



Rialtas na hÉireann
Government of Ireland

Spending Review 2021

Review of the Management of the Department of Foreign Affairs' Overseas Leased Property Portfolio

EVALUATION & AUDIT UNIT
DEPARTMENT OF FOREIGN AFFAIRS

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This paper has been prepared by IGEES staff in the Department of Foreign Affairs. The views presented in this paper do not represent the official views of the Department or Minister for Foreign Affairs and Minister for Defence

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Irish Government Economic and Evaluation Service

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Acronyms

DFA	Department of Foreign Affairs
DPER	Department of Public Expenditure and Reform
HoM	Head of Mission
H&S	Health and safety
PMU	Property Management Unit
REA	Real estate agent
VfM	Value for Money

Executive Summary

Introduction

Global Ireland – Ireland’s Global Footprint to 2025 is the Government’s strategy for doubling the scope and impact of Ireland’s global footprint in the period ahead. In the context of Ireland’s diplomatic relations with 192 countries, the Department of Foreign Affairs has a central role by providing a physical platform for the State overseas through its global network consisting of 169 overseas properties. Thirty-five of these are owned and 134 are leased. These properties house staff from the Department, 18 other departments and State Agencies.

The focus of this spending review is to examine:

- The costs associated with renting official properties for the Irish Diplomatic Network;
- The governance arrangements in place to manage the portfolio;
- A review period from 2016 to 2020.

The methodology included a desk-based review of 102 documents; 26 semi-structured interviews; 20 qualitative responses from a survey of 20 Missions; and a purposive sample of eight Missions comprising eight leased chanceries and seven leased official accommodations.

Findings (expenditure)

During the period under review, overall overseas property expenditure, for both leased and owned properties, amounted to €172 million.

Total leased property expenditure associated with the mission network amounted to €131.5 million for the period.

Rent expenditure for chancery buildings increased by 15.73% in 2020 compared to 2016, with an average annual increase of 3.81% in the review period.

The increase in total rent expenditure for chancery properties is due to several factors including the opening of new missions, incremental changes in rent as agreed in lease terms, and currency related fluctuations.

Maintenance accounted for 13% of total expenditure incurred on leased properties.

With regard to value for money, consistent business processes largely helped ensure that value for money was prioritised and evidence suggests (Figure 8) that the Department was not paying above the prevailing market rates.

Conclusions

1. The majority of the properties reviewed met operational requirements.
2. The information relating to the management of leases is not systematically collated in one place. This impacts on the efficiency of making informed and quick decisions in relation to budgets, value for money, and planning.
3. The process of commencing lease renewals is generally initiated in a timely fashion.
4. The current approach has brought more clarity, transparency and accountability to the management of leases. Markets and circumstances vary greatly and consequently some need more local involvement from the missions than others do.
5. The Department's default position is to lease property, the principal advantage being the ability to respond flexibly to changing circumstances and business needs. However, there can be occasions when purchasing or building are viable options with subsequent rent turned into an asset.
6. Clear guidelines are provided on lease negotiations, health, safety and security and there is some guidance on space provided per staff member. However, there is limited guidance documentation on the function and desired design and image of Irish missions (chanceries and residences).
7. The Department is compliant with Department of Public Expenditure and Reform requirements on property acquisition and disposal, having incorporated the relevant circular in its own guidelines. The Property Management Unit obtains condition reports for newer buildings; however, further work is required to complete those for older buildings.
8. While the use of Real Estate Agents and conducting market analysis provides some assurance that leases are achieving value for money, it was unclear if Property Management Unit has the required skill set at a senior level to examine each lease and market to ensure that value for money is being maximized.

Recommendations¹:

1. The IT real estate management system for data collection and management information should be enhanced (2).
2. Ensure that initiation and planning for lease renewals commences on a timely basis (3).
3. Building files should be established, where the mission updates the file on the property and the market prior to the lease renewal date. (4).
4. In terms of considering purchase of properties, strategic locations should be identified and a medium term plan for acquisition developed (5).
5. Develop Design and Specification briefs for properties (6).
6. Develop a project to ensure condition reports are obtained for the properties of the mission network (7).
7. Strengthen the capability of the Property Management Unit to maximise 'Value for Money' in managing leases (8).

¹ The number at the end of each recommendation indicates the conclusion to which the recommendation is linked in the previous numbered list in the executive summary.

1. Introduction

1.1 The Mission Network of the Department of Foreign Affairs

This study was undertaken as part of the Department of Public Expenditure and Reform (DPER) 2021 Spending Review programme of work. The focus of this spending review is:

- The costs associated with renting official properties for the Irish Diplomatic Network;
- The governance arrangements in place to manage the portfolio;
- A review period from 2016 to 2020.

Global Ireland – Ireland's Global Footprint to 2025, is a statement of the Government's determination to ensure that Ireland effectively advances its strategic interests globally. Central to this is a multi-year strategy to double the scope and impact of our global footprint by 2025. By expanding the global network, Ireland is positioning itself to more effectively participate in the multilateral system, compete in global markets, take advantage of new economic opportunities, and promote Ireland. *Global Ireland* provides both the mandate and the means for departments and State Agencies to be increasingly ambitious in diversifying Ireland's sources of trade, tourism and inward investment. The Department of Foreign Affairs, through its formal relations with 192 countries, has a central role in this expansion by providing a physical platform for the State overseas.

The Department of Foreign Affairs' ('DFA' or 'the Department') mission is "to serve the Irish people, promote their values and advance their prosperity and interests abroad, and to provide the Government with the capabilities, analysis and influence to ensure that Ireland derives the maximum benefit from all areas of its external engagement" (Department of Foreign Affairs, 2016: 1). These objectives align very closely with *Global Ireland*. To achieve this mission, the Department's global network of missions² provides both a home for the operations of the Department that facilitates diplomatic relations with the aforementioned 192 states and an infrastructure that is used by other departments and State Agencies³.

² The building in which the embassy, consulate general, permanent representation or representative office is located, is referred to as the chancery building. The official accommodation is the building in which the Head of Mission lives and hosts public outreach events for the mission. A compound is a location where the chancery building and official accommodation are placed together with a walled perimeter.

³ The Department operates 22 Ireland Houses providing a base for Enterprise Ireland, IDA, Tourism Ireland, Board Bia, among others.

The network comprises of four different types of missions⁴ – embassies, consulates general, permanent representations to multilateral organisations, one representative office, and houses approximately 1,300 total overseas DFA staff. Missions also provide office accommodation for approximately 126 officials of other Departments and staff of State Agencies, working alongside DFA in the pursuit of Ireland’s foreign policy and economic promotion goals (Figure 1).

Figure 1: Overview of DFA's Mission Network



The global mission network houses those responsible for the implementation of Irish Foreign and Economic Policies and the protection of Irish citizens overseas. Missions perform a range of official, outreach, promotional, administrative and reporting functions including:

- Deepening Ireland’s relations with host governments and advancing its international priorities and objectives;
- Reporting on political, economic, legal, commercial and, as appropriate, EU developments;

⁴ An embassy is a body of diplomatic representatives fulfilling a full range of diplomatic services headed by an ambassador who represents the President in the host state. The embassy is located in the capital city of the host state. An ambassador can be accredited to and have diplomatic responsibilities to a number of other countries to which she or he is resident in. A consulate general is similar but may provide a limited number of services depending on its purpose e.g. issuing emergency passports, and can be located in a different city to the capital of the host state. There can be multiple consulates general in one state. Ireland provides representation to multilateral institutions, such as the United Nations in New York and the European Union in Brussels. They have a different mission and are separate to the embassy or consulate general in the particular city. Ireland provides a representative office in Ramallah to promote relations between the Irish and Palestinian people. There are joint secretariats in Armagh and Belfast.

- Advancing Ireland's economic interests through working with others in the public and private sectors to expand trade and tourism, and inward investment into Ireland;
- Overseeing the implementation of programmes in developing countries funded by the Government's overseas development programme, Irish Aid;
- Maintaining contact with local Irish communities and providing assistance to Irish citizens abroad;
- Promoting Irish culture and disseminating information on Ireland.

Since the launch of *Global Ireland*, the expansion to date has included eleven new missions and one reopened mission⁵.

1.2 Property Management in the Department

The Department manages a total of 169 overseas properties⁶ including the 22 'Ireland Houses'⁷ which provide office accommodation for staff of both DFA and other departments and State Agencies. The entire global network comprises of 35 owned and 134 leased properties and is managed by the Property Management Unit (PMU) based in Dublin. For the purposes of this study, the expenditure on the leased buildings is being reviewed.

The chancery is the building that houses the staff of DFA, other departments and State Agencies while the official accommodation refers to the place where the Head of Mission (HoM) also works and resides. Official accommodation is included in this review as it fulfils three important functions – hosting of promotional and public outreach events, office and business continuity facilities in times of emergency and, finally, safe and secure accommodation for the HoM and their family. The accommodation provided for other DFA staff is not included in this review, as it is accounted for under the 'Salaries, Wages, and Allowances' subhead. Figure 2 provides a breakdown of the properties the State owns and leases abroad. Approximately 80% of the property portfolio is leased, while 20% is State owned.

⁵ **2018:** Vancouver, Wellington. **2019:** Monrovia, Santiago, Bogota, Amman, Mumbai, Frankfurt, Los Angeles. **2020:** Cardiff (reopened). **2021:** Kyiv, Manchester

⁶ The building in which the embassy, consulate general, permanent representations and representative office is placed, is referred to as the chancery building. The official accommodation is the building in which the Head of Mission lives, works and hosts public outreach events for the mission. A compound is a location where the chancery building and official accommodation are placed together with a walled perimeter.

⁷ Abu Dhabi, Austin, Beijing, Boston, Budapest, Hong Kong, Kuala Lumpur, Madrid, Moscow, Mumbai, New Delhi, New York CG, Prague, Riyadh, Sao Paulo, Seoul, Shanghai, Singapore, Stockholm, Sydney, Tokyo, and Warsaw.

Figure 2: Overview of owned vs. leased DFA properties

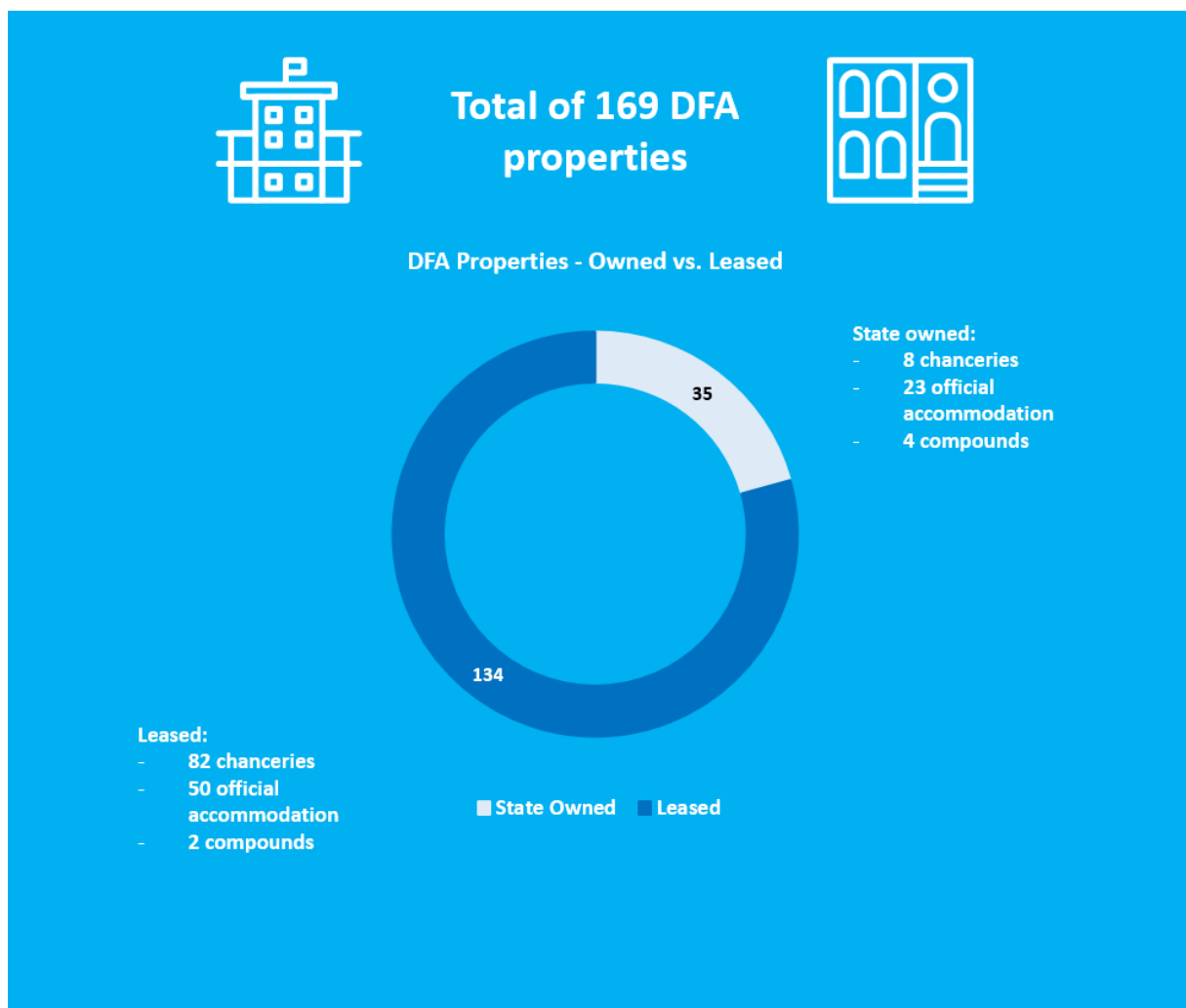
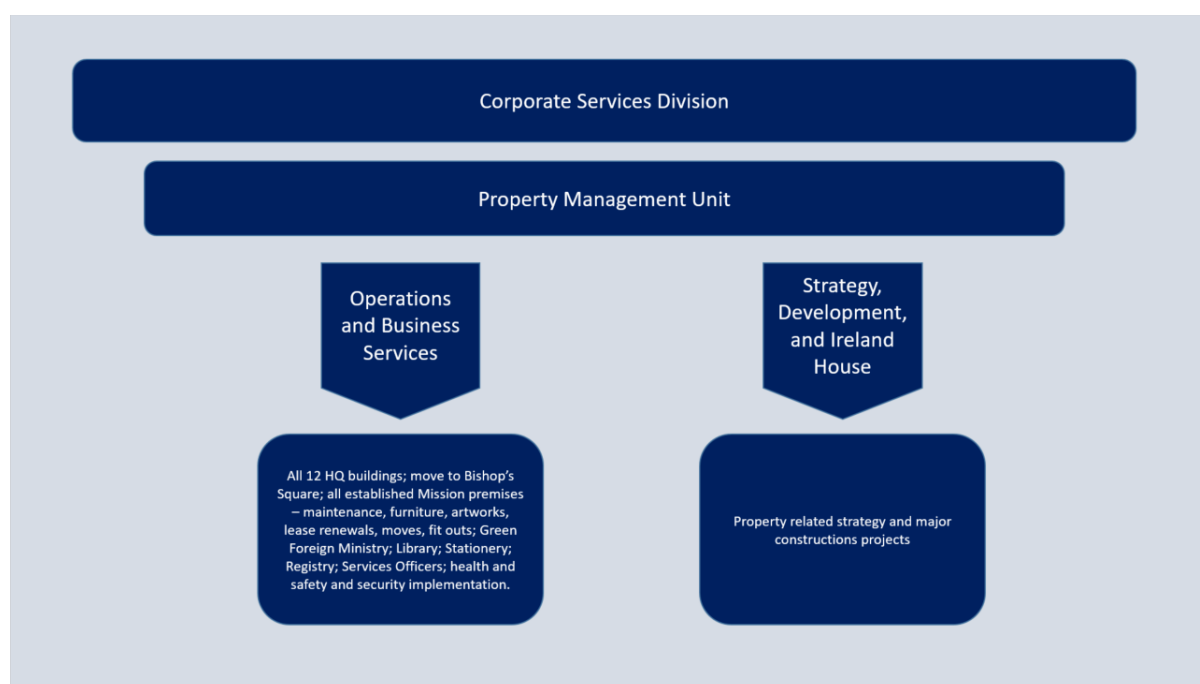


Figure 3: Property Management Unit



As noted above, these properties are managed by the Department's Property Management Unit, which is located in the Corporate Services Division of the Department. Its responsibilities are to oversee the accommodation requirements both at home and abroad. It manages overseas properties on behalf of both the DFA and other departments.

The Unit is divided across two main areas of responsibility namely: 'Operations and Business Services', and 'Strategy, Development, and Ireland House, New Missions'. The management of leases is located under OBS. It is staffed by a team of two who report to a Principal Officer. The capacity of this section is supplemented by support and advice from other PMU colleagues, such as the senior architects and a quantity surveyor in SDIHNM, as well as other DFA staff.

1.3 Structure of the report

This report comprises of the following sections:

- Chapter 2 provides an overview of the expenditure covered under this Spending Review;
- Chapter 3 outlines the methodology and limitations of the review;
- Chapter 4 addresses the findings and lessons associated with the main questions;
- Chapter 5 presents overall Conclusions and Recommendations.

2. Expenditure

During the period under review, overall overseas property expenditure – for both leased and owned properties, amounted to €172 million. The analysis that follows below is limited to that expenditure incurred on leased properties.

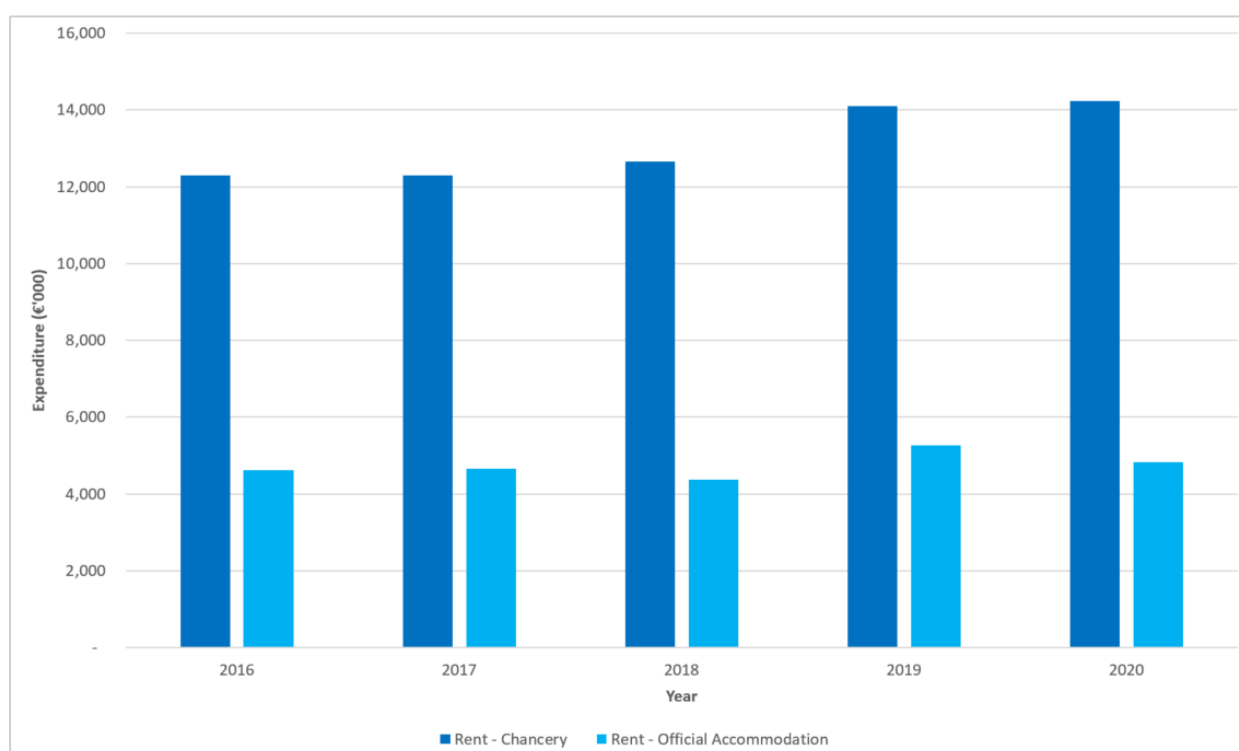
Total leased property related expenditure on chanceries and official accommodation in Ireland's diplomatic mission network for the years 2016-20 (5 years) amounted to €131.5 million. This amount was incurred across both of the Department's Votes 27 and 28. Table 1 presents the total leased property expenditure broken down by category, e.g. rent – chancery. The last column shows the percentage of the €131.5 million that is spent in each category, e.g. rent – chancery amounts to 50% of the total spend. The Table also shows the changes in properties that were leased and owned for the review period.

Table 1: Total leased property expenditure 2016-2020 analysed by expenditure type (%)⁸

Area of Expenditure	2016	2017	2018	2019	2020	Total	Percentage Share of Expenditure
	€'000	€'000	€'000	€'000	€'000	€'000	
Rent – Chancery	12,295	12,305	12,665	14,098	14,229	65,592	50%
Rent – Official Accommodation	4,625	4,658	4,374	5,259	4,839	23,755	18%
Major Maintenance	1,122	2,139	2,795	7,392	4,390	17,838	13%
Service & Common Charges	842	835	906	924	884	4,391	4%
Repairs & Minor Maintenance	604	684	881	989	952	4,110	3%
Security	695	645	684	860	887	3,771	3%
Energy	686	675	705	760	733	3,559	3%
Cleaning	499	530	583	634	608	2,854	2%
Professional Fees	262	412	604	817	975	3,070	2%
Other	376	536	588	565	459	2,524	2%
Total	22,006	23,419	24,785	32,298	28,956	131,464	100%
No. of Leased Chanceries	69	69	70	78	78		
No. of Leased Official Accommodation	45	45	46	49	50		
No. of Leased Compounds	2	2	2	2	2		
Total No. of Leased Properties	116	116	118	129	130		
No. of State Owned Properties	33	34	35	35	35		
Total	149	150	153	164	165		

⁸ Each figure is rounded to the nearest whole number

Figure 4: Expenditure on property rent 2016-2020 (€'000)



Rent expenditure on chanceries and official accommodation has remained largely stable between 2016 and 2020 (Figure 4). Some important points to note;

- Rent for chancery buildings increased by 15.73% in 2020 compared to 2016, with an average annual increase of **3.81%** in the review period.
- Rent for official accommodation increased by 4.63% in 2020 compared to 2016, with an average annual increase of **1.72%** in the review period.

The increase in rent for chancery buildings is due to several factors including:

- Primarily the opening of new missions as listed in the footnote on pg. 8 and outlined in the number of properties displayed in Table 1
- Annual inflation-related fluctuations
- Incremental changes in rent as agreed in lease terms, and
- Currency-related fluctuations.

The increase in rent for official accommodation increased due to the same factors mentioned. However, the increase is not directly proportionate to the change in chancery rent as of the new missions opened in the review period (10) five do not have official accommodations. This is due to Consulates General not having official accommodation in the majority of missions.

In relation to Maintenance, 13% of leased property expenditure (€17.037m) was spent on major maintenance carried out over the period. The two largest costs in 2019 and 2020 are largely due to major fit out projects in the office of the Permanent Representation to the United Nations in New York and a major roof repair and other upgrade projects at Embassy London (Figure 5).

Figure 5: Major maintenance expenditure on leased properties 2016-2020

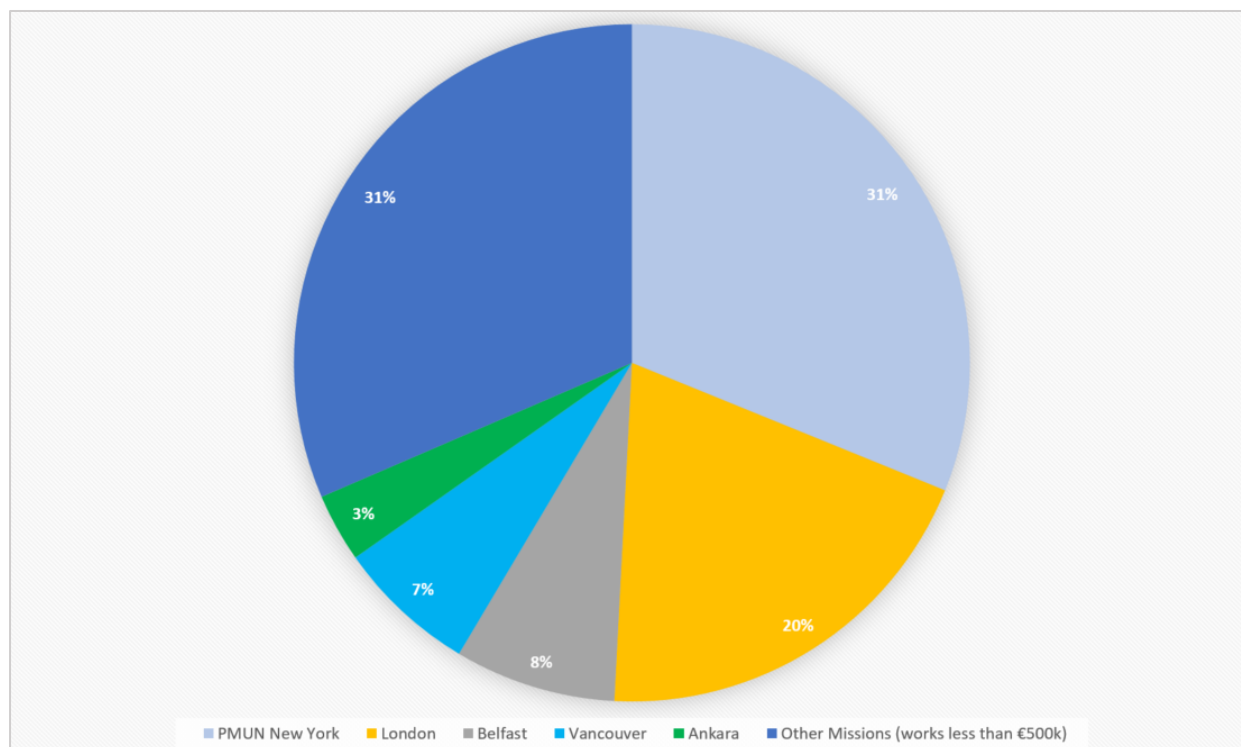


Figure 6: Expenditure on associated running costs for leased properties 2016-2020 (€'000)

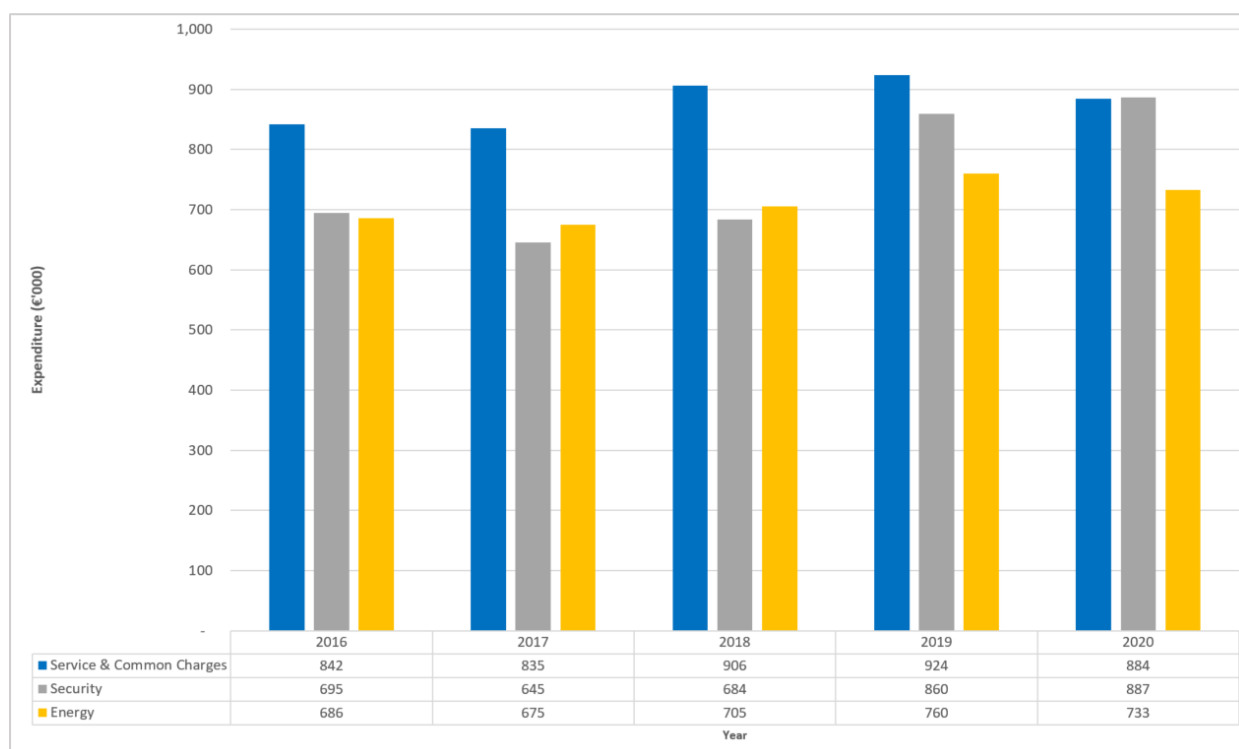


Figure 6 shows the associated expenditure on leased properties from the following categories; service & common charges, security, and energy. Expenditure in these categories is largely stable. Some important points to note:

- Service & common charges increased on average by 1.33% in the review period, due to the increased building charges for the new mission chancery buildings, such as waste management, water, and bin charges.
- Security costs typically remain relatively stable and predictable as they are primarily based on contracts. However, additional installations and upgrades of security systems can occur on a needs basis and this reflects some of the changes over the period. Between 2016 and 2020, the costs increased by 27.66% due to the opening of new missions (2018 to 2020) and strengthening security arrangements in current missions.
- Energy costs for the missions also remained relatively stable with an average increase of 1.78%, which is associated with the expansion of the network, alongside global fluctuations in energy prices. However, costs decreased by 3.54% between 2019 and 2020 as the global price of crude oil decreased due to the impact of the COVID-19

pandemic, from \$0.4/litre in Q1 2019 to \$0.2/litre in Q1 2020 (International Energy Agency, 2021)⁹

3. Scope, Methodology and Limitations

The rationale for conducting this Spending Review is that the majority of DFA properties abroad are leased, which account for 76% of total overseas property expenditure. Within this context, the Evaluation and Audit Unit of the Department reviewed the management of the leased portfolio.

The focus of this review is on:

- Costs associated with renting official properties for the Irish Diplomatic Network (see Chapter 2 and Annex 1);
- Governance arrangements in place to manage the portfolio;
- A review period from 2016 to 2020

3.1 Review Questions

The review addresses the following questions:

1. Is DFA's current overseas portfolio of rented properties fit for purpose¹⁰?
2. Are the current arrangements to manage leases appropriate?
 - a) How effective and efficient¹¹ are the current arrangements to manage DFA's overseas property leases?
 - b) Are there alternative approaches to managing the department's overseas property portfolio that may be better value for money?
3. Is the use and management of the DFA property portfolio in compliance with the relevant legislation, including the DPER circular 17/2016: Policy for Property Acquisition and for Disposal of Surplus Property and the Disability Act 2005?
4. What are the key learnings from the experiences of managing leases to-date?

⁹ [Energy Prices: Overview – Analysis - IEA](#)

¹⁰ During the course of the review, the term 'Meets DFA Operational Requirements' was found to be a more definitive and practicable term to address the question.

¹¹ In this review, the terms 'efficiency' and 'effectiveness' refer to how efficient the management arrangements in place are, to achieve the most effective property. An effective property is one that meets the operational requirements and good Value for Money (VfM). DFA operational requirements are defined under Chapter 3.

3.2 Methodology

The review consisted of:

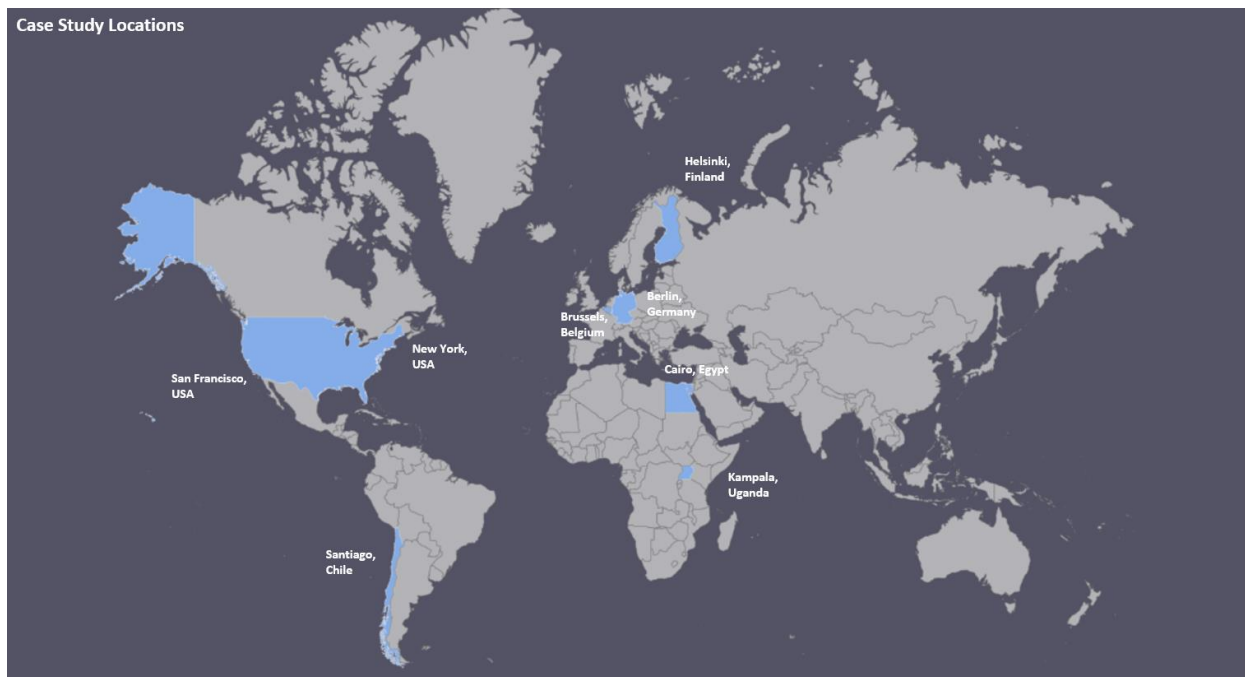
- A desk-based review of 102 documents;
- Consultations with 26 stakeholders through semi-structured interviews;
- Analysis of 20 qualitative responses from a PMU survey of 20 mission respondents carried out in late 2019 to early 2020. This survey asked respondents regarding general guidance provided regarding property management, PMU engagement and aspects relating to chanceries and official accommodation;
- A purposive sample of eight missions comprising of eight leased chanceries and seven leased official accommodations¹² was selected for this review (see Figure 7);
- Consideration of data collected from selected international peers in the Readiness Assessment report (discussed below).

3.3 Relevant Reviews

This study was also informed by an Organisational and Structural Review of the Accommodation Services Unit (now known as the Property Management Unit) conducted in 2016 and a follow-up Readiness Assessment conducted in 2019. The 2019 review was requested by the Secretary General to assess the (i) progress in the implementation of and continued relevance of the outstanding recommendations from the 2016 study; and (ii) PMU's capabilities to carry out its current and future responsibilities, particularly in light of the commitments outlined in the policy document, *Global Ireland*. Overall, the review team found that PMU has made significant progress since the 2016 review.

¹² There are 17 properties included in this review from the eight sample missions – Berlin's official accommodation is state owned

Figure 7: Sample of missions for analysis



Eight missions were selected through purposive sampling, based on the following criteria:

- Operational type (development, multilateral, economic focus, consular focus, political)
- Security;
- Physical environment;
- Legal environment;
- Cultural environment e.g. culture of conducting promotion and outreach work in mission property or external;
- Geographic spread.

The review used the following criteria to establish whether a chancery and an official accommodation meets the 'DFA operational requirements':

- Space and Layout
 - Office space that meets DFA standards for staff e.g. open plan where possible and approximately 12m² per individual office;
 - Public waiting room and private meeting room space for meeting Irish citizens particularly for sensitive consular matters;
 - Promotion and outreach space of an adequate capacity and standard (this will depend on the mission's objective and size).

- Location
 - Location within the city, usually adjacent to other chanceries and government ministries for enhanced security and proximity to foreign ministries;
 - Ease of access for meetings and events.

- Security
 - Security offered in the office block/compound/neighbourhood;
 - Security needs in areas of heightened security;
 - IT and Data security e.g. a separate secure room for the server;
 - Personal protection.

- Health and Safety
 - Universal access;
 - Fire safety;
 - Structural safety.

- Environment
 - Ability of buildings to protect against the climate/environment e.g. seismic events;
 - Energy efficiency;
 - Wi-Fi connectivity;
 - Electricity and water supply & reliability;
 - Public transport access e.g. 5-15 minute walk from public transport connections.

- Personal needs (official accommodation only)
 - Suitability of official accommodation to fit the needs of HoMs and families;
 - Versatility of official accommodation to suit the family circumstances of the HoM as there is rotation.

Limitations:

- Overall, data was not a significant limitation due to the availability of a large number of documents, interviews completed, mission survey results, and primary open source data to draw upon;
- Value for Money (VfM) was more difficult to analyse due to the fact that some management data is insufficiently automated. In addition, VfM needs to take into account the capability of the premises to facilitate the mission's overall objectives, the appropriates of location and not just cost;
- The data collected on 'meeting DFA operational requirements', compliance and, to a lesser extent, VfM, was based on a limited sample of eight missions chosen to cover the criteria outlined above. There was a limitation to what extent these findings may apply to the overall property portfolio;
- While there was a question around purchasing properties to achieve VfM, the currently owned buildings were beyond the scope of this review.

4. Findings

This section outlines the key findings from the review and addresses the review questions set out in the scope (Section 3). Each finding starts with a summary in bullet point format followed by further analysis. Each review question is incorporated into the Findings and the Conclusions and Recommendations in Section 5. There is some overlap between sections as meeting DFA operational requirements is linked with VfM and with compliance.

Is DFA's current overseas portfolio of rented properties meeting DFA operational requirements?

1. This review found that from the sample of eight missions, seven chanceries either fully met or substantially met operational requirements. In terms of official accommodation, seven were found to meet the necessary requirements. In the case of the chancery not meeting all DFA operational requirements, the Mission is in the planning stages to do so.
2. Mission staff considered the criteria for identifying properties that meet DFA operational requirements to be clear.
3. Security, health and safety, and location were the most important criteria when identifying properties for operational requirements.
4. Decisions to move a chancery or official accommodation from an existing property are given careful consideration.
5. The sample of both chanceries and official accommodation, as expected, vary in terms of energy efficiency, due to local standards and context, and the type of building.
6. The impact of Covid-19 with regard to future ways of working needs to be reflected in future operational requirements of the mission property portfolio.

Finding 1

With regard to **chanceries**, the review found that from the sample of eight missions, four **fully met the DFA operational requirements, with an additional three substantially meeting the requirements** but with some maintenance work needed. Based on the PMU Guidelines

for Lease Agreements, criteria used to assess if the property meets DFA operational requirements include:

- Sufficient office space for DFA officials;
- Private consular meeting rooms;
- Close proximity to public transport links (e.g. 5-15 minute walk from public transport connections) and to political institutions i.e. correct location;
- Sufficient promotional and outreach space based on the individual needs of the mission.

The chancery that did not meet all the business need requirements had been the subject of a mission review led by an Assistant Secretary of the Department in 2019. That review found '*... a number of maintenance and security issues which may need to be addressed if the Embassy is to remain in the building*'. In relation to security, the Review Team noted that *the building cannot be fully secured or alarmed*'. Mitigation actions including an enhancement and an upgrade of the security systems were undertaken and completed. In the intermediate term, a decision to move was made and the co-location of this mission with the EU Delegation is being planned for.

The assessment of whether properties 'meet DFA operational requirements' was done using interviews with missions and triangulated with PMU. Each chancery was given a cumulative score based on the 'meet DFA Operational Requirements' criteria.

With regard to **official accommodation**, it is important to note that these premises fulfil dual purposes. They are primarily a workplace, where official promotion and outreach work occurs and therefore need to be of a standard to both represent Ireland and comply with the health and safety requirements expected of a public building. They also need to be an office and communication hub for the Head of Mission, especially during an emergency. Secondly, it is the home of the HoM and their family.

All seven **official accommodations** sampled under this review, were found to meet operational requirements.

Finding 2

The Department has criteria for assessing whether properties meet the DFA operational requirements. This review found that the criteria are considered clear by mission

colleagues for chanceries and official accommodation. These criteria are laid out as follows in the PMU lease guidelines:

- The premises meets Irish health, safety and universal access standards (as far as practicable);
- The premises are adequately secure without the need for significant additional works;
- There is adequate consideration given to energy efficiency and other environmental issues, depending on local conditions;
- The premises offers value for money for the State over the lifetime of the lease and the terms are adequate to warrant the State investing in fitting out the property;
- The premises offers staff and visitors an appropriate environment in which to work and conduct business;
- The accommodation meets health and safety standards and are adequate to the needs of the mission.

In addition to these guidelines, PMU and the mission work together to identify the business needs of the mission and subsequently, how a building should meet those needs. A technical survey of the property is carried out and PMU will only agree to enter a lease once this is completed. If any work is required to bring the premises up to a minimum standard beyond that for which it would be expected the landlord would be responsible, this must be authorised by the PMU and be reviewed before entering the lease (the guidance on repairs, refurbishments and fit out works should be followed). In advance of final approval, PMU also consults with other relevant Corporate Services units (such as Security, Compliance and Coordination, ICT) and Finance Division.

In a recent survey carried out by PMU, 63% of respondents considered the PMU selection criteria to be clear, while 70% considered the criteria for selecting a chancery property to be realistic and appropriate. Clear guidelines provide the HoM with an understanding of what is required of a property – both for the chancery and the official accommodation.

Finding 3

Security, health and safety, and location were found to be the most important criteria when identifying properties for operational requirements. The PMU and missions need to balance these criteria with business requirements, value for money, environmental considerations and staff needs, as well as the HoM's domestic circumstances for official accommodation. While the official accommodation is a workplace, the basic domestic needs (e.g. family living space) of the HoM are considered only after addressing safety and VfM. The

HoM has the responsibility of ensuring that the premises are adequate to cater for the business needs of the mission safely, and that any relevant lease provisions are complied with.

Within Corporate Services Division, the Department has a Security and Corporate Compliance Unit, whose core areas of responsibility include Health & Safety and Security. The security function is tasked with providing guidance concerning safety of staff, property and records. The Unit's remit also extends to providing a standard mission security manual and procedures. Each mission is required to comply with the manual, complete security plans and reviews of the chancery and the official accommodation.

Compliance with Health and Safety standards will be discussed later in the report.

Finding 4

The review found that decisions to relocate were given careful consideration. As fit out costs can be very significant, a robust business case is required before relocation can be considered. No action can be taken by mission officials without the authorisation of PMU. In a number of cases, in order to ensure that due consideration is given and to facilitate sourcing a suitable property and fit-out works, a short-term lease extension may be signed with the existing landlord. One mission in the sample moved to a temporary location before signing a long-term lease on a suitable chancery during the period of review.

Finding 5


The sample of both chanceries and official accommodations, as expected, vary in terms of energy efficiency, due to local standards and type of building. The review found that efforts are being made to improve the quality of the portfolio and there are no obvious lease-related limitations in this regard. However, there may be opportunities to provide more guidance on the function and desired design of missions (chanceries and residences).

The PMU guidelines require that energy efficiency of buildings be taken into account. As Building Energy Rating (BER) certificates may not be available in every location, PMU is required to identify properties that are energy efficient where this is possible. If the local equivalent of a BER certificate is available, it is practice to require that it be made available at the point of preliminary negotiations. Landlords sometimes resist this until formal agreement to take on the lease is provided. From the sample of chanceries examined, three had BER certificates. There was no BER certificate or local equivalent in the other cases. The global nature of the portfolio and the differing legislative environments highlight the difficulty in assessing energy efficiency consistently across the network. Where possible, the chancery


buildings were located in areas with good public transport links e.g. 5-15 minute walk from public transport connections.

With regard to addressing the need for more environmental-friendly buildings, the Department established the Green Committee to implement the Green Foreign Ministry initiative in 2019. The impact of COVID-19 has made it difficult to progress projects further in relation to energy efficiency upgrades across the network. However, some initial pilots have been undertaken and are being examined. Figure 8 presents an overview of the Embassy in Dar es Salaam. The upgrades made to the Embassy have provided significant improvements in sustainability of the chancery.

Figure 8: 'Greening the Mission' Case study in Tanzania





Case Study: Embassy of Ireland Tanzania



Introduction:
The Embassy of Ireland in Tanzania embarked on the “Greening the Mission” initiative which was guided by an annual action plan. A core “Green Team” composed of volunteers then led on implementation and follow-up. The Action Plan for November 2019 – December 2020 focused on optimising staff, facilities and systems, as well as raising the Green profile of the Embassy through our public diplomacy and communication. Some of the actions and outputs of the initiative are outlined below:

<p>Actions:</p> <ul style="list-style-type: none"> ✓ Installation of a 30kWp solar electricity system ✓ Rain water harvesting for irrigation with capacity of 8,000 litres ✓ Solar panels & energy system used to heat water and provide lighting ✓ Installation of automatic water taps ✓ Using LED lightbulbs ✓ Producing compost for use in the Mission’s vegetable garden ✓ Recycling drive fortnightly ✓ Replacing single-use plastics with refillable water bottles 	<p>Outputs:</p> <ul style="list-style-type: none"> ✓ 60% reduction in consumption from the electricity grid ✓ 21% reduction in water utilisation ✓ 53% reduction in electricity expenditure ✓ 41% reduction in water expenditure
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Learnings:
The Embassy will continue tracking quantitative data and plans to track behaviour change. Learnings will be shared within DFA and the Irish Embassy network as well as with peer embassies in Tanzania.

Finally, clear guidelines are provided by PMU on lease negotiations, health & safety, security and there is some guidance on space per individual office. However, there is limited guidance documentation on the function and desired design and image of Irish missions (chanceries and residences). This may be having a consequential effect in terms of planning of office specifications/layout, furniture etc.

Finding 6

While the impact of the **COVID-19 pandemic** was not explicitly in the review question, qualitative interviews revealed a number of important findings that provide examples of how requirements of chanceries and official accommodation can shift over time. For example, as

many HoMs were required to work in their official accommodation during the pandemic, the need to have suitable office space there became increasingly important. Likewise, the importance of outdoor promotion and outreach space has become apparent with a notable shift to the use of outdoor facilities in a number of cities where Ireland has a diplomatic mission.

As outlined in the methodology, the abovementioned findings are based on a purposive sample of 8 missions and total of 15 leased properties, representing approximately 11.5% of the total leased portfolio. Given the large diversity of business, cultural, economic and legislative environments that the Department operates in, it was not possible to definitively conclude that the entire portfolio meets all of DFA's operational requirements. However, the following can be concluded:

1. There were clear criteria, systems and processes to identify suitable properties that comply with Irish standards (as far as is possible)
2. Systems and processes were applied and generally understood by the main stakeholders
3. The majority of the properties reviewed met the DFA operational requirements either fully or substantially. In the case of one that needed improvement, mitigation actions were undertaken and completed.
4. Energy efficiency is a criterion used by the Department and *The Green Foreign Ministry* initiative has initiated work. However, due to COVID 19-related constraints further progress on this initiative has been delayed;
5. Criteria, systems and processes may have to be revised as the longer-term implications of the pandemic influence future work arrangements.

Are the current arrangements to manage leases appropriate?

- a) How effective and efficient are the current arrangements to manage DFA's overseas property leases?
- b) Are there alternative approaches to managing the Department's overseas property portfolio that may be better value for money?

7. The Department has adopted a centralised approach to managing leases under the responsibility of PMU. This has increased accountability and transparency; however, at times it can cause inefficiencies.
8. There were adequate guidance documents produced by PMU available on the DFA intranet.
9. PMU does not have a digital property management system.

10. While noting that outright acquisition of property is an alternative for meeting business needs and achieving value for money, the review found that the Department's approach to purchasing/building is appropriate though there is an opportunity to identify strategic locations where purchasing may provide value for money.

The questions outlined above are addressed in the following paragraphs and the box titled 'Value for Money'. Firstly, the review presents the findings on the efficiency of the management arrangements of DFA's overseas property leases, and 'Value for Money' will present the findings on the effectiveness of these arrangements in achieving VfM.

Finding 7

During the period covered by this review, **the Department centralised its approach to managing leases under the responsibility of PMU. This has strengthened accountability, consistency and transparency through the central role played by the PMU.** Although there is still scope for further efficiency in managing the property portfolio through availability of better management information, there have been clear improvements in PMU's procedures and processes since the Organisational and Structural Review of the Accommodation Services Unit in 2016. These include greater definition of roles and responsibilities between the missions and PMU, elaboration of guidelines and the development of certain systems regarding the creation, management and renewal of leases.

As mentioned earlier, PMU has a small-dedicated lease management team of two staff that manage, on average, 40 lease renewals and/or new leases per annum, with each lease varying in complexity. The lease management team has oversight from a Director (Principal Officer) who reports to the Director General of Corporate Services (a member of the Management Board). The Department's property management guidelines clearly state that the PMU is the decision maker in the process of entering/renewing a lease and no action may be taken without their explicit written approval. The guidelines require the following:

- The decision making process on whether to renew a lease or move to a different property should typically start at least 24 months prior to lease expiry;
- Procedures require the HoM to send a report making recommendations on the most appropriate course of action based on research of the local property market;
- This research requires the use of a local Real Estate Agent (REA);

- Once a decision in principle has been taken to move to another property, the expert advice of an architect or engineer, and local legal advisor are required following identification of a suitable property;
- The final decision is made by PMU after the appraisal of the options using detailed premises profiles and, where appropriate, a security review by An Garda Síochána.

Once a preferred property has been selected by PMU, consultation takes place with other Corporate Service units and a recommendation is then put to the Director General of Corporate Services for final approval. This submission outlines the business case and follows the requirements of the guidelines. The centralised approach – informed by the HoM - contributes to achieving VfM by ensuring a consistent and accountable process for entering/renewing leases regardless of the mission or its location.

While the incremental changes over time have greatly improved governance, this review found that there can still be delays in the lease process. Reasons include resource constraints in PMU, lease terms, and unwillingness of landlords to engage early in lease renewal negotiations, thus impeding the Department's ability to achieve value for money and efficiency. Such delays can reduce the opportunity to identify alternative property options, which, in turn, weaken the Department's negotiating position.

In contrast to the improvements due to the more centralised approach, the results of a recent PMU survey reveal that 60% of survey respondents noted that PMU is not always quick enough to commence the lease renewal process/new property search. In addition, 70% of survey respondents noted it could be quicker and more efficient for missions, rather than HQ, to procure the services of local Real Estate Agents (REAs). Some HoMs also felt there should be more consultation during the process given their knowledge of the local context and market, the needs of the mission, and contacts on the ground.

In summary, this review considers that changes introduced have enhanced the efficiency of the process, though there is still space for further improvements. The local level knowledge of the mission is both important and very relevant in understanding the market conditions and context. However, this information should not be confused with local expertise or professional advice, and there is a strong case for PMU continuing to have a centralised approach to the management of leases and access to independent, informed expertise. In addition, there may be opportunities to subscribe centrally to international property data and advisory services that could also improve the information to inform decision-making. See also Finding 9.

Finding 8

As part of the document review, EAU found that there were adequate guidance documents produced by PMU available on the DFA intranet, including:

- Guidance on lease agreement for leases abroad;
- Guidelines for co-location policy;
- Air quality and purification in missions;
- Repairs, refurbishment and fit out works policy.

These documents provide HoMs and posted staff with clear guidelines for managing the missions' property/properties, and ensure guiding principles are followed. Unsurprisingly though, it should be noted that property markets across the mission network vary greatly and a 'one size fits all' approach cannot be easily applied. This is accepted by the PMU and a degree of flexibility is provided in the guidelines.

The aforementioned survey also found that (i) despite some delays in communication overall dialogue between the missions and PMU was considered good; and (2) it is worth noting the survey found that up to 35% of respondents commented that Local REAs could not be relied upon to provide independent and objective advice.

As an overall finding, the review team considers that though there have been some lapses in communication, appropriate structures and supports are in place to guide missions. As noted in Finding 7, there is a strong case for employing local level professional expertise though there can be some cases where this may not be fully reliable. This may require some strengthening of PMU's capacity to guide identification of local expertise.

Finding 9

The PMU does not have a comprehensive digital property management information system. Over the years, PMU have made improvements in data and information collection. Each mission is required to complete Excel-based premises profiles for chanceries and official accommodation. PMU also keeps a database of lease renewal details and scheduled maintenance work. However, as noted in the PMU Readiness Assessment report, the Unit does not have a central digitised system where information can be accessed and analysed. The data collection is also not maintained in a format that links it to the Department's financial system. Based on our analysis, this gap could affect medium to long term planning and budgeting.

Finding 10

While noting that acquisition of property is an alternative for meeting business needs and achieving value for money, this review considers (i) the Department's approach to purchasing/building is generally appropriate but (ii) there is an opportunity to identify strategic locations where purchasing may provide greater value for money. During the period of the review, two properties were purchased.

The Department's default position is to lease property with the principal advantage being the ability to respond flexibly to changing circumstances and business needs. However, there can be occasions when purchasing or building are viable options and resulting rental income can be turned into an asset. When making a decision to purchase or to build the Department considers the following factors:

- An assessment of where Ireland has a long-term diplomatic presence and interests with the host country¹³.
- What the needs of the mission are likely to be in the medium term.
- The economic and value for money case for purchase / build. For example in markets where rent is more expensive over a specific time period (e.g. 20 years) than cost to purchase, the case for purchase is explored.
- In a number of markets, it is often not feasible to source a suitable rental property e.g. due to security concerns and therefore, purchasing is considered a viable option.

The above mentioned factors have influenced the Department's approach to purchase the properties it already owns. For purchasing to be a viable option, good medium-term capital acquisition planning (two to five years) that identifies opportunities in strategic locations where better value for money could be achieved is required.

In addition, there needs to be predictability of financing (capital budget) so that the Department can act nimbly in the market and avail of the opportunities. In this context, it is notable that some European counter-part ministries have the authority to retain the proceeds from the sale of the property in a fund, which can then be used for re-investment¹⁴. This funding mechanism

¹³ F.42. 'The annual rental cost of Irish embassies gives rise to significant long-term costs. As highlighted in the Committee's third periodic report, failure to purchase property when the option is assessed, as the most financially prudent does not make best use of public funds. The Committee recommends that the Department evaluates its rental properties abroad with a view to investing capital funding in the purchase of properties in countries where Ireland has a long-term diplomatic presence.' Fourth Periodic Report of the Public Accounts Committee, December 2018

¹⁴ The Belgian Foreign Ministry uses the proceeds from property sales to re-invest in the purchase of others.

provides those ministries with the flexibility and agility to purchase when compelling opportunities arise.

In conclusion, the review found that the Department has made significant progress in strengthening the management arrangements of leases since 2016 and that their approaches are consistent with the DPER circular 17/2016. Systems are in place to help ensure uniformity and consistency of approach in managing leases while at the same time balancing, as much as is possible, the realities of local contexts. However, issues around resources, and the absence of a comprehensive property management information system, mean that some inefficiencies remain. The approach to purchase versus lease is considered appropriate though greater flexibility in retaining the proceeds of property sales and more predictable capital budgeting could lead to some improved efficiencies.

Value for Money
11. The PMU Guidelines for lease agreements include guidelines for achieving value for money; these guidelines incorporate the 'DPER circular 17/2016: Policy for Property Acquisition' and 'The Public Spending Code'.
12. When signing a lease, PMU cannot only look at the lowest cost option, as properties need to meet a wide range of operational needs. These include, but are not limited to location, the capacity to effectively facilitate the objectives and needs of the mission and security.
13. Increased establishment of Ireland House arrangements which co-locate the diplomatic mission and State Agencies, where appropriate, represents good VfM.

Finding 11

The PMU Guidelines for managing lease agreements include direction for achieving value for money. These guidelines incorporate the 'DPER circular 17/2016: Policy for Property Acquisition' and 'The Public Spending Code'. See Annex 2 for direct comparison.

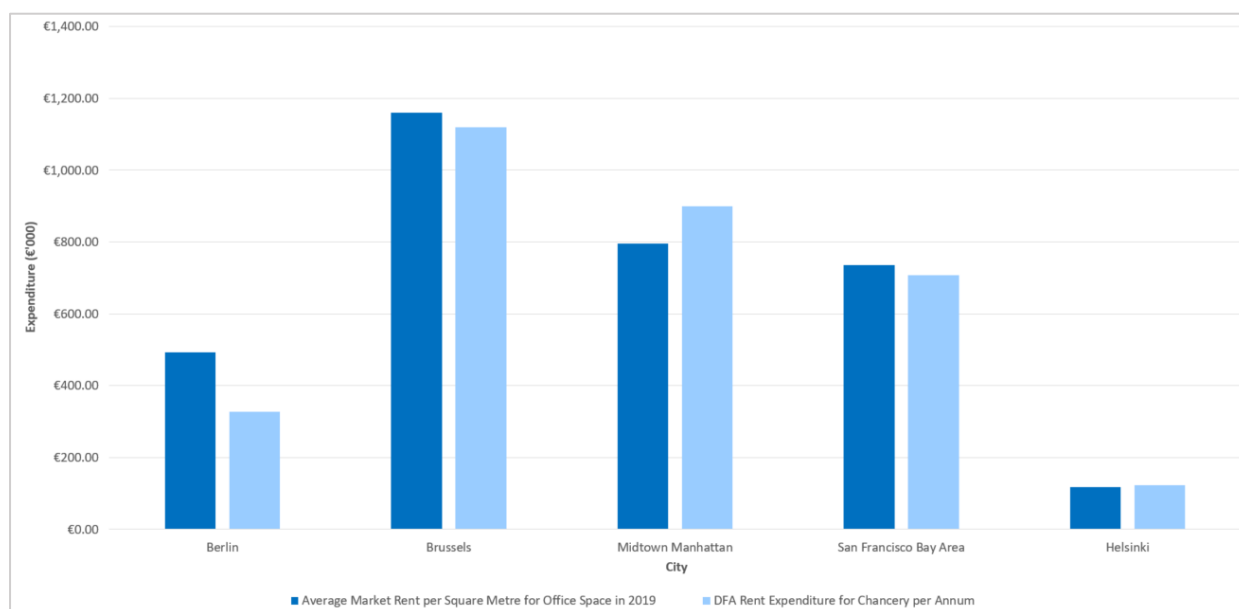
PMU gives guidance on what is required and the appropriate budget, to help ensure transparency and accountability. Guidelines state that individuals with relevant qualifications and experience with similar properties should undertake all rent negotiations. The PMU leads the lease process. In doing so, there is a requirement to obtain professional advice, and where appropriate, allow the professional to negotiate on behalf of the mission using strict criteria.

Furthermore, data from qualitative interviews confirm that value for money is one of the main priorities when renewing or signing a new lease.

Finding 12

When signing a lease, PMU cannot only look at the lowest cost option, as properties need to meet a wide range of operational needs. These include but are not limited to location, the capacity to effectively facilitate the objectives and needs of the mission and security. This can limit options. Each property needs to fulfil the business needs of the mission and this may require the property to be located in a part of the host city where rents are higher than citywide average market rents. Figure 9 compares the average market cost of office space per square metre/foot in the cities of some of the sample missions, with the current expenditure on rent for these chanceries. This shows that where comparable data could be obtained¹⁵, the rent for the sample of missions is generally level with, or slightly below, the average market cost of renting office space in 2019¹⁶. The analysis concluded that when considering all factors, value for money has been achieved in financial terms in this limited sample of missions.

Figure 9: Average market square metre cost of office rental space in 2019 vs. DFA expenditure on chancery rent per annum



¹⁵ Available data on average office costs from CBRE ([Average Manhattan Asking Rent Hits Record High of \\$80.25 Per Sq. Ft. | CBRE](#)), ([San Francisco Bay Area Office MarketView Snapshot Q2 2019 | CBRE](#)), ([CBRE-Finland Real Estate Market Outlook 2020.pdf \(hubspot.net\)](#)), ([Berlin Office MarketView Q4 2019 | CBRE](#)), ([Brussels Office Marketview Q2 2021 | CBRE](#))

¹⁶ 2019 chosen as a comparison year as the impact of Covid-19 may have impacted 2020 data

As noted, there are a number of factors that contribute to determining Value for Money in the Department's overall portfolio. Like all other business units in the Department, missions are required to undertake annual work planning and budgeting exercises. For example, an important component of a mission's annual planning is the number of promotional and public outreach events that are expected to be hosted each year both within the chancery and official accommodation. In certain markets, promotional and outreach activity can be undertaken more cost effectively by having appropriate event space in the chancery and/or official accommodation. Table 2 compares the potential cost of hosting promotion and outreach events in local hotels versus the actual cost incurred at the chancery of the Consulate General New York in 2017. This review found that hosting the Consulate's events in hotels could have been between 140-3950% more expensive than hosting it in the chancery promotion and outreach space.

Table 2: New York Consulate General cost comparison of hosting events

Hotel	Quotes Received for Comparative Purposes in 2017	Total Actual Expenditure as a Result of Hosting In-House in 2017	Percentage Difference by Venue
Four Seasons	\$1,904,000	\$47,010.10	3950%
Hyatt	\$960,160		1942%
St. Barts	\$270,300		475%
Marriott	\$229,840		389%
Sheraton	\$172,010		266%
Palace	\$112,914		140%

Finally, it also worth noting that business practices and cultures in host cities for promotional and public outreach can influence the choice of venue. For example, in certain countries and contexts, some events can take place outdoors while in others this may be difficult for climatic or practical reasons. This example highlights the VfM that can be obtained when assessing both financial costs and the overall suitability of a property that meets all the operational requirements.

Finding 13

This review found that the increased establishment of Ireland House arrangements, where appropriate, represents good VfM. An Ireland House arrangement is typically where the embassy or consulate general is 'under the same roof' as other State agencies, thus enhancing the coherence and impact of Ireland's representation in the location. The Department has a co-location Policy that encourages shared accommodation in a number for

forms – including with State agencies, EU member states, and third countries. Figure 10 presents the factors that influence the decision to co-locate. This is not an exhaustive list, but highlights the factors when considering co-location possibilities. When co-locating with State agencies, DFA is always the leaseholder given that it tends to have the greater general footfall and higher staffing levels.

Figure 10: Factors influencing co-location

Factors Influencing Co-location	
Costs	Over the period, co-location should ideally be cost-neutral or cost-beneficial
Security	A shared building can enhance security with communal security measures and reduced security costs
Use of space with EU	EU delegations and other EU member states are often extremely helpful in offering office space when Ireland is establishing a new Mission in a third country
Building Standards	Opportunity to offer the highest quality office space for our staff in one building
EU Cooperation	PMU monitors an EU portal where space can be advertised
Visibility	The visibility and scale of the Mission needs to be considered and can be a challenge as Ireland tends to have a lighter model of representation compared to other missions.
Compatibility/operability	The day-to-day running of the Mission must be considered when co-locating e.g. sensitive consular matters requires an appropriate waiting room and meeting room
Identity	Ireland must have established its own distinct presence in the country before co-locating and branding must be done on an equal basis
Insurance	Insurance for shared spaces must be considered and agreed by the co-locating partners

In recent years, there has been a shift towards greater co-location between Ireland's diplomatic network and Irish State Agency offices overseas. This represents good VfM as facilities, space and utilities can be shared. However, these gains are not always attainable in every location. For instance, State Agencies may need to locate in business districts or commercial centres while missions are typically in the capital cities. However, the model has generally worked well, and offers opportunities not only to achieve efficiencies and cooperation but also the opportunity to cultivate a distinctive Irish identity.¹⁷ Costs of €8.98m were recovered between 2016 and 2020 by DFA from other Departments and State Agencies that co-locate with DFA missions.

In conclusion, in assessing VfM, the choice of sample missions has demonstrated that the diversity of markets and conditions makes it difficult to identify 'a one size fits all' approach. Consistent business processes largely help ensure VfM is prioritised and evidence suggests

¹⁷ Examples of Ireland House: New York Consulate General of Ireland, Embassy of Ireland in Singapore
Examples of where Ireland House model is not efficient: Brazil, Vietnam, London

that the Department is not paying above the market rates. Though not straightforward, co-location provides further opportunities for achieving Value for Money.

Is the use and management of the DFA property portfolio in compliance with the relevant legislation, including the 'DPER circular 17/2016: Policy for Property Acquisition and for Disposal of Surplus Property' and the 'Disability Act 2005'?

14. The DPER circular 17/2016 guidelines are included in the guidance document provided by PMU for the missions.
15. Approximately 13.5% of chanceries were found not to be in full compliance with Irish Universal Access standards, but efforts are being made to rectify this where possible.
16. The aim of the Department is to apply Irish health and Safety standards or local standards if they are higher.
17. The Department's Health and Safety Officer is not situated in PMU and is responsible for policy rather than health and safety compliance in premises.
18. There was no evidence of expertly or independently prepared building or condition reports throughout the portfolio.
19. The standards planned for the new missions, and in particular the construction projects that are set to commence, would appear to meet the standards aimed for by the Department. However, there is the potential for a gap to emerge between these new properties and current older properties that have not yet had condition reports completed.

Finding 14

The 'DPER circular 17/2016: Policy for Property Acquisition and for the Disposal of Surplus Property' includes an appendix on leasing requirements. This Appendix is included in the guidance document provided by PMU to the missions, with guidance adapted to the context of leasing abroad for the purpose of a diplomatic mission. For example, the DPER guidance states, "If an exception request is made and approved for a term of more than 10 years, a tenant break clause must be included in the lease at the expiry of the tenth year. Lease options to break should be unconditional, save only for the payment of principal rent reasonably demanded in advance. Landlord break rights should not be accepted". In DFA's case, a diplomatic break clause is also included in lease agreements. This allows a mission to break a lease agreement in the situation where diplomatic relations in country are suspended.

Overall, it is important to note that the above-mentioned DPER circular is written within the context of the Irish legislation. However, given the variety of legal environments and property norms these guidelines have to be interpreted in the local context.

Finding 15

The Disability Act 2005 states that, “a public body shall ensure that its public buildings are, as far as practicable, accessible to persons with disabilities”. Twelve missions were found not to be in full compliance with Irish Universal Access standards, but efforts are being made to rectify this and it is a priority when a move is being considered. In most cases, this is because either: the chanceries are located in office blocks that have not yet provided the necessary infrastructure; the Department is working in a location where legislation is different to Irish standards which makes it difficult to obtain the appropriate property; or the building is listed. Nevertheless, the review has noted that the Department continues to work towards full compliance. In June 2020, PMU wrote to 26 missions requesting information in relation to universal access at both the chancery and official accommodation. Despite the Covid-19 restrictions, which have delayed construction work, four missions have had works completed or plan to have works completed in 2020 and 2021 to improve the universal access requirement.

Finding 16

The review noted that the Department is required to apply Irish Health and Safety standards or local standards if higher. Ensuring that Irish standards are met is not always possible as it can be difficult or impossible in some locations to obtain properties that reach Irish Health and safety standards. The review was satisfied that the Department seeks to obtain properties with the highest possible standard in a given market. When this was not possible, fit out works are completed to reach the highest possible standard. However, there are some cases where properties in the Department’s leased portfolio do not meet Irish Health and Safety standards. This has occurred where local standards are lower, or where the Department does not have clarity on the Health and Safety status of certain properties.

Finding 17

The Department’s Health and Safety Officer is not situated in PMU. The position of a professional Health and Safety Officer was established in September 2019. The role sits in the Department’s Security and Corporate Compliance Unit and provides an overarching

policy, compliance and guidance function. Previously, while there was a post in PMU, this fulfilled a support rather than a policy role.

The Health and Safety Officer role is strategic, tasked with establishing a formalised structure for Health and Safety and implementing 25 recommendations set out in the Health and Safety Audit that was completed in 2019. The professional staff member has limited capacity to input into daily property management and is not directly involved in lease management. However, as noted previously, the architects provide technical support in relation to leases on new buildings and condition reports are commissioned and assessed before entering an agreement. Nevertheless, a potential gap in the ongoing management of properties is that Health and Safety aspects may be reviewed by staff with insufficient expertise to assess such standards. This opens the possibility of risks that, over time, (i) mission properties may not fully comply with health and safety obligations set out in the local or Irish standards, and (ii) that a gap may appear between the health and safety requirements and the terms and conditions of the lease agreement.

Finding 18

In the selected sample of missions, this review found no evidence of expertly or independently prepared building or condition reports, which are important in assessing health and safety compliance. While each mission provides premises profiles to PMU that includes fire safety updates, these are self-reported by the mission and are not independently tested nor verified. The information provided in the profiles is also very limited in some cases and does not include expert information, e.g. on the wiring of the properties. While this finding was also noted in the Readiness Assessment report of 2019, it is recognised that the COVID-19 pandemic severely restricted the Unit's ability to address this need. Nevertheless, the continued absence of such reports creates the risk of failing to adequately plan and budget for maintenance.

Finding 19

The standards planned for the new missions, and in particular the construction projects that are set to commence, would appear to meet the standards aimed for by the Department. However, there is the potential for a gap to emerge between these new properties and current older properties that have not yet had condition reports completed.

The Department has adopted a project management approach to establishing new missions, which has contributed to a high degree of collaboration across different functions within the

organisation. Moreover, the PMU team working on major construction projects is resourced with three senior architects and a senior quantity surveyor. Whether the Department purchases, leases, or builds its properties, it has the same duty of care to its people working in these buildings. Regular condition reports, if in place, would enable planned maintenance and budgeting for the existing portfolio to minimise this gap overtime. The review noted that condition reports are prepared for new buildings and that the Unit is piloting an approach for its older properties.

In conclusion, the review found that the DPER Circular 17/2016 is effectively applied and, in some cases, strengthened as evidenced by the use of the Diplomatic Break clause. Given the highly diverse legislative environments and complex markets where missions are located, it is not always possible to find properties that exactly match all Irish legal requirements. However, there are systems in place to identify the best match. Some additional challenges remain vis-a-vis Health and Safety and systematic generation of building condition reports. Until these are addressed, certain risks will remain.

What are the key learnings from the experiences of managing leases to date?

Some key learnings are outlined below and elaborated on further in Section 5: Conclusions & Recommendations:

- A key learning from managing leases is that every mission is different and will have different requirements and contexts to work within. There are many factors that vary across a global property portfolio that influence DFA operational requirements. The need for professional advice at the local level is critical, as is an approach that provides flexibility taking local market and legal conditions into account.
- Data collection systems can be improved which will further improve efficient management of leases (see recommendation one below).
- The security and welfare of DFA officials is paramount which means DFA properties need to be secure and safe. This is the starting point when identifying the most suitable property to lease.
- Building files should be established for every lease renewal as a standardised approach to ensuring VfM is achieved for each property (see recommendation three below).
- The option of purchasing can achieve good VfM when compelling opportunities arise (see recommendation four below).

5. Conclusions & Recommendations

Overall, the review has found the portfolio of leased properties to be well managed by PMU despite relatively limited resources. There have been significant improvements in the overall management of properties in the Department in recent years, particularly since the completion of the Organisational and Structural Review of the Accommodation Services Unit in 2016. The recommendations outlined below build upon the findings and recommendations made in that report.

This review was conducted in parallel to the development of the Department's first property strategy, which will provide direction for the management of the overall property portfolio going forward. Wide consultation has commenced for this strategy and it aims to capture the unique and challenging nature of managing a large property portfolio overseas in diverse contexts. The conclusions and recommendations of this spending review will be considered and incorporated into the strategy.

1. Appropriate IT real estate management system for data collection and management information

The information relating to the management of leases is not systematically collated in one place. This impacts on the efficiency of making informed and quick decisions in relation to budgets, value for money, and planning. A considerable amount of information was collected and maintained (e.g. premises profiles on the DFA intranet), but it is unclear how comprehensive this format is and what reports can be easily produced for planning and budgetary purposes. A comprehensive management system is an essential requirement and industry standard for the efficient running of any asset portfolio and good practice.

Recommendation:

- Develop an IT-based system to manage property related information. Information should include, but is not limited to:
 - Summary report on the properties (e.g. floor space, age, and relevance of fit out)
 - Lease terms and duration
 - Condition reports
 - Compliance information (e.g. H&S assessment)
 - Maintenance information (e.g. status)
 - Costs
 - Budgets
 - Dates for key events (e.g. lease renewal, rent review, and planned works)
 - Market information and reports
- In the interim, management should explore the possibility of using existing systems to bring the information together and ensure a key event diary is kept.

2. Ensure that initiation and planning for lease renewals commences on a timely basis

While the process of starting lease renewals is generally initiated in a timely fashion, there can be delays. There were various reasons for the delays, including resource constraints on PMU, landlords' approach, lease conditions, and delays on the side of missions. This can influence the Department's ability to achieve value for money, as efficiency and ready access to information leads to improved choice, improved negotiating positions and time to consider options.

Recommendation:

- Establish rolling three/five year expenditure plans that can be tied in with re-location/suitability requirements, which will improve budgeting, and VfM.
- Encourage HoMs to provide timely input on possible re locations and requirements. A database will demonstrate gaps in information that may need to be obtained.
- In PMU guidance, instructions for outgoing HoMs should ensure that their handover notes to their successors reference upcoming lease renewals and any steps to be initiated.

3. Project management approach to managing leases

The current approach has brought more clarity, transparency and accountability to the management of leases since the 2019 Readiness Assessment. Markets and circumstances vary greatly and consequently some need more local involvement from the missions than others. The HoMs input and involvement should reflect the varying contexts alongside expert advice either from PMU, external actors, or both.

Recommendation:

- Building files should be established, where the mission updates the file on the property and the market prior to the lease renewal date. This should include a market analysis, data and trends on promotion and outreach activities, and current lease terms. The mission is responsible for the business case and provides two alternative options. PMU then reviews this and makes a decision.
- With regard to lease renewal, PMU should provide guidance on any relevant information that will be included in the building file.
- When creating a file it will be required to take stock of both the chancery and official accommodation, as the official accommodation can be used for promotion and outreach activities.
- Develop a set of principles to guide looking at alternative properties at lease renewal time.

4. Identify strategic partners and locations where purchasing may provide better value for money

The Department's default position is to lease property, the principal advantage being the ability to respond flexibly to changing circumstances and business needs. However, there can be occasions when purchasing or building are viable options and rent turned into an asset. While the review found the Department's approach to purchasing/building to be generally appropriate nevertheless there is an opportunity to identify strategic locations where purchasing may provide value for money.

Recommendation:

- The Department, through PMU, should identify a list of missions where, over the medium term, the purchase of properties may make economic sense and achieve more value for money. Criteria the PMU could use in compiling such a list might include:
 - Economic cost/value analysis
 - Security and safety of property – if a secure building cannot be leased
 - Diplomatic relations – are we likely to have a presence into the future?
 - Versatility of official accommodation
 - Compelling opportunity
- Work with and through Finance Division with the aim of agreeing processes for the acquisition and disposal of mission properties, as well as necessary capital funding.

5. Develop Design and Specification briefs for properties

Clear guidelines are provided on lease negotiations, health, safety and security and there is some guidance on space provided per staff member. However, there is limited guidance documentation on the function and desired design and image of Irish missions (chanceries and residences). This may be having a knock-on effect in terms of planning office specifications/layout, furniture etc.

Recommendation:

- The PMU should prepare design and specifications guidelines that could be applicable for all Irish missions. These briefs will involve consultation with all relevant stakeholders at HQ but may require some flexibility depending on cultural and environmental considerations in the host country.

6. Compliance with legislative obligations

The Department is compliant with DPER requirements on property acquisition and disposal, having incorporated the relevant circular in its own guidelines. The Department strives to achieve high standards of compliance in areas such as Health and Safety, and Universal Access. However, the review noted some instances where missions are not fully compliant with Irish Universal Access standards which are being addressed. There remain internal administration challenges such as the absence of formal condition reports of properties abroad and no dedicated Health and Safety officer in PMU to guide and oversee the application of central policy.

Recommendations:

- Develop a project to obtain condition reports on all properties abroad. These reports should include health and safety assessments, and compliance with local legislation and lease obligations. Such reports will facilitate better planning and scheduling of remedial and maintenance works.
- Assign to PMU a professional who would be responsible for oversight of the application of Health and Safety, Universal Access, and other relevant legislative compliance.
- Where this would be more efficient and effective, procure local services management companies to manage buildings.
- In the short term, identify locations where condition reports are urgent and prioritise accordingly.

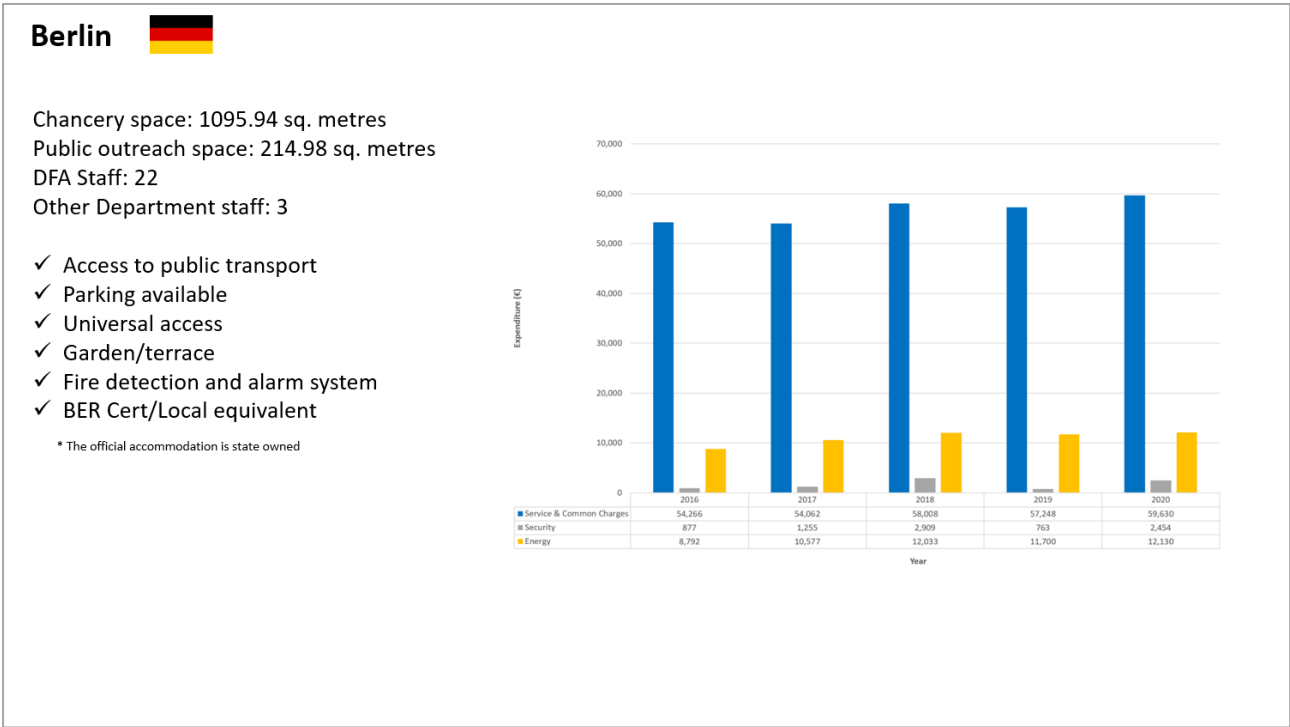
7. Strengthen the capability of the Property Management Unit

While the use of REAs and conducting market analysis provides some assurance that leases are achieving VfM, it was unclear if PMU has the required skill set at a senior level to examine each lease and market to ensure that value for money is being maximized. An officer with valuation experience and qualification has recently been added to the leases team within PMU at HEO grade. This is a position that is subject to rotation and is not ring-fenced.

Recommendation:

- The Department should consider further investment in the resources assigned to PMU to facilitate the establishment of the post of senior qualified property valuer in PMU at AP or equivalent level, which would allow the Department to further improve VfM by managing REA's professionally. The role would be strategic and analytical. The person should be able to understand and interpret the rental market, running expenditure, capital expenditure and market reports. The person should also be in a position to conduct market research in markets where there is not an appropriate REA and to conduct negotiations, if and where appropriate.

Annex 1: Premises profiles of the sample of missions



Brussels Permanent Representation

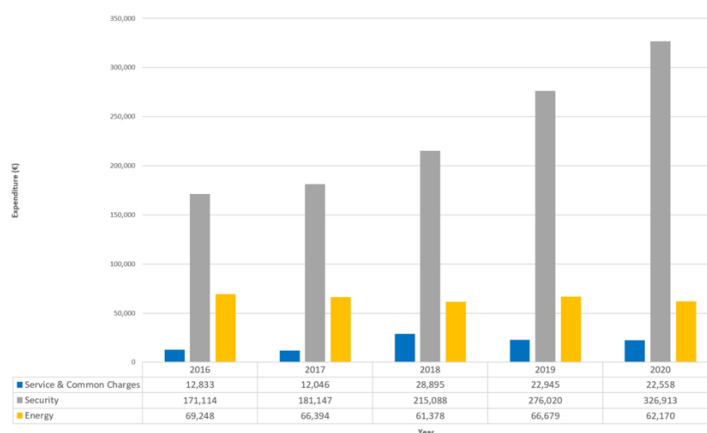


Chancery space: 3680 sq. metres
Public outreach space: 103 sq. metres
DFA Staff: 25
Other Department staff: 51

- ✓ Access to public transport
- ✓ Parking available
- ✓ Garden/terrace
- ✓ Fire detection and alarm system
- ✓ BER Cert/Local Equivalent
- ✓ Universal access

(1) Official accommodation space: 360 sq. metres
Public outreach space: Dining Room for 13 people, Reception Room for 25 people

- ✓ Parking available
- ✓ Universal access
- ✓ Access to public transport
- ✓ Garden/terrace
- ✓ Fire detection and alarm system



(2) Official accommodation space: 500 sq. metres
Public outreach space: 40 sq. metres

- ✓ Parking available
- ✓ Universal access
- ✓ Garden/terrace
- ✓ Access to public transport
- ✓ Fire detection and alarm system
- ✓ BER Cert/Local equivalent

(3) Official accommodation space: 420 sq. metres
Public outreach space: 56.5 sq. metres

- ✓ Parking available
- ✓ Universal access
- ✓ Garden/terrace
- ✓ Fire detection and alarm system
- ✓ BER Cert/Local equivalent
- ✓ Universal access

* There are three official accommodations for Brussels PR

Cairo

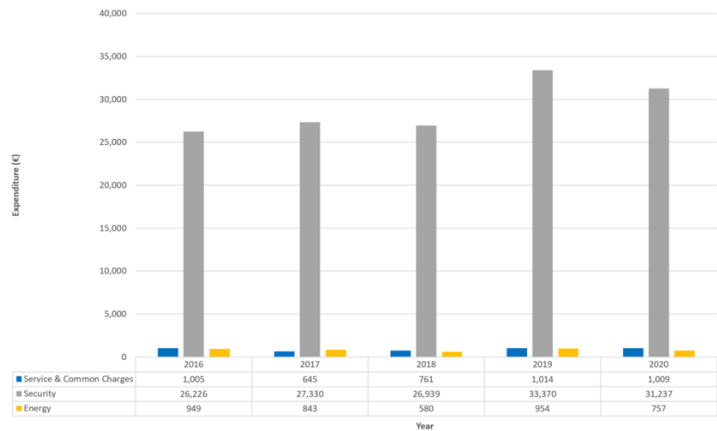


Chancery space: 342 sq. metres
Public outreach space: 100 sq. metres
DFA Staff: 13

- ✓ Parking available
- ✓ Universal access
- ✓ Garden/terrace
- ✓ Fire detection and alarm system

Official accommodation space: 500 sq. metres
Public outreach space: 150 sq. metres

- ✓ Parking available
- ✓ Universal access
- ✓ Garden/terrace
- ✓ Fire detection and alarm system



Helsinki

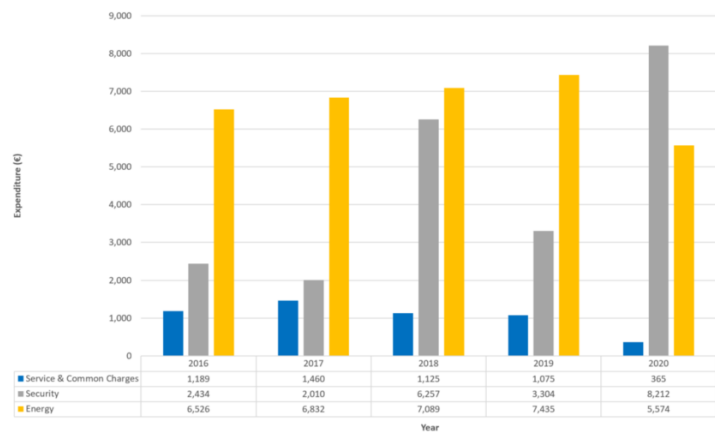


Chancery space: 279 sq. metres
Public outreach space: n/a
DFA Staff: 7

- ✓ Access to public transport
- ✓ Parking available
- ✓ Universal access
- ✓ Garden/terrace
- ✓ Fire detection and alarm system

Official accommodation space: 322 sq. metres

- ✓ Parking available
- ✓ Universal access
- ✓ Access to public transport
- ✓ Fire detection and alarm system



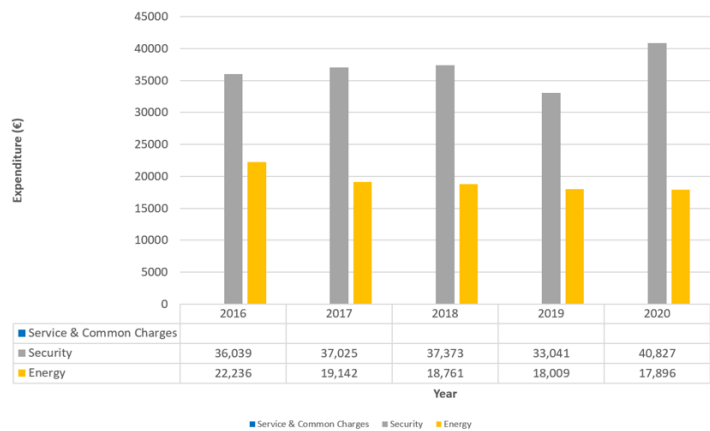
Kampala

Chancery space: 710 sq. metres
Public outreach space: 230 sq. metres
DFA Staff: 35

- ✓ Access to public transport
- ✓ Parking available
- ✓ Garden/terrace
- ✓ Fire detection and alarm system

Official accommodation space: 320 sq. metres
Public outreach space: 90 sq. metres

- ✓ Parking available
- ✓ Universal access
- ✓ Garden/terrace
- ✓ Fire detection and alarm system



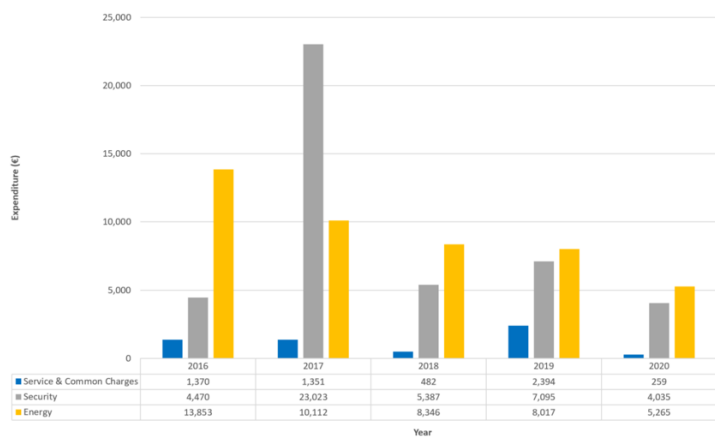
New York Consulate General

Chancery space: 940 sq. metres
Public outreach space: 125 sq. metres
DFA Staff: 19

- ✓ Access to public transport
- ✓ Universal access
- ✓ Fire detection and alarm system

Official accommodation space: 916 sq. metres
Public outreach space: 319 sq. metres

- ✓ Access to public transport
- ✓ Universal access
- ✓ Garden/terrace
- ✓ Fire detection and alarm system



San Francisco

Chancery space: 265 sq. metres

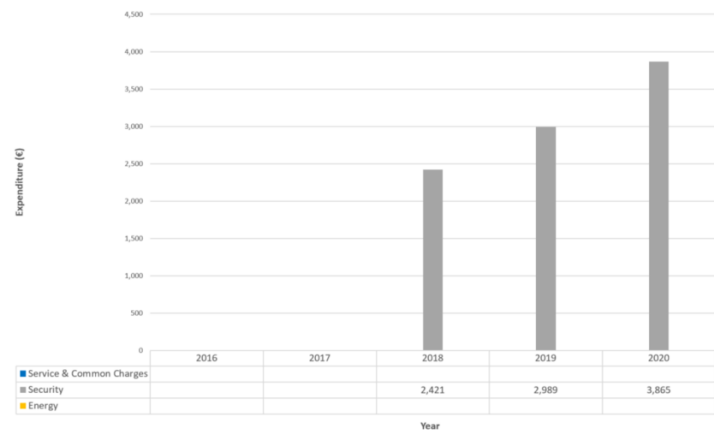
Public outreach space: none

DFA Staff: 8

- ✓ Access to public transport
- ✓ Parking available
- ✓ Universal access
- ✓ Fire detection and alarm system
- ✓ BER Cert/Local equivalent

* Information based on the temporary location

* There is no official accommodation for the San Francisco CG



* The service & common charges, security, and energy costs of the original chancery were incorporated into the rent charged as per the terms of the lease

Santiago

Chancery space: 330 sq. metres

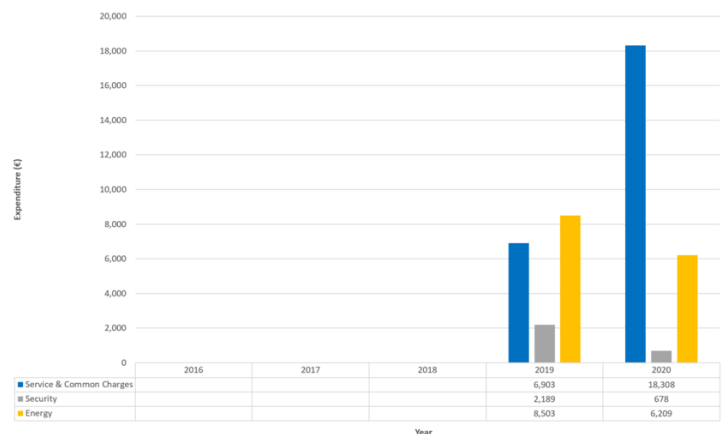
DFA Staff: 7

- ✓ Parking available
- ✓ Universal access
- ✓ Access to public transport
- ✓ Fire detection and alarm system

Official accommodation: 515 sq. metres

Public outreach space: 270 sq. metres

- ✓ Parking available
- ✓ Universal access
- ✓ Access to public transport
- ✓ Fire detection and alarm system



* The Mission opened in 2019

Annex 2: PMU management arrangements in relation to DPER circular 16/2017 guidelines

DPER Circular 16/2017	PMU Management Arrangements
<p>“The objective of this policy document is to encourage good management of freehold and leasehold property portfolios which delivers value for money for the taxpayer while continuing to provide for the needs of individual organisations”: (DPER Circular 16/2017)</p>	
<ul style="list-style-type: none"> ▪ Through good decision making on acquisitions and disposal based on consistent appraisal processes 	<p>Available properties in the market are identified and assessed by PMU. These options are narrowed down and security assessments are done by An Garda Síochána followed by a recommendation. PMU makes the final decision.</p>
<ul style="list-style-type: none"> ▪ By promoting a consistent approach by State bodies in the acquisition of freehold or leasehold property, in the renewal of leases or the disposal of state property 	<p>The centralised process by PMU has led to a consistent approach to new leases and lease renewals as outlined in the PMU guidelines.</p>
<ul style="list-style-type: none"> ▪ By ensuring a strategic approach to rationalising the public sector estate as a whole, identifying redevelopment opportunities and surpluses, and coordinating, planning and devising the optimal utilisation, re-use or disposal programme in respect of land and property 	<p>A DFA property strategy was in development at the time of report writing. This strategy will outline the medium to long-term property objectives of DFA.</p>
<ul style="list-style-type: none"> ▪ By identifying and releasing surplus property with the least possible delay, subject to the need to realise best value for the Exchequer 	<p>The Department does not have a budget for property purchasing. Unlike some European counter-part ministries, the Department does not have the authority to retain the proceeds from the sale of property, which can be used for re-investment. Consequently, it does not always have flexibility to purchase when compelling opportunities arise and cannot use proceeds from the sale of a property (which is in</p>

	accordance with the Public Financial Procedures). The Department has made a proposal for the National Development Plan to create a capital purchase fund, which would enable the Department to actively pursue an ownership strategy for chancery and official accommodation buildings.
<ul style="list-style-type: none"> ▪ By ensuring that commercial risks are placed with the party best able to manage them 	PMU works with local real estate, legal and technical advisors as appropriate in order to minimise and mitigate risks to the State.
<ul style="list-style-type: none"> ▪ By ensuring that the Exchequer's interests are protected and its commercial position optimised by availing of a range of professional advice at the appropriate time and by completing all legal and registration requirements" 	PMU seeks expert advice from a variety of professions including architects, engineers, REAs, quantity surveyors, lawyers, and An Garda Síochána.

Quality Assurance process

To ensure accuracy and methodological rigor, the author engaged in the following quality assurance process.

- ✓ Internal/Departmental
 - ✓ Line management
 - ✓ Spending Review Steering group
 - ✓ Other divisions/sections
 - ☐ Peer review (IGEES network, seminars, conferences etc.)
- ✓ External
 - ☐ Other Government Department
 - ✓ Other Steering group
 - ✓ Quality Assurance Group (QAG)
 - ☐ Peer review (IGEES network, seminars, conferences etc.)
 - ✓ External expert(s)
- ☐ Other (relevant details)



An Roinn Caiteachais
Phoiblí agus Athchóirithe
Department of Public
Expenditure and Reform

Tithe an Rialtas. Sráid Mhuirfean Uacht,

Baile Átha Cliath 2, D02 R583, Éire

Government Buildings, Upper Merrion Street,

Dublin 2, D02 R583, Ireland