

Disposal of public real estate managed by the state-owned Régie des bâtiments/ Regie der Gebouwen

The Court examined the way state-owned buildings were disposed of. Government's policy has been to replace buildings it has on its own by leased buildings but while doing so, Government favoured a short term objective, that is budgetary equilibrium. Buildings for disposal were not selected on the basis of criteria relevant for the objectives announced. Estimates of the buildings value were not always sufficiently supported by relevant documents. If sold buildings were immediately leased, the profitability of the transaction was hardly ever calculated. And if sold buildings were leased on a short time basis for practical reasons, the transaction did not prove profitable for the federal Government. The Court recommended that prior to a sale decision, public authorities should carry out a full qualitative evaluation such as a cost benefit analysis. The Finance minister in charge of the Régie des bâtiments/Regie der Gebouwen agreed to this recommendation.

In October 2000 the federal Government decided to put on sale several state-owned buildings. This policy was carried forward in the following years. The aim of the disposal was doublefold : on the one hand, safeguard budget equilibrium and progressively reduce the national debt burden and on the other hand, provide better accommodation to state employees.

Up to 2004, the sale yield was 840.718.509 euro in total. After being sold, 60% of the sold office blocks was leased again on a long term basis. Other sold real estate was replaced by new leased buildings more often than not after they were leased again afterwards or used free of charge for a limited period.

The Court examined under what conditions the sale was prepared, what selection criteria were used and whether the selling price was in agreement with the estimates. Moreover, it also checked whether the sale operation and the lease process were made according to the rules and how the disposal was recorded in the budgetary and accounting entries.

The study showed that Government's policy to use leased buildings instead of buildings it had on its own was not based on a preliminary assessment in the light of the objectives stated (that is, on the one hand, budget equilibrium and debt reduction and, on the other hand, provide better accommodation to its own employees). When the issue was to take a decision, the short term objective, that is budget equilibrium, was overriding. Moreover, buildings were not selected in the light of explicit criteria applicable to the objectives announced.

In nearly all cases, the sale price was at least equivalent to the preliminary estimate. But documents supporting these estimates were not always adequate. This had to do with the exceptional nature of certain buildings as well as the heavy time pressure involved in calculating these estimates. On some occasions the Government used obsolete estimates ; in some others the Government did re-rent the building but this had not been incalculated in the price.

In the few cases for which the 'net present value' of the lease to pay was compared with the sale price offered the Government always favoured the most advantageous offer. This did not, however, entail that sales were in all cases positive for the federal Government. The profitability of the sale and lease operations were only calculated by the Finance department after completion of the sale and the calculation was based on hypotheses which made little sense.

In the case of buildings which were rented on a short term basis after completion of the sale because no alternative relocation was available, the rent price paid for this short term re-renting accounted most of the time for a large part of the sale price. Such sales did not yield any profit for the Belgian State.

For the sale of some complex buildings Government used a private consultant. The awarding of the initial contract to the consultant was extended twice in a way that violated the regulations on public procurement. Eventually the consultancy fee was much higher than initially estimated. The consultancy dossiers did not include any justification for the additional cost. It could not either be inferred to what extent the Regie had checked whether the consultant had actually performed the service.

The Court's major recommendation was that prior to a sale Government should subject the sale operation to a preliminary quality assessment such as a cost-benefit analysis or a multi-criteria analysis.

In his response to the Court's report the Finance minister responsible for the Regie stated that there was no denial that the budgetary aspect had played a role in the real estate disposal. He was of the opinion that the sale should also be considered in the light of the federal Government reform agenda (Copernicus) which required real estate sale transactions to be carried out.

The minister subscribed to the Court's recommendations. He pointed out that the Regie had already remedied several failings mentioned in the report. He added that the Regie restructuring would go along the lines of the Court's suggestion to carry out a cost benefit analysis and to reinforce internal control.