

Smart workplace & property services

Crown Office Estate Report 2015

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From the Minister



The Property Management Centre of Expertise (PMCoE) has been in existence for just four years but is already starting to produce some impressive results.

The cost avoidance to the Crown since PMCoE's inception in 2011 is substantial. More than \$132million of taxpayer funding has been left available which can be redirected to frontline services.

While these results are impressive, and using taxpayer dollars prudently is essential, there are even more gains to be made by the modernising of the Public Sector workplace in terms of staff satisfaction, improved productivity and the better delivery of services.

PMCoE is already pulling together best practice advice on the workplace in regard to agency co-locations and shared services to promote the benefits and help streamline the process.

Agencies clustering together, either in close proximity or by being in the same building, develop improved linkages through their physical proximity to each other, improving overall business outputs.

A cross-agency solution enables efficiencies to be achieved through co-location of agencies, particularly small agencies, with common areas such as receptions, meeting rooms, kitchens, infrastructure and IT services.

The improved flexibility and responsiveness of the Crown's property portfolio to meet changing organisational needs are a key part of PMCoE's workplace strategy and, as agencies adopt greater standardisation, this will allow for changing Government property needs.

The development and application of PMCoE's common workplace standards not only provides economies of scale during lease negotiations, in the provision of furniture systems, professional services and facilities management, but also provides for consistency between agencies allowing for the sharing and re-use of facilities. In effect, this future-proofs the Crown Office Estate. It also takes a holistic, whole-of-life approach to the management of the Crown Office Estate.

There is a growing acceptance within the property industry that office accommodation can be both an enabler and a resistor to productivity in the workplace. Applying the best principles of modern, flexible workplaces across the Government sector under the guidance of PMCoE is an important part of providing Better Public Services.

Under its direction, the linkage between office accommodation and effective workplaces will be consistent between agencies, and a standardised approach can be adopted without compromising individual agency requirements.

It is heartening for the Government to see agencies working together with PMCoE to achieve these impressive results. I believe the relationship between PMCoE and agencies can only strengthen as Senior Leadership Teams see the growing evidence of the benefits from a centralised approach to their bottom lines, better public service objectives and staff satisfaction.

Managing a successful Crown Office Estate nationwide is essential, as provision of accessible public services is not restricted to the major cities but delivered across New Zealand. PMCoE is working on regional property initiatives to deliver efficient, flexible workplaces throughout the country for the more than 17,000 people employed by the Public Service, nearly 40%, located outside the major centres of Wellington and Auckland.

I compliment PMCoE on the successful outcomes for this year and look forward to seeing the benefits compound as the Wellington Accommodation Project –Tranche 2 begins to roll out.

Hon Paula Bennett



More than

\$132m

of taxpayer funding has been left available which can be redirected to frontline services.

Significant on-going benefits

This report, our fifth annual snapshot of the Crown Office accommodation portfolio, captures estate-related data and analysis for the year ending 30 June 2015. The data collected exposes the significant benefits from the centralised approach to the management of the Crown Office Estate already realised.

This year alone, a cost of \$57.7 million of taxpayer funding has been removed from the Crown Office Estate through rental and facilities management reductions.

Since PMCoE was established in 2011, savings of \$132.2 million of taxpayer funding have been delivered through cost avoidance and hard savings, demonstrating that a centralised approach to the management of the Crown Office Estate can deliver significant and on-going benefits to the taxpayer and for agencies. Progress is constantly being made – in the year ending June 30 2015, a further 30,997m² was sliced from the Crown Estate bringing the total reduction to 152,293.86m² in four years - and represents the hard work and collaborative decision making processes undertaken by property teams within agencies.

This year's results indicate that, working with agencies, PMCoE is on track to deliver the forecasted \$110m per year of savings from 2024. There are major work programmes still to be delivered. The Wellington Accommodation Project - Tranche 2 (WAP2) has yet to enter its implementation stage and is forecast to produce, from 2018, hard savings of \$6m to \$33m per year depending on the finalised rental negotiations, and \$200m of cost avoidance.





Initial engagement has also started for the Auckland and regional accommodation projects with business cases scheduled for completion in 2016.

While the reduction in footprint continues in the desired downward trajectory and costs continue to be contained, in the past two years, PMCoE has broadened its focus to include not only cost savings, but also the quality of the accommodation; change management; capability within our sector; procurement; and consistency across government. This is the work which enables the delivery of Better Public Services.

Research shows¹ that modern flexible workplaces have increased benefits for staff health and wellbeing, driving productivity and better outcomes for all New Zealanders.

To evaluate the progress being made in this space, PMCoE is developing a productivity measurement tool scheduled to come on line in 2016. This will be just one of the tools used to measure the benefits of the modern workplace. Agency staff surveys and client feedback will also help build a picture of the service delivery being provided. PMCoE will continue to

share with agencies the latest national and international best practice guidelines and learnings for modern workforces.

Considering all these factors rather than focusing just on the footprint reduction, helps to ensure that value for money is achieved across the life cycle of the Crown Office Estate, not simply as an initial reduction of costs.

We believe, as the projects are starting to embed, the benefits to New Zealand of the PMCoE work programme are becoming obvious. This report outlines that information for Ministers, PMCoE, agency leadership teams and property professionals allowing them to assess our performance and to identify our next priorities so we can continue to build on our progress to date.

David White
Director, Property Management
Centre of Expertise

“PMCoE provides a professional direction and setting which enables practitioners to reflect PMCoE’s exemplar standards whilst maintaining and achieving specific agency outcomes.”

Rob Skinner, July 2015, NZ Defence Force

¹www.hok.com/thought-leadership/workplace-strategies-that-enhance-human-performance-health-and-wellness/

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Executive summary

The Crown Office Estate Report is an annual publication recording progress during the year towards the Government's goals for its property.

These 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 Office Estate; build collaboration and co-operation between government entities in property and property-related activities
- Create consistent office accommodation across the Crown Office Estate supporting increased productivity and the delivery of exceptional public services.

Highlights and overview for 2015



Total reduction in the Estate

30,997m²



Average total cost per office person
down from \$6,668 per person to

\$6,631



Total office sqms per person
down from 19.2m² to

18.37m²



Hard savings of

\$2,417,911

Accumulative cost avoidance and
hard savings since inception

Rental Cost avoidance and
hard savings since 2011 -

\$109,203,250

Facilities Management Cost avoidance and
hard savings since 2013 (when records began)

\$22,944,982



Total cost avoidance and hard savings

\$132,148,233

Crown Office and public interface areas

 Number of people
 |
  Area



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The management team



David White
PMCoE Director

David was educated in New Zealand completing a BBS and MBA at Massey University. His career in property has included institutional property investment and occupation, and consultancy. In 2005, he joined Treasury, was seconded as a Ministerial advisor for two years, leaving in 2010 to establish PMCoE. David believes in the benefits of a centralised approach to the management of the Crown Estate, both in gaining efficiencies and implementing modern workplaces to support increased productivity. He leads 25 staff providing leadership in workplace best practice, co-location guidance and delivering consistency across the Crown Estate.



Carolyn Cole
PMCoE Operations Manager

With a team of 14, Operations is responsible for the day-to-day running of PMCoE, including All of Government property procurement, agency stakeholder management, brokering, and information & systems. Carolyn has spent 25 years in both property and procurement and managed teams in both the private and public sectors. Her experience includes Telecom, the New Zealand Racing Board, the New Zealand Defence Force and the Department of Building and Housing (now Ministry of Business, Innovation and Employment).



Kirit Parbhu
Manager Projects

Kirit joined as Manager of Projects in 2013 having worked in property for 20 years. The Project Team was established to provide oversight, support and, in some cases, management of the growing number of projects that will be established to realise the goals of the Government National Property Strategy (GNPS). Kirit has over 20 years of commercial property and project experience specialising in Government property. He has specialised in corporate real estate and led significant projects in tenant advocacy, property strategy development and transaction facilitation.



Matthew Meehan
Manager Strategy & Research

The five-strong Strategy & Research Team is responsible for strategy, policy, guidelines and tools to apply across the government portfolio, as well as commissioning relevant research and leading benefits modelling and realisation. Matthew's background is varied, including heavy transport, tutoring, multimedia design, sales, brand management, recruitment, project management, procurement and property. He is also responsible for leading the PMCoE's relationship with the Minister of State Services.

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Going forward

(with milestones)

The Wellington, Auckland and regional accommodation projects are providing enormous potential to deliver an efficient, streamlined public sector which will not only contain costs but support increased productivity.

Reducing the footprint will continue to provide benefits in cost avoidance for the foreseeable future. For example, in Wellington, B-grade rents, the largest category in the Wellington Crown Office Estate, recorded an increase of 7.5 per cent this year.¹

In Auckland, rents rose by between 3.69 and 7.9 per cent. In both these major cities, rents must continue to rise as vacancy rates decrease, squeezing the supply of available office accommodation.

The cost savings and cost avoidance already achieved tell a very positive story about the value of a centralised approach to the management of the Crown Office Estate and the accommodation projects still to be delivered will build on these results. However, these are not the only benefits of the new approach.

Defining other benefits, such as staff wellbeing, service delivery and increased productivity will reveal a raft of additional advantages to the PMCoE managed Crown Office Estate once they are accurately tracked.

A focus for PMCoE's Strategy and Research team is to develop productivity measurement tools, to evaluate the projects as they are implemented, the outcomes delivered by more flexible and choice-based workplaces and whether these are lifting productivity. They will also measure whether they deliver an increased level of service for New Zealanders.

PMCoE is collating the best international and local research into providing advice and guidelines on workplace fit-out with a focus on staff wellbeing. International studies show this is vital for producing the best results for stakeholders and customers.

Landlords are now moving to upgrade their buildings, particularly in line with seismic requirements. This makes buildings safer for both staff and the general public. With the improving quality of buildings it is even more essential to contain costs, and leveraging the size of the public sector is one tool in achieving this.

¹ New Zealand | CBD Office | 2015, Colliers International



Future milestones

- BNZ Centre Stage 1 Christchurch Integrated Government Accommodation (CIGA) building opening in December 2015
- Ministry of Education (MoE) to resettle into its new Bowen Street location in early 2016
- First round of regional projects due to start rolling out from November 2015 until late 2017
- Conservation House agreement due in November 2015. This sees a new lease arrangement with the Landlord and an agreement to perform a major upgrade of Conservation House with minimum disruption to staff
- Facilities Management Common Capability Contracts (CCC) to be completed in November 2016
- Government Property Portal (GPP) pilots for three new modules underway from November 2015 to April 2016

- Ministry of Social Development (MSD) will locate to 56 The Terrace in mid 2016
- Ministry of Health (MoH) will relocate to Molesworth St in early 2017
- Property Consultancy Services CCC due June 2016

2015 highlights

- Delivery of a Furniture CCC in February 2015
- Three remaining WAP1 agencies, MOH, MoE and MSD finalised their development agreements and deeds of lease
- Lead agency based financial model developed for CIGA which is being used across co-location agreements and will be the first of the co-location guides to be released.
- Gisborne Regional Accommodation Project will see three agencies co-locate into new premises in November 2015

“The co-location arrangements in Christchurch are a real win-win. Both HRC and EECA only have small numbers of staff there, so being able to share a facility with other government agencies helps us rationalise overheads and helps contribute to the overall occupancy requirements that the lead agency carries.”

Donna Royal, Business Team Lead HRC speaking on the Human Rights Commissions

Wellington Accommodation Project

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The WAP2 business case was approved by Cabinet in June 2015 opening up exciting opportunities for the management of the Crown Office Estate in Wellington.

WAP2 is the second stage of the Crown's Wellington Accommodation Strategy. Following the success of WAP1, WAP2 has adopted a centralised process to procure office accommodation for 24 central government agencies.

Highlights from the business case and the preferred solution

The key highlights from the Business Case, as approved by Cabinet are:

- The Ministers of Finance and State Services have been delegated the authority to agree the final commercial terms following the negotiation phase, within specified tolerances.
- Cabinet has directed the Chief Executive of the Ministry of Social Development, as Functional Leader Property, to negotiate development agreements and deeds of lease (Phase 2 only) through PMCoE for the preferred accommodation solution and report to those joint Ministers for approval.
- The business case presents a preferred option which has the 24 participating agencies occupying 12 buildings across the Wellington CBD with varying degrees of building refurbishment, from both a landlord and agency perspective.
- Five of these buildings will accommodate more than one agency; most notably the Bowen Campus (currently the Ministry of Social Development's head office) which will co-locate 12 agencies split across two buildings.
- The preferred option, of the three options considered, requires the least number of staff to relocate. Six of the 24 agencies will remain at the same location. This achieves the highest level of agency satisfaction (achieving agency preferences with regard to co-location partners and physical location) of 94%.
- The preferred option delivers the greatest level of savings, which will come in the form of both hard savings - through reductions in the number of buildings, floors, receptions and mail rooms required - and property costs avoided
- Implementation (Phase 3) will occur once Ministerial report backs have been approved. Each deal is unique and will require its own tailored programme. Until the conclusion of the negotiation stage, PMCoE is not in a position to confirm the detail.
- WAP2 is a three phase project and has incorporated lessons learnt from earlier successful sourcing activities led by PMCoE such as WAP1 and the Christchurch Integrated Government Accommodation project (CIGA).

The three Phases of WAP2 are:

- | | | |
|--|--|---|
| ▶ Phase 1
Lease Procurement &
Business Case (Completed) | ▶ Phase 2
Consultant Procurement & Negotiations
(July 2015 to May 2016) | ▶ Phase 3
Implementation & Fit out Procurement
(mid- 2016 and onwards) |
|--|--|---|

Wellington Accommodation Project

The Wellington Accommodation Project – Tranche 1 (WAP₁) is well into its implementation stage with all agencies expected to be settled in their new locations by the end of 2017.

All leases have been finalised and signed, building upgrades are underway and agencies are preparing to shift into their new premises if not already resettled.

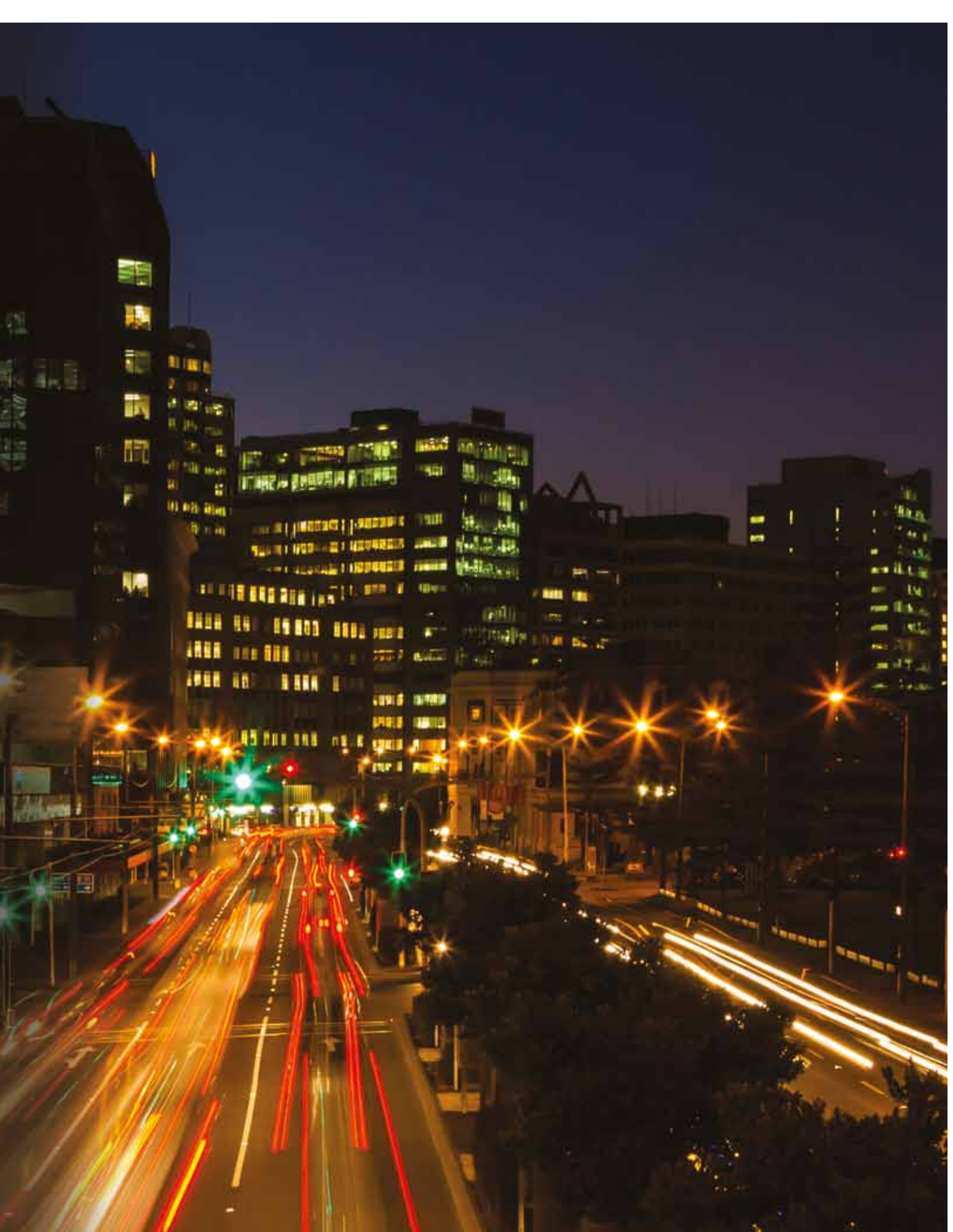
Five agencies participated in WAP₁ - the Crown Law Office, the Ministries of Business, Innovation and Employment (MBIE), Education (MOE), Social Development (MSD) and Health (MOH).

The last Crown Office Estate report outlined the successful co-location of the Crown Law Office with the Ministry of Justice and the outcome of the MBIE Development Agreement and Deed of Lease negotiations for premises in Stout Street.

MBIE consolidated their Wellington CBD office space to Stout Street in September 2014.

The past 12 months have seen the conclusion of further negotiations:

- **Ministry of Health** – working with PMCoE, successfully negotiated a development agreement and deed of lease for 15,311m² at 133 Molesworth Street. The project is now in implementation phase with the relocation scheduled for 2017.
- **Ministry of Social Development** – working with PMCoE, successfully negotiated a development agreement and deed of lease for 24,255m² at 56 The Terrace. The project is now nearing finalisation with the Ministry expected to relocate in mid 2016.
- **Ministry of Education** – in conjunction with PMCoE, successfully negotiated a development agreement and deed of lease for 13,178m² at 33 Bowen Street. The project has progressed significantly and the Ministry's relocation is expected in 2016.



An aerial photograph of a coastline with a large white number '6' overlaid on the right side. The text 'In the regions' is positioned to the left of the number.

In the regions

Supporting the delivery of Better Public Services across the country is an important part of managing the Crown Office Estate.

PMCoE is working with agencies from Kaitia to Bluff to identify opportunities to provide staff with modern, flexible work spaces which support improved productivity and the delivery of Better Public Services in a cost effective and efficient manner.

While there is a desire to reduce the Crown footprint and reduce costs, as in the main centres, a primary consideration of shared and co-locations in the regions is to provide ease of access to the public, and support staff well-being and productivity in modern, flexible workspaces.

The lessons learned through the Wellington Accommodation Project Tranche 1 and the Christchurch Integrated Government Accommodation project (CIGA), have provided a framework for the Regional Accommodation Programme, with the principles and processes remaining largely the same, although on a smaller scale for the regions. This supports agencies to limit risks and speed up the co-location process.

Co-location Initiatives

In **Gisborne**, the Ministry of Education, Inland Revenue, Department of Internal Affairs and the new Tairāwhiti Children's Team are scheduled to co-locate into new premises in Grey Street in November, 2015.

A preferred model has been developed for all co-locations going forward and PMCoE, working with Treasury, aims to release funding model guidelines in 2016 to assist agencies co-locating.

Other projects underway are:

Whanganui aims to provide a consolidation of office space of one of the largest Crown Agencies in the city. Office space of between 2000 - 2500m² is being sought through an RFP process and is required late 2016.

The project will see consolidation of sites, deliver a modern work environment for staff and result in a net space reduction to the Crown footprint.

The **Auckland Accommodation Project**, because of its scale and geographical spread, will be broken into several projects. This also reflects the need to provide services across the city. Its cross-agency procurement and business case process for office accommodation will take place in the last quarter of 2015.

Undertaking a cross-agency approach will deliver a better result, both for the Government and for individual agencies, than if it is undertaken by each individual agency.

The advantages of a cross-agency procurement approach include:

- economies through leveraging the Crown's size
- alleviation of the potential for duplication of effort and cost; avoidance of actual or perceived competition for properties and,
- allowing a staged portfolio approach as leases expire.

A cross-agency procurement and business case approach will make it easier for the government to achieve the vision and objectives of the GNPS in the Auckland Council area.

The Auckland Accommodation Project's focus is on agencies with office leases expiring over the 2017 to 2020 period. This includes agencies facing final lease expiries within that window, agencies with an initial expiry in the window and rights of

PMCoE is working with agencies from Kaitiā to Bluff to identify opportunities to provide staff with modern, flexible work space

renewal as well as agencies that, if they exercised a right of renewal in 2015 or 2016, would come into the window. PMCoE has identified 24 agencies with leases meeting these criteria.

The vision for the Project is a Crown office portfolio in Auckland which enhances agency and staff productivity, supports the effective delivery of services to clients, facilitates cross-agency collaboration and enables wider government initiatives.

The objectives of this Project are:

- a Crown office footprint in Auckland, compared to today, in fewer locations and buildings
- buildings meet the Crown's Building Performance Specification
- individual agencies consolidated into single sites
- all agencies occupying either clustered, co-tenanted or co-located space
- to identify hard savings and potential cost avoidance against the status quo
- non-service delivery space work stations between 12 and 16 m² per person with the option of flexible working spaces.

New Plymouth is seeking 2000 - 3000m² of office space for delivery in mid-2017. This will allow the co-location of several agencies into new and modern "all of government" office space which is functional, flexible and agile.

Lower Hutt will approach the market for an integrated and consolidated property solution. The project window is for leases expiring in 2018. PMCOE is working with agencies within this window to determine their requirements.

PMCoE has also been working with agencies in Dunedin and Queenstown and will determine needs during the next financial year.



The Government Property Portal Phase 2

In April, the long anticipated second phase of the Government Property Portal (GPP) deployment began. Its initial focus - enhancing the functionality and usability of the Portal's existing Property and Lease module. The updated module is scheduled to go live in August 2015.

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The first phase of GPP, a cross-agency data base, was deployed in April 2011 to allow agencies real-time access to record and manage the data associated with their property portfolio. The data included lease expiries, rental and floor area. Collecting this information is essential to identify brokerage opportunities for Agencies as well as to support an evidence based evaluation and reporting process for PMCoE's work programme.



Initially, collecting the information was a largely manual and time consuming process undertaken by PMCoE, a method which required a need for double handling of information. With the new Property and Lease module, it will become easy for agencies to input their own data and use it for their internal reporting as well.

Of the agencies mandated to use the system, most have on-line access. However, a small number, due to their limited property portfolios which do not warrant the training and maintenance of skills, are not accessing GPP on-line. PMCoE has access to the global data set and enters the information into the GPP system for them. This is the most efficient method of keeping the information up-to-date.

GPP is based on a property management system comprising a number of separate modules. These modules are integrated but can be used separately as dictated by individual user needs.

Further stages of a progressive development and deployment of three more modules - to be completed by August 2016 - will build up the capability required for GPP to provide a fully integrated property management system for agencies and additional reporting capability for PMCoE.

The schedule for the development of additional modules is as follows:

- Property and Lease pilot underway. Full release – August 2015
 - Update to the latest Archibus version – August 2015
 - Space management pilot commences – October 2015
 - Asset Management pilot commences – February 2016
 - Facilities management pilot commences – April 2016
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Deployment of three more modules will build up the capability required for GPP to provide a fully integrated property management system for agencies and additional reporting capability for PMCoE.



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Procurement

PMCoE is developing All-of-Government procurement functions or Common Capability Contracts (CCC) for goods and services related to office accommodation and public interface areas, to provide agencies with easier access to consistent government workplaces.

PMCoE is assessing risk, considering current and future needs and determining best fit solutions that deliver real benefits as it sets up the function.

One CCC has been completed and two more are being developed. They are:

Furniture

PMCoE has concluded its furniture Common Capability Contract procurement process and has established a panel of five providers to supply government office accommodation furniture needs of a consistent quality and price. It is expected agencies will achieve real benefits, savings and efficiencies by using these arrangements compared to using agency specific or alternative agreements.

Contracts have been concluded with the following companies: Aspect, Bourneville Furniture Group, Howarth by Europlan, Montage and Vidak.

Agency expenditure on office furniture is estimated, conservatively, to be \$20m per annum for the mandated agencies, but with potential spend of \$60m across All-of-Government. Consequently, any efficiencies gained in terms of cost reductions will generate sizable cash savings.

A core range of furniture was determined as part of the procurement process. Taking up these core items will assist agencies to reduce their overall office space requirements thereby, over time, reducing the government footprint.

PMCoE will gather data following agency uptake and report in the next Crown Office Estate Report on savings generated and realised.

Facilities management services

PMCoE is identifying agency needs and conducting market research and analysis to determine how best it can address facilities management requirements.

To this end, PMCoE initiated a supplier engagement process requiring visits to the main areas of expenditure for facilities management (FM) services.

PMCoE visited 16 venues throughout the country, engaging with local, regional and national providers to inform them of the current government FM situation and objectives, and solicit their views. This is on-going and will be concluded in early July after which a Procurement Plan will be developed.

Annual expenditure on FM services by agencies within the PMCoE mandate is in excess of \$90m. This represents sizable opportunities for FM providers across the country.

Non-construction related property consultancy services

PMCoE is developing a plan to address agencies' requirements for non-construction related property consultancy services. A Client Advisory Group has partnered with PMCoE to define needs and potential solutions.

The objective is to provide a category review and aid the development of a Procurement Plan by working through the Smart Procurement Methodology process. This is a process outlining the appropriate planning of the types of Common Capability Contracts being developed.

The plan will be submitted to MBIE for the first of the 3-stage review process, after which, market engagement will be undertaken.

MBIE undertakes a review of all collaborative arrangements and those where the anticipated whole of life contract value exceeds \$5m.

The three stage review process is:

1. review of procurement plan;
2. review of RfX documents and
3. contract prior to execution for Common Capability Contracts.

MBIE approves each of these stages as the Functional Lead for Procurement.

Increasing participation in current syndications

PMCoE continues to promote agency participation in existing syndicated arrangements where All-of-Government or Common Capability Contracts aren't available.

PMCoE manages the joining of the Police Seismic Assessment Services, Department of Corrections Construction Consultancy Services and the Inland Revenue Department's Waste Management Services syndicated contracts.

Agency participation in these syndicated contracts continues to grow, in part, due to the specific promotion provided by the PMCoE.

Creation of New Syndicated Opportunities

PMCoE will continue to work with lead and participating agencies to find solutions which provide value and benefits while reducing cost and risk to participating government agencies.

Christchurch Integrated Government Accommodation (CIGA) Programme

The Canterbury earthquakes significantly impacted the social and economic framework of Christchurch and, in particular, the city's central business district (CBD).

The Government's intervention to address the range of issues Christchurch faces, is outlined in the Christchurch Central Recovery Plan (CCRP). This plan defines the form of the central city including key anchor projects that will help optimise recovery. It also delivers a commitment from the Government to restore confidence in the CBD, providing guaranteed demand by relocating central and local government offices there.

PMCoE and the Canterbury Earthquake Recovery Authority (CERA) were directed to work together to achieve this.

Our work supports and enables the retail precinct anchor project with the Crown signing-up to long term tenancies, giving developers the confidence to construct new buildings in the CBD.

Approximately 1500 staff from 15 participating agencies will be co-located across four separate sites are within walking distance from each other. A key focus of the programme is ensuring the opportunities, created by the close proximity of the buildings and co-location of agencies, are realised.

Although the first of the developments is yet to come on line, the confirmation of the new buildings and their location in the Christchurch CBD is having a tangible and visible impact on the demand for shops, cafes and other businesses in the CBD.





“Government tenants committing to new offices had been the breakthrough and private tenants were following them in...that’s going to mean a lot of opportunity for supporting businesses, providing everything from transport to a cup of coffee.”

(Canterbury Employers’ Chamber of Commerce chief executive Peter Townsend - The Press, 1 May 2015)

Apart from the Government’s direction to assist the rejuvenation of Christchurch, the CIGA programme is also focused on providing better public services to Canterbury. With that aim, construction projects like these are about more than just buildings. Location, fit-out and the working environment all impact on staff, clients and stakeholders. With moves of this magnitude, people need to be involved and kept informed along the way. “People and change” projects have a high visibility with staff; they can create high levels of anticipation and uncertainty when going into a new environment.

Accordingly, PMCoE and the CIGA team are focusing on the people and change these cross-agency and cross-building initiatives will deliver.

CIGA is working with lead agencies to proactively manage the needs of staff and stakeholders within the participating agencies to support the change to efficient, flexible workplaces. The modern workplace provides flexible technology and a number of purpose built working environments to prompt better staff engagement and increased productivity which, in turn, leads to better outcomes for New Zealanders. PMCoE is developing change management tools to support agencies as their staff transition to the new work environment. These will become available through 2016.

Implementation

CIGA is well into its second phase – implementation – with the first of the buildings, the BNZ Centre – Stage 1, set to open in December 2015. An official opening is scheduled for February 2016.

Implementation for all four buildings falls to the lead agencies Statistics NZ, MBIE, ACC and MOE. Project teams and governance have been established for each building project.

The individual projects are being managed by the lead agencies with continued support and overarching governance from PMCoE and the CIGA Steering Group.

BNZ Centre Stage I (Statistics NZ cluster), Grand Central NZ (MBIE cluster), BNZ Centre Stage II (ACC), and the King Edward Barracks (Ministry of Education cluster) buildings are at various stages of construction, but all are on track for completion over 2015 to 2017.

Time frame for occupation is:

BNZ Centre Stage 1	– December 2015
Grand Central NZ	– September 2016
BNZ Centre Stage 2	– January 2017
King Edward Barracks	– February 2017



Guidance from CIGA programme learnings

PMCoE, working with CIGA and other appropriate agencies, is developing a series of guidance documents which will assist agencies throughout New Zealand to make decisions around co-locations and in making the best use of modern flexible workplaces. These will begin to come on line from 2016 and will be freely available to agencies. They are:

Co-location Guide

This document will outline the co-location principles and will establish the role of the lead agency. It will also identify the responsibilities of the participating agencies (occupants) and what the decision making process will be in the building.

The Financial Model for Co-locations

PMCoE is developing a co-location financial model with Treasury. This model will be principle based and support the lead agency in setting up and operating the site over the term of the lease.

The Brand Model for Co-locations

PMCoE is currently working with the State Services Commission on establishing common internal and external building signage for use with co-locations.

ICT for co-locations

Statistics NZ has been developing a new ICT solution for their BNZ Centre – Stage 1 site. Its solution will accommodate all eight agencies being co-located in the site to access their individual networks and support a common reception desk for corporate visitors.

The solution will also allow occupants to book shared meeting rooms and use shared AV equipment as well as support follow me printing. This approach has been endorsed by GCIO.

PMCoE working with Statistics and GCIO is developing guidelines to assist agencies wanting to adopt this approach.

Change Management Toolbox

The toolbox will assist agencies to support their staff during the transition to the new workplaces ensuring full advantage is made of the modern flexible workplaces. It will come on line during 2016.

Case studies

10



A new beginning

New beginnings can be instigated by a simple move.

ministry for **Women**
minitātanga mō ngā
Wāhine



Who:	Ministry for Women
Building:	22 The Terrace
Where:	Wellington
Date	1 December 2014
Size:	518m ²



The positive organisational change and cultural growth being enjoyed by the team at Te Minitatanga mō ngā Wāhine, the Ministry for Women, is the product of exceptional long term strategic planning. Re-branding as the Ministry for Women - formerly the Ministry of Women's Affairs - relocating to 22 The Terrace and implementing a number of strategic opportunities, has created a new, modern and energised look and feel, inspiring and unifying staff.

“(the name change) Will represent the Ministry’s work in a more modern way. . . This change also aligns with the Ministry’s office move, representing a new beginning for the Ministry”

Louise Upston Minister for Women

The Ministry for Women’s focus is on improving lives for New Zealand women and girls. It concentrates on those areas where it can make the most difference: women’s education and employment; increasing women in leadership; and increasing women’s safety from violence. For 24 years, the Ministry for Women occupied Revera House in Thorndon. A change had long been sought as, over time, the cost and excess space of its accommodation became prohibitive, as did the distance and perceived segregation from affiliated ministries and organisations. The fatigued and dated internal fit-out was unintentionally fostering silos of teams and undesirable office behaviours. Lease-end proved to be the catalyst presenting the opportunity to re-align the Ministry’s workplace needs to support its new strategic direction.

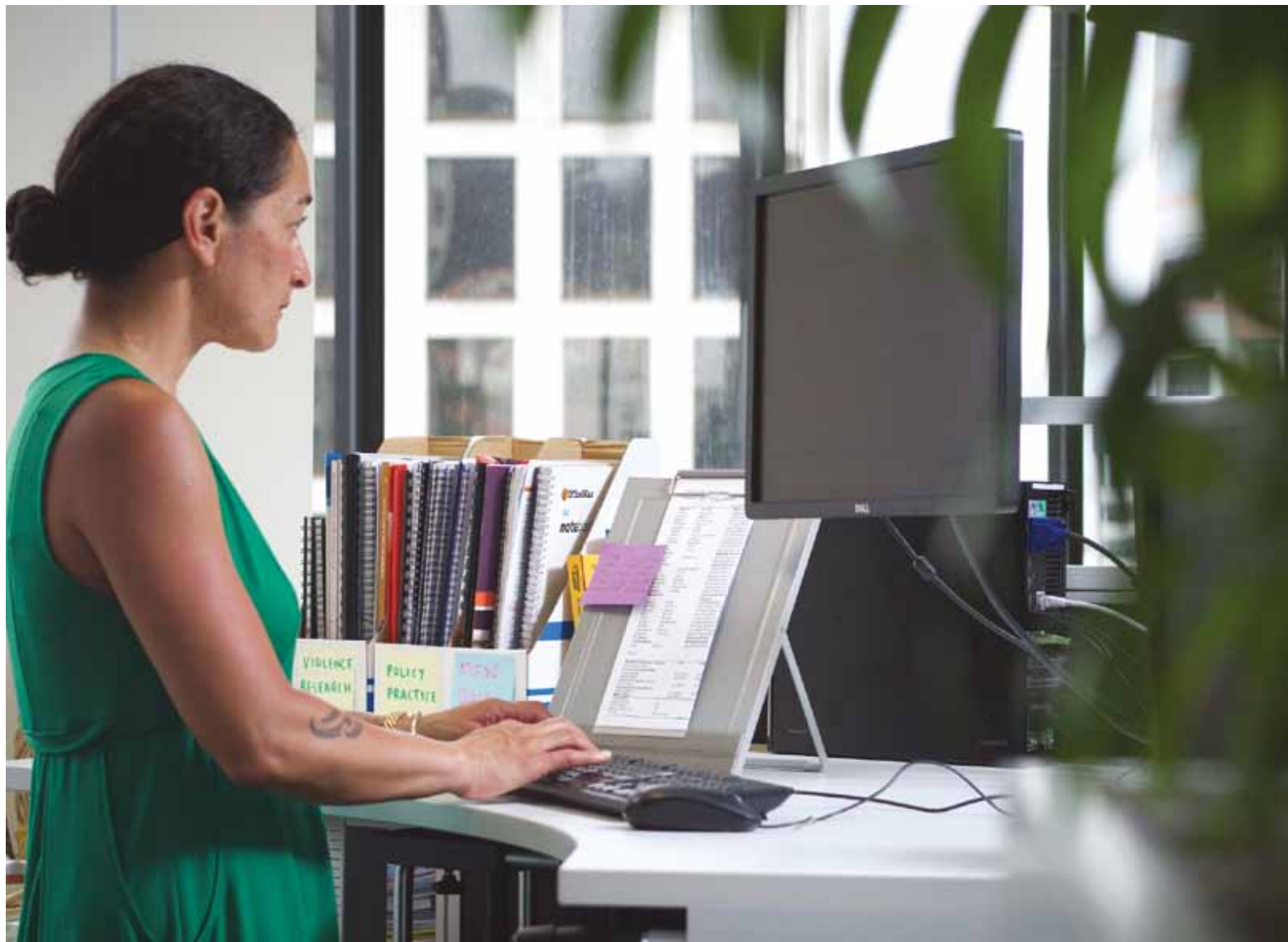
PMCoE worked with the Ministry for Women to explore a number of options to help it meet its goal “*to have a modern, open plan office located close to Parliament and its business partners*”. The decision was made to occupy the Department of Internal Affairs’ (DIA) excess space at 22 The Terrace. PMCoE assisted with the brokering and those negotiations enabled the release of the space by DIA and a new lease between the landlord (Dominion NZ) and the Ministry. This arrangement exemplifies a great example of agencies working together across the government portfolio.

The Ministry for Women selected its new space to mirror the strategic changes happening within the organisation. The new fit-out and floor plans were designed to allow flexibility and provide choice to its occupants while being responsible with space. The layout caters for new-ways of working offering places to focus, work together or to come together cohesively as a team. With sit-to-stand desks, staff now occupy an open collaborative working space. The open space facilitates increased internal communication and engagement and supports the idea of ‘one Ministry’.



“We are really enjoying the space... Having the whole Ministry in one area makes it easier to share knowledge and work together. We have greater visibility of each other and each other’s work. We are also mindful to keep our work area for work. If we need a discussion, we meet in the kitchen or one of the other break-out rooms.”

Kirsty Anderson, Strategic Communications Advisor.



Alternative conversation zones and breakout areas can be created by merging or breaking up adjacent meeting rooms. An open-plan kitchen and dining area also doubles as a meeting space, providing employees with an informal place to work together. When employees need to concentrate, single occupancy booths are available for ad-hoc use in a quiet zone. The space and new ways of working are intended to support workplace health and wellbeing.

“Standing for periods of my time at my desk, rather than sitting all day, lifts my energy and engagement at work. This, as well as having the option to stand in the kitchen at the high tables means that the way I work contributes positively to the physical health goals that I have. Not only is it good for me, but I can set an example for my colleagues too”

Helen Potiki, Principal Policy Analyst

A flexible, modern workplace which supports staff wellbeing and productivity is the preferred model being implemented across the Government Sector. The location and the range of meeting facilities support better stakeholder engagement and collaborative work with affiliated agencies. The new space is light, bright and fit for purpose – supporting the Ministry for Women to achieve its desired outcomes.

The outcome of the relocation is that, on top of significant organisational improvements, the Ministry has significantly reduced its headcount metric from 32.2sqm per person to 16.18sqm. It has estimated an annual occupancy cost saving of \$66,000 – a significant saving for a small agency.

The Ministry for Women has initiated and accomplished, on time and within budget, a successful relocation, providing a modern work environment for staff which is cultivating an improved and unified culture for its team. For the Ministry, the outcome couldn't be better and the outcomes of this new start will flow on to benefit all New Zealanders.

Creating culture and preserving our heritage – through property

Property can be a conduit to the past and an enabler of a positive, culturally rich future.

Who:	Ministry for Culture and Heritage
Building:	The Public Trust Building
Where:	Wellington
Size:	1747m ²
Completion Date:	28 OCT 2015



The five storey Edwardian Baroque styled Public Trust Building stands, as it has for more than a century, on the corner of Lambton Quay and Stout Street. Its façade is striking with its copper capped dome smeared with green patina as a visible sign of enduring years of Wellington's weather.

Manatu Taonga, the Ministry for Culture and Heritage (MCH), will soon call this building home. The match couldn't be a better one. Its relocation into the newly restored Public Trust Building (PTB) supports MCH's strategic outcome 'to enrich the lives of all New Zealanders by supporting our dynamic culture and preserving our heritage'.

Designed by John Campbell, Chief Government Architect of the time, (also, notably, the designer of Parliament House) the PTB officially opened in 1909. It was built for the Public Trust and throughout its 106 year history public servants have occupied its space. MCH's occupation continues this history.

One of the challenges New Zealand cities face, is how to best utilise their significant heritage buildings. The MCH/PTB union seems the perfect example of one solution. The building narrowly avoided demolition in the mid-1970s, only saved by the force of public opinion. It then survived the 2013 Seddon earthquakes but was left worse-for-wear, empty of occupants resulting in the owners selling the building. Maurice Clark seized the opportunity to purchase it, committed to strengthen and refurbish the building and, in doing so, probably secured its future as an iconic Wellington building well into the future.

Recognised as a place of '*special or outstanding historical or cultural heritage significance or value*', Heritage New Zealand listed it as a Category I historic building in 1981. It is the sole remaining building constructed from 'Tonga' Nelson granite and is also the first steel framed building in New Zealand.



“[The selection of this building for relocation offers] a practical demonstration of government working with a heritage building owner to achieve a sustainable outcome. It will deliver a positive outcome for heritage in Wellington, and showcases a beautiful and important example of restored built heritage”

Kylie Smeaton,
Administration and Facilities Coordinator, Corporate Services, MCH.

For MCH, the move is not only about preserving New Zealand's unique heritage, but undertaking strategically important initiatives. Having a safe, efficient and effective office environment is paramount to its requirements. Refurbishment of the building will lift its seismic rating to above 90% of National Building Standards and also includes new building services such as air-conditioning, lifts, internal connecting stairs and mechanical services. The quality of the building and its new internal fit-out along with the implementation of better ways of working will bring significant gains for MCH and its staff. Additionally, PTB is centrally located, close to Parliament and with good active commuting facilities. The location enables and supports collaboration and co-operation to occur among the cluster of government agencies in the area.

“This will be a great place for the Ministry to work and to host colleagues from other government agencies and people from the arts, culture and heritage sector”

Paul James, Chief Executive for MCH.



Agreements to facilitate the long term sharing of meeting rooms and break-out facilities are being discussed with, for example, MBIE and Te Puni Kōkiri. Securing access to the facilities of these larger agencies means MCH does not have to duplicate them and can instead focus its new office space around open, choice-based working environments.

“This collaboration is really wonderful for MCH and both MBIE and TPK will be great to work with”

Matt Archer Branch Manager, Corporate Services, MCH said.

Providing staff with a choice of work settings through the adoption of PMCoE's workplace standards and guidelines will empower staff and support the uptake of new, more productive ways of working. The improved use of space sees MCH's headcount metric reduce to 14.9m², down from 16.09m². The majority of its existing furniture will be reused, keeping costs down and maximising the return from the assets. Relocations do not come without challenges and nearly always require some cultural change. Broadly, these challenges arise as people transition into choice-based working styles, moving away from paper based filing, and into the mindset of 'shared facilities' and new security requirements. These areas require significant cultural change and are currently the focus of much of the project team's work.

With the relocation planned for late October, MCH is expecting the spirit, energy, and culture of MCH staff to be refreshed and revitalised. The PMCoE wish them the best for their move and look forward to the post move update.



A series of co-locations

Together good things can happen.

Who:	Energy Efficiency & Conservation Authority and Human Rights Commission		
Where:	Auckland	Wellington	Christchurch
Building:	21 Queen Street	44 The Terrace	120 Hereford St
Date	Feb '15	Aug '15	Feb '16
Size:	913m ²	1622m ²	105m ²



Co-location is fast becoming the property modus operandi for the Energy Efficiency & Conservation Authority (EECA) and the Human Rights Commission (HRC). Co-locations between the two agencies are in various stages of completion in Auckland, Wellington and Christchurch.

Co-location, as a concept, works towards and supports both EECA's and HRC's core organisational goals and values. EECA was set up to encourage, support and promote energy efficiency and conservation, while one of HRC's founding goals is to "Encourage harmonious relations between individuals and among the diverse groups in New Zealand". Smaller footprints and sharing space, infrastructure and resources lead to reduced energy consumption and provides opportunity for harmonious working relationships to be developed.

While early talk between them was about sharing space in Wellington, the co-location ball "kicked off" in Auckland. HRC recognised it had more space than needed and, with its relationship with EECA in Wellington developing, was aware its Auckland lease was due to expire. It seemed logical after a short period of discussion, including agreement to retain an open plan layout in the office and future consideration of a single ICT platform, to co-locate. Key outcomes included increased use of Crown leased space and facilities, minimal time and cost incurred by EECA in finding alternative premises, and a solution for EECA that sees it occupy good quality space in a central location. For HRC, it was happy to support the co-location given the benefits it was providing.



“The original footprint that HRC held was too large for our needs and exiting the lease was financially out of our reach. Having EECA join us has allowed space and costs to be shared across a slightly larger base which has resulted in a financially viable outcome for both agencies. The work environment is very positive with both teams working well across the shared facilities”

Donna Royal, Manager, Corporate Services, HRC.

From decision finalised to co-locating took just six weeks. This is impressive considering HRC and EECA are very different agencies in terms of service delivery and sector. They initially thought partitions would be needed to separate the agencies and alleviate security concerns. However, they were able to work through the issues and have, instead, created protocols mitigating potential issues. This has provided more flexibility within the co-location.

In Wellington, EECA and HRC are both located at 44 The Terrace, along with the Tertiary Education Commission and the Commerce Commission. Within this Wellington arrangement, PMCoE facilitated active engagement with involved agencies and provided foundation documents (deed of lease and co-location agreement templates), along with supporting agency collaboration. With some agency leases due to expire and confirmation all the agencies preferred to remain in the building, cross agency negotiations were initiated with the landlord Kiwi Property Ltd (KPL). These covered new lease terms as well as agreement that KPL would refurbish the building, as well as work to lift the NBS rating to 80%. PMCoE endorsement of the collaborative agency approach assisted the achievement of an enduring solution with cohesive, collective benefits. Concurrent with the landlord's work, the agencies also sought a refresh of their own tenancy space.

From this, the second co-location between EECA and HRC was born. However, this time the roles were reversed. This time EECA is the lead agency accommodating HRC within its existing lease. While it has taken longer for the actual co-location to occur, EECA having to decant its space to allow building and tenant works to be completed, agreement between the two on the co-location occurred reasonably fast, as had happened in Auckland.

During the relocation and seismic refurbishment, affected agencies worked together sharing facilities to make the process of transition smoother. This included sharing meeting rooms and bike parks.

Once the co-location is established and the bedding-in process complete, EECA and HRC will look at sharing meeting rooms with other agencies, depending on capacity. Also, the possibility of unifying or integrating IT systems in the future may be explored.

“We have been able to achieve what we have within these property negotiations and co-locations through really good cross agency relationships and the common goal to achieve a positive outcome.”

Jacqui Agar, Manager People and Property, EECA.

In Christchurch, in the aftermath of the Canterbury earthquakes, HRC and EECA are again involved in a co-location. This co-location involves a number of other agencies within the agency led and PMCoE supported Christchurch Integrated Government Accommodation (CIGA) programme. Both HRC and EECA will be accommodated within the BNZ Centre - Stage 1 building where Statistics NZ is the lead agency. Although arising from different circumstances, the opportunity to share costs and maximise the investment in common facilities is reflective of what is happening in Auckland and Wellington. The BNZ Centre - Stage 1 is expected to be completed in December 2015 with agency relocations currently planned from February 2016.



“As an agency, we try to walk the talk in terms of being energy efficient. Up till now we’ve worked on that through technology and behaviour change, but sharing a space with HRC gives us a further opportunity to be energy efficient, by making better use of lighting, heating, air-conditioning and other services. Plus it has been a pleasure to work with HRC and to get to know their staff.”

Jacqui Agar

Overall, this story of relocation, co-location and upgrade, is in line with PMCoE’s standards and guidelines and its mandate to lead changes to service delivery and management of the Crown Office Estate to support an improved culture, increased productivity and better outcomes for New Zealanders.

It is evident from the growing satisfaction expressed by agencies who have undergone transformation to the work place, that there are many benefits for individual agencies too.

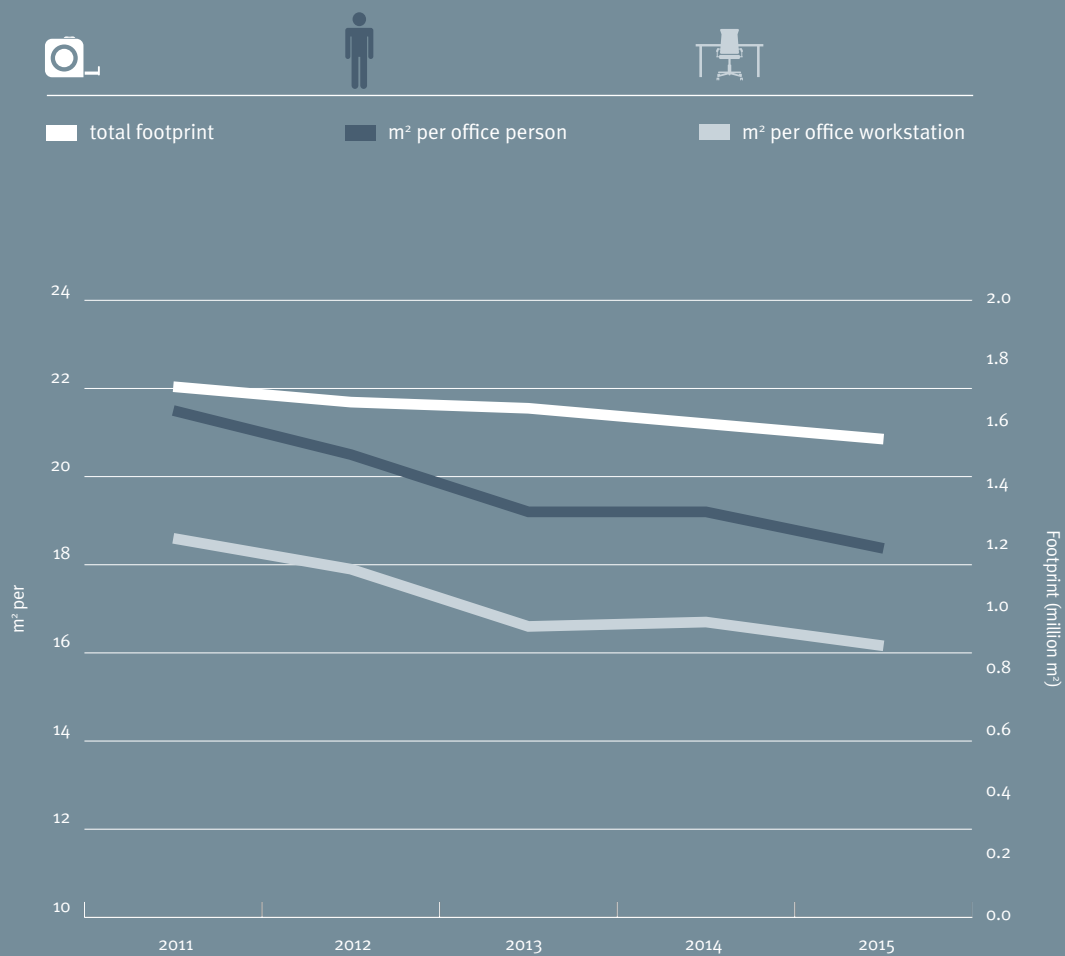


Appendices

11

National overview

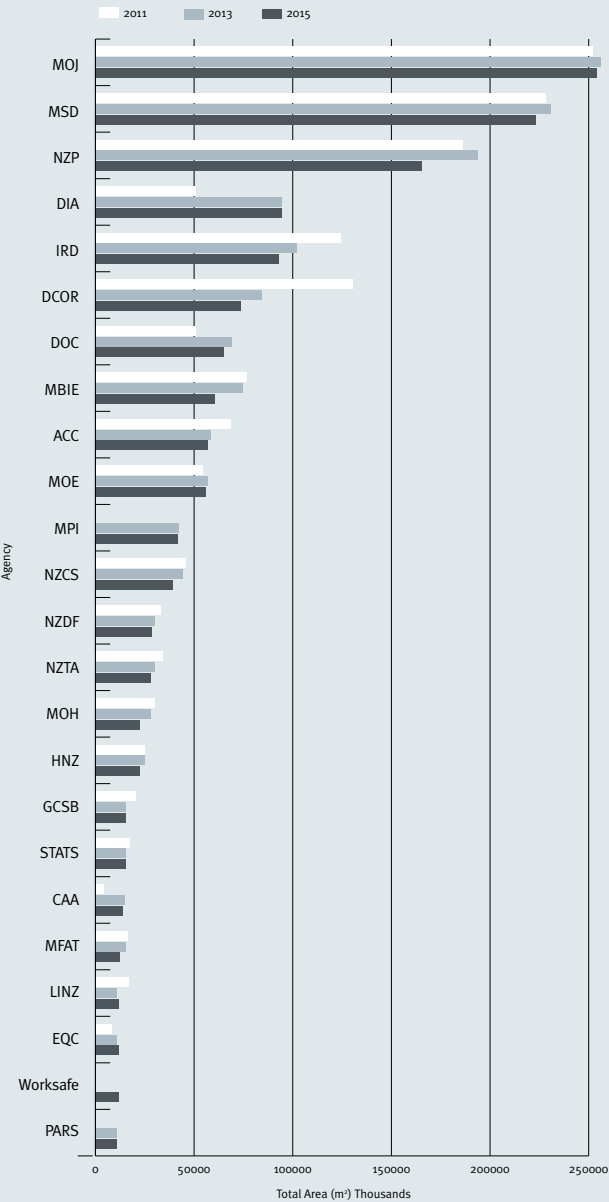
The below graph provides an overview of some of the key performance indicators for the Estate since the inaugural report in 2011. These trends demonstrate the amount of effort put in by agencies and PMCoE to work on the efficiency and effectiveness of their portfolios. The trend will gather momentum over coming years.



Appendices 1.2 - 1.4 provide provides a view of selected agencies' office accommodation footprint and the cost of provisioning this space. The graphs detail the performance of agencies with portfolios over 10,000sqm in relation to the overall Crown key performance indicators. Full list of agency metrics is available on page 44. 2015 figures show a steady drop in the footprint and in the containment of costs.

Total area by agency

This graph shows the total agency area including office public interface and operational space (where the operational space is part of the office and public interface property)



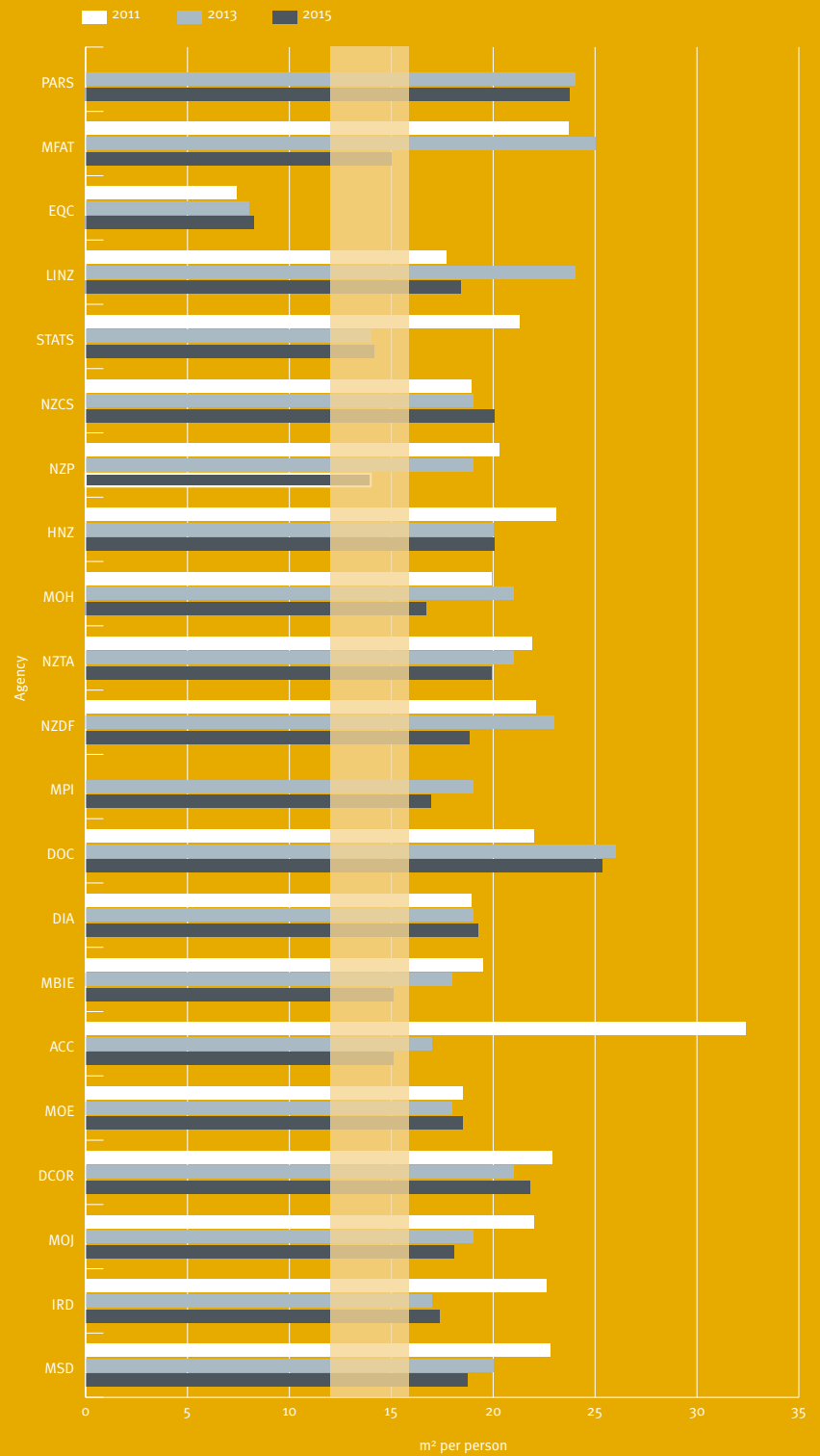
Cost per m² by agency

This graph details the average cost per m² based on total leasehold area within an agency portfolio.



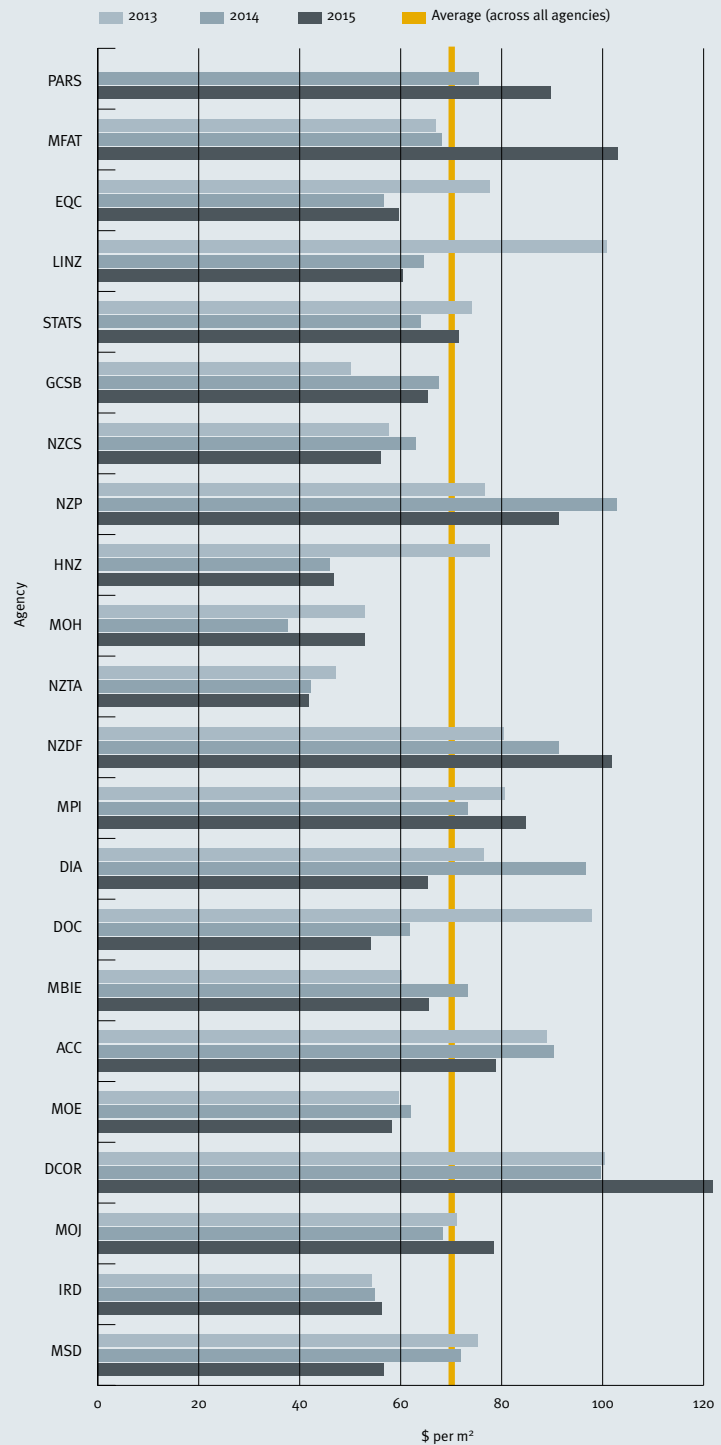
Agency Metrics

Area per person is the principle measure of how efficiently space is being utilised. This graph details for each agency their progress over the past five years towards achieving the Government's goal density range of 12- 16m² per person.



Cost of the Crown Office Estate

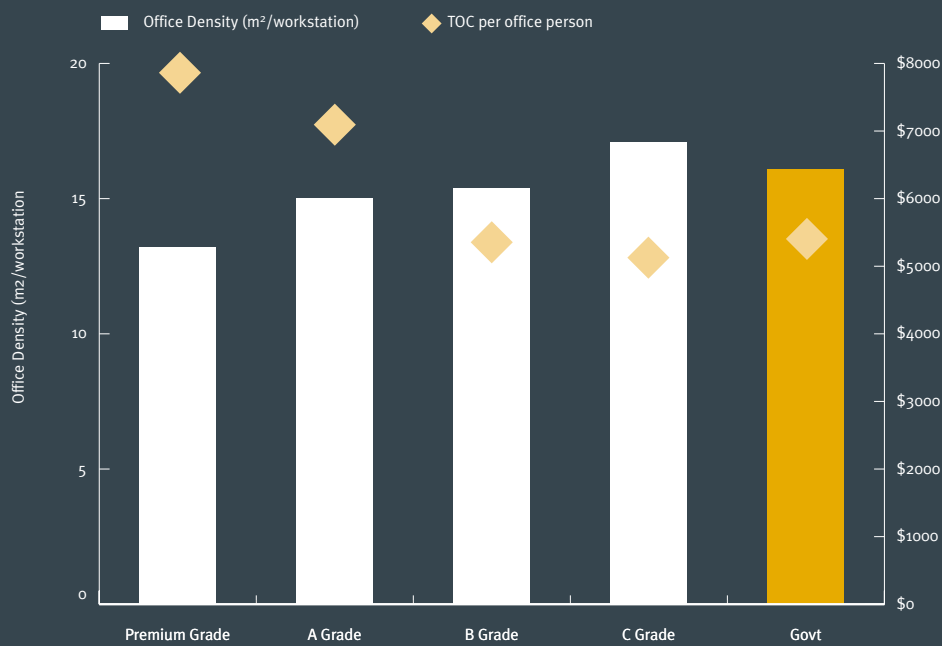
The total cost of running the office portion of the Estate includes facility management costs. The development of a Facilities Management Common Capability Contracts by PMCoE next year is expected to streamline FM and provide some efficiencies which will help contain costs



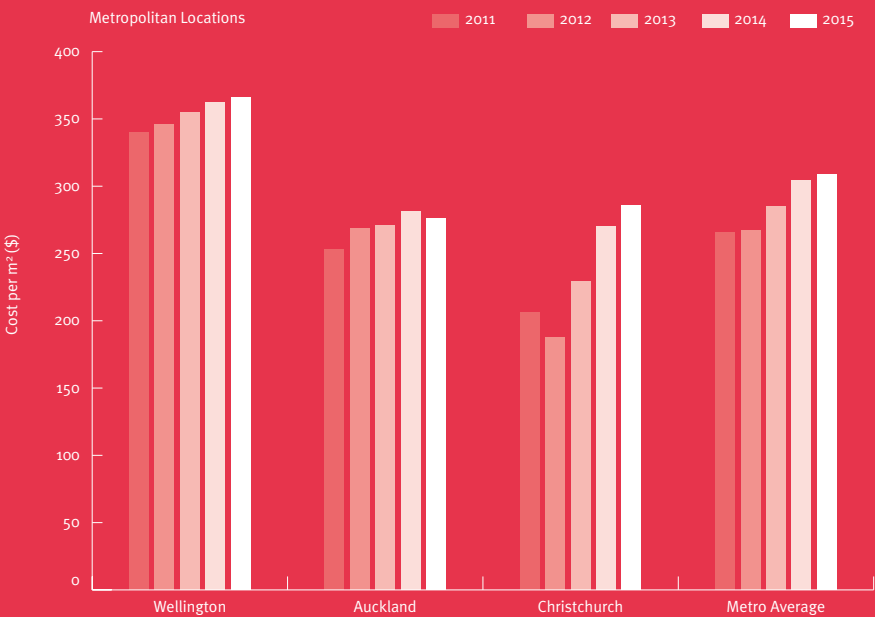
Benchmarking against the private sector

Each year, PMCoE looks to the private sector as a benchmark to measure our performance, using the following key measurements:

- TOC - (total operating costs) cost per office person
- m² per workstation

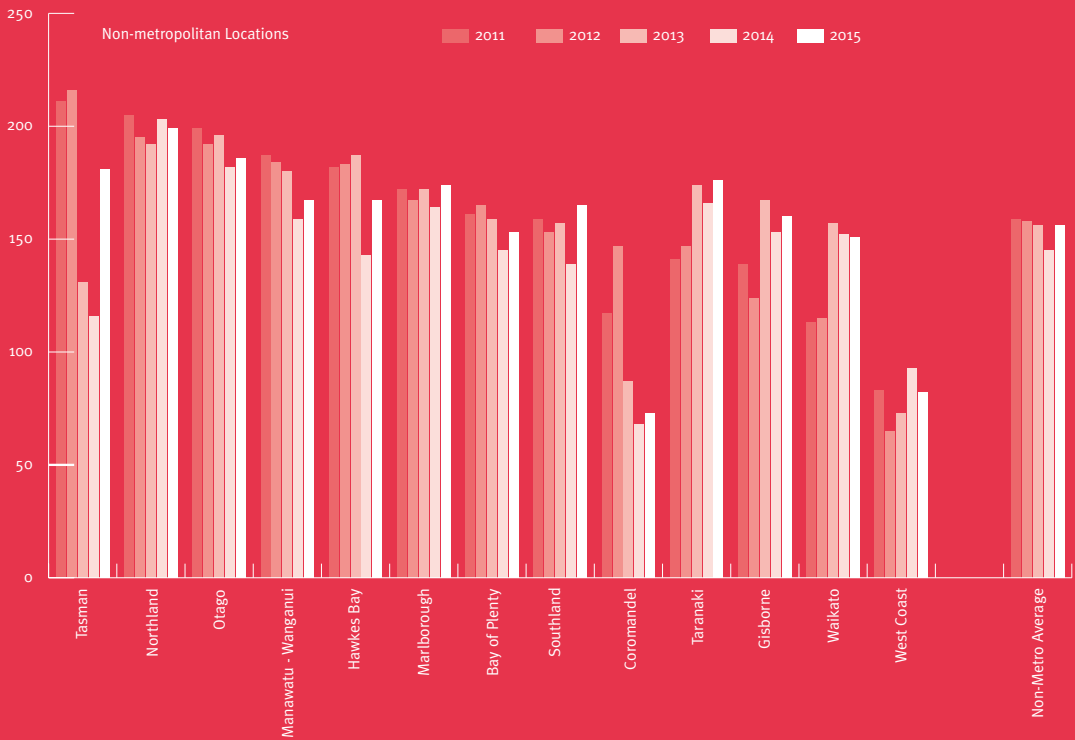


Regional metrics

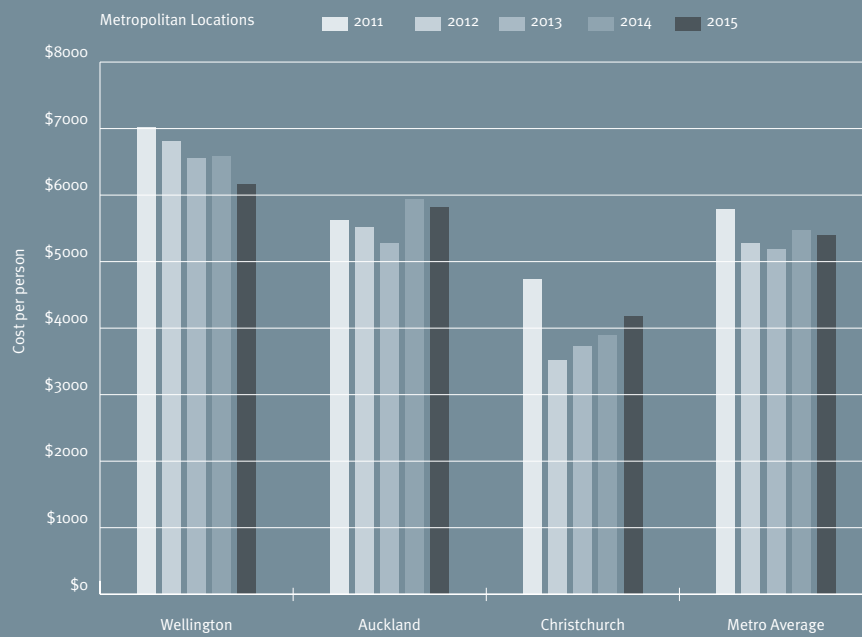


There are vast differences in the pressures faced by the regional and metropolitan areas. Tight office property markets in Wellington and Auckland are pushing up rents with increases of 6% to nearly 10% across those cities. As well, landlords, particularly in Wellington, are upgrading their buildings with a focus on meeting the required seismic requirements. Reducing the Crown footprint helps reduce the rental tension in the market which helps contain costs.

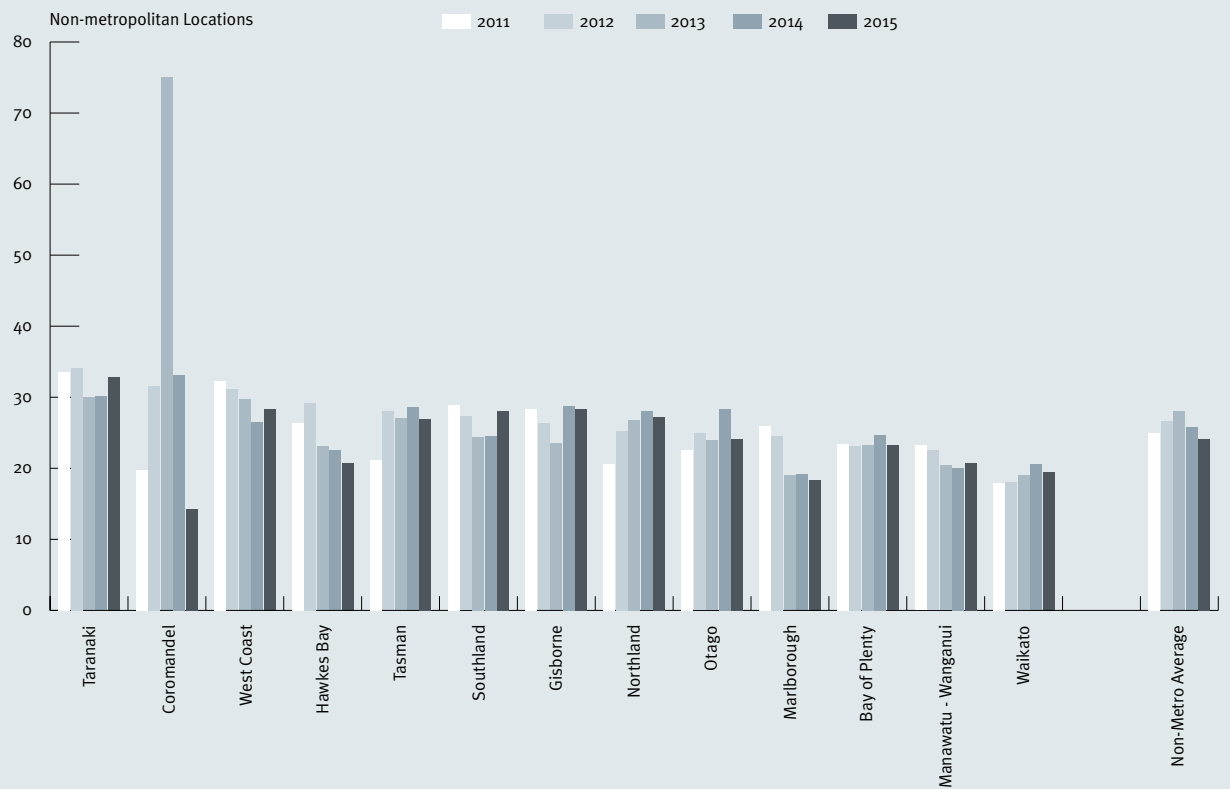
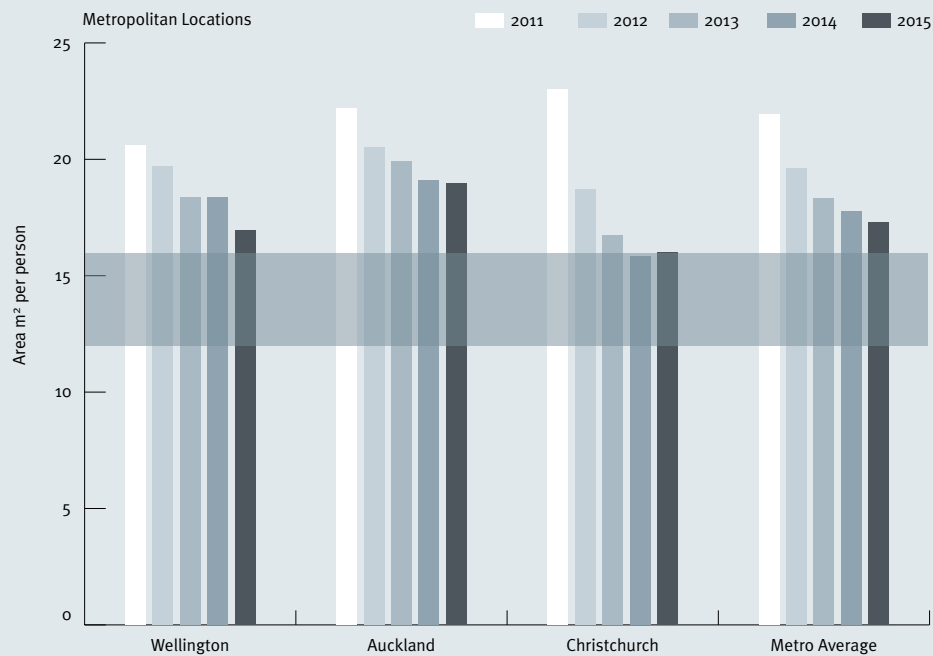
Improving the quality of the buildings is essential to increasing staff and public safety.



Workspace cost per office person



Area per office person across the regions



2015

Agency Name	Agency Abbreviation	2015 – m ² per Office Person	2015 - Cost per Office m ²	2015 – m ² per Office Workstation	2015 - Cost per Office Person
Accident Compensation Corporation	ACC	15	315	14	4,844
Civil Aviation Authority	CAA	18	353	17	11,357
Callaghan Innovation	CALL	43	641	39	10,649
Canterbury Earthquake Recovery Authority	CERA	11	432	11	4,811
Crown Law	CLAW	14	356	11	5,038
Careers New Zealand	CNZ	26	260	21	6,523
Department of Corrections	DCOR	22	242	16	5,649
Department of Internal Affairs	DIA	19	278	18	5,687
Department of Conservation	DOC	25	198	23	4,956
Department of the Prime Minister and Cabinet	DPMC	20	392	20	7,669
Energy Efficiency and Conservation Authority	EECA	19	342	14	6,574
Education New Zealand	ENZ	13	382	12	5,087
Environmental Protection Authority	EPA	14	378	13	5,070
Earthquake Commission	EQC	8	316	10	2,600
Education Review Office	ERO	17	435	14	7,269
Government Communications Security Bureau	GCSB		503	21	
Housing New Zealand	HNZ	20	237	19	4,827
Health Promotion Agency	HPA	17	206	15	3,508
Health Quality and Safety Commission	HQSC	16	331	15	5,344
Health Research Council	HRC	25	356	18	8,928
Inland Revenue Department	IRD	17	347	14	5,504
Land Information New Zealand	LINZ	18	271	16	4,975
Ministry of Business Innovation and Employment	MBIE	15	304	13	4,843
Ministry for Culture & Heritage	MCH	17	317	14	5,324
Ministry of Foreign Affairs and Trade	MFAT	15	539	15	8,121
Ministry for the Environment	MFE	14	596	13	8,091
Ministry of Defence	MOD	21	419	16	8,639
Ministry of Education	MOE	18	294	16	5,457
Ministry of Health	MOH	17	352	14	5,901
Ministry of Justice	MOJ	18	209	16	4,427
Ministry of Transport	MOT	26	403	17	10,557

* Social Workers Registration Board is not included in this data

2015

Agency Name	Agency Abbreviation	2015 – m ² per Office Person	2015 - Cost per Office m ²	2015 – m ² per Office Workstation	2015 - Cost per Office Person
Ministry for Primary Industries	MPI	17	259	16	4,608
Ministry of Pacific Island Affairs	MPIA	27	268	19	7,432
Ministry of Social Development	MSD	19	214	17	4,201
Maritime New Zealand	MTNZ	16	431	13	6,141
Ministry of Women's Affairs	MWA	16	245	18	3,966
New Zealand Antarctic Institute	NZAI	34	238	29	8,296
New Zealand Blood Service	NZBS	14	438	13	5,147
New Zealand Customs Service	NZCS	20	188	17	6,443
New Zealand Defence Force	NZDF	19	337	16	6,424
New Zealand Fire Service	NZFS	19	327	14	6,264
New Zealand Police	NZP	14	192	17	4,456
New Zealand Qualifications Authority	NZQA	16	496	13	7,736
New Zealand Transport Agency	NZTA	20	348	17	6,927
New Zealand Tourism Board	NZTB	19	452	17	8,433
New Zealand Trade and Enterprise	NZTE	19	465	16	8,806
New Zealand Walking Access Commission	NZWC	25	381	19	9,477
Parliamentary Services*	PARS	24	354	28	8,416
Parliamentary Counsel Office	PCO	27	329	22	8,847
Pharmaceutical Management Agency (Pharmac)	PMA	14	360	13	5,206
Reserve Bank of New Zealand	RBNZ	32		25	
Real Estate Agents Authority	REAA	16	395	16	6,386
Serious Fraud Office	SFO	15	623	16	9,474
Security Intelligence Service**	SIS				
Sport and Recreation New Zealand	SPARC	23	234	19	5,324
State Services Commission	SSC	14	263	13	3,596
Statistics New Zealand	STATS	14	345	12	4,871
Tertiary Education Commission	TEC	24	279	17	6,516
Te Puni Kokiri (Ministry of Maori Development)	TPK	27	301	22	8,255
The Treasury	TRE	14	407	13	5,871
Worksafe New Zealand	Worksafe	24	349	23	9,547

The Social Workers Registration Board has less than 1000m² and is not included in this data

* Office of the Clerk of the House of Representatives data is included in Parliamentary Services.

** SIS data is combined with GCSB

Glossary

Costs

Rent, carparking and operating expenses only, unless other costs specifically mentioned i.e. energy and facilities management, which includes cleaning, hygiene, security, repairs and maintenance, pest control building act compliance and managed facilities costs.

Headcount (person/people)

As used interchangeably 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.

All personnel who use workstations in “office accommodation” are 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 m², as defined by the standard methodology adopted by Property Council New Zealand.

Occupancy density ratio (ODR)

The ratio of office space per office person. It is calculated by dividing the “net lettable area” (NLA) of the “office accommodation” (see definition) by the “headcount” (see definition) who occupy that space for work activities.

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 the Property Council New Zealand:

- **Grade A:** a landmark office building located in major CBD office markets that are 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; onsite 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 those people accommodated do 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.



