



House of Commons

Committee of Public Accounts

Managing the Defence Estate: Quality and Sustainability

Sixty-first Report of Session 2006–07

*Report, together with formal minutes, oral and
written evidence*

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The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

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Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publication

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 <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Mark Etherton (Clerk), Philip Jones (Committee Assistant), Emma Sawyer (Committee Assistant), Pam Morris (Secretary) and Alex Paterson (Media Officer).

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Contents

Report	<i>Page</i>
Summary	3
Conclusions and recommendations	5
1 Improving living accommodation	7
2 Prioritising work on the estate	11
3 Dealing with skills shortages	13
Formal minutes	14
Witnesses	15
List of written evidence	15
List of Reports from the Committee of Public Accounts 2006–07	16

Summary

The Ministry of Defence (the Department) has an extensive and complex estate of some 240,000 hectares. After the Forestry Commission, the Department is the United Kingdom's second largest landowner. The estate is valued at over £18 billion and cost some £3.3 billion to operate in 2005–06. The built estate (80,000 hectares) includes offices, living accommodation, aircraft hangars and naval bases; the rural estate (160,000 hectares) comprises mainly training areas. The estate is essential to the delivery of military capability and the welfare and morale of Service personnel. In recent years, there have been significant changes to the way that the Department manages its estate, and there are many different projects which are intended to improve the quality of its land and buildings.

Much of the living accommodation leaves a lot to be desired, and some military personnel and their families will continue to live in substandard housing for the next 20 years. Despite improvements, more than 50% of 110,000 bedspaces of single accommodation in Great Britain fall below the requisite standard, and 19,000 family houses (over 40% of stock) are also below standard. The Department only plans to upgrade 900 family houses each year.

In 2006–07, the Department cut £70 million from its budget in response to unforeseen rises in the cost of fuel and other problems. The Department took £15 million from its budget for estate management. It decided to cut planned maintenance work, including re-roofing projects and repairs to hangar doors, rather than postponing other work such as the construction of all-weather pitches and the resurfacing of tennis courts. In part, this decision was taken because of poor management information, which also meant that £45 million of low-value construction projects could not be carried out in the most efficient way. The Department does not yet understand the full cost of its estate or where future investment should be targeted to best effect.

Skills shortages are adversely affecting the Department's ability to discharge some of its key estate management responsibilities. A lack of quantity surveyors means that it cannot properly scrutinise capital works projects and may be paying too much in some cases. The shortage of safety works professionals puts its adherence to Health and Safety legislation at risk, and could have legal implications.

On the basis of the Comptroller and Auditor General's Report,¹ we took evidence from the Department on the standard of living accommodation, the Department's ability to prioritise estate projects effectively, and its response to staff shortages.

1 C&AG's Report, *Managing the Defence Estate: Quality and Sustainability*, HC (2006–07) 154

Conclusions and recommendations

1. **More than half of single living accommodation and over 40% of accommodation for families does not meet the Department's definition of high-quality accommodation and is therefore substandard.** The Department needs to prioritise upgrades to the 138 houses at the lowest Standard 4 and then to the 2,000 Standard 3 houses, irrespective of location. Occupants should be offered the opportunity to move to other accommodation for the duration of works, including rented accommodation. The Department should not allow any more housing to fall into Standard 4.
2. **Poor accommodation for single personnel and for families has a negative impact on retention but the impact on retention rates of upgrading accommodation is poorly understood.** The Comptroller and Auditor General concluded in previous work that it is more cost-effective to retain personnel than to recruit and train replacements.² The Department should investigate the relationship between the quality of accommodation and retention rates, to assess how far extra investment to achieve a swifter improvement in the condition of housing could be expected to be offset by savings in recruitment and training costs.
3. **Service personnel and their families who are living in the worst accommodation do not know when their housing will be upgraded.** As it works to improve substandard accommodation, the Department should publish detailed programmes of the houses and single living spaces it intends to upgrade well in advance to give Service personnel and their families more information.
4. **There are significant gaps in the Department's understanding of the cost of its estate and it still has no effective way of knowing where funding is needed most.** The Department should improve its understanding of the costs of maintaining and running its estate. In particular, it should:
 - develop a deeper knowledge of the costs which lie with the three Services and other internal customers, including funding for Minor New Works and the overheads of Customer Estate Organisations and Site Estate Representatives; and
 - implement Integrated Estate Management Plans for all defence sites, compiled according to a standardised methodology.
5. **The Department had to spend an additional £20 million in its contract with Modern Housing Solutions after underestimating the work required to maintain family accommodation.** With better management information, the backlog could have been identified earlier, and the cost would almost certainly have been less.

- 6. In 2006–07 £13.5 million of planned maintenance work was deferred in response to budget cuts, whilst the resurfacing of tennis courts and the construction of sports pitches went ahead.** If the Department has to make cuts to the budget for the defence estate in future, it should consider planned maintenance together with other projects and target cuts at the lowest priority work. The Department should develop a funded plan for the completion of the deferred work, so it can hold contractors to their contractual obligations on the overall condition of the estate, and avert long-term damage to the buildings.
- 7. Defence Estates and the centre of the Department received almost no advance warning of the Minor New Works projects that the three Services and other internal customers ordered in 2006–07.** As a result, expenditure on the estate could not be planned, prioritised and programmed in an effective way. The three Services and other internal customers of Defence Estates should develop funded lists of Minor New Works well in advance of each financial year to allow Defence Estates to prioritise these projects effectively, and to build sensible and cost-effective programmes of work.
- 8. The Department employs only 56% of the safety works staff and 57% of the quantity surveyors that it needs on its estate.** The Department is exposing itself and its employees to significant Health and Safety risks whilst the lack of quantity surveyors impairs the scrutiny of project contracts. The Department should:

 - establish the specific risks arising from current skills shortages and put in place measures to mitigate these risks;
 - see how other public and private sector organisations overcome similar skills shortages and adopt successful practices; and
 - allow sufficient pay flexibility to attract appropriately skilled staff to fill the empty posts.
- 9. The Department’s pilot project at RAF Kinross showed that implementing energy saving measures at its defence sites would bring environmental benefits and recurring financial savings of more than £2 million annually.** The Department should implement energy-saving measures on the sixteen sites it has already identified as soon as possible and should roll out similar work at all its other sites, starting with those that consume the most energy.

1 Improving living accommodation

1. The Department provides accommodation to many members of the Armed Forces and their families. There are currently 47,000 family houses and over 110,000 single living spaces in the United Kingdom.³ Over 40% of accommodation for families (**Figure 1**) and more than half of single living accommodation (**Figure 2**) do not meet the Department's definition of high-quality accommodation and are therefore substandard.

Figure 1. Condition of Service Family Accommodation

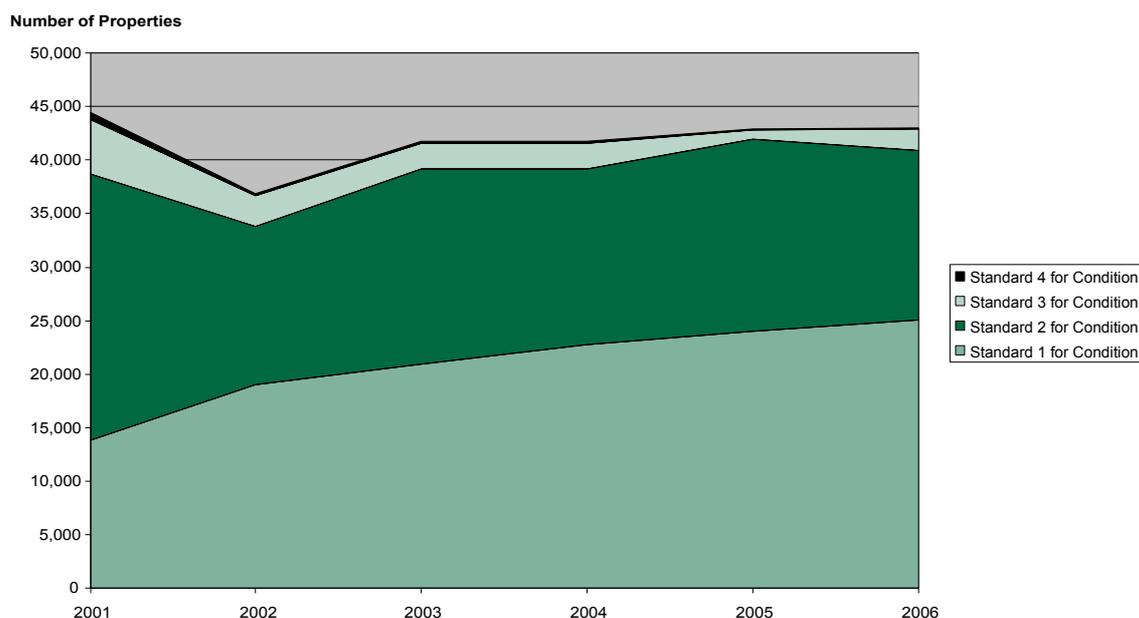
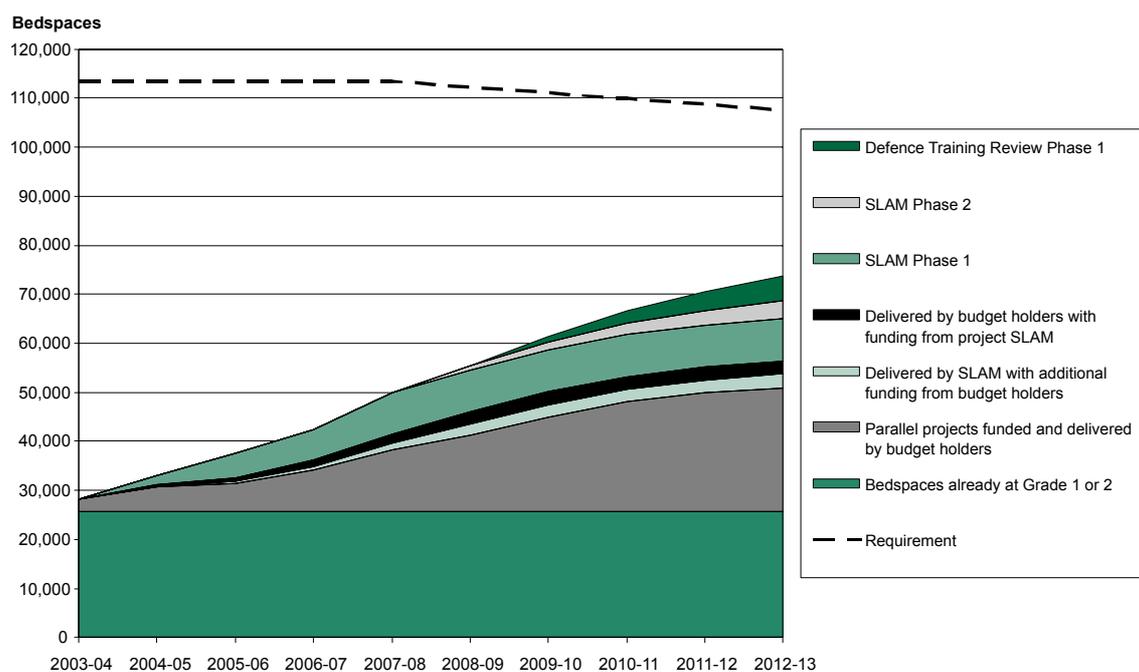


Figure 2. Cumulative delivery of new Grade 1, En-Suite Single Living Accommodation in Great Britain



Note: SLAM is the Department's Single Living Accommodation Modernisation Programme

2. Operational deployments overseas, where Service personnel often live in basic quarters, have increased in frequency and so the availability of decent accommodation in the United Kingdom is more important than ever. The Department agrees that the standard of accommodation plays a significant role in recruitment and retention.⁴ A recent report by the Comptroller and Auditor General showed that 40% of Armed Forces personnel working in trades which suffer from recruitment and retention difficulties were dissatisfied with the quality of their accommodation.⁵ Complaints by Service personnel about the quality of housing have been prominent in the media.

3. In the last decade, changes to the design of accommodation mean that the best new and refurbished housing is of a high quality. For example, dormitory accommodation for single Servicemen has been replaced with individual, *en suite* bedrooms, orientated around shared kitchen and living areas.⁶ One side-effect of these improvements in specification is to increase the gap between the best and the worst accommodation, a change which the Department believes is, in part, behind the recent increase in complaints about substandard housing by Armed Forces personnel and their families.⁷

4. In seeking to improve the overall standard of its accommodation, the Department carries out four activities: the maintenance of existing stock to prevent deterioration; the refurbishment of existing stock; the construction of new accommodation; and the disposal of low-quality accommodation through demolition, sale or the termination of a lease.⁸ The Department has not done enough in the past to maintain its stock of accommodation in good condition, and it acknowledged that expenditure on housing had often been an early casualty when savings were required.⁹

5. The cost of maintaining existing accommodation is likely to be lower, and so more cost-effective than refurbishment or new construction. The Department has missed opportunities to improve maintenance. In 1995, most defence family houses in England and Wales were sold to a private company, Annington Homes, and leased back by the Department in a deal which raised £1.7 billion. These assets were sold at a discount of between £77 million and £139 million, with the Department retaining responsibility for maintaining houses it no longer owned. We took evidence from the Department in 1997 and criticised these and other aspects of the deal.¹⁰ The Department has acknowledged that it would not enter into the same arrangement again.¹¹

6. In 2006, a new contract was let with Modern Housing Solutions to maintain family houses in England and Wales for seven years, at a cost of between £580 million and £690 million. The contract should prevent any further deterioration of the existing stock. In the

4 Qq 7–9, 64–66

5 C&AG's Report, *Recruitment and Retention in the Armed Forces*, Vol. 2, HC (2005–06) 1633-II, pp 10, 13

6 Qq 35, 42

7 Q 44

8 Q 11

9 Qq 4, 35, 40

10 Committee of Public Accounts, Forty-eighth Report of Session 1997–98, *Ministry of Defence: Sale of the Married Quarters Estate*, HC 518, para 3

11 Qq 49–51

first year, however, its performance was marred by poor delivery. The Department and the contractor had failed to understand the backlog of work needed, and suffered from inadequate management information. As a result, in 2006–07 the Department had to spend an additional £20 million above the £100 million that had been agreed.¹²

7. The Department is funding a number of projects to refurbish existing dwellings and to construct new accommodation (See **Figure 3**). Cuts to the budget of Defence Estates in 2006–07 were applied in such a way as to minimise the impact on these projects.¹³ Planned investment in quarters for single personnel will still however leave 35,000 substandard bedspaces in 2013, assuming no budget cuts or deterioration of the stock.¹⁴ If the Department is only able to afford 900 upgrades of family houses each year, it will also take more than 20 years to improve all substandard homes.¹⁵ The Department had allocated £17 million for upgrades and £35 million for redecoration and other improvements such as boiler replacements in 2007–08, and it believed that this funding was secure.¹⁶

8. A proportion of substandard accommodation is in very poor condition, and could have a significant adverse effect on the Service personnel and families who live there, and on morale in the Armed Forces more generally. In response to a report that there had been an infestation of vermin in single living accommodation at the Chilwell site in Nottinghamshire, the Department investigated and found that there had been no incidents of pest infestations at the site.¹⁷ Currently, of the 19,000 substandard family homes, 138 are at the lowest Standard 4 and a further 2,000 are at Standard 3. These properties typically require new kitchens and bathrooms, rewiring, new plumbing and insulation and may be in poor decorative order.¹⁸ The Department agreed with General Sir Mike Jackson's comment that the state of the worst of its accommodation was 'frankly shaming'.¹⁹ Yet whilst it intended to upgrade or dispose of these properties as a priority, the Department had set no deadline for completing this task.²⁰ It believed that practical difficulties, such as widely dispersed locations and ongoing occupation of the properties, made setting a deadline impossible.

12 Q 83

13 Q 12

14 Q 67

15 Q 67

16 Qq 5–6

17 Qq 17–19

18 Q 16

19 Q 35

20 Qq 10–11, 16, 67

Figure 3. Projects that will deliver new and refurbished accommodation.

Project	Type of accommodation	Timeframe	No. of houses/ bedspaces delivered
Allenby/ Connaught PFI project	Single living accommodation	2006–16	11,000 bedspaces
Single Living Accommodation Modernisation (SLAM) Phase 1	Single living accommodation	2003–08	9,000 bedspaces
Defence Training Review Public Private Partnership Phase 1	Single living accommodation	2008–13	5,000 bedspaces
Single Living Accommodation Modernisation (SLAM) Phase 2	Single living accommodation	2008–13	3,800 bedspaces
Colchester Garrison PFI project	Single living accommodation	2004–08	2,230 bedspaces
Faslane 'Neptune' project	Single living accommodation	2003–09	1,750 bedspaces
Plymouth 'Armada' project	Single living accommodation	2004–08	1,340 bedspaces
Housing upgrade programme	Family accommodation	2007–08 and ongoing	900 houses annually
Northwood Headquarters Public Private Partnership project	Single living accommodation	2006–10	720 bedspaces

2 Prioritising work on the estate

9. The Department faces the challenge of balancing the budgetary demands of maintaining and improving its estate with other important aspects of defence expenditure. Following the Comprehensive Spending Review 2007, the Department's financial position will remain tight, and so funding will have to be targeted at the areas of the estate which need it most.²¹ In an effort to release more funds for estate work, the Department has reduced staff costs and overheads in Defence Estates by £21 million over four years, and by realising the benefits of more efficient, long-term and large-scale prime contracts, it released £22 million in 2006–07. The Treasury and the Department have also allowed some receipts from the disposal of surplus land and buildings to be reinvested in the estate, as with some sites in London.²² Since the publication of the Comptroller and Auditor General's report, the Department has decided to implement projects to reduce energy at sixteen more sites following the example of a pilot at RAF Kinloss.²³ This investment should release more than £2 million annually, for a one-off cost of around £2.3 million.

10. At times, however, the Department is faced with developments which may affect its financial position at short notice, and which require adjustments to avoid breaching its budget. Traditionally, the maintenance and upkeep of the estate have been among the first areas reduced to address financial shortfalls.²⁴ The creation of Defence Estates as an internal expert body on estate matters and the introduction of new, long-term contracting arrangements were intended to reduce the defence estate's particular vulnerability to in-year budget cuts.²⁵ In 2006–07, the Department was not prepared for the sudden increase in the cost of fuel. It faced a £70 million shortfall and was forced to make cuts to planned expenditure during the year.²⁶ Defence Estates' budget was cut by £15 million, representing over 20% of the total shortfall, despite the estate representing less than 4% of the Department's total operating cost.

11. The Department lacked adequate management information to be able to target the cuts at the least important estate work. Work to the value of £13.5 million was removed from the five Regional Prime Contracts which are responsible for maintaining and improving the working estate and living accommodation for single personnel across Great Britain. The cuts included key work such as re-roofing projects, repairs to buildings at Munitions Centres and redecoration programmes. Deferring these projects for one year has implications for the condition of defence assets. Under their contracts, most Regional Prime Contractors are obliged to ensure that there is no deterioration in the estate they manage over the lifetime of their contracts. The Department cannot hold its contractors to

21 Q 21

22 Qq 22–23, 27, 53–55; C&AG's Report, Box 3, p 20

23 Q 86

24 Q 41

25 Qq 4–5, 9, 41

26 Q 12

account for fulfilling these terms if it does not identify funds to pay for most, if not all, of the work for which it has previously withdrawn funding.²⁷

12. The Department could instead have made cuts to other estate work. Projects to the value of at least £45 million were ordered at short notice by Defence Estates' internal customers—principally the three Services—to be carried out by Regional Prime Contractors in addition to their core works. Known as Minor New Works, these projects included at least £1.6 million for the construction and refurbishment of sports facilities, such as tennis courts and all-weather pitches.²⁸ The Department now accepts that its decision to carry out some of these projects while cancelling essential maintenance work seems questionable in hindsight.²⁹ The decision was taken by high-level representatives of the three Services and other internal customers of Defence Estates.³⁰ Some packages of the deferred work were then reinstated later as Minor New Works.³¹

13. The Defence Management Board has almost no advance knowledge of the likely level of expenditure on Minor New Works before the beginning of each financial year. The Department therefore lacked key information when deciding how to apportion the £15 million funding cut in 2006–07.³² No system exists to allow Minor New Works projects to be prioritised routinely alongside one another, or against other kinds of expenditure on the estate such as upgrades to houses. The Department told us that such a system is now being developed.³³ Likewise, there is no effective process by which opportunities to bring together similar projects into coherent programmes of work—for instance numerous separate projects to repair and replace toilet and shower facilities—can be identified.

14. The Department has been pursuing the same strategy for its estate since 2000 but it has yet to determine what this strategy will mean in practice for much of its land and buildings, and it still has no evidence-based way of determining where expenditure is needed most. Integrated Estate Management Plans are intended to address this vacuum by providing detailed priorities for the development of each defence site. The site occupants had initially been tasked to complete the first version of these plans three months before detailed guidance had been produced, although the deadline was later extended to September 2007.³⁴

27 Q 20

28 Qq 12, 40; C&AG's Report, para 1.17, appendix 5

29 Q 13

30 Q 13

31 Q 46

32 Q 71

33 Qq 47, 71

34 Q 82

3 Dealing with skills shortages

15. Since the publication of the Comptroller and Auditor General’s report, the Department has managed to recruit six more quantity surveyors and one additional safety works professional.³⁵ 43% of quantity surveyor posts (26 out of 60 posts) and 44% of safety works posts (14 out of 32 posts) are nonetheless still empty. Whilst these shortages represent only a small number of the 5,000 departmental employees involved in estate management, the Department is exposing itself to a number of risks.³⁶

16. The lack of quantity surveyors reduces the Department’s ability to achieve value for money from contractors. Quantity surveyors play an essential role in ensuring that estate construction projects proceed to a robust timetable, have an achievable scope, and are accurately and fairly costed. Traditionally, the Department has been poor at estimating accurately the scope and likely cost of capital works projects, resulting in unrealistic budgeting and delays.³⁷ These problems are exacerbated by the shortage of quantity surveyors. Projects are receiving insufficient scrutiny, which may put the Department at a disadvantage when contracting, and statutory measurements of value for money such as the Reference Cost System may not be applied in all cases.³⁸

17. The role of safety works staff is to ensure that the Department is conducting high-risk activities in a safe way. Explosives engineers, for example, provide assurance that explosive materials are stored correctly, and military airfield paving engineers assess whether runways remain fit for purpose. With the shortages of these staff, some necessary checks have not been taking place and these lapses could have financial, legal and human costs in the event of an accident.³⁹

18. The Department acknowledged difficulties in recruiting appropriately-skilled staff. The demand for these professionals currently outstrips supply in many cases, and the Department is frequently unable to match the high rates of pay that they can attract in the private sector.⁴⁰ In addition to its current recruitment campaigns, the Department is trying to enhance the skills of existing staff in order to fill the skill gaps, and is introducing a graduate recruitment scheme which will incorporate formal training with ‘on the job’ learning.⁴¹ Recruitment and retention allowances up to a maximum of £3,000 are also now being offered to new staff in shortage areas.⁴²

35 Q 34

36 Qq 31–34, 75–76; C&AG’s Report, para 2.8

37 C&AG’s Report, para 2.12

38 C&AG’s Report, fig 8

39 Q 77; C&AG’s Report, fig 8

40 Qq 38–39; C&AG’s Report, para 2.9

41 Q 34

42 C&AG’s Report, para 2.10

Formal minutes

Wednesday 10 October 2007

Members present:

In the absence of the Chairman, Mr Alan Williams was called to the Chair

Mr Richard Bacon
Angela Browning
Mr David Curry

Mr Philip Dunne
Mr Austin Mitchell
Mr Don Touhig

Draft Report

Draft Report (Managing the Defence Estate: Quality and Sustainability), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 18 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Sixty-first Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Monday 15 October at 4.30 pm.]

Witnesses

Monday 14 May 2007

Bill Jeffrey, Permanent Under Secretary of the Ministry of Defence,
Sir Ian Andrews CBE TD, Second Permanent Under Secretary, Ministry of
Defence, and **Vice Admiral Tim Laurence MVO**, Chief Executive, Defence
Estates

Ev 1

List of written evidence

Ministry of Defence

Ev 12

List of Reports from the Committee of Public Accounts 2006–07

First Report	Tsunami: Provision of support for humanitarian assistance	HC 25 (Cm 7018)
Second Report	Improving literacy and numeracy in schools (Northern Ireland)	HC 108 (Cm 7035)
Third Report	Collections Management in the National Museums and Galleries of Northern Ireland	HC 109 (Cm 7035)
Fourth Report	Gas distribution networks: Ofgem's role in their sale, restructuring and future regulation	HC 110 (Cm 7019)
Fifth Report	Postcomm and the quality of mail services	HC 111 (Cm 7018)
Sixth Report	Gaining and retaining a job: the Department for Work and Pensions support for disabled people	HC 112 (Cm 7019)
Seventh Report	Department for Work and Pensions: Using leaflets to communicate with the public about services and entitlements	HC 133 (Cm 7020)
Eighth Report	Tackling Child Obesity—First Steps	HC 157 (Cm 7020)
Ninth Report	The Paddington Health Campus Scheme	HC 244 (Cm 7076)
Tenth Report	Fines Collection	HC 245 (Cm 7020)
Eleventh Report	Supporting Small Business	HC 262 (Cm 7076)
Twelfth Report	Excess Votes 2005–06	HC 346
Thirteenth Report	Smarter Food Procurement in the Public Sector	HC 357 (Cm 7077)
Fourteenth Report	Ministry of Defence: Delivering digital tactical communications through the Bowman CIP Programme	HC 358 (Cm 7077)
Fifteenth Report	The termination of the PFI contract for the National Physical Laboratory	HC 359 (Cm 7077)
Sixteenth Report	The Provision of Out-of-Hours Care in England	HC 360 (Cm 7077)
Seventeenth Report	Financial Management of the NHS	HC 361 (Cm 7077)
Eighteenth Report	DFID: Working with Non-Governmental and other Civil Society Organisations to promote development	HC 64 (Cm 7077)
Nineteenth Report	A Foot on the Ladder: Low Cost Home Ownership Assistance	HC 134 (Cm 7077)
Twentieth Report	Department of Health: The National Programme for IT in the NHS	HC 390 (Cm 7152)
Twenty-first Report	Progress in Combat Identification	HC 486 (Cm 7151)
Twenty-second Report	Tax credits	HC 487 (Cm 7151)
Twenty-third Report	The office accommodation of the Department for Culture, Media and Sport and its sponsored bodies	HC 488 (Cm 7152)
Twenty-fourth Report	Ofwat: Meeting the demand for water	HC 286 (Cm 7151)
Twenty-fifth Report	Update on PFI debt refinancing and the PFI equity market	HC 158 (Cm 7152)
Twenty-sixth Report	Department for Work and Pensions: Progress in tackling pensioner poverty—encouraging take-up of entitlements	HC 169 (Cm 7152)
Twenty-seventh Report	Delivering successful IT-enabled business change	HC 113 (Cm 7216)
Twenty-eighth Report	ASPIRE—the re-competition of outsourced IT services	HC 179 (Cm 7216)
Twenty-ninth Report	Department of Health: Improving the use of temporary nursing staff in NHS acute and foundation trusts	HC 142 (Cm 7216)
Thirtieth Report	The Modernisation of the West Coast Main Line	HC 189 (Cm 7216)
Thirty-first Report	Central government's use of consultants	HC 309 (Cm 7216)
Thirty-second Report	The right of access to open countryside	HC 91 (Cm 7216)
Thirty-third Report	Assessing the value for money of OGCbuying.solutions	HC 275 (Cm 7216)
Thirty-fourth Report	Recruitment and Retention in the Armed Forces	HC 43 (Cm 7216)
Thirty-fifth Report	BBC outsourcing: the contract between the BBC and Siemens Business Service	HC 118 (HC 1067)
Thirty-sixth Report	Reserve Forces	HC 729 (Cm 7216)
Thirty-seventh Report	Child Support Agency: Implementation of the Child Support Reforms	HC 812 (Cm 7216)
Thirty-eighth Report	Sure Start Children's Centres	HC 261 (Cm 7216)
Thirty-ninth Report	Preparations for the London Olympic and Paralympic Games—risk assessment and management	HC 377 (Cm 7216)

Fortieth Report	Dr Foster Intelligence: A joint venture between the Information Centre and Dr Foster LLP	HC 368 (Cm 7216)
Forty-first Report	Improving procurement in further education colleges in England	HC 477
Forty-second Report	The Shareholder Executive and Public Sector Businesses	HC 409
Forty-third Report	The Restructuring of British Energy	HC 892 (Cm 7216)
Forty-fourth Report	Tackling Anti-Social Behaviour	HC 246 (Cm 7216)
Forty-fifth Report	Standard Report on the Accounts of HM Revenue and Customs: VAT Missing Trader Fraud	HC 250 (Cm 7216)
Forty-sixth Report	Ministry of Defence: Major Projects Report 2006	HC 295
Forty-seventh Report	Improving quality and safety—Progress in implementing clinical governance in primary care: Lessons for the new Primary Care Trusts	HC 302
Forty-eighth Report	The Efficiency Programme: a Second Review of Progress	HC 349
Forty-ninth Report	Introduction of e-Passports	HC 362
Fiftieth Report	Assets Recovery Agency	HC 391
Fifty-first Report	Legal Services Commission: Legal aid and mediation for people involved in family breakdown	HC 396
Fifty-second Report	The Academies Programme	HC 402
Fifty-third Report	Helping newly registered businesses meet their tax obligations	HC 489
Fifty-fourth Report	Heritage Lottery Fund	HC 502
Fifty-fifth Report	The delays in administering the 2005 Single Payment Scheme in England	HC 893
Fifty-sixth Report	Jobcentre Plus: Delivering effective services through Personal Advisers	HC 312
Fifty-seventh Report	Department for Environment, Food and Rural Affairs: Reducing the reliance on Landfill in England	HC 212
Fifth-eighth Report	Department of Transport: Estimating and monitoring the costs of building roads in England	HC 893
Fifty-ninth Report	Department of Health: Pay Modernisation: A new contract for NHS consultants in England	HC 506
Sixtieth Report	Big Science: Public investment in large scientific facilities	HC 521
Sixty-first Report	Managing the Defence Estate: Quality and Sustainability	HC 537

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Monday 14 May 2007

Members present:

Mr Edward Leigh (Chairman)

Mr Philip Dunne
Mr Austin Mitchell

Mr Alan Williams

Sir John Bourn KCB, Comptroller and Auditor General, and **Mark Andrews**, Director of Defence Value for Money, National Audit Office, were in attendance and gave oral evidence.

Marius Gallaher, Alternate Treasury Officer of Accounts was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Managing the Defence Estates: Quality and Sustainability (HC 154)

Witnesses: **Bill Jeffrey**, Permanent Under-Secretary of the Ministry of Defence, **Sir Ian Andrews CBE TD**, Second Permanent Under-Secretary, Ministry of Defence, and **Vice Admiral Tim Laurence MVO**, Chief Executive, Defence Estates, gave evidence.

Q1 Chairman: Good afternoon, and welcome to the Public Accounts Committee. Today, we are considering the Comptroller and Auditor General's Report, *Managing the Defence Estate: Quality and Sustainability*. We welcome back to the Committee Bill Jeffrey, who is the Permanent Under-Secretary of the Ministry of Defence, Sir Ian Andrews, who is the Second Permanent Under-Secretary and former Chief Executive of Defence Estates, and Vice Admiral Tim Laurence, the Chief Executive of Defence Estates.

Mr Jeffrey, how have you got into a situation in which 40% of your accommodation is substandard?

Bill Jeffrey: I take it, Chairman, that you are referring to the—

Q2 Chairman: If you want the reference, I am referring to paragraph 1.25 on page 15 and paragraph 12 on page 6. Nearly 40% of family accommodation and more than half of single accommodation is substandard. How have you got us into that situation?

Bill Jeffrey: First, we do not underestimate what still needs to be done on the service family accommodation estate; we would not seek to defend the worst of it for a moment. However, it is worth looking at the appendix to the National Audit Office's Report that describes what constitutes standards 1 and 2—standard 1 accommodation is of the highest quality. The Report reads, "A property assessed as standard 2 achieves a standard of 1 or 2 in each category, with a standard of 1"—out of eight—"usually reached in at least five categories." So it is stretching it a bit to say that properties requiring improvements are substandard.

Q3 Chairman: The NAO briefed me along those lines. I asked it whether it was fair to say that, as I put it to you, 40% of family accommodation and more than half of single accommodations is substandard. Was that a fair question?

Mark Andrews: Certainly, it is true to say that 40% of accommodation is below the standard at which that department wishes it to be. Of course, a lower proportion and number of single accommodation units and, in particular, houses meet only the lowest conditions in the categories.

Q4 Chairman: So, I shall ask my question again. Would you like to answer it this time Mr Jeffrey?

Bill Jeffrey: I answered it in one respect. As Mark Andrews said, we have increased the number of service family accommodation units at standard 1 from 41% in 2001-02 to 59% at the moment. Then we have standard 2 accommodation, which is not as good as we would like. It is mostly older property and comprises another 36%. Of the remaining 5%, only 0.5% are standard 4. It is that 5% that we feel we must do something about.

The answer to your question is that this part of the estate has been subject to years of under-investment. Until 1995, it was managed by the services and was often an early casualty when savings were required. We have upgraded 12,000 properties in the past five years and have plans for further investment in the estate in the next few years. We would like to spend more and we accept that that is important, but we are undoing some years of neglect.

Q5 Chairman: Can you guarantee to me, Mr Jeffrey, that when we have our next defence squeeze this will not be the first bit of your empire to be squeezed, because it is below the public radar and not very exciting politically? As you have intimated has happened in the past, it is the poor old squaddies' accommodation that gets squeezed.

Bill Jeffrey: I can guarantee that we have got money earmarked this year—£17 million—for upgrades. I can guarantee that there is a further £35 million in the budget this year for such things as replacing boilers and redecoration. I can also guarantee that

 Ministry of Defence & Defence Estates

both our Ministers and the Defence Management Board, which I chair, regard it as a very high priority for when we have our spending review settlement later this year.

Q6 Chairman: So you can guarantee for one year. You have mentioned some quite large figures, but it is important that you tell us how much of that is to do with upgrading and improvement rather than simple maintenance.

Bill Jeffrey: The figures that I mentioned are entirely to do with upgrading and improvement.

Q7 Chairman: Right, that is very fair. Thank you. So, Admiral, from your personal knowledge of the armed services, how much of a role does substandard accommodation play in the recruitment and retention of our armed forces?

Vice Admiral Tim Laurence: The standard of accommodation plays a significant role in recruitment and retention. We would very much like our people to have the best, and that is why we set pretty high standards for accommodation.

Q8 Chairman: I think that I am right in saying that 40% of those who left were quoted in a recent report as saying that accommodation was a factor. Is that a figure that you recognise—that around 40% of people who leave the armed forces early cite poor, substandard accommodation as a reason for leaving?

Vice Admiral Tim Laurence: I had not heard that figure, but I am not surprised that poor accommodation is a factor when people leave.

Q9 Chairman: You are the Chief Executive of Defence Estates, so this is your baby, as it were. Presumably you are trying to push it up the agenda to try to convince those around you in the Department that it is a major factor in keeping people in the armed forces.

Vice Admiral Tim Laurence: I do not think that I need to convince the Department. I think that it is very clear about that. I am certainly ensuring that we make absolutely the best of the money that we spend on the estate. Of course, in my current role I will always advocate spending more.

Q10 Chairman: Okay. Sir Ian, perhaps I will give you a chance. Figure 7, on page 18, shows the different levels that the Permanent Secretary referred to. You are planning to upgrade 900 service families' houses each year, so I assume that next year's outlay will include all 140 houses currently at the lower standard.

Sir Ian Andrews: There are currently 138 houses at standard 4 for condition, and we are working closely with our customers in the armed services to examine the priorities. I have a particular responsibility for that as the Chairman of the Defence Estates Committee, which is a sub-committee of Mr Jeffrey's Defence Management Board (DMB). It brings together the customer areas in the armed forces and the suppliers in Defence Estates. We are working closely to consider how to target those upgrades in

the most effective way. It is certainly a high priority to tackle those properties first, but there are often things that get in the way of that. I am clear that the Defence Estates Committee's intention is that they should be targeted, and that as many as possible of those at standard 3 for condition should be targeted as well.

Q11 Chairman: So all 2,000 homes in the lowest two categories will have been upgraded within two years. Are you giving us that guarantee?

Sir Ian Andrews: No, I am not, because it is not quite that simple. They can usually be upgraded at the level of investment that is required for properties at that level only when they are available—not being lived in—and it is appropriate to do so. I am also clear that we have a programme of disposing of quarters, and again, some of them would go down that route. However, I can absolutely give you the assurance that we will get rid of the standard 4 as soon as we can, and we will make inroads in standard 3 as soon as we can.

Q12 Chairman: Sir Ian, Mr Jeffrey or Vice Admiral, if you look at paragraphs 9 and 10, you will see that in paragraph 9, you have cut £13.5 million of essential work out of regional prime contracts, but you have obliged the same contractors to do £45 million on other projects, including resurfacing tennis courts and building all-weather pitches. It is a bit unclear why you have done that. Can somebody explain why it has been done in that way?

Bill Jeffrey: May I say something about the savings? I remember very well the position that we faced in the early part of the financial year just finished. Quite early in the year, we discovered that we would have difficulties keeping within our budget unless we took some steps to reduce the pressures on it. The reason for that was a mixture of factors, but in particular, the escalating cost of fuel, of which we consume quite a lot.

The Defence Management Board therefore decided on a package of measures, which we put to Ministers, to take about £70 million out of the planned expenditure for the year. We thought that that would be sufficient to get things on to an even keel. Within that, there was a figure of £15 million from Defence Estates, of which £13.5 million was from the regional prime contracts. The Board was clear that it needed to be done in a way that did not touch living accommodation, and I believe that Defence Estates managed to make the saving without affecting living accommodation at all.

Our system involves the main budget holders, including those in the armed forces, and we then had an injection of money from the single services in particular, which amounted to £45 million. It was there to be spent on estates purposes, and we had to balance the saving that we had already decided to make in order to manage within our means in that financial year with the available funds from that source. Vice Admiral Laurence may want to say something about the process that was gone through.

 Ministry of Defence & Defence Estates

Q13 Chairman: Vice Admiral, while you are answering that, you might also explain what, when you talk to your men, they think is more important—poor standards of accommodation or sports pitches.

Vice Admiral Tim Laurence: I was not in charge of Defence Estates at the time, but when the cut was imposed, Defence Estates gathered together the representatives from each of the six customer estate organisations, and they had a debate, effectively, about whether the cuts would be appropriately imposed on the regional prime contractors, as the DMB had indicated, or whether it would be better to take the cuts out of the injected minor new works. In all but about £1.5 million of those, the view was taken that it would be preferable from the customer's point of view to take the cuts from deferrals in the regional prime contracts rather than cut some of the high priority minor new works that the customers wanted. With the benefit of hindsight, we might look back at one or two of those decisions and think that they look questionable, but at the time it was what the customers wanted.

Q14 Chairman: All right. My last question to Mr Jeffrey relates to paragraph 2.19 on page 25, which is headed, "The Department does not fully understand the overall cost of its estate", which is a fairly telling phrase. Why did you tell the NAO that you do not need to know the full cost of your estate, as it is: "only one of the necessary components of the delivery of military capability"? I would have thought that it was an essential first step. Is it not?

Bill Jeffrey: It is true that expenditure on the estate is found in a number of different budgets. That is inevitable, and we have tended not to draw that together in a single budget. I do not think that the NAO would argue that we should. As a matter of fact, Defence Estates does have visibility over most of the relevant costs, including capital costs and costs of depreciation. We accept the NAO's general point that in management information terms, we need a fuller understanding of the whole of our estate's costs. We are never going to get an absolutely complete picture, because if you get out into the budget areas, there are parts of jobs that may contribute to estates, and it is not worth the effort to separate them out. But I certainly accept the NAO's general point that we could do with a fuller picture. We are working on that, and we should have it quite soon.

Q15 Chairman: So you accept recommendation 7 on page 7?

Bill Jeffrey: Yes, we do.

Chairman: Thank you, that is fine.

Q16 Mr Dunne: May I understand a little more about your prioritisation of substandard property? Will you explain what distinguishes a section 4 from a section 3 property, for example?

Bill Jeffrey: That distinction is found in Appendix 6 of the Report—the shaded bit on the right-hand side. I referred to it earlier. It explains that a property assessed as standard 3 usually reaches

standard 1 or 2 in about half of the various categories under which it is measured, but that it will require improvements such as a complete rewire, a new kitchen and bathroom, a change of plumbing and that sort of thing. The Appendix goes on, "A property at standard 4 is typically assessed as standard 4 in five or fewer categories. standard 4 properties will typically require a new bathroom, electrical system, kitchen, insulation upgrade"—the works, in effect. We are keen to get both those categories of property off the estate as quickly as we can.

Q17 Mr Dunne: So, Mr Jeffrey, if a serviceman told you that he had been stationed in a barracks where the kitbag could not be put in the locker for fear of vermin—probably rats—gnawing through the straps, would you regard that property to be standard 4 or standard 3, and what would you do if you heard such an allegation?

Bill Jeffrey: The first point to make, for the avoidance of doubt, is that I would regard that as completely unsatisfactory. We take such things extremely seriously. Obviously, one would need to look at the property to find out whether its physical fabric fell within standard 3 or 4. But clearly, the position that you have described would not be satisfactory.

Q18 Mr Dunne: I did not make that comment lightly. One of my constituents, currently serving in active theatre, was sent for pre-mobilisation training to a barracks, and that was the state of affairs. If I tell you that that barracks was at Chilwell, will you confirm whether you have heard similar stories from there?

Bill Jeffrey: I think that there is single-living accommodation at Chilwell.

Mr Dunne: Yes.

Bill Jeffrey: I do not have personal knowledge of the state of the accommodation there, but I can certainly look into it.¹

Q19 Mr Dunne: Could you look at the situation and send us a note on it, please?

Bill Jeffrey: We will certainly do so.

Mr Dunne: Thank you.

Bill Jeffrey: Unless either of my colleagues knows. I have been to Chilwell, but I could not speak for every detail of the estate.

Sir Ian Andrews: I should like to answer your question on the issue of vermin control, which is clearly a responsibility placed on our regional prime contractors as part of the service. Chilwell falls within the central region and that is what I would expect the response to be to that particular problem on the ground.

Q20 Mr Dunne: I am glad that you raised the issue of prime contractors. Paragraph 9 on page 5 highlights the £13.5 million savings required in the year that has just ended. It suggests that those had to be found within the regional prime contractors.

¹ Ev 12

 Ministry of Defence & Defence Estates

How much scope do they have to make such savings and what pressure will they be under to make up the shortfall in the work programme which will inevitably flow from that cost pressure?

Bill Jeffrey: That is the issue on which the Chairman engaged with us a moment ago. It was decided, through the process that Vice Admiral Laurence has described, that the best way to deal with that reduction was to defer some work, including decoration work and minor works around our properties. It was done in such a way as to avoid an impact on living accommodation, and it was done in discussion with regional prime contractors themselves. It was largely about slipping things that would have been done last year into this year.

Q21 Mr Dunne: If I understand the Report correctly, paragraph 2.25 on page 26 suggests that there is £2 billion for estate improvement in your annual budget, of which £1.5 billion is for annual costs and £500 million for capital expenditure. If the MOD is facing anything in the order of the severe cost pressures that are rumoured for the coming Comprehensive Spending Review—cuts from 25% to even 50%, as I have heard in some quarters, although I am sure that that is exaggerated—how will you be able to defend this budget? What impact will that have on the capital programme and on annual running costs?

Bill Jeffrey: We do not know the outcome of the Spending Review, and I think that the rumours that you refer to are certainly unfounded. The question is whether we can do more, within the eventual settlement that Ministers reach, than what we already plan to do to improve the estate. We would very much like to, but it will depend on the figures when we see them. I do not think it likely, bar the kind of in-year pressure described in the Report, that we will need to reduce expenditure on the estate, for the reasons that we have discussed.

Q22 Mr Dunne: In the capital programme—I may have missed this when I looked through the Report—what happens when a property becomes surplus to requirements and is available for disposal? The London MoDEL scheme is referred to, where there is obviously significant value locked up in part of the estate. Does the MOD retain the proceeds of sale for reinvestment in the estate, or are they clawed back by the Treasury?

Bill Jeffrey: It has generally been a mixture of the two. Would you like to say more on that, Ian? We expect to, generally speaking, but we have not always been able to do so.

Sir Ian Andrews: In the past, our planning assumptions for receipts from disposals have been one of the factors taken into account when the Department's budget has been set through a spending review period. The extent to which we have been able to exceed that is that we are able to retain the proceeds as a result.

Q23 Mr Dunne: So the Treasury sets a target, and if you beat the target, you keep the proceeds, but otherwise you do not—is that fair?

Sir Ian Andrews: The planning assumption is taken into account by the Treasury in setting a budget for the Department.

Q24 Mr Dunne: Table 10 on page 25 shows net assets, at the end of the year 2005-06, of just under £19 billion. How much of that has the Treasury earmarked, let us say for the year that has just ended, to extract from the MOD in terms of proceeds of sale?

Sir Ian Andrews: Let me put that figure into context. The value of our fixed assets is based on an accounting practice of depreciative replacement cost. That does not translate into a market value that we are able to realise from disposing of those assets. Indeed, in many cases, the asset value would probably be a negative figure in market terms because of the nature of the activity that goes on there and the remediation that would be required if we were to release it. The translation is not a direct one, as you suggest.

Q25 Mr Dunne: So you are saying that the market value is likely to be significantly lower than the book value?

Sir Ian Andrews: Yes.

Q26 Mr Dunne: Would that also apply to some of the London properties?

Sir Ian Andrews: It probably would not apply to some London properties, but equally, others are very heavily contaminated and almost certainly would have a low value.

Q27 Mr Dunne: Going back to my question, are you suggesting that the Treasury is not earmarking assets for revenue recapture out of your Department?

Sir Ian Andrews: I do not have the figure for the current year.

Vice Admiral Tim Laurence: My understanding is that it does not happen in quite the way you suggest, Mr Dunne. The amount of money that we expect to receive from disposals is a factor in calculating our budget in a spending review, but year by year, the disposal receipts come back to the Department unless a separate arrangement is made with the Treasury.

Bill Jeffrey: That is exactly it; it is not possible to disentangle the two, because when the expenditure limit is set, assumptions are made about the receipts that we expect at that time. If we exceed those expectations, there is a discussion to be had with the Treasury about whether we benefit from the excess.

Q28 Mr Dunne: Figure 6, on page 16, is about the Defence Training Review and about the single living accommodation increasing in quality during phase 1 of the review. This is dear to the hearts of two Members of the Committee—Mr Touhig, who is not here, but who represents a constituency proximate to St Athan, which is benefiting from the review, and me, as I represent a constituency adjacent to RAF Cosford, which is not benefiting from the review. I do not want you to pre-empt what will happen to RAF Cosford, but can you give me any indication of

Ministry of Defence & Defence Estates

the estate consequences of that decision for the losing bidder? It is a substantial estate with modern facilities—I imagine that they are standard 1, but some are possibly standard 2—and it seems to those of us who have been fighting and campaigning for Cosford that it should be retained in the MOD estate. Are you able to give the Committee any assurance that that is likely to happen?

Bill Jeffrey: I know that at the moment we are closely examining the issues around the affordability of the whole Defence Training Review package with the preferred bidders. I am not sighted on the implications of that for Cosford, and unless one of my colleagues is, it might be better for us write to you. I think that Admiral Laurence might have the answer.

Vice Admiral Tim Laurence: I went up to Cosford about a month ago for the opening of the cold war museum and I took the opportunity to have a good look around. Cosford is an excellent establishment and very well maintained. All I can say in the current circumstances is that we would very much hope to keep it. It is ideal for purposes other than that which it is currently used for, and I would hope that there will be good news, but it is too early to say.

Q29 Mr Dunne: I am grateful for that reassurance, in so far as you are able to give it to me. I have one final question—

Sir Ian Andrews: I should like to add a further gloss, if I may, on the Defence Training rationalisation project. We have, as Mr Jeffrey said, appointed a preferred bidder for package 1 and a provisional preferred bidder for the so-called package 2. Those commercial negotiations are continuing at the moment, and the expectation is that they will give us something that we can proceed with. However, the Defence Estates Committee, which has oversight of all defence assets across the country—for the first time, we are now able to exercise that oversight, with assets all being managed centrally as a single asset under the control of Defence Estates—continuously looks at whether there are alternative defence uses for properties that become available. Whatever happens, Cosford will remain in use for a number of years further while the Defence Training rationalisation project carries through. We are looking at a number of possible uses from 2010, 2011 or thereabouts as we move forward. So I would confirm that every option is very much open, and we certainly recognise that Cosford is a very high quality estate, which we will use if we can.

Q30 Mr Dunne: Mr Jeffrey, how many active servicemen and civilian staff are there in the Department?

Bill Jeffrey: In the Department, there are about 90,000 civil service staff. The total strength of the armed forces at the moment is around 200,000, but I would need to check to be more precise.²

Q31 Mr Dunne: Am I right, or has the NAO got it right in saying it, that there are 4,200 staff and military personnel in the Defence Estates and Defence Housing Executive?

Bill Jeffrey: We accepted the Report, and I am sure that there are.

Q32 Mr Dunne: So roughly 1.5% of your strength is in the administration of property?

Bill Jeffrey: Yes.

Q33 Mr Dunne: Not counting the subcontracted element?

Bill Jeffrey: Yes.

Q34 Mr Dunne: And yet despite that significant level of staffing—I appreciate that you have a lot of properties to look after, and none of these people will be in management roles—you are suffering significant skills shortages in the critical areas that allow you to manage the estate properly. Box 8 on page 23 suggests that more than half your quantity surveyor posts are currently vacant. What are you doing about that and how can you manage the estate properly with such a level of vacancies?

Bill Jeffrey: It is a concern. We have mounted a new recruitment campaign. We are working with a specialist recruitment firm that operates in this area. Since the Report was completed, we have made offers to six quantity surveyors and filled one of the safety specialist vacancies, but as you will see from the figures, that still leaves us some way short. There are more interviews to come in the campaign we are engaged in now, and we are also taking steps to bring on our own talent internally, because there are people whom we would like to make more use of. We are introducing a graduate recruitment scheme that includes sponsorship of college-based sandwich courses and a modern apprenticeship scheme right across the Department. We have also introduced Recruitment and Retention Allowances. There is a lot going on, but it is yet to yield the results that we need, and I entirely accept the criticism that we need to fill the vacancies if we are to do the job properly.

Q35 Mr Dunne: Do you agree with General Sir Mike Jackson, who was quoted by the BBC as describing the state of land-based UK barracks as “frankly shaming”?

Bill Jeffrey: I agree with the sentiment that lies behind that comment. We have some way to go to bring accommodation up to standard, particularly in the area of family accommodation, which we discussed earlier, and in terms of single-living accommodation. Again, we are operating in a context of a high degree of historic under-investment. The most significant thing, which I had not appreciated until I prepared for this hearing, was the change in policy in the late 1990s, when we effectively decided that we no longer thought it acceptable for those living in single living accommodation to share ablutions or toilet facilities. We have had to substantially reconstruct the estate to provide en-suite facilities. We have done a lot of work on that, and the Report recognises the

² *Note by witness:* As at 1 April 2007, the current strength of the Armed Forces stood at 177,760.

 Ministry of Defence & Defence Estates

improvements that have been made through the Single Living Accommodation Modernisation programme. There have been 20,000 new or upgraded properties over the past five years and there are plans for another 20,000 over the next three years. It will take time and, as long as we are doing it, the worst of the accommodation is in exactly the state that General Jackson refers to. That is not something that we are proud of; it is something that we are trying to sort out.

Mr Dunne: I am afraid that my time is up, but I hope that you get the resources that you need in the comprehensive spending review.

Q36 Chairman: Admiral, Mr Dunne mentioned that there are 90,000 civil servants. How much resentment is there among our armed forces about that? If the Royal Navy has 25 ships left, that means 3,500 civil servants per ship. Do some of your men not think it is extraordinary to have so many civil servants? Despite that, we apparently do not have enough quantity surveyors for your Department to do business. If there are 3,500 civil servants per ship, what are they all doing?

Vice Admiral Tim Laurence: I cannot speak for my men, but I am sure that they recognise that civil servants contribute a great deal to the Department and do a very good job for us. It is not an issue that people in mess decks talk about all the time.

Bill Jeffrey: What I would say, if I may answer the question—

Q37 Chairman: Well, you justify the 90,000 civil servants then.

Bill Jeffrey: If I may be impertinent enough to say so, the question should have been addressed to me. It is a declining number. The Department had substantially more than 100,000 civil servants only a few years ago and it is planned that it will have fewer before very long. We are working to quite tight efficiency targets and have reduced numbers significantly, but we do have skills shortages of the kind that Mr Dunne referred to. I do find that our military colleagues feel that civil servants bring something worth while to the Department.

Chairman: I am sure that they do. We have no doubt about your ability, competence or patriotism.

Q38 Mr Mitchell: On the point about surveyors, why do you have only half the surveyors that you need? Do you not pay them enough? Is morale disastrous, or do people make so much money outside from the rising property market and house buyer packs? Why is it?

Bill Jeffrey: I think that it has got something to do with money. It is a profession where some of the rates outside are probably higher than we in Government are paying. We have attempted to address that through the £3,000 Retention and Recruitment Allowance that I mentioned earlier. However, it is an area in which I understand there are shortages of supply generally and we are competing with others.

Q39 Mr Mitchell: And you cannot pay them as much as the private sector?

Bill Jeffrey: Generally speaking we cannot. These days we can come closer than we used to, but we cannot match the highest rates from outside.

Q40 Mr Mitchell: As I read the document, it seems a bit pathetic actually. It is a mess, but it reads like a mess that is not particularly your fault. Defence has been subject to a paring-down process and to the peace dividend, so long-term cuts and overstretch have been the characteristic result of defence spending for some time. Then there are sudden panics, such as the one just a few months back, when families appeared on television, pointing to rats and things popping up the drains, and there were lavatories that did not flush. I felt quite sympathetic; we have been campaigning against the privatisation of council housing for a long time. That means you are pulled one way and the other, does it not? You are driven in that situation to patch-up, temporary measures and to putting money into sudden fashions such as sports grounds or sports facilities or whatever, while the whole mass deteriorates. How far is this the product of the cuts in defence spending that have taken place over the past few years?

Bill Jeffrey: I certainly do not think it is a product of levels of defence expenditure in the past few years. If you look back further, you will see that there was undoubtedly a period when the estate received less attention than it has been receiving in the past few years. Arguably, the Report is a story of quite substantial investment in recent years, but with a great deal more still to do.

Q41 Mr Mitchell: There are complaints that you cannot send an Army that is not properly equipped into Iraq and there are all sorts of pressures on the Navy. There is the whole business of overstretch, so is this not bound to be an area in which there are economies?

Bill Jeffrey: Putting to one side for the moment the fact that the additional costs of the major deployments to Iraq and Afghanistan are met from the reserve and the Treasury has never refused us that, it is certainly the case that the defence budget has to fund aspects of current deployment, not least to attempt to preserve capability. Therefore the money that we have has plenty of competing claims on it. That is undoubtedly the case, but my sense is that both our ministerial team and our senior civil service and military team would desperately like to do more in this area if we could.

Sir Ian Andrews: I go back a long way and certainly when I was doing the admiral's job in the late 1990s, the estate was managed in a very dispersed way in lots of different stovepipes. It was managed by budget holders who applied different priorities to it and when there were pressures, the estate was often the first port of call for reductions. When we brought the management of the estate together in one place within Defence Estates, that was very much part of bringing a much more strategic approach to the way in which we funded and prioritised across that estate.

 Ministry of Defence & Defence Estates

Q42 Mr Mitchell: But local management might be more responsive to particular demands. If there are particular problems in houses at Catterick or whatever, would not local management be much more responsive to the kind of pressures that develop?

Sir Ian Andrews: But I think management can be responsive only to the extent that it has the resources to do it. There was definitely a huge amount of dissatisfaction with the then management arrangements. Over the period, as we brought it together in the centre of the Department, there was a very substantial increase in the funding that was available for the estate. For example, in 2001, as I recall, the then Secretary of State announced a major single living accommodation modernisation programme involving some £1.3 billion over 10 years, prompted by the decision to which Mr Jeffrey referred a moment ago that it was no longer acceptable for our single accommodation personnel to be sharing ablutions and so on. We very significantly raised the bar and said, "That is not good enough. We will put additional resources into this area and we will embark on a major modernisation programme to take that forward." That is what is happening now.

Q43 Mr Mitchell: On the background to that explosion of discontent, was the appearance of people on television this year to say that they were living in appalling accommodation spontaneously generated by those families? Or was it something the Ministry of Defence encouraged to get more money for its properties? What was the cause?

Bill Jeffrey: My guess—it is no more than a guess—is that it reflected the fact that parts of our estate are still deeply unsatisfactory.

Mr Mitchell: That is true.

Bill Jeffrey: It was an authentic—

Q44 Mr Mitchell: What was the occasion of them going on the television all over the country to say that when they had not done so before?

Vice Admiral Tim Laurence: There is one point I would make about that, which is that of course we are now producing some very high-quality modern accommodation—both housing and single living accommodation—and one of the problems is that those who are left living in the older accommodation now see the benefits of the new stuff and feel a little hard done by. Why the particular attention came to it in October or November last year, I do not know, but that could have been a factor.

Q45 Mr Mitchell: Let me move on. In a situation of obvious overstretch, is not the money for minor public works being misused, in the sense that it is being used like a puncture repair kit—apply a bit here, apply a bit there, use it to provide all-weather sports facilities and patch up buildings? That is actually uneconomic and not very sensible.

Bill Jeffrey: Any accommodation programme will include some minor works. It will always be the case, if you look at a complex estate like ours, that there will be things that are worth doing that are quite limited in scope.

Q46 Mr Mitchell: Yes, but some work that has been deferred is then reintroduced as minor new works. It is just a change of name.

Bill Jeffrey: Largely, the work that was deferred was to do with redecoration and that sort of thing. The works that were funded by the single services, and for which funds were injected separately, were typically minor works. As the Admiral said, a view was taken that, by and large, there were higher priorities than the more routine work that was being deferred.

Q47 Mr Mitchell: But if you are using minor new works—any of them—like a puncture repair it, you cannot prioritise the work. You will do work that is inessential under the guise of minor new works.

Vice Admiral Tim Laurence: It is wrong to characterise all the work as puncture repairs. I would characterise it as the customer saying what their highest priorities are, deciding how they want to spend the money that they have, and handing it over to Defence Estates to spend it. The Report made a recommendation about the process by which that is done, and the prioritisation. I agree that we need to look at it. In fact, we have looked at it, and this year we introduced what we hope will be a better process for injecting funds into minor new works. I think that it will address the point that the Report made.

Q48 Mr Mitchell: It seems odd that there are all these problems with defence properties—it is appalling that it will take 20 years to upgrade the family accommodation—at the same time that the Government are pressing local authorities to privatise their housing stock and hand it over to registered social landlords on the grounds that that will bring in outside money that can be used to upgrade things. Has that kind of solution been considered for Defence Estates?

Bill Jeffrey: In essence, that is the solution that was adopted for the family estate when large parts of it were sold to a private company in 1995-96. We now lease back much of the same estate from the same company.

Q49 Mr Mitchell: But you do the maintenance, so it was not so much a large-scale voluntary transfer.

Bill Jeffrey: The prime housing contractor does the maintenance. Certainly, many of the improvements that we will make to increase the number of completely satisfactory single-living properties in the next few years—and have made in the past few years—will be through major PFI deals such as the Allenby/Connaught one, which is generating much good-quality accommodation with private funds.

 Ministry of Defence & Defence Estates

Q50 Mr Mitchell: But why was maintenance kept by the Ministry of Defence if the change in 1995 was similar to a large-scale voluntary transfer? The whole point of such a transfer is that somebody else takes the whole thing off your hands.

Bill Jeffrey: One of my colleagues might give a more confident answer to that question than I can.

Sir Ian Andrews: If I recall correctly, the Committee in a former guise looked at that transaction in some detail back in, I believe, 1997.

Q51 Mr Mitchell: Well, I have not. Can you give us any explanation of the splitting of roles?

Sir Ian Andrews: The decision was taken on the basis of what was seen at the time to be the most effective way of handling the matter. With the benefit of hindsight, I would not choose to do it that way now, but I was not part of the decision at the time.

Q52 Mr Mitchell: We will move on.

We are talking about an enormous amount of property. I see that you are the United Kingdom's second-largest landowner. Who is the first? Is it the Duke of Westminster or the Queen?

Vice Admiral Tim Laurence: The Forestry Commission.

Q53 Mr Mitchell: I never thought of that. There must be, to a degree—it is not dealt with in the Report, but it must surely exist—a kind of trickle down factor, by which you want to hang on to things just to keep them, when you could well cut down the amount of land, property and buildings you have got.

Bill Jeffrey: I do not observe that, Mr Mitchell. If you look back at the history of the last few years, you will see that one of the strategic objectives of Defence Estates is to get to an estate that is smaller and more fit for purpose. We have disposed of some significant properties and are continuing to do so—there is the plan, at the moment, to sell the Chelsea barracks site.

Q54 Mr Mitchell: So you are satisfied that you have got all you need.

Bill Jeffrey: I am satisfied that there are means of disposing of anything we do not need, and that there are good plans for further reduction. I do not think that there is any innate tendency in the Department to hold on to things for the sake of it.

Q55 Mr Mitchell: There has been in the past.

Bill Jeffrey: There may have been, but at the moment—and this comes back to the question about the extent to which we can deploy receipts, particularly on other defence properties—the incentive to get rid of what we do not need is very significant.

Sir Ian Andrews: To pick that up point, I have been associated with the estate for more than 10 years now, and certainly in my time there has not been any drive to retain what we did not need. We have been very clear on that throughout the period. More than 160,000 hectares of the 1% of the UK represented by the defence estate is training areas—areas that we

require to prepare our young men and women for the rigours and dangers that they will face on operations.

Q56 Mr Mitchell: That land does not need much maintenance because you are shelling it and bombing it all the time, which keeps it well tilled.

Sir Ian Andrews: Indeed.

Q57 Mr Mitchell: As the services shrink, surely you do not need all that estate.

Sir Ian Andrews: No, and we have shed a lot of land over the last few years; but particularly on our training estate—if you look back at the strategy for the defence estate, *In Trust and On Trust*, which we published first in 2000 and revised and reissued in 2006, there is an illustration there of how the safety ranges associated with modern weapons are much greater than those of their predecessors. The training estate is under great pressure, but also on the built estate we are constantly looking for opportunities to rationalise. The built estate includes barracks, domestic accommodation, airfields and so on. As the chairman of the Defence Estates Committee, I oversee a process that is driving down a programme to make sure that that estate is as small and fit for purpose as we can possibly make it. We have a duty—a very clear one—to the country to ensure that we are not consuming any more land or property on this crowded island than we need for defence purposes.

Q58 Mr Mitchell: Let me put a question to the Vice Admiral. You are a serving officer. Is it the most efficient use of that position if the post of Chief Executive goes to a serving officer?

Vice Admiral Tim Laurence: That is a decision that was taken by the Civil Service Commissioners who appointed me.

Q59 Mr Mitchell: It is part of the job. It has not always been the case, has it?

Vice Admiral Tim Laurence: No.

Q60 Mr Mitchell: I just wonder whether a serving officer—even Princess Anne's husband—is not subject to generals and admirals coming up and saying, "If you do this for us, we'll see you right; promotion will be coming your way if you agree to knock these houses down or plough up that shooting range." Are you not subjected to military pressure like that?

Vice Admiral Tim Laurence: What I am subjected to is plenty of military advice as to what the situation is on the ground, which is very helpful. It is perhaps easier for them to talk to a military officer than to a civilian doing the job. As regards pressure, I am pretty thick skinned and I know what the priorities are so I do not find that difficult to fend off.

Bill Jeffrey: The job has of course, as these two gentlemen illustrate, historically been done both by civilians and by military officers. The last incumbent was a naval officer as well and it is very much seen

 Ministry of Defence & Defence Estates

within the Department as a case of picking the best man for the job—or, indeed, woman, one day, I hope.

Q61 Mr Mitchell: I am not criticising that, but let me ask you whether in the abstract it would not be better to have some kind of thrusting commercial property man doing the job, rather than someone in-house, as it were.

Bill Jeffrey: I do not rule that out. I think on this occasion the competition that Admiral Laurence succeeded in was internal, but it was open to both civilians and military people.

Sir Ian Andrews: As indeed it was for Admiral Laurence's predecessor, Admiral Dunt. I was involved in the appointment process for Admiral Laurence, and we had a very strong team of people from across the civil service and the services. He was clearly the best person for the job.

The Chairman: Thank you. Your last questioner is Mr Alan Williams.

Q62 Mr Alan Williams: At one time, I was the lowest level operative in the services' housing system when, as a junior officer, one of my supernumerary duties was responsibility for an inventory that included the sergeants' accommodation at the unit I was in. They used to march them out, check all the faults, damage and losses against the inventory, and then march in the new incumbent and get them to sign that the condition was as said. Do they still do that?

Bill Jeffrey: I think we are still quite deliberate about the processes, which, in the end, are designed to safeguard public funds and ensure that they are properly spent.

Q63 Mr Williams: I think that is rather overstating the degree of responsibility involved.

Bill Jeffrey: I have no idea whether they still do what you have just described, Mr Williams.

Vice Admiral Tim Laurence: The term is still used—march in, march out.

Q64 Mr Williams: Really. It is. You are much younger than me, so you obviously did not have to do national service.

Let us try something else on the memory stage. Does the name Rachman mean anything to you?

Bill Jeffrey: Yes, it does.

Q65 Mr Williams: What do you associate him with?

Bill Jeffrey: I associate Rachman with exploitative, commercial management of property.

Q66 Mr Williams: Do you know what his technique was, other than his violent side? It was systematically to allow houses to become run down in order to drive tenants out, and it worked quite well. Does not that sound rather similar to what you are doing, and you are expecting to keep the tenants in?

Bill Jeffrey: I do not think we are allowing the quality of the estate to run down at the moment, as I hope the whole of this session has illustrated. We know that the worst of it is dreadful, but things are

moving in the right direction. It is certainly not the case that there is any attempt to run the estate down to make things uncomfortable for people. On the contrary—

Q67 Mr Williams: But we have a situation in which it is acknowledged that less than half of bed spaces are to the highest standards and, as Austin mentioned, 35,000 bed places will be substandard by 2013, and on the housing front 19,000 houses are below the appropriate standard. You will upgrade only 900 in a year, so it will take 25 years to upgrade. If, as you have indicated, you regard housing as being part of the inducement to come into the services, why do not you give it higher priority?

Bill Jeffrey: I believe that in recent years it has been given higher priority than in the past. If we take the two specific categories of accommodation, as we did earlier, I do not underestimate the fact that some of the second standard of service family accommodation is old and in less good condition than it might be, but the real target must be the standard three and four accommodation, which constitutes 5% of the estate.

Q68 Mr Williams: If you do not accept my suggestion, who in the Department is responsible for housing?

Bill Jeffrey: Principally the Chief Executive of Defence Estates, as the person centrally positioned in the Department to deliver the programme we have been discussing.

Q69 Mr Williams: But we understand that you do not give much priority to the housing function. Take the National Health Service, for example, which, like yourselves, has an enormous range of complicated areas to control. Many, many years ago, the health service was divided—you may not believe this, but it helped—into accountable units within the NHS. At the moment, there are about 560 or 570, if I remember correctly, accountable officers responsible for different parts of the service. Do you have anything equivalent to that—identifiable, accountable officers?

Bill Jeffrey: What we have is a centrally-positioned organisation, as we have described. There are significant responsibilities on the part of the Department's main budget holders, including those in the armed forces. Within the individual services, there are people responsible for the quality of the estate with whom Admiral Laurence's organisation has a continuous dialogue. You might want to say a little more about the structure of that.

Q70 Mr Williams: But we are told that the: "Department judges that separating out the cost of the estate from other parts of expenditure on the Armed Forces is not necessary" and that: "the estate is only one of the necessary components of the delivery of military capability". That suggests that, far from there being anyone focusing on this, you are happy to keep it diffused. If it is almost as if you do not want anyone focusing on it.

 Ministry of Defence & Defence Estates

Bill Jeffrey: I think that I would dispute that. As I said earlier, accommodation is only one of a number of aspects to the assessment of resources for particular military capabilities, as you would expect. I accept—and did so earlier in the hearing—that we would benefit from bringing together as many aspects of expenditure on accommodation across defence as we can. I see value in that—separately, in terms of making the kind of judgments that the Chief Executive, in particular, has to make.

Q71 Mr Williams: But, for example, the other year, you cut back existing contracts, which caused problems, at the same time as you increased expenditure on emerging contracts. There seemed to be no identifiable, guiding pattern of policy.

Bill Jeffrey: I explained earlier the circumstances in which that happened. As the Admiral said, we are introducing better systems to enable us to prioritise between works programmes initially budgeted for in the services and then injected into the Defence Estates budget and the other stuff. However, as the Admiral himself described, in the particular case, to which you referred, Mr Williams, there was a process. You might argue that they decided to go ahead with the wrong things and to defer the wrong things, but there was a process in which a judgment was made on what should be held back until later years, and what should not.

Q72 Mr Williams: That all sounds fine—there are plans and proposals. But there is no delivery, is there? You were supposed to introduce a system by April this year under which every site had its own plan. That was to be delivered by April 2007. However, the people who were to deliver it will not receive the guidance from the Department on how the plans are to be drawn until July 2007. You did not have much chance of delivery, did you?

Vice Admiral Tim Laurence: I am not quite sure how that happened.

Q73 Mr Williams: Will you go away, find out and let us know?

Vice Admiral Tim Laurence: The process of creating these individual estates plans is very important and hugely complex. We must make sure that we get it right. We are not quite there yet, because people are taking a little bit longer than we expected.

Q74 Mr Williams: We expected them to get it right by 2007, but you cannot even give them guidelines on how to get it right until July 2007. Where is the urgency and the focus?

Bill Jeffrey: I do not recognise the point about July 2007. I know that the Integrated Estate Management Plans, which are the detailed plans established at site level, are being produced. The date that I have for their completion is September of this year, which, obviously, is a bit later than April. But they are coming along.

Q75 Mr Williams: I shall return to a point raised earlier about shortages of back-up staff, which you seem to have made no attempt to remedy. We have

quoted figures on shortages of safety and specialist staff—only half are available. Only half of the quantity surveyors are available. We are told in the Report, which you have signed up to, in figure 8 on page 23 that the safety systems and specialist engineering staff responsible for “conducting audits to ensure that safety rules and procedures are being properly implemented” are at 50% of establishment and have been for a long time. Does that not give you concern? If it does, why haven’t you done something about it?

Bill Jeffrey: It does, and as I said earlier we are tackling it. It is a difficult employment market.

Q76 Mr Williams: How are you tackling it, if you are not improving the situation?

Bill Jeffrey: Again, as I said earlier, since the Report was published we have added six quantity surveyors to those numbers. That is not a huge number, but there are other interviews coming. It is something that we are trying to address, and we have already had a limited amount of success in addressing it.

Vice Admiral Tim Laurence: May I add that as you can imagine, as I am relatively new in the job, I am paying a great deal of attention to such figures? The recruitment campaign looks as though it is being remarkably successful. I shall hold my judgment on that until I see the people walking through the door, but we are putting a lot of effort into it.

Q77 Mr Williams: But you—the Department, not you personally—have signed up to the Report, which states, “Any accident or lapse in safety that might occur on a site could be partially caused by the shortage of these staff and this could have legal implications.” If it has legal implications, that also means that it has damaging physical implications for the people there, doesn’t it? But still it has not led to any prioritisation.

Vice Admiral Tim Laurence: We are putting a very high priority on it. Like the quantity surveyors, it is an area in which the market is buoyant. It is difficult to get these people—they are very much in demand—but I stress that we are putting a great deal of priority on it.

Q78 Mr Williams: I must admit that I do not see much evidence of that. One hates to say it, but perhaps some of the no-fee litigation people who are trying to milk money out of the National Health Service should actually do us a social service by turning their attention to any incidents in the accommodation for which you are responsible, and that might help to focus your attention.

Sir Ian Andrews: May I address that, Mr Williams? One of my other responsibilities is to Mr Jeffrey, and it is to oversee health and safety issues and so on across the whole Department. I place a high priority on it, and the Secretary of State has made it clear in his Safety, Health and Environmental Policy Statement that he expects great priority to be given to it.

There are a number of possible ways in which we can address this. For example, I am absolutely convinced that the arrangements that we have put in

 Ministry of Defence & Defence Estates

place with our water and waste water PFI providers and our regional prime contractors enable us to give much higher attention to health and safety issues than we ever did before.

Q79 Mr Williams: Which PFI contracts are you referring to?

Sir Ian Andrews: In particular the so-called Aquatrine water and waste water areas, but also our regional prime contractors, which we select based on, among other things, the extent to which they can assure us of their safe working practices. We drive them very hard to do that.

Q80 Mr Williams: How long have those provisions been in place?

Sir Ian Andrews: The dates are in the Report.

Mr Williams: I have not read every bit of it.

Sir Ian Andrews: We announced the initial programme of regional prime contracts back in 2001, and we rolled out the fifth on target in 2005. We did the same with our water and waste water contractors, and they are quite properly even more focused on such issues than we were under the previous management arrangements, which from my perspective were frankly wholly inadequate. I have much greater confidence in the arrangements that we have in place now, even with the number of staff that we have. We have identified the needs that are to be met and, as Admiral Laurence was saying, we are driving that as hard as we possibly can. I dispute your statement that it is something to which we do not attach priority, particularly as far as health and safety are concerned.

Q81 Mr Williams: So does that mean that the information that we are working on here will soon be outdated, but that with only 900 upgrades a year, it will take more than 20 years to upgrade? Are we going to see an improvement in that?

Sir Ian Andrews: Sorry, but I do not think that that is related to the issue of numbers of safety staff.

Q82 Mr Alan Williams: You are being specific about the safety side? Okay.

I shall switch back then for one moment, because a note has just been passed to me. I referred to the July 2007 date for the delivery of guidance, and although I missed this point, I am told that you, Mr Jeffrey, did not recognise the date. The note points out that the date is at the end of paragraph 2.23 on page 26, which says, "The Department intends to produce detailed guidance on responsibilities by July 2007." Earlier in the paragraph, the Report says that the expected date on which the site people will have their work prepared is April 2007.

Bill Jeffrey: I do apologise, Mr Williams; I had overlooked that. The fact remains, though, that the plan is to introduce the estate management plans themselves by September this year.

Mr Alan Williams: Thank you very much.

Chairman: Mr Mitchell has a supplementary.

Q83 Mr Mitchell: When the contract was let to Modern Housing Solutions, you had to cough up an additional £20 million, and one of the reasons why was a greater than anticipated backlog of work from previous contracts. Does that not indicate that the Department is not supervising its contractors adequately, if it does not know about the backlog of work?

Bill Jeffrey: It certainly indicates that before the housing plan contract was entered into, the system was much more dispersed. There had been more than 50 individual contracts, and the fact is that the contractor to whom we awarded the overall contract inherited more outstanding problems from the predecessor contractors than they or we expected. They started—it is fair to say—with less than effective information management themselves, but it is something that, as the Report brings out, we have turned around substantially in the past nine months.

Q84 Mr Mitchell: So, essentially, it was a problem of dispersal rather than inadequate supervision.

Bill Jeffrey: You could argue that it makes the case for the approach that we have taken, having a single contract for the whole housing estate in England and Wales, because there is better information underpinning it. We now have a better sense with our contractor of the demand levels. To take some figures that appear in the Report, the help desk, which was a problem with the contractor, now responds to almost all calls within 30 seconds, there are better call-out times, and the customer satisfaction ratings from those at the other end of the service is 94% or better. We were not in that position nine months ago.

Q85 Mr Mitchell: I saw that and did not comment, because it does not provide an open nerve to jump on. I have one final question. You do not know the total value of the estate. Is that because you do not know what is going on, or because you would rather that the total value were kept quiet? If it is known publicly, the Government will want to start to getting rid of some of it.

Bill Jeffrey: The total value of the estate.

Mr Mitchell: Yes.

Bill Jeffrey: We can estimate it, and indeed, an estimate appears in the Report. As was brought out in our earlier exchanges, there is a difference between book value and potential market value.

Mr Mitchell: Okay. Ta.

Q86 Chairman: If you look at paragraph 2.31 on page 28, you will see that there is a scheme to reduce energy usage at RAF Kinloss. It resulted in annual savings of £340,000, which is very impressive, but why has it not been replicated in other parts of the defence estate?

Bill Jeffrey: The short point is that something like that saving is being replicated, but I look to Ian Andrews, who leads on sustainability and energy issues for us.

 Ministry of Defence & Defence Estates

Sir Ian Andrews: The Kinloss project was a pilot project with the Carbon Trust, with which we entered into a strategic relationship three years ago. Since the Kinloss example, which the Report identified, we have increased the total number of projects across the estate to 10, identifying some £2 million of potential savings for an up-front investment of about £2.3 million—much of that in-year. We are now rolling out a similar process across another 15 sites, and we intend to complete the process for all the high-energy-using sites in due course. It is a very good example of precisely the sort of thing that we can do by involving people who understand the relationship between energy generation and what is discharged into the atmosphere. By coming in to look at that, professional people can help us deliver a more sustainable estate over time.

Bill Jeffrey: The other point is that, right across the Department, we now have 15% energy efficiency targets built into our budgets, so there is an incentive for people to do exactly this sort of thing.

Q87 Chairman: Lastly, Vice Admiral, Mr Dunne earlier asked about rats in barracks. I do not know whether there are still rats in Royal Navy ships. Are there? That may be a rather facetious question. Presumably, during the 30 years that you have been in

the Navy, accommodation on board ships has transformed, but what do ratings say to you when they talk about how accommodation on board a ship compares with the accommodation ashore?

Vice Admiral Tim Laurence: It is right that accommodation in modern ships is significantly superior to how it was when I joined the Navy 34 years ago. But what is interesting is that the accommodation that we are building ashore in Portsmouth—I was there last week at the opening of a new block—and in Faslane, for example, is now hugely superior to what we had 20 or 30 years ago. Standards across the piece are increasing. Of course, when they are at sea, sailors accept that life there is uncomfortable. You have to accept that, so they put up with it, to be honest.

Q88 Chairman: But they do not moan to your face about the accommodation ashore. Or do they?

Vice Admiral Tim Laurence: Sailors will always moan, given half an opportunity.

Chairman: Yes, that is my experience.

Vice Admiral Tim Laurence: When they are living in substandard and old accommodation, we certainly hear about it.

Chairman: It has been a very interesting hearing, gentlemen. Thank you very much for your attendance. We are very grateful.

 Supplementary memorandum submitted by the Ministry of Defence

Question 18 (Mr Philip Dunne): *I did not make that comment lightly. One of my constituents, currently serving in active theatre, was sent for pre-mobilisation training to a barracks, and that was the state of affairs. If I tell you that that barracks was at Chilwell, will you confirm whether you have heard similar stories from there.*

Chetwynd Barracks, Chilwell is home to two main units: 170 (Infrastructure Support) Engineer Group, a field Army unit, and the Reserves Training and Mobilisation Centre (RTMC). As Mr Dunne's constituent was undertaking pre-mobilisation training he will most likely have been accommodated within the RTMC.

The accommodation at Chetwynd Barracks is admittedly old, but is maintained to meet statutory health and safety requirements. All occupants are strongly encouraged to report any faults to the Contractor's Help Desk via the Station Quartermaster. There have been no reported incidents of pest (including rat) infestations in the accommodation at Chilwell. My office have also spoken to the Commanding Officer (CO) who was clear that he was not aware of any such occurrence.

The CO also asked me to emphasise that improving the accommodation at Chilwell is one of his highest priorities. A new Single Living Accommodation (SLA) block was built some eight or nine years ago to provide temporary accommodation for reserves passing through RTMC and the Officers' Mess has had one block modernised and another built. In addition, some 70 single ensuite rooms were built in 2001/02. The Sergeants' Mess is also a relatively new building. More recently 48 new SLA ensuite rooms have been delivered at Chilwell (all for Junior Ranks), and in 2005–06 over £300,000 was spent on a major upgrade of the ablutions serving the RTMC accommodation.

Additional facilities to accommodate Royal Engineer specialist units relocating as part of the Northern Ireland normalisation process are also planned to be completed by the end of the next Financial Year.

As regards the Service Families Accommodation (SFA), there are 178 houses at Chilwell, of which 144 are at Standard 1 for Condition (the top standard) and 34 at Standard 2 for Condition (the second highest standard). There are no properties at the remaining two lower standards for condition. The SFA is maintained under the Housing Prime Contract and there are no known issues regarding the pest infestations at these properties.

We would be happy to investigate this matter further, but without more specific details of the incident mentioned by Mr Dunne's constituent, it is not possible to be more precise.