

Proposed fitout of new leased premises for the Attorney-General's Department at 4 National Circuit, Barton, Australian Capital Territory

- 2.1 The proposed fitout of new leased premises for the Attorney-General's Department (AGD) at 4 National Circuit, Barton aims to provide additional office space for the Department, consolidating a number of dislocated premises across Canberra. Approximately 500 departmental staff would be accommodated in the new premises.¹ The estimated cost of the project is \$18 million.
- 2.2 The proposal was referred to the Committee on 28 October 2010.

Conduct of the inquiry

- 2.3 The inquiry was advertised in *The Australian* newspaper and submissions sought from those with a direct interest in the project. The Committee received one submission and one confidential supplementary submission detailing the project costs. A list of submissions can be found at Appendix A.
- 2.4 The Committee undertook a site inspection, public hearing and an in-camera hearing on the project costs on 19 November 2010 in Canberra.
- 2.5 The transcript of the public hearing as well as the submissions to the inquiry are available on the Committee's website.² Plans for the proposed works are detailed in Submission 1: Attorney-General's Department.

1 Mr S. Lutze, AGD, *Transcript of Evidence*, 19 November 2010, p. 3.

2 <www.aph.gov.au/pwc>

Need for works

- 2.6 The AGD submission states that the works are needed because:
- administrative staff are currently spread across five different properties in Canberra (including the majority of staff at the National Office at 3-5 National Circuit), creating organisational difficulties and inefficiencies, particularly where the properties are separated by significant distances;
 - the four smaller premises' leases will all expire within the next eighteen months;
 - some of the smaller premises meet neither the Australian Government's energy efficiency requirements nor the Department of Finance and Deregulation's Occupational Density Target, and would need considerable refurbishment to meet those requirements; and
 - some of the premises do not comply with the Building Council of Australia's standards for disability access.
- 2.7 The Committee finds that there is a need for the proposed works.

Scope of works

- 2.8 The proposed scope of the works is detailed in Submission 1: AGD. In short the project proposes to fitout 8,000m² of the new 'West Building' at 4 National Circuit, including:
- allocated office space for Senior Executive Service (SES) and Executive Level 2 officers;
 - open plan office accommodation for Executive Level 1 and APS Level officers;
 - flexible, modular office design utilising workstations and demountable partitions;
 - breakout areas and kitchens;
 - meeting rooms;
 - utility areas for office machines and storage;
 - separately air conditioned communications equipment rooms;
 - carers' and first aid rooms;
 - showers, lockers and bicycle storage;
 - standard workstations and personal storage units; and

- white goods and loose furniture.

- 2.9 Fitout works are expected to commence in early 2012, and to be completed by the end of June 2012.
- 2.10 The Committee finds that the proposed scope of works is suitable to meet the needs of the project.

Cost of works

- 2.11 The total estimated out-turn cost for this project is \$18 million (excluding GST). The Committee received a confidential supplementary submission detailing the project costs and held an in-camera hearing with AGD on those costs.
- 2.12 The Committee is satisfied that the costings for the project provided to it are adequate.

Project issues

Open-market testing

- 2.13 The Department did not conduct an 'open-market' process to identify suitable new office accommodation; instead, it specifically identified the 'strategic' site at 4 National Circuit as the best site for additional premises.³ In its submission, AGD acknowledges that there are risks inherent in securing new premises in this way,⁴ because there is no effective competition to provide the Department with multiple options from which to select the best option.
- 2.14 AGD states that it carried out 'extensive market investigations'⁵ in order to ensure that the proposal put forward by the owner of 4 National Circuit was 'comparable to the market'⁶. AGD also advised the Committee that its legal and probity advice confirmed that the way in which the Department

3 Mr P. Wilkin, AGD, *Transcript of Evidence*, 19 November 2010, p. 4.

4 Submission 1, AGD, p. 10.

5 Submission 1, AGD, p. 7.

6 Mr P. Wilkin, AGD, *Transcript of Evidence*, 19 November 2010, p. 4.

has undertaken this project is 'fair' to other developers and building owners.⁷

- 2.15 The Committee is particularly concerned to ensure that, given the nature of AGD's approach in securing these premises, the Commonwealth gets good value for money. Whilst it is clear that the property at 4 National Circuit is a 'strategic' property for the Department, the Commonwealth must not end up paying a premium because of the non-competitive selection and negotiation process. AGD gave evidence that, based on analysis of current market information, the proposal represents 'value for money'⁸.

Staff facilities

- 2.16 The Committee inspected part of the Department's National Office at 3-5 National Circuit. The Committee was impressed with the fitout of AGD's newest accommodation, and is pleased that the proposal for 4 National Circuit would use a similar fitout.
- 2.17 The Committee is concerned, however, to ensure that suitable staff facilities are provided, especially given the reduction in the total amount of space leased by the Department and the relocation of many staff.
- 2.18 The owner of the building which would house the proposed fitout gave evidence to the Committee that it would be possible for some meeting rooms to be used by staff for recreational exercise.⁹ The Department informed the Committee that there would be approximately 220 bicycle racks and lockers, as well as some twenty showers, in the entire development, which will enable Departmental employees to ride or walk to work.¹⁰
- 2.19 The Committee sought the Department's assurances that staff relocating to Barton would have access to childcare facilities. Departmental officers informed the Committee that they expected more childcare places to be available, as a proposed new childcare facility in number 4 National Circuit could provide some space for AGD employees' children, as well as reducing demand for the current facility in 3-5 National Circuit.

7 Mr P. Wilkin, AGD, *Transcript of Evidence*, 19 November 2010, p. 9.

8 Mr S. Lutze, AGD, *Transcript of Evidence*, 19 November 2010, p. 2.

9 Mr J. Lourensz, AGD, *Transcript of Evidence*, 19 November 2010, p. 6.

10 Mr S. Lutze, AGD, *Transcript of Evidence*, 19 November 2010, p. 5.

Committee comment

- 2.20 Overall, the Committee is satisfied that this project has merit in terms of need, scope and cost.
- 2.21 At its public hearing on 19 November, AGD presented a letter to the Committee asking for 'Concurrent Documentation' approval. The Concurrent Documentation process exists to enable agencies to continue the preparation of contract documentation for works before Parliamentary approval has been given. However, in this case, AGD asked the Committee to allow it to commit to tendered prices for fitout works. Such approval would be tantamount to approval for the entire project to proceed, something the Committee cannot do.
- 2.22 Agencies must be fully aware of the Committee's role, and remember that the Committee does not approve projects – it merely gives a recommendation to Parliament regarding approval, on which the House of Representatives may then act. The Committee is not empowered to give any sort of approval for projects to proceed, and any Concurrent Documentation (where Committee approval is given) must be accompanied by the caveat that the works are subject to Parliamentary approval.
- 2.23 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 fitout of new leased premises for the Attorney-General's Department at 4 National Circuit, Barton, Australian Capital Territory.