



Summary and recommendations

Audit background and purpose

In the early 1990s the Government decided to implement the “provision of premises reform”. This reform aimed to achieve more effective use of resources at central government agencies and more effective management of real property and assets for the State as a whole. The reform was to put the relationship between property owner and tenant on a more arm’s length basis. The central government agencies were also to be responsible for their own provision of premises and thus take comprehensive responsibility for the costs of the organisation.

Higher education institutions’ (HEI) rental costs constitute a significant part of central government rental expenses. In 2016 the HEIs’ costs of premises were SEK 8.5 billion, of which SEK 7.1 billion were rental costs. These extensive financial commitments justify the examination of whether the resources are used effectively.

The purpose of the audit is to assess whether the higher education institutions’ provision of premises is effective and appropriate within the context of the guidelines for central

government property management decided by the Riksdag. The audit covers all 31 state higher education institutions and the Chalmers University of Technology and the Jönköping University foundations. The audit also covers the Government's management of more effective provision of premises and the state-owned company Akademiska Hus AB, which is charged with providing premises for universities and other higher education institutions. The company's remit was specified in 2013, which is a starting point for the audit. The audit was based on the following three audit questions:

1. Does the Government govern the HEIs to make provision of premises more effective, in accordance with the Riksdag decision on limited reporting?
2. Do the HEIs conduct effective and appropriate work to provide premises?
3. Does Akademiska Hus AB provide premises for the HEIs in accordance with the Riksdag decision on the company's specified remit?

Audit findings

The HEIs are more effective and can improve follow-up

According to the Swedish NAO, in the years 2004-2016 provision of premises at HEIs became more effective, which is shown by the fact that the number of square metres per full year student and employee has decreased for HEIs as a whole. The share of the HEIs' cost of premises in relation to total operating expenses has also fallen gradually during the 2000s. At the same time the cost per student and employee has increased.

Overall, the audit shows that the HEIs have worked at reviewing and developing provision of premises. This has been done by means of governance and organisation, and efforts to professionalise through interaction. Over time the HEIs have increased interaction on issues concerning provision of premises with other HEIs, landlords and other stakeholders. The HEIs also work in a structured way with tenancy contracts to enable forward planning. All in all, this creates conditions for an arm's length relationship with landlords.

In the opinion of the Swedish NAO, the HEIs in general work to improve effectiveness of provision of premises and the use of premises. Increased use of an internal rental system is an example of this, as well as the fact that more HEIs are working to follow up and review this system. At the same time, the Swedish NAO notes that there is a risk of poor economy and efficiency in provision of premises. Formulation of targets is a fundamental part of being able to follow up, review and improve the efficiency of an activity, but few HEIs have targets for costs of premises as a whole and for the use of the premises.

The HEIs' follow-up of the use of premises has been developed, but further improvement is needed, in the view of the Swedish NAO. A large majority of the HEIs now measure the extent to which bookable premises such as lecture halls and meeting rooms are used. On the other hand, office spaces are monitored to a considerably lesser extent than other spaces. The premise provision units at some HEIs also lack an overall picture of the organisation's monitoring of premises. Hence, all in all, there is a considerable proportion of premises whose use is not surveyed.

The shortcomings in target formulation and follow-up mean that the HEIs do not have a sufficient framework to act entirely at arm's length in the rental market.

Several HEI boards are at risk of lacking the insight into the organisation that the Higher Education Ordinance and the Higher Education Act stipulate, since they have not approved a current plan for provision of premises. During the period, every second HEI had no current plan for provision of premises, which should form the basis of budget documentation as stipulated by a Government decision. In the cases where there is no current plan for provision of premises, the budget documentation cannot be approved in full accordance with the Government's terms of reference.

The Government govern the HEIs in accordance with Riksdag decisions

All in all, the Swedish NAO assesses that the Government's governance of the HEIs' provision of premises is in accordance with the Riksdag's decisions. By formulating an efficiency target for their agencies' provision of premises the Government has provided basic conditions for increased effectiveness. Reporting of the HEIs' costs of premises is also in accordance with the Riksdag's decisions. The Government has also investigated the appropriateness of the regulation of the HEIs' rental agreements.

With a view to preserving the agencies' purchasing power in the rental market the Government makes an annual price adjustment to the agencies' costs of premises. The price adjustment for the HEIs is made in a way that may mean that efficiency drivers vary between HEIs and that the purchasing power in the local rental market is strengthened for some, while being weakened for others. If the link between adjustment of appropriations and market price trends is broken, the purpose of the adjustment is not fulfilled, which means a risk that the guidelines for central government property management lose their legitimacy. In the long term the Government should therefore consider investigating whether the overall price adjustment is appropriate and effective for the State as a whole.

Akademiska Hus can strengthen incentives to reduce costs

In the view of the Swedish NAO, Akademiska Hus in general works to meet the requirements imposed by the 2013 Riksdag decision concerning the specified focus, targets and responsibilities of the company. Any effects of that work have not been subject to the audit.

In the view of the Swedish NAO, Akademiska Hus has worked to ensure that the rental principles observe and make visible the varying risk of the property portfolio. The rental model for new investments has been revised and a central part of the revision is that the company has started to use a broken discount rate for major new investments, which makes the residual value risk visible. This may give an impetus to reduce both risk and costs. Akademiska Hus works regularly towards market consistency by means of reconciliation of discount rate and yield requirements in the rental model for new construction, extensions and conversions.

For increased transparency of rent setting for new construction, extensions and conversions, Akademiska Hus has communicated the overall changes to the revised rental model to its customers. A majority of the HEIs that are customers of the company also state that it is clear what affects the rent when they carry out new construction, extensions or conversions together with the company.

Akademiska Hus works to reduce costs for both the HEIs and for the company. This is done mainly by means of sustainability work, but also through the company working to become a more active party in cooperation with the HEIs. Akademiska Hus has recently introduced an internal tool that can provide conditions for more cost-effective new construction. The role as a more active party is not entirely accepted by the HEIs and the Swedish NAO consequently considers that work remains to be done to achieve incentives for reduced costs that are common to the company and the HEIs.

The Swedish NAO considers that the HEIs and Akademiska Hus often take joint overall responsibility for long-term development of the higher education areas and in the period audited the company worked actively for an improved customer relationship. Further work on the customer relationship is necessary, because the additional distribution of dividend approved by the general meeting of shareholders in 2015 gave rise to extensive criticism from several representatives of the HEIs and made conditions worse for an arm's length relation to the HEIs.

The HEIs' need for special premises and development of integrated campuses limits competitive opportunities. According to the Swedish NAO there is also a conflict in that Akademiska Hus is to act in accordance with the Swedish Companies Act, at the same time as the company is expected to take active responsibility for improving competitiveness by selling land within its core stock.

The Swedish NAO's recommendations

The Swedish NAO makes the following recommendations:

- At the HEIs that lack a current plan for provision of premises the board should adopt such a plan. The board's adoption of a plan for provision of premises enables transparency in provision of premises and enables it to take responsibility for fulfilling its remit.
- The HEIs should ensure that there is continuous systematic follow-up of the use of premises for all rented spaces. Improved follow-up makes it possible for the various parts of the HEIs to support each other to continue improving efficiency of use of premises. Systematic follow-up of use of resources is a condition for an arm's length relationship to the landlords and for being able to take full responsibility for efficiency.
- Akademiska Hus AB should further strengthen its efforts to create common incentives for reduced costs for the company and the HEIs.