PERFORMANCE AUDIT REPORT

LEASE AND USE
OF GOVERNMENT OFFICE ACCOMODATION

Ministry of Public Infrastructure
and Land Transport
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July 2015
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### Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOA</td>
<td>Government Office Accommodation</td>
</tr>
<tr>
<td>GOMU</td>
<td>General Office Management Unit</td>
</tr>
<tr>
<td>MoFED</td>
<td>Ministry of Finance and Economic Development</td>
</tr>
<tr>
<td>MoHQL</td>
<td>Ministry of Health and Quality of Life</td>
</tr>
<tr>
<td>MPI</td>
<td>Ministry of Public Infrastructure</td>
</tr>
<tr>
<td>MFRS</td>
<td>Mauritius Fire and Rescue Service</td>
</tr>
<tr>
<td>ESD</td>
<td>Ministry of Renewable Energy and Public Utilities - Energy Services Division</td>
</tr>
<tr>
<td>NAO</td>
<td>National Audit Office – Mauritius</td>
</tr>
<tr>
<td>OAS</td>
<td>Office Accommodation System</td>
</tr>
<tr>
<td>OSHA</td>
<td>Occupational Safety and Health Act</td>
</tr>
<tr>
<td>PMO</td>
<td>Prime Minister’s Office</td>
</tr>
<tr>
<td>PPA</td>
<td>Public Procurement Act</td>
</tr>
<tr>
<td>PPO</td>
<td>Procurement Policy Office</td>
</tr>
<tr>
<td>TMRSU</td>
<td>Traffic Management and Road Safety Unit</td>
</tr>
<tr>
<td>TAS</td>
<td>Treasury Accounting System</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

Government Office Accommodation (GOA) portfolio includes both owned and leased premises and is considered a key factor in supporting the general administration and operations, including client service functions in Ministries/ Government Departments. The total expenditure on rental of office accommodation for the years 2010 to 2014 was some Rs 2.8 billion.

Key Findings

- Rental of office accommodation remains a significant annual financial commitment for both Ministries/ Government Departments. Most of the Government office accommodation is concentrated in the region of Port Louis, where Government leases its different office spaces located in some 50 privately owned buildings with an annual commitment of some Rs 380 million in year 2014, that is, 76 per cent of the total expenditure on lease in Mauritius.

- Cost per employee and occupancy rate are two metrics used to measure cost efficiency. An analysis of the data available for a sample of Ministries and Government Departments showed that there are significant variations in these metrics.

- Government decided in year 2000 to rationalize the use of office space for public services through the setting up of a Unit, namely, the General Office Management Unit (GOMU) under the aegis of the Ministry of Public Infrastructure, and Land Transport (MPI). However, this Unit has not been able to take off. As of date (January 2015), MPI is still committed to implement Government’s decision to set up GOMU.

- Government in the past came up with some construction projects, mainly to cut down expenditure on rent, to relocate some offices away from the City in order to ease the then growing traffic problem in Port Louis, and to decentralise the economy and business. However, these projects did not take off although provisions for some of the projects were made in the Capital Estimates.

- Government took the following initiatives to rationalise office accommodation, but was unsuccessful in
  - setting up a database of all buildings, rented and owned
  - regrouping different Divisions of the same Ministry/ Government Department under one roof
  - developing guideline on standard space requirement for various grades of officers

- GOMU was responsible to formulate policies and strategies regarding office accommodation for both owned and leased buildings. However, pending the setting up of GOMU, Government has not yet come up with a written accommodation policy paper, accompanied with strategic and/ or long term plan.
Conclusion

The cost of leased Government Office Accommodation is still significant, and is likely to increase in future. The absence of an office accommodation policy and the current practice of leasing office space do not help Ministries and Government Departments to be cost efficient. There have been several initiatives taken by Government but these were not successfully implemented.

Key Recommendations

➢ A long term GOA plan should be developed to rationalize office accommodation. The plan should have clear objectives, strategies and measurable standards, along with appropriate time frame for the implementation of the strategies.

➢ Government may consider a coordinated, whole-of-Government approach in the planning and management of GOA. This should be accompanied with clearly defined role and responsibility for the development of appropriate policy and strategies. All potential strategies must be evaluated as a whole rather than separately in order to identify a set of preferred strategies.

➢ Guidelines or directives on different aspects of office accommodation, such as area occupied per employee and the rental cost per employee could be developed and communicated to all Ministries/ Government Departments. A comprehensive database on office accommodation can help in the development of these guidelines. The database can include information, such as proportion of office owned and rented, location of buildings, rates, number of employees housed and details of lessors. A database of all potential landlords willing to lease their buildings could also be kept for greater efficiency.

All the above recommendations can be achieved by putting in place a mechanism that will oversee all the activities related to Government Office Accommodation.
CHAPTER ONE
INTRODUCTION

1.1 Government Office Accommodation

Government Office Accommodation (GOA) portfolio includes both owned and leased premises, and is considered a key factor for supporting the general administration and operations, including client service functions, in Ministries and Government Departments.

1.2 Motivation

The rental of office accommodation which is a major expense for Government has been going up constantly over the years. Since year 2000, Government decided to rationalize the use of office space for public services by taking several initiatives, but was not successful.

On the other hand, the National Audit Office (NAO) conducted two Special Reviews on rental of GOA in 1994-95 and 2005-06 respectively. Both reviews arrived at the same conclusion that Government expenditure in connection with rental was on the high side as Ministries and Government Departments were disbursing large amount of funds on rental of office building.

This has prompted NAO to carry out this Performance Audit on GOA.

1.3 Audit Objective

The audit objective is to assess whether Government has adequate mechanism that ensures office accommodation is leased and used in a rational way.

1.4 Audit Scope

1.4.1 Auditee

GOA is a subject that cuts across all the Ministries and Government Departments. The main auditee is the Ministry of Public Infrastructure and Land Transport (MPI). The Ministry of Finance and Economic Development (MoFED) is another auditee in so far as funding is concerned.

For the purpose of this audit, Parastatal Bodies, Mauritius Embassies, High Commissions and Tourist Offices found abroad were excluded.

1.4.2 Audit Object

The audit focused on the mechanism put in place for acquiring and utilising office space.
1.4.3 Time Coverage

Financial records relating to the years 2010 to 2014 were examined. These five financial years were considered for trend analysis, and ease of comparison because of the transition from fiscal year to calendar year basis.

1.4.4 Geographical Area

This report examines the existing processes and procedures to acquire and use GOA in Mauritius as a whole.

1.5 Selected Ministries

The following Ministries and Government Departments were visited:

- Prime Minister’s Office (PMO)
- Ministry of Finance and Economic Development (MoFED)
- Ministry of Public Infrastructure and Land Transport (MPI)
- Ministry of Agro Industry and Food Security
- Ministry of Fisheries
- Ministry of Foreign Affairs, Regional Integration and International Trade
- Ministry of Gender Equality, Child Development and Family Welfare
- Ministry of Labour, Industrial Relations, Employment and Training (Labour Division)
- Valuation Real Estate Consultancy Services (ex Valuation Department)
- Procurement Policy Office (PPO), and
- Electoral Commissioner’s Office

These Ministries/ Government Departments were selected on the following basis

- Offices of the Ministries and Government Departments in different buildings
- Responsibility for setting policy/ strategy, and
- Recent relocation of Ministries/ Government Departments in year 2010.

This sample, which represents some 30 per cent of the total number of Ministries and Departments, allows a better understanding of the mechanism put in place for the acquisition and use of GOA.
1.6 Methodology and Sources of Information

1.6.1 Interviews

Interviews of officers from Senior and Middle Management, as well as Technical and Support Staff were conducted across 10 Ministries/ Government Departments. The objective was to better understand their roles, responsibilities and involvement in the acquisition and use of GOA.

1.6.2 Files and Documents Reviewed

Files were reviewed to corroborate information obtained through interviews. Procedures followed by Ministries/ Government Departments to shift to another location were also assessed. Needs analysis, tender procedures, seeking clearances and approvals from other Government Departments were some of the aspects that have been perused to ensure that Ministries/ Government Departments comply with established procedures.

Files were also examined to obtain information regarding the terms of the lease, the areas rented, number of employees housed in the building, rates per square metre and the purpose for renting the building.

Ministries’ procurement plan, Programme Based Budget Estimates and tender documents relating to the rental of new office were reviewed.

Rent paid for the past years were obtained through the Treasury Accounting System (TAS).

1.6.3 Relevant Acts

Particular attention was given to the three Acts listed below:

- The Public Procurement Act (PPA) was referred to obtain information on the functions and powers of the PPO and the Central Procurement Board, the different types of procurement methods that Ministries and Government Departments can resort to for the procurement of works and services and the bidding process. However, in year 2012, the PPA was amended, and procurement undertaken by any Public Body in respect of rental of office space no longer falls under the purview of the Act.

- The Occupational Safety and Health Act (OSHA) was referred to understand the legal framework in connection with the minimum space allowed per employee at their place of work.

- The Landlord and Tenant (Amendment) Act was consulted to take cognizance of the method of calculating any increase in rent regarding business premises let on or before 1 July 2005.
1.6.4 International benchmarking

Benchmarking was carried out to understand how foreign countries and states are managing their office accommodation. (Table 1 refers).

Table 1 International Benchmarking and Audit Criteria

<table>
<thead>
<tr>
<th>Country</th>
<th>Policy Papers</th>
<th>Occupancy Rate per Employee</th>
<th>Whole of Government Approach</th>
<th>Interior Design Policy</th>
<th>Database</th>
<th>Centrally Managed Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Canada</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>New South Wales (Australia)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>South Australia</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Western Australia</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Victoria (Australia)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Queensland (Australia)</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: NAO Analysis
CHAPTER TWO

GOVERNMENT OFFICE ACCOMMODATION IN MAURITIUS

This Chapter describes the process for renting office space and renewing lease agreements, the roles and functions of key players and the audit criteria used in pursuing the audit. It also examines the expenditure incurred by Government with respect to GOA for the past five years.

2.1 System Description for Renting GOA (New Request)

The process of renting new accommodation is described below:

- Accounting Officers of Ministries/ Government Departments are allowed to make their own arrangements to find out appropriate accommodation to house different sections of their Ministries/ Departments. This is usually done through tender procedures.

- The need for office accommodation is specified in an Annual Procurement Plan. This involves the Public Body to engage in procurement planning with a view to achieving maximum value for public expenditure.

- The Ministry/ Department sends a draft press tender notice to MPI for vetting purposes prior to the issue of a press communiqué.

- Tenders are invited through press notice giving precise specifications of the requirements on the building to be rented.

- Bidders are required to use the Standard Bidding Documents as prescribed by the PPO.

- A Bid Evaluation Committee is set up at the level of the Ministry/ Department to evaluate the bids.

- Clearances from different Public Bodies (Appendix ) should be obtained before the Letter of Award is issued to successful bidder, and

- Lease Agreement is vetted by Attorney General’s Office before being signed by lessor and lessee.

2.2 System Description for Renewal of Lease Agreement and/ or Renting of Additional Space within Same Building

In case, a Ministry/ Government Department wishes to renew the lease for a further period or to rent additional space within same building, clearances must be sought from the Public Bodies which are listed below:

- MoFED - on the availability of funds, that is, the rental cost is met either within the Ministry’s budget ceiling or additional funding is requested from MoFED.

- Valuation Real Estate Consultancy Services - on the quantum of rent payable.
Mauritius Fire and Rescue Service (MFRS) - on safety aspects

In year 2008, Ministries and Government Departments were advised by MPI to submit their request along with the necessary clearances, as mentioned above, well before the expiry of the lease agreement for further approval. Location of building, purpose, area to be occupied, monthly rent and period of lease are some information that are also required when submitting request to MPI. Finally, MPI gives its no objection, based on clearances obtained for the renewal of lease agreement.

2.3 Responsibilities and Functions of Stakeholders

There are several stakeholders who are involved when a Ministry/ Government Department decides to rent a new office space. In the first instance, the Ministry/ Department itself is allowed to arrange for necessary office space. However, during the process, clearances from several key players such as MFRS, Commissioner of Police, Ministry of Health and Quality of Life, MPI and Valuation Real Estate Consultancy Services are required before awarding the contract to the successful bidder.

2.4 Audit Criteria

The audit criteria are based on good practices related to policies and strategies identified in foreign countries. Emphasis has been laid on four Anglo-Saxon countries which have common socio-political heritage with Mauritius. (Table 1) They also have written accommodation policy papers accompanied with strategies and long term plan.
CHAPTER THREE

FINDINGS

This Chapter analyses the rent paid for office accommodation. It describes the initiatives taken, as well as constraints faced by Ministries/ Government Departments in acquiring, utilising and rationalizing office space in view of minimizing cost and delivering better services.

3.1 Expenditure Relating to GOA

The rent paid for office accommodation remains a significant annual financial commitment for both Ministries and Government Departments. Expenditure incurred in respect of rental during the past five years totalled some Rs 2.8 billion as shown in Table 2.

Table 2  Expenditure Incurred on Rent of GOA during the Past Five Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>514,334,348</td>
</tr>
<tr>
<td>2011</td>
<td>537,338,991</td>
</tr>
<tr>
<td>2012</td>
<td>573,325,860</td>
</tr>
<tr>
<td>2013</td>
<td>597,963,030</td>
</tr>
<tr>
<td>2014</td>
<td>630,836,639</td>
</tr>
<tr>
<td></td>
<td>2,853,798,868</td>
</tr>
</tbody>
</table>

Source: Treasury Accounting System and Statistics Mauritius

For year 2014, out of a total amount of some Rs 631 million spent, some Rs 501 million were for office accommodation in Mauritius. This is likely to increase in the future.

One of the major factors that drive cost is the location of the offices. Our analysis of expenditure for the year 2014 showed that most of the Government office accommodation is concentrated in the region of Port Louis. Government leases its different office spaces located in some 50 privately owned buildings in Port Louis, with an annual commitment of some Rs 380 million, that is, 76 per cent of the total expenditure on office accommodation in Mauritius. The remaining 24 per cent of the total amount was spent on office accommodation scattered over the island. Most of these buildings have been rented since a long time, with successive renewal of contracts, some for more than 10 years. At present, each Ministry and Government Department manages its own office accommodation. This system has encouraged the practice for most of the Ministries and Departments to locate in Port Louis.
3.1.1 Variations in Cost per Employee

Cost per employee is one of the metrics used to measure the cost efficiency.

An analysis of a sample of rent paid by Ministries and Government Departments showed that there are significant variations in the cost per employee as shown in the Table 3.

Table 3 Annual Cost per Employee – Year 2014

<table>
<thead>
<tr>
<th>Ministries and Government Departments</th>
<th>Annual Lease Costs (Rs)</th>
<th>No. of Employees</th>
<th>Annual Cost per Employee (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electoral Commissioner’s Office</td>
<td>9,493,428</td>
<td>76</td>
<td>124,913</td>
</tr>
<tr>
<td>Public Bodies Appeal Tribunal</td>
<td>1,089,851</td>
<td>15</td>
<td>72,655</td>
</tr>
<tr>
<td>Valuation Real Estate Consultancy Services</td>
<td>16,200,000</td>
<td>163</td>
<td>99,386</td>
</tr>
<tr>
<td>MPU- Radiation Centre</td>
<td>1,234,800</td>
<td>14</td>
<td>88,200</td>
</tr>
<tr>
<td>Pay Research Bureau</td>
<td>2,115,816</td>
<td>46</td>
<td>45,996</td>
</tr>
<tr>
<td>Employment Relation Tribunal</td>
<td>4,836,624</td>
<td>22</td>
<td>219,846</td>
</tr>
</tbody>
</table>

Source: TAS and PBB Estimates 2014

3.1.2 Variations in Occupancy Rate per Employee

Occupancy rate per employee is another measure used to assess the performance of any public entity. It is another factor that drives cost of office accommodation. Presently, Government does not have a prescriptive standard in occupancy rate per employee. An analysis of a sample of Ministries and Government Departments showed significant variations in occupancy rate per employee, and it ranged from 12 to 32 square metres during 2014. (Table 4 refers).
<table>
<thead>
<tr>
<th>Ministry / Department</th>
<th>Location</th>
<th>Space Rented (sq metre)</th>
<th>No of Employees</th>
<th>Occupancy Rate per Employee (sq metre/staff)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electoral Commissioner’s Office</td>
<td>Max City Bldg</td>
<td>2,402</td>
<td>76</td>
<td>32</td>
</tr>
<tr>
<td>Ministry of Gender Equality, Child Protection and Family Welfare</td>
<td>Chan Sui Ko Bldg</td>
<td>1,858</td>
<td>126</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Newton Tower</td>
<td>752</td>
<td>32</td>
<td>23</td>
</tr>
<tr>
<td>Ministry of Fisheries</td>
<td>Trade and Marketing Center (Competent Authority)</td>
<td>272</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Trade and Marketing Center (One Stop Shop)</td>
<td>186</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>LIC Centre</td>
<td>1,028</td>
<td>87</td>
<td>12</td>
</tr>
<tr>
<td>Ministry of Labour, Industrial Relations, Employment &amp; Training (Labour Division)</td>
<td>Victoria House</td>
<td>4,831</td>
<td>198</td>
<td>24</td>
</tr>
</tbody>
</table>

*Source: NAO Analysis*

### 3.1.3 Scattered Offices

The activities of some Ministries and Government Departments have been growing over time. Due to unavailability of the required space, they had to spread in different buildings to meet their needs. This has resulted in variation in the cost per employee and occupancy rate in the different buildings. This has also added to the administrative inconvenience when operations are far from Head Office. Examples of Ministries housed in different buildings include Ministry of Agro Industry and Food Security, and Ministry of Gender Equality, Child Development and Family Welfare.
3.2 Initiatives Taken

Government has taken several initiatives to address the problems of rising cost of renting office space, but has not been successful in implementing same. These are described below:

3.2.1 Setting up of GOMU

In December 2000, Government agreed on the setting up of the Government Office Management Unit (GOMU) as a permanent structure under the aegis of the MPI to look into the rationalization of office space for the public service.

The functions of GOMU are as follows:

- To formulate policies and strategies regarding office accommodation for both owned and leased buildings
- To develop and issue guidelines in respect of space requirements for various grades of officers
- To issue standard lease agreement containing standard compulsory clauses, together with provisions for other optional clauses
- To formulate norms and standards of office buildings
- To give final approval to the leasing of office accommodation
- To build up and maintain a database containing relevant details of all rented and owned buildings
- To build up and maintain a database of all landlords willing to lease their buildings to Government, and
- To deal with all requests relating to office accommodation received from Ministries and Government Departments.

Up to now, Government has not been successful in setting up GOMU.

Ad-hoc Committees have been set up at the level of MPI to look into the setting up of GOMU, and also to find ways and means to carry some of its functions. The Committees had met on 23 occasions during the period 2001 to 2011.

The ad-hoc Committees took some decisions. However, they were either not fully implemented or not put in practice by MPI as GOMU has not been set up. These are

- Developing draft guidelines in respect of the space requirements for various grades of officers (Guideline for renting of private building for Government use)
- Developing a draft lease agreement duly vetted by the Attorney General’s Office
- Inviting Ministries and Government Departments to submit information required to build up a database
- Inviting potential landlords willing to lease their buildings to Government for use as office accommodation;
- Developing an Office Accommodation System, on a standalone basis.

I am given to understand that MPI still intends and willing to set up GOMU. In this context, as of October 2014, a few officers were assigned to work on GOMU.

Despite the fact that GOMU has not been set up, some stakeholders took some other initiatives to rationalise office space used by Ministries and Government Departments, but these were however not successfully implemented. These initiatives are described in the paragraphs below.

### 3.2.2 Initiatives to Rationalize GOA

#### Leasing versus Ownership

The issue of leasing versus ownership is influenced by several factors, such as Government objectives, financial analysis, and economic development.

The New Zealand Property Management Guidelines 2012 stated that the cost benefit of leasing versus owning its own office space must be robustly considered when acquiring space. Similarly, according to Queensland Policy Guidelines 2009, when making decisions regarding the acquisition of an asset, public sector entities should satisfy themselves that the best-cost alternative is used.

Government in the past came up with the decision to construct its own buildings, mainly for the following reasons:

- to cut down expenditure on rent
- to relocate some offices away from the City in order to ease the then growing traffic problem in Port Louis, and
- to decentralise the economy and business

Mention was made of the construction of some administrative blocks, such as Finance House, Agriculture House, Education House, Marine House and Youth Head Quarters to accommodate offices. Provisions for some of the projects were made in the Capital Estimates, but these projects remained at conceptual stage. This explains why, most of the administrative blocks are still being leased in private owned buildings.

However, two of the disadvantages of leasing are the exposure to market rent fluctuations and rent increases after agreed time period. On the other hand, construction involves structural and organisational issues regarding property management and maintenance. It is important to consider these issues when developing policy and strategy in relation to lease or buy decision.
**Database**

A database generating meaningful information would operate as a management tool to assist in decision making.

In year 2010, MOFED and MPI, through surveys, initiated action to set up a database of all buildings, rented and owned, forming part of GOA. The database was considered necessary in order to better manage office space in the public sector. At the request of MPI, the Central Information System Division, in year 2010, finalized the development of an Office Accommodation System (OAS) to accommodate data on office accommodation. Moreover, in April 2013, MoFED intended to set up a database for potential bidders in respect to rental of office spaces. The aim was to ensure transparency and a reasonable time frame for the procurement.

MoFED and MPI have in their custody a list of buildings rented and owned by Government, including the area occupied, number of employees and rent paid by each Ministry and Department as of 2011 and 2012 respectively. The responsibility of keeping database was assigned to GOMU. However, as at time of audit (January 2015), neither a database of potential landlords nor of office space rented and owned by Government has been established. The OAS developed in year 2010 at the request of MPI has never been put in use as GOMU has not been set up.

**Consolidation of Ministries and Government Departments Under one Roof**

In year 2010, PMO and MoFED took laudable initiatives separately towards regrouping different Divisions of the same Ministry under one roof. PMO, in August 2010, carried out a survey. The aim was to regroup different divisions of the same Ministries, which are scattered in different buildings, under one roof, while at the same time making maximum use of Government owned spaces. In December 2010, MoFED, also proposed to develop appropriate policy measures to rationalize office space used by Ministries and Government Departments with a view to bringing efficiency gains and centralizing as far as possible different Units of same Ministry under one roof.

Attempts have been made in this direction by both MOFED and PMO. However, the idea of consolidation did not materialize.

**Procurement Regulations on Office Space**

The Public Procurement Act (PPA) was amended in December 2012 whereby office accommodation no longer falls under its purview. Subsequently, in January 2014, the PPO prepared procurement regulations on rental of office space. As of date (March 2015), the regulations have remained at draft stage. Pending the finalisation of the draft, PPO has since January 2013 been guiding Ministries and Government Departments on a case to case basis on procurement of rental of office space.

**Standard Occupancy Rate per Employee**

A standard occupancy rate per employee helps to reduce rental costs and lower expenses for office fit out, electricity, security and maintenance. Prescriptive space allocation standard maximises an agency's capacity to determine its own internal office layout requirements. By
calculating accurate occupation density, prime consideration is given in determining the cost of offices and the potential for savings.

In year 2011, MPI prepared a draft guideline on standard space requirement for various grades of officers. As at time of audit (January 2015), the draft has not yet been finalized. In other countries, standards set form part of policy paper, and this is considered in carrying needs assessment when office space is required.

3.3 Government Office Accommodation Policy

A GOA policy is important as it ensures that Ministries and Government Departments make office accommodation decisions in the best interest of Government. However, presently, Government does not have an accommodation policy accompanied with strategies and plans.

All the four Anglo-Saxon countries we benchmarked with have a written accommodation policy accompanied with strategies and long term plan. On the other hand, a whole of Government approach is being adopted by several countries and states to develop strategies and plans. (Table 1 refers). The objective of a well-functioning strategies and long-term accommodation planning process is to ensure the availability of the right facilities at the right time in the most economic manner to meet existing and projected demands. It also ensures the optimal use of existing facilities.

The foreign countries accommodation policy includes, inter alia, the process to acquire office, standard occupancy rate per employee, interior design policy, whether space has to be centrally managed, setting up of a database and whole of government approach (Table 1). In the local context, these issues, except for the interior design policy and whole of Government approach, were already contemplated by Government. However, they were not fully implemented. In addition, they did not form part of a policy document as compared to other countries.

The adoption of the above mentioned strategies by some foreign countries has resulted in some benefits as illustrated in Case Studies 1 to 3.
**Case Study No 1 - New Zealand**

The Property Management Centre of Expertise of New Zealand developed a Property Management Guidelines for Office Space in August 2012. The Guidelines refer to principle on Government Office Accommodation policy, Whole-of-Government Approach, Office Space Occupancy Density Goal and Interior Design Policy. In 2013, the Crown Office Estate of New Zealand reported that the adoption of these guidelines started to bring the expected benefits. For example:

- The Ministry of Business, Innovation and Employment’s agreement for its National Office resulted in baseline savings of $60.62 million over 20 years, cost avoidance of $187.98 million compared to the projected status quo, and a space reduction of 36 per cent (32,906 m² to 20,904 m²). This was an area per person reduction from 21.4 m² to 13.6 m².
- The Ministry of Social Development’s agreement for its National Office would achieve a reduction of 13 per cent in its property footprint (from 27,788 m² to 24,255 m²), an occupancy density of 12.8 m² per person from 17 m², and achieves cost avoidance of $6.10 million compared to the projected status quo.
- Crown Law co-located with the Ministry of Justice, utilising surplus space and resulting in shared facilities and a reduction in the overall Crown footprint of 4,800 m².

*Source: New Zealand Crown Office Estate Report 2013*

**Case Study No 2 – United Kingdom**

The UK NAO Report 2007 – “Improving the Efficiency of Central Government’s Office Property” assesses whether departments are effectively managing and achieving value for money from their own office space. It considers whether departments have the necessary systems in place to ensure their agencies and Arm’s Length Bodies also deliver value for money.

The Office of Government Commerce (OGC), through its High Performing Property initiative launched in November 2006, is looking to improve efficiency from the civil property estate and realise £1 billion to £1.5 billion of annual efficiency savings by 2013.

The savings are expected to be generated from four sources:

- reducing the amount of space occupied (£625 million per year);
- increasing and improving space utilisation in retained property assets (£518 million per year);
- improving the procurement of facilities management contracts (£27 million per year); and
- improving the procurement of leasehold contracts (£174 million per year).

OGC is taking a proactive role in encouraging departments to take a strategic approach to the use of property, including office property, to improve effectiveness and reduce costs.

According to the report, configuration of space, whether cellular offices or open plan predominate, the ratio of workstations per person and the adoption of flexible working practices, such as job-sharing, hot-desking¹ and home working all have an impact on the amount of space required and therefore on the amount of expenditure incurred.

*Source: NAO UK Report – Improving the Efficiency of Central Government Office Property*

¹ Hot-desking - Desks that are shared, that allow an organisation to increase the number of people supported by a given building.
Case Study No 3 - New South Wales

As at 2003, the New South Wales (NSW) Government occupied approximately 1.2 million square metres of office accommodation, housing some 60,000 employees at a cost of around $300 million per annum.

In 1997, the Government Office Accommodation Reform Program was implemented, primarily to:

- Ensure that agency accommodation requirements are consistent with their service delivery needs.
- Reduce the average utilisation of office space across the NSW public sector from around 24 m² per employee at that time.
- Reduce exposure to increasing leasing costs. Accommodation costs are one of an organisation’s highest recurrent expenditure items.
- Ensure that there was a coordinated approach to planning and acquiring office accommodation.

In 2005, Government adopted a new target of 17 m² per employee across the whole portfolio, and retained the target of 15 m² per employee for new accommodation.

The program has resulted in a reduction of the average utilisation of office space to 17.44 m² per employee in 2006, which is equivalent to a reduced rental exposure of $138.6 million per year currently, and accumulated savings of $987 million since 1995.

Since 2005, the Government Asset Management Committee has adopted a revised agency portfolio average space use target of 17 m² per person. All new fit-outs or major refurbishments are to be designed to achieve a space use of no more than 15 m² per person.

Source: Total Assets Management Guidelines of New South Wales
CHAPTER FOUR

CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

Office accommodation supports operations in all Ministries/ Government Departments and is a key component of the Government’s objective to make optimum use of limited resources to provide core services.

The cost of leased Government Office Accommodation is still significant, and is likely to increase in future. The absence of an office accommodation policy and the current practice of leasing office space do not help Ministries and Government Departments to be cost efficient in this area. There have been several initiatives taken by Government to put in place an adequate mechanism to ensure office accommodation is acquired and use in a rational manner. However, these initiatives were not successfully implemented due to the absence of a whole of Government approach, strategy and long term plans. Also, the initiatives taken did not form part of a policy document compared to some other foreign countries.

4.2 Recommendations

4.2.1 Long Term Planning

A long term GOA plan should be developed to rationalize office accommodation. The developed GOA plan should have clear objectives, strategies and measurable standards, together with appropriate time frame to undergo changes. Means of improving on these developed standards could be found over time, for example, reduction in the area occupied per employee across Ministries/ Government Departments, and reduction in accommodation cost per employee.

4.2.2 Whole-of-Government Approach

A coordinated, whole-of-Government approach is required in the planning and management of GOA. The role and responsibility for the development of appropriate policy, strategies and policies should be clearly defined. All potential strategies must be evaluated as a whole rather than separately in order to identify a set of preferred strategies. Cost and benefits of each strategy should be worked out. This holistic approach will prevent conflict between potential strategies identified, and this will maximise benefits to the agency while minimising costs in terms of time and money.

4.2.3 Policies or Directives

Policies or directives could be established and communicated, which could include, the following issues:

➢ whether Government offices should be located in core or non core areas of Cities
which Ministries/ Government Departments should be housed in Government owned building, for instance, for security aspects, and which in private buildings

whether all Sections of a particular Ministry/ Government Department be housed in the same building for administrative purpose and service delivery

appropriate office set up to be adopted to minimize cost while taking into consideration security aspects, and

any other issues deemed appropriate by the Government

4.2.4 Database on Office Accommodation

All the above could be facilitated with the existence of a proper database. A comprehensive database on the proportion of office owned and rented, including location, area rented or owned, rates, the number of employees housed and details of lessors should be established.

The database will be used to calculate the actual area occupied per employee, the rental cost per employee and cost of the actual set up and subsequently use these data to develop standards. When setting the standards, the requirement of the OSHA (which requires that the space allowed for each employee should not be less than 11 cubic metres), information and communication technology, security arrangements, the position occupied by the employee and the nature of the business (as a strategy may not be necessary applied to all type of businesses) must be taken into consideration. A database of all potential landlords willing to lease their buildings could also be kept for greater efficiency.

All the above recommendations can be achieved by putting in place a mechanism that will oversee all the activities related to Government Office Accommodation.

Ministry’s Replies

A software to manage the database has been nearly developed by the Central Informatics Bureau, whereas a Model Lease Agreement, together with its guidelines has been prepared and is in use.

The setting up of a proper GOMU will improve long term planning by rationalizing the allocation of office accommodation, and foster a more efficient service delivery, provided that dedicated resources are made available.
## Appendix

### Clearances from Stakeholders before awarding Contract to Lessor

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Responsibilities</th>
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<tbody>
<tr>
<td>Mauritius Fire and Rescue Service (MFRS)</td>
<td>MFRS issues a Fire Certificate to the owner of the building as long as the provisions of the Occupational Health and Safety Act are complied with. Prior to the occupation of the building, the layout plan showing the internal partitioning of the rented floor must be submitted to MFRS for approval.</td>
</tr>
<tr>
<td>Valuation Real Estate Consultancy Services</td>
<td>The Valuation Real Estate Consultancy Services carries out inspection and measures the net useable floor area, and also assesses whether the proposed monthly rent is reasonable</td>
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</tbody>
</table>
| Ministry of Health and Quality of Life (MoHQL)    | MoHQL gives clearances for renting office space for the purpose of accommodating staff on the following conditions:  
- Continuous and potable water supply are provided  
- Building is adequately lighted and ventilated  
- Provision for the proper collection and disposal of solid waste is made,  
- Necessary clearances are obtained from other relevant authorities. |
| Police Force                                      | The Police Force gives clearance in respect of security of the building.                                                                                                                                               |
| Traffic Management and Road Safety Unit (TMRSU)   | TMRSU provides clearances in respect of renting of office space on the following conditions:  
- Adequate arrangements are made by the Ministry concerning parking space  
- Ministry/ Government Department should not assume that street parking space will be available or made available, in case its requirements for parking space are not satisfied within the rented building, and  
- All necessary clearances are obtained from other Ministries and Institutions. |
<p>| Ministry of Renewable Energy and Public Utilities - Energy Services Division (ESD) | ESD will ensure that the right connected load of electricity is made available for all items of equipment and electrical appliances that the Ministry/Government Department wishes to utilise. It also provides clearance on condition that the Ministry/Government Department ensures that all final circuits are being protected by residual current devices. |</p>
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<thead>
<tr>
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<th>Responsibilities</th>
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<tr>
<td>Ministry of Public Infrastructure and Land Transport (MPI)</td>
<td>MPI carries out inspection of the building to ensure that there are no structural defects, that it is sound and fit for renting, and partitioning and other relevant works are completed.</td>
</tr>
<tr>
<td>Ministry of Finance and Economic Development (MoFED)</td>
<td>MoFED has no objection for the renting of office space, provided that all other clearances have been obtained.</td>
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