

Government National Property Strategy & Principles

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Prepared by

GOVERNMENT
Property
Management

CENTRE *of* EXPERTISE

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Purpose

The Government National Property Strategy & Principles (GNPS) provides a high-level framework for a co-ordinated planning approach across government, providing the foundation for the nationwide portfolio of office accommodation and public interface property. The GNPS contains themes, objectives and principles, all conveying the intentions and expectations of the Government.

The content of the GNPS will provide a position against which to measure agencies' biennial property plans and other property decisions.

The GNPS's enduring themes, strategic objectives and principles are designed to support achieving the anticipated Functional Leadership objectives, including improvements in the economy, efficiency and effectiveness of the government property portfolio, and leveraging the Government's economies of scale during procurement.

Precedence

The GNPS is intended to be a living document, being updated regularly to reflect changes in the Cabinet mandate to the Property Management Centre of Expertise (PMCoE).

The strategic framework for PMCoE's operation relies on:

- the GNPS delivering national strategic objectives
- principles, standards and guidelines that support the delivery of the GNPS.

In the event of conflict, inconsistency, omission or ambiguity, the intention and vision of the GNPS will take precedence.

Workplace principles, standards and guidelines will be updated as soon as practically possible after any differences are identified with PMCoE having the responsibility for publishing clarification in the interim.

Before using the GNPS for planning or reference, the PMCoE website¹ should be checked to ensure that it is the latest version.

Constraints and assumptions

Constraints for PMCoE include:

- government funding and fiscal pressures
- property markets and environmental factors
- Cabinet mandate details and the scope for property functional leadership
- existing legislation, standards and rules with legal force.

Assumptions for PMCoE include:

- the approval of the GNPS requires all agencies within the PMCoE mandate² to comply fully with the GNPS and subsequent standards published.

¹ <http://www.msd.govt.nz/about-msd-and-our-work/about-msd/our-structure/pmcoe/index.html>

² CAB Min(12)35/4B

Scope and exclusions

Centralised planning and reporting will assist agencies in property planning and mitigating the associated risks, and ensure that the Functional Leader for Property can report to stakeholders and plan, co-ordinate and facilitate the wider government property strategy.

Scope

PMCoE's scope, and this strategy, cover office accommodation and public interface areas for mandated agencies.

These are defined in the Property Management Guidelines for Office Space as:

Office accommodation

“Premises used primarily for undertaking desk based activities and associated facilities, including meeting spaces, storage, kitchen staff facilities, ‘amenity areas’, circulation and reception facilities.”

Public interface

“Areas used primarily for face to face interactions with the clients and the public for the purposes of delivering government services. These areas generally do not include work points”.

Office accommodation and public interface areas nationwide are within the scope of this strategy across the mandated agencies.

Exclusions

The Property Management Guidelines for Office Space exclude operational areas from the scope of PMCoE. They are defined as:

“Areas used for activities not found in the private sector, not used for desk based activities, or ‘public interface areas’ (eg custodial facilities, judge’s chambers)”.

Operational areas specifically excluded are

- prisons and justice delivery facilities (eg Community Probation Services)
- emergency services’ operational centres (eg police, fire and ambulance stations)
- courts of law
- regional delivery centres (eg Department of Conservation visitor centres, community houses)
- technical operation centres (eg TVNZ studios, Rescue Coordination Centre).

This list is intended as an indicator and is not exhaustive. Specific exclusions would be detailed, and approved, in Agency Strategic Property Plans (ASPPs).

Background

The New Zealand State Sector currently carries out property-related procurement and management largely on a siloed, agency-only basis.

In 2012, the State Services Commission established the Better Public Services programme and appointed the Chief Executive of the Ministry of Social Development the Functional Leader for Property, with the operational arm being PMCoE.

In October 2012, Cabinet approved PMCoE undertaking and leading a number of property-related fields, including property-related procurement, management and strategy. To deliver effectively the services that it is mandated to do, PMCoE requires a national strategic approach.

Market environment

Appendix 1 provides a current status report on the market environment in which the GNPS and government property portfolio are operating. The environment is an important element taken into consideration during strategy and planning as it can offer both challenges and opportunities if understood correctly. The environment report will be attached to future GNPS updates to summarise changes in the market since the previous GNPS version, and will provide some of the context for those updates.

Current approach

Historically, only limited co-ordinated planning has occurred between agencies. This has resulted in a fractured Crown property portfolio. Some key elements of the current approach are:

- the siloed approach limits opportunities for inter-agency collaboration
- agencies that need to interact are not situated in close proximity or provided with technological tools to engage
- an approach to site procurement with limited co-ordination means that agencies sometimes compete with each other in the market
- front-of-house facilities are duplicated
- higher costs are incurred in procuring, establishing and maintaining facilities
- configuration and layout are on an ad hoc basis, which limits flexibility for changing Crown requirements
- there is no long-term vision across the Crown portfolio
- the Government is not fully utilising its size and scale to leverage procurement economies
- there are a wide range of accommodation standards in relation to factors such as location, age, quality and seismic resilience.

Portfolio as at July 2012

Kaitaia to Invercargill

1 129 premises

1,669,392m²

Total rent spend \$324m p.a.

25% owned, 75% leased

Over 60,000 staff and
contractors accommodated

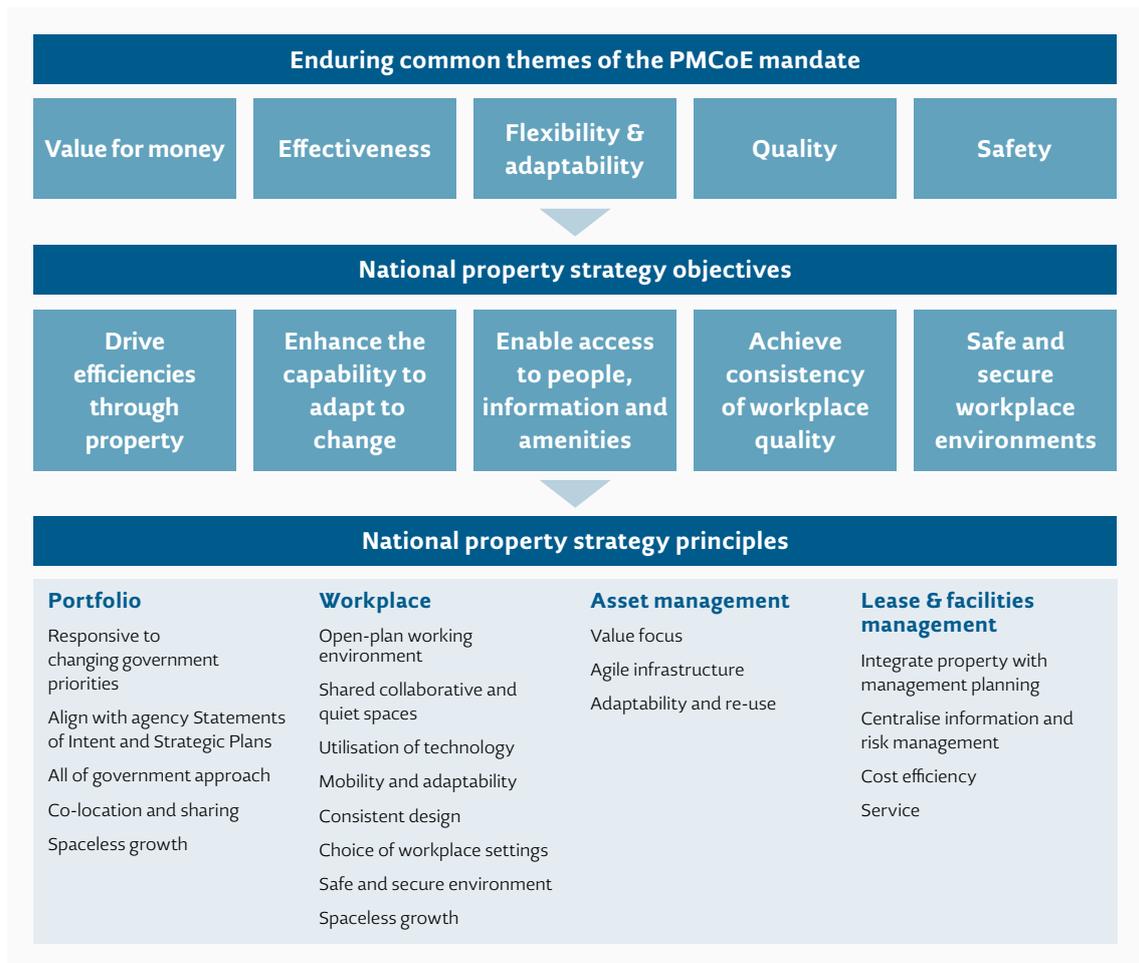


Vision

A government property portfolio that is responsive, affordable, sustainable and safe, leveraging property as a tool to support organisational culture and assist in the delivery of services.

Mission of the Strategy and Principles

PMCoE has interpreted the provided mandate and general expectations into enduring themes. These themes will change very little in the long term and focus into strategic objectives, which are then supported by principles to be applied by agencies. This will directly support achieving the anticipated value for money from the property portfolio.



Government priorities

1. Responsibly manage the Government's finances.
2. Build a more competitive and productive economy.
3. Deliver better public services within tight financial constraints.
4. Rebuild Christchurch.

GNPS goals – what the GNPS aims to achieve

- Establish Crown property strategic objectives and principles.

- Ensure an average office accommodation density of 13–14 square metres per person by 2019.
- Establish a property and facilities-related research and development service.
- Build a foundation to publish principles and standards for optimising property performance.
- Develop a portfolio that supports agencies' targeted outcomes.
- Support the achievement of anticipated savings through Functional Leadership of Property.

PMCoE will produce an annual work plan, translating the actions planned for the coming year designed to contribute to the GNPS.

PMCoE will operate a research and development service to investigate property-related topics that may affect the GNPS and its application. These investigations will be carried out on an objective basis, ensuring a high level of efficacy. The outcome of this research will inform further detailed research needed, and future updates of the GNPS.

Role of the Property Management Centre of Expertise

PMCoE is mandated by Cabinet to drive greater value for money from the government property portfolio and to carry out Functional Leadership for Property as part of the State Services Commission's Better Public Services programme.

PMCoE's role includes:

- approving all ASPPs, including planned acquisitions, renewals and disposals
- co-ordinating and undertaking all-of-government procurement for property-related goods and services
- developing strategies, principles, standards, tools and processes relating to property
- monitoring agency property performance
- issuing property management guidelines
- providing a common integrated workplace management system (Government Property Portal, 'GPP')
- publishing an annual Crown Office Estate report
- providing an intra-government brokerage service.

PMCoE will assess, co-ordinate and facilitate actions and projects that align agency property plans with the GNPS.

Role of the agencies

Agencies are required to provide PMCoE with strategic property plans, to have regard to other Crown agencies, to take an all-of-government approach when making property decisions, and to provide productive and cost-effective work spaces compliant with strategies, principles and standards published by PMCoE.

Agencies are responsible for integrating their strategic property plans with internal planning, such as their four-year plans, to ensure that the relevant Ministers can observe an all-of-government approach.

Enduring themes

The enduring themes set out below underpin the Government's national property portfolio. The themes are likely to remain consistent for the long term.

Value for money | doing more for less

Achieve economies of scale and cost savings from aggregated procurement and negotiation, co-ordinated funding arrangements, and centralised planning of accommodation and workplace design.

Effectiveness | adopting new approaches to improve performance

Improve performance through providing staff with the tools to do their jobs, removing organisational barriers, utilising new technologies and adopting new workplace practices and behaviours.

Flexibility and adaptability | becoming more agile

Increase the ability to respond to change through technology, commonality across government and new ways of using space.

Quality | consistent investment

Raise overall workplace satisfaction and productivity by investing in consistent-quality working environments across government.

Safety | safe and secure workplace for staff

Commit to creating safe and secure working environments to minimise injury and illness, and protect Crown property and information.

Strategic objectives

The overall objective of the GNPS is a concise, accurate, focused and user-friendly strategy that provides a robust foundation for PMCoE and mandated agencies to deliver value for money effectively from the Crown property portfolio.

Drive efficiencies through property

Minimise the whole-of-life cost of the property portfolio. Efficiencies will be gained from all-of-government procurement methodologies, co-location, new ways of using space and efficient workplace design. Property will act as a tool to help enable other cost-saving initiatives.

Supports enduring theme – Value for money

Enhance the capability to adapt to change

Improve government's capability to adapt to change and support new initiatives rapidly and efficiently. More flexible accommodation solutions, consistent workplace design and the utilisation of new mobile technologies will allow agencies to occupy, access and share space with minimal negotiation and alterations.

Supports enduring themes – Flexibility and adaptability | Value for money

Enable access to people, information and amenities

Allow staff to access the people, information and amenities required to be productive. Promote open and receptive organisational behaviour both within and between agencies, share collaborative spaces, support quiet, focused work areas, and allow access to information to support staff in being more productive and engaged.

Supports enduring themes – Flexibility and adaptability | Value for money | Effectiveness

Achieve consistency of workplace quality

Develop a consistent level of quality, investment and design supporting a common workplace infrastructure. This will support the sharing and reuse of spaces more easily between agencies, the even distribution of amenities, and a more consistent provision of workspace by role or tier.

Supports enduring themes – Flexibility and adaptability | Value for money | Effectiveness | Quality

Safe and secure working environments

Ensure the health, safety and security of the workplace. This includes the structure and safety of the building, the location and surrounds of the building, and ensuring a safe and secure workplace for staff within the building.

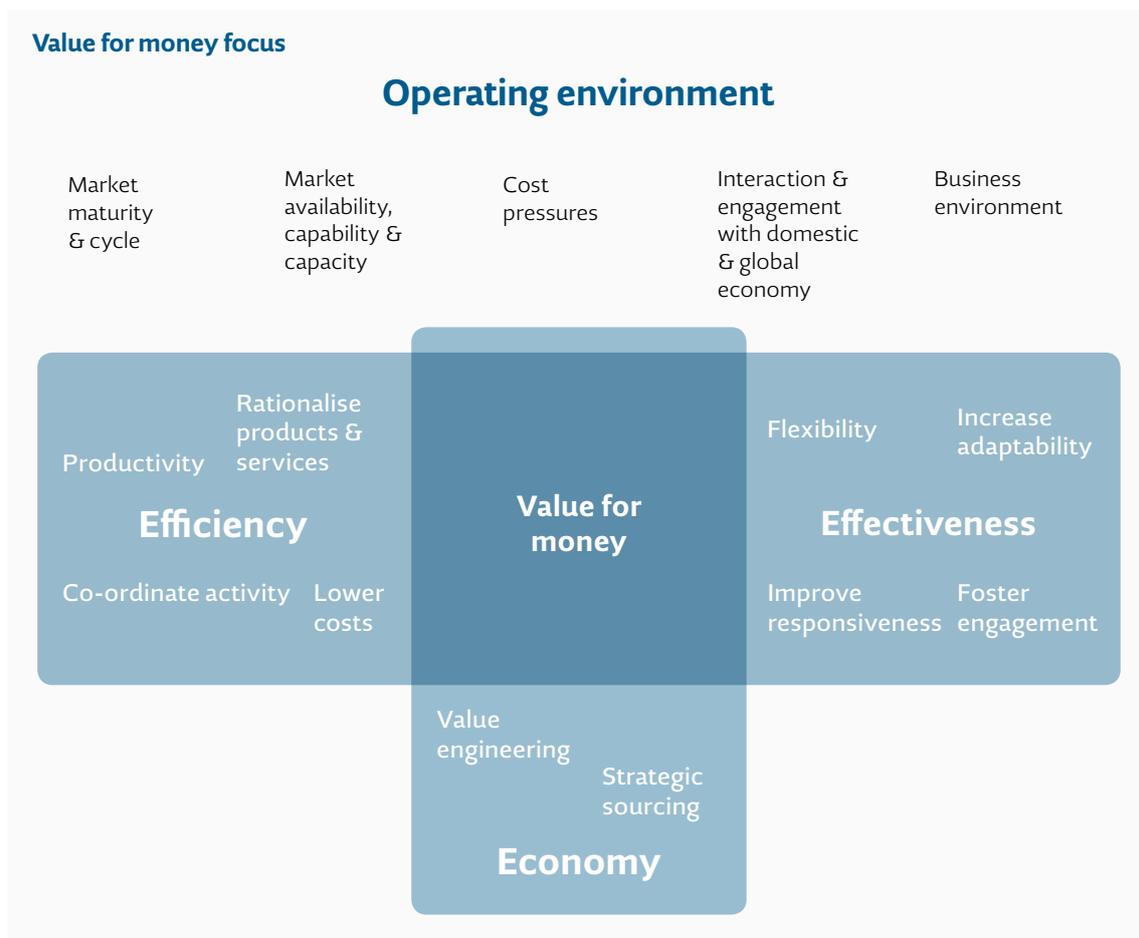
Supports enduring themes – Value for money | Safety

New all-of-government portfolio approach

Through stakeholders, central and local government, the private sector, market and economic conditions, and Government policy and strategic objectives, PMCoE will promote and implement best practice and continuous improvement measures in the property portfolio.

Areas of focus will be identified for research and PMCoE will facilitate the outcomes, incorporating them into policy, processes and procedures where relevant and supporting the GNPS.

The benefit of setting the foundation initially, then researching relevant topics, is the ability to introduce and implement new methodologies and practices with maximum effectiveness. The approach is not solely focused on saving money, but on the economy, efficiency and effectiveness of the workplace, whether it is office accommodation or public interface areas. This approach results in true value for money.



There are three types of office and public interface facility within the scope of the PMCoE strategy:

- National head office *may include some public interface and service delivery.*
- Standard office *likely to include public interface and service delivery.*
- Service delivery *dedicated service delivery.*

National head office

By adopting new ways of working, such as activity-based working, open plan, clustering and sharing head office space, agencies will be able to focus on the delivery of services while being agile enough to adapt to change. A consistent level of quality, investment and design will support a common workplace infrastructure. This will allow government to leverage Crown leases, which will encourage the sharing and reuse of space by agencies. Organisational brands and cultures can be supported by the design of the accommodation while encouraging co-location and the use of shared facilities and amenities.

National head offices house the executive, policy and delivery teams and often cater for direct working relationships with Ministers. This type of function is generally located near Parliament in Wellington. A head office may sometimes include some limited form of public interface or office-related space, such as information technology (IT) support areas. Areas will be subject to definitions found in the Property Management Guidelines for Office Space and in the government property portal classifications.

Key national head office goals

Rationalise use of space while developing interchangeable office accommodation suitable for government.

Support shared services.

Standard office

New ways of working and sharing will enable agencies to rationalise space. A consistent level of quality, investment and design will support a common workplace infrastructure and allow government to be agile enough to adapt to change. This will allow government to leverage Crown leases, which will encourage the sharing and reuse of space by agencies. Agency brands and cultures will be supported by the design of the accommodation, while encouraging co-location and the use of shared facilities and amenities.

Standard offices (any office that is not designated an agency's national head office) are located throughout the country, possibly in the same city as an agency's own national head office, and support a range of services and business units. They may be in urban, suburban or rural settings.

Standard offices often combine office accommodation with public interface areas and primary service delivery. Standard offices focus on interactions and engagement with the community for business purposes, and sharing facilities and amenities between agencies to maximise spatial efficiencies.

Key standard office goals

Maximise flexibility for resilience during change.

Efficiency and collaboration through shared space and facilities.

Service delivery

The provision of purpose-designed service delivery space with consistent quality, design and investment will ensure that services can be delivered in an efficient and joined-up manner. Shared service delivery outlets, whether staffed or utilising kiosk technology, will allow the public to interact with many government services easily, and will ensure that government has maximum flexibility to redesign and reutilise the space as services change and evolve. Shared service delivery would be enhanced by the development of a common government service delivery brand.

Dedicated service delivery outlets may exist where a public interface area is standalone and not co-located with any office accommodation. Some examples of this are where a public interface area is required and office accommodation is not, or where a

public interface area is required to be within a retail or commercial sector and any local office accommodation is not.

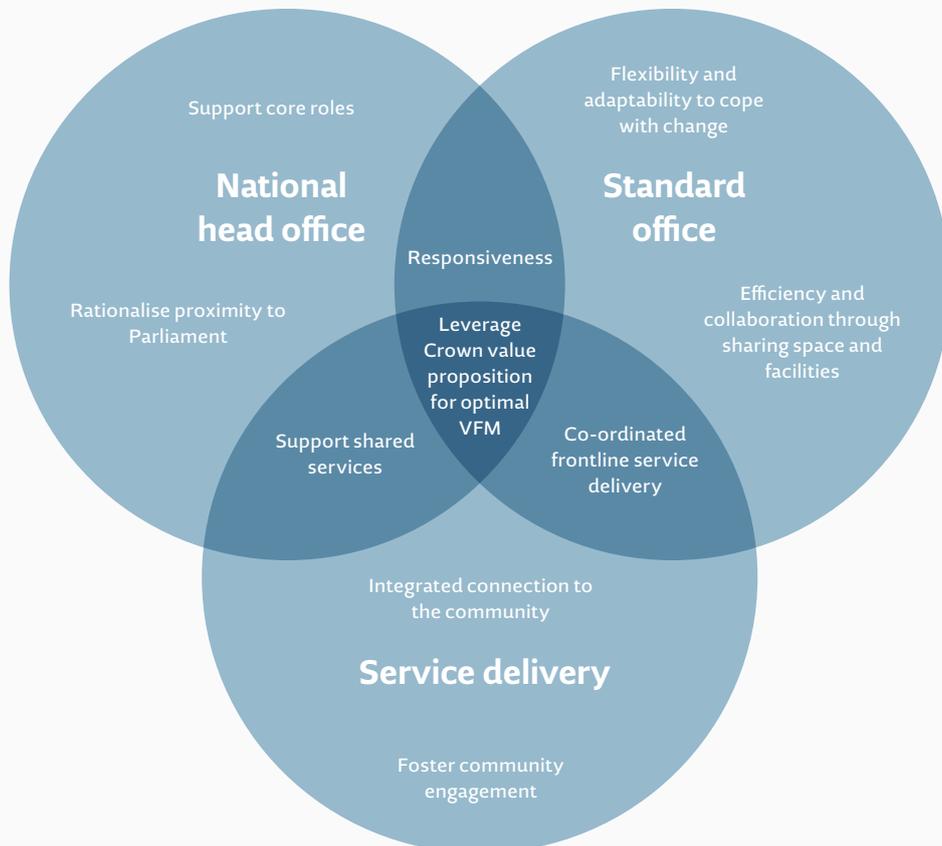
Dedicated service delivery outlets may be hosted within existing local infrastructure, such as libraries and New Zealand Post/Kiwibank outlets. They may include service staff or self-service kiosk technology, dependent on the service and agency requirements. This combines more services in one place, benefiting the public by reducing the number of different service delivery outlets, each providing separate services. Hosted service delivery will actively be explored in locations where service delivery outlets are required and there are no suitable standard offices.

Key service delivery goals

Integrated connection to, and engagement with, the community.

Co-ordinated frontline service delivery.

Goals of each type of facility



Clustering

The different types of facility (national head office, standard office and service delivery) can also be applied in clusters. Clusters are where facilities support common elements closely together to enhance efficiency and/or effectiveness. Appendix 2 highlights the ways that clustering can be applied to further increase value for money.

Phased implementation

Implementation is phased over time for several reasons, including:

Contract nature

Property contracts and commitments (such as leases) are typically long term and as such do not allow the rapid and immediate implementation of strategies across agencies.

Asset value

Dependent on the value and time of purchase, agencies have a wide variety of assets with remaining book values, and any instantaneous and widespread implementation would result in significant write-off costs for current assets.

Incorporating other initiatives

Major property change incorporates associated changes in related areas such as information and communications technology (ICT). The implementation of property change needs to be co-ordinated with associated changes in related areas, such as with other Functional Leaders' programmes.

The 'implementation outline' below illustrates the principle of reduction in space as initiatives are implemented. The model shows:

Accommodation project tranches

These show how the delivery of key large-scale accommodation projects can influence an overall reduction in the space required over time.

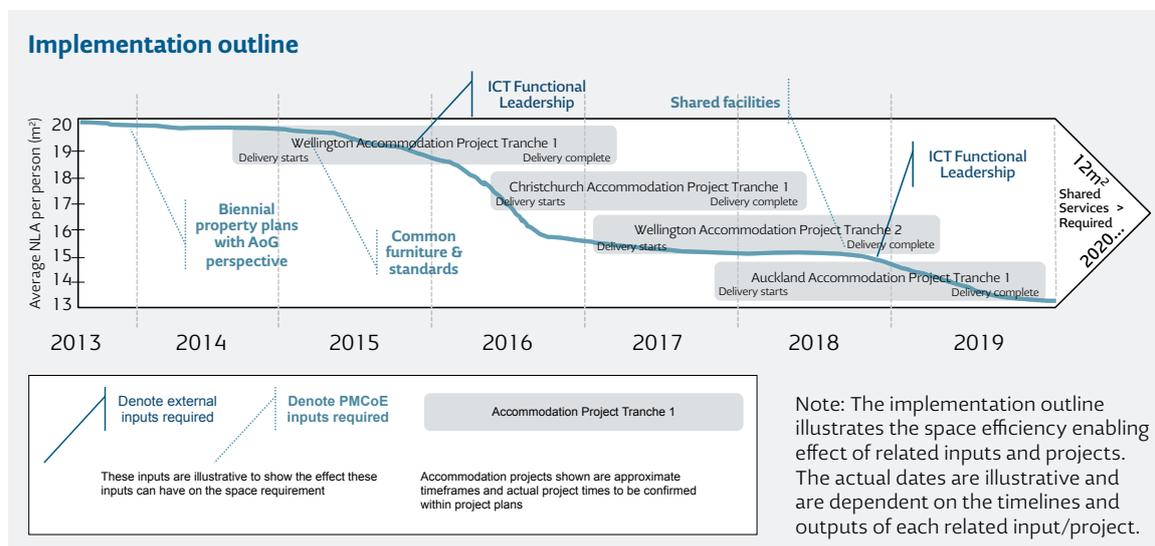
ICT Functional Leadership inputs

ICT inputs, such as common systems, standards and infrastructure platforms, can have significant flow-on benefits for the government property portfolio, as they enable further reductions in space and can positively affect workplace effectiveness.

The GNPS and its delivery, where relevant, will be informed by the Government Chief Information Officer's Government ICT Strategy & Action Plan.

PMCoE inputs

These inputs (such as shared facilities and common furniture and standards) will have significant positive effects on the space required.



Delivery framework

This section translates the strategy and the new approach to its delivery. Agencies property strategies and plans will be key to the successful implementation of the GNPS and achieving its objectives.

The GNPS will be supported by standards and guidelines. The standards will convey the specifications to be applied by agencies, and the guidelines will provide references to further useful information and related documents. The standards will be mandatory and must be complied with.

The standards will be developed in consultation with agencies in 2013.

The Functional Leadership work plan developed annually will co-ordinate PMCoE's annual operation, which will be supported by agencies' strategic property plans.

PMCoE will publish a service model that specifies its service performance expectations and interactions with agencies.

These tools will combine to collectively support and ensure the success of the GNPS.



Project-based delivery

Tranches of leases with common expiry periods will be formed into accommodation projects. These may be on a location basis (eg Wellington, Auckland metro, Gisborne), joint head office projects, or on a functional basis (eg call centres).

PMCoE will determine which projects will be delivered centrally by PMCoE and which will be delivered by the agencies involved.

PMCoE led

PMCoE provides centralised project management, professional services (eg legal) and governance for

accommodation projects on a cost-recovery basis. Agencies provide input and control through property management staff on the project working group, executive management staff on the steering group, and the Functional Leader for Property engaging agency chief executive support.

Agency led

Agencies involved in an accommodation project provide input and control, with a lead agency providing project management and governance leadership. PMCoE may hold a senior position on the project board.

Portfolio management principles

Portfolio management principles prescribe the property planning approach across government and the strategic integration of property with agencies' business.

Responsive to changing Government priorities

Property must support the Government by being efficient and adaptable, including by leveraging locations, terms and consistent design and layout to provide inter-agency flexibility.

Align with agency Statements of Intent and Strategic Plans

Property should be used as a strategic business planning tool to help achieve organisational goals and targets.

All-of-government approach

Property planning must be assessed from an all-of-government perspective. Sites must be sufficiently flexible in location, and consistent in design and layout, to be occupied by any agency. The maximum space available within a site should be leased to allow maximum flexibility and reusability from an all-of-government perspective. Agencies must utilise such suitable available space within their portfolios before leasing additional sites or space.

Co-location and sharing

Opportunities to share facilities or co-locate must be considered and implemented. Co-location may be undertaken with functional groups such as call centres, sector groups, or by location. Public interface areas will be integrated and shared by multiple agencies to deliver services.

Spaceless growth

Expansion is based on flexibility. A choice of work settings and mobility-enabling technology can allow for growth without additional space needing to be leased. An organisation should maximise its use of current space before acquiring additional space.

Centralise information and risk management

Property information and data will be centrally stored in an integrated workplace management system (IWMS) procured by the Functional Leader for Property. Centralised planning and reporting will assist agencies in property planning and mitigating associated risks, and ensure that the Functional Leader for Property can report to stakeholders and plan, co-ordinate and facilitate the wider government property strategy.

Workplace principles

Workplace principles provide the workplace design and implementation expectations.

Open-plan working environment

Open-plan working environments should be designed to encourage individual quiet and high-concentration zones and also to create communal activity zones for group communication, collaboration and engagement. Planning of the environment should create opportunities for individuals from different areas to have random and spontaneous interactions. Unnecessary silos and isolation of groups should be avoided.

Shared collaborative and quiet spaces

Creating shared communal spaces that can be used for multiple functions and purposes is key in the modern working environment. Groups (teams within one organisation or multiple agencies in a co-location scenario) no longer 'own' amenity because team space is now communal space. Work point areas are for quiet, high-concentration work where teams blend together, with no physical separation (like screens or walls).

Utilisation of technology

Staff need to be given the right tools to do their jobs. Just as we create different roles to support a variety of services, technology needs to support the different work practices that this generates. The use of smart technologies should be encouraged when it is prudent and practical for the organisation.

Mobility and adaptability

The desk is not considered the only work setting any more. Dynamic working environments are based on using a wide range of technology, spaces and work settings. Collaborative thinking in work practice values creating solutions and making decisions. Workspaces need to support discussion and collaboration.

Consistent design

People and teams within an agency move while the agency's furniture stays in place. Fixed, generic layouts will maximise the efficiency of the floor plate while allowing teams to be structured around projects and activities. Supplying a mix of quiet individual and active team work areas is key.

Choice of workplace settings

Dynamic, open-plan working environments are flexible because they allow work to be done in a range of settings. The use of mobility-enabling technology allows staff to use the whole building, or the 'rest of the world', as their work point. Management and organisational culture can be based on deliverables and not simply staff being present and accounted for at their desks.

Safe and secure environment

Government agencies are committed to providing safe and secure environments for their employees, clients, visitors and all other persons, including contractors. Once security access has been granted, modern open-plan working environments are based on free access to most areas within the premises.

Spaceless growth

Expansion is based on flexibility. A choice of work settings and mobility-enabling technology can allow for growth without additional space needing to be leased. An organisation should maximise its use of current space before acquiring additional space.

Asset management principles

Asset management principles set quality and planning expectations and focus assets on best value for money. The principles ensure that asset planning incorporates flexibility and the ability for agencies to acquire, maintain, reallocate, relocate, reuse, adapt, replace and dispose of assets, maintaining an efficient whole-of-life view.

Value focus

Whole-of-life cost, quality and use will be considered alongside price when planning, assessing and purchasing assets.

Agile infrastructure

Common specifications of assets and infrastructure will maximise the effectiveness of the workspace, allowing teams to be efficiently structured around projects and activities.

Adaptability and reuse

The fixed capital assets (such as joinery, operable walls, partitioning, and wall and ceiling mounted equipment) of an agency relocating out of a building will remain in place while the asset book value transfers to the new occupying agency. Common asset standards and specifications will, over time, have the effect of minimising any significant differences in condition and transfer values during relocations of agencies.

Lease and facilities management principles

Lease and facilities management principles set expectations of integration, management and service. The focus is on the proactive management of property and facilities to maximise cost efficiency and maintain a productive environment for staff.

Integrate property with management planning

Property should be used as a management planning tool to help achieve annual work plan outcomes and outputs.

Cost efficiency

The proactive and attentive management of lease obligations will minimise unnecessary costs, fees and penalties. Common furniture and layouts will eliminate the costs and disruptions associated with churn within agencies.

Service

Service-level contracts (such as those for cleaning and utilities) are to be monitored and managed to ensure maximum performance and value. Building and facilities' performance will be monitored and managed according to the 'building performance specifications' and the 'operating procedures and building regulations' within the leases. Agencies are to maintain and keep working environments operating in a manner that supports staff productivity.



Standards-based approach

PMCoE will apply a standards-based approach. This means investigating the strategic elements of the property portfolio, comparing global best practice and assessing research outcomes, to arrive at standards that PMCoE will implement.

This approach ensures a high level of efficacy as it incorporates the following:

Define issue	Global context	Research	Standard
Current practice	Assess best practice	Conduct own research	Publish or update principles and standards
<i>Discussion paper, agency stakeholders</i>	<i>Commission professional research and analysis (where relevant)</i>	<i>Commission professional research and analysis</i>	<i>Update or create principles, standards and guidelines</i>

Define issue

Defining and understanding an issue is the foundation for successfully establishing a standard. PMCoE will identify and assess the nature, scope and impacts of issues and any current standards that may be applied. This may vary depending on the nature of each issue, but is likely to involve a discussion paper circulated amongst key stakeholders to discuss and agree on the aspects of the issue and the research approach.

Global context

New Zealand is a small element of a wider global environment and it is essential that we investigate where else a particular issue has arisen and how it was dealt with. Very few property-related issues are new and there will be a considerable amount of global experience to take advantage of. This global experience will be critically assessed and examined for lessons appropriate to New Zealand and our context.

Research

It is vital that PMCoE conduct its own research, and a professional approach is key. The research approach must be subject to any reasonable critique and be absolutely dependable. The research report will be compared with the assessment of global practice to examine differences and gaps.

Standard

The resulting principle or standard will be based on the results of the issue definition, agency discussion paper, examination of global practice, and research that PMCoE has commissioned, ensuring high quality. This approach ensures that government standards are based on quality information, knowledge and experience and will deliver the best enduring value for money.



What the future looks like

The GNPS has described enduring themes and strategic objectives, the new portfolio approach, and the delivery plan for the national property portfolio for office accommodation and public interface areas.

Significant change is on the horizon for the portfolio and accommodated staff. This change will deliver benefits for the New Zealand taxpayer as it supports the Government's priorities of better public services and responsible financial management.

It is important that future change delivers positive benefits for staff within the public sector to be productive and to attract and retain quality people.

Some key elements of change are:

- agencies will be part of a co-ordinated, all-of-government portfolio
- agencies will share office space and facilities where possible and co-locate public interface areas as opportunities allow
- there will be fewer built walls and less infrastructure
- staff will have more options to choose the most productive work settings
- the overall workspace will be reduced and space and technology used more effectively
- common principles and standards will be applied across the portfolio.

Property portfolio flexibility

The current property portfolio resembles a jigsaw, with unique pieces (sites) specifically designed and shaped to fit single agencies. When agency requirements change, this model provides very limited flexibility for reshaping.

The co-ordinated portfolio will ensure that site locations, terms, design and layout are as common as possible to enable flexibility and reuse between agencies.

This approach will eventually create a portfolio of flexible 'jigsaw pieces' that are able to be reused and shared by agencies.



Image: National Phone & Data



Agency Strategic Property Plans (ASPPs)

Agencies are required to produce strategic property plans. These will be utilised in the following ways.

Intelligence

PMCoE will use the information provided in the ASPPs to identify opportunities across agencies to co-ordinate and share functions and/or facilities.

These opportunities will be twofold: PMCoE will proactively work to identify cross-agency and government opportunities, and agencies will be required to identify any opportunities within their own property portfolios. This combination will ensure that opportunities are identified, co-ordinated and delivered.

Co-ordinated planning

Through the information in the ASPP's, as outlined above, PMCoE will have a view of agency requirements and plans on a regional and functional basis and can use the information to identify and create accommodation projects. These accommodation projects may be in the form of centralised, PMCoE-led projects or may be co-ordinated and delivered by a lead agency with support from other agencies involved.

Agency planning

While some agencies have well developed planning cycles, other agencies have less developed documentation or no property planning. Consistent ASPP's will support the themes and objectives of the GNPS and ensure that the information-gathering and co-ordinated planning, as above, enable the efficient and effective delivery of the GNPS.

This approach will support the successful implementation of the GNPS and benefit agencies as it optimises their property portfolios.

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Key references for Christchurch metropolitan market

Key reference material for the Christchurch metropolitan market and its development:

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<http://ccdu.govt.nz/the-plan>

Christchurch City Council Central City Plan
<http://www.ccc.govt.nz/homeliving/civildefence/chcheearthquake/centralcityplan.aspx>

Canterbury Earthquake Recovery Authority and Christchurch Central Development Unit websites
<http://www.cera.govt.nz> and <http://www.ccdu.govt.nz>



Glossary

<i>Agency/agencies/mandated agencies</i>	Government agencies within the mandate (CAB Min 12) 35/4B) of PMCoE
<i>ASPP</i>	Agency Strategic Property Plan
<i>Cabinet</i>	The New Zealand Cabinet Office, providing impartial support to central government decision-making
<i>Functional Leadership</i>	Government 'Better Public Services' programme leadership role within a specific function, eg property
<i>ICT</i>	Information and communications technology
<i>PMCoE</i>	New Zealand Government Property Management Centre of Expertise



Appendix 1 – Market environment

New Zealand's office markets are diverse, characterised by a wide range of typologies in relation to building quality, scale, location, cost and ownership. At the same time, outside the main centres there is little depth to local markets and the options available for securing office premises to meet specific requirements can be challenging. The main centres are usually sufficiently deep to present a range of options to prospective occupiers, although choices to fulfil specific requirements can also be constrained in these markets.

While the cost of premises usually features at, or near, the top of the decision-making matrix and is often seen as a straightforward, tangible variable, the benefits offered by different accommodation options are often less tangible and well understood. Occupiers, however, are increasingly treating office premises in ways to effect organisational and cultural change, increasing efficiencies and productivity by leveraging off the potential features and benefits offered by specific space and building typologies and locations.

Although the office market is influenced by a lumpy, inelastic supply cycle, overall it tends to follow the general economic and business cycle quite closely. As such, economic and business downturns are accompanied by low or contracting demand, which tends to increase the available range of accommodation options and tilt the balance of power towards the occupier in relation to the cost of space and lease terms, with a reversal of these trends accompanying a strengthening economy.

Metropolitan markets

Auckland

Auckland contains significant central business district (CBD) and suburban office markets. The city's market conditions deteriorated sharply between 2008 and 2010, with a sizeable supply cycle compounding the increasing vacancy caused by the recession-driven demand contraction.

Auckland was one of the first regions to emerge from the recession, which resulted in strengthening demand through 2011 and 2012. The supply cycle also peaked and this enabled vacancy improvements during 2012 in both the CBD and non-CBD office markets. Accompanying these, the level of leasing incentives available decreased. As a result net effective rents have started to rise, although headline and face rental levels have remained largely static.

Summary

A general feeling of cautious positivity prevails within the Auckland market. The market recovery established to date is providing a positive momentum into 2013 for further occupancy and rental growth. This positivity is starting to manifest itself in a renewed focus on new developments by both developers, of whom some are confident enough to entertain speculative developments of a smaller scale in suburban settings, and occupiers, of whom some (such as Fonterra) are evaluating office accommodation options that could be the driver of new built office space in the next few years.



Wellington

Wellington's office market is overwhelmingly concentrated in the CBD, with about 10 per cent of the regional stock (160,000 square metres) located in suburban locations (in the Hutt Valley and Porirua). Wellington's office vacancy is lower than Auckland's (especially for prime space), but the improvement in conditions evident in the Auckland office market has been lacking in Wellington.

The impact of new supply on the Wellington office market has been similar to that in Auckland, with a significant supply cycle delivering new buildings to the market at the time of the economic recession. Wellington's office demand drivers, however, are significantly different from Auckland's. The public sector occupies approximately 40 per cent of Wellington's office space, therefore government requirements have a large impact on overall office demand trends. There is a large quantity of surplus space within the Crown Wellington portfolio, which will be reduced in overall size, and this will flow on to a significant impact on the Wellington supply.

The seismic performance of buildings has become an important consideration for occupiers, with increasing resistance to office buildings that do not meet market expectations in this regard.

Trends and projections attributed to various building quality grades apply to a lesser degree in the Wellington office market when individual properties are considered.

Another factor that differentiates the Wellington office market is its prevailing tendency for gross leases, where landlords take the risks associated with the impacts of changing operating expenses on net rental income.

Summary

Current trends indicate that office buildings that offer cost-effective and efficient accommodation options in close proximity to the core government precinct, while meeting market expectations for seismic performance, will outperform their specific market sector in the next few years in terms of their occupancy, rent and investment performance regardless of their quality grade.

Hamilton

Hamilton's office market, although believed to be the biggest of the provincial cities, is dwarfed by the two main centres. Similarly to Auckland's, Hamilton's market conditions improved during 2011 and 2012 as the city, and the broader Waikato region, emerged from recession.

The development market has also become more active, with a number of office projects underway. There has been an increasing suburban market developing since the mid-2000s, concentrated in and around Te Rapa, which in some cases has resulted in the relocation of significant tenants from the CBD. There has been some recent occupier dissatisfaction with the lack of amenities in, and the quality of, some of the new office space provided in the Te Rapa area. There is a general view that the CBD still holds the best-quality offices, and the office development pipeline further reinforces the primacy of the CBD and the CBD fringe for high-quality office space, with new projects such as Citygate, Victoria on River and Project Grantham.

Summary

The CBD is likely to reassert itself as the prime location for Hamilton occupiers seeking amenity and high-quality office space but, for some of the larger tenants where these drivers are less important, the Te Rapa suburban area will continue to play an important role, especially if the requirements are for cost-effective, modern (but not highest-quality), large floor-plate buildings.

Christchurch

Christchurch³ is a unique metropolitan market situation in New Zealand following the devastating seismic events in February 2011, and is subject to the Canterbury Earthquake Recovery Act 2011 (CER Act). The CER Act requires a recovery plan to be developed for the CBD.

The Canterbury Earthquake Recovery Authority (CERA), together with the Christchurch City Council, Christchurch Central Development Unit and Te Rūnanga o Ngāi Tahu, published the Christchurch Central Recovery Plan (CCRP) on 30 July 2012.

The CCRP provides a framework for redeveloping the city centre and will allow investors to identify a range of investment opportunities. The CCRP will create a more compact core for the city, concentrating development in a geographical area better matching the demand for space in the short to medium term. The core of the CCRP will feature 'anchor projects' aimed at attracting investment in commercial, retail, hospitality and other developments.

The recovery plan in Christchurch is a multifaceted approach that includes urban design and town planning, business planning and micro and macroeconomic aspects, as well as impacts that developments may have on New Zealand's wider economy.

The themes, objectives and principles of the GNPS can be applied to office accommodation and public interface solutions developed in Christchurch.

³ Christchurch metropolitan market information extracted from the Christchurch Central Recovery Plan.



General

Government currently occupies accommodation with a huge range of types, standards and quality in the metro centres and in provincial and regional areas. The application of the GNPS's strategic objectives, and the subsequent principles and standards that PMCoE develops, will build consistency, appropriate quality and value for money.

The Crown covenant relating to the comparative financial safety and continuity of existence of the Crown over the private sector is sought after and holds some value.

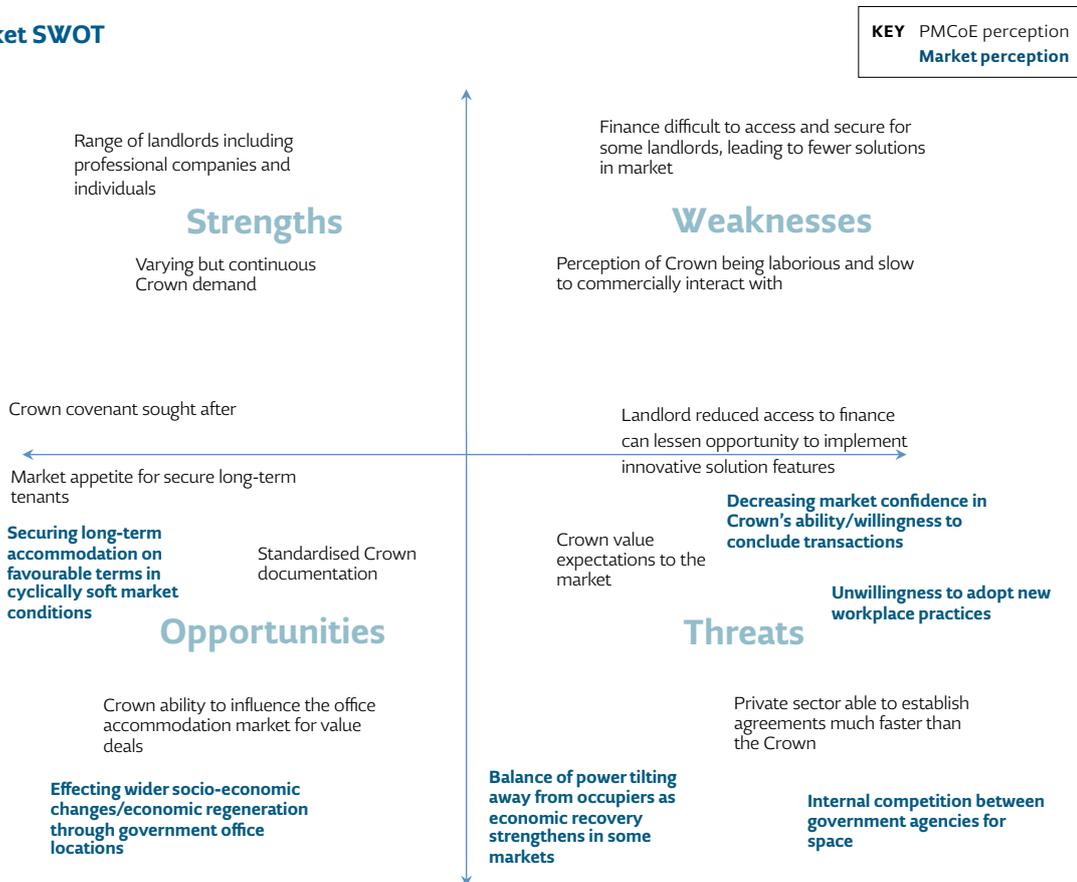
This value peaks during recessions and economic downturns, and lessens as the

economy improves and private sector clients may hold more favourable risk profiles.

The Crown can leverage the value of its covenant to obtain better value and generate direct bottom-line savings from its property contracts. The ability to operate accommodation projects, procuring solutions counter-cyclical to the business economy, may provide further benefits to the Crown.

The market strengths, weaknesses, opportunities and threats (SWOT) diagram below represents PMCoE's perception (black text) and market perception⁴ (blue text):

Market SWOT



4 Market perception of Auckland, Hamilton and Wellington metropolitan centres, and information in Appendix 1 provided by CB Richard Ellis Research & Consulting.



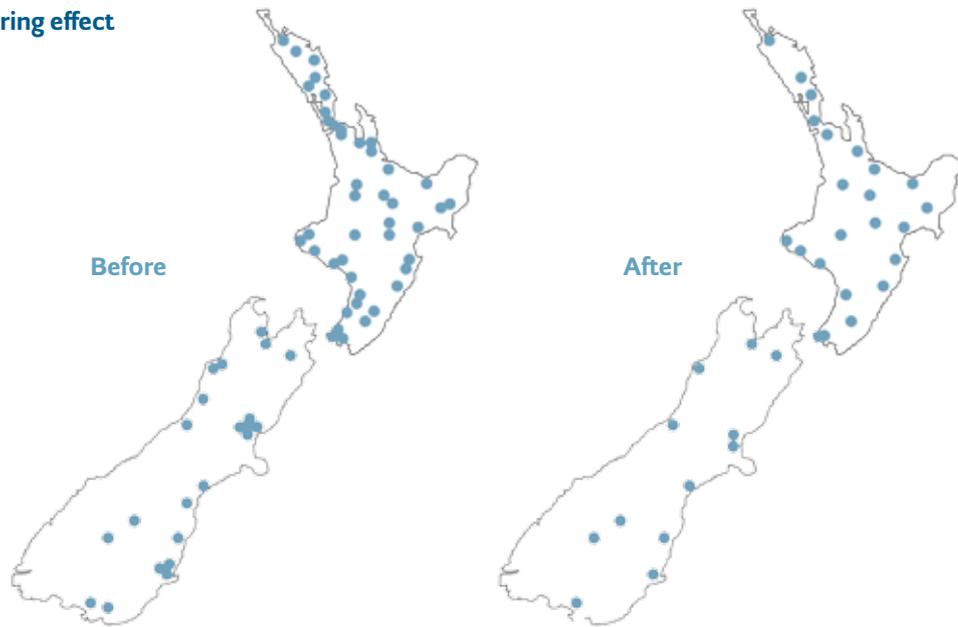
Appendix 2 – Clustering

Clustering can support further benefit realisation by agencies, such as enabling agencies to share people, services, systems and facilities.

Clustering can also enhance agencies' opportunities and capabilities to engage and

interact with each other, whether it is through bringing functions or common sectoral interests together, or simply agencies being located more closely together in general.

Clustering effect



The 'clustering effect' diagram illustrates the effect that clustering can have.

Note that the locations are illustrative only.



Functional clustering

Functional clusters are where specific functions (eg call centres and finance processing centres) from multiple agencies that support the agencies' delivery of corporate services are clustered together. The key benefits of functional clustering can be:

- accessing and building a particular capability that may be prevalent within a local community
- enhancing the viability of constructing a purpose-built facility
- increasing the quality of service provided to the public
- rationalising common elements of a function and combining them across the agencies involved in the cluster for efficiency.

The functions available for clustering are ones that are neutral as to their proximity to the rest of their organisation.

Locational clustering

Locational clustering is where agencies are brought geographically closer together. This may be by procuring sites with close adjacency or by co-locating agencies in the same site. A key benefit of locational clustering is maximising engagement and collaboration opportunities between agencies.

Sectoral clustering

Sectoral clustering is when agencies with a common sector or subject matter interest (eg health, justice or education) cluster together, co-locating either in shared space or in immediate proximity. A key benefit of sectoral clustering is maximising engagement and interaction within a sector or subject matter.

The approach to applying the PMCoE strategy and its objectives will be tailored to allow for differences, including each agencies goals, between national head offices, regional offices, service delivery outlets and any potential clustering.

A current accommodation project in Gisborne between multiple agencies, in its early stages, provides an example of the clustering effect, gaining the benefits of a shared regional solution approach.

Note that the 'after' location is illustrative only.



Clustering effect



The Gisborne project highlights agencies relinquishing their individual facilities to co-locate in a single facility and share back-office space and public interface space for service delivery.

Clients also benefit greatly having to visit only one site to carry out all of their interactions with government.

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