

The Treasury

Tāne Whakapiri Accommodation Project Information Release

March 2019

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Date: 16 March 2018

FC-5-1-12-1

To: Jeremy Salmond, Sponsor, Tāne Whakapiri

From: Peter Anderson, Project Manager

Copy: Fiona Foster, Co-Sponsor and CPO, The Treasury
Tom Byrne, CIO, The Treasury
Glenn McStay, CFO, The Treasury
Fiona Ross, Senior Responsible Owner

Tāne Whakapiri Sub-divisional Hard Fitout Detailed Design Approval

Purpose

This memo seeks your approval, under delegation from Fiona Ross on 2 March 2018, for delivery to the landlord of the Subdivisional Hard Fitout (SHF) Detailed Design. This is due under the Development Agreement between The Treasury and Precinct by 16 March 2018.

Recommendation/Decision

The decision we are seeking is as follows:

- | | |
|---|----------------|
| 1. Approve delivery of the SHF Detailed Design package to Precinct | Agree/Disagree |
| 2. Note the current cost estimates and activities underway to mitigate cost risk | Noted |
| 3. Note that minor comments fed back will be addressed prior to tender | Noted |
| 4. Note the endorsements below | Noted |
| 5. Note that an Aide Memoire regarding Tāne Whakapiri is being prepared for the Minister of Finance | Noted |

Jeremy Salmond

Endorsements

The SHF Detailed Design package is aligned with Treasury's People and Information Strategy

Fiona Foster

The SHF Detailed Design package is aligned with Treasury's People and Information Strategy

Tom Byrne

The financial implications of approving the SHF Detailed Design package are understood and associated risks are appropriately mitigated

Glenn McStay

Background

Tāne Whakapiri (Treasury Accommodation Strategy Implementation Project) has completed the detailed design stage of its hard fitout design (i.e. meeting rooms, kitchens, toilets, etc.). The deliverable consists of the architectural and engineering detail for the refit of levels 1-4 of 1-3 The Terrace. This is due under the Development Agreement between The Treasury and Precinct by 16 March 2018.

The Detailed Design builds on Design Deliverable 2, Frozen Layouts, which was delivered on 3 October 2017, updated on 8 November 2017. Once approved by the landlord, by 30 March 2018, these specifications will be submitted to Wellington City Council for resource consent and to LT McGuinness, Treasury's preferred construction contractor, for tendering of the works.

In parallel, the project team has been reviewing the landlord's MCHF Design to ensure that it is aligned. Final approval of the MCHF Design will be provided on 16 March 2018.

Note that an Aide Memoire is being prepared for the Minister of Finance which will ensure that he is aware of Treasury's plans and associated risks in relation to Tāne Whakapiri.

SHF Detailed Design Deliverable

The deliverable consists of the following packages

Tenant Advice Notice, **Catalyst Consulting Ltd**

Architecture drawings, **Workspace Architects Ltd**

- Construction plans
Floor layouts and detail including joinery, partitions and doors, operable walls, secure rooms
- Reflected ceiling plans
- Finishes and floor finishes plans
- Indicative furniture plans
- Trade (product) specifications

Seismic bracing plans, **Tracklok Ltd**, incomplete

Services engineering, **Aecom Ltd**

- Electrical
Power and lighting
- ICT
Data and telecommunications room layouts
- Hydraulic

Security detailed design, **Waterford Ltd**

Fire report, **Holmes Fire Ltd**, incomplete

Items noted above as incomplete are not essential to the Precinct delivery and will be provided for separate approval when finalised.

Exclusions (items currently incomplete, provisional sums provided in estimates)

- Design of cultural elements outside Wharenui
- Detailed design of display walls
- Audio-visual equipment detail
- Final details of secure room construction and services (subject to further information from PSR and NCSC)

The package to be delivered has been prepared by Catalyst Consulting (external Project Manager) based on the above source material. Each element was peer reviewed internally by the providers and the package was reviewed in part and as a whole by the project team to ensure accuracy and consistency.

Key Treasury people involved in the reviews, as per the indicated scope, are as follows:

- Peter Anderson (Project Manager), [2] (Project Adviser) – coordination across all elements
- Kelly Coburn (Facilities Team Leader) – floor layouts including detail
- Angus Hodgson (Vote Analyst / business representative) – floor layouts, large meeting room details
- Leighton Corban (Systems & Security Architect) – power and data cabling, telecommunications room layouts, [1]
- Wayne Greer (Information Technology Security Manager)– [1]

Design Process

The design has evolved from the Frozen Layouts deliverable which was approved on 29 September 2017. It has continued to be informed by the Design Brief and the Occupancy Study.

Visual design elements were originally captured in a workshop with stakeholders in October 2017. The following four key concepts were identified and documented in the Visual Design Brief:

- Wharenui as the heart
- Welcoming for all
- A connected whole
- Our workplace

IT requirements have been captured and documented.

The project Working Group and Steering Group have been kept fully informed and engaged through the design phase. The visual design was also made available to members of Kaiurangi and ELT (drop-in sessions on 20 and 21 February 2018).

The Working Group has continued to meet monthly, its function being to ensure the project objectives and scope are successfully implemented, provide a communications channel to agencies (originally included SSC as well as Treasury), support change through visibility of each agency's change management activities, and provide governance for, and input into, the project at a functional level.

Project Forecast

Approval of the SHF Detailed Design package carries cost implications.

The cost of the project is estimated at each stage by a Quantity Surveyor (QS). The initial costing, at Concept Design phase in July 2016 was undertaken by RDT Pacific on behalf of GPG. This was used for the Business Case approved by joint Ministers. Subsequent estimates, at the milestones indicated in the table below, have been provided by Rawlinsons, Treasury's current QS.

	Estimate timings			
	Concept Design Jul 2016	Frozen Layouts (for approval) Sept 2017	Frozen Layouts (final) Nov 2017	SHF DD Mar 2018
Base	\$8.885m	\$11.173m	\$10.767m	\$10.873m
TSY costs		\$0.298m	\$0.800m	\$0.764m
Escalation	\$0.872m	\$0.413m	\$0.393m	\$0.393m
Total	\$9.757m	\$11.884m	11.960m	\$12.030m

Points to note are as follows.

- **Base** is the raw number provided by the QS.
- **TSY costs** covers Treasury costs and contingencies not included in the QS estimate.

- **Escalation** is a contingency, advised by Rawlinsons, that takes into account construction contractor market changes between the time of the estimate and of tendering for the work.
- **Total** reflects the full project forecast, as reported within Treasury.
- The project budget approved by Joint Ministers, **\$8.888m**, is based on the Base Concept Design estimate.
- Treasury has requested the July 2016 escalation figure of **\$0.872m** in the WAP2 budget bid submitted by MBIE. Note that there is a risk that this is not approved.
- A final estimate will be undertaken after both MCHF and SHF are fully approved, prior to submission for consent and tender.
- The increase in estimates can be attributed mainly to changes in the base assumptions around level of re-use of the existing, very dated, Ministry of Health fitout. The brief provided by GPG's predecessor, Property Management Centre of Expertise (PMCoE), to RDT was based on reuse of the existing floor layout and retaining the built spaces. The expectation given to Treasury by PMCoE was that the landlord's base build scope was to demolish the existing fitout and that Treasury essentially had a blank canvas to work with.
- The increased estimate also reflects commercial pressures in the construction market which is stretched by high demand due to the November 2016 earthquake.
- Paragraph 24 of the Final Commercial Terms approved by joint Ministers notes that there are some uncertainties associated with elements of the proposed fitout that could expose The Treasury to the risk of exceeding the \$8.888m capital budget, by up to \$2m. That additional sum has not been made available to The Treasury.
- The current estimate of \$12.030m still includes the following contingencies
 Estimating \$0.516m
 Construction \$0.664m
 Escalation \$0.393m
 These all reflect the uncertainties around tendering of the works
- The following factors are also expected to reduce the budget pressure
 Significant re-use of Treasury's current furniture as a result of the investment in electronic sit-stand desks in late 2016.
 Selection of the landlord's construction contractor, LT McGuinness, as preferred supplier for SHF construction; the potential to integrate landlord and tenant works is expected to offer efficiency cost savings as well as preferential rates and margins
 Continued effort on identifying value engineering opportunities such as reducing feature areas, product selections, efficient construction methods

Given the above, it is currently estimated that project expenses may involve an additional \$3.142m should all contingencies be required. In order to fund this, The Treasury will need to re-prioritise other capital expenditure.

Risks

Key risks in relation to this approval are as follows:

1. Any delay to delivery of the SHF Detailed Design beyond 16 March 2018 will trigger a serious slippage notice by the landlord under the Development Agreement. Remedies available are only relevant if sectional completion dates are missed as a result.
2. Some areas of the design are still not fully detailed such as the [1] selection of Audio Visual equipment and move of the Wharenui. These have been addressed through Provisional sums which are subject to a greater degree of uncertainty than the rest of the design. These may result in variations to the design and hence cost.
3. The budget pressure identified is a risk to Treasury which will continue to be actively managed through tendering and construction.

Next Steps

The next steps for the project are as follows:

- Landlord reviews and feeds back on the SHF Detailed Design deliverable (due 30 March 2018).
- The plans and specifications will then be submitted to Wellington City Council for resource consent and to LT McGuinness for tendering of the works.
- Landlord works are scheduled to commence on 15 May 2018.

In parallel

- Develop and agree the construction contract with LT McGuinness.
- Develop and agree integrated programme of landlord and tenant works with Precinct.
- Continue with change management work. This will include standing up the staff engagement group to consult on the interior design and soft fit out of the new office space.
- Continue with the technology work including defining the target technology environment (desktop, collaboration, meeting space, etc) and audit of current capability.

Attachments

[ASI Project Design Brief \(Treasury:3718892v9\)](#)

[Accommodation project - visual design brief version 20180219 \(Treasury:3923080v1\)](#)

[Workspace SHF final design 20180309 \(Treasury:3932077v1\)](#)

[AECOM SHF final design 20180314 \(Treasury:3932085v1\)](#)

[Waterford Security design version 5 20180309 \(Treasury:3932091v1\)](#)