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Summary

The Ministry of Defence (the Department) spent £4.6 billion on its estate in 2019–20, around twice the annual cost of maintaining the UK's nuclear deterrent. The estate is vital in supporting military capabilities and its condition affects the lives and welfare of our service personnel. The Department's estate is too large, and its scale, nature and location have failed to evolve to meet the Armed Forces' needs. By retaining unneeded estate, the Department wastes resources that could support frontline personnel and develop new military capabilities. The Department could not tell us the 'right size' for the estate. Instead, it is still accountable for progress against a meaningless target to reduce the 'built' estate by 30% by 2040, which it knows it cannot meet. In fact, if the Department achieves all its planned disposals, the estate would be reduced by just 16% and it has no targets to reduce the size of the whole estate, including its overseas holdings. The *Integrated Review of Security, Defence, Development and Foreign Policy*, published in March 2021, does provide more clarity on future military capabilities, force structure and location, but more action is needed if the Department is to reflect the new Permanent Secretary's mantra of "delivery, delivery, delivery".

It has been more than four years since we last looked at the Department's plans to reduce the size of its estate, since then it has made little progress. The Department has reduced the size of its built estate by just 2% since 2015–16, and it missed its targets to raise £1 billion in sale proceeds and release land for 55,000 houses by 2020–21. This constant cycle of delay and internal re-organisation is not helped by the fact that 11 years after this Committee first identified problems with the lack of estate data and 10 years since it established the Defence Infrastructure Organisation, the Department is still several years away from having sufficient data on the condition and running costs of its sites to inform decisions on optimising use of the estate. The Department has also failed to bring the SLAMIS system, which manages single living accommodation, into service after eight years of development.

Finally, the Department's forecast of savings in running costs from the Defence Estate Optimisation Portfolio—its main estate transformation programme—has fallen to just £0.65 billion by 2040, compared with an original forecast of £2.4 billion. Even this forecast is highly uncertain and there is a very real risk of savings melting away completely. While the Department says it is now in a better position to deliver its disposal programme, we remain to be convinced, particularly after the Infrastructure and Project Authority graded the programme as Amber/Red (successful delivery of the project is in doubt) in its 2020–21 Annual Report. We will monitor the Department's progress closely and hold it to account as it develops an estate that is both affordable and fit for purpose.

Introduction

The Ministry of Defence (the Department) has access to one of the largest estates in the country. The estate covers 1.5% of the UK landmass, and is valued at £36 billion. The Department recognises that its estate is too large and that its scale, nature and location have not evolved enough to meet the Armed Forces' current and future needs. The Department's vision is to develop an estate that is affordable and optimised to support Defence capabilities, outputs and communities. It is disposing of sites it no longer needs and is accountable for a 2015 Spending Review commitment to reduce the size of its built estate by 30% by 2040–41. It is also seeking to reduce future running costs. It spent £4.6 billion on its estate in 2019–20, 12% of the overall defence budget.

In 2016, the Department set up a 25-year investment strategy known as the Defence Estate Optimisation (DEO) Portfolio. The DEO Portfolio is the Department's main estate transformation programme, which aims to achieve a smaller, more efficient estate. It consists of a series of building projects to rehouse personnel and equipment, moving units to new locations and disposing of vacated sites. In 2016, the Department expected that the DEO Portfolio would reduce the size of the built estate by 25%, and that other sales would reduce it by a further 5%. The Portfolio team works with the Top-Level Budgets (TLBs) which are responsible for managing and rationalising their own estate. The Defence Infrastructure Organisation (DIO) provides TLBs with advice and support on estate management, including disposals.

Conclusions and recommendations

1. **We are very concerned that the Department does not have a coherent strategy to deliver the necessary reform of its whole estate and to manage all related estate initiatives.** Infrastructure is critical to delivering military capability and shapes the lives of service personnel. The Department therefore needs a coordinated estate strategy that meets the defence needs set out in the March 2021 *Integrated Review of Security, Defence, Development and Foreign Policy*, and which can adapt as military requirements change. In 2017, this Committee acknowledged that the Department had introduced an estate optimisation strategy but raised concerns about its ability to implement it. These concerns have proved to be well founded, and the defence estate remains larger than the Department wants or requires. The Department has the elements of a strategy but has not consolidated these into a coherent plan. Instead, it has a plethora of estate initiatives, including the Future Accommodation Model for improving service personnel accommodation. The reform of the reserve, training and overseas estates remains outside the Department's estate optimisation plans, further illustrating its incoherent approach.

   Recommendation: ***By 31 December 2021, the Department should publish a revised estate strategy with milestones which reflects the decisions made in the Integrated Review. When published, the Department should write to the Committee to explain how it will manage the interdependencies between estate initiatives; its plans for rationalising the overseas, training and reserve estates; and the resources it will commit to delivering the strategy.***

2. **The Department has no meaningful targets or high-level performance framework to incentivise it to develop an affordable estate that better supports defence needs.** The Department missed two short-term government targets set in the 2015 Spending Review to release land for 55,000 new homes by March 2020 and raise £1 billion from the sale of land by March 2021. It raised £538 million and released land for just 9,200 houses, having never thought it could meet the target. The Department did not seek to update its targets to reflect changing circumstances, such as the decision of the United States to retain three large airfields in East Anglia that the Department had planned to sell. Furthermore, since 2016 the Department has shifted emphasis from primarily identifying land to sell to 'optimising' its estate, which renders a target to reduce the estate's size less relevant. The Department now forecasts its estate will shrink by only 16% and has just abandoned its one remaining target to reduce the built estate by 30% by 2040. It has not yet introduced any targets to replace this and acknowledges that it needs more specific, shorter-term targets focussing on deliverables to encourage it to identify and dispose of land it no longer needs, but it does not know what these should be.

   Recommendation: ***By 31 December 2021, the Department should reset its estate optimisation targets, developing specific shorter-term deliverables, including reductions in the size of estate; sale proceeds; and savings in estate running costs.***

3. **The Department has made slow progress in reducing the size of its estate.** Since 2015–16, the Department has reduced its built estate by just 2%. It has spent too long planning and re-organising, thereby delaying disposals. Recently, the Department appears to be getting a better grip on estate optimisation. It now has a central

team coordinating the DEO Portfolio and has resolved a funding gap to 2031. The Department has also delegated more responsibility for estate management to TLBs. It must now live up to its new Permanent Secretary's mantra of "delivery, delivery, delivery" and tackle significant challenges. In 2019, the Department ended its 10-year contract with its Strategic Business Partner five years early because it was not delivering expected benefits. This created a skills and capabilities gap which the Department is seeking to fill by building in-house capabilities, although it currently remains reliant on contractors. To maximise sales receipts, the Department is working with local authorities to include site disposals in local plans and is developing strategies to dispose of large and complex sites. It has also started looking at ways to speed up the slow and complex process of rehousing displaced units and selling vacated sites, including engaging with the government-wide Project Speed, which aims to quicken infrastructure projects.

Recommendation: ***By the end of this Parliament, the Department must be able to demonstrate that it has built on recent developments to deliver planned site disposals. Each June, it should provide the Committee with an update on its progress, reporting against its revised performance framework. It should also identify and apply good practice from across the public and private sectors to ensure it is achieving timely disposals which maximise returns.***

4. **The Department's ability to make informed decisions on estate management and on which sites to sell remains constrained because it still lacks good management information on its estate, despite this Committee highlighting the problem in 2010.** The Department needs more detailed data on the condition and running costs of its sites to make informed decisions about optimising its use of the estate, including where to invest or disinvest. However, 11 years after this Committee identified problems with the lack of estate data, and 10 years since it established the DIO, the Department is still several years from having the data it needs. It is introducing an asset management system but does not expect to have reached a 'competent' level of asset management until 2025, which will enable it to adopt a more systematic approach to operating, maintaining, upgrading and disposing of its estate. We recently highlighted the Department's lamentable failure to bring the SLAMIS system (to manage single living accommodation) into service after eight years of development, and this is yet another example of the poor information that underpins how it manages its estate.

Recommendation: ***The Department should explore how to accelerate the development of its asset management system—due in 2025—and embed this in its management of the estate. It should include an update on its progress when it writes to the Committee to explain its new estate strategy.***

5. **The Department's forecast savings from its DEO Portfolio by 2040 have already fallen from £2.**4 billion to £0.65 billion, and there is a very real risk they will melt away completely. The Department's estate is costly to run and maintain—it spent £3.1 billion on estate maintenance in 2019–20—and part of its rationale for reducing the size of the estate is to cut running costs. However, slow progress in completing site disposals means that it continues to pay for assets it does not need. As a result, its forecast benefits from the DEO Portfolio by 2040—measured in terms of disposal proceeds and reduced running costs, offset by rehousing costs—have fallen from

£2.4 billion to £0.65 billion. But even this figure remains extremely uncertain. There are indications that the costs of works on sites that will house relocated personnel and equipment are increasing as more detailed planning is undertaken and the extent of works is better understood. In addition, the Department has not budgeted for the costs of upgrading its building to meet its net zero commitments, which early estimates suggest will be at least £1 billion. This also creates risks for the affordability of the Department's disposal programme as the budget is based on reducing building costs by £1 billion.

Recommendation: ***The Department should collect better data on the actual cost of preparing sites for disposal and the building works on sites receiving relocated personnel and equipment, including the cost of meeting sustainability commitments. It should use these data to re-assess the forecast savings from the disposal programme and include this in its annual update to the Committee.***

6. **The Department has still not tackled the long-known problems with the poor quality of its estate, which continue to harm the well-being of service personnel.** The condition of living accommodation is vitally important for the Armed Forces' 'lived experience', yet the latest survey on their views and experiences shows continuing dissatisfaction with accommodation and its maintenance. The Department has not resolved the indefensibly longstanding issue of the estate's poor condition, 30% of which is in an unacceptable condition. It has operated a' fix on fail' approach to maintenance for more than a decade, although increased investment following the 2020 Spending Review will enable it to use preventative maintenance at more sites. In June 2021, it let new estate maintenance contracts—valued at more than £2 billion during the next seven years—but there remains a risk of repeating the failed approach we have seen on previous contracts. In addition, the Department continues to grapple with a range of estate-related projects. The pilots of the Future Accommodation Model have been long-delayed, and it remains uncertain whether the outcome will provide personnel with what they want, especially post-COVID. The Department is in arbitration with Annington Homes to negotiate a reasonable rent, and it needs to ensure an orderly exit from other PFI arrangements as they end over the next five years.

Recommendation: ***The Department must demonstrate to the Committee in its annual update how its commitment of appropriate resources to tackling the problems which affect the lived experience of its personnel have had an effect, to the extent that we start to see improvements in the relevant scores in the annual armed forces continuous attitude survey.***

1 Disposing of estate that is no longer needed

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Ministry of Defence on optimising the defence estate.[1]

2. The Ministry of Defence (the Department) has access to one of the largest estates in the country, amounting to 1.5% of the UK landmass and valued at £36 billion. This includes the 'built' estate, which consists of 900 sites covering 75,000 hectares, and containing roughly 96,000 buildings, including offices, houses and storage units. In 2019–20 the Department's estate maintenance budget was £3.1 billion, and each year it spends about 85% of this budget on its built estate. Around 40% of the Department's infrastructure is more than 50 years old and 30% is in an unacceptable condition. The Department also holds a 'rural' estate of 158,000 hectares, including its training facilities and ranges, and manages 200,000 hectares of land overseas.[2]

3. In 2016 the Department set up a 25-year investment strategy, the Defence Estate Optimisation (DEO) Portfolio, which is its main estate transformation programme. The DEO Portfolio consists of a series of building projects to rehouse personnel and equipment, moving units to new locations and disposing of vacated sites. The Portfolio team works with the Top-Level Budgets (TLBs) which are responsible for managing and rationalising their own estate. The Department's Defence Infrastructure Organisation (DIO) provides TLBs with advice and support on estate management, including disposals.[3]

The strategy for reforming the estate

4. The Department told us it needs a defence estate which provides a sustainable and affordable set of land, buildings and accommodation that supports defence capability, both in terms of military operations and the 'lived experience' of its personnel. In deciding what the optimum position is, the Department said it must balance affordability, deliverability, efficiency and supporting military capability.[4]

5. In 2016, the Department published its strategy to optimise the defence estate which set out its vision to provide a built estate "that is affordable and optimised to enable Defence capabilities, outputs and communities both now and in the future". In 2017, this Committee acknowledged that the Department had introduced an estate optimisation strategy but raised concerns about its ability to implement it.[5] These concerns have proved to be well founded. The Department recognises that its estate remains too large and that its scale, nature and location have not evolved enough to accommodate the Armed Forces' developing needs.[6]

6. The Department does not yet have a coordinated estate strategy to provide an estate that is flexible and resilient, and which can respond to changes in operational requirements

1 C&AG's Report, *Optimising the defence estate*, Session 2021–22, HC 293, 11 June 2021
2 C&AG's Report, paras 1.3 and 1.4
3 Q 7; C&AG's Report, para 4
4 Qq 6 and 8
5 Committee of Public Accounts, *Delivering the defence estate*, Forty-seventh Report of Session 2016–17, HC 888, March 2017
6 Q 8; C&AG's Report, para 3

and evolving security threats. To address this challenge, the Department pointed out that it cannot start from a blank sheet of paper, but must live with the estate it has and the accompanying constraints. The *Integrated Review of Security, Defence, Development and Foreign Policy*, published in March 2021, provides the Department with more clarity on future military capabilities, force structure and location, and it recognises it must adjust its plans in response. However, the Department acknowledges that the Integrated Review does not set in stone the situation for the next five to ten years.[7]

7. The Department told us that it has the key elements of a strategy, and that the DEO Portfolio is the major component of this. The Portfolio, however, only covers the UK built estate. The Department could not demonstrate that it has a coherent, comprehensive strategy to deliver necessary reforms of its whole estate and to manage all related estate initiatives.[8] Instead, it has a plethora of estate initiatives, such as the Future Accommodation Model for improving service personnel accommodation, which will affect the DEO Portfolio once the Department has decided whether or not to proceed. The reform of the reserve, training and overseas estates remains outside the Department's estate optimisation plans, with the Department instead having undertaken separate reviews of each in recent years, further illustrating its disjointed approach.[9]

Slow progress in rationalising the estate

8. Since 2015–16, the Department has reduced the size of its built estate by just 2% (1,600 hectares). The Department also failed to meet two short-term targets set by Government in the 2015 Spending Review: to release land for 55,000 new homes by March 2020, and to raise £1 billion from the sale of land by March 2021. It raised £538 million and released land for just 9,200 houses, having never had any clear plans for how it would meet the 55,000 target. This failure is partly explained by changing military requirements for the estate after the targets were set, such as the decision of the United States to retain three large airfields—RAF Molesworth, RAF Mildenhall and RAF Alconbury—that the Department had planned to sell. The Department, however, did not seek to update its targets to reflect these changed circumstances.[10]

9. The Department's slow progress in reducing the size of its estate is because its initial plans were unrealistic, and consequentially it has spent far too much time re-planning and re-organising. For example, since 2018 it has fundamentally revised its disposal plans three times, shifting away from prioritising disposals to optimising the use of its estate.[11]

10. In 2019, the Department ended its 10-year contract with its Strategic Business Partner, led by Capita, five years early because the contract was not delivering expected savings and improvements in running the DIO.[12] This created a gap in the skills and capabilities that the Department needs. It is seeking to build in-house capabilities to fill this gap but, at present, it remains reliant on contractors. Overall, the Department has 168 staff working on the strategic management of the defence estate.[13] By 2023–24 the Department hopes

7 Qq 6 to 9 and 12; C&AG's Report, para 8
8 Qq 6 to 9; C&AG's Report, para 4
9 Qq 14, 76, 85 and 88; C&AG's Report, para 3.15
10 Q 80; C&AG's Report, paras 2.15 to 2.20
11 Q 6; C&AG's Report, paras 10 to 12
12 Q 35; C&AG's Report, para 2.4
13 Letter dated 19 July 2021 from Permanent Secretary to the Committee

to fill all 91 core delivery posts, such as quantity surveyors and project managers, with permanent civil servants. However, it has already fallen behind target, having just 53 permanent staff in post in March 2021, compared with its target of 61 at that point.[14]

11. There are some signs in the last two to three years that the Department has started to get a better grip of optimising its estate. The new Permanent Secretary told us that the Department now has good prospects for delivering its estate optimisation plans in the future, driven by a mindset of "delivery, delivery, delivery".[15] In 2018, it delegated budgets and liability for managing the estate back to TLBs, which the Department explained puts accountability and responsibility in the same place. The Department told us that it will be giving TLBs mandates in the next few months to start implementing and delivering each of their various programmes.[16] Since May 2020, the DEO Portfolio has had revised governance arrangements which set out responsibilities for delivering and monitoring programmes within the Portfolio. The Department has established a central coordinating team which provides oversight and guidance to the Portfolio. This team also supports the Portfolio Board, which provides direction on implementing the Department's strategy and holds the TLBs to account.[17]

12. The stages that the Department must complete before it can rehouse displaced units and sell vacated sites can be slow and complex. The Department's planned site disposal projects are scheduled to take an average of six years to complete, although on occasion it has achieved faster disposals, including for the Strategic Command chaplaincy and the joint bands. The Department said that it shared our frustration with the time taken, and explained that it has started to look at ways it might speed up disposals. It is working with commercial teams to support quicker construction and delivery of sites, which it expects will reduce timescales by 12 or possibly 18 months. It is also engaging with the government-wide Project Speed, which aims to reduce the time to deliver government infrastructure projects.[18] While the Department told us that it works closely with the Government Property Unit, it could not point to any systematic exercise to identify good practices in other departments.[19]

Incentives to develop an affordable estate

13. The Department expects to spend £5.1 billion over the 25-year lifetime of the DEO Portfolio to 2040. In 2021, it resolved the medium-term funding shortfall in the Portfolio—caused by the government's 2018 decision to withdraw the private finance model—and has committed to a budget of £4.3 billion over the 10 years to March 2031. This budget relies on the Department generating sales income of £2.2 billion between 2021–22 and 2039–40, which it can then recycle in the Portfolio.[20]

14. Sales receipts, and the year in which they are received, may fluctuate and there is a risk that forecast income will be lower than expected. Disposals might be affected by factors such as market conditions, the impact of COVID-19, the planning application process

14 Q 12; C&AG's Report, paras 3.16 and 3.17
15 Qq 6, 46 and 90; C&AG's Report, para 16
16 Qq 12 and 63
17 Q 6; C&AG's Report, para 3.2
18 Q 56; C&AG's Report, paras 1.11 to 1.14
19 Q 57
20 Q 51; C&AG's Report, paras 12, 17, 3.4 and 3.5

and programme dependencies, such as the readiness of sites receiving displaced units. The Department told us that it could mitigate this by moving money between projects depending on the relative progress they have made.[21]

15. The Department is also seeking to maximise sales receipts through working with local authorities to ensure site disposals are included in local plans. It is developing strategies, including working with development partners, to dispose of large and complex sites, such as a major regeneration of the Bordon Garrison site in Hampshire.[22]

16. At the time of our oral evidence session in June, the Department had only one remaining estate optimisation target, set in the 2015 Spending Review: to reduce the built estate by 30% (23,200 hectares) by 2040–41.[23] The Department said that this target was based on a top-down assumption that was not based on detailed plans, and was arbitrarily based on how much the Armed Forces had shrunk between 2000 and 2015.[24]

17. In 2016, the Department expected the DEO Portfolio would reduce the size of the built estate by 25%, and that other sales would reduce it by 5%. However, since 2016 the Department has shifted emphasis from primarily identifying land to sell to 'optimising' its use of the estate. This change, coupled with the requirements of the recent Integrated Review, essentially renders this single target to reduce the size of the estate by 30% meaningless.[25] The Department admitted it will get nowhere near the target, and by 2040–41 it now expects to reduce the built estate by just 13% (10,100 hectares) through the DEO Portfolio and by 3% (2,000 hectares) from other sales. It also expects to sell 35 training sites comprising 0.5% of its rural estate (855 hectares). The Department wrote to us after the evidence session and confirmed that the 30% target is no longer appropriate and will not be pursued.[26] It recognises that it needs more specific targets focussing on deliverables over the lifetime of this Parliament to encourage it to identify and dispose of land it no longer needs, but it could not tell us what these should be.[27]

Management information

18. We remain extremely concerned that the Department has still not developed sufficient data to make informed decisions on estate management, including which sites to sell. It is now 11 years since this Committee identified problems with the lack of estate data, and 10 years since the Department established the DIO. However, the quality and completeness of the Department's management information on the cost and condition of its estate remains a significant weakness.[28]

19. The Department told us that when DIO was established, its knowledge of the estate was not held in one place and that it has worked to understand what estate it holds and its condition. Despite this, the Department confirmed that it is still several years from having the data it needs to actually manage its estate properly. It is introducing an asset management system and, by January 2021, had assessed 65% of the assets on its estate.

21 Q 51; C&AG's Report, para 3.5
22 Qq 23, 57 and 69; C&AG's Report, para 3.22
23 Qq 6, 8 and 23; C&AG's Report, para 3
24 Q 19; C&AG's Report, para 1.7; Letter dated 19 July 2021 from Permanent Secretary to the Committee
25 Qq 20, 24, 33 and 54; C&AG's Report, paras 4 and 12
26 Letter dated 19 July 2021 from Permanent Secretary to the Committee
27 Qq 21 and 32; C&AG's Report, para 7
28 Qq 37, 43, 45 and 90; C&AG's Report, para 19; Committee of Public Accounts, *Managing the defence budget and estate*, Tenth Report of Session 2010–11, HC 503, December 2010

However, the Department does not expect to have reached a 'competent' level of asset management until 2025. The Department said that it will only be then that it will be able to manage its assets more effectively and enable the commands to take informed decisions on the optimum time to invest in buildings or take them out of use.[29]

20. The Department's failure to develop a comprehensive asset management system is yet another example of the poor information that underpins how it manages its estate.[30] This latest admission comes soon after we highlighted the Department's lamentable failure to bring the SLAMIS system (to manage single living accommodation) into service after eight years of development. The Department told us it is only now launching a pilot to trial this new system.[31]

29 Qq 37, 39 and 45; C&AG's Report, para 3.24

30 Qq 50 and 51

31 Q 40; Committee of Public Accounts, *Improving single living accommodation for service personnel*, Fifty-fourth Report of Session 2019–21, HC 940, April 2021

2 Achieving estate objectives

Achieving long-term savings

21. The Department's vision is to achieve a more affordable estate and part of its rationale for disposing of sites is to cut running costs. Its estate is costly to run and maintain, with the Department spending £4.6 billion on its estate in 2019–20, around twice the annual cost of maintaining the UK's nuclear deterrent.[32] The estate is a critical component of delivering military capability. However, holding an estate that is too large means the Department is spending more than is needed on estate management, when it could be investing in new equipment and better trained personnel. The Department recognises that slow progress in completing site disposals means that it continues to pay for the running costs of buildings it no longer needs, and that delays to site disposals means these costs will not reduce as much or as quickly as planned.[33]

22. The Department forecasts that site disposals in its DEO Portfolio will deliver net savings of £0.65 billion by 2040—measured in terms of disposal proceeds and reduced running costs, offset by rehousing costs. The Department emphasised that its estate disposal programme remains value for money. However, since 2016 its forecast benefits have fallen by 73% from £2.4 billion because of higher than expected disposal costs and delays in achieving disposals. The figure of £0.65 billion remains extremely uncertain. The Department's estimates were based on preliminary studies rather than actual data on costs; additional costs falling to TLBs were excluded; estimates did not include the additional cost of meeting recent sustainability targets; and the risk of cost increases was likely to be underestimated.[34]

23. Further, the Department does not fully understand the cost of achieving site disposals, creating the risk that benefits will disappear. The 2020 Spending Review provided the Department with an additional £16.5 billion of defence funding, following which it announced that it would invest £4.3 billion to 2031 to enable estate disposals. This funding package relies on the Department recycling £2.2 billion of sales income between 2021–22 and 2039–40 in the DEO Portfolio. Therefore, any delays to disposals will reduce the funding available for relocation works.[35]

24. In addition, the budget for the Department's disposal programme is based on it reducing building costs by £1 billion by 2039–40. This creates risks for the programme's affordability. For example, as more detailed planning is undertaken and the extent of works is better understood there are indications that the costs of works on sites that will house relocated personnel and equipment are actually increasing rather than falling.[36]

25. Defence is the biggest emitter of greenhouse gases in central government, and the Department realises it must manage its estate in accordance with the government's sustainability policies. The Department acknowledged the importance of a sustainable estate for achieving its net zero commitments by 2050, and the DEO Portfolio is a key element of its plan through the rationalisation of the estate and the refurbishment or

32 House of Commons Library, The cost of the UK's strategic nuclear deterrent, March 2021
33 Q 23 and 54; C&AG's Report, paras 3 and 14
34 Qq 32 and 52; C&AG's Report, para 14
35 Qq 51, 59 and 61; C&AG's Report, paras 17 and 3.5
36 Q 58; C&AG's Report, para 17

replacement of dated buildings. However, despite this it has not budgeted for the additional costs of increasing the standard of buildings to net zero, which its early estimates suggest will need extensive investment totalling more than £1 billion.[37]

26. Since our hearing, the Infrastructure Projects Authority, which monitors the delivery of major projects, graded the DEO programme as Amber/Red in its July 2021 Annual Report on Major Projects.[38] According to the IPA, projects are rated Amber/red when successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas.[39]

Wider estate problems

27. The condition of living accommodation is vitally important for the Armed Forces' 'lived experience', yet the latest annual survey on personnel's views and experiences shows continuing dissatisfaction with accommodation and its maintenance. In May 2021, satisfaction by service personnel on the quality and maintenance of the estate was 34%, down from 40% a few years ago.[40] However, the Department has not tackled problems with the poor quality of its estate, with 30% still being in an unacceptable condition. For more than a decade it has operated a 'fix on fail' approach to maintenance in large parts of the estate, meaning that it has been unable to conduct all the preventive maintenance that was needed.[41]

28. The Department told us that an additional £740 million funding over the next four years was allocated to infrastructure investment in the 2020 Spending Review, which will enable it to address estate priorities and move more of the estate onto a preventive maintenance regime.[42] In June 2021, it also let new estate maintenance contracts – with a value of more than £2 billion during the next seven years. However, we remain concerned that the Department risks repeating the failed approach we have seen on previous contracts. The Department told us that unlike previously, these contracts use industry standard specifications. It thinks that this, together with a new monitoring regime and establishing incentives to improve armed forces' satisfaction with their accommodation, will result in faster and better performance, although it could not offer an absolute guarantee.[43]

29. The Department continues to grapple with a range of estate-related projects. The pilots of the Future Accommodation Model have been delayed, and it remains uncertain whether the outcome will provide service personnel with what they want, especially post-COVID.[44] The Department remains in the midst of arbitration to renegotiate its contract with Annington Homes to agree a reasonable level of rent, which process will not be resolved until the end of the 2021–22 financial year.[45] The Department also needs to ensure an orderly exit from other PFI arrangements as they end over the next five

37 Qq 6 and 22; C&AG's Report, paras 19 and 3.26
38 Infrastructure and Projects Authority, Annual Report on Major Projects 2020–21, July 2021
39 Infrastructure and Projects Authority, Annual Report on Major Projects 2020–21, July 2021
40 Q 78
41 Qq 28, 29 and 31, C&AG's Report, paras 2 and 1.18
42 Q 29, 47 to 49; letter dated 19 July 2021 from Permanent Secretary to the Committee
43 Qq 78, 79 and 89; letter dated 19 July 2021 from Permanent Secretary to the Committee
44 Q 76
45 Qq 1 to 3

years. It acknowledged that it must make better use of the sites provided by these relatively expensive arrangements so that personnel benefit from their better condition and support measures.[46]

46 Q 25

Formal minutes

Monday 20 September 2021

Members present:

Dame Meg Hillier, in the Chair

Shaun Bailey

Dan Carden

Sir Geoffrey Clifton-Brown

Antony Higginbotham

Mr Richard Holden

Sarah Olney

James Wild

Draft Report (*Optimising the defence estate*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 29 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Twentieth of the Committee to the House.

Ordered, That the Chair 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.

Adjournment

Adjourned till Thursday 23 September at 9:30am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Monday 28 June 2021

David Williams, Permanent Secretary, Ministry of Defence; **Graham Dalton**, DIO Chief Executive Officer, Ministry of Defence; **Air Marshal Richard Knighton CB**, Deputy Chief of the Defence staff, Ministry of Defence; **Sherin Aminossehe**, Director Infrastructure, Ministry of Defence	Q1–90

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2021–22

Number	Title	Reference
1st	Low emission cars	HC 186
2nd	BBC strategic financial management	HC 187
3rd	COVID-19: Support for children's education	HC 240
4th	COVID-19: Local government finance	HC 239
5th	COVID-19: Government Support for Charities	HC 250
6th	Public Sector Pensions	HC 289
7th	Adult Social Care Markets	HC 252
8th	COVID 19: Culture Recovery Fund	HC 340
9th	Fraud and Error	HC 253
10th	Overview of the English rail system	HC 170
11th	Local auditor reporting on local government in England	HC 171
12th	COVID 19: Cost Tracker Update	HC 173
13th	Initial lessons from the government's response to the COVID-19 pandemic	HC 175
14th	Windrush Compensation Scheme	HC 174
15th	DWP Employment support	HC 177
16th	Principles of effective regulation	HC 176
17th	HS2 Summer 2021	HC 329
18th	Government's delivery through arm's-length bodies	HC 181
19th	Protecting consumers from unsafe products	HC 180
1st Special Report	Fifth Annual Report of the Chair of the Committee of Public Accounts	HC 222

Session 2019–21

Number	Title	Reference
1st	Support for children with special educational needs and disabilities	HC 85
2nd	Defence Nuclear Infrastructure	HC 86
3rd	High Speed 2: Spring 2020 Update	HC 84
4th	EU Exit: Get ready for Brexit Campaign	HC 131

Number	Title	Reference
5th	University technical colleges	HC 87
6th	Excess votes 2018–19	HC 243
7th	Gambling regulation: problem gambling and protecting vulnerable people	HC 134
8th	NHS capital expenditure and financial management	HC 344
9th	Water supply and demand management	HC 378
10th	Defence capability and the Equipment Plan	HC 247
11th	Local authority investment in commercial property	HC 312
12th	Management of tax reliefs	HC 379
13th	Whole of Government Response to COVID-19	HC 404
14th	Readying the NHS and social care for the COVID-19 peak	HC 405
15th	Improving the prison estate	HC 244
16th	Progress in remediating dangerous cladding	HC 406
17th	Immigration enforcement	HC 407
18th	NHS nursing workforce	HC 408
19th	Restoration and renewal of the Palace of Westminster	HC 549
20th	Tackling the tax gap	HC 650
21st	Government support for UK exporters	HC 679
22nd	Digital transformation in the NHS	HC 680
23rd	Delivering carrier strike	HC 684
24th	Selecting towns for the Towns Fund	HC 651
25th	Asylum accommodation and support transformation programme	HC 683
26th	Department of Work and Pensions Accounts 2019–20	HC 681
27th	Covid-19: Supply of ventilators	HC 685
28th	The Nuclear Decommissioning Authority’s management of the Magnox contract	HC 653
29th	Whitehall preparations for EU Exit	HC 682
30th	The production and distribution of cash	HC 654
31st	Starter Homes	HC 88
32nd	Specialist Skills in the civil service	HC 686
33rd	Covid-19: Bounce Back Loan Scheme	HC 687
34th	Covid-19: Support for jobs	HC 920
35th	Improving Broadband	HC 688
36th	HMRC performance 2019–20	HC 690
37th	Whole of Government Accounts 2018–19	HC 655
38th	Managing colleges’ financial sustainability	HC 692

Number	Title	Reference
39th	Lessons from major projects and programmes	HC 694
40th	Achieving government's long-term environmental goals	HC 927
41st	COVID 19: the free school meals voucher scheme	HC 689
42nd	COVID-19: Government procurement and supply of Personal Protective Equipment	HC 928
43rd	COVID-19: Planning for a vaccine Part 1	HC 930
44th	Excess Votes 2019–20	HC 1205
45th	Managing flood risk	HC 931
46th	Achieving Net Zero	HC 935
47th	COVID-19: Test, track and trace (part 1)	HC 932
48th	Digital Services at the Border	HC 936
49th	COVID-19: housing people sleeping rough	HC 934
50th	Defence Equipment Plan 2020–2030	HC 693
51st	Managing the expiry of PFI contracts	HC 1114
52nd	Key challenges facing the Ministry of Justice	HC 1190
53rd	Covid 19: supporting the vulnerable during lockdown	HC 938
54th	Improving single living accommodation for service personnel	HC 940
55th	Environmental tax measures	HC 937
56th	Industrial Strategy Challenge Fund	HC 941