

The management of premises in the Defence Administration

Premises in the use of the Defence Administration account for about one-third of state premises, and a significant part of the defence budget is spent on costs resulting from these premises. The Defence Administration's office and real estate costs covered by the state budget totalled about 230 million euros in 2010 (about 10% of total expenditure in the administrative sector).

In the real estate reform that was carried out in the Defence Administration in 2003, ownership tasks related to state premises and real estate were shifted outside the Defence Administration, mainly to Senate Properties and Metsähallitus. Since then the Defence Administration has rented the premises and real estate it needs from their owners. In principle the Construction Establishment of Defence Administration nevertheless remained responsible for maintaining these premises. This arrangement has been called a capital rent model and it has been regarded as containing risks compared to the traditional total rent model as a result of the complexity of the parties' responsibility relations, among other things.

The audit of the management of premises in the Defence Administration sought to determine whether the management of premises has been effective and economical since the 2003 real estate reform.

On the basis of the audit, the premises in the use of the Defence Administration can be deemed to have supported the activities carried out in them reasonably well. The audit observed some problems that are detrimental particularly when the matter is considered from the viewpoint of the state's overall interests.

The audit did not find enough evidence to indicate that all the solutions selected in managing premises in recent years were adequately justified. This has weakened possibilities to steer economy sufficiently in managing premises in the Defence Administration. In managing premises in the Defence Administration one should have presented more clearly how and on what grounds different projects

aimed at clearly raising the original technical level and projects aimed at maintaining or restoring this level have been placed in order of priority and urgency and adjusted to available appropriations.

The Defence Forces have planned to carry out significant structural reforms in the so-called Defence Forces reform. This reform will also influence the need for premises, which will probably decline considerably. In connection with the reevaluation of the Defence Forces' functions unnecessary premises should also be determined so that they can be relinquished and preferably so that Senate Premises can make use of or get rid of them. This means in practice relinquishing some entire areas, for example. On the basis of audit findings it appears that the Defence Forces are aware of the need to evaluate this and have taken measures in this direction.

The repair backlog for the Defence Forces' premises and real estate and an adequate maintenance level to prevent a new repair backlog have up to now been determined using very rough methods, so objectives to reduce the repair backlog and the monitoring of the achievement of objectives have been imprecise. The size of the repair backlog and an adequate maintenance level to prevent a new repair backlog should be evaluated much more precisely.

After the 2003 real estate reform steps were taken to eliminate the repair backlog with a larger level of basic repairs and renovation. The intention was also to prevent the creation of a new repair backlog with higher annual maintenance investments. The intended higher level of maintenance has not been achieved, but the repair backlog has probably been reduced significantly with larger basic repair and renovation investments than before.

Since the real estate reform Senate Properties has been responsible for taking care of most of the basic repair and renovation work on premises and buildings used by the Defence Forces, while the Construction Establishment of Defence Administration has been responsible for annual maintenance work. In practice, however, the Ministry of Defence and the Defence Forces have determined the financial framework for the maintenance work they have ordered from the Construction Establishment of Defence Administration each year, which has been smaller than what has been judged necessary on the basis of information presented elsewhere. The Ministry of Defence has justified this on the grounds that budget appropria-

tions have fallen short of the desired and agreed maintenance level. The inadequate level of maintenance is expected to lead to the moving forward of renovations. Conducting and financing renovation work is the responsibility of Senate Properties.

In the opinion of the National Audit Office, a sufficient amount of funds should be allocated each year to maintaining premises and buildings owned by the state and used by the Defence Administration, regardless of how the maintenance of premises and responsibilities are organised at any given time. Activities should be adjusted to the overall framework that has been jointly agreed in central government.

If appropriations are not available for all the work that has been proposed and there are no more detailed feasibility calculations to set the order in which work is carried out, repairs maintaining or restoring the original level should be given priority over work that improves the original level. Repairs should be made in good time, before the deterioration of structures and growth in repair costs begin to accelerate.

If an adequate level of maintenance is not reached in the near future, in the opinion of the National Audit Office there are grounds to shift to a rental system or steering that pays more attention to economy viewpoints and also leads to an adequate level of maintenance better than what has been achieved. This would also mean rearranging the tasks, administrative position and organisation of the Construction Establishment of Defence Administration. In the opinion of the National Audit Office the shift to a total rent model should also be considered.