



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

PARLIAMENTARY STANDING COMMITTEE ON PUBLIC WORKS

**Australian Taxation Office—Proposed Fit-out of New Leased Premises at 255
George Street, Sydney CBD, NSW**

Public

MONDAY, 28 FEBRUARY 2022

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BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

PARLIAMENTARY STANDING COMMITTEE ON PUBLIC WORKS

Monday, 28 February 2022

Members in attendance: Mr David Smith [by audio link], Mr Rick Wilson [by audio link] and Mr Zappia [by audio link]

Terms of Reference for the Inquiry:

To inquire and report on:

Australian Taxation Office—Proposed Fit-out of New Leased Premises at 255 George Street, Sydney CBD, NSW

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PANDYA, Ms Payal, Assistant Commissioner, Property, Australian Taxation Office [by audio link]

SCHATZMANN, Mr Trent, Associate, Cox Architecture [by audio link]

Committee met at 12:30

CHAIR (Mr Rick Wilson): I declare open this public hearing of the Parliamentary Standing Committee on Public Works into the Australian Taxation Office Proposed Fit-out of New Leased Premises at 255 George Street, Sydney CBD, New South Wales. In accordance with the committee's resolutions, this hearing will be broadcast on the parliament's website, and the proof and official transcripts of proceedings will be published on the parliament's website. I also remind members of the media who may be present or listening on the web of the need to fairly and accurately report the proceedings of the committee.

I now welcome representatives from the Australian Taxation Office. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are a formal proceeding of the parliament. Consequently, they warrant the same respect as proceedings of the parliament itself. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament.

I now invite the ATO team to make some brief introductory remarks before we proceed to questions.

Ms Pandya: Thank you very much, Chair. It's a pleasure to assist the committee with its inquiry into the proposal for a fit-out of new ATO leased premises at 255 George Street in Sydney, which I will refer to as 'the project' for convenience. Thank you very much for your time today. Like my colleagues, I recognise the very important role that this committee plays in the review and transparency of public works. Before proceeding, I would like to acknowledge the traditional owners of the lands on which we meet today and to pay my respects to their elders past, present and emerging.

To provide context on the need for the project, I would like to talk the committee through how, underpinned by ATO property and location strategies, it will support delivery of our organisational objectives. As the principal revenue collection agency of the Australian government, the ATO's purpose is to contribute to the economic and social wellbeing of Australians by fostering willing participation in our tax and superannuation systems. Our 2021-22 corporate plan builds on some really positive cultural change across the organisation over recent years and prioritises embedding new ways of working to continue to foster trust in our ability to manage in challenging times, as we did in COVID-19. Through this, the ATO is exploring new ways to continue making more efficient use of our workplaces and how we evolve the technology strategy to support contemporary and flexible ways of working.

Our property strategy embodies this vision and key priorities through its focus on delivering high-quality, safe and flexible accommodation that supports staff to thrive and succeed and that reflects changing ways of working. The strategy also incorporates continuous improvement on how we use accommodation and deliver reduced property costs. The location strategy recognises the long-term business need to maintain the ATO's over-100-year presence in the Sydney CBD, providing continuity for our current workforce, which largely comprises ongoing staff, and enabling the ATO to maintain and attract a high-quality workforce in key sectors such as law, tax technical and information technology, which are the predominant business areas in that site. That's particularly in what is becoming an increasingly competitive labour market. So this project aligns with all of those organisational strategies.

Consistent with the Commonwealth leasing strategy, the ATO consulted the strategic property adviser, the Department of Finance and our contracted property service adviser, Colliers, to consider available options for the Sydney lease expiry. The resulting recommendation and decision was for the ATO to approach the market for new leased accommodation, a key driver being that the ATO's current accommodation exceeds the government's target for occupational density. Following a robust and competitive lease procurement process, the finance minister endorsed the lease for 255 George Street, Sydney on 25 November 2021.

The building is an existing 29-level commercial tower, and the ATO proposal is to fit out nine floors. The new lease delivers cost savings, with a reduction in net lettable area of almost 10,000 square metres or 42.6 per cent when compared with the ATO's existing lease. The proposed fit-out will meet the Department of Finance occupational density target.

In addition to the ATO's highly successful delivery of government COVID stimulus measures, COVID really demonstrated that our accommodation solutions have evolved over recent years and positioned the organisation to be responsive to a changing environment. In line with delivery of recent accommodation solutions in Gosford, Townsville, Moonee Ponds and currently Wharf Street in Brisbane, this new accommodation will be fit for purpose, contemporary and flexible, and it will incorporate unallocated workspaces wherever possible. It will support different ways of working and maximise utilisation of available space.

The project has extensively considered health advice and lessons learned from the global COVID-19 pandemic, and measures included in the design will be complemented by existing COVID-19 policies and management strategies across all ATO sites. The ATO has engaged with staff representatives and consulted with external service providers as part of the planning and concept design phase for this project and will continue this engagement throughout the project delivery.

Due to the uncertainty around market supply and COVID-19 factors, the project has been allocated a high level of contingency. The ATO has a very strong record of generally not needing to spend contingencies allocated to projects. The construction cost without contingency, while above the Public Works Committee range, compares favourably against government fit-outs in the Sydney market and reflects the uplift in cost already driven by market supply and COVID-19 factors.

The project includes specialised facilities that will support our staff to deliver their work for the community now and in the future, including an IT forensic laboratory, installation of internal circular stairs focused on staff wellbeing and collaboration, additional security enhancements that support a multitenanted building and future reconfiguration, and a backup generator to support critical business continuity.

In line with our usual approach, the ATO will actively look for opportunities to reduce cost and risk throughout the project, including through leveraging competitive market tension in procurement and design efficiencies, and sourcing from local suppliers wherever possible. The ATO has also engaged an independent expert quantity surveyor who will review and assess all fit-out costs to support a robust value-for-money assessment.

We consider that this proposal represents a future focused and value-for-money outcome for the Commonwealth and for the ATO, facilitating our sustained presence in the Sydney CBD and alignment to government density and environmental performance targets. I thank the committee for your time today and I welcome any questions you might have on the ATO's proposal.

CHAIR: Thank you very much for that and thank you also for the very detailed and comprehensive briefing that we received prior to this public hearing. Looking at the number of staff versus workstations, you currently have 1,243 existing staff that will be allocated to this particular workplace but you're only building 1,204 workstations. Given that there are more flexible workplace arrangements in place but that we would expect that the growth in the Australian Tax Office's role will continue to grow and not reduce, what provision have you made to accommodate additional staff over the next 10 to 16 years of this lease?

Ms Pandya: To start with, the proposal is that the available space will accommodate all staff in the Sydney CBD on a one-to-one desk ratio if that's the design that the ATO ends up with through consultation. To your question about future planning: the ATO very much works closely with HR and other business partners to accommodate what our likely future requirements are in any leasing solution. That's certainly occurred in this case.

In terms of unpredictable future changes that may occur, the ATO's focus in recent delivery of accommodation solutions—which will very much form part of the approach that we take in this process—has been to create a high degree of scalability through the use of unallocated workspaces wherever that's possible. Those unallocated workspaces allow us to leverage a reduced desk ratio that aligns closely with the type of occupancy that we see, and it means that we're able to scale up our workforce without the need for additional leased premises.

CHAIR: Some people will be required, because of the security of the network they work on and so on, to actually attend the office to operate from their workstation daily, while people in other roles will have much more flexibility. For this building, what would be the proportion of the current workforce who will need to have an allocated workspace and will need to attend the office in person to carry out their functions, versus those who have a much more flexible arrangement?

Ms Pandya: There are probably two aspects to that. The first is that the specific number is exactly the type of thing that we get through consultation processes with staff as to where people might have a need to be in the office or have specific WHS requirements, for example. We expect to see take-up of hybrid working in the ATO, and the ATO has announced that it intends to support hybrid working, but there's still an expectation that staff

attend the office as part of those hybrid working arrangements. Staff have access to up to two days working from home, but we still expect all staff to be coming into the office across a week.

As you've pointed out, there may be particular staff who come into the office and attend on a more regular basis than others, and that's certainly something that will come through consultation.

CHAIR: So you don't have defined roles whereby someone is required to be at their particular workstation because of, as I've mentioned, cybersecurity requirements or whatever, while there are other people who you've identified as having much more flexible working opportunities? You won't have a number until people come back to you and tell you where they feel they fit in that mix?

Ms Pandya: Certainly there will be staff who may have been identified already as having, as you've pointed out, specific cybersecurity requirements. Probably the only fixed workforce at the moment that has a need to be in the office is in the facilities management space. Other than that, it's very much a case-by-case basis as to whether there are special requirements for people to attend the office—for whatever reason—on a more regular basis than others.

CHAIR: Thank you. I will now throw to the deputy chair, Mr Zappia.

Mr ZAPPIA: Firstly, I will ask about the current site. Setting aside the costs and the lease arrangements, were there any issues identified with the current site at Goulburn Street that makes it unsuitable for the Taxation Office?

Ms Pandya: I couldn't point to anything specific in the Goulburn Street site other than the fact that the current NLA materially exceeds the ATO's requirements. And it's an aged building, with aged infrastructure, so there will be, for example, potentially base building issues and the like, but nothing that I could point out.

Mr ZAPPIA: From your submission, I understand that there has been extensive consultation with the staff. For the record, are there any outstanding staff matters that are yet to be resolved with respect to the new proposed site at George Street?

Ms Pandya: There has been extensive engagement with staff to date. Any informal or formal consultation processes will commence as we walk through the detailed design. To date, we haven't had any issues raised that are of any concern. We've certainly heard feedback that's in line with the type of feedback we hear when staff are undergoing any change process, particularly a potential accommodation change process.

Mr ZAPPIA: Lastly, the new fit-out cost is quite substantial. What happens with all of the fit-out in the current site? Does the landlord retain all of that, or is it owned by the department, and, if so, how is the department going to use or dispose of it?

Ms Pandya: Typically, when a fit-out is end of life, the ATO's approach would be to look at how to dispose of that fit-out in the most environmentally friendly way. Certainly, if there are opportunities to repurpose or recycle any components of the fit-out, we would be looking at that where it makes value-for-money sense to do so.

Mr ZAPPIA: That's all I've got, thank you.

Mr DAVID SMITH: Thanks for those earlier responses. In line with a couple of questions from the chair—and I'm happy for the tax office to take these on notice—would you be able to provide the committee with the number of staff at Goulburn Street who would have been working from home pre COVID? That's the first question. The second question is: how many Goulburn Street staff are currently working from home? I understand that omicron plays a significant role in that. And, over the 10 years with the new lease, what are the projections that the tax office has done for (a) how many staff will work from home on an ongoing basis and (b) how many might work on a hybrid basis and therefore potentially share workstations in the new office facility? Again, I'm happy for the tax office to take those questions on notice.

Ms Pandya: I'll assist the committee at this point, and I'm happy to take residual items on notice. Prior to COVID, whilst the ATO did have ad hoc working-from-home arrangements as part of the normal course of events, where staff could negotiate working from home, we didn't really have it en masse to the extent that we've seen, obviously, as part of our post-COVID approach. So the numbers probably would have been quite low, although from time to time people may have had an ad hoc day here or there as discussed with their manager. I'm happy to provide it on notice if more granular detail is required there.

As you've pointed out, with the current government restrictions we will have almost all of our staff working from home, other than critical staff who are required to attend the office to be able to conduct their duties. On the future outlook, in terms of conclusions or people's engagement in working-from-home arrangements already and their agreements with managers, we certainly expect a high proportion of our staff to take up the offer of being able to work in a hybrid way. In terms of the question around ongoing arrangements for working from home, the

organisation is very clear that we expect that we will have all staff in the office for a portion of time. All staff will have access to up to two days a week working from home, but the remainder of the time the expectation is that we need to ensure that we have staff on site to undertake those collaboration activities, that we're looking after our people and that it matches the organisation's needs as well.

Mr DAVID SMITH: Thanks for that response. It would be great if you could provide answers to those particular questions, but I certainly understand those responses and approaches.

I have a couple of other very quick questions. At the current premises at Goulburn Street, is there an IT forensics lab of the nature that's proposed for George Street?

Ms Pandya: I will hand over to Andrew Osborne. Andrew, are you on the line and able to confirm that?

Mr Osborne: Yes, I am. Thanks for that question. There is a forensics lab in the current building.

Mr DAVID SMITH: Thanks. As a final question, in submissions the tax office talks about the location being important in terms of proximity to key stakeholders. Could you possibly outline who those key stakeholders are?

Ms Pandya: Certainly. The ATO office in Sydney has a high contingent of staff who work in specialised legal areas, and that includes litigation, so the stakeholders will include stakeholders within the law sector, such as the law courts where they're attending regularly for litigation matters, legal advisors and so on. Then also proximity within the financial sector. We have staff who deal with large business within our client engagement sector, who engage in high levels of engagement activity and work in closely with taxpayers. In addition to that, the ATO engages external experts for a range of things and so there would be proximity to those providers. The site is also proximate to Treasury and the ATO does work with Treasury in terms of law design matters.

Mr DAVID SMITH: That is good to hear. Thanks for that response. Thanks, Chair.

CHAIR: Thank you very much, Mr Smith. To the ATO team: do you have any final comments or statements before I close this public hearing?

Ms Pandya: Only to thank the committee very much for your time today and for the questions that've been raised.

CHAIR: Thank you. Thank you for appearing today and thank you to the committee members who have attended. I thank you in advance for the information that has been requested on notice that I have no doubt you will forward as expeditiously as possible.

Ms Pandya: We absolutely will.

CHAIR: Thank you very much. I now declare this public hearing closed. Thank you all very much.

Committee adjourned at 12:52