

Conclusions and recommendations of the National Audit Office

Lifecycle management of central government building assets

In the audit, the National Audit Office assessed the activities of Senate Properties, the Governing Body of Suomenlinna, and the Ministry for Foreign Affairs in the lifecycle management of central government building assets. The purpose of the audit was to ensure that the authorities and other actors responsible for central government building assets have created preconditions for good lifecycle management of these assets.

There are currently prerequisites for good lifecycle management of building assets in all of the audited entities: as a rule, the steering of the lifecycle management of building assets has been sufficient, and the organizations' present practices support their good lifecycle management. The lifecycle costs and benefits are taken into account in investment decisions according to the requirements. However, the present central government steering would also enable more ambitious lifecycle thinking.

The practices of the Ministry for Foreign Affairs have previously not provided sufficient support for the lifecycle management of building assets. Nevertheless, the Ministry has recently improved its practices substantially and continues to develop them further. There is no evidence yet of the effectiveness of the new practices.

Statutes promote lifecycle thinking but make it possible to apply them in several different ways

The statutes related to the lifecycle management of building assets promote the construction, management and maintenance of a buildings stock with a high-quality lifecycle. However, the statutes also allow applications of a varying lifecycle quality. The Act on Public Procurement and Concession Contracts (1397/2016), for example, makes it possible to assess procurement costs based on the lifecycle costs but does not impose an obligation to do so.

The audited organizations take the lifecycle costs and benefits into account in their investment decisions as required. However, the present central government steering would also enable more ambitious lifecycle thinking. At present, instead of assessing the lifecycle costs of their building investment decisions in detail, the audited entities consider the investment costs and the profitability of the investments. Nevertheless, they monitor the costs during the use. Other lifecycle impacts, such as environmental impacts, are identified, but they are not yet assessed systematically. The organizations have made decisions on sale and a few decisions on demolition or transfer without a consideration as defined in their policies, and the decisions have been justified in view of central government finances.

Real estate and premises strategies support good lifecycle management, but the objective of central government's overall interest leaves room for interpretation

The State Real Estate Strategy and the Government Premises Strategy support good lifecycle management of building assets. The objective set for the buildings strategy is ensuring the overall interest of central government. However, the objective has been defined in so general terms

that it is impossible to verify its implementation unambiguously. The wording of the strategy is open to interpretation, which weakens the steering impact of the strategy. More specific strategic guidelines would probably promote better lifecycle management in view of the overall interest of central government.

In its present form, the Real Estate Strategy strives to safeguard the overall interest of central government by guiding the organizations to examine the lifecycle impacts of their building assets, taking the different aspects of central government's overall interest broadly into account. In addition to financial impacts, these aspects include social and environmental issues, protection of cultural heritage, and other societal aspects. The Real Estate Strategy states clearly that, in future, the state's ownership will focus on strategic buildings, whereas non-strategic buildings that are not necessary for the state will be sold.

The Premises Strategy supports good lifecycle management. For example, the health and safety of facilities, which is one of the objectives set out in the strategy, can be successfully ensured when the building assets of central government are maintained in good condition over the long term.

[The organizations' present practices support good lifecycle management of building assets – however, it is too early to assess the effectiveness of the new practices of the Ministry for Foreign Affairs](#)

As a rule, the lifecycle management of the audited entities' building assets is based on plans and has clearly defined objectives and responsibilities. The practices of Senate Properties and the Governing Body of Suomenlinna support good lifecycle management, but the practices of the Ministry for Foreign Affairs did not provide sufficient support for lifecycle management during the review period. As there have been deficiencies in the practices of the Ministry for Foreign Affairs, the Ministry of Finance and Parliament have not had adequate information on the condition and renovation need of the buildings and facilities of the Finnish representations in foreign countries.

However, the Ministry for Foreign Affairs has recently improved its lifecycle management practices substantially and continues to develop them. The new practices create a sound basis for the lifecycle management of building assets in the coming years. It is still too early to assess the effectiveness of the new practices.

[The built environment has a key role in climate change mitigation, which will lead to stricter requirements](#)

The holders of central government building assets should prepare for stricter requirements for the built environment. The measures taken in the built environment have a major impact on the mitigation of the climate change and on the adaptation to it. The entire real estate and construction sector accounts for 35 per cent of the total energy consumption in Finland, and buildings cause about 30 per cent of the greenhouse gas emissions in Finland.

One of the objectives set by the programme of Prime Minister Marin's Government is carbon neutral Finland in 2035. The Government strives to achieve this objective by continuing to implement the low-carbon construction roadmap, by developing a legislative framework based on the lifecycle carbon footprint of a building, and by enhancing the efficiency of the circular economy and the recycling of materials in the construction sector. According to the Ministry of the Environment, the assessment of the carbon footprint of buildings will be incorporated in the building regulations in the 2020s. The aim is to later include the

assessment and monitoring of other environmental impacts as well in the planning and implementation of buildings.

Recommendations of the National Audit Office

1. The Ministry of Finance should see to that more specific objectives are set for the ownership management of the buildings and facilities the State of Finland owns abroad, taking into account the overall interest of central government.
2. The Ministry for Foreign Affairs should define more accurate criteria on the basis of which it makes decisions on renting and owning facilities. The criteria should take account of the needs of representation, the restrictions caused by the operating environment, and the overall interest of central government.
3. The Ministry for Foreign Affairs and the Ministry of Finance should closely monitor the implementation of the real estate strategy of the Ministry for Foreign Affairs and make any necessary changes to the strategy or its implementation.
4. The Ministry for Foreign Affairs should actively promote the establishment of its new property management practices, monitor their effectiveness, and make any necessary changes to them.