



Australian Government

Services Australia

SUBMISSION TO THE PUBLIC WORKS COMMITTEE

PROPOSED FIT-OUT OF NEW LEASED PREMISES AT
120 BATHURST STREET, HOBART, TASMANIA

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TABLE OF ABBREVIATIONS AND ACRONYMS

Agency	Services Australia
CCTV	Closed-circuit Television
EEGO	Energy Efficiency in Government Operation
ESD	Ecologically Sustainable Development
EWIS	Emergency Warning and Intercommunication System
GST	Goods and Services Tax
LED	Light Emitting Diode
NLA	Net Lettable Area
PSPF	Protective Security Policy Framework
SCEC	Security Construction and Equipment Committee
%	per cent

Executive Summary

1. Services Australia (the Agency) is responsible for the delivery of advice and high-quality, accessible social, health and child support services and payments. The Agency is the front line of the Australian Government for many Australians, and it strives to provide services that are simple, helpful, respectful and transparent. To support these activities, the Agency is required to manage a large, diverse property portfolio and is seeking to consolidate three sites in Hobart to deliver operational and financial efficiencies.
2. A competitive procurement process identified a new lease arrangement at 120 Bathurst Street, Hobart as the best value for money proposal.
3. This proposal included the construction of a new building at 120 Bathurst Street, Hobart. The Agency proposes to consolidate its three Hobart sites into 15,825 square metres of office accommodation at 120 Bathurst Street, Hobart in 2024 through a 10 year lease, with two further five year options. This will result in a reduction in the Agency’s property footprint of 1,085 square metres. The site consolidation is known as the Hobart Precinct Project (the Works).
4. The Works will not impact customer facing services and will not reduce jobs for Agency staff.
5. On 19 November 2021 the Department of Finance advised that the Special Minister of State, the Hon Ben Morton MP, had noted that the proposal meets the intention and requirements of Resource Management Guide No 500: Commonwealth Property Management Framework.
6. The Developer will be responsible for delivery of the base building as well as the Agency’s integrated fit-out. The cost of the proposed fit-out is estimated at \$32.862 million (excluding GST), being \$2,087 (excluding GST) per square metre. A summary of key facts is detailed in Table 1.

Table 1: Key Facts

Topic	Current	Proposed
Buildings	3	1
Net Lettable Area (square metres)	16,910	15,825
Staff	1,307	1,307
Work Points	1,398	1,307
Work Point Density (square metres)	12.39 sqm	12 sqm
Cost of Fit-out (excluding GST)	N/A	\$32,862,000
Fit-out Cost per square metre (excluding GST)	N/A	\$2,087

Purpose of the Works

Purpose

7. The Agency proposes to undertake fit-out works at 120 Bathurst Street, Hobart, to provide fit for purpose office space to support the consolidation of its three Hobart sites in 2024, in accordance with the Commonwealth Leasing Strategy.

Key Objectives

8. The key objective of the Works is realisation of several business efficiencies, including:
- a. A fit for purpose property solution;
 - b. Achievement of a more efficient work point density of 12 square metres per work point;
 - c. Improvements in infrastructure (e.g. security, staff amenities, conference/meeting facilities and energy/waste management);
 - d. Increased staff collaboration; and
 - e. Efficient allocation and utilisation of workspace and resources.

The Need for the Works

Entity Operations

9. The Agency is responsible for the delivery of advice and high quality, accessible social, health and child support services and payments. We are the front line of Government for many Australians and we strive to provide services that are simple, helpful, respectful and transparent.
 - a. Our purpose is to support Australians by efficiently delivering high quality, accessible services and payments on behalf of Government;
 - b. Our vision is to make Government services simple so people can get on with their lives; and
 - c. We contribute to the Government's agenda by supporting individuals, families and communities to achieve greater self-sufficiency; through the delivery of policy advice and high quality accessible social, health and child support services and other payments, and providers and businesses through convenient and efficient service delivery
10. The Agency has the second largest property portfolio in the Commonwealth after the Department of Defence. As of 30 September 2021, the Agency's property portfolio had 720,825 square metres of commercial property, which was made up of:
 - a. 719,254 square metres of leased commercial property; and
 - b. 1,571 square metres of owned commercial property (Halls Creek, Wadeye, Angurugu, Galiwinku and Hermannsburg).
11. The property portfolio includes:
 - a. 391 commercial properties around Australia, including 319 service centres; and
 - b. 36 residential properties in remote locations.
12. The Agency's 2021-22 budget for leases and outgoing costs are \$420 million.

13. A summary of the Agency’s commercial sites is detailed in Table 2.

Table 2: Overview of Commercial Sites used by Services Australia

Site	Number
National Office Sites	6
Face-to-Face Sites	319
Smart Centre (Centrelink Call) Sites	27
Smart Centre (Child Support Call) Sites	14
Pop-up Facilities	0
Support and Processing Sites	51
Records Management Units	1
Other Storage Sites	5
Vacant Sites Still Under Lease	0
Total Number of Commercial Sites	423
Total Area	720,825 square metres

Policy and Operational Requirements

14. The need to identify future accommodation was initiated in response to the impending expiration of the Agency’s leases commencing in 2024. An assessment confirmed that consolidation of the existing leases into a single site was the best option to meet the Agency’s needs for office accommodation in Hobart.

15. The Commonwealth Leasing Strategy includes the option for consolidation of Agency leases, providing:

- a. Benefits through streamlining the portfolio and allowing for improved staff collaboration;
- b. Greater value for money by leveraging the Agency’s purchasing power for larger space;
and
- c. Quality and fit-for purpose accommodation that meets sustainable initiatives.

16. The lease consolidation will not impact customer facing services and will not reduce Agency jobs.

Existing Leased Sites

17. Details of the Agency's existing three leased sites are summarised in Table 3.

Table 3: Existing Leased Sites

Address	Net Lettable Area square metres	No of Parking Spaces	Staff	Annual Gross Rental & Parking	Lease Expiry	Extension Options
188 Collins Street, Hobart	11,886	14	972	\$4,503,545	30 Jun 24	2x3 years
199 Collins Street, Hobart	2,524	2	181	\$946,538	30 Sep 24	2x3 years
1-3 Longreach Avenue, Dowsing Point	2,500	185	244	\$1,208,855	19 Oct 24	1x3 years
Total	16,910	201	1,307	\$6,658,938		

18. The main deficiencies of the existing sites are summarised below:

- a. The fit outs date back to 2008 and are reaching the end of their economic life;
- b. The buildings require base building refurbishment of bathrooms, ceilings and light fittings and floor coverings throughout;
- c. The separation of Agency staff across three sites reduces collaboration; and
- d. Progressive building refurbishments and new fit-outs across three sites could take more than 24 months to complete, which would be disruptive to staff and the Agency operations (including relocation to staging areas to facilitate construction works).

19. The existing leases will not be extended beyond their expiry. The Agency staff will progressively be relocated to the new building 120 Bathurst Street, Hobart.

Options Considered

20. Five options were considered for the Works:
- a. Renew existing leases (status quo);
 - b. Build, own and operate a new site;
 - c. Alternative funding model;
 - d. Occupy other existing Commonwealth leased/owned properties; and
 - e. Lease a new site (preferred).

Renew Existing Leases (Status Quo)

21. Maintaining multiple leases in several locations does not represent best value for money. The existing leases are in older buildings, with higher ongoing operating costs and will require significant investment to ensure they are maintained to adequate operational standards.
22. The Hobart commercial real estate market offers alternate solutions with improved financial terms and incentives.

Build, Own and Operate

23. The option for the Agency to build, own and operate was not progressed on the basis that working accommodation can be most efficiently provided via commercial means. This assessment aligns with the Commonwealth Leasing Strategy, which identifies leasing as means to achieve value for money outcomes for facilities that are readily available by commercial means, such as office accommodation.

Alternative Funding Model

24. The Agency did not use a “Public Private Partnership” or hybrid financing models to develop and operate the working accommodation. The alternative funding models do not provide better value for money than a lease model.

Existing Commonwealth Leased or Owned Properties

25. The Department of Finance were consulted to determine the availability of other suitable accommodation already held by the Commonwealth. The Department of Finance advised the Agency they were unable to identify any surplus Commonwealth space that would suit the Agency’s requirements, and saw no impediment to the Agency approaching the market in line with the Commonwealth Procurement Rules and Commonwealth Property Management Framework.

Lease a New Site (Preferred)

26. Following consultation with the Department of Finance, the Agency approached the market in December 2019 in a two-stage procurement with an Expression of Interest and a Request for Proposal for approximately 15,500 square metres of high quality A Grade office space (Property Council of Australia Quality Grade Matrix 2019).

27. The proposals were assessed over an initial 10 year period with two further five year options. The financial and qualitative analysis indicates the 120 Bathurst Street proposal is the best value for money outcome for the Commonwealth. The rental commitment at the new building is \$559.75 (excluding GST) per square metre per year.

28. The fit-out of the new building at 120 Bathurst Street, Hobart is subject to approval of this submission.

Scope of Works

Building Summary

29. The new building will be developed with a 23,194 square metres (gross floor area) mixed use commercial building split across 12 storeys.
30. The Agency will be the sole office tenant and will occupy 15,825 square metres of net lettable area. The space dedicated to the Agency will include the following:
- a. Office space across Levels 1 – 9;
 - b. 27 secure parking spaces; and
 - c. 125 square metres of storage space (inclusive of the net lettable area).
31. The space requirement of 15,825 square metres of net lettable area was determined to meet the Agency's Hobart office accommodation requirement of 1,307 work points. This is a 6.4% reduction of net lettable area compared to the existing lease arrangements.
32. The new building offers the Agency the prospect to co-locate into a single location the back of house and corporate staff currently spread across three sites. That will provide the Agency with a greater opportunity for staff collaboration as well as financial savings for Government.
33. The new building is designed with central cores, including lifts and bathroom facilities, with large fully continuous floor plates maximising flexibility, connectivity and natural light.
34. There will be secure bicycle parking for 94 bicycles accessible to all occupants of the site, including Agency staff.
35. The new building is mixed use and will have tenancy spaces for retail and dining businesses. These tenancies are the sole responsibility of the Developer and are not associated with the Works.

Location

36. The new building is located within the Central Business District of Hobart and was formerly occupied by two small commercial buildings and two surface car parks, covering an area of 2,351 square metres across adjoining blocks at 118-124 Bathurst Street and 9-23, 25, 27-29 Watchorn Street. A site location plan is provided at Annexure A.
37. The new building is bounded by Bathurst Street to the northwest, Watchorn Street to the southeast. Its address and main pedestrian entrance are from Bathurst Street with car park access from Watchorn Street.
38. Elevation views for the street faces of the building are provided at Annexure B.

39. Perspective renders of the building are provided at Annexure C.
40. The site is approximately 500 metres from the Elizabeth Street Mall which has an extensive range of food, retail outlets and public transport access with the Hobart City bus interchange.
41. There are multiple paid parking facilities within one kilometre radius from the new building.
42. The site was purchased by Riverlea Australia Pty Ltd who will also develop the site. The Works do not involve any land acquisition by the Commonwealth.
43. The Developer will be responsible for lodging a permit with the Hobart City Council to achieve development approval for the building.
44. The Developer proposed to engage Hansen Yuncken Pty Ltd as the contractor to deliver the Works. Hansen Yuncken Pty Ltd is a national company with a strong local presence in Hobart and are committed to local training, trade engagement and material sourcing.

Fit-out

45. The fit-out works will encompass:
 - a. Integration of services into the base building works including electrical, airconditioning, ventilation, lighting control, voice and data communications, audio visual equipment, security, fire and hydraulic services;
 - b. Office accommodation including easily removable partitioning for individual offices, meeting and conference rooms, reception areas, utility and storerooms, secure rooms, training rooms, break-out and staff amenities and communication equipment rooms;
 - c. Workstations (1.8 metres long by 0.8 metres deep) including desks with power cables and data reticulated in the workstation screens in addition to wireless to support mobility and the use of portable devices;
 - d. Team and workstation-based storage to support the staff and their operations;
 - e. Personal lockers to cater for 20% more staff to allow for future flexibility; and
 - f. Loose furniture including tables and chairs for meeting rooms and lunchrooms.

Planning and Design Concepts

46. The average office floor plate is approximately 1,642 square metres net lettable area with a central lobby, egress and bathroom area on each floor. The Agency will occupy the entirety of Levels 1 to 9. A concept fit-out plan of a typical floor is provided at Annexure D.

47. There are four offices for Senior Executive staff with all other staff seated at work points configured in an open plan layout.

48. The work points will be congregated in neighbourhoods (zones) assigned to the teams occupying the building. To support the open plan office configuration, there are 59 meeting and coaching rooms of varying size to facilitate meetings and private or confidential discussions.

49. Offices and meeting rooms will be located away from the perimeter to enable maximum efficiency with an open office layout and equitable access to natural light.

50. Building services including airconditioning, lighting, electrical distribution, fire protection and plumbing to kitchen facilities will be integrated with construction of the base building, resulting in cost savings to the Agency.

51. The use of wireless data connectivity will be implemented in the fit-out design to minimise installation of cabling.

52. Selection of audio-visual equipment, such as television screens, will be finalised closer to the installation date to reflect current trends in presentation and teleconferencing technology.

Materials and Finishes

53. Materials and finishes used in the fit-out will be selected for appearance, durability, functionality and ease of maintenance and cleaning, while providing a pleasant environment for staff to work.

54. Typical materials and finishes will include:

- a. Glass for office and meeting room partitions;
- b. Plasterboard painted with washable acrylic paint;
- c. Fabric panels on workstation screens;
- d. Timber veneer or laminate finishes to workstations and meeting tables;
- e. Feature colours on selected painted walls; and
- f. Plasterboard and feature ceilings in key areas.

55. The external cladding of the building will not be combustible and will meet the requirements of the *Building Regulations 2016* (Tas).

Environment, Heritage and Sustainability

56. The base building and fit-out will be designed, constructed, operated and maintained in order to use energy and water efficiently and comply with the following statutory requirements:

- a. Energy efficiency requirements of the National Construction Code (Volume 1, Section J); and
- b. Energy Efficiency in Government Operation (EEGO) policy.

57. For energy consumption the new building will be designed to meet a 4.5-star National Australian Built Environment Rating System Rating. The rating relates specifically to energy consumption and will be achieved by implementing the following:

- a. Rooftop solar photovoltaic system to offset electricity consumption;
- b. Airconditioning systems incorporating high efficiency water cooled chillers;
- c. Light Emitting Diode (LED) lighting;
- d. State-of-the-art Building Management System to control the plant;
- e. Lighting control systems throughout the tenancy and base building ensuring common area lights are switched off when not in use;
- f. Double glazed, thermally efficient glazing allowing a high level of natural light while reducing the solar heat load; and
- g. Minimised feature base building lighting.

58. The new building is planned to include end of trip facilities which will be accessible to Agency staff. The end of trip facilities include:

- a. Parking space for 94 bicycles;
- b. 120 lockers;
- c. 10 showers (five male and five female);
- d. Two toilets (one male and one female);
- e. One accessible combined toilet and shower; and
- f. One drying room.

59. There are no heritage issues in relation to the site.

Car Parking Provisions

60. The new building will feature 27 car park spaces for exclusive use by the Agency. The Agency's 27 car parking spaces will include spaces for disabled parking, fleet vehicles, Senior Executive staff and visitors.

61. Out of the three Agency's existing sites identified for consolidation two are within 700 metres from the proposed new building. The remaining site is within 9 kilometres from the new building.

Accessibility

62. The new building will be designed to provide access to people with disabilities. The design includes:

- a. Compliance with the National Construction Code and *Australian Standard 1428 Design for Access and Mobility*;
- b. A separate accessible toilet on each floor;
- c. Suitable pedestrian access to the building;
- d. Accessible car parking spaces (5 car parking spaces incorporated within the 27 spaces for exclusive Agency use); and
- e. Accessible lifts and facilities in accordance with *Australian Standard 1735 Lifts, Escalators, and Moving Walks*.

Childcare Provisions

63. No on-site childcare facilities are proposed. There are numerous facilities within a two-kilometre radius from the site.

Lift Provisions

64. The Agency occupied levels within the new building will be accessible by lift. The lifts will be modelled on a population density of one person per 10 square metres net lettable area. The lift travel analysis was carried out meets the requirements for A Grade classification (*Property Council of Australia Quality Grade Matrix 2019*).

Security Provisions

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

- a. Construction of the external perimeter and a compartmentalised communications room to meet Zone Two security requirements; and
- b. Individual physical security control elements, including:
 - i. Integrated Security Alarm System;
 - ii. Building Electronic Access Control Systems;
 - iii. Security Construction and Equipment Committee (SCEC) approved doors, locks and door hardware; and
 - iv. Closed-circuit television (CCTV).

Fire Protection

66. The new building brief requires provision of fire services in accordance with the National Construction Code and local Fire Brigade Authority requirements, including:

- a. Fire protection, detection systems, smoke hazard management and fire egress travel distances in accordance with the:
 - i. National Construction Code;
 - ii. *Australian Standard 1670 Fire Detection, Warning, Control and Intercom Systems*; and
 - iii. *Australian Standard 2118 Automatic Fire Sprinkler Systems*;
- 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 under *Australian Standard 2293 Emergency Lighting and Exit Signs for Buildings System Design, Installation and Operation*;
- c. Emergency Warning and Intercommunication System (EWIS);
- d. Extinguishers and fire blankets;
- e. External and internal hydrant system;
- f. Internal fire hose reel system; and

- g. Ancillary alarm outputs to various building sub systems.

Hydraulic Services

67. The Hydraulic Engineering Service installations to the new building will be in accordance with requirements of the National Construction Code and *Australian Standard 3500 Plumbing and Drainage*.

Electrical and Communications Services

68. The electrical installation will include electrical supply, metering, distribution, lighting and special purpose power in compliance with the National Construction Code and *Australian Standard 3000 The Wiring Rules* as well as the surge protection devices and building lightning protection.

Mechanical Services

69. The Mechanical Engineering Service installations to the new building will be in accordance with the requirements of the National Construction Code and *Australian Standard 1668 The Use of Ventilation and Airconditioning in Buildings*.

Acoustics

70. The new building design incorporates measures to reduce noise in the work environment including double glazed external windows, acoustic ceiling tiles and carpeted floors.

71. Design criteria and building performance for ambient noise ratings shall be in accordance with the requirements of the National Construction Code and *Australian Standard 2107 Acoustics for Building Interiors*.

Details of Applicable Codes and Standards

72. The fit-out will comply with all statutory requirements including the National Construction Code, Hobart City Council requirements, Australian Standards, and Government/Agency requirements. The Agency will ensure that all relevant codes and standards are included in the design and building briefs.

Building Certification

73. An accredited independent Building Certifier will be engaged to certify compliance of all works.

Work Health and Safety

74. In accordance with the requirements of the *Work Health and Safety Act 2011* (Cth), the fit-out design will include Safety in Design Workshops aimed at identifying risks associated with safety during both the building construction and subsequent operation.

75. The Agreement to Design, Construct and Lease requires the Developer to ensure their contractors and subcontractors comply with Work Health and Safety legislation of both the Commonwealth and the State of Tasmania.

76. The Agency's client-side Project Manager, Jones Lang LaSalle Australia Pty Ltd, will be responsible to monitor the Developer's construction contractor's compliance with Work Health and Safety requirements.

Other Considerations

Impact on the Local Community

77. The Works are expected to have a positive effect on the local economy through the creation of jobs during construction and fit-out works, such as consultants, construction workers, suppliers and related services, including through:

- a. 270 direct jobs during the design and delivery phases;
- b. Total development value to the economy of approximately \$100 million, delivering significant financial benefit to local products and services upstream and downstream of the supply chain;
- c. Engaging a local and wholly-Australian owned Hobart-based construction company with a focus to prioritise local trades in Hobart and surrounding areas; and
- d. Providing Indigenous Australians with more opportunities to participate in the economy, such as through:
 - i. The development of an Indigenous Participation Plan with the construction company that identifies the targets and the approach to meeting the Indigenous Procurement Policy;
 - ii. Consulting with Supply Nation to identify additional indigenous contractors to supply goods or services for the Works; and
 - iii. Consulting with the local indigenous organisation, the Tasmanian Aboriginal Council, to further determine whether they can assist with identifying trade and labour opportunities for local indigenous persons.

78. Some negative economic impacts may be experienced in locations where the existing leases are not extended. Due to the relatively low vacancy rate for office space in Hobart (5.1%), this is unlikely to be a sustained impact.

Consultation

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

80. The following agencies and business have been consulted to date:

- a. Department of Finance;
- b. Jones Lang LaSalle Australia Pty Ltd (Property Leasing, Project Management and Facilities Management);
- c. S. Group Pty Ltd (Architect);
- d. MBMpl Pty Ltd (Quantity Surveyor); and
- e. Riverlea Australia Pty Ltd (Developer).

81. No issues of concern were raised by the above stakeholders.

82. During the design development the Agency will undertake interactive design sessions with Agency's business areas to understand their requirements and ensure the design is fit for purpose.

83. Staff are key stakeholders and have been engaged and will continue to be consulted to inform the fit-out design.

84. The Agency will engage with the Community and Public Sector Union as part of its activities on the Works.

Cost Effectiveness and Public Value

Works Cost Estimate

85. The estimated fit-out cost is \$32.862 million (excluding GST) and includes contingency, project management, design and documentation and escalation to 2024. The cost estimate is based on the Agency undertaking an integrated fit-out. The cost estimate was prepared by the Agency's Quantity Surveyor, MBMpl Pty Ltd, based on the concept design for the site produced by the Agency's Architect, S. Group Pty Ltd.

86. The estimated cost of \$2,087 (excluding GST) per square metre is attributable to the higher density proposed for the new building and reflects post COVID prices. The impact of COVID on the building industry is being felt through higher than average estimated construction costs. Factory shutdowns, lockdowns and a high demand for raw materials has driven up the cost of materials such as timber (40%), glass (30%) and copper (15-20%). There is a high demand on the sector, with a low supply of both materials and labour across the entire building industry. The Agency has tried to factor this into our overall budget for the project, resulting in a higher than average cost per square metre for these works.

87. Funding for the lease and fit-out of the new building will be from the Agency's approved budget.

Value for Money Assessment

88. The Agency undertook a whole-of-life cost assessment and determined that the proposed development provides the best value for money property solution when compared to other shortlisted proposals including the renewal of the existing leases (status quo).

89. The Department of Finance reviewed the Cost Benefit Analysis and confirmed that it provides the best value for money solution.

Works Delivery

90. The lease mechanism is an Agreement to Design Construct and Lease which provides for the Developer to design and construct the base building and construct the integrated fit-out. Under this methodology, the Developer will be responsible for procuring the integrated works and fit-out trade packages in accordance with the *Commonwealth Procurement Rules*.

91. Jones Lang LaSalle Australia Pty Ltd will coordinate the fit-out design and construction and will administer the Agency's obligations under the Agreement to Design Construct and Lease including achievement of the milestones.

Program

92. The key milestones of the Works are:

- a. Construction commencement: August 2022;
- b. Construction completion – building and fit-out:
 - i. August 2023 (building); and
 - ii. May 2024 (fit-out);

- c. Relocations: May to June 2024.

Revenue

- 93. There is no expected revenue from the Works.

Public Value

- 94. The public value associated with the Works includes:
 - a. Improvement in operational efficiencies derived from co-location of back of house and corporate Agency staff based in Hobart into one site;
 - b. Value for money from improved leasing costs at the new building;
 - c. Improved Ecologically Sustainable Development (ESD) outcomes from modern and efficient building design and engineering systems; and
 - d. Efficiencies from higher density and a reduction in the overall footprint of the Agency's operations in Hobart.

Annexure A – Site Location Plan



Annexure B – Elevation Views

Bathurst Street



Watchorn Street



WATCHORN STREET ELEVATION

Annexure C – Perspective Renders

Bathurst Street



Watchorn Street



Annexure D – Concept Office Fit-out Plan

