

## Proposed fit-out of new leased premises for the Human Services Portfolio at Greenway, Australian Capital Territory

- 2.1 The proposed fitout of new leased premises for the Human Services Portfolio on Cowlshaw Street in Greenway, ACT, aims to provide additional office space for the portfolio, consolidating a number of dislocated premises across Canberra. The new premises would accommodate up to 1,747 staff.<sup>1</sup>
- 2.2 The estimated cost of the project is \$38.5 million.
- 2.3 The proposal was referred to the Committee on 12 May 2011.

### Conduct of the inquiry

- 2.4 The Committee received one submission, one supplementary submission and one confidential supplementary submission detailing the project costs. A list of submissions can be found at Appendix A.
- 2.5 The Committee undertook a site inspection, public hearing and an in-camera hearing on the project costs on 24 June 2011 in Canberra.
- 2.6 The transcript of the public hearing as well as the submissions to the inquiry are available on the Committee's website.<sup>2</sup> Plans for the proposed works are detailed in Submission 1: Department of Human Services (DHS).

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1 Mr N. Skill, Department of Human Services, transcript of evidence, 24 June 2011, p. 10.

2 <[www.aph.gov.au/pwc](http://www.aph.gov.au/pwc)>

## Need for works

- 2.7 The DHS submission states that the works are needed in order to accommodate a large portion of the portfolio's staff currently dispersed around Canberra. Approximately 6,700 staff are accommodated in 26 separate leased properties in Tuggeranong, Symonston, Belconnen, Woden and Griffith. The vast majority of these leases will expire during the next three years, and the proposal will allow DHS to consolidate its locations, reduce the number of leases and improve its adherence to Commonwealth property guidelines.
- 2.8 The proposal forms part of the Corporate Office Accommodation Strategy, which aims to accommodate all Canberra based 'national office' staff into eight leases. Two of those leases – this proposal combined with the existing Caroline Chisholm Centre – would provide over 60 percent of that accommodation, across two proximate sites in the Tuggeranong town centre.
- 2.9 The Committee finds that there is a need for the proposed works.

## Scope of works

- 2.10 The proposed scope of the works is detailed in Submission 1: DHS.<sup>3</sup> In short, the project proposes to fit out approximately 26,000 m<sup>2</sup> of space, including:
- enclosed offices for Senior Executive Service (SES) officers;
  - open plan workstations for Executive Level 1 and 2, and APS level employees, with demountable partitions and personal storage units;
  - one major entry reception and security control point;
  - 'hotelling' work points, for visiting staff use;
  - compactus, shared storage, resource and photocopier/printer rooms;
  - meeting, break out, carers' and first aid rooms, and a prayer room;
  - building facilities help desk;
  - a café;
  - 117 bicycle racks and 27 showers, as well as lockers for staff use;<sup>4</sup>

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3 Submission 1, Department of Human Services, pp. 21-22.

4 Mr N. Skill, Department of Human Services, transcript of evidence, 24 June 2011, p. 7.

- data and voice cabling and additional packaged air conditioning to support information and communication technology.

- 2.11 Fitout works are expected to be completed by the end of June 2013.
- 2.12 The Committee finds that the proposed scope of works is suitable to meet the needs of the project.

## Cost of works

- 2.13 The total estimated out-turn cost for this project is \$38.5 million (excluding GST). The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with DHS on those costs.
- 2.14 The Committee is satisfied that the costings for the project provided to it are adequate.

## Project issues

### Procurement process

- 2.15 As explained in the DHS submission, and at the public hearing, a full procurement process was undertaken between 2007 and 2010. However, this process ended in March 2010 with advice to the Commonwealth that ‘there was unlikely to be an outcome that could demonstrate value for money based on the tenders that were received at that point in time.’<sup>5</sup>
- 2.16 As the original process failed to identify a proposal that could be adopted, DHS sought probity advice about the possibility of continuing negotiations with the leading tenders from the failed process. Following that advice, DHS engaged in negotiations with the first-ranked tenderer from the original process. These negotiations were undertaken separately from the concluded (unsuccessful) process, in an effort to see whether a ‘value-for-money solution’ could be developed. These negotiations were not successful, and DHS formally notified the tenderer that there was no prospect of developing such a solution.<sup>6</sup>

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5 Mr N. Skill, Department of Human Services, transcript of evidence, 24 June 2011, p. 4.

6 Mr N. Skill, Department of Human Services, transcript of evidence, 24 June 2011, p. 5.

- 2.17 After DHS had made that notification, it commenced separate negotiations with the second-ranked tenderer. These negotiations were ultimately successful, resulting in a technically suitable proposal that was considered to represent value-for-money.
- 2.18 Whilst DHS has assured the Committee that it sought and followed probity advice at every stage in this unusual process, and there is no suggestion that there are any defects in this case, such processes must be of the utmost integrity and fairness to all involved.
- 2.19 However, it is extremely undesirable for DHS to be in such a situation in the first place. A tender process that fails to identify suitable and good value proposals is not misfortune. It is evidence of insufficient planning. When viewed with the budget overrun in the Caroline Chisholm Centre project (on which the Committee reported in 2006), it is clear that DHS has a continuing need for better accommodation planning. Especially given the size and complexity of its operations, DHS must ensure that its property strategy is more robust, more flexible and better informed.
- 2.20 All agencies must ensure that their tender processes are robust and sufficiently informed by market conditions so as to avoid failure. The Commonwealth should not need to enter separate negotiations with developers outside the formal and public tender process.

## Committee comment

- 2.21 Overall, the Committee is satisfied that this project has merit in terms of need, scope and cost.
- 2.22 Having examined the purpose, need, use, revenue and public value of the work, the Committee considers that it is expedient that the proposed works proceed.

### Recommendation 1

**The Committee recommends that the House of Representatives resolve, pursuant to Section 18 (7) of the *Public Works Committee Act 1969*, that it is expedient to carry out the following proposed work: Proposed fit-out of new leased premises for the Human Services Portfolio at Greenway, Australian Capital Territory.**