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D/PUS/11/7/1(133)

19 July 2021

Dame Meg Hillier MP
Chair of the Public Accounts Committee
Sent electronically

Dear Ms Hillier,

DEFENCE ESTATES OPTIMISATION PORTFOLIO

Following the Public Accounts Committee hearing on 28 June 2021, I agreed to write to the Committee to respond to several questions raised during the hearing. Please find these responses below.

In answer to a question (**Q13**) from Sir Geoffrey Clifton-Brown MP, I agreed to provide the Committee with a full breakdown of personnel working on strategic management of the defence estate. We have taken this to mean those staff involved in strategic oversight of different infrastructure areas across the estate, inclusive of DIO, Head Office and TLBs. On this basis we have a total of 168 people broken down as follows:

Area	Number of people
DIO	51
Head Office	33
TLBs	84
Of which:	
Army	*17*
Air	*40*
UKSC	*7*
Navy	*8*
DBS/DE&S/MDP	*12*

Following a question from Nick Smith MP (**Qs17-18**), you asked that I share a full breakdown of the cost of external consultants, including their average daily cost. There are no Client-Side Partner (industry) contracted staff employed by DIO on the DEO portfolio paid more than £2,000 a day. The CSP provides a mixture of professional services or contingent labour and more detail is set out in Annex A.

Mark Francois MP (**Q34**) asked me to clarify the status of the 30% by 2040 disposal target. The original target, which had been set out in the 2015 SDSR, was a top-down assumption and was not based on detailed plans. Following the 2020 Spending Review and the publication of the Defence Command Paper, Defence has a clear plan for modernising its capabilities and reducing the size of the estate over the next few years. I have confirmed this with Defence Ministers that the 2015 target to reduce the built estate by 30% is no longer appropriate and will <u>not</u> be pursued by the Department.

You asked me (**Q48**) to explain how the £16.5 billion financial settlement from Spending Review 2020 related to planned spend on the Defence estate. I set some of this out in my letter to the Committee of 22 June, and will review further in light of the subsequent hearing on Defence equipment contracts and with our planned publication, alongside the NAO review of it, of our forward Equipment Plan.

On estates specifically, an additional c.£740m funding over the four years was allocated to infrastructure investment in Spending Review 2020. This will focus investment on Defence's highest priority assets to mitigate risks in our most critical infrastructure, whilst maintaining a safe and compliant overall estate. Specifically, new funding has been allocated in these areas:

- Funding the Defence Estate Optimisation (DEO) portfolio at £4.3Bn of capital investment over the next decade, to reduce and consolidate our estate and to modernise more of our infrastructure while maintaining alignment with wider Integrated Review/Spending Review outcomes;

- Accelerating the upgrade of infrastructure in Cyprus to meet updated Seismic Risk mitigation regulations;

- Making progress towards Net Zero 2050, with early deliverables including Ultra-Low Emission Vehicle charging points, Building Energy Management Systems and Demolitions;

- Increasing TLB funding for maintenance of the Defence estate, and to start to move towards Planned Preventative Maintenance for our most important and newest assets;

- Committing more than £1.5Bn over 10 years of upgrades to SLA Accommodation following the last SR.

We continue to drive improvement in the delivery of Infrastructure projects including maximising the use of Modern Methods of Construction and technology, and by adopting Net Zero build standards.

In answer to a question from Sir Geoffrey Clifton-Brown MP (**Qs59-61**), Sherin Aminossehe agreed to provide the Committee with additional figures on the totality of capital receipts for the whole defence estate. From 1 April 2015 to 31 March 2021, the Department received £929m from the disposal of over 200 sites. The Department is forecasting c.£3.3Bn in disposal receipts from FY 21/22 to FY 40/41 which includes around:

- £13m in additional transactions (such as clawback payments);
- £135m in our “business as usual” disposal portfolio;
- £1.6Bn Land Sales Delivery Partner (LSDP) Portfolio (long term partnerships);
- £1.6Bn DEO Portfolio (including stand-alone sites and DEO MOD Service Family Accommodation).

Sir Geoffrey Clifton-Brown MP (**Q61-63**) also asked for more detail on how much funding over the next 10 years is being allocated to the optimisation plan and to overall defence estates plans to understand investment in betterment of the estate. Defence plans to spend approximately £4.5Bn annually (12% of the total Defence budget) on the estate over the next decade. Of this:

- around 50% (£2.3Bn) is required to meet routine running costs for the estate
- 13% (£560m) is for minor upgrade tasks
- 37% (£1.7Bn) for more substantive repairs.

In addition, £4.3Bn is committed over ten years for DEO investment following the 2020 Spending Review. All projects under DEO, with over 40 projects currently in train, will automatically be moved to a Planned Preventative Maintenance regime.

In answer to a question from Sir Geoffrey Clifton-Brown MP (**Q71**) on work undertaken by the Department for the future of the Bordon garrison near the A3, further information is attached at Annex B.

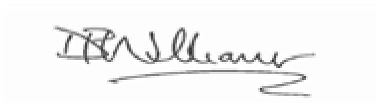
Mark Francois MP (**Q77**) asked about the timescales of the Future Accommodation Model (FAM) pilots. The first pilot launched at HMNB Clyde on 30th September 2019, followed by Aldershot Garrison (31st January 2020) and RAF Wittering (1st June 2020). When the project was initially endorsed in 2015, a pilot phase was expected to begin in 2018. In July 2018, the Investment Approvals and People Committees jointly approved a Pilot Phase to run from April 2019 to June 2022 with a phased roll-out from April to December 2019. The additional time taken was needed to ensure the pilots were properly scoped, the sites and eligibility criteria agreed and to ensure the pilots themselves were affordable.

James Wild MP (**Q85**) asked about the proportion of the training estate expected to be disposed of over the period through to 2040. Out of 157,500 hectares (ha) rural estate, DIO expects to dispose of 35 training sites comprising around 855ha (in excess of 0.5% of rural estate) over the period through to 2040; this includes 228ha at Swynnerton Training Area, 109ha at Middlewick Ranges and 92ha at Old Park Training Area, Canterbury. DIO also disposed of around 300ha of the training estate in the period between April 2015 and March 2021 spread over 32 sites, including 158ha at Yantlet Training Area, 35ha at Garelochhead, 28ha at Pyestock Training Area and 21ha at Lodge Hill, Chattenden.

Mr Wild (**Q89**) also asked for further information about the way in which contract payments for facilities management services were linked to the experience of Armed Forces personnel and whether their families were content with the services provided. Within both the National Accommodation Management Services (NAMS) and Regional Accommodation Maintenance Services (RAMS) contracts, the ‘Customer Satisfaction’ Category has been assigned a weighting of ‘very high’ to reflect the priority that is assigned to ensuring Armed Forces personnel are content with the service provided under the new contracts. As such, 25% of the variable profit potentially available to the NAMS Supplier is at stake in relation to their delivery of Performance Measures in the ‘Customer Satisfaction’ category. 17% of the variable profit potentially available to RAMS Suppliers is at stake in relation to their delivery of Performance Measures in the ‘Customer Satisfaction’ category. Annex C provides additional information.

Finally, I currently expect that the review of Reserve Forces Estate will be shared with Parliament in the Autumn this year, once the report has been taken by Ministers and agreed.

Yours sincerely,



DAVID WILLIAMS

Annexes:

A. Contractor Daily Rates
B. Development of Bordon Garrison
C. Performance Measures – Accommodation Management Services

ANNEX A

CONTRACTOR DAILY RATES

Defence Estate Optimisation (DEO) Portfolio Client-Side Partner Contract Explanation and Rates

Background

1. The DIO Client-Side Partner provides a wide range of professional services, personnel and skills to support DEO development and delivery. The contract was let through competition (Crown Commercial Services) with the winning partnership comprising Mace, T&T, Atkins, PA Consulting and GL Hearn.

2. The CSP contract contains 3 elements:

- Part 1 – Professional Services: Core service delivery including Project delivery staff, QS, PMO (scheduling etc), support to A&D and technical support. This was contracted as a service not on individual rates.

- Part 2 – Professional Services: Transformation/development deliverables – specialist staff. Part of the Service provision in the first 2 years of the contract, individuals are now employed on a daily/monthly rate as required.

- Part 3 – Mixed Professional Services and contingent labour. Short term manpower additions including – Project delivery, development staff supporting A&D, Commercial etc. Employed on a daily/monthly rate.

Contract Rates

3. The CSP contract is based on the CSS framework (CCS RM3741) rates (with negotiated reduction) or agreed rates for posts not covered within the framework. A small number of additional staff were retained through the CSP on existing contractual rates to ensure continuity of delivery and are being transitioned off the Portfolio.

ANNEX B

DEVELOPMENT OF BORDON GARRISON

1. The former Royal Electrical & Mechanical Engineers Barracks at Whitehill & Bordon was handed over to DIO for disposal delivery in March 2015 following the re-provision of training capability at RAF Lyneham under the Defence Technical Training Change Programme that same year.

2. The site, comprising 200 hectares was promoted by DIO as a major housing led regeneration scheme through East Hampshire District Council in early 2013, with capacity for up to 2400 homes, a new town centre, employment, leisure and community uses, to be delivered in phases between 2015 and 2035. The site was allocated as a major strategic housing site in 2014.
DIO subsequently secured outline planning consent for the whole scheme in June 2015, three months following handover and appointed a development partner following an OJEU competition in January 2015. Taylor Wimpey PLC and Dorchester Regeneration act as DIO's Partner.

Progress to date includes:

- **Housing** – First phase of housing started in early 2017, over 250 new homes now built and occupied and a further 150 under construction. The development programmes to release residential land for between 150-200 homes a year to meet demand has attracted interest from both the major housebuilders and SME's, offering homes on a mix of tenures.

- **Education** - Construction of a new secondary school, jointly funded by Hampshire County Council, the Education Funding Agency and MOD. The school was opened in 2019.

- **Traffic Mitigation** - A new ring road around the town to improve traffic flows was completed in 2018 and grant funded by the M3 Local Enterprise Partnership.

- **Woodland** - 56ha of woodland was restored and opened to the public in early 2017 with a new sports Pavilion and Cricket ground opened 2018

- **Town Centre** - As part of a new town centre, the new Leisure centre opened in 2020 and food court opened June 2021 with a new Health HUB and supermarket due to complete in 2022.

ANNEX C

PERFORMANCE MEASURES – ACCOMMODATION MANAGEMENT SERVICES

1. There will be 5 new contracts - the NAMS contract and 4 RAMS contracts. NAMS will be responsible for managing the allocation of houses to families. NAMS will also be the focal point for families to organise repairs and maintenance and manage any void properties. RAMS will deliver all the services required to ensure properties are compliant with statutory and mandatory requirements. RAMS will also undertake reactive and planned maintenance and prepare SFA for occupation. Both the NAMS and the four regional RAMS will replace NHP services in March 2022.

2. Suppliers performance in delivering the NAMS and RAMS contracts will be measured using a suite of Performance Measures. Each Performance Measure has an Acceptable Level of Performance (ALP) and a Target Level of Performance (TLP). Fixed Profit is paid when the ALP is achieved or exceeded. Variable Profit is paid for any given Performance Measure where the TLP is achieved or exceeded. Variable Profit is also paid on a pro-rated basis on performance above the ALP-level providing that the ALP is achieved in every category. The performance management mechanisms in place require that where the Supplier becomes aware that they have failed to deliver to the ALP on any of the Performance Measures, they must immediately inform the Department, take preventative and/or remedial action, and comply with the Rectification Plan Process.

3. Performance Measures are grouped into Categories, each has a weighting, which sets out the percentage of the total Fixed Profit and total Variable Profit to be paid according to performance and, each Performance Measure has a weighting, which sets out the Credits which are to be paid according to performance in that Category.