

# Audit of the traceability and supervision of real estate in the ETH Domain

## ETH Board

### Key facts

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The portfolio of the real estate and facilities infrastructure in the ETH Domain comprises approximately 450 buildings and 125 parcels of land used by the institutions – two Federal Institutes of Technology and four research institutes. These buildings are used for the core mission of teaching, research and knowledge and technology transfer. With a few exceptions, they are owned by the Swiss Confederation and had a book value of CHF 4.13 billion at the end of 2020.

The financing for an average of around 330 ongoing real estate projects is provided by the Confederation's annual budget. In 2022, a total credit of around CHF 316 million was approved for this purpose. A federal financing contribution of approximately CHF 2.4 billion is available for teaching and research, and for operations and accommodation (rent).

The ETH Board is the federal building and real estate body for the ETH Domain as designated by the Federal Council. In this role, the ETH Board is the owner's trustee and is responsible for steering the strategic real estate management. The institutions are responsible as the project owners, operators and users of the real estate. They are responsible for all phases of project management on a building-by-building basis.

The Swiss Federal Audit Office (SFAO) audited the traceability and supervision of real estate in the ETH Domain at the ETH Board. Since 2016, the ETH Board has already implemented various improvement measures. The following are particularly worthy of note: the ETH Board's perception of its role, the implementation of the internal control system (ICS) and risk management, and the issuance of minimum standards for real estate projects. Overall, the audit findings showed a positive picture.

### **Strategic further development of the real estate portfolio using the planning instruments**

Investment in real estate is driven by the ETH Domain's development plans, which are updated every four years, most recently for the period 2021 to 2024. The continued growth in teaching, research and knowledge and technology transfer (students and professors) reported by the institutions means an increased demand in real estate, which the ETH Domain must provide and finance.

In the overall spatial and financial concepts (OSFC), each institution specifies its adaptation needs for a time horizon of 12 years, based on the respective academic development plans. In addition, the Real Estate Management department of the ETH Board prepares a consolidated version, in which the most important levers are also specified, in order to be able to limit real estate growth. Based on this, targeted interventions in the portfolio are made, which are implemented by the institutions and supervised by the Real Estate Management department.

The annual investment plan for real estate shows the financial requirements for a period of four years for each institution, and consolidated for the ETH Domain. The annual funding for building activities is applied for on this basis.

Overall, the planning instruments (development plan of the ETH Domain, OSFC and investment plan) are coordinated with one another in terms of content. Consistency is ensured for larger real estate projects.

### **The ETH Board intermixes roles in project steering**

Project steering is a body within the institutions that is defined and deployed on a building-to-building basis as part of the planning and construction process. The Real Estate Management department participates in it for numerous construction projects according to defined specifications. This practice leads to a blurring of strategic and operational roles and responsibilities with the institutions. Voting rights should be waived. In addition, participation does not always bring added value to all projects, nor in every project phase.

The SFAO recommends a readjustment of how the ETH Board's Real Estate Management department is involved in project steering.

### **The ETH Board should reinforce more precise budgeting for the required financial resources**

In general, the ETH Domain finances its operational services and user-specific tenant improvements via the financing contribution, and construction investments by means of the investment contribution. As part of the annual construction programme, the ETH Board requests the federal financial resources to implement the investments planned by the institutions.

In previous years, these requests were rather liberal, as the actual use of funds for building work was about 14% lower. The remaining investment funds were allocated annually to the financial contribution by means of credit reallocation, in compliance with the requirements set by Parliament. Consequently, there is the risk that the funds approved by Parliament for construction investments are not used for the real estate portfolio. Since 2017, it has been possible to create earmarked reserves for construction projects; this option has been used once so far in the ETH Domain.

The SFAO recommends that the ETH Board continue to seek solutions together with the institutions in order to define more precisely the annual budgeting of financial resources and the investment expenditure. Major credit reallocations are to be avoided. In addition, unused investment funds should be allocated primarily to earmarked reserves.

**Original text in German**