



AIDE MEMOIRE

Oral Item: Optimisation of government office accommodation

Date:	20 August 2024	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2425-0769

Information for Minister(s)
Hon Nicola Willis
Minister for the Public Service

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Paul Stocks	Deputy Secretary, Building, Resources and Markets, MBIE	s 9(2)(a)	
Angela Xygalas	General Manager, New Zealand Government Property, MBIE		✓

The following departments/agencies have been consulted

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



AIDE MEMOIRE

Oral Item: Optimisation of Office Accommodation

Date:	20 August 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	2425-0769

Purpose

To provide information following the discussion with officials on government office accommodation to inform an oral item at an upcoming Cabinet meeting.

Background

1. You met with officials on 14 August to discuss 3 matters related to Government Property, namely:
 - a. s 9(2)(f)(iv) [Redacted]
 - b. s 9(2)(f)(iv) [Redacted]
 - c. An update on the Wellington Consolidation Project.
2. Officials highlighted the changing environment facing the Wellington office accommodation market due to decreasing agency headcounts, increasing surplus space across the portfolio, and a softening market for office accommodation.
3. s 9(2)(f)(iv) [Redacted]
4. s 9(2)(b)(ii) [Redacted]
5. s 9(2)(f)(iv) [Redacted]
6. Out of Scope [Redacted]
7. [Redacted]

Out of Scope

8. s 9(2)(f)(iv)

s 9(2)(a)

Angela Xygalas
General Manager, New Zealand Government Property, MBIE


20 / 08 / 2024


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Annex 1: Potential Talking Points

At the Officials meeting on Wednesday 14 August 2024, you indicated that you would like to raise an oral item on government office accommodation with Cabinet to:

Accommodation Challenges

1. highlight to Ministers that agencies are reducing headcount and there is now surplus office accommodation across the portfolio.
2. note some agencies make accommodation decisions which are not necessarily in the best interests of the wider Crown.
3. s 9(2)(b)(ii)

4. advise that a Wellington Consolidation Project has commenced to drive improved space utilisation in Wellington and efficiencies in the system.

Out of Scope


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AIDE MEMOIRE

Ministry of Foreign Affairs and Trade – New Premises

Date:	30 August 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	2425-0992

Information for Minister(s)
Hon Nicola Willis Minister for the Public Service

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Angela Xygalas	General Manager, New Zealand Government Property, Ministry of Business, Innovation and Employment	s 9(2)(a)	✓
David White	Chief Advisor Property, New Zealand Government Property, Ministry of Business, Innovation and Employment		

The following departments/agencies have been consulted
Nil

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments

AIDE MEMOIRE

Ministry of Foreign Affairs and Trade – New Premises

Date:	30 August 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	2425-0992

Purpose

To provide you with information regarding the Ministry of Foreign Affairs and Trade new premises at 61 Molesworth Street, Wellington, following a letter you received from Right Honourable Winston Peters. Also attached is a draft letter for your consideration.

s 9(2)(a)

Angela Xygalas
**General Manager, NZ Government Property
Building, Resources and Markets, MBIE**

30 / 08 / 2024

Background

1. You have received a letter from the Right Honourable Winston Peters regarding his expectation that the Government Property Group (GPG) remain actively engaged with the Ministry of Foreign Affairs and Trade (MFAT) to identify prospective government agencies for 61 Molesworth Street. Your Office has requested an Aide Memoire responding to Right Hon Peters' concerns.

The Decision to Lease 61 Molesworth Street

2. In November 2022, MFAT sought approval from Cabinet to move its head office accommodation to the Precinct Properties New Zealand Limited ('Precinct Properties') development at 61 Molesworth Street from mid-2025, occupying seven of the 11 floors with an initial lease term of 25 years, and the remaining four floors for 15 years.
3. GPG worked with MFAT to identify and assess options. s 9(2)(b)(ii)

s 9(2)(b)(ii)

4.

5.

6.

7.

8. In November the Cabinet Government Administration and Expenditure Review (GOV) Committee agreed that MFAT could enter into a development agreement for 61 Molesworth Street. [GOV-22-MIN-0046].

Progress on the Sub-leasing of Surplus Floors

9. In June 2023, the Cabinet Committee (GOV) directed MFAT and GPG to provide regular reports on progress in sub-leasing surplus floors, to the Minister of Foreign Affairs, Minister for the Public Service and Minister of Finance. These reports provide details on the activities and status of the efforts to sub-lease the surplus floors.
10. Two reports have been provided to the Minister for Foreign Affairs, in February 2024 and July 2024. While the February 2024 report was referred to your office, MFAT has yet to confirm if the July report has been referred to your office.

11. s 9(2)(b)(ii)

12.

s 9(2)(b)(ii)

13.

14.

15.

16.

17.

18. On 6 July 2024, the respective Deputy Secretaries from MFAT and the Ministry of Business, Innovation and Employment met to discuss how best to work together s 9(2)(b)(ii) Both agencies agreed to continue to work together to s 9(2)(b)(ii)

Next Steps with the Remaining Floors.

19. 61 Molesworth Street is similar to other recently leased government buildings in that it has good quality services, large efficient floor plates, seismic resilience, and good energy efficiency and sustainability ratings. s 9(2)(b)(ii)

20. s 9(2)(b)(ii)

21.

22. s 9(2)(b)(ii)

Response to Rt Hon Winston Peters

Attached is a draft letter to the Right Honourable Peters for your consideration.

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Appendix A


Rt Hon Winston Peters
Minister of Foreign Affairs
PARLIAMENT BUILDINGS

Dear Minister

Thank you for your letter dated 29 August 2024 regarding the new head office accommodation building for the Ministry of Foreign Affairs and Trade (MFAT).

I agree that we need to drive more value from Government spending and to mitigate any fiscal risks with all government activity, including property.

s 9(2)(b)(ii)



I look forward to working with Ministers to delivering savings in public sector spending and will ensure that GPG continues it's efforts to assist MFAT with this matter as it works to optimise the office accommodation footprint.

Hon Nicola Willis
Minister for the Public Service



AIDE MEMOIRE

Ministry of Foreign Affairs and Trade – New Premises - Additional Information

Date:	5 September 2024	Priority:	High
Security classification:	Confidential	Tracking number:	2425-1048

Information for Minister(s)
Hon Nicola Willis Minister for the Public Service

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Angela Xygalas	General Manager, New Zealand Government Property, Ministry of Business, Innovation and Employment	s 9(2)(a)	
David White	Chief Advisor Property, New Zealand Government Property, Ministry of Business, Innovation and Employment		✓

The following departments/agencies have been consulted
Nil

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments

AIDE MEMOIRE


Ministry of Foreign Affairs and Trade – New Premises – Additional information

Date:	5 September 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	

Purpose

To provide you with the additional information you requested regarding the work that the Government Property Group (GPG) is doing to minimise the amount of surplus space in the Ministry of Foreign Affairs and Trade's (MFAT) new premises at 61 Molesworth Street. Also attached is a draft letter for your consideration, which incorporates your feedback.

s 9(2)(a)




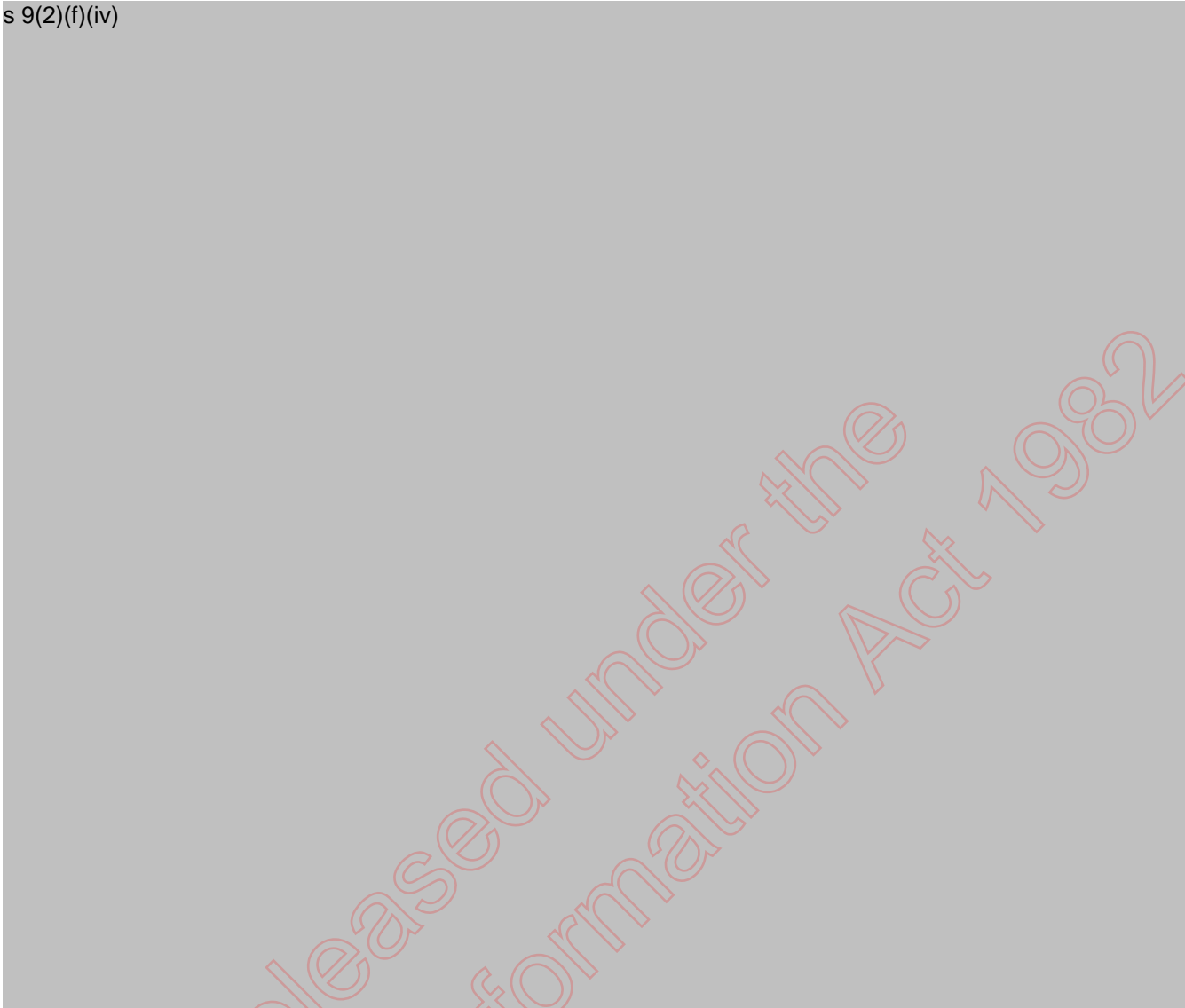
Angela Xygalas

**General Manager, NZ Government Property
Building, Resources and Markets, MBIE**

5/09/2024

Background

1. On 29 August 2024, you received a letter from the Right Honourable Winston Peters regarding his expectation that the Government Property Group (GPG) remain actively engaged with the Ministry of Foreign Affairs and Trade (MFAT) to identify prospective government agencies for 61 Molesworth Street.
2. We subsequently provided your Office with an Aide Memoire [*Ministry of Foreign Affairs and Trade – New Premises 2425-0992* refers] responding to Right Hon Peters' concerns, and a draft letter for your consideration.
3. The Aide Memoire detailed the work that GPG was undertaking to sub-lease MFAT's surplus floors, s 9(2)(f)(iv)  You have subsequently requested additional information on this solution. You also provided feedback on the draft letter.



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Draft response to Right Honourable Winston Peters

11. Attached for your consideration is a draft response updated to reflect your feedback.



MFAT letter.docx

Office of Hon Nicola Willis

Minister of Finance
Minister for the Public Service
Minister for Social Investment
Associate Minister of Climate Change



Right Honourable Winston Peters
Minister of Foreign Affairs
PARLIAMENT BUILDINGS

Dear Minister

Thank you for your letter dated 29 August 2024 regarding the new head office accommodation building for the Ministry of Foreign Affairs and Trade (MFAT).

s 9(2)(f)(iv)

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I hope to hear good progress has been made towards resolution of this liability in the near future.

Hon Nicola Willis
Minister for the Public Service



BRIEFING

s 9(2)(f)(iv)

Date:	5 August 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	2425-0594

Action sought		
	Action sought	Deadline
Hon Nicola Willis Minister for the Public Service	Out of Scope Agree / Disagree that agencies are required to optimise capacity within government's existing office accommodation footprint. Out of Scope	7 August 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Paul Stocks	Deputy Secretary Building, Resources and Markets	s 9(2)(a)	✓
Angela Xygalas	General Manager, New Zealand Government Property		

The following departments/agencies have been consulted

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

s 9(2)(f)(iv)

Date:	5 August 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	2425-0594

Purpose

1. Out of Scope
2. This Briefing provides an update on Out of Scope and the Bowen House project.

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Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

Wellington consolidation project

a Out of Scope

b

Agree / Disagree

c s 9(2)(f)(iv)

Agree / Disagree

Bowen House

d **note** that lower agency staff numbers in conjunction with flexible working policies is reducing demand for office accommodation. This is impacting the Bowen House Project in confirming occupants for the building, s 9(2)(f)(iv)

Noted

Out of Scope

Agree / Disagree

Angela Xygalas

**General Manager New Zealand
Government Property**

Building, Resources and Markets,
MBIE

..... / /

Hon Nicola Willis

Minister for the Public Service

..... / /

Background

3. Out of Scope

4.

5. The current fiscal environment has agencies reducing their office accommodation requirements and providing additional space into the property portfolio. This is placing additional demands on the desire to reduce government's office accommodation holdings.

6. Out of Scope

Wellington consolidation project

7. Government departments and Crown Agents occupy around 70 sites in the Wellington CBD ranging from entire buildings to single floors. In April 2024, a project was initiated to identify opportunities to optimise space utilisation within the existing footprint. s 9(2)(b)(ii)

on a 7-desks to 10 FTE ratio enabling the disposal of surplus space in the portfolio s 9(2)(b)(ii)

8. s 9(2)(b)(ii)

9. A moratorium was implemented that prevents agencies from entering into alternate office accommodation solutions without the express permission of the Government Property Group, s 9(2)(f)(iv)

10. s 9(2)(b)(ii)

Compounding this is the impact of the system wide reduction in agency head count creating additional capacity in the system in conjunction with misaligned lease tails s 9(2)(f)(iv)

11. s 9(2)(b)(ii)

12. Reducing the Crown's office accommodation footprint and optimising space utilisation is paramount to ensuring efficient utilisation of government's office accommodation portfolio.

Bowen House

13. Out of Scope

14. A reduced demand for office accommodation is impacting the Bowen House Project in confirming occupants for the building, s 9(2)(g)(i)

A further challenge is that agencies identified for the building are not requiring the capacity originally anticipated.

15. A system wide reduction in agency head count is creating additional spare capacity in the system. Discussions are occurring with potential occupying agencies, and we have recommenced discussions with The Parliamentary Service who are re-evaluating the viability of occupying Bowen House.

16. s 9(2)(f)(iv)

Out of Scope

Out of Scope

Next steps

22. Subject to your agreement with the recommendations, MBIE will:

- i. continue to optimise the government's office accommodation footprint, engaging with agencies

s 9(2)(f)(iv)

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