

Report on the

# Crown Office Estate

As at 30 June 2012

Prepared and issued by

GOVERNMENT  
Property  
Management

CENTRE of EXPERTISE



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This Report will be issued annually

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# Contents

<b>Foreword</b>	<b>2</b>
<b>Executive summary</b>	<b>3</b>
<b>1. Introduction</b>	<b>7</b>
1.1 Government goals and the Property Management Centre of Expertise	7
1.2 Purpose and scope of this report	9
<b>2. The estate</b>	<b>11</b>
2.1 Introduction	11
2.2 National overview	11
2.3 Regional overview	13
<b>3. Agency comparisons</b>	<b>22</b>
3.1 Analysis of key measurements	22
3.2 Summary of variations	28
<b>4. Improving our performance</b>	<b>29</b>
4.1 Impacts of reducing square metres per person	30
4.2 Benchmarking the Crown Office Estate against the private sector portfolio	31
4.3 Wellington accommodation project	32
4.4 Integrated Workplace Management System (the 'Government Property Portal')	33
<b>5. Christchurch portfolio</b>	<b>38</b>
<b>6. 2013 forward view</b>	<b>39</b>
6.1 Introduction	39
6.2 Functional leadership	39
6.3 Energy efficiency	39
<b>Appendices</b>	<b>40</b>
Appendix 1: List of agencies	40
Appendix 2: Glossary	41

## Foreword

*This second Crown Office Estate report provides the first opportunity to benchmark the progress being made to reduce our office space footprint through smarter, more efficient property practices.*

The report captures estate-related data and analysis as at 30 June 2012. It shows that while change so far has been relatively modest, the footprint and associated costs have reduced.

Several important decisions have since been made, enabling the Property Management Centre of Expertise (PMCoE) to build on this progress. These decisions show we are increasingly well-positioned to drive through the Government's vision for the better management of the Crown estate.

In October 2012, Cabinet created the role of the Functional Leader for Property and appointed the Chief Executive of the Ministry of Social Development to that role. The PMCoE is now responsible for signing off agency strategies and property-related decisions, and for office property related procurement.

The Government has also mandated the adoption of a common property management system that will enable a real-time management and analysis of the estate for both the PMCoE and individual agencies, as well as allow the production of future Crown Office Estate reports.

These decisions have strengthened PMCoE's hand, giving us the tools needed to move with speed and agility to enhance the Crown estate.

While the changes from the 2011 report to the 2012 report are modest, specific projects that commenced in the latter half of 2012 will show significant performance improvements in future reporting. Specific projects include:

- In November 2012, Cabinet approved a centralised property negotiation strategy for five large government agencies in Wellington. This is estimated to reduce the agencies footprint in Wellington by 30 per cent, reducing anticipated costs by nearly \$350 million over 20 years.
- Early in 2013, the PMCoE launched a tender process for office accommodation in Christchurch's Central Business District (CBD), reflecting the Government's determination to support the central city rebuild. Eighteen government departments and Crown agencies, forced out of their offices by the Canterbury earthquakes, require an enduring CBD office accommodation solution for approximately 1800 staff.
- The Wellington and Christchurch negotiations present major opportunities to achieve a range of Government priorities, including: procurement and other property-related efficiencies, co-location of services, and safe and secure workplaces.

This report provides the information Ministers, PMCoE, agency leadership teams and property professionals need to assess our performance and to identify our next priorities so we can continue to build on the progress to date.

On behalf of the PMCoE team, I wish to express our thanks to everyone who has supported the production of this report, and the achievement of the improvement in the performance of the Crown estate in the past year.



**DAVID J WHITE**

Director

Property Management Centre of Expertise

# Executive summary

*This 2012 report is the second annual report on the efficiency and effectiveness of the Crown Office Estate.*

This report provides our first opportunity to evaluate PMCoE's progress since the inaugural 2011 report. It captures the national Crown property details of 62 agencies: 32 public service departments, six non-departments, 23 Crown agents and the Reserve Bank of New Zealand for the period 1 July 2011 to 30 June 2012.

This report provides the same core measurements from the 2011 report and details the trends coming out of the 2012 data.

After its 2011 establishment, PMCoE's role was strengthened by Cabinet in late 2012 when the Chief Executive of the Ministry of Social Development was given the Functional Leader for Property mandate, with PMCoE delegated the agent. This Better Public Services initiative obliges government and specified Crown agencies to gain PMCoE approval before entering into new property contracts of leased or owned office accommodation or public interface accommodation.

The impact of these new powers will be reflected in future Crown Office Estate reports, which will measure progress towards achieving the Government's property management goals and expectations. Now much of the groundwork to bring this function together is complete, we're firmly focused on driving results.

## Highlights

- Reduction in the estate of 51,000 m<sup>2</sup> – equivalent to three Treasury-sized buildings.
- Average square metre (sqm) cost remained static at \$259m<sup>2</sup>
- Sqm per workstation reduced from 18.6m<sup>2</sup> to 17.9m<sup>2</sup>
- Number of workstations per person reduced from 1.2 to 1.1
- Average sqm per person reduced from 21.5m<sup>2</sup> to 20.5m<sup>2</sup>

## Overview

The summary statistics below are for the entire Crown estate for 2012, not just Crown office space:

- total sqm – total 1,669,392m<sup>2</sup>: 424,568m<sup>2</sup> freehold and 1,244,824m<sup>2</sup> leasehold
- total buildings – 1,129
- total leases – 1,326
- total rent spend per annum – \$324 million (excludes facilities' maintenance costs)
- number of people (headcount) accommodated – 61,128.

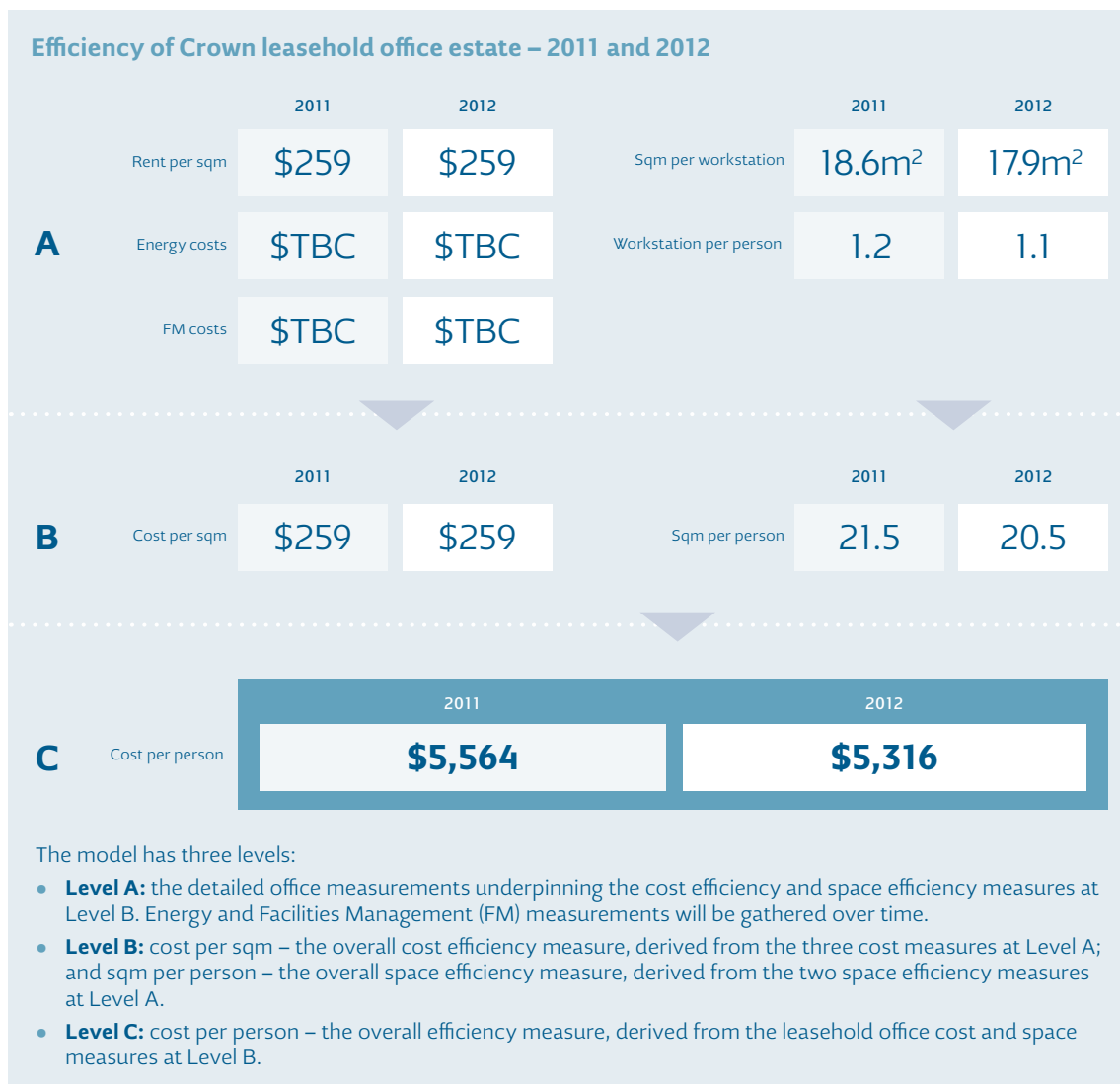
The PMCoE's mandate is focused on office space including shared space, support utility areas and the associated people occupying that space, including full-time equivalents (FTEs), contractors and consultants (as per the headcount definition in the glossary in Appendix 2).

## Improving our performance

Now that we have a two-year view and a better understanding of the Crown Office Estate we need to be able to improve and monitor the performance of the estate going forward. This includes not only measuring efficiencies but also developing standards, tools and processes to enable the estate to be more effective.

## Measuring performance

As presented in the 2011 report, the model below shows the key property management performance measures comparing results for 2011 and 2012.





## Benchmarking the Crown office estate against the private sector

As with 2011, the graph below benchmarks the public sector property management performance against that of the private sector based on the 2012 data and using the following two key measurements:

- cost per workstation (right-hand axis)
- sqm per workstation (left-hand axis).

Please note that the government rating is based on an average quality grading across all properties.

An explanation of the types of property grading is in the glossary in Appendix 2.

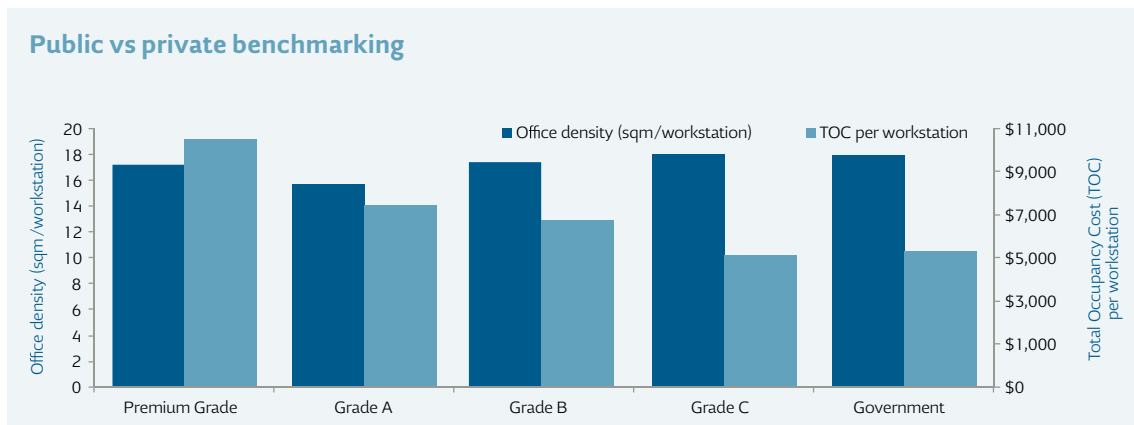
## Observations

The comparison with the private sector shows that the cost per workstation in the public sector is now equivalent to the average for Grade C accommodation in the private sector, and remains at the lower end of the cost range across all grades.

In terms of office density, it shows that the gap between the government and private sector densities is closing, although government generally occupies more space per person than the private sector.

## Opportunities

A reduction in our occupancy density will result in significant savings, and this will be addressed using new ways of working as opportunities arise within agencies or between agencies to restack or refit their office spaces.



## 2013 forward view

This is the second annual report on the efficiency and effectiveness of the Crown Office Estate.

These reports now start to provide a time-based comparator of performance in the management of the Crown estate, so that we can assess our progress against the Government's efficiency, effectiveness and savings expectations.

The PMCoE has been in operation, hosted at the Ministry of Social Development, since April 2011, to provide leadership, guidance, monitoring and brokerage to departments and Crown agents (60 agencies at July 2012), covering around 1.669 million sqm of accommodation in New Zealand.

In October 2012, the PMCoE received Cabinet approval to extend its functional leadership mandate to include:

- mandatory Property Principles and Standards
- mandatory all-of-government procurement
- sign-off by the Functional Leader on tenure decisions
- sign-off by the Functional Leader on biennial property plans
- the compulsory adoption of a common information system.

It is anticipated that this centralised approach to property planning and the procurement of office-related goods and services will reduce the occupied footprint by around 25 per cent in the next three or four years, and produce savings of around \$110 million per year.

This changes the focus of the PMCoE from one of support and guidance to a more proactive role of engagement in (and sign-off on) decisions. It also puts an increased emphasis on demonstrable performance improvement.

The Crown Office Estate report will be a key method by which performance is monitored and reported.



# 1. Introduction

## 1.1 Government goals and the Property Management Centre of Expertise

With the establishment of the Property Management Centre of Expertise, and the promotion of the Government's desire to achieve specific goals for the management of the estate, there has been a notable increase in awareness of and activity by agencies to work towards achieving these goals.

The Government goals are to:

- realise efficiency and effectiveness gains in Crown property management
- build property management capabilities within departments and Crown agencies
- optimise the use of the Crown estate, build collaboration and co-operation between government entities in property and property-related activities.

To support the achievement of its goals, the Government has provided seven clear expectations for departments and Crown agents (listed in Appendix 1). These expectations cover how the agencies are to manage their property portfolios and how they are to contribute to the Government's property management goals.

The expectations are that agencies will:

- have national property plans
- provide productive, flexible, cost-effective workspaces
- adopt cost-effective options to manage energy consumption and emissions
- reduce the total lifecycle cost of occupancy, including working towards an office space occupancy density goal of 12–16 sqm per person
- behave and negotiate with due regard to the impacts on other Crown agencies operating in the same market
- have a whole-of-government perspective when considering lease options, including as a priority considering surplus space available from other government agencies and co-location opportunities
- only enter rental contracts that limit performance and price risks.

The PMCoE supports these goals and agency expectations by providing tools, information and guidance on property management best practice. It is the central repository for the cross-government property database and identifies and facilitates co-location and collective procurement opportunities.

Its mandated roles and responsibilities are to:

- provide leadership through working with agencies to identify and promote opportunities to drive efficiency and effectiveness gains in property management, and to recommend property management expectations for approval by Cabinet
- provide guidance and support by documenting and publishing best practices, working with agencies to move towards best practice, and identifying agencies with strong property management expertise that are willing to advise and support their peers
- monitor performance by collecting and collating office property
- publish an annual report on Crown office estate
- provide a brokerage service to match Crown agencies seeking space with those that have surplus space, investigate the shared contracting of property-related supplies and facilities management, and support the co-location of agencies (including identifying common barriers to co-location and developing solutions).

In October 2012, Cabinet extended the mandate to include:

- mandatory Property Principles and Standards
- mandatory all-of-government procurement
- sign-off by the Functional Leader on tenure decisions
- sign-off by the Functional Leader on biennial property plans
- the compulsory adoption of a common information system.

This more centralised approach and the expansion of the role of the PMCoE are expected to increase the quality, and to advance the realisation, of potential property-related savings. This is due to:

- central co-ordination between ICT (Information and Communications Technology) and property decisions to provide integrated workplace solutions
- decisions on co-location and other sharing of resources based on all-of-government benefits, rather than individual agency preferences
- standardisation to reduce the cost of implementation and allow for economies of scale and flexibility
- better-quality decisions and performance monitoring via centrally held information.

## 1.2 Purpose and scope of this report

This is the second Crown Office Estate report, published annually as required by Cabinet. It provides an assessment of the Crown's office estate.

This report:

- sets out data sources and the key performance indicators used to measure the progress of agencies in achieving the Government's property goals
- sets out the progress made relating to the key performance indicators from the baseline set in 2011, to the data provided in 2012
- provides an insight into and reports progress on delivering performance improvements across the Crown office estate
- includes case studies demonstrating progress.

### 1.2.1 Reporting period

This report reflects the Government's national commercial estate as at 30 June 2012. Expenditure data reflects the period 1 July 2011 to 30 June 2012.

### 1.2.2 Data presented

Please note some **important parameters** in relation to the data presented within this report.

All graphs relating to density (persons per sqm, workstations per sqm) reflect the Crown **office** space only, for both leasehold and freehold properties. The full definition of 'office space' is in the glossary in Appendix 2.

- All cost graphs reflect the **leasehold costs** in office defined areas only, with the exception of the two graphs relating to 'cost per sqm' which are calculated on the entire leasehold data.
- Cost calculations for this report are based on rent, operating expenses and carpark costs only. The costs of operating the estate will be collected over time, including energy and emissions' data.
- All agency comparison data is presented, with each agency being numbered and named in Appendix 1.

### 1.2.3 Mandated agencies and buildings

As at 30 June 2012, 64 agencies (32 government departments, six non-departments and 26 Crown agents) were mandated or expected to participate in the PMCoE programme. A full list of the participating agencies is in Appendix 1.

The PMCoE mandate includes all commercial office buildings, whether they are used for service delivery, head office or support functions, within the Government's property estate. Specialist and operational facilities, for example hospitals, prisons and emergency services' stations, are not included as part of the PMCoE mandate.

### 1.2.4 Data update

The PMCoE has undertaken a data collection process with agencies to update their portfolio data to 30 June 2012.

Since the inaugural collection of agency data in 2011, the 2012 update has seen an improvement in the detail and quality of the agency information.

This highlights an increasing focus by agencies on the performance of their portfolios and an understanding of the contribution that good information can make to the delivery of the details within this report.

The PMCoE database holds details of all of the mandated properties within the Government's estate, leased and owned, including:

- agency
- property details, including:
  - building details
  - owner

- tenure – leasehold or freehold
- fit for purpose
- property type:
  - national office
  - service delivery
  - carparks
  - contact centre
  - mixed use
  - vacant
  - warehouse
  - other
  - public interface
- location
- area (sqm) by floor by agency
- area type:
  - office – low density
  - office – medium density
  - office – high density
  - office – public interface
  - non-office
  - storage
  - amenities
- lease details, including:
  - rent and operating costs
  - renewals
  - rent reviews
- headcount and workstations
- future intentions.

A glossary including definitions of some of the above terms is included as Appendix 2.

## 2. The estate

### 2.1 Introduction

The 2012 year has seen reductions in the overall size and cost of running the estate.

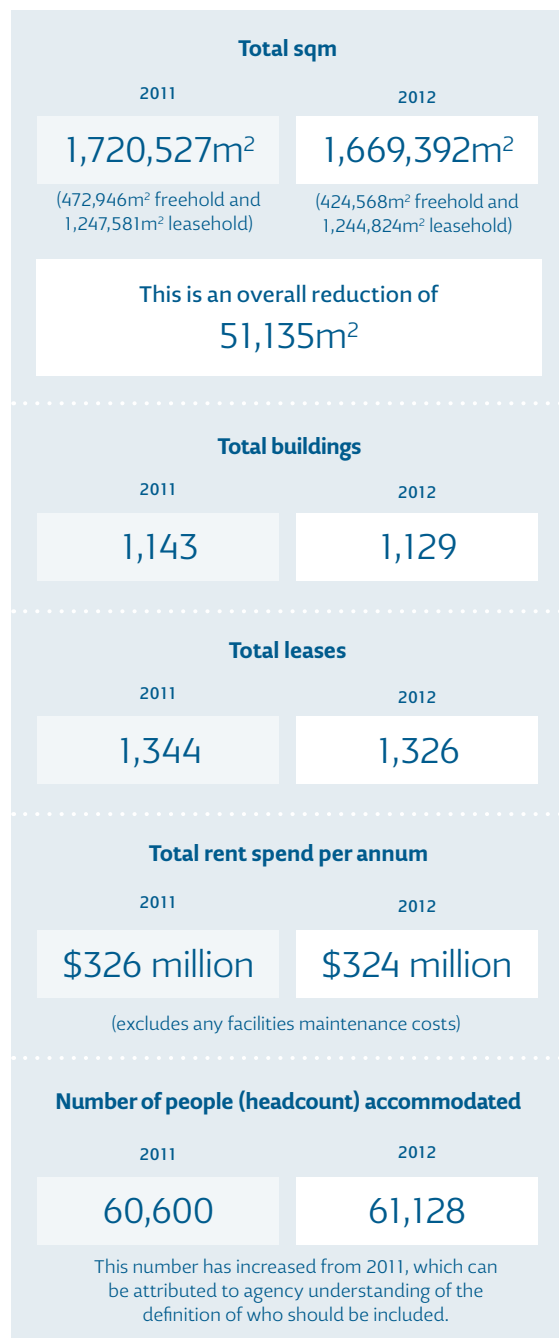
The entire Crown estate has reduced by 51,000m<sup>2</sup> to 1,669,392m<sup>2</sup>. This is equivalent to three large city-office buildings.

This section provides an analysis of the property data provided by the agencies. It represents the view of the office estate as at 30 June 2012 and compares this data with the baseline set in the 2011 report.

Observations and opportunities for improvement are highlighted where appropriate, and a summary is provided at regional and agency levels.

### 2.2 National overview

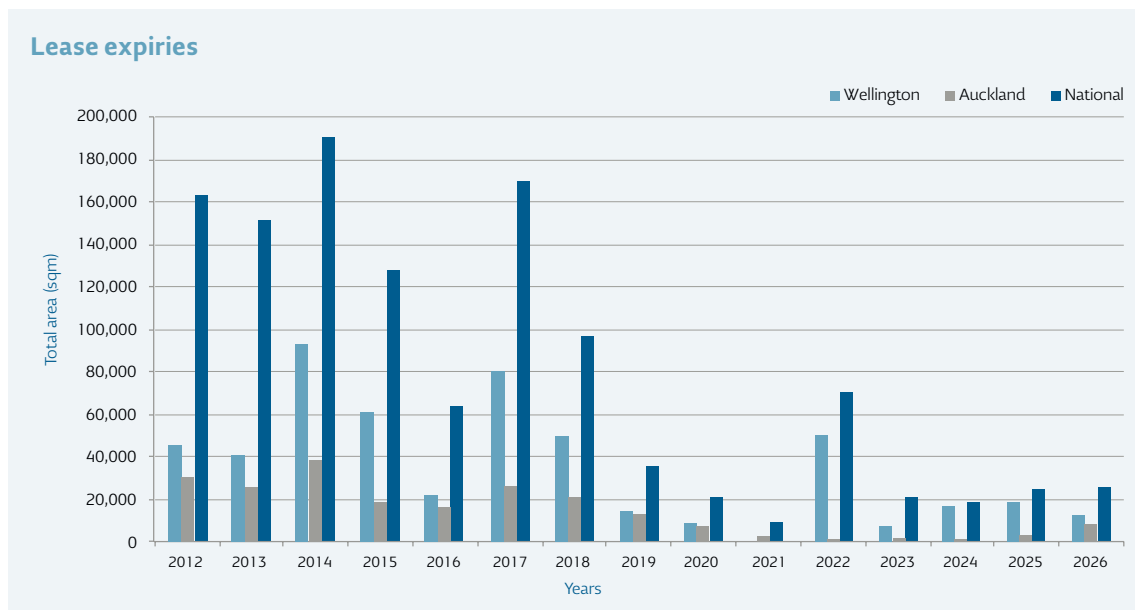
The total figures for the entire Crown estate are summarised alongside for both 2011 and 2012; they include both office and public interface areas, and leasehold and freehold data.



## 2.2.1 National lease expiries

The graphs below show the total volume of space (in sqm) expiring (as either a renewal or a lease exit point) in the entire Crown estate in the next 14 years.

They include both office and public interface space. Separate graphs are shown for Auckland and Wellington as they house a significant proportion of the total Crown Office Estate.



### Observations

These graphs reflect a snapshot in time. It is apparent that a quantity of national space that was expiring in 2012 and presented in the baseline inaugural report has been renewed with the majority extended into 2014, and the remainder into 2017.

This presents both an opportunity (for example, the ability to negotiate with scale) and a risk (insufficient supply within prevailing market conditions) in the procurement of revised lease terms or changes in accommodation for both Wellington and Auckland.



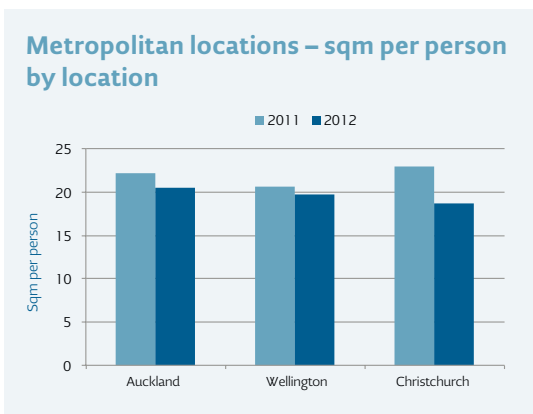


## 2.3 Regional overview

This section provides both metropolitan and non-metropolitan views of the Crown Office Estate. The metropolitan graphs include office holdings that are in the CBD and non-CBD locations within the metropolitan areas.

### 2.3.1 Square metres per person

The following two graphs show the average sqm per person in Crown office leasehold and freehold space in metropolitan and non-metropolitan centres. The three main metropolitan centres are shown due to the significant size of the Crown Office Estate in those cities. Note: Nelson is combined with Tasman.



### Observations

Overall, we can see that the density of occupation is still largely consistent between locations. However, since 2011 there has been a reduction in sqm per person in all three metropolitan areas.

The largest reduction has been in Christchurch. This is due to improved reporting from agencies and the ‘settling’ down of agencies locations from several temporary premises to more permanent locations.

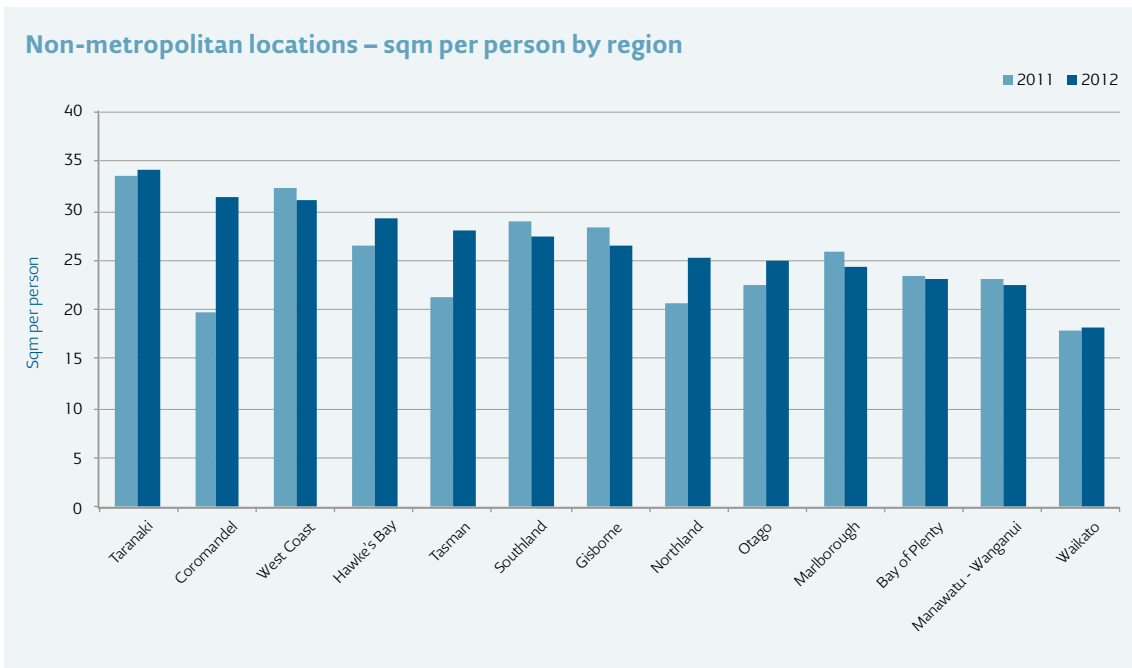
The majority of the non-metropolitan areas have seen a reduction in the sqm per person. However, two years of trending data highlight the potential need for further investigation in the non-metropolitan regions.

Since 2011, there has been an increase in the number of agencies co-locating, in particular in Christchurch, although some of the smaller regions are now seeing agencies co-locating as leases come to expiry; this is reflected in the data presented.

### Opportunities

Wellington and Auckland still present the largest scale of opportunity for sharing and greater collaboration. Research into agency locations and functions is required to identify potential opportunities.





## Observations

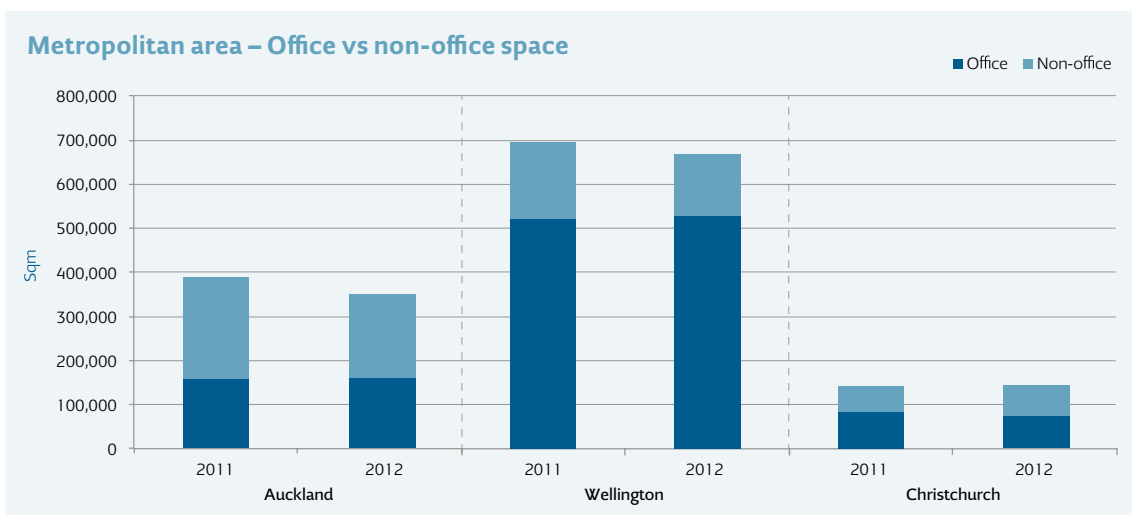
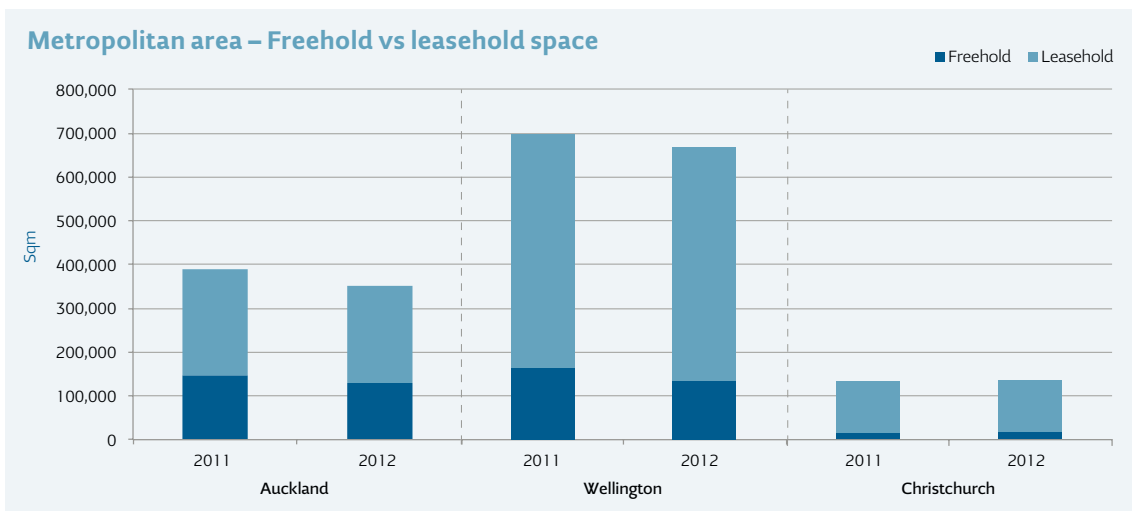
The majority of non-metropolitan areas have seen a reduction in sqm per person. However, there are some regions that have seen a substantial increase in sqm per person, which will require an investigation to determine why this increase has occurred. We anticipate this is due to reductions in staff numbers in regional offices.

## Opportunities

There are many opportunities to co-locate in regional locations to improve economies of scale. A collaborative and co-ordinated approach with agencies will enable a national view of the opportunities available in each region.

## 2.3.2 Regional area occupied

These graphs show sqm occupied in the Crown estate in 2011 and 2012 in Auckland, Christchurch and Wellington, in relation to leasehold and freehold space, and office and non-office (public interface) space.



### Observations

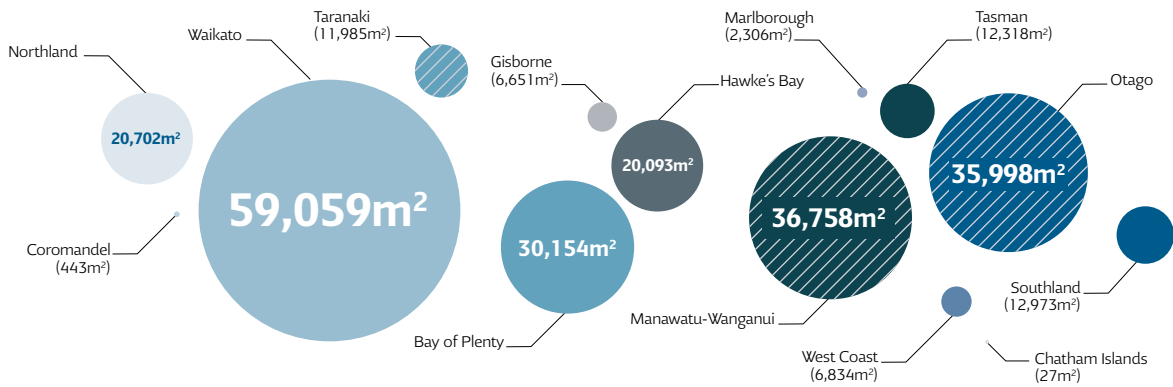
Since 2011, there have been reductions in Auckland's non-office area and Wellington's freehold, non-office area.

### Opportunities

These trending results for both Auckland and Wellington require further investigation to determine why these observations have been recorded.

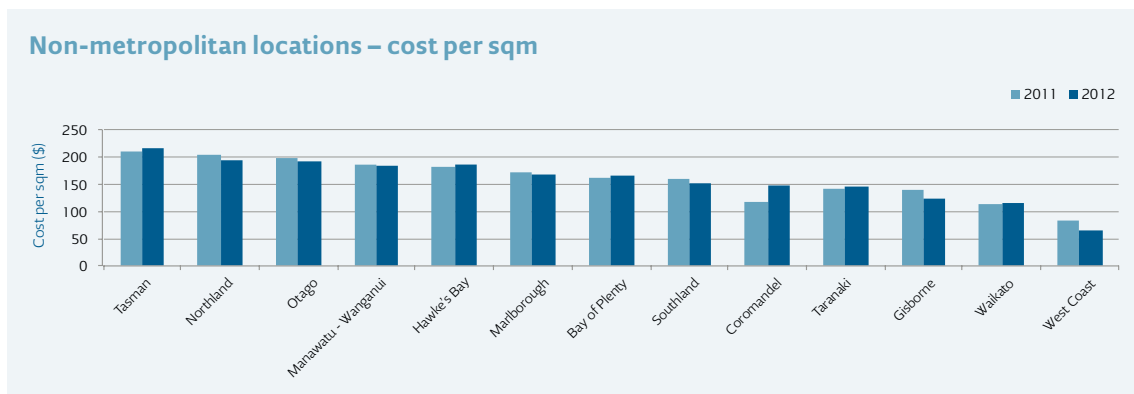
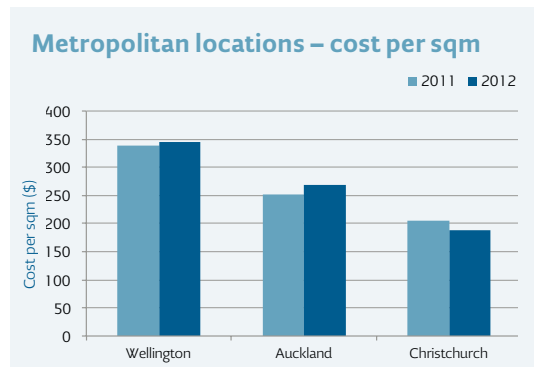
### Non-metropolitan area (sqm) by region

This graph shows the 2012 total office leasehold and freehold area in sqm by region.



### 2.3.3 Cost per square metre

The following two graphs detail the average rents across the estate by city and region, using the total leasehold cost per sqm for both 2011 and 2012.



#### Observations

Between 2011 and 2012, the average rentals paid in metropolitan locations are consistent with the market differences overall. The average Auckland rentals have increased by around 6 per cent, which reflects market conditions.

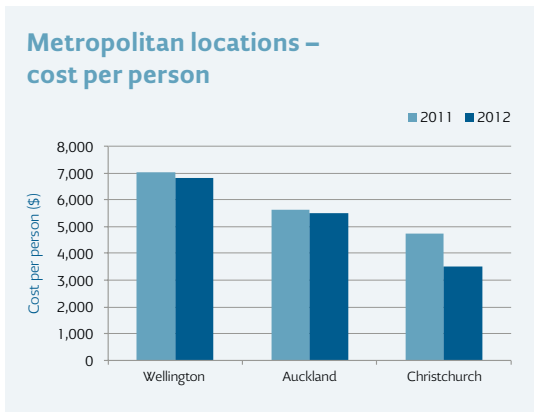
The highest average rent paid in non-metropolitan locations is \$216 per sqm, up slightly from 2011 at \$211 per sqm.

#### Opportunities

Metropolitan locations appear to have significantly higher accommodation costs than non-metropolitan locations. Consideration could be given to locations, the government functions to be carried out, and any requirements to remain in the CBD. In addition, research into the true accommodation cost of staffing distribution outside metropolitan CBDs should also be considered.

### 2.3.4 Cost per person

This graph shows the metropolitan location average cost (rent only) per leasehold office person, as per the glossary definition of 'office' in Appendix 2.



### Observations

The results remain consistent from 2011 to 2012, with Wellington still having the highest cost per person, but all locations benefited from reductions.

Transactional evidence from Wellington and Christchurch suggests that the reduction in cost per person reflects a combination of a higher cost per sqm and smaller area allocations per person.



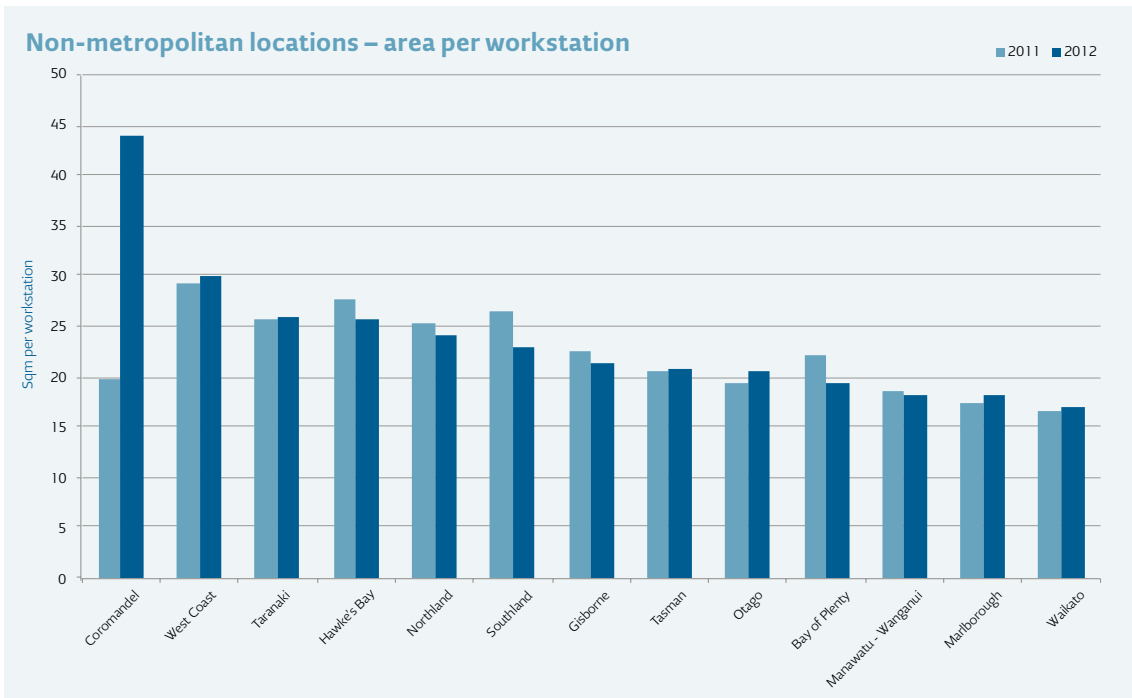
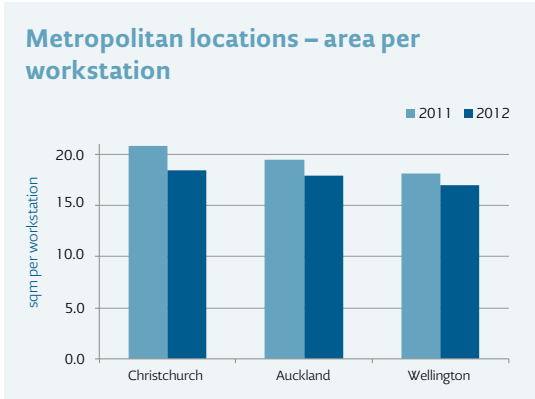
### 2.3.5 Area per workstation

These next graphs show the relative density of office space in 2011 and 2012, and provide a clear measure of the use of available space.

#### Observations

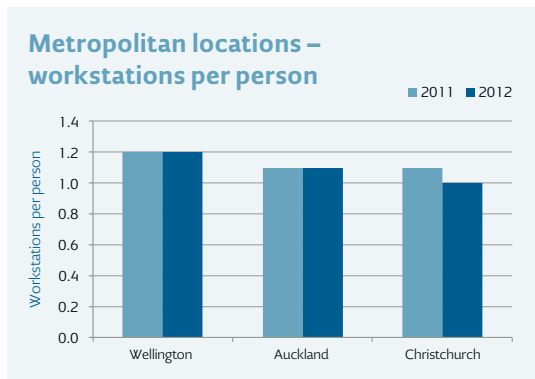
This information for both metropolitan and non-metropolitan locations should be considered alongside the sqm per person information outlined in section 2.3.1 and the information below on workstations per person.

The area per workstation is largely consistent with the results and observations for sqm per person.



## 2.3.6 Workstations per person

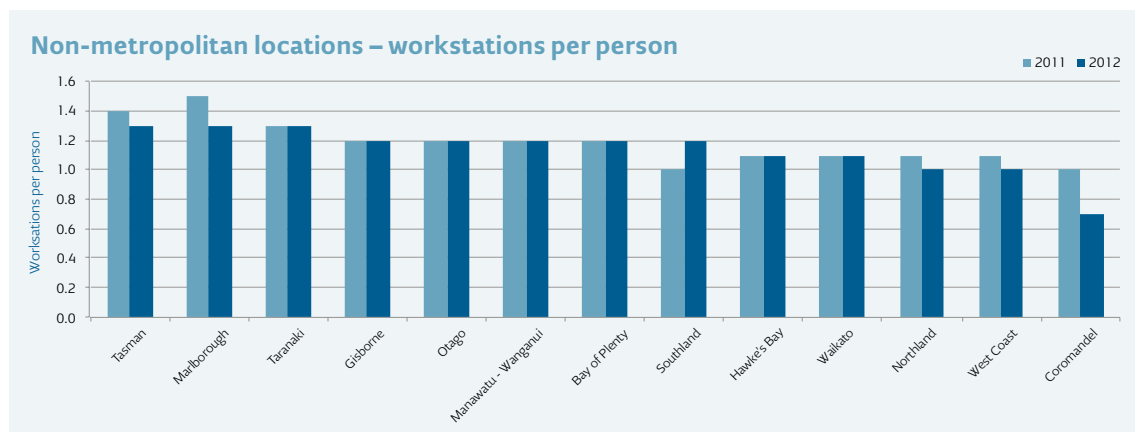
These two graphs show the use of the available workstations.



### Observations

Overall, in both metropolitan and non-metropolitan locations, there has been a reduction in several of the estate property metrics from 2011. This can be attributed to both improved data quality from 2011 and the commencement of agency work towards achieving the Government’s property expectations.

The number of workstations per person has seen little or no change in both metropolitan and non-metropolitan locations. However, 2.3.5 shows the area per workstation has reduced in several locations.



### Opportunities

Opportunities still remain to address the reasons for our current approaches to workstation allocation, activity-based accommodation and capability management.

This will be addressed by research into actual workplace requirements, the adoption of the mandatory Property Principles and Standards, and guidelines assisting in a more effective use of space.



### 2.3.7 Crown estate property grades

Property grading for metropolitan buildings is classified from Premium, Grade A to Grade D; the grading used for the following graphs is from the Property Council New Zealand Quality Grading Matrix. The grading definitions are detailed in the glossary in Appendix 2.

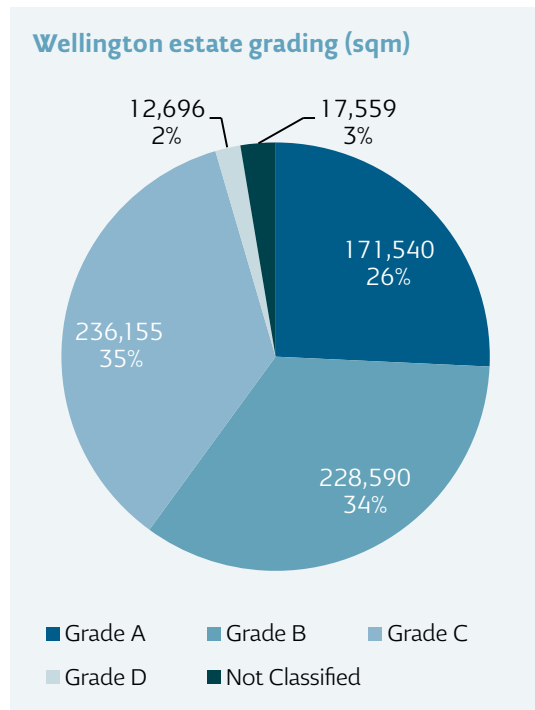
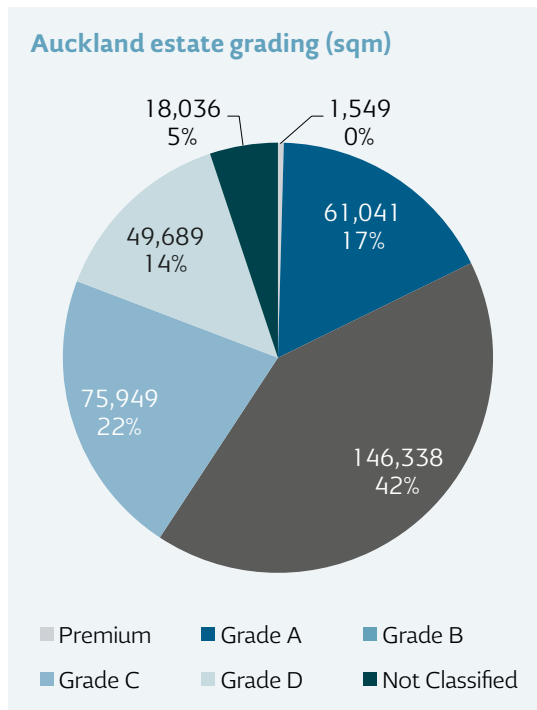
The ratings were self-assessed by each agency.

A Christchurch agency property grading has not been provided due to the variance in building types and the temporary locations of agencies.

### Observations

Since the 2011 report, the total area that was unclassified in both Auckland and Wellington has reduced, and a clearer picture is forming of the grade of the government office accommodation. Wellington now has a more even split, with over 75 per cent of its accommodation across the B and C Grades, whereas Auckland still sits with the bulk of its accommodation in B Grade.

Transactional evidence for Wellington (and indications for Christchurch) has shown that the average quality is likely to rise as the lower-quality, less-efficient space is retired.



# 3. Agency comparisons

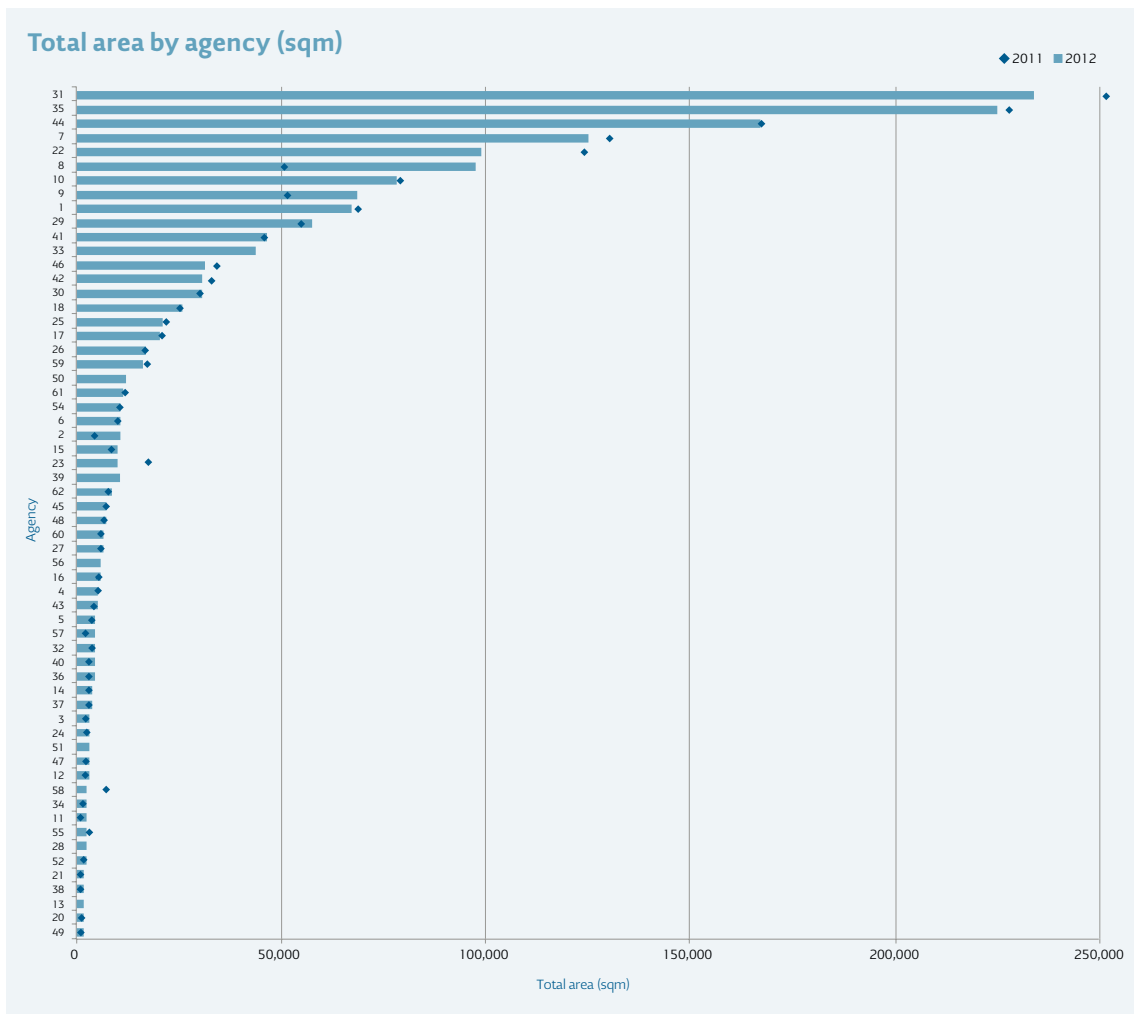
## 3.1 Analysis of key measurements

The agency comparisons section provides an analysis on an agency-by-agency basis of the key property management performance measurements for both 2011 and 2012, enabling agency progress towards the Government's property expectations to be tracked.

Note: There are some agencies presented in this section for 2012 that were not in the 2011 report and therefore will not show any comparison data.

### 3.1.1 Total area by agency

This graph shows the total leasehold and freehold accommodation (including office, public interface and operational areas, where applicable) for each agency. Where there is an agency number and no bar is shown, the total area is negligible (less than 1,000m<sup>2</sup>).





### 3.1.2 Agency area (sqm) per person

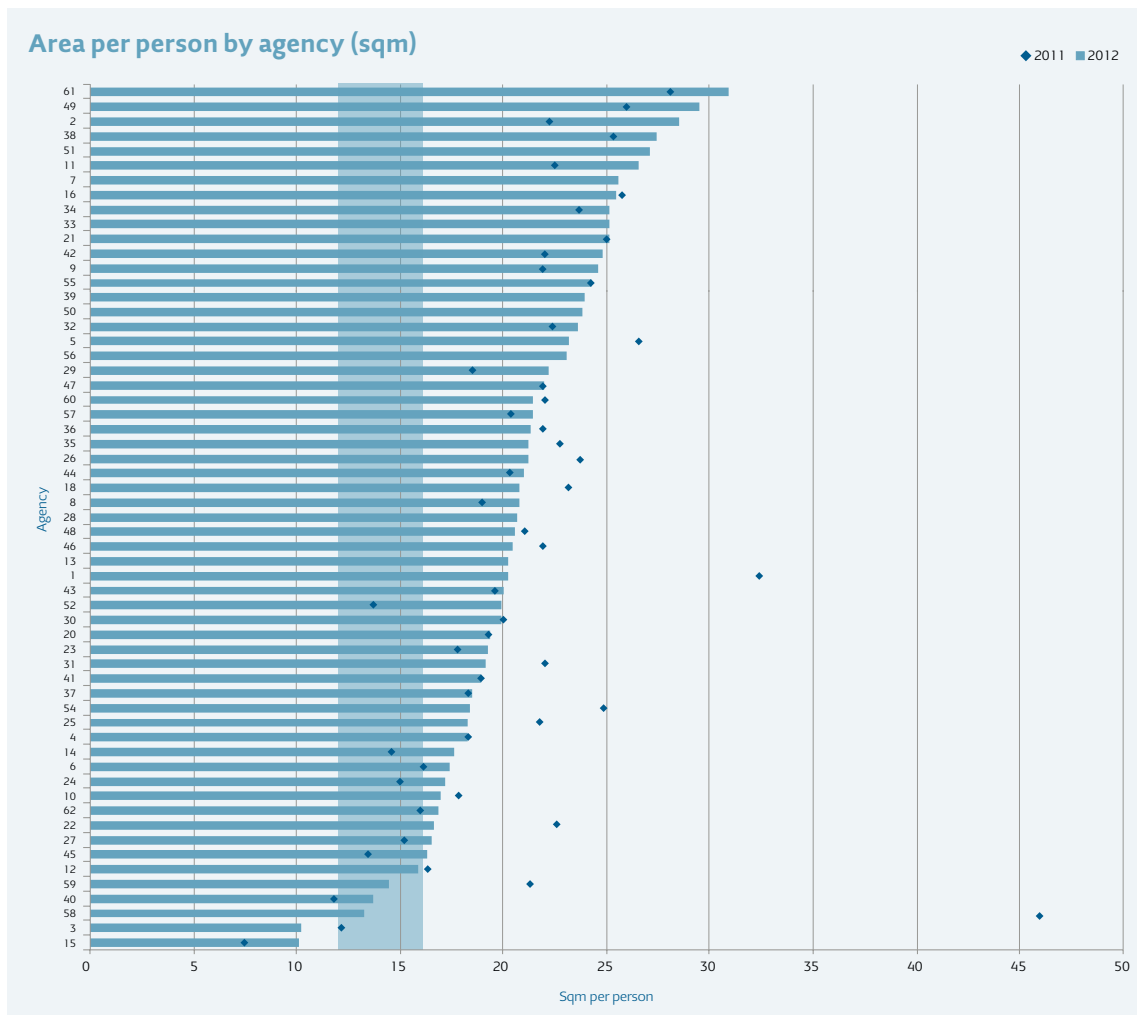
This graph demonstrates for each agency the efficiency of office space, by measuring the sqm allocated per person. The red band indicates the Government's agency expectation of 12–16m<sup>2</sup> per person.

Agency 17 (the Government Communications Security Bureau) has been excluded, as staff numbers are not provided for operational reasons.

### Observations

The graph below shows that although the majority of agencies are still currently outside the 12–16m<sup>2</sup> expectation, there is an overall trend towards a reduction in footprint and the achievement of 12–16m<sup>2</sup>.

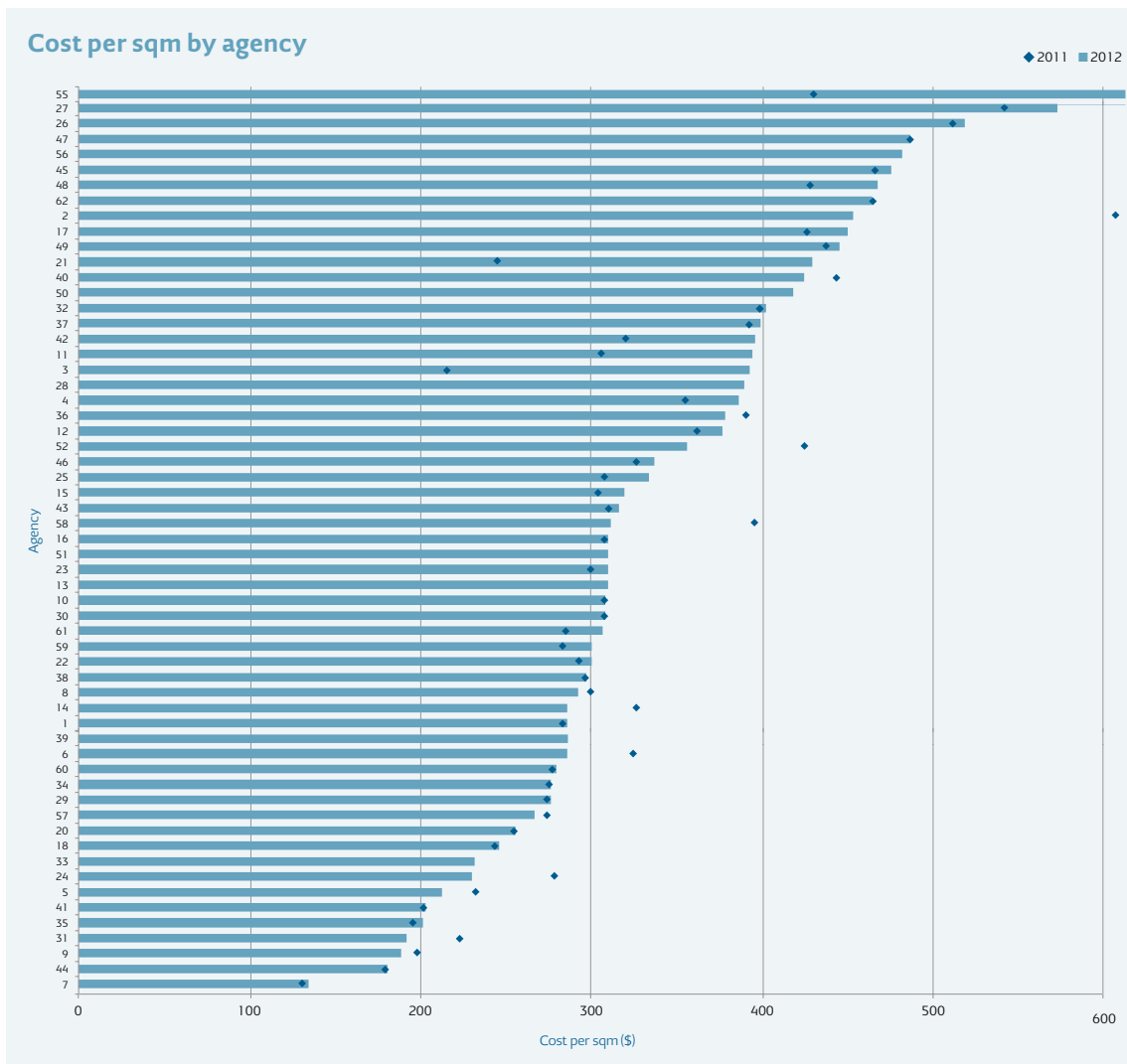
Where agencies have shown a significant increase in area per person (sqm) since 2011, this is attributed to a reduction in the staffing levels and structural change. No accommodation transactions have been undertaken that have resulted in an increase in the average sqm per agency.



### 3.1.3 Cost per square metre by agency

This graph shows the average cost per sqm that each agency incurred in operating its entire leasehold portfolio in both 2011 and 2012, irrespective of function.

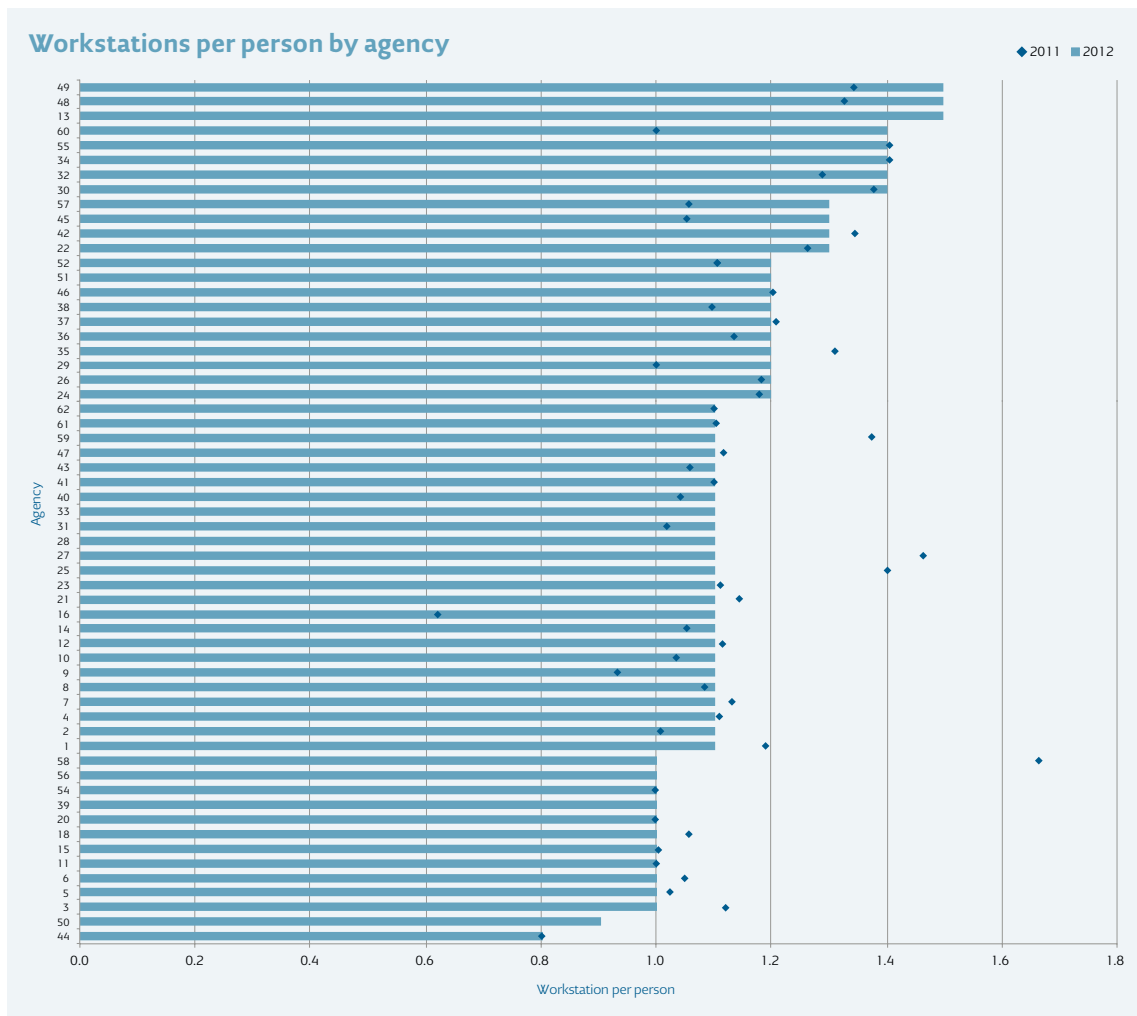
Agency 54 (the Reserve Bank) is excluded from this graph as it holds only freehold property.



### 3.1.4 Workstations per person by agency

This graph shows the number of office workstations per person by agency in 2011 and 2012 for both leasehold and freehold properties.

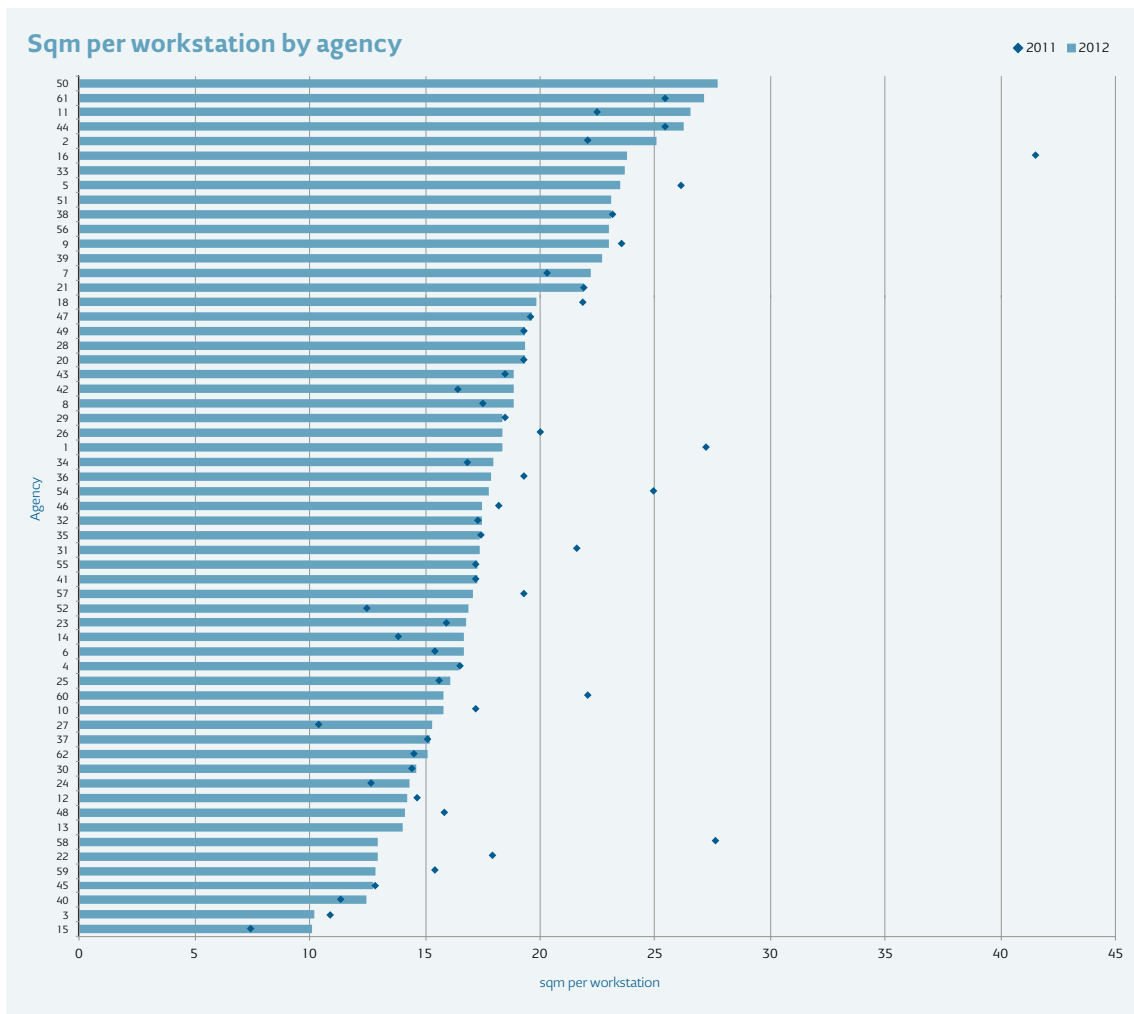
Agency 17 (the Government Communications Security Bureau) is excluded as it cannot provide staff numbers for operational reasons.



### 3.1.5 Square metres per workstation by agency

This graph shows the average number of sqm per workstation by agency, using leasehold and freehold office workstations. Agency 17 (the Government Communications Security

Bureau) is excluded as it cannot provide workstation numbers for operational reasons.



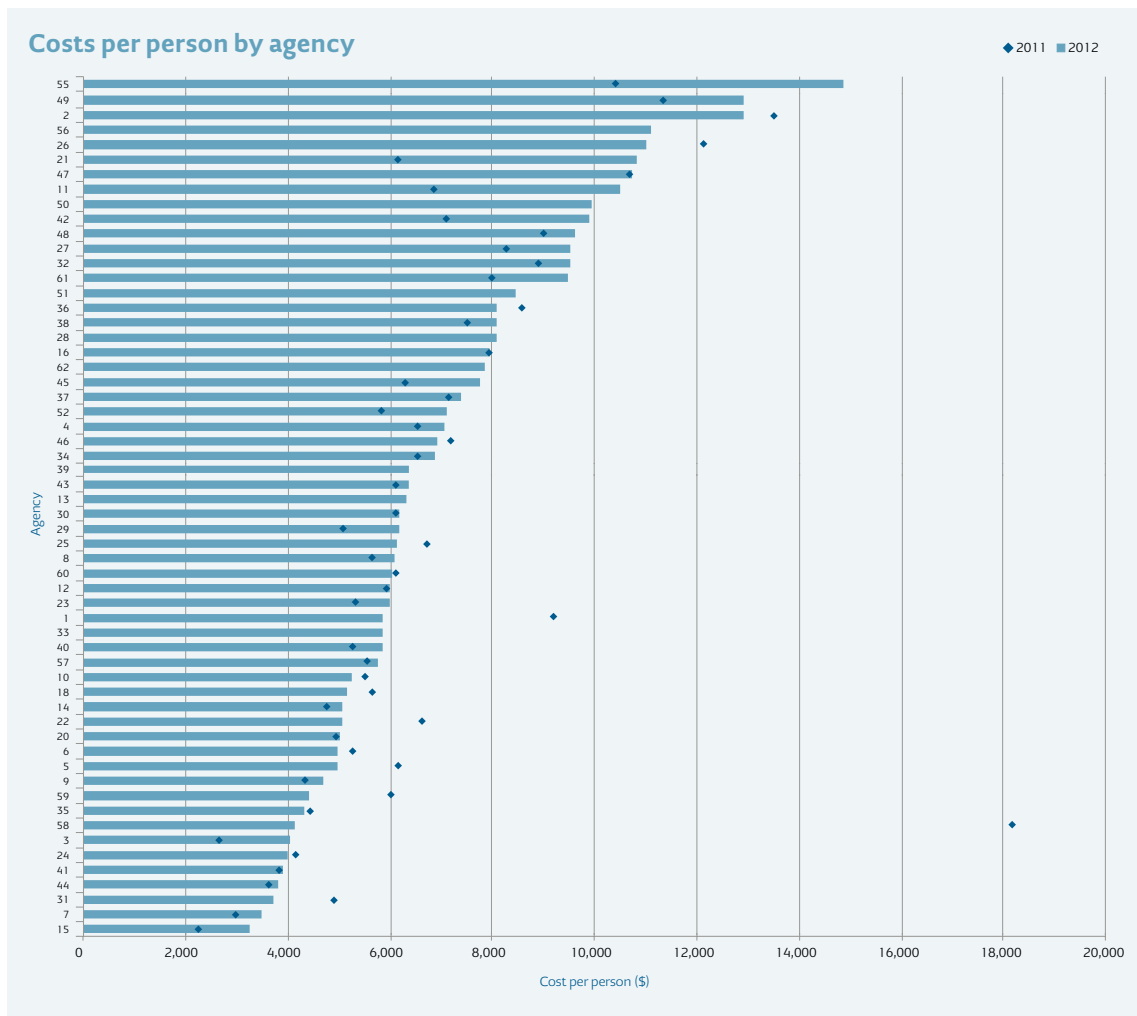


### 3.1.6 Cost per person by agency

This graph shows the calculation and comparison of office leasehold costs per person by agency in both 2011 and 2012.

Agency 17 (the Government Communications Security Bureau) is not included as it could not

provide people data for this graph for security reasons. Agency 54 (the Reserve Bank) is not included because it holds only freehold property.



## 3.2 Summary of variations

Overall, the graphs indicate a range of results between agencies for both years.

Some of these variations may be reasonably attributed to differences in the scale and nature of agency operations, and to improved data for 2012.

There has been no transactional evidence within agencies that would contribute to a worsening of performance in this period. All significant transactions have attributed to improved performance in the management of property portfolios.

### Opportunities

Trend information can now be used to undertake analysis to understand the reasons for the variations between agencies, so that opportunities can be identified and examples of good practice built on.

In 2013, the PMCoE will continue to initiate conversations with agencies to look behind these key measurements to develop best practice and savings opportunities.



# 4. Improving our performance

## Introduction

The production of a baseline and comparator is an important step in tracking progress within the estate. We need to be able to improve and monitor the performance of the estate at a granular level as well as in aggregate. This includes not only measuring efficiencies but also developing standards, tools and processes to enable the estate to be more effective.

## Measuring performance

As presented in the 2011 Crown Office Estate report, the updated model below shows the key property management performance measures for 2011 and 2012.

The model has three levels:

- **Level A:** the detailed office measurements underpinning the cost efficiency and space efficiency measures at Level B. Energy and facilities management (FM) measurements will be gathered over time.

- **Level B:** cost per sqm – the overall cost efficiency measure, derived from the three cost measures at Level A; and sqm per person – the overall space efficiency measure, derived from the two space efficiency measures at Level A.
- **Level C:** cost per person – the overall efficiency measure, derived from the leasehold office cost and space measures at Level B.

## Effectiveness of Crown Office Estate

Effectiveness gains are harder to measure and quantify, and measurements are not available for the time period covered by this report.

During 2013, in conjunction with Victoria University of Wellington, effectiveness metrics will be established and baseline measurements taken.

Efficiency of Crown leasehold office estate – 2011 and 2012					
		2011	2012		
<b>A</b>	Rent per sqm	\$259	\$259	Sqm per workstation	18.6m <sup>2</sup> / 17.9m <sup>2</sup>
	Energy costs	\$TBC	\$TBC	Workstation per person	1.2 / 1.1
	FM costs	\$TBC	\$TBC		
▼					
<b>B</b>	Cost per sqm	\$259	\$259	Sqm per person	21.5 / 20.5
▼					
<b>C</b>	Cost per person	\$5,564		\$5,316	

## 4.1 Impacts of reducing square metres per person

The more efficient use of space is a key factor in reducing the size and cost of the Crown Office Estate. The following graph shows the potential savings released by the reduction of sqm per person from current levels (20.5m<sup>2</sup>) to 16m<sup>2</sup>, 15m<sup>2</sup> and 13m<sup>2</sup>. The data used is the cost of the office leasehold, the number of office sqm and the associated office headcount.

### Observations

The primary observation made at this aggregate level is that there is significant scope for savings if the average density can be reduced from the current level to within the 12–16m<sup>2</sup> per person expectation established by Cabinet in April 2011. This goal is based on overseas research, including the Australian and United Kingdom public sector square-metres-per-FTE targets.

The fiscal benefits of reducing the space per person are clear. The way this is achieved occurs at two levels; within agencies and between agencies.

Each agency can internally adopt practices that minimise the quantity of space occupied. In addition, government has the ability to share common facilities.

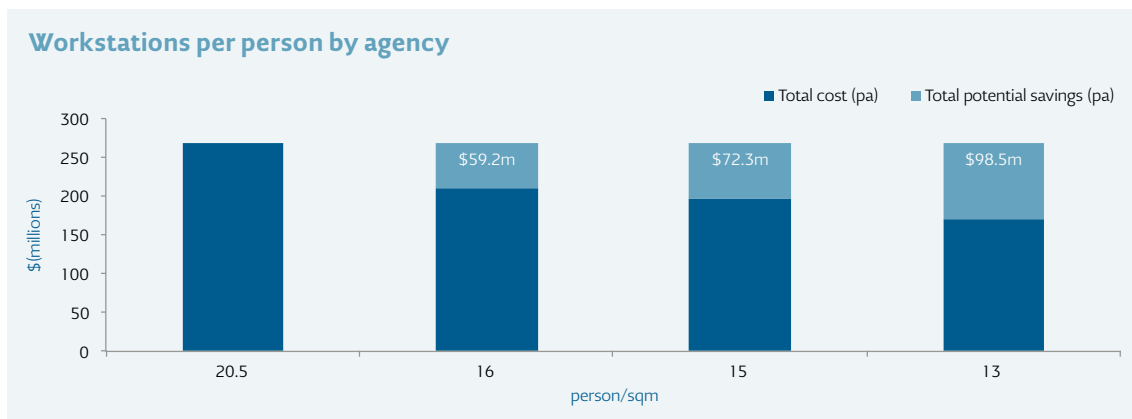
The sharing of space is an efficiency measure, but it can also enhance co-ordination and communication between agencies.

The workplace strategy and brokerage service of the PMCoE will ensure that progress is made in the most timely and structured manner.

### Opportunities

Identification of the agencies and properties within the estate that present an opportunity to provide early and significant efficiency gains.

An estate approach will ensure that individual lease commitments are not an impediment to space rationalisation, and that agency fit-outs are sufficiently consistent so spaces can be shared to deliver an all-of-government benefit.



## 4.2 Benchmarking the Crown Office Estate against the private sector portfolio

As with 2011, the graph below benchmarks the public sector property management performance with that of the private sector based on the 2012 data and using the following two key measurements:

- cost per workstation (right-hand axis)
- sqm per workstation (left-hand axis).

Please note that the government rating is based on an average quality grading for all properties. An explanation of the types of property grading is in the glossary in Appendix 2.

### Observations

The comparison with the private sector shows that the cost per workstation in the public sector is now equivalent to the average for Grade C accommodation and remains at the lower end of the cost range across all grades.

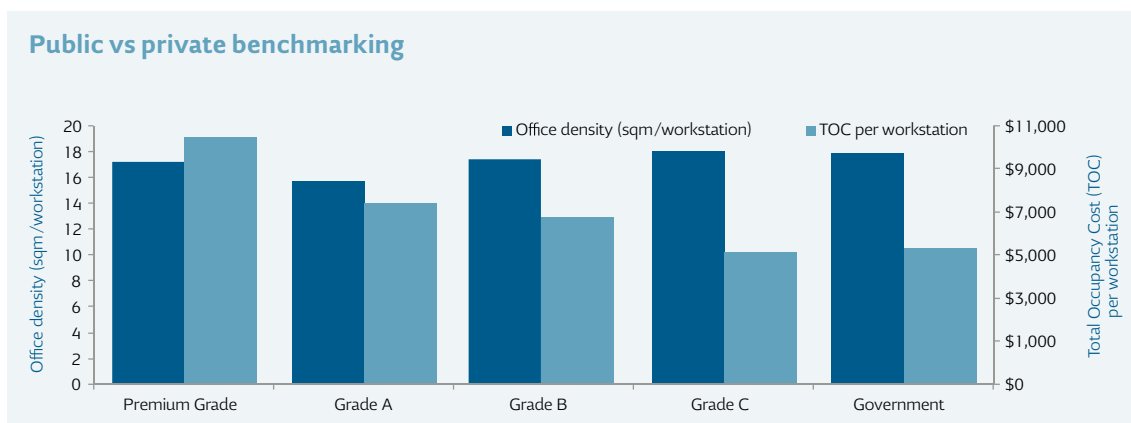
In terms of office density, it shows that the gap between the government and private sector densities is closing, although government generally occupies more space per person than the private sector.

### Opportunities

A reduction in our occupancy density will result in significant savings.

We need to adapt and adopt new ways of working as opportunities arise within agencies to restack, refit, and use office space.

The private sector will remain a key place to learn about emerging and proven practices for us to trial and adopt.



## 4.3 Wellington accommodation project

The PMCoE has been working with five agencies (the Ministry of Social Development [MSD], the Ministry of Education, the Ministry of Health, the Ministry for Business, Innovation and Employment, and Crown Law) to lead a combined procurement and business case process for head office accommodation in Wellington. The business case was agreed by Cabinet on 13 November 2012.

The solution that has been developed provides a reduction of 30 per cent in space leased (124,447m<sup>2</sup> to 87,522m<sup>2</sup>, a 36,925m<sup>2</sup> reduction) and a 19 per cent decrease in forecast occupancy cost from \$1,323 million to \$1,074 million – a \$249 million decrease in 20 years.

It also results in significant cost avoidance for all agencies and ensures that no additional funding will be required in the 20-year forecast period, despite anticipated increases in property costs. It is a cost-effective solution. All new sites will be significantly better in terms of efficiency and safety standards than they currently are. This will provide greater employee safety and satisfaction, and improved business continuity capabilities. The preferred buildings offer an appropriate level of accommodation for government employees.

Undertaking a co-ordinated approach saves on the duplication of processes and leverages government's negotiating scale. Government is signalling its aggregate demand, thereby relieving pressure on the supply (and longer-term cost) of office accommodation in Wellington through a significant reduction in its footprint, thus mitigating future rental increases on a like-for-like basis.

This is the first tranche of Wellington office accommodation to be procured in this co-ordinated manner. Government occupies 520,000m<sup>2</sup> in Wellington at an average of 20.5m<sup>2</sup> per person, with 160,000m<sup>2</sup> expiring in Wellington in the next three years. A reduction of 25 per cent in footprint equates to 130,000m<sup>2</sup>.

The PMCoE will continue to identify tranches of agencies with common lease expiries and co-location and clustering opportunities for projects of this type. It is this co-ordinated approach to the estate that will enable the aggregate space efficiencies to be achieved in the shortest practical timeframe.



## 4.4 Integrated Workplace Management System (the 'Government Property Portal')

At the time of the establishment of the PMCoE, it was identified that a key issue in the performance management of office accommodation and the difficulties in cross-agency contracting, was the lack of robust information systems for property management. Few agencies have formal property management systems and this was a significant issue in the initial year of the PMCoE's operations.

The PMCoE has a role to provide leadership and brokerage across the sector, and for the past year we have been working with MSD and other large agencies to specify and procure an Integrated Workplace Management System for syndicated use across government. Taking a syndicated approach has resulted in significant economies of scale in procurement and a common configuration.

The adoption of a comprehensive property management system will provide better property management information within agencies, enabling better decision-making. Perhaps more significantly, a common cross-government database will enable a real-time estate view for the PMCoE, assist in identifying opportunities to align property strategies and contracts, and enable the faster production of cross-government reports.

As part of the functional leadership mandate, Cabinet agreed in October 2013 that all departments and Crown agents would adopt this common system. The syndicated approach makes this system a low-cost alternative for those agencies with sufficient scale to justify a property management system. For those agencies with small property portfolios, the advantages may largely accrue to government overall via a comprehensive, centralised view.

The system will be rolled out to agencies in the second quarter of 2013.

## Case study

### State Services Commission

The State Services Commission (SSC) plays a central role in the appointment of public service chief executives and the development and monitoring of capabilities within the public service. It also provides guidance on the overall structure of the public service and its functions, standards for personnel management, management structures and systems, and sets the standards for integrity and conduct that apply to all public servants.



*In 2012, the SSC took the opportunity to relocate from its premises at 100 Molesworth Street, Wellington (due to the building owner wanting to undertake a substantial refurbishment), to align with the Government's expectations for office density and to create a much-needed refresh of the overall working environment.*

#### Existing office space

With an irregular floor plate, large 1,800-millimetre corner desks and an inefficient use of space, the SSC occupied 4,510m<sup>2</sup> and had a density ratio of 27.7m<sup>2</sup> per workstation (46m<sup>2</sup> per headcount) split across three floors in the Molesworth Street building.

#### New office space

The project team selected a new location within the existing Crown estate and a building with a more regular floor shape, allowing for more efficient use of the space. By reducing the desk size to a 1,600-millimetre wide rectangular and using smart space planning, SSC was able to reduce its total occupancy area to 1,830m<sup>2</sup> (13m<sup>2</sup> per workstation) over two floors, a reduction in floor space of just under 60 per cent. Rental costs were also substantially reduced by approximately 70 per cent, equating to savings of over \$1 million per annum.

#### Fit-out, relocation process and benefits

Cost savings were key and were achieved by looking at ways to reduce the amount of space needed and re-use as much of the existing fit-out and old furniture as possible.

- The existing chairs were refurbished; the agency saved time and cost by completing the work in stages. The chairs were taken away in small batches, with a refurbishment turnaround time of two hours per batch.
- To reduce the amount of CBD leased space, an archiving project was undertaken to transfer the large number of files stored on site to a remote location with online recall.

- The library space was incorporated into a corridor linking the work space with an open staff hub/cafeteria zone, which limited the amount of room it occupied and increased the usage of this resource due to the increase in passing foot traffic.
- Meeting room sizes were reduced by approximately 50 per cent and made mostly un-bookable except for larger boardroom suites. This allowed for ad-hoc meetings that usually took place in the areas around the workstations to be conducted in a purpose-built meeting space, taking the associated noise away from the work area and reducing the amount of noise and the space required.

A key part of the success of this relocation was the communication process and staff engagement facilitated by the project team. This included information on the SSC intranet, which was updated weekly with progress photos of the new fit-out and an updated timeline allowing staff to keep updated with progress. The project team also solicited input from the wider staff team by setting up colour boards with screen and re-covered chair fabric samples, along with desk options. Staff were asked to vote on which options were preferred and the results were combined with the whole-of-life cost and presented to the management team for approval. A series of open days was held during construction to maintain enthusiasm among staff and also help them to get used to the idea of the new space and layout.

To help reduce stress for staff, during the weeks leading up to moving day, they were asked to identify the files that they would need for one week. The remaining files were taken away and set up in the new location so they would be ready on day one. This reduced the amount of work needed in the first week of occupation, and also helped with staff adjusting to the 50 per cent reduction in space with a minimal amount of clutter.

No post-relocation survey has been undertaken, but regular meetings and discussions were carried out post move. Feedback from staff on the changes in their workplace has been extremely positive. A few design aspects were found not to work in practice but have since been addressed.

Overall, the decision and subsequent move of SSC to a smaller location and change of workplace standards has proven to be extremely successful, not only for SCC and its staff but also because it supports the Government's goals in regard to its Crown Office Estate.

## Case study

### Ministry of Social Development

*The PMCoE and MSD conducted a Workplace Modernisation Test to identify how best to create a modern working environment for staff that improved the efficiency, effectiveness and productivity of both people and the built environment.*

The main goals of the test were to:

- increase on-floor densities so that the organisation could reduce its overall space requirements
- give staff a choice of how and where they worked
- make it easy for staff to work collaboratively
- create an appealing, modern working environment.

The overarching concept being tested was to change staff thinking 'my desk is my workplace' to 'the whole floor is my workplace'. New ways of working included: wireless, mobility-enabling technologies, shared non-bookable collaboration spaces, quiet work zones, centralised utility areas, minimal at-desk storage, and generic layouts where teams blended together and people moved. By adapting these new ways of working, the concept floor has become 25 per cent more efficient (it moved from 46 desks to 62 desks, plus a collaboration hub). The overall density for the floor is 13m<sup>2</sup> per desk.

#### The test floor

An existing floor at MSD's head office (Tower Block level 8) was chosen for the test. This floor had a good range of roles and functions operating from it, including relatively mobile workers, knowledge workers and tier 3 (general manager) and tier 2 (deputy chief executive) type roles. In addition, level 8 was not heavily populated, which meant there was scope to both increase density and introduce new types of informal workspaces.

#### Old layout

The 800m<sup>2</sup> test floor evolved from an open-plan layout of 46 1,800 millimetre desks (17m<sup>2</sup> per desk). The size of these desks, the configuration of the building core and the seven-metre floor depth could only accommodate two desks set up next to each other, and resulted in a wide, underutilised circulation space, where amenity areas such as informal meeting tables were 'owned' by teams, and screens were used to denote territories.

#### Space and design

A choice of work settings and access to wireless, mobility-enabling technologies now allows individual workers to shift their mind-sets from 'my desk is my workplace' to 'the whole floor is my workplace'. A number of different work points configured in fixed layouts were tested on the floor to help blur the boundary between teams while using space more efficiently, enabling MSD to achieve an increased density. People, not furniture, now move ensuring that amenities and technology stay in the most efficient layout – helping to reduce 'churn' costs.





The working environment principles utilised in this test were:

- an open-plan working environment
- less personal space, more communal space
- mobility
- the utilisation of appropriate technology
- a choice of work settings
- fixed, generic layouts
- space less growth.

### **New collaborative hub space**

The creation of a collaborative test hub has supported staff and management alike by providing non-bookable areas for the individual and small group work, informal meetings and random social interactions required in a dynamic working environment. This has helped to alleviate pressure on enclosed meeting rooms for internal meetings while encouraging spontaneous interactions between staff and management. By giving staff tools and allowing them the choice of working in the hub area, the work zone has become a retreat for high-concentration, at-desk work. Mobile phones and laptops are critical components of this new working environment so that staff can 'free' themselves from their desks. This is a key principle of the test floor. A centralised utility area forms part of the hub to help draw people into the space and has increased the number of impromptu meetings with colleagues.

### **Measures for success**

Was it successful? Yes – staff surveys and invest-to-save modelling have showed that the test floor has been successful for staff and MSD. Staff moving to the test floor completed pre and post-occupancy surveys.

### **Key findings were:**

Pre-test floor, the overall satisfaction with the workplace was **4.7** on a scale of 1 to 10, where 10 was very satisfied and 1 was not satisfied at all. Post-test floor, the overall satisfaction with the workplace has increased to **7.3**, with more than 90 per cent of respondents being satisfied or very satisfied with:

- their work areas
- the tools/technology they have to work from home or outside the office
- the availability of impromptu meeting spaces
- the choice of places to do work.

Ninety-five per cent of respondents are able to be more productive in the new work environment.

One hundred per cent of respondents would recommend the concept floor to others.

One hundred per cent of managers and team leaders on the test floor agree or strongly agree that:

- it's okay for staff to work away from their desks
- different work settings for staff is a positive initiative
- staff are productive when working away from their desks
- their staff have the work settings they need to do their jobs well.

Sixty-seven per cent of managers and team leaders strongly agree that the test floor has improved their ability to manage staff effectively and none feels that it has reduced their ability to manage staff.

## 5. Christchurch portfolio

Work continues on our Christchurch estate; the PMCoE has undertaken a number of co-ordination functions with respect to office accommodation within greater Christchurch. The extent of this co-ordination function has steadily increased, and on 16 May 2012 the State Services Commissioner appointed the Chief Executive of MSD to co-ordinate the enduring needs of agencies for incorporation into the CBD blueprint, released by the Canterbury Earthquake Recovery Authority (CERA) on 27 July 2012.

On 25 June 2012, the Government confirmed a mandate for the PMCoE in relation to Christchurch accommodation as follows:

“... agreed that the Chief Executive Ministry of Social Development sign off on all departmental property decisions in Christchurch. This is to cover both decisions in relation to the Christchurch CBD (office accommodation for regional management and corporate support functions) and the wider service delivery network”.

The PMCoE on behalf of the Government is looking to better co-ordinate between agencies and departments to deliver services in a joined-up and cohesive manner. The proximity of government agencies to each other and the ability to share collaborative spaces will contribute to this co-ordination.

With the release of the Christchurch Central Recovery Plan on 30 July 2012, work was carried out in three specific areas that relate to government and Crown agencies:

- Justice and Emergency Services Precinct.
- Health Precinct.
- Christchurch Integrated Government Accommodation (CIGA) Project.

CERA will continue to work with the Ministry of Justice and the Canterbury District Health Board to progress the work on these anchor projects. The PMCoE has planned a minor supporting role in these two pieces of work so far, but is leading the CIGA project.

The PMCoE is working with agencies to define and deliver office accommodation in Christchurch, taking an estate view of the needs and opportunities to co-locate and cluster.

This work is presently underway and tangible project outputs will commence during 2013, with a formal request for proposals being released to the market in the first quarter of 2013.

The PMCoE will continue to provide updates on the rebuilding of Christchurch and the applicability to the rest of the national estate of innovative workplace practices that are developed.

## 6. 2013 forward view

### 6.1 Introduction

This is the second of the PMCoE's annual reports on the efficiency and effectiveness of the Crown Office Estate.

These reports now start to provide a time-based comparator of performance in the management of our estate, so that we can assess our progress against the Government's goals and expectations.

Current projects not reflected in other areas in this report but nonetheless important to the effectiveness and efficiency of the Crown Office Estate are outlined in the following sections.

### 6.2 Functional leadership

In October 2012, the PMCoE received Cabinet approval to extend its functional leadership mandate to include:

- mandatory Property Principles and Standards
- mandatory all-of-government procurement
- sign-off by the Functional Leader on tenure decisions
- sign-off by the Functional Leader on biennial property plans
- the compulsory adoption of a common information system.

This more centralised decision-making model is expected to increase the quality, and to advance the realisation, of potential property-related savings. This is due to:

- central co-ordination between ICT and property decisions to provide integrated workplace solutions
- decisions on co-location and other sharing of resources based on all-of-government benefits, rather than individual agency preferences

- standardisation to reduce the cost of implementation and allow for economies of scale and flexibility
- better-quality decisions and performance monitoring via centrally held information.

It is anticipated that this centralised approach to property planning and purchasing office-related goods and services will reduce the occupied footprint by around 25 per cent in the next three or four years, and produce savings of around \$110 million per year.

### 6.3 Energy efficiency

The PMCoE has continued its strong partnering role with the Energy Efficiency and Conservation Authority (EECA) in the past year.

As a member of the NABERS (National Australian Built Environment Rating System) Advisory Panel, the PMCoE has helped to bring a government agency perspective to the development of the New Zealand version of this performance-based energy rating tool. The PMCoE has also facilitated the identification of government agencies to participate in the product pilot in early 2013.

The PMCoE will be supporting EECA in the launch and promotion of NZ NABERS with government agencies.

The new Integrated Workplace Management System (the 'Government Property Portal') that has been procured has an optional energy management module available. Agencies will be encouraged to utilise this capability to identify savings opportunities. It will also provide a collated view of energy management across participating agencies.

The PMCoE continues its role as a member of the New Zealand Energy Strategy Working Group convened by the Ministry of Business, Innovation and Employment.

# Appendix 1

Numbered list of agencies included in this report.

	Agency		Agency
1	Accident Compensation Corporation	39	New Zealand Antarctic Institute
2	Civil Aviation Authority (including Aviation Security as at November 2011)	40	New Zealand Blood Service
		41	New Zealand Customs Service
3	Canterbury Earthquake Recovery Authority	42	New Zealand Defence Force
4	Crown Law	43	New Zealand Fire Service
5	Careers New Zealand	44	New Zealand Police
6	Department of Building and Housing*	45	New Zealand Qualifications Authority
7	Department of Corrections	46	NZ Transport Agency
8	Department of Internal Affairs	47	New Zealand Tourism Board
9	Department of Conservation	48	New Zealand Trade and Enterprise
10	Department of Labour*	49	New Zealand Walking Access Commission
11	Department of the Prime Minister and Cabinet	50	Parliamentary Services and Office of the Clerk of House of Representatives (combined)
12	Energy Efficiency and Conservation Authority	51	Parliamentary Counsel Office
13	Education New Zealand (new)	52	Pharmaceutical Management Agency (PHARMAC)
14	Environmental Protection Agency	54	Reserve Bank of New Zealand
15	Earthquake Commission	55	Serious Fraud Office
16	Education Review Office	56	New Zealand Security Intelligence Service
17	Government Communications and Security Bureau	57	Sport and Recreation New Zealand
18	Housing New Zealand	58	State Services Commission
19	Health Promotion Agency #	59	Statistics New Zealand
20	Health Quality and Safety Commission	60	Tertiary Education Commission
21	Health Research Council	61	Te Puni Kōkiri (Ministry of Māori Development)
22	Inland Revenue	62	Treasury
23	Land Information New Zealand	<p>The following agencies with less than 1,000m<sup>2</sup> are not detailed in this report:</p> <p>Real Estate Agents Authority</p> <p>Social Workers Registration Board</p> <p><b>Notes</b></p> <p>* The following departments merged on 1 July 2012 to become the Ministry of Business, Innovation and Employment, but for the purposes of this report, to 30 June 2012, they are reported on as individual agencies.</p> <p># The Health Sponsorship Council merged with the Alcohol Advisory Council of New Zealand from 1 July 2012 and was renamed the Health Promotion Agency. Data for the Health Promotion Agency will be included in the 2013 Crown Office Estate report.</p>	
24	Ministry for Culture and Heritage		
25	Ministry of Economic Development*		
26	Ministry of Foreign Affairs and Trade		
27	Ministry for the Environment		
28	Ministry of Defence		
29	Ministry of Education		
30	Ministry of Health		
31	Ministry of Justice		
32	Ministry of Transport		
33	Ministry for Primary Industries		
34	Ministry of Pacific Island Affairs		
35	Ministry of Social Development		
36	Ministry of Science and Innovation*		
37	Maritime New Zealand		
38	Ministry of Women's Affairs		

# Appendix 2

## Glossary

### Area type

The primary use for the floor and/or area within a property as per the options below. Density means the headcount in a square metre area. Public interface is where an area's primary use is to service the public with few or no office functions.

The options are:

- office – low density
- office – medium density
- office – high density
- office – public interface
- office – amenities
- non-office (areas that do not fit any of the above descriptions, eg specialist areas like laboratory and computer rooms)
- storage
- carparks.

### Costs

Rent, carparking and operating expenses only. No other costs are included at this time.

### Headcount (person/people)

As used in this report as 'headcount', 'person' or 'people', the number of personnel whose primary places of work are workstations in 'office accommodation' (not in a 'public interface area') at the time of reporting.

For the FTE numbers this is personnel weighted by the proportion of a full-time position they fill. An individual who works four days a week in a full-time role is considered to be 0.8 (4/5) of an FTE.

All personnel who use workstations in 'office accommodation' should be included, whether they are part-time, full-time, contracted or temporary staff members. Staff members on secondment or long-term leave, and unfilled positions, are excluded.

### Net lettable area

The net floor space under the control of the tenant, in square metres, as defined by the standard methodology adopted by Property Council New Zealand.

### Occupancy density ratio (ODR)

The average floor area of office space required to accommodate staff. It is calculated by dividing the 'net lettable area' (NLA) of the 'office accommodation' (see definition) by the number of FTEs (see definition) who occupy that space for work activities. Areas not defined as 'office space' should be treated as follows:

- Amenity areas should be included in the combined area for those FTEs serviced by those areas.
- 'Public interface areas' and the staff whose primary workstations are within a 'public interface area' are excluded from the NLA and FTE calculation for the purposes of the ODR.

### Office accommodation ('office space')

Premises used primarily for the undertaking of desk-based activities and associated facilities, including meeting spaces, storage, kitchen staff facilities, circulation areas and reception facilities (excluding 'public interface areas').

## Property grading

The following grades are those recognised and defined by Property Council New Zealand:

- **Grade A:** a landmark office building located in major CBD office markets that is a pacesetter in establishing rents. It includes: ample natural lighting; good views/outlook; prestige lobby finish; on-site undercover parking; quality access to/from an attractive street setting; and premium presentation and maintenance.
- **Grade B:** high-quality space including: good views/outlook; quality lobby finish; on-site undercover parking; quality access to/from an attractive street setting; and quality presentation and maintenance.
- **Grade C:** good-quality space with a reasonable standard of finish and maintenance. Tenant car parking facilities should be available.

## Public interface areas

Areas used primarily for face-to-face interactions with clients and the public for the purposes of delivering government services. These areas generally do not include workstations. Where the public/client interactions with employees ordinarily occur at those employees' workstations, those areas should be included in the definition of 'public interface areas', and the headcount accommodated does not count towards the ODR.

## Workstation

An area for the purpose of undertaking desk-based activities by one individual at a time, recognising that this area may be multi-purpose or may be shared over time by more than one individual.



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