

Briefing for the Incoming Minister for the Public Service

Government Property Group

November 2023



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1. Welcome to the government office accommodation portfolio

1. As the incoming Minister for the Public Service, you are responsible for Government office accommodation and public interface spaces, including:
 - its strategic direction and performance.
 - investment decisions and intentions across the government property portfolio.
 - the day-to-day management of office accommodation.
2. This provides you with an opportunity to use the government property portfolio to contribute to Government's commitment to improve the efficiency and effectiveness of the Public Service and of government funded services.
3. By taking a system centric view of office accommodation requirements, we can:
 - reduce the overall cost of the government's office accommodation portfolio.
 - considerably reduce the amount of floor space used by government agencies.
 - manage critical risks across the property portfolio before issues arise.
 - drive more efficient and effective property accommodation outcomes for government.
4. There is a very timely opportunity to change the way government sources, consumes and manages its office accommodation by taking a system centric view of office accommodation, and we would appreciate talking this through with you.
5. Consolidating agency footprints, utilising existing and surplus space more efficiently, and stopping agencies implementing individual requirements (which are not always in the best interests of the Crown) provide considerable opportunities for cost savings.
6. The purpose of this briefing is to:
 - provide background information on the Government Property Group, and
 - provide initial advice on strategic opportunities facing the portfolio.
7. We would value an early opportunity to discuss how we can support you in developing a work programme.
8. Further briefings will be provided to you as needed, focussing on specific topics in greater depth.

2. Portfolio overview

Purpose of this section

9. This section sets the scene for the government property portfolio by outlining the portfolio, associated appropriations, and staffing arrangements.

As Minister you have responsibility for the Government Property Portfolio

10. The Minister for the Public Service is responsible for government office accommodation, including public interface spaces where New Zealanders engage with agencies.
11. Government has a significant office accommodation portfolio of approximately 1 million m² of office space with total lease costs approximately \$330 million per annum.
12. The Government Property Group (GPG) mandate relates to all government accommodation occupied by 74 mandated departments and crown agents, of which 95% is leased. It does not extend to agencies outside the mandate or to operational sites such as hospitals, schools, prisons, and residential property. The departments and crown agents covered by GPG's mandate are detailed in Annex 2.
13. Rental, construction and operating costs have been increasing at a rate of 5-10% per annum for the last few years, and this is likely to continue especially for modern efficient buildings. The continued evolution to a hybrid operating model (where not all staff are in the office every day), presents an opportunity to change the way government sources, consumes and manages its office accommodation.

Department Arrangements

14. All of the policy, guidance and property advice functions of the government property portfolio are hosted within the Ministry of Business, Innovation and Employment (MBIE).
15. The Public Service portfolio falls within Vote: Business, Science and Innovation.

Appropriations you are responsible for

16. The Minister for Economic Development is currently the lead Minister for Vote: Business, Science and Innovation (BSI). This involves submitting baseline updates and budget estimates content to the Minister of Finance on behalf of all appropriation ministers within the Vote as well as appearing in front of select committees when discussing the Vote.
17. As Minister for the Public Service, you are an Appropriation Minister responsible for two appropriations. These appropriations reflect the Budget Economic and Fiscal Update, plus funding decisions up to 30 September 2023 and adjustments made through the October Baseline Update (OBU).
18. You are responsible for two appropriations totalling \$39.847 million for 2023/24, and allocated as follows:

- *Public Service: Property Management within the State Sector Services* appropriation provides for leadership, guidance and support, monitoring and brokerage in respect of property management within the State Sector.

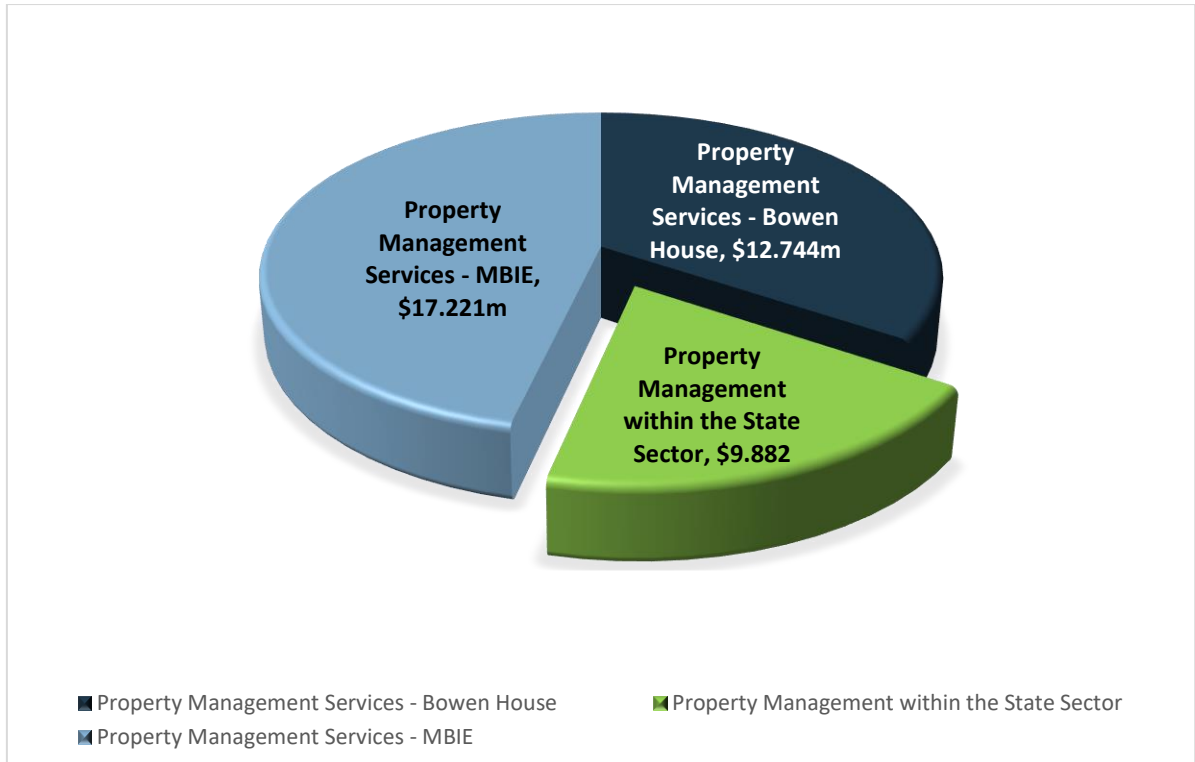
GPG is accountable for \$9.882 million of which \$8.582 million is to provide property system leadership, guidance and support, monitoring and brokerage in respect of property management within the State Sector with \$1.300 million being third party funding earmarked for the Government Property Portal. The appropriation for 2023/24 is higher by \$2.700 million than its annual appropriation due to a one-off expense transfer from the prior year and a baseline transfer to fund Public Service Commission System Leadership.

These funds are administered by GPG.

- *Public Service: Property Management Services* appropriation. In 2023/24 it is \$29.965 million, of which GPG is accountable for \$12.744 million in operating costs associated with the delivery of Bowen House (recently transferred from the Parliamentary Service to GPG). The remaining \$17.221 million is operating costs for shared property management services which MBIE deliver on behalf of other government agencies. The cost is departmentally funded through cost recovery from the accommodated agencies.

These funds are administered by MBIE Corporate.

19. The following pie graph illustrates the 2023/24 Departmental Appropriations:

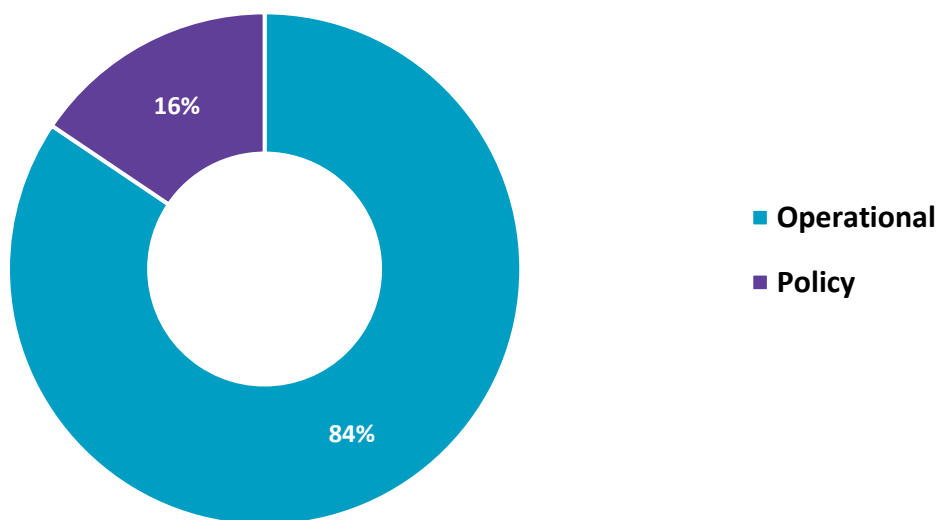


20. The following table sets out the funding in out-years:

Appropriation (\$m)	2024/25	2025/26	2026/27	2027/28 & outyears
Property Management within the State Sector (support services) which includes \$1.300 million third party funding	9.882	7.213	7.214	7.214
Property Management Services	17.221	17.221	17.221	17.221
Property Management Services Bowen House	12.744	8.196	8.196	8.196
Total	39.847	32.630	32.631	32.631

21. The portfolio does not have any specialised funds that require action or monitoring in your capacity as Minister for the Public Service.

22. GPG is hosted by MBIE, and the Property Portfolio is supported by 12.9 full time equivalents (FTE) including the General Manager. This is broken down as follows:



23. In the Public Service portfolio, 84% is operational and 16% is policy. The following table shows the portfolio FTE:

Function	Portfolio FTE	Portfolio %
Operational	10.9	84%
Policy	2.0	16%
Total staff	12.9	100%

24. The portfolio view does not include enablement functions (for example, finance, legal, communications, ICT, Ministerial Services). All numbers are represented as FTE with the data as at 30 September 2023.

3. Strategic choices in the government office accommodation portfolio

Overview of this section

25. This section sets out the economic context and provides information about system leadership and an opportunity to deliver significant savings.

The economic context

26. New Zealand's economy faces a number of long-term challenges. These include weak productivity, increasing stresses on our economic resilience, negative impacts on the natural environment, and significant disparities between different population groups. Compounding these, are global 'megatrends', such as changes in climate, technology, and demography, and rising geopolitical tensions. In the short-term, our economy also faces immediate headwinds. These challenges and trends present both risks and opportunities to the economy. MBIE can help you to work collaboratively across portfolios and with stakeholders, such as business and local communities, to achieve your immediate portfolio priorities and address these challenges.

Implementing System Leadership

27. Since 2012, as the delivery vehicle for the Property Functional Lead, GPG has had responsibility for developing property-related standards and guidelines for agencies and assisting agencies with their property needs. Over time, there has been a shift towards creating a more flexible and adaptive network of government workspaces to help manage demand pressures, reduce dependency on central city locations and improve resilience.

28. In July 2023, Cabinet agreed to further strengthening the leadership of government office accommodation through greater centralisation of all or some of the government property functions. Cabinet agreed:

- in principle, that the System Leader for Property will be accountable for the strategic direction and performance of government's office accommodation, investment decisions, and delivery of the portfolio.
- to progressively centralise the management of all government office leases, property, facilities and asset management functions, along with the relevant related workforce and appropriations into a Centralised Business Unit.
- to progress work on analysing and designing the functions required to centrally manage government's property portfolio over 2023/24.
- to invite the Minister for the Public Service to report back to Cabinet in June 2024 with detailed property system baseline information, costs, funding options, impacts and implementation plans that will support a final, fully informed decision to proceed with centralisation of the portfolio.

29. Government has approximately 1 million sqm of office accommodation across New Zealand, costing approximately \$330m per annum over 74 agencies.

30. Negotiations

In addition, GPG expects greater centralisation will support significant efficiency gains across the portfolio including cost avoidance savings in the short to medium term.

Negotiations

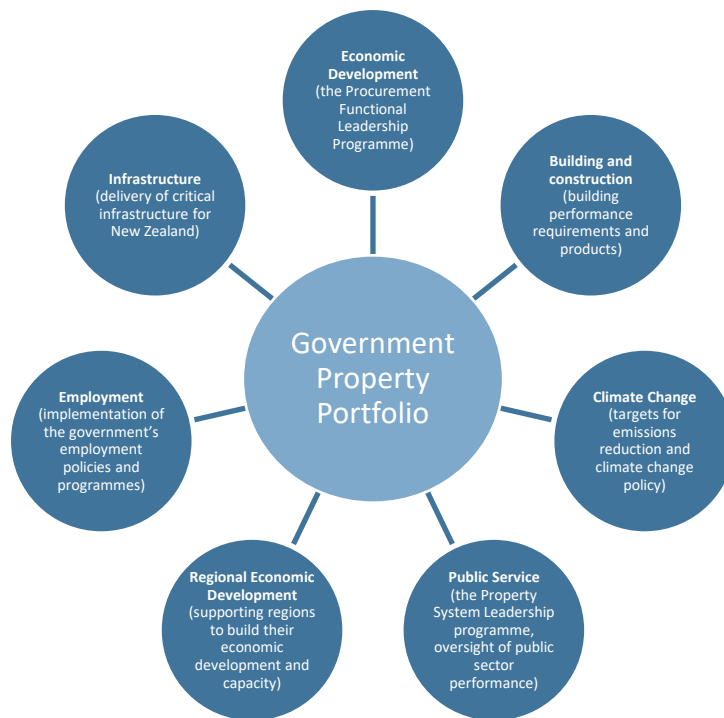
- 32. A centralised, highly commercial property function could achieve even broader benefits including the ability to negotiate more competitive lease terms across the entire portfolio unlocking significant savings for the Crown, while significantly reducing duplication of effort and the need to employ consultants to act on behalf of government in property transactions.
- 33. Standardising office layouts and the sharing of facilities allows for more intensive office space utilisation reducing the cost and footprint of the government's office accommodation portfolio during a fiscally constrained environment.
- 34. There are opportunities for enhanced commercial decisions, for example:

Negotiations

- 35. We are following our Australian counterparts who have centralised property functions resulting in substantial cost savings and benefits.
- 36. GPG is currently developing a programme of work and is engaging with mandated agencies to support a report back to Cabinet in June 2024.

4. Portfolio responsibilities

37. The Minister for the Public Service is responsible for government office accommodation, including public interface spaces where New Zealanders engage with agencies. You are not responsible for administration of any legislation or any advisory bodies.
38. The major links between the System Leader for Property, GPG and other portfolios are outlined in the diagram below:



39. As well as the above portfolios, the System Leader for Property also works closely with the system leads for Information Security, People, Data, Digital, Regional Public Services, and Service Transformation to drive greater efficiency, alignment, and impact across their areas, prioritise investment and coordinate advice, and ensure that a whole-of-system approach is taken to address their common challenges.

5. How MBIE assists you

Our primary ways of engaging with you

40. We engage with you primarily through the following mechanisms:

- meetings between yourself and MBIE officials, based on your preference, and
- advice on key policy and operational issues in the portfolio.

41. We are happy to adjust these based on your preferred way of working.

Advice and Support

42. GPG provides support and advice to you in your role as the Minister for the Public Service. This includes:

- **Policy advice** on system leadership and advice to support decision-making in relation to government accommodation.
- **Project assurance** to support and manage the systems and frameworks that support quality decision making in property.
- **Reporting** to provide assurance that large-scale projects are delivered to the required standard and within investment parameters.

Key initiatives

43. In addition to the system leadership work, the work programme of the System Leader for Property includes:

Developing co-location hubs, including Bowen House

44. In 2020 the Government Office Accommodation Programme was initiated, and this included the proposal to establish co-location hubs for public service agencies throughout New Zealand.

45. The first co-location hub is Bowen House in Wellington city. This building will be ready for occupation in quarter one 2025 and is currently undergoing seismic strengthening by the landlord.

46. Bowen House will be fitted out as a modern, efficient, cross-agency co-location hub, and serve as a pilot for an ICT, financial and operating model for other future office hub developments.

47. The development of Bowen House is an example of a collaborative approach to office accommodation, and the benefits that can be realised in centralising the government's office accommodation portfolio.

48. Co-location hubs support delivery of the vision of the Public Service Act 2020 to "provide workplace solutions that enable the Public Service to work as an agile and adaptable system in which people and resources are able to move more flexibly across present agency boundaries".

49. The programme has a long-term horizon and involves co-locating agencies in existing and new office developments, with MBIE acting as the agency responsible for negotiating and executing leases and managing the operation of the hubs.

Developing an office accommodation portfolio plan

50. With 100,000 sqm of leases expiring in Wellington in the next 3 years, Negotiations

Negotiations

Standards and systems

52. GPG sets standards, provides guidance and advice for good property practice across mandated agencies. The work programme places emphasis on fostering a more joined up approach across government, supporting regional growth, delivering modern, flexible and adaptive government workplaces and providing a standardised approach to fit out and design.
53. By creating Universal Design Guidelines, GPG has developed a framework which will drive more consistent standards of government office accommodation design, accessibility and inclusivity.
54. The Government Property Portal is a property lease management system available to registered agencies that provides GPG an consolidated view of agency property portfolio information. We continue to make enhancements to the Government Property Portal to enable the tracking of additional property functionality such as environmental sustainability status and space utilisation rates.

Seismic work

55. Seismic assessments of government office accommodation are important to ensure the safety, health and well-being of public servants. GPG monitors the portfolio to ensure that all premises are considered seismically safe.
56. GPG has delivered seismic guidance to help agencies make decisions about the seismic resilience of their portfolio and the continued occupation of buildings with low seismic ratings. This guidance sits alongside the *Seismic Risk Guidance for Buildings* also produced by MBIE.
57. GPG is working with agencies to ensure all buildings within the portfolio are adequately assessed for seismic performance and seismic risk, and that any building vulnerabilities are understood. Our approach is to progressively improve the seismic rating of buildings within the office accommodation portfolio as leases expire and new leases are entered into.

NABERSNZ rating tool

58. NABERSNZ (National Australian Built Environment Rating System New Zealand) is a tool used to rate and improve the energy efficiency of office buildings¹ where government occupies 2000 m² or more of a building. Improving the energy efficiency of government office accommodation

¹ NABERSNZ is licensed to Energy Efficiency and Conservation Authority (EECA) and is administered by the New Zealand Green Building Council (NZGBC). Ratings are carried out by trained assessors.




reduces energy use, resulting in decreased operational carbon emissions and reduced operational costs through less energy use.

59. Since 1 January 2021, agencies have been required at the earliest opportunity (such as renewing an existing lease or entering a new lease), to undertake a NABERSNZ assessment with a view to achieving a 4-star standard or higher. If an agency is planning to lease a new building, the building must achieve a NABERSNZ 5-star rating.
60. There are currently 99 buildings in scope for this initiative. As of August 2023, NABERSNZ assessments had been completed for 41% of eligible government accommodation. A further 29% of buildings have an assessment planned or underway, with the balance needing to have an assessment completed by December 2025.
61. Of the buildings assessed, 73% achieved a rating of or greater than a 4-star rating. However, 27% of buildings achieved less than a 4-star rating. These agencies are required to work with the building owner to agree a programme of work to achieve the required rating and further assessments are required.

Key MBIE officials

62. The table below sets out the key MBIE officials who will support you in this portfolio.

Table 1: Key MBIE officials

Contact	Contact details	
<p>Carolyn Tremain</p> <p>Secretary for Business, Innovation and Employment</p>		<p>Privacy of natural persons</p>
Building, Resources and Markets Group (BRM)		
<p>BRM leads policy development to ensure a fair, competitive business environment and well-functioning telecommunications, building and construction, small business, manufacturing, and resources sectors and operations. We also serve as the Government's Procurement System Leader and the Government's Property System Leader. BRM oversees many of the regulatory systems that govern Aotearoa New Zealand's markets: commerce and consumer affairs; energy markets; minerals and petroleum; energy efficiency; communications; and building performance.</p>		
<p>Paul Stocks</p> <p>Deputy Secretary Building, Resources and Markets (BRM)</p>		<p>Privacy of natural persons</p>
<p>Angela Xygalas</p> <p>General Manager, New Zealand Government Property</p>		<p>Privacy of natural persons</p>

6. Upcoming actions and issues to be aware of

63. This section details a number of matters that will, or may, require your attention in the short- to medium-term. These are categorised as follows:

- **Things that will require your immediate attention** (Table 2): Matters where you will be required to do something (eg to consider advice) in the short term.
- **Things to be aware of in the portfolio** (Table 3): Matters that you may need to respond to in the near term.

Things that will require your immediate attention

64. The following table sets out the major work programmes that we consider may be a priority for you.

Table 2: major work programmes

Topic	Description	Driver	Timing
Negotiations			

Things to be aware of in the portfolio

65. The following table sets out the major work programmes that we consider that you need to be aware of:

Table 3: major work programmes that you need to be aware of:

Topic	Description	Driver	Next step
Negotiations			
System leadership, including centralisation of government property services	A strengthened mandate for the Property System Leader to ensure that the portfolio is managed effectively and efficiently across government. Includes proposals to centralise the delivery of government office accommodations services for some or all mandated agencies, including transfer of funding and staff.	Cabinet decision inviting the Minister for the Public Service to provide Cabinet with information to support Cabinet deciding to process with centralisation	<div data-bbox="1155 1019 1477 1128" style="background-color: #cccccc;">Constitutional conventions</div> Report back to Cabinet in June 2024.

Annex 2: Key Stakeholders – Mandated Agencies

The following agencies in alphabetical order are within GPG’s mandate:

Departments

1. Crown Law Office | Te Tari Ture o te Karauna
2. Department of Conservation | Te Papa Atawhai
3. Department of Corrections | Ara Poutama Aotearoa
4. Department of Internal Affairs | Te Tari Taiwhenua
5. Department of the Prime Minister and Cabinet | Te Tari o te Pirimia me te Komiti Matua
6. Education Review Office | Te Tari Arotake Mātauranga
7. Government Communications Security Bureau | Te Tira Tiaki
8. Independent Children’s Monitor | Aroturuki Tamariki
9. Inland Revenue Department | Te Tari Taake
10. Land Information New Zealand | Toitū Te Whenua
11. Ministry of Business, Innovation, and Employment | Hīkina Whakatutuki
12. Ministry for Children | Oranga Tamariki
13. Ministry for Culture and Heritage | Manatū Taonga
14. Ministry of Defence | Manatū Kaupapa Waonga
15. Ministry of Education | Te Tāhuhu o te Mātauranga
16. Ministry for the Environment | Manatū Mō Te Taiao
17. Ministry of Foreign Affairs and Trade | Manatū Aorere
18. Ministry of Health | Manatū Hauora
19. Ministry of Housing and Urban Development | Te Tūāpapa Kura Kāinga
20. Ministry of Justice | Te Tāhū o te Ture
21. Ministry of Māori Development | Te Puni Kōkiri
22. Ministry for Pacific Peoples | Te Manatū mō Ngā Iwi o te Moana-nui-ā-Kiwa
23. Ministry for Primary Industries | Manatū Ahu Matua
24. Ministry of Social Development | Te Manatū Whakahiato Ora
25. Ministry of Transport | Te Manatū Waka
26. Ministry for Women | Manatū Wāhine
27. New Zealand Customs Service | Te Mana Ārai o Aotearoa
28. New Zealand Security Intelligence Service | Te Pā Whakamarumarū
29. Public Service Commission | Te Kawa Mataaho
30. Serious Fraud Office | Te Tari Hara Tāware
31. Stats NZ | Tatauranga Aotearoa

32. The Treasury | Te Tai Ōhanga

Departmental agencies

- 33. Cancer Control Agency | Te Aho o Te Kahu
- 34. Independent Children's Monitor | Aroturuki Tamariki
- 35. Ministry for Ethnic Communities | Te Tari Mātāwaka
- 36. Ministry of Disabled People | Whaikaha
- 37. National Emergency Management Agency | Te Rākau Whakamarumarū
- 38. Office for Māori Crown Relations | Te Arawhiti
- 39. Social Wellbeing Agency | Toi Hau Tāngata

Interdepartmental Executive Boards

- 40. Border Executive Board
- 41. Climate Change Chief Executives Board
- 42. Digital Executive Board
- 43. Family Violence Executive Board
- 44. Strategic Planning Reform Board

Non-Public Service departments Executive branch

- 45. New Zealand Defence Force | Te Ope Kātua o Aotearoa
- 46. New Zealand Police | Ngā Pirihimana o Aotearoa
- 47. Parliamentary Counsel Office | Te Tari Tohutohu Pāremata

Statutory entities — Crown agents

- 48. Accident Compensation Corporation | Te Kaporeihana Āwhina Hunga Whara
- 49. Callaghan Innovation
- 50. Civil Aviation Authority | Te Mana Rererangi Tūmatanui o Aotearoa
- 51. Earthquake Commission | Kōmihana Rūwhenua
- 52. Education New Zealand | Manapou ki te Ao
- 53. Energy Efficiency and Conservation Authority | Te Tari Tiaki Pūngao
- 54. Environmental Protection Authority | Te Mana Rauhi Taiao
- 55. Fire and Emergency New Zealand Health New Zealand | Te Whatu Ora
- 56. Health Quality & Safety Commission | Kupu Taurangi Hauora o Aotearoa
- 57. Health Research Council of New Zealand |
- 58. Homes and Communities | Kāinga Ora
- 59. Maritime New Zealand | Nō te rere moana Aotearoa
- 60. New Zealand Antarctic Institute Antarctica New Zealand
- 61. New Zealand Qualifications Authority | Mana Tohu Mātauranga o Aotearoa

- 62. Tourism New Zealand (New Zealand Tourism Board) Manaakitanga Aotearoa |
- 63. New Zealand Trade and Enterprise | Te Taurapa Tūhono
- 64. New Zealand Transport Agency | Waka Kotahi
- 65. The Outdoor Access Commission Herenga ā Nuku Aotearoa
- 66. Pharmaceutical Management Agency | Te Pātaka Whaioranga
- 67. Real Estate Authority (Real Estate Agents Authority) | Te Mana Papawhenua
- 68. Social Workers Registration Board | Kāhui Whakamana Tauwhiro
- 69. Sport and Recreation New Zealand | Ihi Aotearoa Sport New Zealand
- 70. Water Services Regulator | Taumata Arowai
- 71. Tertiary Education Commission | Te Amorangi Mātauranga Matua
- 72. WorkSafe New Zealand | Mahi Haumaru Aotearoa

Non-Public Service departments in the Legislative branch

- 73. Office of the Clerk of the House of Representatives | Te Tari o Te Manahautū o Te Whare Māngai
- 74. Parliamentary Service | Te Ratonga Whare Pāremata