Cour des comptes

UNIVERSITY REAL ESTATE

Public thematic report

Executive Summary

October 2022

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As the second largest budget item for universities after the wage bill, real estate is a strategic factor of primary importance for the integration of universities in their territory, and a central element for the reception of students and the fulfilment of scientific objectives. It is also at the heart of the issue of self government. For the State, the stakes are no less high, since it remains the overwhelming owner of university property (82% of the total).

Distribution of ownership of university real estate

Owner	
State	82%
Local authorities	12%
Universities	3%
Third parties	3%

Source: DIE (Direction de l'Immobilier de l'Etat - State-Owned Real Estate Department)

It must, like the universities, face up to the indispensable task of upgrading this asset, a third of which is in a poor or unsatisfactory state and which only rarely meets energy saving needs. These assets represent 18 million m² of premises (net floor area), 78% of which are devoted to teaching or sports activities.

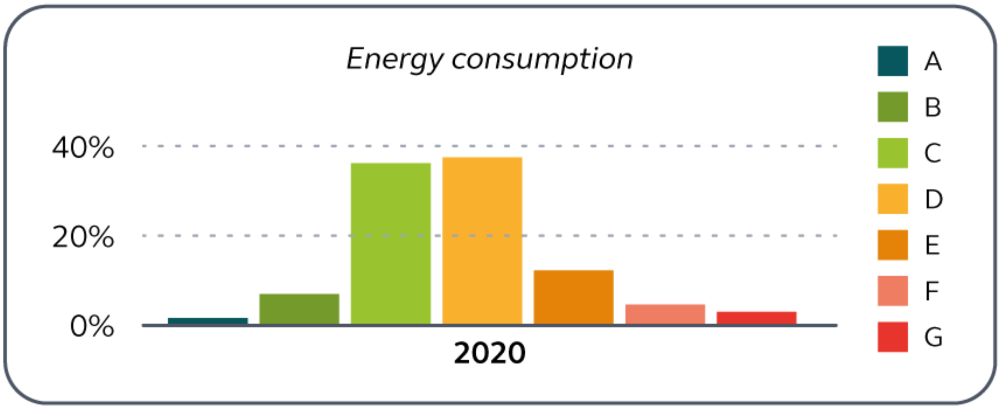
Recognised priorities, scattered results

At the end of its investigation, which does not include the real estate assets of student unions, the Court notes a strong mobilisation of all stakeholders. The Directorate General for Higher Education and Professional Integration (DGESIP), for the Ministry of Higher Education, and the State-Owned Real Estate Department (DIE), for the Ministry of the Economy and Finance, have taken charge of the issue by allocating competences, programmes and monitoring tools to it. Universities, on the other hand, have realised the importance of effective real estate management, both from the financial point of view and from the point of view of study and research conditions, and have made progress in understanding a field whose technical nature was long foreign to them. These advances should be noted, as they allow real estate to gradually find its rightful place in university policy.

However, there is still a long way to go. Knowledge of these assets, although improved over the years, remains imperfect. All too often, the information systems chosen by universities are not compatible with those developed by the State. This results in cumbersome data management, but also in the inaccuracy of certain points in the national reference systems set up by the DIE, such as the sanitary quality of buildings, their energy performance or their occupancy rate. Overall knowledge of university real estate is incomplete, not only because of the difficulty of interoperability of information systems, but also because of the great diversity of local situations to be understood. University real estate departments have been strengthened, but the most technical positions are difficult to fill, partly because of competition from other private and public players. The multi-year real estate strategy plans (SPSIs) are a central element of knowledge and management by the institutions of their real estate policy, but they are not yet established everywhere or their renewal is often lacking. Where available, they do not include a site policy component and do not provide information on assets made available by third parties, including local authorities. These assets are governed by agreements that are not known to the trust, which cannot, therefore, ensure that they are respected. Budgetary traceability of real estate expenditure is the other aspect of effective property management. The seven universities that have opted for full ownership of their real estate – devolution – are obliged to draw up a specific real estate budget, but its content is not standardised. The other universities have budgetary data of varying scope. Respect for the independence of institutions should not stand in the way of the gradual harmonisation of information systems and the widespread preparation of specific property budgets in a standard format.

These developments are all the more necessary as the trend towards growth in surface areas to keep up with student demographics and improve the territorial anchorage of universities has given way to a process of streamlining of existing facilities. Thanks to funding from the State-Region Plan Contracts (CPERs) or exceptional programmes such as the Campus Plan or the Recovery Plan, priority is now given to the renovation of buildings rather than to construction. However, this effort is not enough to bring up to standard a building stock of which more than a third is in a poor or unsatisfactory condition and of which 10% of public buildings do not obtain the approval of safety commissions. Overall energy performance is poor, even though this expenditure item is increasing due to tariff increases and the development of digital technology.

Energy consumption in 2020

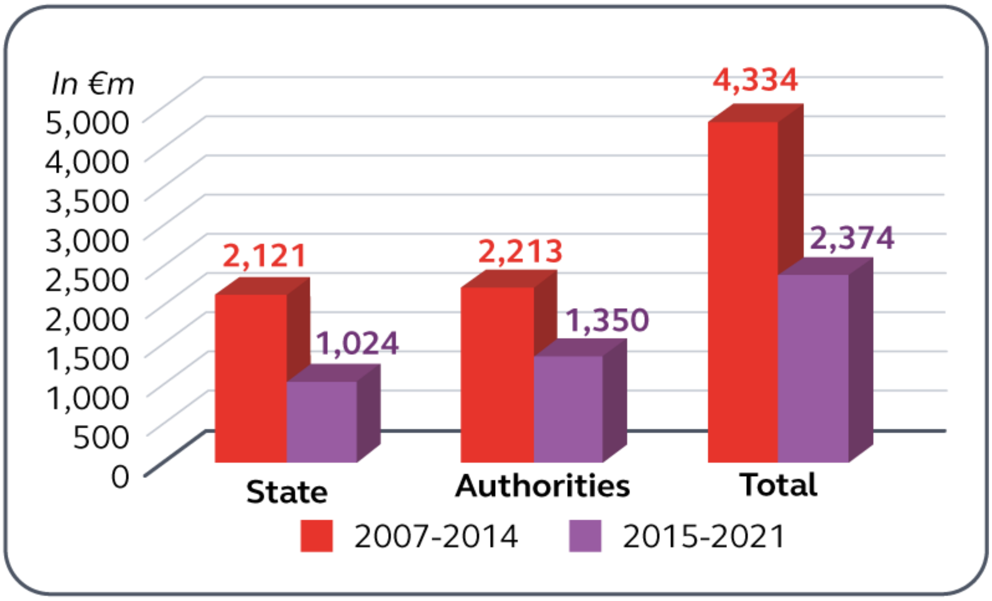


Source: DIE (Direction de l'Immobilier de l'Etat - State-Owned Real Estate Department)

Diverse funding that does not satisfy the overall need

Universities do not have the means to fulfil their maintenance obligations, as the funding of university real estate remains inadequate. The resources allocated for routine maintenance, as well as for major maintenance and renewal, are below the level required to keep the assets in good condition. Moreover, the fungibility of the State's public service grant (SCSP) does not guarantee that the Ministry's share of the SCSP is allocated to real estate. This loss is further accentuated as the amount devoted to real estate in the SCSP, which is already insufficient, has not changed overall for more than ten years (€140 M/year). The investment programmes, for their part, are mainly supported by the State-Region Plan Contracts (CPERs), the overall amount of which is reduced due to a lower contribution from the State offset by an increase in the contribution from local authorities.

Evolution of State funding in the CPERs (in €M)



Source: MESRI

Exceptional programmes have been implemented in response to crises, such as the Campus Plan (€3 billion paid on 1 January 2021) and the Future Investment Programmes (PIAs) following the 2008 financial crisis, or the Recovery Plan following the recent health crisis. However, the catch-up effect is not sufficient to cover the overall need. An increase in the number of funding channels makes it more difficult to understand the effort made in favour of universities, and the irregularity of the resources allocated to them over time is an obstacle to the implementation of long-term real estate strategies.

The Ministry of Higher Education estimates the cost of the rehabilitation of university real estate at €7 billion, 75% of which would be related to the energy and environmental transition. France Universités, for its part, puts this estimate at €15 billion.

The issue of transfer of ownership

The Court has repeatedly pointed out the contradiction between the autonomy of universities and the fact that ownership of property is not vested in them. The Government announced in December 2021 that the devolution of assets would continue. However, the lack of upgrading of the stock before transfer of ownership and the lack of guaranteed resources to fund major maintenance and renewal work are obstacles to its widespread implementation. The State owner limits its effort prior to any transfer to safety work, which is not performed immediately, to the exclusion of other legal requirements, starting with accessibility for the disabled and tomorrow the consequences of the “tertiary” decree, which imposes a significant improvement in the future energy performance of buildings. The development of the property portfolio (rentals, disposals, etc.) has shown its limits and its inability to generate recurrent income that would allow, if necessary, for a relaxation of the institutions’ borrowing rules. The creation of university real estate subsidiaries, facilitated by recent legislative developments, could contribute to a more active development policy and more efficient management, ensuring transparency of financing and accountability of stakeholders, thus opening up the university to its urban environment in partnership with the local authorities responsible for land use.

Summary of recommendations

1. Evaluate and document the tools for quantifying occupancy rates and integrate this data by geographical location *(MESRI, Ministry of the Economy, Finance and Industrial and Digital Sovereignty)*.
2. Carry out a precise and contradictory audit of the operating costs required to refurbish university real estate, with different figures depending on the expected condition: making the buildings safe and compliant with accessibility standards, renovating assets classified as dilapidated or completely renovating the buildings *(Ministry of the Economy, Finance and Industrial and Digital Sovereignty)*.
3. Improve interoperability between the various university IT systems and central software to gain a better understanding of university assets *(MESRI, Ministry of the Economy, Finance and Industrial and Digital Sovereignty)*.
4. Introduce a site policy component into the multi-year real estate strategy plans (SPSIs) and annex to them all agreements relating to the provision of buildings *(MESRI, Ministry of the Economy, Finance and Industrial and Digital Sovereignty, Universities)*.
5. Extend to all universities the creation of a specific real estate budget in a defined format, by amending Article R.719-63-1 of the French Education Code *(MESRI)*.
6. Make real estate one of the main components of the strategic and management dialogue between the ministry and the universities and define indicators to enable major maintenance and renewal work to be taken into account in the State's public service grant (SCSP), according to objective criteria *(MESRI)*.
7. Define the insurance regime for devolved assets *(MESRI, Ministry of Economy, Finance and Industrial and Digital Sovereignty, Universities)*.
8. After an expert appraisal, include in the devolution agreements a timetable for the building safety and accessibility work required by law, and the methods of financing this work *(MESRI, Ministry of the Economy, Finance and Industrial and Digital Sovereignty)*.
9. Encourage universities to use real estate subsidiaries to manage and develop their assets *(MESRI)*.