5.11.1 Design criteria and building performance for ambient noise ratings will be in accordance with the requirements and recommendations of the Australian Standards for Acoustics AS/NZS 2107:2016.
- 5.11.2 The building design incorporates measures to reduce noise in the work environment including:
 - (a) insulated glazed external windows
 - (b) acoustic ceiling tiles in offices and meeting rooms
 - (c) fabric panelling
 - (d) carpeted floors.
- 5.11.3 Acoustic performance criteria has been incorporated into the fitout brief to ensure adequate noise insulation between offices, meeting rooms, training rooms and other work spaces. Attention will also be given to air-conditioning detailing to reduce noise from moving air and mechanical plant.

5.12 Landscaping and civil works

- 5.12.1 The proposed building structure extends to the boundary of the site, as such there are no components of landscaping and civil works proposed for the land.
- 5.12.2 The Agency's proposed fitout works do not incorporate any landscaping or civil works components.

5.13 Environmental Sustainability

- 5.13.1 The lease incorporates a Green Lease Schedule in accordance with the standard Commonwealth requirements under the Energy Efficiency in Government Operations policy.
- 5.13.2 The project targets a:
 - (a) Five Star NABERS Energy rating over the base building
 - (b) Four Star NABERS Water rating over the whole building
 - (c) Six Star NABERS Waste rating over the whole building.

5.13.3 The base building and fitout will be designed, constructed, operated and maintained in order to use energy and water as efficiently as possible and comply with Australian Government and Agency requirements.

5.13.4 The fitout will maximise the use of environmentally sustainable and recyclable materials wherever possible. The agency supports implementation of sustainable purchasing practices and policies as described in ISO20400:2017 Sustainable Procurement Guidance.

5.14 Measures to Reduce Energy and Water Use, Including Recycling

5.14.1 In order to minimise energy usage and operating costs, the building design incorporates:

- (a) floor plan layouts configured to enhance the level of natural daylight into office floors
- (b) a Building Monitoring System (BMS) compatible with accepted protocols for building automation and control networks (BACnet) to control and monitor all mechanical services including power, gas and water consumption to meet Green Star objectives
- (c) high efficiency glazing/reflective glass to minimise solar penetration
- (d) the addition of external sun shading fins or equivalent
- (e) zoned lighting controls to reduce energy use, especially in unoccupied areas and out-of-hours
- (f) water harvesting and grey water usage for toilets
- (g) solar panel energy harvesting.

5.15 Demolition and Disposal of Existing Structures

5.15.1 The redevelopment of the site will include demolition of the existing buildings and construction of a 42,902 m² commercial and retail building. The site is located on King William Street, the city's principal north-south boulevard.

5.15.2 A detailed demolition plan has been provided with the Development Application submitted to the City of Adelaide Council.

5.16 Compliance with Local, State and Commonwealth Water and Energy Policies

5.16.1 The development of the building will comply with all local, state and Commonwealth water and energy policies.

5.17 Master and Site Planning

5.17.1 Relevant master and site plans are at [Attachment B](#).

5.17.2 There has been no indication of additional development above and beyond the current development proposal.

5.18 Provisions for People With a Disability

5.18.1 The building will meet disability access requirements in accordance with the *Disability Discrimination Act 1992*.

5.18.2 Lifts, access ways, doorways, and accessible toilets and showers will be designed to comply with Australian Standards and the Building Code of Australia.

5.18.3 The main entrance doors are designed without stairs and will enable access for people with disabilities. The building also caters for ambulant amenities. The basement parking includes accessible parking for staff.

5.19 Childcare Provisions

5.19.1 No childcare facilities are being provided by the Agency under this project.

5.20 Security Measures

5.20.1 The building's physical security arrangements will be designed to comply with the requirements of the Australian Government's Protective Security Policy Framework (PSPF). The physical security design will cover:

- (a) construction of the external perimeter and a compartmentalised IT Communications room will be designed to meet Zone Two security requirements, and
- (b) individual physical security control elements will include:
 - an integrated Security Alarm System
 - building Electronic Access Control Systems
 - dedicated security guards commensurate to the building and tenant particulars and associated risk analysis
 - Security Construction and Equipment Committee (SCEC) approved doors, locks and door hardware
 - closed-circuit television (CCTV).

5.21 Fire Protection

5.21.1 The building brief requires provision of fire services in accordance with the Building Code of Australia and local Fire Brigade Authority requirements, including:

- (a) fire protection, detection systems, smoke hazard management and fire egress travel distances in accordance with the Building Code of Australia and AS1668 and AS2118
- (b) battery operated self-contained emergency lights and exit signs connected to a computerised automatic testing system, including toilets, plant rooms and switch rooms, the office area and parking
- (c) Emergency Warning and Intercommunication System
- (d) extinguishers, fire blankets
- (e) external and internal hydrant system
- (f) internal fire hose reel system
- (g) ancillary alarm outputs to various building sub systems.

5.22 Occupational Health and Safety Measures

5.22.1 The project team will work closely with recognised Workplace Health and Safety consultants to advise on the design and construction of the new fitout. The Agency will work closely with its Project Manager, JLL, to ensure that the fitout design complies with the *Work Health and Safety Act 2011* (Commonwealth) and *Work Health and Safety Act 2012 (SA)*.

5.22.2 The design, materials, and finishes used in the furniture and fitout construction will take into account Workplace Health and Safety aspects and avoid sharp edges, furniture legs that cause obstructions, and highly reflective surfaces.

5.22.3 During construction, all contractors and sub-contractors shall comply with Workplace Health and Safety legislation appropriate to the building site.

5.23 Associated Plans and Drawings

5.23.1 The Agency has well established internal property consultation processes and recognise the importance of providing staff with the opportunity to provide input into, or raise concerns about components of property projects.

5.23.2 The Agency's designs for the fitout at 52–62 King William Street have been developed by Woods Bagot, working collaboratively with the Agency's project control group and stakeholders.

5.23.3 The design is open plan with minimal built space, which will be placed within the building core or in locations that ensure maximum natural light is provided to work points. Workstation location is predominantly around the perimeter of the building to provide a greater use of natural light within the open plan work area.

5.23.4 The draft floor plans are provided at [Attachment C](#).

5.24 Components Outside the Required Scope of Works

5.24.1 The preferred proponent will develop a sky lobby on level 1 which will offer a space for networking and meetings, with varied seating arrangements for casual meetings and focus work.

5.24.2 End of trip facilities will be provided with two secure entry points. These facilities will include toilets, showers, change rooms, drying cupboards and locker facilities.

5.24.3 Common areas will be under 24-hour security surveillance.

5.24.4 The ground floor retail space will be accessible directly off the main lobby and include 15 retail tenancies spanning food and beverage, convenience and services. Indoor and outdoor seating will be incorporated in this space.

5.24.5 The lower ground floor will include a supermarket space, currently proposed to tenant a Woolworths Metro.

6 OTHER ISSUES

6.1 Key Legislation

6.1.1 All works will be compliant with the National Construction Code 2016 (and subsequent amendments) and certification of the works will be obtained by the preferred proponent as part of the integrated fitout. The preferred proponent will be responsible for obtaining the required building approval for this project.

6.2 Heritage or Geographical Considerations

6.2.1 The Agency's standard procurement process includes the consideration of heritage components at proposed sites.

6.2.2 The re-faced façade of the Sands and McDougall Building at 64 King William Street, Adelaide is included on the local Adelaide Heritage Register.

6.2.3 The preferred proponent received a pre-lodgement agreement stating the Government Architect strongly supports the proposal. The South Australian Government Architect acknowledged in the pre-lodgement agreement that the site includes a local heritage place and expressed support of the removal of the heritage component, contingent on provision of significant contribution to the streetscape.

6.2.4 Subsequent to the procurement, the South Australian State Heritage Council voted to include the façade as a provisional listing on the State Heritage Register while the State Heritage Council considers official listing of the site on the State Heritage Register.

6.2.5 The consideration period for the Development Application has been extended pending the outcome of the listing of the façade on the State Heritage Register. The preferred proponent has prepared plans that include the retention of the façade into the building design should this be required.

6.2.6 The preferred proponent has assured the Agency that there are no risks to the overall development program as a result of this matter.

6.2.7 The site is not located in a flood zone.

6.3 Environmental Impact Assessments

6.3.1 There are no known environmental issues associated with the site and an Environmental Impact Assessment has not been undertaken for this project.

6.4 Impacts on Local Community

6.4.1 The development of the building will have a positive impact on the local community and will increase employment opportunities in the region and stimulate business activity.

6.5 Consultation with Relevant Stakeholders

6.5.1 A formal consultative approach has been adopted to provide expert advice in relation to various aspects of the project, including the detailed evaluation of tenders and the assessment of value for money.

6.5.2 The following agencies and business have been consulted to date:

- (a) Department of Finance
- (b) Mills Oakley (Probity Advisors)
- (c) JLL Australia (Property Leasing, Project Management and Facilities Management)
- (d) Cox Architecture (Architects – external)
- (e) MBM (Quantity Surveyors)
- (f) Woods Bagot (Architects – internal)
- (g) Interior Engineering (Building Services Engineers).

6.5.3 No key issues of concern have been raised by the above stakeholders at this time.

6.5.4 In developing the design plans, the Agency has undertaken extensive consultation and interactive design sessions with Agency business areas to understand priorities and requirements and ensure the design plans and the overall project meet business needs.

6.5.5 Senior Executives were consulted on the preferred outcome, including the preferred accommodation solution and its alignment with workforce requirements.

6.5.6 Staff are key stakeholders and will continue to be engaged from project commencement through to relocation. Consultation with staff has also informed the fitout design.

6.5.7 The Agency will actively engage with the Community and Public Sector Union regarding staff relocations associated with this project.

7 COST-EFFECTIVENESS AND PUBLIC VALUE

7.1 Project Cost and Available Budget

7.1.1 The estimate for the fitout of the proposal is \$52,997,340 (excluding GST), being \$1,860/m². Funding for the fitout costs will be met from the Agency's capital budget.

7.1.2 The lease arrangements provide for an effective rent that is inclusive of incentives. Funding for the lease payments will be met from the Agency's operating budget and the Agency has sufficient appropriation to cover the associated costs.

7.1.3 The project cost estimate was prepared by MBM Quantity Surveyors and is provided in Submission 1.1. The cost estimate includes design, fitout, project management costs and associated contingencies.

7.1.4 The contingency set by the Quantity Surveyor is 12% (\$5,869,743 excluding GST) of the total project cost, including a design contingency of 5%, construction contingency of 5% and developer contingency of 2%.

7.1.5 The contingency has been assessed as suitable to successfully deliver a project of this size and type. The contingency is based on industry standards, with consideration given to the procurement and project status, and risk assessment.

7.1.6 Further details of project costs and available budget are provided in Submission 1.1.

7.2 Project Delivery Method

7.2.1 A Project Management form of delivery is proposed to be used for the integrated fitout works, provided by the preferred proponent. JLL has been appointed as the Project Manager to represent the Agency ensuring fitout requirements and performance specifications are adhered to.

7.2.2 Woods Bagot have been engaged as the Architect.

7.2.3 MBM Quantity Surveyors has been engaged as the Quantity Surveyor.

7.2.4 The Agency provided a letter of intent to the preferred proponent to enable commencement of the detailed design documentation and planning. This work will be undertaken on a cost-plus basis, with the Agency paying actual tendered prices for goods and services received, and the preferred proponent charging a percentage fee for management of the works.

7.2.5 Tendered work packages related to fitout will be tendered by the preferred proponent, with the Agency approval.

7.3 Construction Program

- 7.3.1 This is an integrated fitout project, meaning fitout works will be undertaken concurrently with the base building construction. Base building works are proposed to commence in April 2021. Practical completion is estimated to occur in July 2023.
- 7.3.2 The Agency has commenced discussions with the preferred proponent to align base building design details with Agency Performance Specifications.
- 7.3.3 Following practical completion and rectification of construction defects, a 12-month defect liability period will apply.
- 7.3.4 The brief for the Project Manager places a high priority on monitoring the program to ensure any potential program delay is identified at an early stage to avoid potential delays for the estimated practical completion date. The Agreement to Design, Construct and Lease also includes penalty clauses should the preferred proponent miss critical project deadlines.
- 7.3.5 The project program includes a contingency of 12 weeks during the development and approval stages and a further 12 weeks during construction to cater for unforeseen delays, including potential COVID-19 impacts. If required, the Agency can exercise the three-year options available for the six existing leases, which would need to be exercised by December 2022.
- 7.3.6 As a governance control JLL undertook a detailed risk assessment in conjunction with the Agency and MBM Quantity Surveyors. Further details of risk, potential impact and mitigation are provided in Submission 1.1.

8 REVENUE

- 8.1.1 There will be no revenue to the Commonwealth derived from the project.

9 PUBLIC VALUE

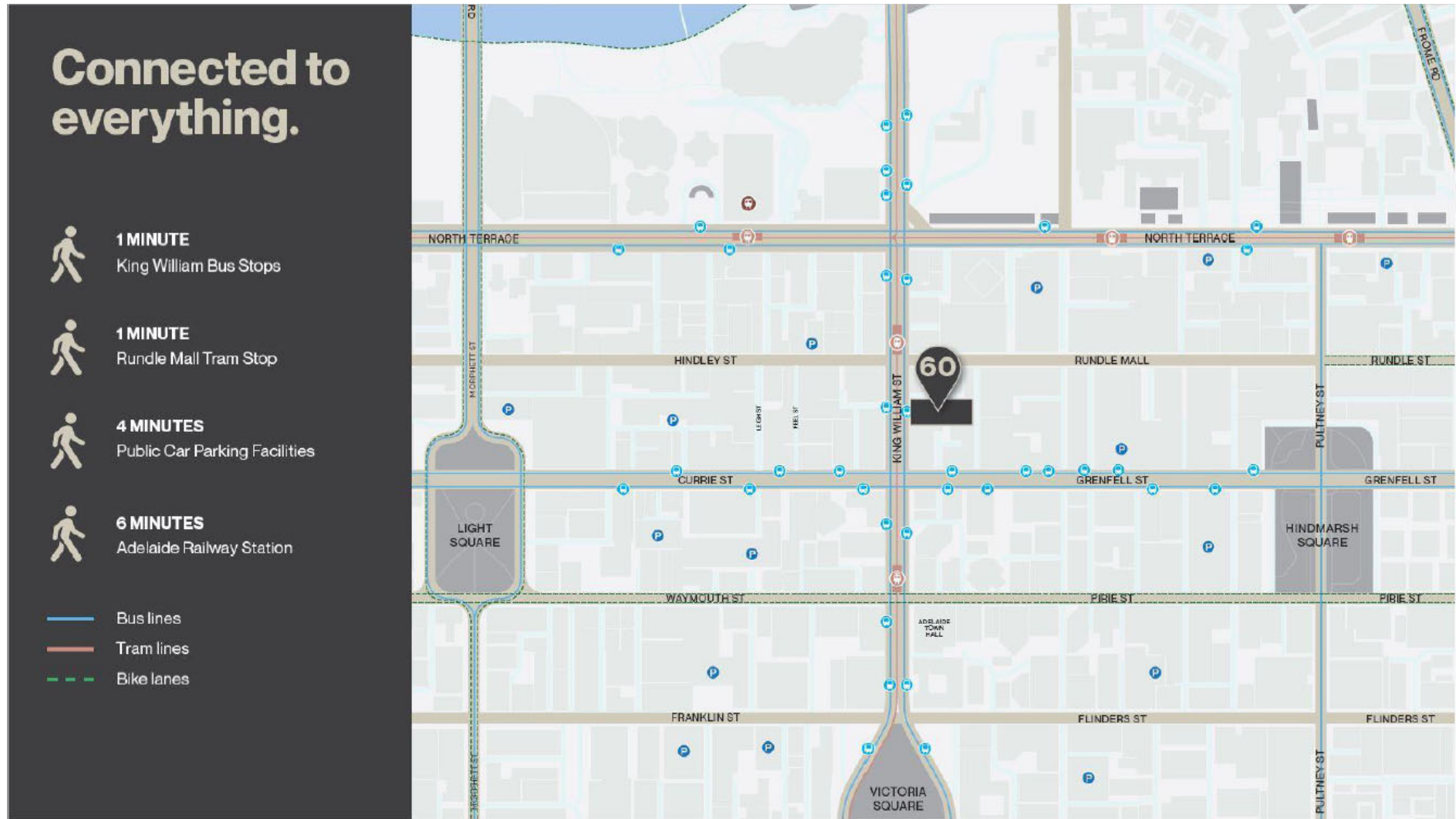
9.1 Public Value of Proposed Works

- 9.1.1 During construction, it is estimated that the peak workforce on the project will be approximately 500 people. The workforce is estimated to include 10 newly created apprenticeships or traineeships. It is also estimated that approximately 90% of the workforce will be sourced locally from the South Australian metropolitan area.
- 9.1.2 The development will provide commercial lettable spaces in addition to the Agency office accommodation, providing opportunities for new businesses and cafes to open.

9.2 Operating Savings of Proposed Works

- 9.2.1 There is an overall saving in lease payments to the Commonwealth. Further information is provided in Submission 1.1.
- 9.2.2 The proposal will deliver considerable operational efficiencies for the Agency through the co-location of staff, and the consolidation and rationalisation of leases. Operational savings will also be achieved through the implementation of high energy efficient technologies in the new building.
- 9.2.3 The Cost Benefit Analysis indicates remaining at the current sites is more expensive over the initial 10-year lease term compared with the proposed new lease at 52–62 King William Street.

ATTACHMENT A – SITE LOCATION



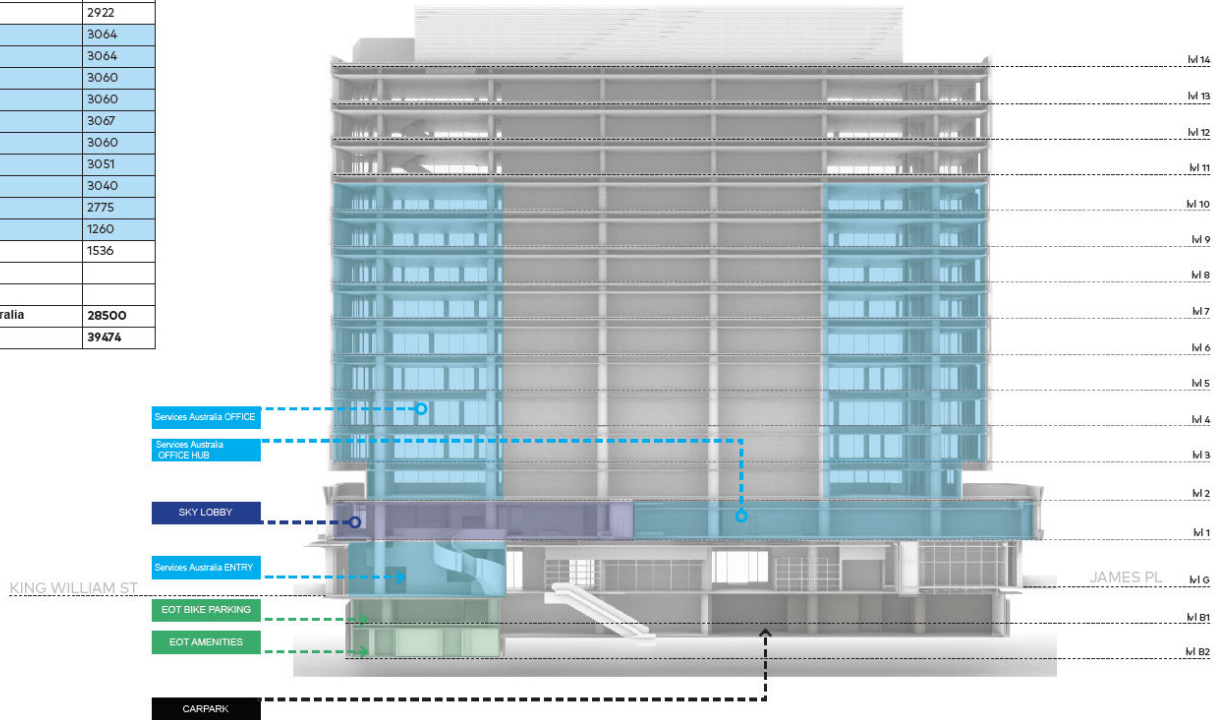
ATTACHMENT B – MASTER PLANS

Concept Graphic

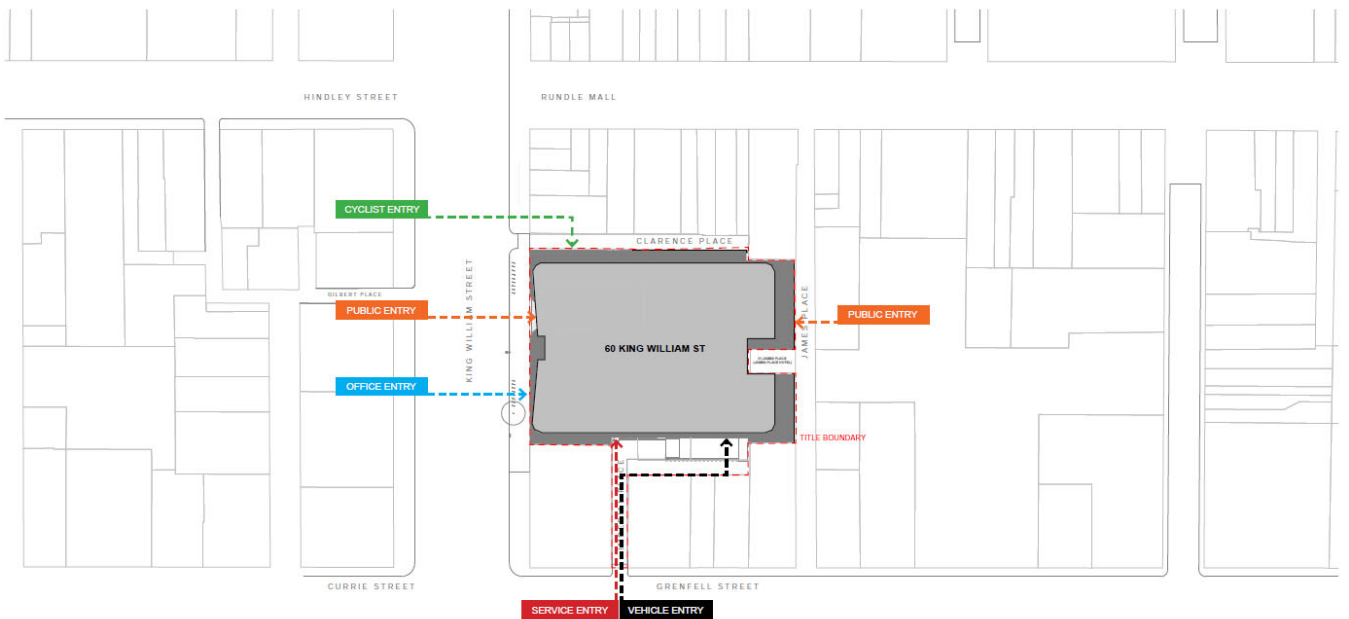


Stacking Diagram

Services Australia Accommodation Schedule	
LEVEL	NLA
14	400
13	3058
12	3058
11	2922
10	3064
09	3064
08	3060
07	3060
06	3067
05	3060
04	3051
03	3040
02	2775
01	1260
01	1536
TOTAL	
Services Australia	28500
ALL	39474

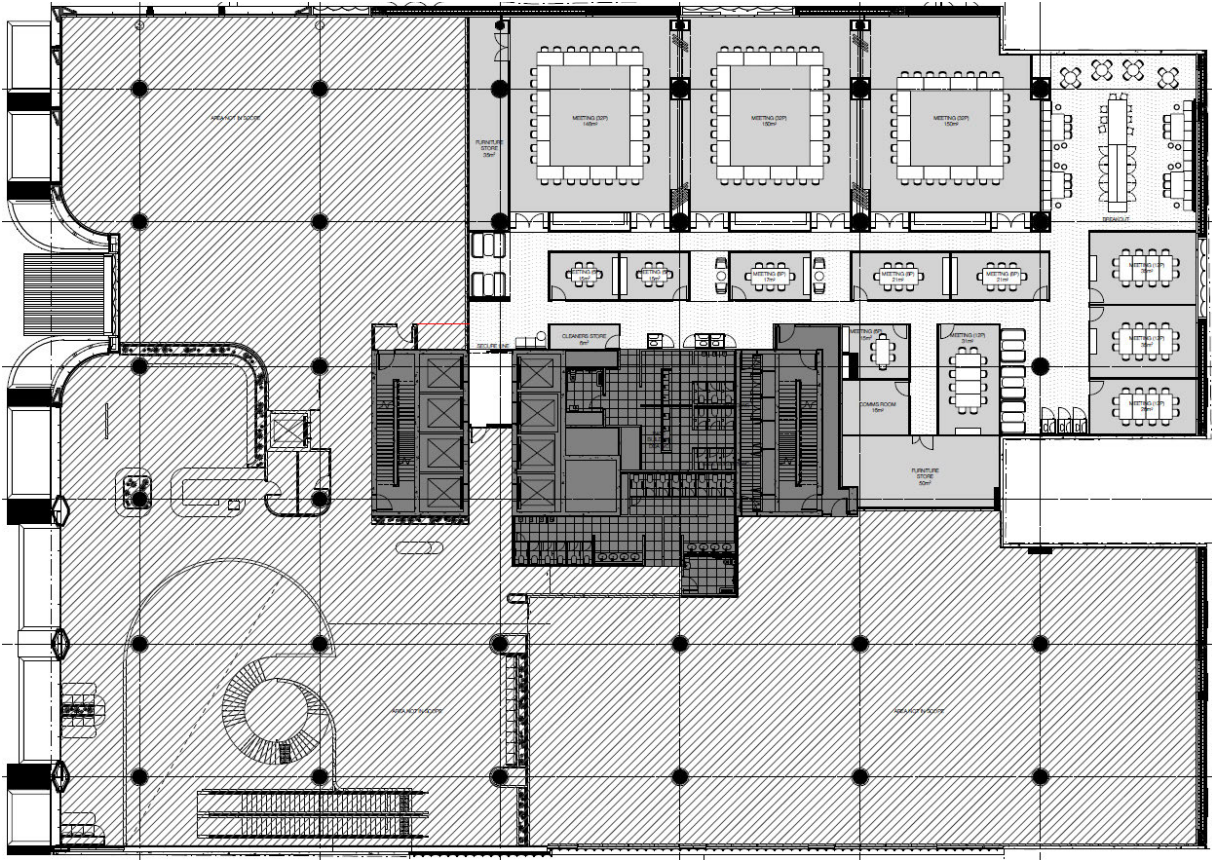


Site Plan

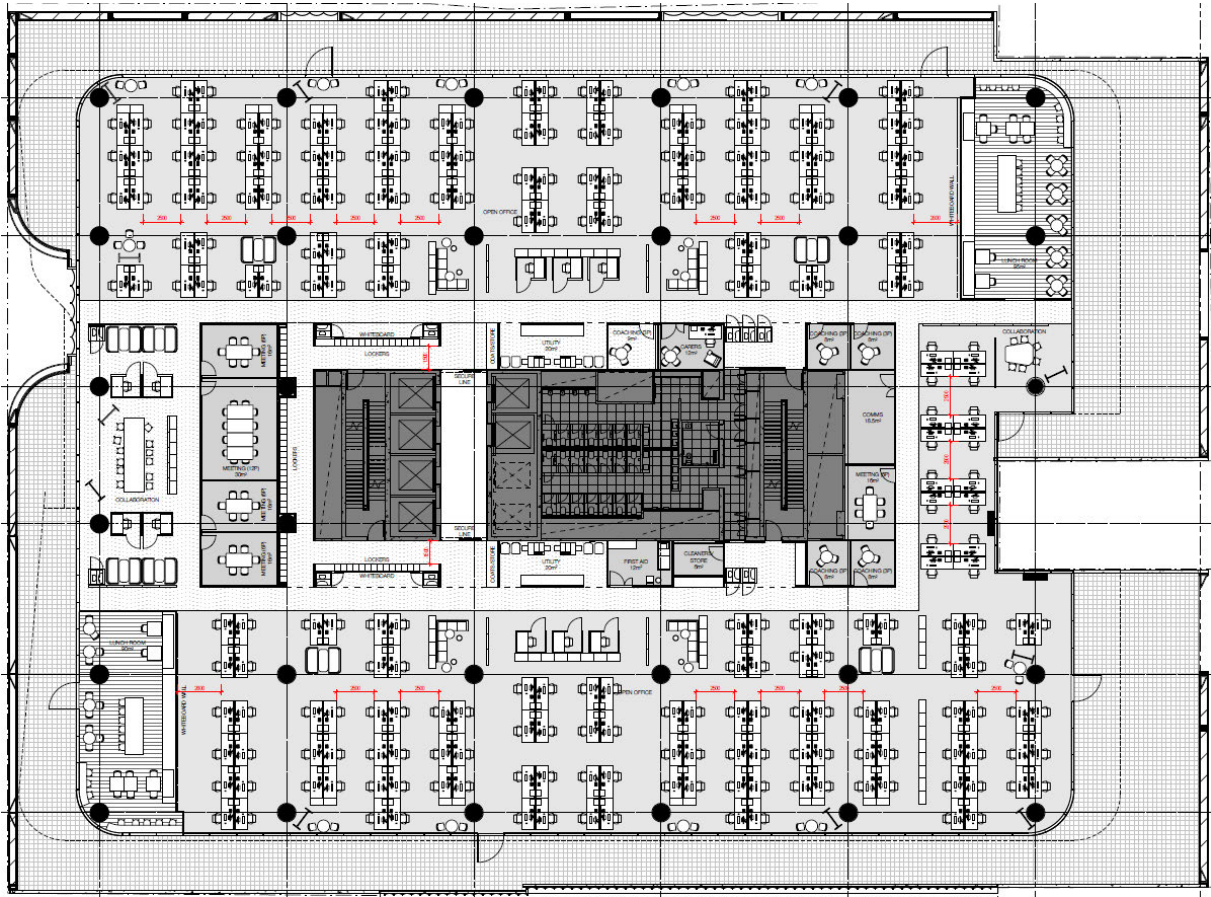


ATTACHMENT C – FLOOR PLANS

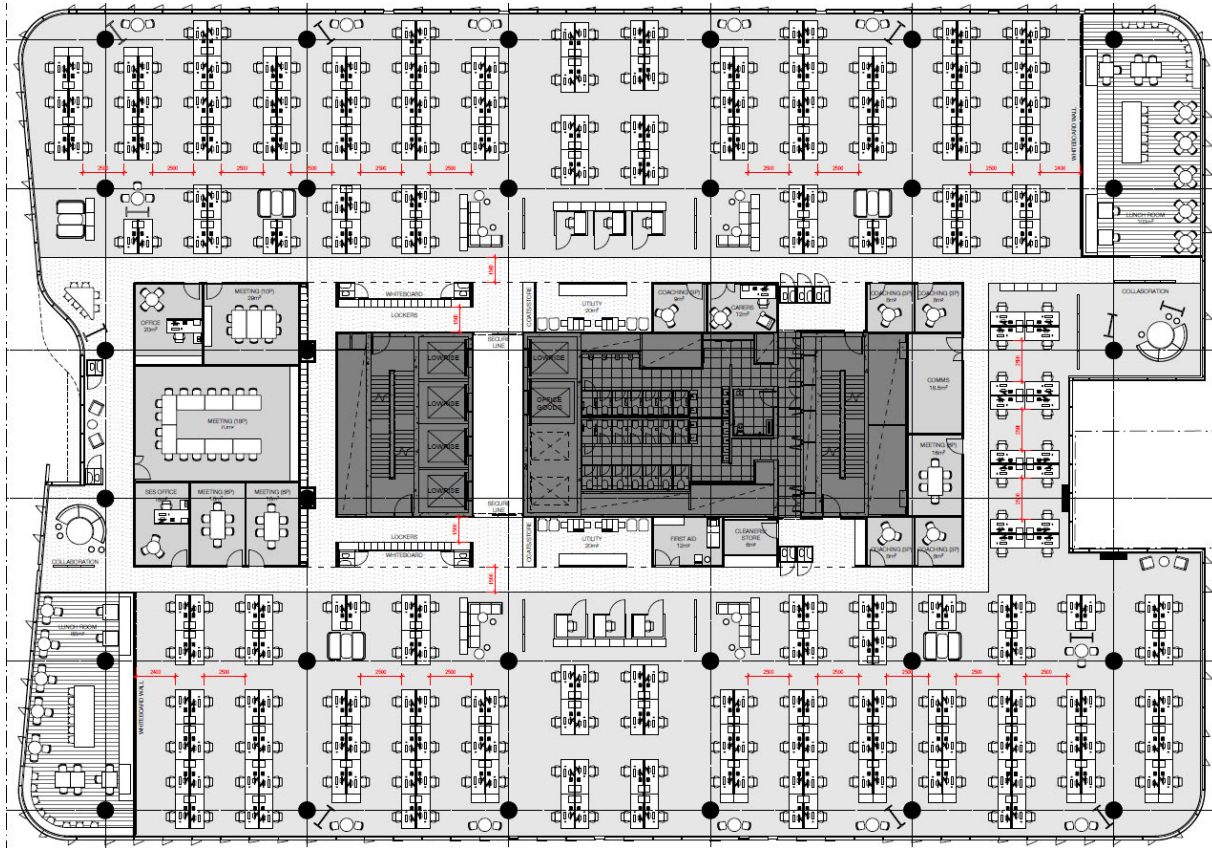
Level One



Level 2



Alternate Floor A



Alternate Floor B

