



House of Commons
Defence Committee

**The work of Defence
Estates: Government
Response to the
Committee's Fifteenth
Report of Session 2006–07**

**First Special Report of Session
2007–08**

*Ordered by The House of Commons
to be printed 20 November 2007*

The Defence Committee

The Defence Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Ministry of Defence and its associated public bodies.

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Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at: www.parliament.uk/defcom.

Committee staff

The current staff of the Committee are Philippa Helme (Clerk), Eliot Wilson (Second Clerk), Ian Rogers (Audit Adviser), Stephen Jones (Committee Specialist), Richard Dawson (Committee Assistant), and Stewart McIlvenna (Senior Office Clerk).

Contacts

All correspondence should be addressed to the Clerk of the Defence Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5745; the Committee's email address is defcom@parliament.uk. Media inquiries should be addressed to Alex Paterson on 020 7219 1589.

Report

The Defence Committee published its Fifteenth Report of Session 2006–07 on The work of Defence Estates on 14 September 2007, as House of Commons Paper HC 535. The Government's response to this report was received on 19 November 2007. This is appended below.

Appendix: Government response

1. The Ministry of Defence (MOD) welcomes the publication of this Report which recognises the good work being done by Defence Estates and in particular the way in which the MOD has integrated sustainability concerns into its estate management and contractual arrangements with private companies. The Report also draws attention to the MOD's innovative work on energy conservation. Finally, the Committee rightly draws attention to the considerable progress made in improving Service accommodation in the past few years, and the wide-ranging programme of estate rationalisation aimed to concentrate the Armed Forces on fewer, larger sites, which is currently in progress.

2. The MOD is pleased that the Committee has recognised:

- the steps which are being taken to improve and modernise Single Living Accommodation, and that it has seen some new accommodation which is first-rate
- the progress the MOD has made in upgrading Service Family Accommodation
- the steps which Annington Homes has taken voluntarily to prioritise Service families when it sells former Service Family Accommodation
- that the MOD offers individuals a loan of up to £8,500 towards the purchase of a house
- the increased focus on customer satisfaction in the new Housing Customer Attitude Survey and its extension to the occupants of Service accommodation overseas
- the success of the experiment to reduce energy consumption at RAF Kinloss as an example of MOD's innovative approach to energy management, which has delivered substantial savings over a relatively short period of time.

3. The MOD's responses to each of the Conclusions and Recommendations set out in pages 39 to 42 of the Report are set out below:

Defence Estates met two-thirds of its performance targets in 2005–06. Two targets relating to decreasing “customer dissatisfaction” were assessed as being achieved, although the assessment was based on the development of a new survey, not the results of a survey. Some targets were greatly exceeded—one, relating to the number of properties upgraded to Standard 1 condition, by over 180%. It may be that exceeding the targets relating to the upgrade of properties simply reflected a staggeringly good performance on the part of the MoD, but we find this difficult to judge. The MoD should review the way it sets targets for Defence Estates to ensure that targets are not set at a level which is too easy to achieve (paragraph 19).

4. The original target of 600 was set realistically, based on the funding that had been planned for the year 2005/06. In the event, additional in-year funding became available to enable more properties to be upgraded and thus the target was exceeded.

The targets set for Defence Estates have increased in number from 11 in 2003–04 to 22 in 2005–06 and the percentage of targets achieved have ranged from 91% in 2003–04 to 68% in 2005–06. Such variation makes it difficult to assess how a defence agency is performing over time. We recommend that the MoD should review whether Defence Estates needs to be set such a large number of targets and whether there is scope for focusing on a smaller number of key targets in the future (paragraph 21).

5. Defence Estates Key Targets are kept under constant review. The increase in the number of targets has, in part, been a result of the merger of Defence Estates with what was the Defence Housing Executive plus additional responsibilities as Defence Estates became responsible for a wider estate portfolio, including Germany, Northern Ireland and the Defence Training Estate. Additionally, in recent years greater emphasis has been placed on the sustainability agenda and Defence Estates Key Targets now incorporate a number of pan-Government sustainable development targets. We are, however, keen to ensure the Defence Estates targets remain focused and will look at the number of Key Targets we manage when we refresh them at the end of the financial year.

Defence Estates was one of the largest Defence Agencies, but from April 2007 lost its agency status. As with other Defence Agencies which have lost agency status, we are concerned that there will be a loss of transparency and accountability if Defence Estates is not required to produce its own annual report and accounts. We remain to be convinced that additional information in the MoD’s Annual Report and Accounts on the activities of a former agency will be sufficient to allow proper parliamentary scrutiny (paragraph 26).

6. In responding to the Committee’s Report on the Departmental Report and Accounts 2005/06, the Department undertook to consider how best to respond to the Committee’s wish that the amount and quality of public reporting should not be materially reduced as a result of any removals of agency status and to make further proposals.

7. As the Permanent Under Secretary has told the Committee, it is not MOD’s intention to reduce Parliamentary scrutiny of defence business. However, the increased level of transparency and accountability across the Department as a whole, coupled with an enhanced performance management regime, means that the additional overhead in producing an agency’s annual report and accounts can no longer always be justified.

8. With regard to financial data, in addition to the information contained in the Departmental Annual Report and Accounts, a breakdown of the MOD’s accounts by management grouping is placed in the Library of the House each year. It is the Department’s view that this should provide the Committee with the level of financial detail it requires.

9. As was made clear in the Departmental Plan 2007, MOD will continue to provide a full account to Parliament of performance against all the Department’s objectives and priorities, internal and external, in the Annual Report and Accounts. This information is supplemented by a number of other reports which are published each year on specific areas of MOD’s business. Information on the defence estate in the Departmental report is supplemented by a Stewardship Report, and the Defence Estates’ Corporate Plan, both of

which will continue to be published on an annual basis and which include performance against Defence Estates' Key Targets.

10. Given the amount of information which MOD is still providing, the removal of agency status to reduce the reporting burden or to facilitate wider reorganisation, does not make it feasible or sensible to continue to provide an annual report on each area of work previously undertaken by an agency. However, if the Committee requires specific information which is not contained in the various reports mentioned, then the Department will consider how it might be able to provide it.

We welcome the steps which are being taken to improve and modernise Single Living Accommodation, and have seen some new accommodation which is first-rate. However, it is not clear what the strategy is and some accommodation remains appalling. This is unacceptable. Quite apart from this being poor management of property, accommodation is an important factor in retention, and the MoD must do more to address the condition of accommodation if it is not to lose experienced personnel who are very difficult to replace. The MoD must, as a priority, put right the worst accommodation as well as that which can most easily be improved (paragraph 42).

11. The MOD recognises that good quality housing is a fundamental part of the welfare package we give to our Armed Forces personnel and their families. Good progress is being made in upgrading its housing and other living accommodation. This is a very substantial task given that MOD manages some 71,000 family properties and 165,000 single bedspaces worldwide and that MOD is reversing a legacy of decades of underfunding. The Department recognises that there is much still left to do. Over the next 10 years we expect to spend more than £5 billion on accommodation. The MOD's Comprehensive Spending Review (CSR) settlement included some £550 million (over three years) specifically to improve the standard of accommodation for the Armed Services.

12. On Single Living Accommodation, a twin track approach has been adopted. On the one hand there is a substantial programme of investment in new build and major refurbishment which will replace the worst standard accommodation. However this alone would take too long to bring all accommodation up to the highest standard. In parallel to this, we are therefore addressing accommodation which can be returned to a good standard by targeted maintenance and minor improvements. Latest figures show that some 45% of our accommodation will be of a good (Grade 1 or 2 for charge) standard by the end of 2007/08 and 50% by end 2008/09.

The Regional Prime Contracts are intended to improve the maintenance of Single Living Accommodation, but it is clear that there are significant problems in the way they are operating in practice. We recommend that the MoD provide us, in the response to this Report, with a progress report showing how these contracts are performing against the expected improvements (paragraph 48).

13. The five Regional Prime Contracts differ in their defined outputs which were restricted due to the availability of funding. It is, however, accepted by our customers that the standard of reactive maintenance and the response to health and safety issues are much improved from the previous arrangements. New processes to address concerns regarding

the delivery of low value capital projects have been introduced. A detailed study to examine whether value for money is being delivered across all the prime contracts is underway and is due to report at the end of March 2008.

14. The MOD has developed an Estate Performance Measurement System (EPMS) to monitor the performance of the Prime Contracting initiative. EPMS has been acknowledged as best practice by the National Audit Office in its 2007 Report “Managing the Defence Estate” and through OGC Gateway Reviews. EPMS measures performance across six key areas: estate condition; programme effectiveness; efficiency; customer satisfaction; safety and sustainability; and is due to be operational from April 2008.

Views on the merits of the Annington deal differ. Undoubtedly, the increase in property prices makes the deal look, with the benefit of hindsight, less attractive than it looked at the time. But the deal was intended to deliver not just money into the public purse but also incentives for the MoD to maintain acceptable standards of repair and fewer empty properties. Our comments below on the disposal of properties suggest that these incentives have not operated as intended. We find this deeply disappointing. Given the constraints of the Annington deal and the changing strategic requirements, there is a case for a review of the whole of the married quarter estate to ensure that property is being retained and disposed of optimally, with maximum value for money for the taxpayer (paragraph 56).

15. It is true that the Anningtons deal did not in itself deliver incentives for MOD to maintain acceptable standards of repair and fewer empty properties, however these objectives are being pursued by other means. The MHS prime contract is the most recent initiative aimed at improving standards of repair. After a difficult start, it is now delivering at a much higher level. There is, however, still room for improvement and all parties are working hard to continue the upward trend. We are working hard to reduce the number of void properties. The current level of voids is in part due to the very high number of individual moves involved in Service life and by the need to have houses immediately available for families, rather than to queue families for houses. There are also a number of properties necessarily left void pending estate rationalisation decisions.

In our view, the proceeds from sales of surplus married quarters should be re-invested in Service accommodation (paragraph 57).

16. Where married quarters have no enduring military use they are either returned to Anningtons or, if owned by MOD, sold on the open market. Where receipts exceed the targets set by HM Treasury it has been agreed that subject to wider MOD needs the resource can be considered for use to develop and improve the estate, subject to certain conditions set by HM Treasury.

Whilst we welcome the progress the MoD has made in upgrading Service Family Accommodation, much more remains to be done. The MoD needs to recognise the scale of the challenge it faces (paragraph 61).

17. The MOD has publicly recognised the scale of the challenge and is determined to bring about greater improvement.

18. In recognition of the challenge in continuing to upgrade Service Family Accommodation (SFA) in Great Britain, we have identified a 10-year upgrade programme based on an anticipated investment of £38 million for 2008/09 and £48 million per annum thereafter. This will deliver 600 upgrades in 2008/09 and up to 800 per annum in subsequent years. This represents a planned increase of over £20 million in 2008/09 and £30 million a year thereafter on previously planned levels of investment.

It would be perverse if Defence Estates were spending money improving properties which it intends to dispose of when so much accommodation in which Service personnel are living is in need of improvement. It was intended that the Annington deal should incentivise the MoD to maintain properties to an acceptable standard, so that it could dispose of them without expense if they were no longer required. If the MoD is allowing property to fall into disrepair prior to disposal, this is simply bad management. We recommend that the MoD give details, in its response to this report, on how much it has spent on upgrading property before disposal (paragraph 63).

19. MOD maintains a full response repair service on properties that are considered potentially surplus and are therefore classified as non-core. This prevents deterioration. Nonetheless, it is part of the contract between MOD and Annington Homes Ltd that the properties are returned in "good and tenantable" repair. This does not equate to a formal upgrade. By negotiation, MOD limits the amount paid to AH as "dilapidations". The majority of the work involved deals with redecoration and minor internal repairs together with work to the external infrastructure.

20. In the release of properties during the last three financial years amounting to 1401 units of different type and style, some £9.26 million was paid to AH in dilapidations, equating to some £6,600 per property. The payment of dilapidation costs and return of non-core properties to AH ensures we divest the public purse of liability for rent and maintenance of houses for which we have no long term requirement. As a result of the return of properties to AH MOD saves around £6,300 per annum for each property.

We recommend that, in its response to our report, the MoD set out how it plans to reduce the number of vacant Service family homes. We also expect the MoD to set out when the key decisions will be made which will provide clarity on the number and location of Service family homes needed in the future (paragraph 70).

21. It should be noted that Service personnel who are married or are in a civil partnership have an entitlement to SFA as part of their conditions of service. To meet this obligation it is necessary for Defence Estates to queue homes for people. This involves holding properties as a management margin to achieve this objective and differs from the situation in Local Authorities who manage waiting lists.

22. At present, a number of SFA are held pending planned moves of Service Units and this figure will decrease as moves occur. In addition, sufficient void levels have to be maintained to allow properties to be modernised.

23. The MOD is fully focussed on the need to reduce voids and has taken action to this end since the Committee sat. MOD accepts, however, that we need to reduce the number of void properties and action has already been taken to dispose of an additional 850 in this financial year. Defence Estates are working very closely with Service customers to agree the

future requirement for SFA and so gain a greater degree of certainty that is needed for the effective management of the SFA estate in Great Britain. The Housing Operations Planning Committee (comprising representatives from Defence Estates, customers and stakeholder communities) agrees a Housing Operations Plan that details estate requirement, planned investment and planned disposals.

24. Defence Estates is also actively pursuing opportunities to sublet properties on a commercial basis in those cases where there is a known gap between vacation by one unit and requirement by another.

We note that the MoD offers individuals a loan of up to £8,500 towards the purchase of a house. Given the rise in house prices throughout the UK in the last decade, the MoD should consider increasing the amount of loan offered to Service personnel (paragraph 71).

25. MOD is currently conducting a Strategic Remuneration Review which includes reviewing the Long Service Advance of Pay for house purchase. Assistance is also provided to Service personnel in other ways. For instance, in September 2006 MOD was granted eligibility in relation to the Government Key Worker Living Programme for a shared equity home ownership scheme which operates in the East, London and South East. MOD officials are in dialogue with other Government Departments to expand access to home ownership products for Service personnel. A commercial shared equity product is available for the Armed Forces which takes into account the Service culture. MOD officials continue to examine the commercial sector for home ownership solutions.

We recommend that, in the response to this report, the MoD set out how it intends to respond to the proposals set out in the Housing Green Paper, and how these policies will impact on Service personnel in areas covered by the devolved administrations (paragraph 72).

26. In response to the Housing Green Paper, Defence Estates is continuing to work very closely with the Department of Communities and Local Government and English Partnerships (EP) to deliver more sustainable and affordable homes on surplus MOD land. In particular, Connaught Barracks, Dover, has recently been sold to EP and Defence Estates is currently agreeing terms for the sale of Roussillon Barracks, Chichester. Defence Estates is also jointly reviewing its other holdings which will help to increase the supply of housing land generally and, together with Key Worker Status, gives greater opportunity for Service personnel to enter the housing market, with access to the HomeBuy scheme, Intermediate Rent Scheme and the First Time Buyer Initiative – the latter being available through a series of regional HomeBuy Agents and not limited to Key Worker status. Although the Government schemes do not extend to Wales, Scotland or Northern Ireland, Defence Estates has similar informal arrangements to consult with the devolved administrations to make the best use of surplus MOD land and to help satisfy local needs for affordable housing.

27. The MOD has agreed, in principle, to provide seven major sites, including those already announced for disposal at both Aldershot and Chichester.

We welcome the steps which Annington Homes has taken voluntarily to prioritise Service families when it sells former Service Family Accommodation. However, the fact

that Service families may not in practice have the opportunity to buy their own homes sits uneasily with the MoD's efforts to encourage home ownership among Service personnel (paragraph 75).

28. MOD personnel are encouraged to prepare for a return to civilian life during their careers and MOD has various initiatives to help them, such as a Long Service Advance of Pay. MOD also offers guidance through a Joint Service Housing Officer and operates a scheme with a number of Housing Associations and commercial companies giving access to nomination rights and equity proposals. MOD has also negotiated Key Worker status for those who wish to settle in areas where housing is more costly e.g. London. This gives additional routes for personnel to enter the housing market through various schemes. We are currently exploring a number of options in this area.

The MoD must learn from the problems it experienced in implementing the Housing Prime Contract. While new contractual arrangements inevitably suffer from teething problems, it is extraordinary that the MoD had to pay an additional £20 million—a fifth of the contract value—to achieve a reasonable level of service. We expect an explanation, and a progress report, in the response to this report (paragraph 80).

29. The payment of £20 million reflected the backlog of work services not carried out by the previous contractors and a higher number of houses to be maintained than had originally been assumed. The situation, as at 30 September 2007, is: 99.64% of emergencies are effected within three hours; 91.51% of urgent repairs are effected within five working days; and 94.86% of routine repairs are effected within 20 days. A new performance measurement for Response Orders "Right 1st Time" shows an achievement rate of 85.88%. And Customer Satisfaction is at 96.78% and 94.35% for Helpdesk and response maintenance services respectively. 99.22% of calls to the Helpdesk are answered within two minutes and 92.84% are answered within 30 seconds or less, showing a sustained level of improvement.

We welcome the increased focus on customer satisfaction in the new Housing Customer Attitude Survey and its extension to the occupants of Service accommodation overseas. We are disappointed that the MoD has still to make the results of the CAS available to us. We look for an analysis of the findings, and of the MoD's plans to respond, in the response to this report (paragraph 82).

30. The main headline figures from the Housing Customer Satisfaction Survey (CAS) are as follows:

<i>Issue</i>	<i>CAS 2006 Worldwide</i>	<i>CAS 2006 GB</i>	<i>CAS 2006 Germany</i>	<i>CAS 2006 Gibraltar</i>	<i>CAS 2005 (GB only)</i>
<i>Satisfaction with overall quality of housing service:</i>					
<i>Satisfied or very</i>	45%	41%	61%	27%	56%

<i>satisfied</i>					
<i>Neither satisfied nor dissatisfied</i>	20%	21%	17%	15%	24%
<i>Dissatisfied or very dissatisfied</i>	35%	38%	21%	58%	21%
Satisfied with overall quality of the property:					
<i>Satisfied or very satisfied</i>	46%	40%	61%	43%	57%
<i>Neither satisfied nor dissatisfied</i>	19%	21%	16%	8%	17%
<i>Dissatisfied or very dissatisfied</i>	35%	39%	22%	49%	26%

N.B.: The Cyprus sample is too small to be representative

31. The 2006 CAS was streamlined so as to be more focused and exclude non-estate issues such as levels of long term detached duty and operational commitments. It surveyed a random stratified sample of some 8,000 SFA occupants worldwide. The extended deadline for responses was 9 February 2007 and a 30% response rate was achieved, an improvement on the 24% response to the 2005 GB-only survey.

32. There are some variances in responses between locations. For example, the dissatisfaction with the repairs service in England and Wales reflects initial teething problems with the Modern Housing Solutions helpdesk. These problems have been addressed and surveys taken since the CAS was conducted are now showing high levels of customer satisfaction.

33. Key Themes

Strengths. A number of the responses were encouraging. 76% of respondents considered they had been allocated a house in good time and 82% found repairs easy to report. 74% were satisfied with the integration of Service and civilian communities on mixed estates. 59% were satisfied or very satisfied with the appearance of their estate. And 59% agreed that they had received a useful information pack.

Areas for improvement. Key areas for improvement were identified as follows:

Quality of the house:

- 51% were dissatisfied or very dissatisfied with the standard of the kitchen
- 50% were dissatisfied or very dissatisfied with the amount of storage space

- 43% were dissatisfied or very dissatisfied with the standard of the bathroom (although 41% were satisfied or very satisfied)
- 42% were dissatisfied or very dissatisfied with the standard of the curtains

Quality of housing service:

- 70% disagreed or strongly disagreed that they were given a choice of houses
- 65% disagreed or strongly disagreed that they had been given estate agent style details of the property they were allocated
- 53% disagreed or strongly disagreed that they were given a choice of estates
- 50% felt that the housing service was inconsistent across regions
- 49% disagreed or strongly disagreed that repairs were completed within published target times (although 51% agreed or strongly agreed)
- 44% disagreed or strongly disagreed that workmen turned up when they said they would (although 48% agreed or strongly agreed)

34. All these areas for improvement will be addressed and monitored by the housing providers through improvement action plans. In a number of cases, initiatives have been either implemented or set in hand since the survey was conducted. For example, all aspects of the service in GB are now conducted through either the relevant prime contractor's helpdesk (for repairs) or the Housing Information Centre (HIC) (for all other services). Both contact centres operate to standardised processes across the country, which should greatly reduce regional inconsistencies in GB.

35. To address global inconsistencies, closer liaison is planned between Defence Estates, which manages SFA in GB, and the overseas housing providers. This liaison will provide opportunities to discuss general concerns and to consider best practice where there are inconsistencies. More use will also be made of existing relationships with external housing providers to identify good practice elsewhere.

36. Some of the areas identified cannot easily be addressed in the short term - for example, a choice of houses cannot be offered in areas where particular house types are in short supply, and additional storage space cannot be provided without a corresponding reduction in living accommodation. But these customer attitudes are important pointers to be taken into account in the longer term strategy for SFA. All that said, the current programme of improvements in GB, such as the replacement of old bathrooms and kitchens, will address many of the concerns that were raised.

37. In addition to the results of the CAS provided above, Families' Continuous Attitude Surveys (FCAS) for each of the single Services were published on 29 October 2007. The results of the Army FCAS show that:

- 89% (Army), 80% (RAF) 87% (Navy) of respondees were neutral, fairly satisfied or very satisfied with the procedures for moving out of quarters.

- 70% (Army), 53% (RAF), 50% (Navy) of respondents were neutral, fairly satisfied or very satisfied with the overall service given by the service housing provider e.g. DE Housing Directorate.
- 63% (Army), 49% (RAF), 60% (Navy) of respondents were neutral, fairly satisfied or very satisfied with the maintenance of their quarter.

These results will be considered along with the results of the Housing CAS.

It is essential that there be robust inspection of property to ensure that it is habitable before new tenants move in, and wherever possible families should have the opportunity to view property before moving (Paragraph 84).

38. MOD already has a robust inspection regime in place to ensure that they are habitable before new occupants move in. The Housing Prime Contract stipulates an agreed move-in standard and Modern Housing Solutions is therefore contractually obliged to prepare SFA to this standard. Training is undertaken to ensure that the standard is consistently applied across the regions.

39. Wherever it is practical, arrangements are made for occupants to see properties, although there has never been a policy affording Service families an entitlement to preview SFA. To introduce such a policy would generate significant travel costs, given that some 20,000 moves take place each year. Notwithstanding this, where reasonable, we will do all we can to assist those who wish to carry out a pre-move visit.

40. We are also developing a web-based facility that will allow occupants online access to information about SFA at their destination in Great Britain along the lines of that provided by many estate agents.

During our visits we encountered an attitude of resignation to poor maintenance of married quarters. The contractorisation of responsibility for maintenance seems to have left widespread confusion about how to get things done. The power to resolve maintenance issues had—in the name of efficiency—been removed from the chain of command and even from Defence Estates. There was no longer any local estates manager responsible for sorting out problems and with whom the unit command could engage directly. Both unit commanders and Defence Estates officials were helpless to resolve the situation; worse, they did not seem to know where responsibility lay nor what, if anything, they could do. At present, there is no sense that anyone has ownership of the problem: someone in the chain of command needs to be clearly identified and authorised to ensure that the contractor gets work done. If the problems we encountered are representative of the situation across the MoD's built estate, then it is a serious failure of policy. It is exacerbated by an alarming lack of recognition at senior levels that these problems are more than minor difficulties (paragraph 85).

41. MOD considers that the problems reported to the Committee are neither a fair reflection of the overall position nor a reflection of a serious policy failure. Repair levels, quality and customer satisfaction for the Housing Prime Contract have improved significantly over the past 12 months.

42. The MOD does not agree that the power to resolve maintenance issues has been removed from Defence Estates. That organisation provides a housing service in Great Britain that includes maintenance and, although a contractor provides this on its behalf, Defence Estates retains full command & control and direction over that contractor's activities. MOD therefore retains ultimate responsibility for the service that is provided. Moreover, we provide a freephone Helpdesk - which is in operation 24 hours a day, 7 days a week - to assist occupants in resolving their repair issues; and this is supplemented by face-to-face contact between our housing and maintenance representatives at regional and local levels.

43. At the highest levels, Defence Estates is working closely with its stakeholders and customer representatives (including the chain of command) to ensure that they understand the new processes and recognise their role in them. Further, it has ensured that the clear links, which have always existed between its Area Housing Managers, unit commanders and other stakeholders, continue to strengthen.

44. We do accept that some of those involved in providing the housing service below the Area Housing Manager level have felt disempowered by the changes to the way in which business is now conducted. Consequently, Defence Estates has recently given greater financial and commercial delegations to its local housing staff, so empowering them to resolve local issues more quickly.

45. These issues are fully recognised by senior managers within the organisation and Defence Estates continues to work to engender a culture in which individuals at all levels take responsibility for the service that they provide.

We note the measures outlined by the MoD in 2005 which aim to release parts of the defence estate for either re-use or disposal. Such rationalisation can lead to much disruption for both Service personnel and civilian staff and the MoD must ensure that the process is managed as effectively as possible to limit such disruption (paragraph 91).

46. We completely understand the difficulties that change brings to families, but rationalisation of the MOD's estate is essential if we are to create an estate of the right size and quality to support the delivery of defence capability. To assist in planning for the future, and in accordance with the aspiration set out in the Defence Estate Strategy 2006, MOD is producing a Defence Estate Development Plan (DEDP). The Plan will set out the first framework, looking forward to 2030, for the coherent development of the estate to meet the future needs of Defence, and the priorities for investment and rationalisation arising from it. Decisions and actions emanating from the management of the Plan will be notified to the appropriate Command chains to ensure personnel are informed accordingly.

The strategic plan for London needs to be brought to a conclusion as soon as possible to ensure that proper investment decisions can be made (paragraph 93).

47. Project MOD Estate London (Model) is an award winning and innovative approach to estate disposal and development (using what is known as Prime Plus contracting). The Project is progressing as planned and will not only see the redevelopment of RAF Northolt but contribute a number of brown-field sites for disposal with the potential for significant

residential development. Following the disposal of Chelsea Barracks, the Department has recently set in train a review of the remaining London barracks which will reach conclusions in the first half of 2008. Finally, the Department is continuing to consider its requirement for office buildings in central London and, as announced by the Permanent Under Secretary and the Chief of the Defence Staff recently, there may be opportunities to further reduce the number (currently three).

While we understand that there is competition for scarce resources, we are concerned that the proceeds from the disposal of assets are not being properly reinvested within Defence Estates to improve the quality of the estate as a whole. Not only does this slow the vital process of estate improvement, it militates against innovative and creative rationalisation decisions: Defence Estates has no financial incentive to restructure the estate in a cost-effective manner if the proceeds from any sales are siphoned off to ease other parts of the MoD's budget (paragraph 97).

48. Government departments are required to take a strategic overview of their total asset base, its renewal and eventual replacement, and agree challenging but achievable asset management strategies as part of the CSR. CSR capital budgets reflect those plans and are set net of anticipated receipts from asset disposals. Capital Departmental Expenditure Limit budgets ensure that disposal proceeds identified in that process are re-invested in the asset base, subject to the normal budgeting guidance – which should ensure the best use of the available capital budget across the department concerned. Although there is no direct link between individual asset disposal and investment in the defence estate, capital investment in the defence estate over many years has exceeded the receipts generated in those years, and we expect this to continue over the CSR period.

The MoD, through the Defence Training Review Rationalisation Programme, is seeking to rationalise the Defence Training Estate and to improve those sites and facilities that are retained. However, demand for training may well increase in the future, particularly given the relocation of UK Service personnel from Germany. The MoD should, in its response to our report, set out how it plans to match the future demand for training land, which is likely to increase, with a reducing Defence Training Estate. The MoD should also set out how it will address the concern of the Council for National Parks that rationalisation of the Defence Training Estate might intensify the use of training on the land in National Parks (paragraph 104).

49. The Defence Training Review Programme is concerned with improving the cost-effectiveness of specialist training for service personnel by combining courses and concentrating them at Centres of Excellence. This is not expected to increase demand for access to military training land.

50. The MOD is very conscious of the need to provide effective training facilities to cater for the future disposition of the armed forces in the UK. The situation will change slowly over time and we do not envisage, at this time, any major changes to the Defence Training Estate.

51. The Defence Requirements Organisation is undertaking an assessment of the training demand and the Defence Training Estate is undertaking an assessment of capacity of current land holdings to deliver the requirement within environmental constraints. This is

an extremely complex task and a report by Defence Estates is expected in 2009. This 'matching methodology' approach will assess supply against demand and will support studies into future training provision.

52. Current operational training requirements are such that it is not possible to reduce our training in National Parks without an unacceptable impact on the Armed Forces' capabilities. Some 30% of the Defence Training Estate is located in three Parks – Northumberland, Dartmoor and the Pembrokeshire Coast National Parks. They provide essential facilities for artillery, light force and armoured vehicle gunnery training. We also train over the North Yorkshire Moors, Brecon Beacons and Yorkshire Dales National Parks. Military training within the National Parks is carried out within the terms agreed with the National Park Authorities and statutory undertakings. Finally, the MOD is committed to ensuring that new, renewed or intensified use of land for defence purposes is subject to formal consultation with the National Parks Authorities.

53. Military low flying is carried out in accordance with strict regulations. MOD recognises that there is particular concern over very low flying by helicopters in the National Parks. It is engaging with the National Park Authorities on ways to minimise impact yet still achieve the training output.

We welcome the recognition by the MoD that it, like any other department of state, must reduce energy consumption and its effect on the environment. The experiment at RAF Kinloss has clearly been a success and we congratulate the MoD for this innovative approach to energy management, which has delivered substantial savings over a relatively short period of time. However, we are concerned at the slow pace at which the MoD has built on this success. Defence Estates should extend the Kinloss experiment to other facilities as soon as possible (paragraph 113).

54. Building on the Kinloss experience the Department has put in place for 2007/08 an additional £5 million fund specifically for energy projects. As at 30 September 2007, 31 energy improvement projects are being taken forward this FY to a value of £3.8 million. For this investment we are predicting an energy bill saving of £1.5 million every year and an annual reduction in carbon emissions of 4044 tonnes.

55. The Kinloss project improved Building Energy Management Systems. The lessons from this work have been rolled out to RAF Brize Norton, RAF Lossiemouth and RAF Halton. Three Building Energy Management System projects are now in progress at a cost of £670,000 with projected annual energy and carbon savings of £538,000 and 1092 tonnes respectively.

56. To further encourage innovation in the SW we have incentivized the Regional Prime Contractor through a partnership arrangement to cut energy consumption by 10% across 10 Navy sites. If successful, the initiative will be applied to other parts of the estate.

We find it completely unacceptable that, in 2006, the MoD did not know the condition of 77% of the historic buildings for which it was responsible. We acknowledge the improvements which Defence Estates has made since that time, and look forward to hearing in March 2008 that Defence Estates is aware of the condition of all of the historic buildings for which it is responsible. However, it is not enough for the MoD to be aware of the condition of its historic buildings, it must maintain them. In its

response to our Report, the MoD should set out how it plans to maintain the historic buildings and Sites of Special Scientific Interest in its care (paragraph 118).

57. The Department accepts that in 2006 the condition of 77% of its historic buildings was unknown centrally. As at 30 September 2007 the condition of 85% of the Department's historic buildings is known. The Department is on track meet its target of zero historic buildings with condition unknown by 1 April 2008.

58. The Department's Biennial Heritage Conservation Report (published September 2007) details its progress in managing its estate heritage assets.

59. MOD is producing a report by December 2007 that will provide a costed programme of works for the Buildings at Risk on the MOD estate. This information will be available to all Top Level Budget Holders, which will allow them to build improvement works into their Planning Round.

60. MOD is considered to be an exemplar of best practice in the management of its heritage assets in many sectors. As the largest public landowner of Sites of Special Scientific Interest (SSSI) in the UK, MOD recognises and accepts that it has a responsibility to maintain and improve these sites. MOD is continuing to work towards the Public Service Agreement (PSA) target of having 95% of SSSI in target condition by 2010. Currently, 81% of MOD's SSSI are in target condition (as at March 2007). MOD has a costed programme of work for capital and maintenance works up to 2016. This identifies the profile of works required to meet the PSA target and the ongoing costs to maintain the sites in the long term.