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The Parliament of the Commonwealth of Australia

# **Fit-Out of New Leased Premises for the Department of Prime Minister and Cabinet at 1 National Circuit, Barton, ACT**

Parliamentary Standing Committee on Public Works

December 2004  
Canberra

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## **Membership of the Committee**

**Chair** Hon Judi Moylan MP

**Deputy Chair** Mr Brendan O'Connor MP

**Members** Mr Harry Jenkins MP

Senator Richard Colbeck

Mr Peter Lindsay MP

Senator Alan Ferguson

Mr Jim Lloyd MP (to 12 August)

Senator Michael Forshaw

Mr Bernie Ripoll MP

Mr Barry Wakelin MP (from 12 August)

## **Committee Secretariat**

**Secretary** Mr Quinton Clements

**Inquiry Secretaries** Ms Vivienne Courto

Ms Sara Edson

**Administrative Officers** Mrs Donna Quintus-Bosz

Ms Emily Davis





## List of Abbreviations

ACT	Australian Capital Territory
AGD	Attorney-General's Department
AGO	Australian Greenhouse Office
GFA	Gross Floor Area
ISPT	Industry Superannuation Property Trust
NCA	National Capital Authority
PBS	Public Service Board
PM&C	Department of Prime Minister and Cabinet



# **Extract from the Votes and Proceedings of the House of Representatives**

No. 184 dated Thursday, 24 June 2004

## **41 PUBLIC WORKS—PARLIAMENTARY STANDING COMMITTEE— REFERENCE OF WORK—PROPOSED FIT-OUT OF NEW LEASED PREMISES FOR THE DEPARTMENT OF PRIME MINISTER AND CABINET AT 1 NATIONAL CIRCUIT, BARTON, ACT**

Mr Slipper (Parliamentary Secretary to the Minister for Finance and Administration), by leave, moved—That, in accordance with the provisions of the *Public Works Committee Act 1969*, the following proposed work be referred to the Parliamentary Standing Committee on Public Works for consideration and report: Proposed fit-out of new leased premises for the Department of Prime Minister and Cabinet at 1 National Circuit, Barton, ACT.

Question—put and passed.





# List of Recommendations

## 3 Issues and Conclusions

### Recommendation 1

The Committee recommends that the proposed fit-out of new leased premises for the Department of Prime Minister and Cabinet at 1 National Circuit, Barton, ACT, proceed at the estimated cost of \$23 million.

## Introduction

### Referral of Work

- 1.1 On 24 June 2004 the proposal to fit-out new leased premises for the Department of Prime Minister and Cabinet at 1 National Circuit, Barton, Australian Capital Territory, was referred to the Public Works Committee for consideration and report to the Parliament in accordance with the provisions of the *Public Works Committee Act 1969* (the Act).<sup>1</sup> On 6 December 2004 the work was re-referred. The proponent agency for this work is the Department of Prime Minister and Cabinet (PM&C).
- 1.2 The Hon Peter Slipper MP, Parliamentary Secretary to the Minister for Finance and Administration, advised the House that the estimated cost of the proposed works was \$23 million. Mr Slipper noted further that construction of the premises to be leased by PM&C would begin in February 2005. He added that, subject to Parliamentary approval, the fit-out would commence in August 2005, and that PM&C would move into the building in early 2007.

### Background

#### The Department of Prime Minister and Cabinet

- 1.3 The Department of Prime Minister and Cabinet provides advice and information to the Prime Minister on policy matters of domestic and international importance.
- 1.4 PM&C has particular responsibilities to:

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1 Extract from the Votes and Proceedings of the House of Representatives, No. 184, Thursday, 24 June 2004

- advise on the implications of proposals for Commonwealth-State relations and facilitate these relations;
  - ensure policy coordination so that the Prime Minister draws upon the best possible advice across the whole of government.<sup>2</sup>
- 1.5 The Department is the key counsel on government and parliamentary policy on matters such as Cabinet processes, accountability and management of the public service. PM&C provides a range of support services to the Government, including:
- development and coordination of the Government's legislation program;
  - provision of secretariat support to the Executive Council and the Cabinet; and
  - arrangement and coordination of government hospitality and official ceremonial occasions.<sup>3</sup>

## Site of the Proposed Work

- 1.6 The developer Industry Superannuation Property Trust (ISPT) purchased a 99-year Crown lease (commencing from June 2000) for 1 National Circuit.<sup>4</sup>
- 1.7 PM&C intends to lease the new building from ISPT for 15 years, with one five-year option.<sup>5</sup>
- 1.8 The building will occupy a 9, 281m<sup>2</sup> site on the corner of King's Avenue and National Circuit in Barton. Situated on the edge of the Parliamentary Zone, it will be only a short distance from Parliament House. The site has underlying redevelopment potential permitting development up to 17, 000m<sup>2</sup> Gross Floor Area (GFA).<sup>6</sup>
- 1.9 The completed building will have 5.0 floors of office space measuring 15, 050m<sup>2</sup>.<sup>7</sup>
- 1.10 The development will feature 340 car parking spaces, including 6 disabled parking bays. The majority of vehicles will be accommodated in a secure two-level basement, with 14 car parking spaces provided outside the building at ground level.<sup>8</sup>

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2 Appendix C, Submission No. 1, paragraphs 1.1.1 and 1.1.2

3 ib id, paragraphs 1.1.3 and 1.1.4

4 ib id, paragraph 2.3.1

5 ib id, paragraph 2.2.1

6 ib id, paragraph 1.5.1 and paragraph 2.3.2

7 ib id, paragraph 1.5.2

8 Appendix C, Submission No. 1, paragraph 1.5.4

## Inquiry Process

- 1.11 The Committee is required by the Act to consider public works over \$6 million<sup>9</sup> and report to Parliament on:
- the purpose of the work and its suitability for that purpose;
  - the need for, or the advisability of, carrying out the work;
  - whether the money to be expended on the work is being spent in the most cost-effective manner;
  - the amount of revenue the work will generate for the Commonwealth, if that is its purpose; and
  - the present and prospective public value of the work.<sup>10</sup>
- 1.12 The Committee called for submissions by advertising the inquiry in the *Canberra Times* on Saturday 3 July 2004. The Committee also sought submissions from relevant governmental agencies, local government, private organisations and individuals, who may be materially affected by, or have an interest in, the proposed work. The Committee subsequently placed submissions and other information relating to the inquiry on its web site in order to encourage further public participation.

## Inspections and Public Hearing

- 1.13 On Friday 6 August 2004 the Committee travelled to the 1 National Circuit site and inspected at first hand the scope and environs of the proposed works. A public hearing was held at Parliament House, Canberra, later that same day.<sup>11</sup>

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9 *Public Works Committee Act 1969*, Part III, Section 18 (8)

10 *Public Works Committee Act 1969*, Part III, Section 17

11 See Appendix D for the official Hansard transcript of the evidence taken by the Committee at the public hearing on Friday, 6 August 2004 in Canberra





## **The Proposed Works**

### **Need**

#### **Space**

- 2.1 PM&C's current premises at 3-5 National Circuit in Barton provides accommodation measuring 11, 367m<sup>2</sup>.
- 2.2 In recent years, PM&C's responsibilities and staffing levels have grown as the Department has hosted various task forces, created a National Security Division and enhanced its Cabinet support role with the establishment of a Cabinet Implementation Unit.
- 2.3 Originally configured for 350 people, the existing building presently accommodates 450 employees. The building is stretched to capacity and staff amenity is reduced as a consequence. The pressure on space has been exacerbated by:
  - the building's inflexible design layout (load bearing columns are interspersed throughout the floorplate); and
  - inadequate funding for the accommodation of additional staff.<sup>1</sup>

#### **Security**

- 2.4 The current building was constructed between 1976 and 1980 and was originally tenanted by the Public Service Board (PBS). It has proved difficult for PM&C to install security measures appropriate to its particular needs. Specifically:

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<sup>1</sup> Appendix C, Submission No. 1, paragraph 1.2

- the building is bisected by a roadway;
  - the building design is one of layers from the ground floor up leaving overhangs between the floors (a security risk); and
  - the design of the building, with its three distinct cores and glass enclosed walkways between them makes it difficult to provide a totally secure work space for staff, with one walkway visible to the general public.<sup>2</sup>
- 2.5 Over time, PM&C has adapted the building to meet its operational requirements for perimeter security, secure meeting rooms and other secure environments. In so doing, additional problems have arisen. Space which was originally designed to be open plan has been partitioned to create secure areas. As a result air conditioning flows have been disrupted, further reducing staff amenity.<sup>3</sup>
- 2.6 Given the building's unique design and lack of security consideration at the time of construction, and the demands of a changing global security climate, PM&C is finding it increasingly difficult to ensure that all appropriate security measures are put in place in the existing premises.<sup>4</sup>

## Scope

- 2.7 PM&C intends to lease the new 1 National Circuit building for fifteen years, with one five-year option, and will be undertaking its own fit-out.
- 2.8 Works required to meet PM&C's objectives comprise:
- integration of electrical, mechanical, communications, security, fire and hydraulic services into base-building works;
  - fit-out to meet PM&C's operational requirements, including special security measures;
  - general office fit-out, including reception facilities, security-controlled access, open plan work areas and enclosed offices, workstations, meeting rooms, a computer room, storage facilities, conference and training facilities, first aid rooms, amenities rooms, a café, a nursing mothers' room, kitchens, showers and lockers, and secure areas.<sup>5</sup>

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2 Appendix C, Submission No. 1, paragraphs 1.2.1 and 1.4.8

3 ib id, paragraph 1.4.7 and paragraph 1.4.8

4 ib id, paragraph 1.4.9

5 ib id, paragraph 2.2.2

## Purpose and Suitability

- 2.9 PM&C's proposal seeks to:
- address the issue of lease expiration (the current lease expires on 28 February 2007);
  - provide sufficient space for the Department's current and future needs in an efficient and cost-effective manner;
  - satisfy security requirements; and
  - maintain the Department's position in the required location, close to Parliament House and other key government departments in Barton.<sup>6</sup>

## Cost

- 2.10 The total estimated cost of the proposed fit-out project is \$23 million. These costs include:
- workstations and loose furniture;
  - joinery, fittings and compactus units;
  - partitions, ceilings and doors;
  - services;
  - preliminaries;
  - project management and consultants' fees;
  - contingencies;
  - escalation to completion; and
  - miscellaneous.<sup>7</sup>

## Value for Money

- 2.11 PM&C believes the proposed development to be a cost-effective property solution. PM&C's current building owner Industry Superannuation Property Trust (ISPT) is the developer of 1 National Circuit. This offers a number of advantages. Specifically, ISPT;
- has a proven professional record;

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<sup>6</sup> Appendix C, Submission No. 1, paragraphs 1.15, 1.2.1 and 1.3.1

<sup>7</sup> ib id, paragraph 2.18.1



- will allow an extension of the current lease if there are delays to the construction; and
  - can grant the Department concessions on its requirement to make good the current building.<sup>8</sup>
- 2.12 As PM&C will be the sole tenant of the 1 National Circuit property, there are also operational and financial advantages to be gained from incorporating PM&C's special requirements into the base-building structure.
- 2.13 In addition, PM&C is negotiating monetary incentives with ISPT in relation to the lease agreement.<sup>9</sup>
- 2.14 In terms of broader public value, it is expected that some direct employment opportunities will be created by the construction and fit-out of the proposed building.<sup>10</sup>

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8 Appendix C, Submission No. 1, paragraph 1.4.3

9 ib id, paragraph 1.9.1

10 ib id, paragraph 2.17.1

## Issues and Conclusions

### National Capital Authority Approvals

- 3.1 In its submission to the inquiry, the National Capital Authority (NCA) stated that all works in a NCA designated area (other than fit-out works) require prior approval from the NCA in order for them to proceed. The NCA noted that while works approval for 1 National Circuit had been granted back in April 2002, the authority had recently received an application for some amendments to the original proposal.<sup>1</sup>
- 3.2 At the public hearing, the Committee wished to know what the nature of these amendments were and whether they might cause delays.<sup>2</sup>
- 3.3 PM&C informed the Committee that there were no major amendments. Issues still to be addressed included the ceremonial driveway of King's Avenue; the loading dock at the rear of the building; and the removal of a pedestrian crossing. ISPT had advised the Department that it expected these issues to be easily resolved within a month and they do not affect the commencement of the base-building works.<sup>3</sup>

### Roof

- 3.4 PM&C's main submission stated that the roof of the new building will comply with NCA requirements.<sup>4</sup>
- 3.5 At the hearing, the Committee asked PM&C what specific requirements the NCA had for the roof. PM&C explained that the NCA requires the

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1 Submission No. 2

2 Appendix D, Official Transcript of Evidence, page 3

3 *ib id*

4 Appendix C, Submission No. 1, paragraph 2.7.3

roof plant to be concealed in order that the external view is not obstructed.<sup>5</sup>

## Traffic Management

- 3.6 Further to PM&C's comments regarding its negotiations with the NCA about driveways, loading docks and pedestrian ways, the Committee sought assurance that the Department had addressed the broader issue of traffic management in the area.<sup>6</sup>
- 3.7 PM&C told the Committee that as part of the base building design approval by the NCA, an independent traffic analysis was undertaken and signed off by the NCA. In addition, PM&C had conducted its own evaluation of traffic flow in and out of the building. The management of peak time traffic flow is an issue in the mornings, but the Department will mitigate this with the provision of two in-lanes. Furthermore, PM&C intends to monitor the situation, and can install more barriers at entry level if security levels change.<sup>7</sup>

## Fire Safety and Emergency Evacuation

- 3.8 At the public hearing, the Committee wanted to ensure that other safety issues, such as fire protection and emergency evacuation procedures had been taken into consideration in the proposed design and construction of the new building.<sup>8</sup>
- 3.9 PM&C said that the proposed building complies with all the necessary regulations and will include smoke detectors. Moreover, the Department will install sprinklers in all areas other than those which contain a high density of IT equipment. In these areas, other forms of fire retardation will be used.<sup>9</sup>
- 3.10 PM&C confirmed that the Department will put emergency evacuation procedures in place.<sup>10</sup>

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5 Appendix D, Official Transcript of Evidence, page 4

6 Appendix D, Official Transcript of Evidence, page 11

7 ib id, page 11-12

8 ib id, page 12

9 ib id

10 ib id

## Staff Consultation

- 3.11 In written evidence, PM&C outlined communication strategies intended to effect consultation with internal and external stakeholders. Measures targeted specifically at PM&C staff will include:
- briefings for managers and staff;
  - work area involvement in the development of requirements;
  - the establishment of a reference group; and
  - all staff e-mails.<sup>11</sup>
- 3.12 The Committee asked PM&C to elaborate on its staff consultation process at the hearing. The Committee wished to learn what formal mechanisms had been put in place to ensure that the consultative process included union or workplace representatives and occupational health and safety delegates.
- 3.13 PM&C said that there was a staff consultative committee which featured a number of staff representatives. In accordance with the Department's Certified Agreement, union representatives are invited to and have been present at meetings.<sup>12</sup>
- 3.14 To-date approximately half of the Department's employees have been briefed on the project. In addition, there had been articles in the staff newsletter and there is a standing display about the building in the coffee shop.<sup>13</sup>

## Floor Plan

- 3.15 The PM&C submission indicated that the building's floor plans have not yet been finalised.<sup>14</sup>
- 3.16 The Committee asked the Department if it intended to consult with staff regarding any future decisions regarding the floor plan.<sup>15</sup>
- 3.17 PM&C replied that it envisages establishing a number of special purpose committees in addition to the consultative committee. These committees will supplement meetings at divisional and branch level and encourage comment and feedback on a range of matters.<sup>16</sup>

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11 Appendix C, Submission No. 1, paragraph 2.16.1

12 Appendix D, Official Transcript of Evidence, page 4

13 ib id

14 Appendix C, Submission No. 1, paragraph 2.2.5

15 Appendix D, Official Transcript of Evidence, page 5

16 ib id

## Child-Care Provisions

- 3.18 In written evidence, PM&C stated that it does not intend to provide child-care facilities in the new building.<sup>17</sup>
- 3.19 At the hearing, the Committee wished to learn what level of interest there was amongst staff to have an on-site facility.<sup>18</sup>
- 3.20 PM&C responded that while the issue had been raised by a couple of staff, it had had to consider the commercial viability of operating a child-care facility on-site. The Department said that it was considering different options, including entering into arrangements with other departments in the area, particularly, with its next-door-neighbour-to-be, the Attorney-General's Department (AGD).
- 3.21 The Committee emphasised how important access to child-care facilities was for all staff across the Public Service.<sup>19</sup>

## Energy Efficiency

- 3.22 Further to PM&C's opening comments about working with the Australian Greenhouse Office to improve efficiency gains in the new building,<sup>20</sup> the Committee sought assurance from the Department that it would adhere to the Commonwealth's Energy Guidelines insofar as that is practical and possible.<sup>21</sup>
- 3.23 PM&C replied,
- “We are certainly undertaking to do that, yes. We aim to be an energy efficient building.”<sup>22</sup>
- 3.24 The Department noted that the new building will feature double glazing and incorporate lighting efficiencies.<sup>23</sup>
- 3.25 Given the water shortages in Canberra, the Committee was particularly interested to learn what water-saving measures PM&C intends to implement in the proposed building.<sup>24</sup>

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17 Appendix C, Submission No. 1, paragraph 2.12

18 Appendix D, Official Transcript of Evidence, page 6

19 ib id

20 ib id, page 3

21 ib id, page 9

22 ib id

23 ib id

24 ib id

- 3.26 PM&C outlined a range of water-saving technologies which it will investigate further, including the use of drought resistant plants and the installation of underground drip water irrigation systems.<sup>25</sup>
- 3.27 The Department emphasised that it was in active discussions with the AGO on all these matters.<sup>26</sup>

## Breakdown of Costings

- 3.28 At an earlier confidential briefing, the Committee asked PM&C a number of questions in relation to security matters and project costs. The Committee requested that the Department supply it with a breakdown of the costings for preliminaries and margin costs, professional and authority fees, and contingency allowances. PM&C agreed to supply these details as the project progresses.

## Lease Arrangements

- 3.29 At the public hearing, PM&C took questions on notice about the Department's current rental costs and future costs at 1 National Circuit.<sup>27</sup> The Department later provided the Committee, in-confidence, with a breakdown of rental terms for both buildings, by office rental, storage rental and car-parking. The substantive component of the new lease agreement, namely office space, involves a 16% cost increase per square metre per annum.
- 3.30 The examination of the terms of a proposed work's lease agreement does not fall within the Committee's terms of reference as set out in Section 7 (3) of the *Public Works Act 1969*. However, the Committee notes that lease arrangements for Commonwealth works, like this one, involve substantial expenditure of public monies over the life of the lease. The Committee believe that consideration should be given to amending the Act so that the Committee may have regard to such matters in its future consideration and reporting of works.

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25 Appendix D, Official Transcript of Evidence, page 9

26 ib id

27 Appendix D, Official Transcript of Evidence, page 6

## Future Expansion

3.31 According to PM&C's written evidence, the Department's responsibilities and staffing numbers have increased in recent years, stretching the existing building to capacity:

"The building was originally configured for 350 staff and currently houses 450 with resulting negative impacts on performance and staff amenity...Over the past five years PM&C has hosted a total of 55 Task Forces and we anticipate that this demand will continue. The hosting of task force activity, the creation of the National Security Division and ...the establishment of the Cabinet Implementation Unit have all had to be accommodated in this ageing building.<sup>28</sup>

3.32 At the hearing, the Committee asked whether the Department anticipated further growth and how this might be comfortably accommodated in the new building.<sup>29</sup>

3.33 PM&C said that it expects its task force activities to continue and space is required to accommodate peak activity in task forces as well as other growth (although it does not anticipate that the core of the Department will expand much more).<sup>30</sup>

3.34 The Committee questioned PM&C on exactly how many extra people the proposed building will be able to accommodate.<sup>31</sup>

3.35 The Department responded that:

"We are provisioning for a task force on each of the five floors. So the task force space would be...a cushion against future staff expansion...[each task force would be comprised of] 10 to 15 people. That is based on the experience of the last 5 years."<sup>32</sup>

## Comparison with AGD's Proposal

3.36 The Committee asked PM&C to comment on why its fit-out costs are identical to AGD's but its proposal features 3000 square metres less space for the same amount of money. The Committee also wanted to know why PM&C will provide 12 square metres of space per employee: AGD by comparison will provide approximately six square metres per employee.<sup>33</sup>

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28 Appendix C, Submission No. 1, paragraph 1.2.2

29 Appendix D, Official Transcript of Evidence, page 10

30 ib id

31 ib id, page 11

32 ib id

33 ib id, page 8

- 3.37 PM&C explained that it has a higher proportion of senior level officers at the SES and Executive Level 2 than perhaps most other departments. These officers are entitled to extra space and their own offices, and this increases costs. PM&C also has greater, hence more expensive, security requirements for its fit-out. Two out of the five floors will be secure floors. A number of secure conference and meeting rooms will also be required.<sup>34</sup>

### **Recommendation 1**

**The Committee recommends that the proposed fit-out of new leased premises for the Department of Prime Minister and Cabinet at 1 National Circuit, Barton, ACT, proceed at the estimated cost of \$23 million.**

Hon Judi Moylan MP

Chair

7 December 2004





## **Recommendation 1**

**The Committee recommends that the proposed fit-out of new leased premises for the Department of Prime Minister and Cabinet at 1 National Circuit, Barton, ACT, proceed at the estimated cost of \$23 million.**

Hon Judi Moylan MP

Chair

8 December 2004





## **Appendix A – List of Submissions**

1. Department of the Prime Minister and Cabinet
2. National Capital Authority

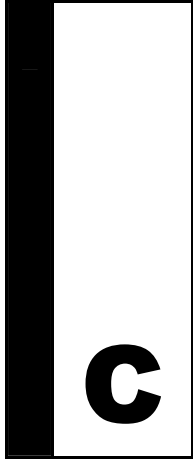


## **Appendix B – List of Witnesses**

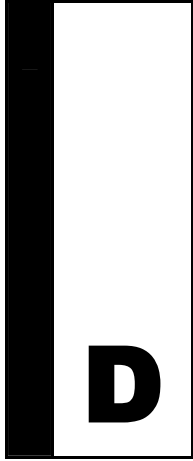
Ms Judy Costello, Assistant Secretary, People and Resource Management Branch, Department of the Prime Minister and Cabinet

Ms Judith Kendrick, Director, Corporate Services, Department of the Prime Minister and Cabinet

Mr Greg Williams, First Assistant Secretary, People, Resources and Communications Division, Department of the Prime Minister and Cabinet



**Appendix C – Submission No. 1 from the  
Department of Prime Minister and  
Cabinet**



## **Appendix D – Official Transcript of Evidence**