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Public Accounts Committee Recommendations

Eleventh Report (2008/09) – The United Kingdom’s Future Nuclear Deterrent Capability (From last DRAc 09-10)

<http://www.publications.parliament.uk/pa/cm200910/cmselect/cmpublic/427/42704.htm>

Serial	PAC Recommendations	Response Reported in the Treasury Minute	Departmental Action and Current Status
1	<p>The United Kingdom’s new submarine will incorporate an American-supplied missile compartment. As the current Vanguard fleet will go out of service in the 2020s, the United Kingdom’s programme is running ahead of the United States’ programme. The United Kingdom will therefore have to make key design decisions on a replacement submarine before the United States. Given the unavoidable dependence on the American programme, the Department should analyse the lessons from other projects where the Department has been dependent on the United States for critical elements of technology. The Department should use this analysis to inform the development of its proposed communications plan.</p>	<p>The Department agrees that the UK will have to take decisions on submarine design in advance of the US and that relevant lessons from other projects involving critical elements of technology supplied by the US should be incorporated in the programme. Discussions have been held with the Joint Combat Aircraft team to identify whether relevant lessons exist and the Strategic Weapons team, which has close liaison with US staff, is located within the same cluster as the Deterrent team facilitating knowledge transfer. Key project staff regularly attend learning from experience events within the Department. Clear communication with the US will be critical to managing this risk, however the UK has a long history of effective cooperation with the US on deterrent matters, underpinned by key treaties (the 1958 UK/US Mutual Defence Agreement, and the 1963 Polaris Sales Agreement as modified in 1982 for Trident).</p>	<p>Met.</p> <p>Close collaboration with the US continues on a number of aspects related to the successor deterrent, including the missile compartment. Parts of the UK project team are based in the US to ensure that design requirements are developed jointly and progress is subjected to routine Flag Officer reviews. The US and the UK both have approved programmes. The US will be conducting key activities ahead of the UK helping to reduce risk to the UK programme.</p>

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		<p>As a result of these formal Treaties there is a much closer relationship between our two countries on issues across the nuclear piece than on many other technologies. The Department is therefore satisfied that the Treaties provide effective channels for ongoing cooperation. Greater clarity has also been given by the recent announcement by the US Government that it intends to formally commence the programme for the replacement of the Ohio class submarines in 2010.</p> <p>At a more detailed level, the establishment of a Joint Project Office in the US and the secondment of US officers to the UK project team are key mitigations activities. The decision to enter into a joint programme with the US on the Common Missile Compartment (CMC) is illustrative of the way in which key design decisions can be agreed despite the different stages of the UK and US's programmes. The design of the CMC is a key driver for the overall configuration for the submarine and agreeing a common missile tube size will ensure that any successor to the D5 missile will be compatible with UK submarines.</p>	

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Eighth Report (2008/09) – Chinook Mk3 (From last DRAC 09-10)

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1	<p>The Department admitted that, particularly when buying existing equipment 'off-the-shelf', it tends to specify too many modifications, when what is needed is equipment that is safe, effective and can be made available for operations quickly. To better inform future decisions on whether to specify modifications to off-the-shelf equipments, the Department should analyse all such recent acquisitions to determine how often technical problems have arisen or costs increased, and whether these outweigh the expected and/or delivered operational benefits.</p>	<p>The Department disagrees that an analysis of recent 'off the shelf' equipment acquisitions is required. The Department agrees that when buying equipment 'off the shelf' it should be safe, effective and available for operations quickly. That said, the Department has a duty to ensure that the 'off the shelf' equipment can be operated safely and effectively in a range of environments and against a range of threats. These important factors have to be judged by the Department since the UK perception of threats is not always the same as the perception other nations have and because the way the UK uses military equipment to counter these threats also differs. Therefore, there will very often be a need for some modification of 'off the shelf' equipment and the Department will re-emphasise to staff the need to ensure that these modifications are kept to a minimum.</p>	<p>Met.</p>

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Twentieth Report (2008/09) – Major Projects Report 2008 (From last DRAC 09-10)

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1	<p>The Department has recently announced delays to projects which have not yet reached their main investment decision point. These projects include elements of both the Future Rapid Effect System and the Military Afloat Reach and Sustainability fleet auxiliary programme. Delaying projects to generate short-term savings can create future capability gaps and raise overall project costs. The Department should identify the financial and capability impacts of slipping projects, even if they have yet to pass their main investment decision point.</p>	<p>The Department accepts this conclusion. Decisions to defer projects are sometimes necessary to deliver an affordable programme and enable necessary enhancements to be funded, although such deferrals are generally undesirable for the reasons given by the Committee. When such measures are considered in the planning round process, each measure has an associated assessment of the impact in terms of both capability delivery and through life cost.</p>	<p>Met.</p> <p>While the SDSR made substantial inroads into the £38Bn funding deficit, there is still more to be done, for example through the basing review, the reserves review and the changes being made under the Defence Reform review.</p> <p>The Department is taking forward the work needed to balance defence priorities and the budget over the long-term.</p> <p>We recognise that a decision to defer is likely to add cost to a programme. It is important that the full associated cost of any delay is clearly set out and taken into account in reaching a final decision. However such decisions can be necessary in the context of meeting near term budgetary pressures or where it is necessary to reprioritise investment to deliver higher priority capabilities.</p>

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Thirtieth Report (2008/09) – Type 45 Destroyer (From last DRAC 09-10)

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1	<p>The reduction in the number of destroyers to be procured from eight to six means it will be more challenging for the Department to meet its policy requirement of five destroyers available for tasking at any one time. The Department believes that the longer-term support arrangements for the Type 45 will help give it the best chance of meeting this requirement. The Department is already later than planned in putting support arrangements in place. The Department must avoid repeating the early mistakes of the procurement of the destroyers in finalising its support arrangements. It should:</p> <p>(a) spend time ensuring that the costs and timescales are realistic and that the commercial arrangements are appropriate to the project;</p> <p>(b) put in place affective ways to incentivise industry, linked to the need to have five ships operational at all times, and</p> <p>(c) maintain the good relationship</p>	<p>The Department accepts this conclusion. The Type 45 Support Cost Model has been developed jointly and is available to both BVT and project team staff, and has been assured by independent experts. In the early stages, development of the support solution was assisted by experts from the Department's Equipment & Support Continuous Improvement Team who specialise in delivering, with project teams, optimised support solutions.</p> <p>A contract for up to seven years of support for the Type 45 warship was placed on 10 September 2009 with BVT. Following this initial support period, Type 45 support is expected to migrate to the developing Surface Ship Support Programme. This programme is designed to transform how the Department in future provides support to its surface to its surface Fleet through an alliance between MOD, BVT and Babcock.</p> <p>A key tenet of both of these arrangements is the creation of industry</p>	<p>Met.</p> <p>The Type 45 In-Service Support Contract (ISSC) placed in Sept 09 with BAE Systems (formerly BVT) has demonstrated its effectiveness in providing support to Type 45 by consistently meeting the contractual targets to deliver the required Operational Availability. With two Type 45 Destroyers now In-Service Availability (excluding Sea Viper) has been around 94% against a contractual target of 90%.</p> <p>In Dec 10 the scope of the Type 45 ISSC was further increased to include support to WR-21 Gas Turbines. All complex systems are now supported under the Type 45 ISSC for the period up to Nov 16. In Apr 11 D Weapons placed a similar incentivised availability contract with MBDA for support of Sea Viper. Both Type 45 and Sea Viper support contracts complement each other and incentivise industry to deliver the required Operational Availability (OA) across the Class of six Type 45 Destroyers.</p>

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	<p>with industry going forward, ensuring it continues to improve in the medium and long term.</p>	<p>led Class Output Management (COM) organisations for each platform type. The role of the COM will be to provide the day-to-day management to ensure all individual components of support (in both Fleet Time and Upkeep) are integrated to provide platform availability. The COM will be incentivised with contract payments based on maintaining agreed levels of Platform Availability, not through input of work.</p>	<p>The Type 45 support cost model has continued to be developed and is now populated with actual support costs on a monthly basis. Enabling an accurate estimate of through life support costs to be produced</p> <p>Type 45 Stakeholder charter signed in February 2010 is underpinned by customer satisfaction surveys undertaken on a quarterly basis using the DE&S Supplier Relations Team (SRT) metric. The scores have consistently improved demonstrating the strengthening relationship between the Department and industry.</p> <p>This contract provides up to seven years support for the Type 45 complex systems and up to three years of support for the remainder (with options to extend). This contract has enabled the support arrangements to be mobilised in advance of the In-service Date.</p> <p>The Type 45 In-Service Support contract is incentivised against both cost and availability performance. Failure to deliver platform availability to the required five ship level impacts</p>

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			<p>on payments received by Industry. A contract for longer term Support for the Sea Viper System, using similar incentivisation clauses, was placed Easter 2011.</p> <p>A Stakeholder charter was jointly signed in February 2010 by all key industry suppliers and the Department. The charter provides a behavioural framework for joint working. Customer satisfaction surveys are undertaken monthly where the MOD and Royal Navy are given the opportunity to assess the performance of Industry.</p> <p>The results of the survey are assessed on a monthly basis and on a quarterly basis at strategic review meetings with industry.</p>

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Fifty-fourth Report (2008/09) – Support for High Intensity Operations (From last DRAc 09-10)

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1	<p>The Department has been highly reliant on the Urgent Operational Requirements process to deliver new or enhanced capability for current operations, raising a question about the balance of its existing equipment programme. The Urgent Operational Requirements process clearly has its place in enabling the Department to respond to rapidly evolving threats. Nonetheless, as part of the Government’s forthcoming defence review, the Department should fundamentally re-examine whether the equipment programme is delivering the right balance between those capabilities relevant to current operations and those for the future.</p>	<p>The Department agrees with the Committee’s conclusion. The forthcoming Defence Review will re-examine whether the equipment programme is delivering the right balance between those capabilities relevant to current operations and those for the future. Through the Urgent Operational Requirements (UOR) process, the Department has delivered around £5.2 billion worth of equipment to operations. All of this expenditure is in addition to the money spent from the Departments core budget.</p> <p>The Department has used a number of exercises, including the ‘Equipment Examination’ and its routine planning round, to ensure that support to current operations continues, as far as possible, to be prioritised within its equipment programme. As well as delivering equipment designed to meet the specific needs of today’s war, the Departments core budget needs also to deliver capabilities which can counter the unpredictable security challenges of the future.</p>	<p>Partially met – Following the Strategic Defence and Security Review it remains appropriate for Defence to continue to deploy appropriate capabilities to theatre both from our core equipment fleets and equipment procured through the Urgent Operational Requirements (UOR) process. Indeed, UOR funding often provides minor modifications to core-equipment to enable its deployment, such as bringing the Warrior Infantry Fighting Vehicle to the specific standards required for operations in Helmand. An example of core-equipment deploying successfully on operations has been the Trojan armoured engineering vehicle which was sent to theatre to clear belts of Improvised Explosives Devices during Operation MOSHTARAK.</p> <p>Some UORs are being funded with a mix of Reserve funding and core MOD funding. A recent example of this was a UOR for Counter-Improvised Explosive Devices information and communications services. Some UORs are also being funded with up-front HMT funding being paid back in later years from the MOD budget. Both of these mechanisms will ensure that urgent requirements are met</p>

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		<p>However, there is not necessarily a zero sum choice to be made here. High end capabilities such as Tornado and Warrior were designed with very different threats in mind. Modified through the UOR process, they are proving their worth on operations in Afghanistan today. There are also other programmes, such as the Vallon metal detector, or the programme to upgrade the Chinook fleet's engines, which have a clear relevance to current operations.</p>	<p>quickly from the appropriate source of funding.</p>
2	<p>The Department has failed to meet consistently its own supply chain targets for both Iraq and Afghanistan, although the average length of time a unit waits for a particular demand has reduced. Inadequate logistic information prevents the Department from identifying stocks that could be routinely delivered to theatre using surface transport, in turn placing more pressure on the air-bridge. The Department's key priority is to improve the visibility it has of stocks in theatre and supplies in transit. Although progress has been made in the last few years, the Department still has not achieved a total visibility system for the tracking of assets deployed on operations. Nor does it yet have an</p>	<p>The Department agrees in large part with the Committee's conclusion. The supply chain statistics examined are based on very stringent Departmental deliver targets, and represent deliveries, which arrive at the exact scheduled time. They do not take account of deliveries delayed by only a matter of hours. Where a delay could have significant impact on operational capability, high priority items are closely managed to ensure timely delivery.</p> <p>Measures are already in hand to review the balance of stocks held in operational theatres. Improvements to the logistics systems continue to be implemented. Consignment Visibility (CONVIS) has been delivering staged improvements</p>	<p>Met. The Department continues to be frustrated in its efforts to improve Supply Chain Performance due to poor information systems. This matter has been addressed in the National Audit Office Report dated 31 Mar 11 – The Use of Information to Manage the Logistics Supply Chain. Furthermore, CDM and PUS have been called before the PAC to answer questions on the Report on 13 Jun 11. In the context of this report, this issue should be closed as it will be covered and addressed by the latter PAC.</p>

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	<p>integrated inventory management system. The Department should, within the next two years, address the deficiencies in its logistics information systems, so that it can see the stock available at any location in theatre or elsewhere in the Department's inventory, and fully track items as they move through the supply chain.</p>	<p>since 2006. The Management of Material in Transit project has improved visibility of material being delivered to operational units. It can be better managed as it moves through the Purple Gate (the name used to describe the system of moving materiel through the Defence supply chain) and on into theatre and, importantly, back again through the reverse supply chain. Further improvements this year will enable this information to be shared more widely and will provide a capability to identify patterns of activity to assist in improving demand trends.</p> <p>Plans are in place for further improvements through the introduction of the Management of the Joint Deployed Inventory (MJDI), and logistics programmes such as the Joint Asset Management Engineering Solutions (JAMES). The improvements being delivered by MUJDI, including improved visibility of stocks in theatre, will also help to smooth demands from theatre. MJDI has now been fully funded, without the need for the Deputy Chief of the Defence Staff (Equipment Capability), to levy a charge during the first three years of the programme, on all of the Department's equipment approvals. It is</p>	

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		<p>estimated that full roll out of improved logistics systems will be complete by 2014.</p> <p>Progress is also being made towards the integration of logistic information systems but this is a highly complex process. The construction of a virtual Enterprise Data Warehouse, coupled with the completion of initial business process models for elements of the Joint Support Chain, has been a good start. A programme of further advance integration is being pursued within the source available.</p>	
3	<p>Helicopters are a key operational capability but in addition to its own fleets the Department has been reliant on significant contracted helicopter support and on coalition helicopters. Commanders say they have enough helicopters to undertake their key tasks but that greater availability would give them more flexibility in planning offensive operations. The Department is looking to increase helicopter availability, for example, through the re-deployment of Merlin helicopters from Iraq. The Department needs to ensure that its Lynx upgrade programme, due to deliver the first enhanced helicopter at the end of the year, delivers aircraft</p>	<p>The Department agrees with the Committee's conclusion. However, the delivery of the Chinook Mk3 into service is currently forecast to be completed in late 2010. The timetable will be advanced if possible. The first of these aircraft will be available to the Front line Command by the end of this year. The availability of helicopters on operations, and the number of helicopter flying hours, has increased significantly. Since November 2006, the number of UK battlefield helicopters available to commanders in Afghanistan has increased by 79%; over the same period, the number of helicopter flying hours increased by 95%. By January</p>	<p>Partially met The Department agrees with the Committee's conclusion. All 8 of the Chinook Mk.3 were delivered to the Front Line Command before the end of 2010. This has allowed us to provide increased Chinook support to Afghanistan. All the Chinook fleet deployed to Afghanistan is now fitted with the more powerful T55-714 engines, increasing their ability to operate 'hot and high' and improving flight safety. The upgraded Lynx Mk 9A started to fly operational sorties in Afghanistan in May 2010 and the Lynx Flight of four aircraft provides a year round light helicopter capability</p>

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	<p>to theatre in time to free up other helicopter types to support troops directly over the summer months. The Department should also ensure that the Chinook Mark 3 reversion programme, due for completion by May 2010, is delivered on time.</p>	<p>2010, the number of flying hours will have increased by more than 130% compared to November 2006.</p> <p>Improvements are being made as quickly as practicable and in a sustainable way. Investment has been made in recruiting, training, and retaining Merlin and Apache crews to fly and maintain the additional helicopters, and on increasing spares to improve availability. It must be ensured that any aircraft sent to Afghanistan is suitable for the job required of them. Aircrafts must be safe, airworthy, and have sufficient appropriately trained crews to operate and maintain them.</p> <p>Merlin has now been deployed to Afghanistan. Eight Chinook Mark 3 aircraft are being converted to a support helicopter configuration suitable for use in Afghanistan; including more powerful engines. More powerful engines are also being installed on Lynx Mark 9 that will allow these helicopters to operate in Afghanistan, during the summer months, providing a light-utility capability on a year-round basis. These measures will also be complemented by the £6 billion investment that the Department intends to make over the next decade to</p>	<p>in Afghanistan for the first time. This will be extended to a larger detachment later in 2011 as the delivery of converted aircraft increases and the new aircraft matures in service.</p> <p>The availability of helicopters on operations, and the number of helicopter flying hours, has increased significantly in recent years. Since November 2006, the number of UK airframes available to commanders in Afghanistan has increased by 105%, and the number of helicopter hours – which is what commanders use to plan – has increased by 145%. .</p> <p>In addition to the increases in UK helicopter capability, integration and synergies with the US Marine Corps have resulted in the Department further benefiting from the aviation capabilities of our coalition partners. The Department continues to recognise the importance of commercial helicopter contracts, which free up military helicopters for direct support to operations. The UK contracts up to 350 hours per month of helicopter capacity to carry freight, and also draws, along with other</p>

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		<p>replace and enhance helicopter capability. This work remains a high priority within the Department.</p> <p>In addition to these increases in UK helicopter capability, the Department also continues to benefit from the capabilities of NATO allies, particularly those of the US, Dutch, Canadians and Australians. The Department notes the Committees acknowledgement of the important contribution of commercial helicopter contracts, which free up military helicopters for direct support to operations. The UK contracts 340 hours per month of helicopter capacity to carry freight, at a cost of about £3.9 million, and also draws, along with other coalition nations, on a NATO contract that provides a further 600 hours per month.</p>	<p>coalition nations, on a NATO contract that provides a minimum of a further 600 hours per month.</p> <p>The strategic intent and direction has changed since the last report, including the intention for the UK Military contribution in Afghanistan to cease combat operations by 2015. As set out in SDSR, our plans now assume the purchase of 12 Chinooks, plus an additional 2 to replace those destroyed in Afghanistan in 2009. This change is the subject of on going work to refresh the MOD's Rotary Wing Strategy.</p>

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Forty-First Report (2008/09) – Service Families Accommodation (From last DRAC 09-10)

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1	<p>Almost a third of Service families surveyed by the National Audit Office describe the condition of their house as poor. The Department plans to upgrade 2,300 of its houses in the lowest Conditions 3 and 4 to the best Condition 1 by 2012, and do the same for the remaining stock within the next 20 years. The Department should use its new condition standards data to assess which properties meet the Government’s Decent Homes Standard and targets for energy efficiency, and quickly tackle the problems in those that do not. The Department should also further analyse properties rated Condition 2 so it can prioritise upgrade work in this broad band towards those most in need of improvements.</p>	<p>The Department partially agrees with this conclusion. It will use the results of the current Condition survey to target and prioritise housing for upgrade programmes to meet Standard 1 and 2 for Condition, which are judged to meet or exceed the Government’s Decent Homes Standard. The Defence Accommodation Management Strategy, published in August 2009, sets out our intention to have all UK homes in the top two Standards for Condition by March 2013. From 2013, the Department will switch focus to bringing Standard 2 houses up to Standard 1.</p> <p>The intent is that all Service Family Accommodation (SFA) will have modern showers and that further energy measures will be undertaken such as roof insulation. This will be specifically targeted over the next five years in areas where existing insulation does not meet Government requirements. This will contribute to the Department’s Sustainability targets as well as meeting the Government’s 2020 housing targets.</p>	<p>Met. The Condition Survey has been completed throughout England and Wales. This, together with smaller scale surveys carried out elsewhere indicate that around 95% of Service Family Accommodation (SFA) is at Standard 1 or 2 for Condition (the two highest).</p> <p>Service personnel in the UK are no longer allocated SFA at Standard 4 for Condition and, under current plans, from 1 January 2012 no Service personnel will be allocated SFA at Standard 3.</p> <p>In parallel, action continues to contribute to the Department’s Sustainable Development targets for reductions in carbon emissions and water consumption. Over 9,500 SFA in the UK have benefited from a loft insulation programme. This together with upgrades to boiler, installation of double glazed doors, windows and dual cistern systems will all assist in achieving overall sustainability</p>

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			targets. Continuation of these measures will be dependant upon sustained investment to undertake lifecycle maintenance across the estate
2	<p>The Department was wrong to release new data on the condition of its housing stock the day before publication of the Comptroller and Auditor General's Report, particularly as it contained known errors, and neither the survey nor the analysis were complete. The Department must complete the survey, validation and analysis to its planned timescale so it can identify all the properties needing an upgrade using reliable data. It should update Parliament on the condition of the housing stock once its survey work is complete. In future, Departments should make the National Audit Office fully aware of relevant data they intend to release at, or around, the time of the publication of a report by the Comptroller and Auditor General and only release information that is sufficiently reliable.</p>	<p>The Department agrees with this conclusion. The survey in England and Wales will be complete by April 2010. Scotland and Northern Ireland will be completed by April 2011. Data is reported on a quarterly basis to Parliament using the most up to date data available.</p> <p>The Department will amend its guidance to emphasis the need to work closely with the NAO throughout the preparation and publication period of any report.</p>	<p>Met. Parliament and other interested bodies have been informed of the results of the completed Condition survey through various means, including responses to Parliamentary Questions.</p>
3	<p>The Department's entitlement system is complex, and Service personnel have limited ability to request a property outside their strict entitlement. The Department is constrained by its</p>	<p>The Department partially agrees with this conclusion. An internal review has found that high levels of housing delivery staff turnover has reduced the number of experienced staff, who can</p>	<p>Partially Met. The previous high level of turnover of the Department's Housing Delivery staff has stabilised. Training programmes have been developed</p>

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	<p>existing housing stock, but it should review the scope to simplify the number of property types it offers when providing new stock. It should also increase the flexibility around the margins of the system, for example, in reviewing the scope for using properties designated for Officers for larger Other Ranks families where there is a shortage of appropriate stock.</p>	<p>use, to maximum effect, the flexibility inherent in the current policies. Training programmes have been introduced to address this shortfall.</p> <p>Current policy allows re-typing of patches of Officers' housing stock for use by larger Other Ranks families. How this is implemented is being revisited in consultation with relevant chains of command. Area Accommodation Plans, which will reflect these agreements at local level, will be rolled out across all regions by 2010.</p> <p>The Department acknowledges that for future new builds, a standard approach to three and four bedroom properties to simplify variations in types would ease some of the complications of having the right type of housing in a location to meet different manning profiles and family constructs. This is currently being investigated to determine if it is sufficiently financially viable to be taken forward.</p>	<p>and rolled out to current staff in a phased approach.</p> <p>Phase 1: Using Reference Houses to understand cleaning standards was completed in May 2010.</p> <p>Phase 2: Customer Care training was completed in September 2010. This, together with continuing, regular training (which forms part of normal HIC business), has ensured the flexibility inherent in current policies is being fully optimised.</p> <p>Reviews continue with the relevant chains of command to identify locations where it would be possible to use Officers' housing stock for larger Other Ranks families. Where agreements have been reached, these have been reflected in Area Housing Plans (for SFA). Area Accommodation Plans (which include Single Living Accommodation) were being developed to address wider accommodation issues and it was expected these would be fully rolled-out by 2012. However, following the issue of the first AAPs (covering London, SPTA, Hereford and the Clyde), it was decided to await the outcome of the detailed SDSR estate rationalisation programme (expected</p>

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			<p>July 11) before undertaking any further work on AAPs.</p> <p>The standardisation of properties continues to be considered for all new build and upgrade projects to maximise flexibility and usage. At South Cerney a flexible approach through using loft space to convert from a three bedroom to four bedroom in new build programmes is being considered to maximise the current density rules. Similarly, we are considering the planning profile in more detail at Brize Norton to accommodate larger three and four bedroom properties for more flexible use for other ranks and officers. This may mean that 3-bed properties will be designed to include attic trusses to allow relatively simple conversion to 4-bed properties.</p>
4	<p>Over a third of those surveyed by the National Audit Office were dissatisfied with the cleanliness of their property on moving in. The Department should either undertake to clean all properties before a family moves in, or strengthen expectations that families leave them clean by inspecting properties and completing minor repairs before another family moves in. The</p>	<p>The Department partially agrees with the Committee's recommendations. All families should move into a clean house without outstanding repairs. Following a successful roll out across Scotland, housing staff in England and Wales have started a programme of ensuring that properties are fit for occupation and meet the required cleanliness standards by getting them handed back from the</p>	<p>Partially Met. A 48-hour Take Back system was introduced in England and Wales on 6 April 2009, following a successful roll out in Scotland. This system allows for both Housing and Contractor officials to inspect the property 48 hours prior to occupants moving in. This gives time for any defects to be rectified. The system</p>

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	<p>Department should also:</p> <p>(a) make permanent the process being trialled in England and Wales whereby staff “take back” properties from the contractor two days before a new family arrives (particularly after repair work, or if the house has been empty) to allow for attention to unsatisfactory repairs or cleaning;</p> <p>(b) introduce a deposit, from which the Department can deduct cleaning charges for properties not left in a satisfactory state:</p> <p>(c) create a record of tenants who abuse their accommodation so incidents can be taken up with their military units and involve the Services on a more systematic basis, and</p> <p>(d) make more rigorous the collection of charges levied on moving out, and return the charges collected to the local area so that costs incurred do not reduce funding for other maintenance work.</p>	<p>contractor and checking them 48 hours in advance of families moving in. Staff annual performance objectives, have from October 2009, been more clearly defined, so that the staff measure delivery/acceptance of the required standards.</p> <p>The Department has developed training programmes for housing staff to improve their understanding of the required cleanliness standards. The Department therefore, considers there is no need to implement a deposit scheme. Reference houses are in place across the UK estate to show examples of the required standards for housing staff, contractors, chains of command and families to view.</p> <p>The Department has introduced a pre-payment cleaning scheme pilot to an approved cleanliness standard. This has proved successful and is now being rolled out across the UK estate. The scheme, together with better advice, will go some way to reducing the number of occupants who struggle to meet the standard. In those instances where occupants continue to fail, the chain of command is made aware and will assist with educating Service personnel in the</p>	<p>has proved successful with, in 2010/11 an average move-in pass rate of over 92%.</p> <p>Robust indicators have been set by DE which has already helped to raise the Contractor’s performance in other areas such as the timeliness of response maintenance repairs and the achievement of a ‘first time fix’. For instance, over 99% of emergency repairs are carried out within the specified contractual timeframe, with 90% and 95% for urgent and routine respectively. Response maintenance repair performance continues to be patchy in some areas of the country, such as London and the South East., and new suppliers have been introduced to bring about improvement there.</p> <p>In addition, a marked improvement in customer satisfaction with the overall standard of their SFA was recognised in the 2010 Armed Forces Continuous Attitude Survey; the Survey reported that 58% of personnel were satisfied with their SFA, an increase of 7% on the previous year.</p>

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		<p>standards that are expected.</p> <p>The Department has a net budget, which assumes a certain level of receipts and these are recycled into expenditure. However, where it is appropriate to do so, Barrack Damage charges levied on occupants can be recycled back to the area in which they were incurred.</p>	<p>The Department has rolled out the pre-handback Pre-Payment Cleaning Scheme across the UK. After some initial teething problems, this is now delivering against the contractual target. However, it remains the occupants responsibility to prepare their property to move out standard, and the introduction of the Pre-Payment Cleaning Scheme (used by around 25% of those occupants moving out), together with better advice and information to occupants on the required Move-Out standard, has proved beneficial with an average pass rate of over 65% of properties meeting, or exceeding, the required standard during FY10/11. This pass rate allowed properties to be reallocated more quickly. Work will continue with the Chain of Command to improve this figure further.</p> <p>A new approach to the recovery of damages is being developed which will decrease timescales and put in place a more effective dispute resolution process. Staged implementation should begin in Sep 11 and complete by Dec 11.</p>
5	Although some of the problems with the maintenance contract have been	The Department partially agrees with this conclusion. The Department	Partially Met. Following discussions with

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	<p>overcome, the level of first time repairs is too low, communication of progress to occupants is often poor and the contract excludes some important items. The Department should benchmark the maintenance system with other housing providers and manage the contract to ensure that the contractor meets meaningful key performance targets. In particular, it should work with the contractor to improve the actual rate of first time repairs. The contract excludes important items such as carpets. The Department should seek to extend the existing contract to include them, and should build currently omitted items into any new contract it agrees. It should also prepare the market so there is sufficient competition for the incumbent provider.</p>	<p>accepts that there are benefits to be gained from understanding contrasts with other housing providers and has joined Housemark, a professional body that measures performance of Housing Associations and Local Authorities. Membership of this organisation represents an opportunity for identifying best practice. However, the Department has to manage high mobility of its occupants, not normally replicated in the private sector, which makes it difficult when making meaningful comparisons of key performances.</p> <p>As the contract with Modern Housing Solutions (MHS) has progressed, the relationship between the contractor and the Department has matured. The contractor is continuing to address concerns over standards and has introduced PDAs (Personal Digital Assistants) to enhance performance. These allow visiting technicians' immediate access to information about the maintenance history of a property, for comprehensive records of types of assets installed to be accessed; as well as providing better information on the task in hand. While it is too early for conclusive data to be available, the initial assessment is that it has started to</p>	<p>HouseMark (a professional body that measures performance of Housing Associations and Local Authorities) data was exchanged in Feb 11 to allow a benchmarking exercise to be undertaken. A series of bilateral discussions have taken place since to clarify the analysis and it is anticipated the benchmarking results will be available by Sep 11</p> <p>The introduction of a Diagnostic Decision Tool has meant that MODern Housing Solutions (MHS) Helpdesk staffs are now better equipped to diagnose the root cause of a problem. This allows Helpdesk staffs to task the appropriate tradesmen to deal with the problem. Together with the introduction of Personal Digital Assistants (PDAs), which provide property specific information to technicians, have resulted in MHS meeting its target for 90% of all repairs to be 'fixed first time' (where a first time fix is possible).</p> <p>The present contract has not been amended to include carpets as the Department considers the available budget can be better managed under</p>

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		<p>make a positive difference on the ground.</p> <p>The contract has been amended to include some items originally excluded. These include common areas such as hallways in blocks of flats as well as areas contained within the footprint of the housing estates, such as the maintenance of garage blocks, grounds maintenance and pavement repairs.</p> <p>However, the wholesale inclusion of carpets into the contract is not affordable at present. It therefore makes better use of resources to maintain the current arrangements.</p> <p>Future contract arrangements will be examined in the light of the Department's 'Next Generation of Estate Contracts' project, which is looking at how estate services might be procured in the future as existing contracts approach their end dates.</p>	<p>the current arrangements. However, inclusion of carpets will be considered in the award of the new National Housing Prime Contract in 2013, which will reflect the lessons learned on the current contract.</p>
6	<p>The Department needs to develop better mechanisms for communicating with occupants and for recording their experiences and complaints. The Department should use the results of its planned survey of Service families to inform its priorities for improving</p>	<p>The Department agrees with this conclusion that communication with families could be better. All occupants of SFA will be included in a survey programmed for early 2010 to follow up the one undertaken by the National Audit Office during 2008. The data</p>	<p>Partially Met. A follow up survey identical in content to the one undertaken by the NAO during 2008 was carried out in the UK during December 2009. Although not as large a sample as the NAO survey, some 15,400 questionnaires</p>

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	<p>customer service. It should also consult more widely with occupants on their priorities when determining what upgrade work to carry out. It should introduce a more rigorous system for recording and monitoring occupants' complaints to quickly identify recurrent problems and take prompt action to address them.</p>	<p>generated by that survey, will be used to help inform upgrade programmes, as well as to give the Department valuable feedback on the overall service.</p> <p>The Department agrees that the monitoring and processing of complaints could be improved. A recent review identified a number of issues relating to governance, audit trails, responsibility and accountability between stakeholders. A more rigorous system for management and monitoring complaints is under development, starting to provide greater ownership of complaints at all levels, for all stages of the process.</p>	<p>were issued (to families who had moved in the previous 12 months) with 4,346 replies (28%). The headline figure shows that 68% (of the 28%) of respondents were satisfied with their property. The final report has just been issued and the results were used to feed into improvement and communication strategies. Because of the costs involved, it was decided not to conduct a further survey in December 10.</p> <p>However, communications with occupants has improved markedly in recent times. For instance, new governance arrangements have been introduced, especially at local level, allowing experiences and complaints to be addressed. In addition, the Housing Forum, the Housing Communications Board and the Joint Customer Board, all of which include occupant representatives (i.e. Family Federations), meet on a regular basis. We have re-launched the SFA website making it easier to use , including the introduction of a dedicated page covering complaints procedures. Finally, we issue a monthly on-line Newsletter</p>

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			<p>(Homefront) to provide Housing information to Service Families.</p> <p>While there have been no changes to the 3-stage Complaints Procedure, the Department has revised its internal processes to ensure, through improved management oversight, that all complaints are dealt with as expeditiously as possible. In addition, the Department has worked with the MHS and Family Federations to improve MHS' handling of contract-related complaints. MHS appointed a new Customer Service Director in April 2010 to focus on the complaints process and a revised complaints procedure was introduced in June 2010.</p>
7	<p>The Department is improving the way in which it delivers housing services, but could do more to follow good practice. To improve its own performance further, the Department should benchmark its performance and practices against other housing providers such as Housing Associations and Local Authorities, and draw on good practice in these sectors to develop a greater customer focus.</p>	<p>The Department agrees with the Committee's recommendation. The Department will use membership of Housemark as an opportunity to draw on good practice, which has been developed by Housing Associations and Local Authorities for improving customer focus, and to apply it to the Defence Estate.</p>	<p>Partially Met.</p> <p>HouseMark notices continued to be monitored for best practice initiatives. Advice has been sought on two specific issues: radon testing and maintenance arrangements.</p>

Twenty-third Report (2009/10) – Major Projects Report 2009

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1	<p>The defence budget is unaffordable by between £6 billion and £36 billion. The deficit is a reflection of shortcomings in the Department’s governance and budgeting arrangements. The implications of the failings are not just about increasing costs and poor value for money on individual projects but, vitally, mean the Armed Forces will not get the operational benefits of new capabilities as quickly as expected and some equipments will only be delivered in reduced numbers. The Defence Green Paper and the Strategy for Acquisition Reform, both published in February 2010, are a start at addressing the issues but do not tackle the fundamental unaffordability of the defence budget. Looking forward, the Department will undoubtedly need to take difficult decisions, including possibly cancelling projects.</p>	<p>The Department partially agrees with the Committee’s conclusion. The Department accepts that the root of many of its problems in recent years has been growing evidence that the programme is unaffordable, compounded by the deteriorating fiscal position, which affects the whole of public expenditure. There is room for debate about the scale of the affordability challenge, which depends entirely on the assumptions made about future levels of funding for Defence. For example: the £36 billion figure is the cumulative shortfall between budget and projected programme costs over ten years, on the assumption that in each of these years the budget allocated to the Department will remain constant in cash terms (ie: there will be a real terms reduction of 7.6%).</p> <p>The Government is determined to use the <i>Strategic Defence and Security Review</i>, which is now going on and will contribute to the review of all Government spending, to bring the Defence programme into balance with a</p>	<p>Partially Met. The Strategic Defence and Security Review, and the Planning Round 2011 have made significant inroads into the gap in the Defence budget. However, we have always been clear that more would be needed to be done.</p> <p>The Department has committed to producing an assessment of the costs and affordability of the equipment programme, accompanied by an independent audit from the NAO. This will be published later this year. It would be inappropriate to speculate on the size of any remaining gap in the meantime.</p>

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		<p>both a realistic, and suitably ambitious, assessment of the UK's Defence requirements, and with the resources likely to be available. The Government agrees that this is likely to involve difficult decisions about priorities. The Government is also committed to pursue an active programme of acquisition reform, and will act on its predecessor's undertaking to provide a ten-year indicative planning horizon for expenditure on Defence Equipment and Support. Such a planning horizon will provide a clearer basis for planning the future Equipment Programme.</p>	
2	<p>HM Treasury did not act sufficiently quickly to challenge the growing unaffordability of the defence budget. The Treasury should seek greater assurance over the affordability of new projects in the context of the overall defence budget. The Treasury should also work with the Department to agree how the expertise available in both organisations can be harnessed to work together to ensure future defence equipment plans are constructed and managed on a realistic basis.</p>	<p>The Treasury partially agrees with the Committee's conclusion and will work with the Department to ensure that defence equipment plans are constructed and managed on a realistic basis. In its response to Bernard Gray's report <i>Review of Acquisition for the Secretary of State for Defence (October 2009)</i>, the Department acknowledged the need to show that it can afford its equipment and support plans, as well as demonstrating much lower levels of cost growth and delay across its equipment programme. The Treasury will continue to work with the Department to attain this.</p>	<p>Met. The Department and the Treasury consider investment decisions in the context of the wider affordability of the defence budget. The Defence Board Sub-Committee on Equipment is specifically tasked by the Defence Board with ensuring the affordability of the forward Equipment Programme. The Department is taking steps to bring the forward Equipment Programme into balance, and is committed to annual independent audit by the NAO on these plans.</p>

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			<p>All investment decisions for equipment projects with an acquisition cost over £100M are subject to approval by the Treasury and are required to demonstrate affordability and value for money.</p> <p>The Treasury takes a strong interest in the wider affordability of the defence budget, and this has been an overriding factor when considering investment decisions. The Treasury has continued to offer a robust challenge to the affordability and value for money of such decisions.</p>
3	<p>In future, the Department and HM Treasury will agree a 10 year planning horizon for the Equipment Plan. This is a step in the right direction but by itself will not be enough. The Department must learn from past experience to ensure its future equipment planning reflects the risk that cost increases in other, less flexible elements of the defence budget such as pay, pensions and PFI deals may ‘squeeze’ the funding available for equipment.</p>	<p>The Department partially agrees with the Committee’s conclusion. A ten-year indicative planning horizon will help the planning and management of the equipment programme, by providing a greater degree of clarity about the resources likely to be available in the later years. Without such an indication, there is a greater risk of over-optimism about how much can be afforded in the years beyond the immediate Spending Review period.</p> <p>However, the Department accepts that this will not in itself be enough, and is investing significant effort in improving cost estimation skills and practice.</p>	<p>Partially Met.</p> <p>Discussions continue with HM Treasury on a 10 year indicative planning horizon for the Equipment Plan. In setting a planning horizon for the Equipment Plan consideration must be given on how wider Departmental risks such as pay; pensions are handled to avoid unplanned “squeezing” of the funding available for equipment.</p>

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4	<p>The Department hasn't done enough to understand what effect changes in the availability of funding, cost growth on existing projects, or urgent new demands may have on the future equipment budget. The Department should analyse the effects of changes in funding assumptions and combine this with an analysis of its past track record to ensure there is sufficient contingency in the Equipment Plan to deal with possible cost growth and meet emerging operational needs.</p>	<p>The Department agrees with the Committee's conclusion. The Department's Permanent Secretary has established a new sub-committee of the Defence Board. They are charged with ensuring that the equipment programme is aligned with strategy, is affordable and realistic. It has also introduced stronger central management of the equipment programme. In particular, there are now stronger controls over the entry of new projects into the equipment programme and over changes in performance, cost and timing of individual projects. Additionally, through Capability Programme Boards, the implications of wider Defence Lines of Development are captured in the development and subsequent costing of Planning Round options.</p>	<p>Partially Met. As part of Planning Round 12, the Cost Assurance and Analysis Service have conducted an independent analysis of the top 26 Equipment Procurement Programmes to assess the levels of risk and maturity of the individual programmes. The outcome of this work is being considered by the Director General Finance and Chief of Defence Materiel as part of exploring the feasibility of holding a financial contingency within the Equipment Programme. Any contingency would likely be focused on the mid to later years of the ten year programme given that including provision for a contingency would require taking more difficult decisions in order to contain the programme within the available existing budget.</p>
5	<p>The Department does not have good information on the overall costs and risks of its programmes. The Department should develop common measures of risk across its top 50 projects, which should include assessments of its commercial skills, the maturity of new technology, and knowledge of the systems used to integrate equipments. Taking into account other</p>	<p>The Department agrees with the Committee's conclusion. The Department has worked to develop robust costings, and a common view of risks across its top fifty projects. The effects of this improved management of risk can be seen in project performance. For example: costs under direct control of project teams have shown a net decrease of £85 million. These improvements have been re-enforced by</p>	<p>Met. Under the <i>Strategy for Acquisition Reform</i>, the Department has improved Cost Forecasting via increased manning (30 to 104 with 38 already recruited) and a capability up-skilling programme with KPMG (Bechtel/Rand) to move cost forecasting functional outputs to a level in line with industry upper quartile standard. This will deliver</p>

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	<p>key variables (such as defence sector inflation and exposure to exchange rates) these assessments should then be aggregated so that the Department can take a balanced view on the scale of the risks to the delivery of military capability in its portfolio of equipment projects.</p>	<p>the <i>Strategy for Acquisition Reform</i>, which has set out additional measures to improve the robustness of initial project cost estimation. For example: the Cost Assurance and Analysis Service now validate three-point estimates for all major projects and are working to improve further the standard of Cost Management Through Life.</p>	<p>improved cost forecasting in the areas of risk adjusted forecasts, pre-concept capability forecasting and wider engagement in the largest and most complex equipment projects.</p> <p>The Department has also established stronger controls over the entry of new projects into the equipment programme, ensuring that projects are more closely scrutinised from the outset, for factors including risk, technical viability, affordability, requirement, and deliverability. Independent costing is mandatory on all projects worth more than £100 million.</p>
6	<p>Delaying projects once they have started increases costs, postpones the delivery of military capability and puts the Department at a disadvantage as it tries to secure value from its commercial partners. In future the Department must ensure that decisions to accelerate or slow down projects, or change the numbers or capabilities of equipments, are supported by quantified operational and financial analyses to enable the full costs and benefits to be identified and compared on a like-for-like</p>	<p>The Department agrees with the Committee's conclusion. There is an inevitable tension between balancing the near term budget and the capability and financial penalties associated with delaying programmes in so doing. Several decisions in recent years to delay or de-scope programmes have been taken not in ignorance of the operational and longer-term financial implications, but because at the time there seemed no more acceptable or feasible way of keeping within budget. The intention is that following the <i>Strategic Defence</i></p>	<p>Met. While the SDSR made substantial inroads into the £38Bn funding deficit, there is still more to be done, for example through the basing review, the reserves review and the changes being made under the Defence Reform review.</p> <p>The Department is taking forward the work needed to balance defence priorities and the budget over the long-term.</p> <p>We recognise that a decision to defer</p>

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	basis.	<i>and Security Review</i> , the Departmental programme will be in better balance over a 10 year planning horizon and, therefore, the need for near term savings – including delaying equipment programmes – should be much reduced.	is likely to add cost to a programme. It is important that the full associated cost of any delay is clearly set out and taken into account in reaching a final decision. However such decisions can be necessary in the context of meeting near term budgetary pressures or where it is necessary to reprioritise investment to deliver higher priority capabilities.

Public Accounts Committee Recommendations

Twenty-seventh Report (2009/10) – Treating injury and illness arising on military operations

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1	<p>The Department’s care of the seriously injured has been of a high standard and the Department provides a range of support for families when personnel are in hospital. This report recognises the good work that the Department has done to date in the care for service men and women who have been injured on operations. Our recommendations therefore focus on the challenges that the Department faces to ensure that care remains highly effective in the future especially if numbers of casualties rise.</p>	<p>The Department agrees with the Committee’s conclusion. The Department recognises the challenges that would be presented if numbers of casualties were to rise, and will continue to ensure that it has effective contingency plans in place.</p>	<p>Met. The increase to overall numbers of casualties and the complexity of the injuries sustained has maintained the pressure on DMRC. Planning/modelling has been conducted around work to define the length of the care pathway of casualties and the interrogation of historical data by DASA in conjunction with clinical input, resulting in the production of new capacity assumptions that should cater for the next 3-5 years. These assumptions include infrastructure (bed and therapy capacity) and manpower resources required to deliver this extra capability. Morbidity and survivability data affirms that standard of care remains high.</p>
2	<p>The number of seriously injured patients who will need life-long care is growing but the arrangements for the support they will receive in the NHS once they leave the Armed Forces have not yet been widely tested, as very few have been</p>	<p>The Government agrees with the Committee’s conclusion and in its ‘Programme for Government’ document, outlined its strong commitment to providing long-term support to injured Service personnel and their families. Those who sustain serious injuries that require long term care while still in</p>	<p>Partially Met. Six pilot schemes of Wounded in Service (WIS) Service Leavers concluded in Mar 2011. Lessons identified from the pilot schemes were addressed and added to the Transition Protocol (TP). The TP was established as policy for the 3</p>

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	<p>discharged so far. The Department has been working with the NHS to plan individuals' care once they leave the Armed Forces. The Department now needs to work with wider government to put in place an overarching system to ensure that soldiers' clinical care and support for their families is maintained in the longer term.</p> <p>This system should include a clear, costed plan to provide this care and support, and arrangements for monitoring the accessibility and standard of care for veterans.</p>	<p>Service will receive appropriate treatment, funded by the Department, to match clinical requirements. Suitable adaptations will be made to both working and Service-provided living accommodation where appropriate. Ongoing welfare support is also available from the chain of command, through the defence welfare services, and from Service charities.</p> <p>For those who are medically discharged from the Services, their care and its funding then become the responsibility of other Departments and the NHS. The Department of Health announced on 11 January 2010 that a package of measures will be put in place across the NHS to support the increased number of service personnel who have received serious injuries whilst on active service. This will include new arrangements for life care planning together with a guarantee that those seriously injured and needing continuing health care will receive ongoing high quality care for life, based on an early and comprehensive assessment and regular review of their needs overseen by a NHS case manager.</p>	<p>Services, the Department of Health, Devolved Administrations and the Association of Directors of Adult Social Services following the conclusion of the pilot schemes. TP sets out the responsibilities and procedures for planning the transition of health and social care for injured Service leavers to local public providers. TP ensures early liaison (at least 3 months prior to the individual's discharge) with the relevant health and social care experts within the Primary Care Trust and Local Authority, including the Veterans Welfare Service. The VWS play a key role in early liaison, providing the required coordination to ensure Voluntary and Community Sector (VCS) input. VWS also facilitates access to the appropriate complementary VCS support for the Service leaver throughout life. The VWS will continue to provide support for as long as it is required.</p> <p>With regards to adaptive housing, the MOD has identified another applicable group of individuals; injured Service personnel who own their own homes. The MOD is in the final stages of concluding an</p>

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			<p>overarching arrangement with a specialised charity, “Foundation Independent Living Trust” to deliver these adaptations through a single nationwide programme; the costs of the adaptations are met by the MOD while the individual remains in-Service.</p>
3	<p>Should greater numbers of casualties occur, the Department relies on a voluntary NHS agreement to take the pressure off Selly Oak for five days by sending civilian trauma patients to hospitals elsewhere in the region. This agreement needs to be formalised and built into the national agreement with the Department of Health.</p>	<p>While the Department recognises the importance of formalising and strengthening contingency arrangements, and continues to work closely with the Department of Health (DH), the complexity of such planning in the long-term makes it impractical to arrange definitive contingency plans. Flexibility in being able to respond to unexpected scenarios is in itself an integral part of these arrangements. Consequently, the current emphasis is on active management, rather than simple capacity planning. This work is already in hand with DH and appropriate NHS facilities. In June 2010, the University Hospital Birmingham Foundation Trust (UHBFT) moved to the new Queen Elizabeth Hospital, Edgbaston, which has 100 critical care beds providing sufficient capacity for all likely military requirements for the foreseeable future.</p>	<p>Partially Met. A Concept of Operations (CONOPS) for RAMP Level 2, whereby patients are moved elsewhere within the West Midlands (WM) immediate conurbation and further out into the WM region, has been staffed and included into the RAMP Plan.</p> <p>The revised RAMP Plan is yet to be released, due to development of other aspects, but agreement to the RAMP 2 element has been minuted between MOD, DH and DFT.</p>
4	<p>The Department does not have sufficiently detailed and robust contingency plans should Selly Oak become full. Injured military personnel should be treated in a military environment which is suitable for their needs. If Selly Oak remains under pressure for more than five days there are arrangements for military patients to be treated in other hospitals</p>	<p>While the Department recognises the importance of formalising and strengthening contingency arrangements, and continues to work closely with the Department of Health (DH), the complexity of such planning in the long-term makes it impractical to arrange definitive contingency plans. Flexibility in being able to respond to unexpected scenarios is in itself an integral part of these arrangements. Consequently, the current emphasis is on active management, rather than simple capacity planning. This work is already in hand with DH and appropriate NHS facilities. In June 2010, the University Hospital Birmingham Foundation Trust (UHBFT) moved to the new Queen Elizabeth Hospital, Edgbaston, which has 100 critical care beds providing sufficient capacity for all likely military requirements for the foreseeable future.</p>	<p>Partially Met. Current contingency plans for RAMP 3, whereby military patients are admitted outside of the WM SHA, are being reviewed in partnership with the DH. This work includes assessment of appropriate Major Trauma Centres and their networks throughout England taking into account their capability to meet clinical need as</p>

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	<p>across the UK, but these arrangements need strengthening. The Department needs to develop a more robust plan detailing:</p> <p>a) Which NHS hospitals military patients will go to depending on their type of injury, and</p> <p>b) How it will replicate elsewhere the important elements in place at Selly Oak for treating military casualties, including clinical expertise and experience in dealing with serious battlefield injuries, the creation of a suitable environment for military personnel and effective wider support for their families.</p>	<p>In the event of a significant casualty surge, the Department and UHBFT jointly manage the receipt of casualties, looking first at the available bed spaces in all clinically appropriate Birmingham hospitals within UHBFT, where military patients and their families would also benefit from the support arrangements in place in the Birmingham area. As an additional contingency plan, the Department is working with DH and NHS to develop plans with an alternative Major Trauma Centre to become the receiving hospital if military casualties could not be managed within the Birmingham area for any reason. Plans will include the attachment of key military clinical and welfare staff to the chosen centre to support military casualties being treated there.</p> <p>In addition the Department would be able to use, if required, the long-standing national <i>Reception Arrangements for Military Patients</i> (RAMP) plan. This plan is designed to handle increasing numbers of military casualties returning to the UK from an overseas theatre of operations in time of conflict. Under RAMP, when casualties are evacuated by air to the UK, the</p>	<p>well providing support to the patient group (patient, NOK, close relatives or nominated significant other) coupled with the proximity of military establishments and airports. During RAMP 3, Standing Joint Commander UK (SJC (UK)) is responsible for the tracking of returning patients into secondary care facilities. Welfare of individuals remains a single Service responsibility with Service Liaison Officers called forward as required.</p> <p>Final settlement of this aspect of the plan depends to an extent on DH final decisions on their initiative in establishing Level 1 Trauma Centres and further negotiation with the devolved administrations. The next meeting to take the plan forward will be on 28/6/11 and the target date for the publication of the revised plan is 31/12/11.</p>

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		<p>selection of the hospital to which they will be admitted is made in conjunction with the Department of Health on the basis of clinical need and bed availability. The welfare support to any patients admitted to a hospital under RAMP would fall to sickness management and patient tracking arrangements co-ordinated by the service casualty's own chain of command.</p> <p>Whilst the Department recognises the importance of developing plans against contingencies, it is the case that current military and NHS arrangements in Birmingham have shown themselves well able to cope with the level of military casualties experienced during operations in Iraq and Afghanistan.</p>	
5	<p>Very few of the most seriously injured soldiers have been discharged from the Armed Forces to date and they are still receiving care at Headley Court. Given the UK's long term commitment to Afghanistan, patients will continue to arrive at Headley Court and its facilities are likely to come under increasing pressure. The Department should model the potential through-put of patients at Headley Court to ensure that its expansion plans will</p>	<p>The Department agrees with the Committee's conclusion and has conducted basic modelling, which led to the provision of an additional 30-bed facility at the Defence Medical Rehabilitation Centre (DMRC) Headley Court in May 2007. The number of ward beds at Headley Court will be further increased by up to 30 beds by the end of 2010, in addition to expanding clinical facilities in the longer term. Patients with an appropriate level of function can also</p>	<p>Met. Mallard House Ward opened in Sept 10 and now provides 36 beds. Wood House and existing 'Hostel' accommodation provides 117 beds of which 6 are appropriate for use for service personnel in wheelchairs. DASA has worked in conjunction with the clinicians at DMRC to model what future capacity at DMRC might be required and measures have been undertaken to achieve this target</p>

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	<p>provide enough beds. In conducting this analysis the Department should consider whether it will need to help the NHS provide some of the more specialist services its veterans from Iraq and Afghanistan will need.</p>	<p>be accommodated in additional non-ward beds on site.</p> <p>The Defence Medical Services (DMS) manage a network of rehabilitation centres around the UK and in Germany which supplement the flagship facilities at Headley Court and can be used where clinically appropriate for the less seriously injured and for those at the later stages of their rehabilitation. More sophisticated modelling will be undertaken, and will improve in the future with the detailed transition arrangements now in place to facilitate the discharge of personnel from DMRC. It is anticipated that these arrangements will help to relieve some pressure on capacity.</p>	<p>incrementally: DMRC is currently manned for 96 in patient beds and have the capacity to expand incrementally as stated in the response to ser 1. Patients are assigned to the sS recovery cells (Personnel Recovery Units, Hasler Coy & Personnel Holding Flight) where their transition back to service/civilian life is administered.</p>
6	<p>The Department's rates of minor illness and injury have increased from 4%–7% between 2006 and 2009. There are a number of possible explanations for the increasing trend and the Department believes that the increase is due in part to better reporting by medical officers in the field. The impact on fighting strength and on morale mean that rates of minor injury and illness must be taken seriously. The Department should increase its</p>	<p>The Department does believe that the primary cause of the increase in the reported rate of minor injury and illness is improved reporting. More recently the rate has remained broadly level, subject to normal seasonal and operational fluctuations. Nonetheless the Department is not complacent and analyses causes of apparent increases in diseases, particularly gastro-intestinal illness. The Department is undertaking research and conducting an audit of compliance with</p>	<p>Met. (Met in terms of these specific objectives, however this is an enduring area of work for continuous improvement). There has been increased vigilance.</p> <p>Thorough assessment of rates and adequacy of prevention measures has taken place: An in-depth audit of DNBI in Afghanistan was conducted mid-2010. The subsequent recommendations have been</p>

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	<p>vigilance in this area by:</p> <p>a) Conducting a thorough assessment of why rates of minor injury and illness have risen and the adequacy of current prevention measures, while identifying areas for improvement, and</p> <p>b) Researching how many of its troops may not be reporting illnesses and minor injuries so it can understand the full impact they have on the health of soldiers and the UK's fighting capability.</p>	<p>preventive measures. The results of this will be reported in autumn 2010, with implementation measures to follow.</p> <p>The Armed Forces deployable <i>Primary Healthcare Information System</i> was rolled out early 2010 across the four main Forward Operating Base locations in Afghanistan, with certain specialist units also receiving remote access. This will enable an enhanced capture of data and, in conjunction with improved reporting policy, will enable the development of a more robust data set for analysis.</p>	<p>managed by a pan-stakeholder working group chaired at 1* level. A key output of this work is piloting the provision of named consultants in Public Health and Occupational Health to support PJHQ in overseeing and investigating DNBI issues. Considerable attention is being paid to improving data recording and anticipated benefits include being able to analyse DNBI by operational location including patrol bases. However better and more energetic recording may have a paradoxical effect and produce an overall increase in DNBI rates</p> <p>Research into unreported cases: Specific audits have been initiated into the main DNBI elements, such as Gastroenteritis and Dermatology. An aspect of this work was to question representative populations in order to identify unreported illness.</p> <p>Concerted efforts in Theatre have also been made to educate on the importance of personnel in theatre reporting their minor illness and to medical staff to record it properly. Improvements to the current reporting system are also being made to allow</p>

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			better analysis of DNBI and to better inform preventive measures. The current EpiNATO reporting system is inefficient and work is going on with NATO and bilaterally with the FR to explore a replacement system for DNBI reporting and analysis.
7	The Department does not compare its approach to preventing minor injury and illness with the methods employed by other Armed Forces. It should identify how it could most meaningfully compare its practices, and the rates of minor injury and illness experienced by UK forces, with those of other nations such as our allies in Iraq and Afghanistan.	The Department agrees with the Committee's conclusion. Comparison with rates of minor injury and illness with other nations has not been formally done to date. Comparisons have focused on trauma data where the USA and UK have established extensive quality assurance systems for the seriously injured. The Department will explore the scope for comparison of minor injury and illness, while noting that if there are national differences in reporting methodology and analytical models, it might be neither appropriate nor cost effective to change UK practices.	Partially Met. The establishment of RC(SW) has enabled closer cooperation between the UK and US Preventive Medicine teams in Helmand, with knowledge and initiatives being shared. Comparing practices is developing through the work of the NATO Force Health Protection Working Group of which the UK is now an active member. EpiNATO does not currently produce meaningful data to allow a valid comparison in this area yet. Work is ongoing in NATO (anticipated delivery in 2012 – 2013) to produce an improved system for all to use that will allow such comparison.
8	The Department is not sufficiently proactive in making sure Reservists who return from operations are treated for stress. The Department has yet to demonstrate whether recent measures have successfully given Reservists sufficient access to mental health	The Government aims to provide mental health services to meet the needs of all Service personnel, regular or reserve, and will give specific consideration to whether more could be done for Reservists. Acute stress reactions and operational stress injuries are treated in	Partially Met. 1. The understanding of the mental health of reservists has developed with the completion of various pieces of work: a) The cohort study published in

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	<p>support on their return. The Department should assess systematically the effectiveness of these measures to guarantee that they identify the majority of Reservists who show signs of suffering from stress or are at risk of developing mental health problems.</p>	<p>theatre or when people return from deployment, whether regular or reservist. Whilst mobilised, Reserve personnel get the same access to care as regular personnel. At the point of demobilisation, a medical assessment is undertaken which includes psychological health.</p> <p>Once demobilised, in addition to the mental health care provided by the NHS, Service personnel are able to access the <i>Reservists Mental Health Programme</i> run from the Reserves Training and Mobilisation Centre, Chilwell. This offers assessment and treatment if appropriate at one of the military departments of community mental health. This programme is open to reservists who have been mobilised and are concerned about their mental health related to operational service since 2003. Additionally, veteran reservists and regulars who have seen operational service from 1982 onwards can attend the <i>Medical Assessment Programme</i> at St Thomas' Hospital, London. This offers a specialist mental health assessment by a consultant psychiatrist with extensive military experience.</p>	<p>May 2010 by King's Centre for Military Health Research showed that deploying reservists had a rate of probable PTSD of 5% compared to a rate of 4% in regular service personnel, and compares to a rate of 1.8% in non-deploying personnel. The latter rate shows an unusually low rate (compared to civilian rates – 3%) amongst non-deploying reservists. Rates of other more common mental health problems, which were higher than regular personnel in the earlier cohort study published in 2006, have come down to similar rates in regular personnel (19% for common mental health disorders - depression and anxiety).</p> <p>b) An evaluation of the Reserve Mental Health Programme (RMHP), which has offered assessment and treatment of military related conditions since 2006, has shown good effectiveness. Of those treated for a military related mental health problem in one the UK Departments of Community Mental Health, 75% have returned to</p>

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		<p>The Department funds research to identify the mental health needs of regulars, reservists and veterans, principally through the work conducted by the King's Centre for Military Health Research. It is also concluding a review of the first three years of operation of the <i>Reservists Mental Health Programme</i>. However, it should be recognised that there is no assessment method that guarantees the correct identification of psychological conditions or the risk of their future occurrence, and a false positive assessment would cause unnecessary distress to the individual.</p>	<p>operational fitness.</p> <p>2. Whilst the RMHP assesses and treats those who have established problems, the prevention of mental health problems is not its aim. To address the latter, the mobilisation and demobilisation processes include attention to mental health promotion that regular personnel are exposed to (pre-operational stress briefs, homecoming briefs (during which the RMHP is advertised)). Whilst mobilised, reservists access the same supports available to regular personnel (Trauma Risk Management, access to the Force Mental Health Team and Decompression). The mental health team at the Reserves Training and Mobilisation Centre (RTMC) Chilwell provide assessment and treatment to Reservists going through demobilisation, should they present, and demobilisation is delayed to facilitate this if necessary.</p> <p>3. The mental health of reservists is the subject of a number of current research projects contracted by MOD at Kings Centre for Military Health, looking at possible reasons for the</p>

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			<p>slight increase in PTSD rates. It is known that family relationship differences exist between deploying and non-deploying Reservists, and suspected that the differences between regular and reservist mental health probably relates to post deployment experiences rather than operational experiences.</p> <p>4. Ongoing work relating to the RMHP includes consideration of extending the entitlement of reservists who have deployed since 1990; increasing awareness of the RMHP among NHS GPs and reserve units; and bringing the management of the RMHP into the Army Primary Healthcare Service, who manage UK community mental health services to Armed Forces personnel.</p>

Second Report (2010/11) – Delivering Multi-Role Tanker Aircraft Capability

http://www.hm-treasury.gov.uk/d/minutes_1_2_reports_cpas_dec2010.pdf

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1	<p>The use of PFI to deliver a vital military capability like FSTA was inappropriate. In 2004, even the project team recommended abandoning the PFI solution in favour of a conventional procurement. Military needs are not like hospitals or schools where activity is predictable and more suited to PFI. The Department, working with HM Treasury, should set out clearly when PFI is appropriate for defence and the characteristics of a successful defence PFI deal.</p>	<p>The Government does not agree with the Committee’s conclusion on Future Strategic Tanker Aircraft (FSTA) or on the applicability of PFI to Defence, but agrees with the Committee’s recommendation. The Government agrees that PFI is not necessarily suitable to deliver military capability in every case. However, the Department has signed off 54 PFI projects and of these has a current portfolio of 45 operational projects, the majority of which are operating successfully. Although less widely adopted than in the United Kingdom, several countries (such as The Netherlands, the United States and Australia) have used Public Private Partnership (PPP) as a procurement route for defence infrastructure, such as headquarters and accommodation. Operational and security related issues tend to narrow the potential for PFI in relation to defence equipment projects, though these issues are not insurmountable in every case. Whilst it is true that PFI might not be appropriate for tanks, attack aircraft and warships,</p>	<p>Met. The Department’s Private Finance Unit is in dialogue with HM Treasury in its review of existing PFI guidance to ensure that it clearly sets out when PFI is appropriate for use in Defence. Once the scope of any proposed changes is understood a programme for publication and implementation will be issued.</p>

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		<p>which need to be deployed flexibly and are operated and maintained (at least in part) by service personnel, PFI could be appropriate in areas such as training - for example: helicopter simulators, support tasks -for example: the strategic sealift / roll-on roll-off ferries, and ancillary services -for example: dockyard tenders. Overseas, France and Greece have delivered defence equipment PPPs for training helicopters and simulators. The Treasury's <i>Value for Money Assessment Guidance</i> sets out a quantitative and qualitative approach to assessing the potential for value for money of PFI procurement. In addition, the Department has its own guidance¹ setting out the criteria for selecting PFI as a procurement route in defence. A key requirement of a business case is to consider alternatives as part of the options appraisal. Where PFI is being considered, the project team will evaluate whether a PFI procurement strategy is expected to deliver a value for money in accordance with the Treasury's and the Department's guidance. The Department will work with the Treasury to review this guidance to ensure that together they set out clearly when PFI is appropriate for use in</p>	

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		<p>Defence. In addition, the Department, as part of its assurance role to the internal Investment Approvals Board (IAB), uses twelve critical success factors or characteristics to assess the maturity of PFI projects at various points in their acquisition cycle. These are set out in the Department's guidance on conducting assurance on PFI projects.</p>	
2	<p>The prevailing support for PFI at the time is not a justification for the Department's decision in 1997 to commit to a £10.5 billion project to deliver a vital military capability without knowing whether it was the best value option. HM Treasury should also have challenged the Department's selection of PFI as the preferred option without conducting a robust evaluation of alternatives. HM Treasury should publish the basis upon which it reviews the value for money offered by the contracts the Department proposes to enter into, and the robustness of the option appraisals underpinning the initial choice of procurement route.</p>	<p>The Government partially agrees with the Committee's conclusion and notes the recommendation. Both value for money and the options appraisals guidance has been published. The statement that 'in 1997 the Department committed to a £10.5 billion PFI' is incorrect. Commitment only takes place after Main Gate approval and Treasury approval, which occurred in 2007. However, the Department accepts that in 1997, when it elected to pursue a PFI strategy, more could have been done to look at alternative methods of procurement to ensure that a PFI approach represented value for money. The Treasury instituted a revised process for assessing the value for money of PFI projects in 2004. This process is defined within the Value for Money Assessment Guidance.¹ This sets out the basis on which the Treasury assesses the value</p>	<p>Met. The actions detailed in the Treasury Minute were completed at the time.</p>

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		<p>for money of PFI projects. Departments are required to follow this when preparing their business cases. The Treasury has also published the requirements for conducting robust options appraisals. These requirements are listed in the Green Book2, which sets out the core principles on which all public sector economic assessment is based. Both sets of guidance are published on the Treasury's website.</p>	
3	<p>The final decision to commit to FSTA in 2007 was made using a Public Sector Comparator which was not a realistic or affordable alternative to the PFI and the outcome was highly dependent on which discount rate was used. Nor did the Department develop a robust fallback plan which could have provided a more realistic alternative way of delivering the capability. At the outset of all future major investments the Department should identify: a realistic alternative against which to assess the value for money of its preferred solution, and the latest point at which it would be credible to adopt the fallback option so that a realistic comparison of the relative value of alternative ways of delivering a capability can be made.</p>	<p>The Government partially agrees with the Committee's conclusion and agrees with the Committee's recommendation. The Public Sector Comparator (PSC) was realistic as a VFM comparator and showed that the PFI deal offered good value for money, using either discount factor, at the level of confidence against which the Department would expect to deliver. But it is accepted that it was not an affordable alternative to the PFI procurement. Indeed the PSC is a cost comparator for delivering an equivalent service, and therefore must not be constrained by affordability considerations. It is not intended to be a fallback. The Department has identified, as one of the key lessons learned, the importance of developing a viable fallback option at an early stage and</p>	<p>Met. The recommendation has been implemented for defence PFI and enforced by the MOD PFU. However no new PFI procurements have been launched since the date of the recommendation, although a number of estates housing projects are considering using PFI, subject to Departmental and HM Treasury approvals. These are applying the recommended approach as part of their preparatory work.</p>

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		<p>updating it regularly. In accordance with the Treasury guidelines, Departmental guidance mandates the development and maintenance of a PFI reference model from the inception of the project. The PFI reference model should be constructed on the basis of a 'Should Cost Model' which represents the Department's interpretation of what a potential PFI for the stated requirement may cost. The model provides the Department with a realistic affordability calculation and provides a comparison tool for bid evaluation purposes. The implementation of fallback options is addressed in any investment decision approved by the Department's Investment Approvals Board.</p> <p>1 http://www.hm-treasury.gov.uk/ppp_vfm_index.htm</p>	
4	<p>It took over nine years, more than twice as long as expected, to place the FSTA contract. The Department incurred extra costs over this period and the last aircraft will not be delivered until 19 years after the procurement began. FSTA was undermined by a series of procurement mistakes. We have criticised the Department before for such failings but FSTA demonstrates that action is still needed to prevent their repetition. On future projects, we</p>	<p>The Government agrees with the Committee's conclusion and recommendation, and accepts that it took longer than it should have to place the contract. In relation to PFI projects, project teams will be required to demonstrate, as part of the assurance process, that they have reviewed all of the relevant PFI lessons (contained within the Department's Private Finance Unit guidance documents) and applied these to their project. The Department</p>	<p>Met. The recommendation has been implemented for defence PFI and enforced by the MOD PFU. However no new PFI procurements have been launched since the date of the recommendation, although a number of estates housing projects are considering using PFI, subject to Departmental and HM Treasury approvals. Should they pursue PFI, project teams will be required to</p>

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	<p>expect the Department to demonstrate it has truly learned and successfully applied the lessons from its repeated procurement failings.</p>	<p>has already identified and started to implement some of these lessons. For example, current work on Project Termination includes the requirement for fallback plans to be maintained and updated as the project proceeds including key decision points at which it can be assessed whether projects are no longer viable. Likewise, the Permanent Secretary, or Deputy Chief of Defence Staff (Capability) appoint Senior Responsible Officers (SROs) for all of the Department's Capability Programmes (all equipment capability projects, regardless of size, sit within broader programmes). The Department is continuing to improve the way in which it understands, sets and reviews requirements from the outset, especially to improve on agility and flexibility in relation to contractual arrangements. The Department accepts the importance of identifying clear funding responsibilities, and through its programme and project management aims to achieve this beyond equipment alone. It is important to consider all the factors (including personnel, training, infrastructure, future exports and potential international collaboration) which will affect the long-term</p>	<p>demonstrate, as part of the assurance process, that they have reviewed all of the relevant PFI lessons (contained within the Department's Private Finance Unit guidance documents) and applied these to their project.</p> <p>Examination of the wider acquisition issues is being addressed by the Department as part of the ongoing review by the Defence Reform Unit, including the implications for the Department's operating models.</p>

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		<p>affordability of the capability. The issues set out above are all fundamental to acquisition, but also raise broader issues around the way in which the Department plans and resources. The Department will examine these further as part of the ongoing review by the Defence Reform Unit, including the implications for the Department's operating models.</p>	
5	<p>The Department did not understand the costs of the deal it was negotiating as it did not obtain access to detailed industry cost data. This meant it could not gauge the whether the deal was value for money. In particular, it could not determine whether profit margins were appropriate or the premium it was paying to transfer risk to industry. We were not persuaded by the Department's generalised assurances that it had got a grip on this problem on current procurements. The Department should agree with its commercial partners a framework against which to assess what constitutes appropriate access to cost and other data in differing procurement circumstances and ensure it enforces its access rights rigorously.</p>	<p>The Government partially agrees with the conclusion and agrees with the Committee's recommendation. For the Future Strategic Tanker Aircraft project the Department had access to the prime contractor cost data including the financing costs. It is accepted that the Department did not have access to the detail of the subcontractor costs, but it is not accepted that this undermined the VFM assessment. Furthermore, the situation with FSTA was not unusual. When price is set by competition, the right of the purchaser to underlying cost information is limited - "open book" accounting rules apply only to single tender situations and changes after contract award. At the outset of a project, policy requires the establishment of a team with the requisite skills to specify the cost data required to support pricing. It includes,</p>	<p>Partially Met. The Department is currently reflecting on Learning from Experience on financial information from Public Private Partnerships into its commercial policy and will also reflect further recommendations on complex procurements when the associated review is complete later this year.</p>

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		<p>where justified, the involvement of specialist Cost Assurance and Analysis Service staff, which also assist in the construction of a robust 'should cost' estimate against which the value for money of bids is assessed. In the management of costs during project delivery, including the cost of contract change, extant policy also governs access to data, including cost data. This applies to all new high value projects with the Department's industry partners using non-competitive procurement strategies and to amendments to competitively placed contracts. This contributes to the continual demonstration and improvement of VFM. 'A Partnering Handbook for Acquisition Teams', published by the Department in August 2008, along with associated Commercial Policy Statements, sets out the requirement for "open book" transparency in partnering and similar arrangements. This requires project teams to put in place with industry partners a joint disclosure agreement governing the approach to continuing access to cost, schedule and performance information throughout the contract term. Where appropriate, these principles flow into the supply network.</p>	

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6	<p>The Department can only make sensible decisions with robust financial and performance data. In this case, the Department did not have data on the performance of its current aircraft fleets, the cost breakdown of the deal or the potential costs of alternatives so it could not either compare costs or know whether the PFI option was value for money. We believe FSTA is illustrative of a wider problem for the Department which if it is not addressed will fundamentally affect its ability to deliver value for money. <i>The Department should set out clearly its financial and performance data needs, how it will develop the underpinning management information systems, how long this will take and how it will change the culture of the organisation to place a premium on generating and using such information.</i></p>	<p>The Government partially agrees with the Committee's conclusion and recommendation. The VFM assessment was based upon an industry competition, a public sector comparator, and cost modelling. The absence of some aspects of the information referred to did not undermine the ability to assess VFM. The Department has striven to strengthen the collection of information on total "Through Life Costs" of individual capabilities and alternative options in support of the development of proper Investment Appraisals and Combined Efficiency and Investment Appraisals in support of major acquisition decisions. The Department will conclude a pilot study in spring 2011, in which such information has been regularly collected, before deciding on the wider utility and rollout of such information requirements. With respect to PFI, the Department's Private Finance Unit is conducting an exercise in parallel to identify the key data sets required to enable effective cost comparisons on PFI projects. This exercise will report in 2011.</p>	<p>Met. With respect to PFI, the Department's Private Finance Unit is conducting an exercise in parallel to identify the key data sets required to enable effective cost comparisons on PFI projects. This exercise will report in 2011.</p>
7	<p>The progress of the procurement improved only when the Department applied enough of its scarce staff with PFI and commercial skills to FSTA. The</p>	<p>The Government agrees with the Committee's conclusion and recommendation. As part of the Department's Director General for</p>	<p>Partially Met. In early 2011, the Department published its new Commercial Skills Strategy setting the policy for all MOD</p>

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	<p>availability of sufficient commercial experts and a more general awareness of commercial issues in the wider defence community underpin successful acquisition. The Department should develop a more comprehensive training and development programme to ensure there are sufficient skilled individuals to support all of its complex projects. The Department should also ensure that all staff involved with FSTA are fully aware of the financial implications of any decisions they make.</p>	<p>Defence Commercial's five year strategic plan, the Commercial Capability (CC) team is leading on his strategy for: a refreshed and strengthened learning and development programme; a commercial strategic workforce plan; new commercial skills and capability framework; matching commercial need with resource; and continuous improvement of the business graduate and mid level management entry schemes. A recurring lesson from PFI project Learning From Experience exercises is that a suitably skilled, resourced and stable project team is one of the key factors in achieving a successful PFI project outcome. The Department has carried out an assessment of corporate PFI related risks. This identified that the lack of skilled resources in acquisition teams is one of the key strategic risks affecting the Department's PFI programme. As part of a refreshed and strengthened learning and development programme, the Department, in conjunction with the Commercial Capability team, intends to carry out a review of PFI skills and training needs through a Training Needs Analysis to identify required functional competences, existing training, training</p>	<p>Staff and their Line Managers on Commercial awareness, skills, and professional qualifications required by the Department. It represents a serious drive to raise Commercial awareness, professionalism and capability across the Department. The strategy covers all MOD staff, both civilian and military, at all grades and ranks.</p> <p>In respect of PFI specifically, the Department's Private Finance Unit has commenced a Training Needs Analysis to identify required functional competences, existing training, training gaps and new training requirements relevant to PFI acquisition teams. The Department aims to issue its findings by March 2012.</p>

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		<p>gaps and new training requirements relevant to PFI core acquisition teams. The Future Strategic Tanker Aircraft Project Team is fully committed to ensuring that all staff are fully aware of the financial implications of any decisions made. A succession plan has been developed to ensure that experienced staff (military and civilian) are maintained on the project until after Introduction To Service has been achieved and an ongoing training programme has been developed which allows for staff to be continuously refreshed on the financial and commercial aspects of the programme. In addition the Project Team, as part of its original transition plan, has produced a user's guide to the contract to describe its provisions to non specialists who will be involved in the project.</p>	
8	<p>For much of its procurement the FSTA project lacked leadership. In the early years the project averaged a team leader a year and a Senior Responsible Owner (SRO) was not appointed until 2007. The Department accepted this failure but stated that all major projects do now have someone with an overview of the various elements of the project and influence over them. This is not the same as strong leadership. The</p>	<p>The Government agrees with the Committee's conclusion and recommendation. The Permanent Secretary approved a revision to the Department policy, in July 2010, that guides the role of the SRO. The guidance follows the best practice guidance published by the Cabinet Office Efficiency and Reform Group, including a single list of generic and Departmental specific responsibilities;</p>	<p>Met. The SRO is responsible for overseeing all aspects of programme delivery to ensure that it is successfully implemented, that the potential of the change or capability is fully exploited and that the through-life benefits are delivered. A key theme of the Defence Reform work is to ensure that accountability for delivery is aligned with the authority</p>

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	<p>Department should take action to ensure its managerial and budgetary structures enable SROs to act as empowered leaders able to drive the delivery of defence equipment capability.</p>	<p>and closer alignment in respect to SROs' levels of empowerment, authority and accountability needs to be examined as part of the work of the Defence Reform Unit. For major military capability, business change programmes and projects, the appointment is made by the PUS and the SRO is accountable to the Defence Board. The SRO is personally accountable for delivering the programme and for the realisation of expected benefits that meets its objectives and delivers the projected benefits. The SRO is responsible for overseeing all aspects of programme delivery to ensure that it is successfully implemented, that the potential of the change or capability is fully exploited and that the through-life benefits are delivered. These issues will be examined further as part of the Defence Reform Unit's review to determine how the SROs' empowerment, accountability and responsibility can be strengthened.</p>	<p>and levers necessary to ensure delivery.</p>
9	<p>In 2006 the Department recognised the need for additional protection to enable FSTA to fly into high threat environments such as Afghanistan but failed to include this in the contract negotiations. Four years later it has still not decided whether to fit the necessary</p>	<p>The Government partially agrees with the conclusion and agrees with the Committee's recommendation. FSTA will be fitted with a Defensive Aids Suite. In the light of the evolving threats faced on current operations the Department is looking at the possibility of providing</p>	<p>Partially Met. Work is in hand with industry to develop an enhanced FSTA Aircraft Platform Protection system.</p>

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	<p>equipment. The Department urgently needs to find a robust long term solution to this issue. Otherwise, the aircraft will enter service without being able to replace the Tristar in its current role of flying personnel in and out of Afghanistan and the Department will incur extra costs finding alternative ways of providing the capability. The Department should report back to us within six months of the completion of the Strategic Defence and Security Review explaining what solution it has chosen and why, and what the operational consequences are.</p>	<p>additional protection. Aircraft modification may not be the most cost effective solution. The Department will provide the Committee with a written response within six months of the completion of the Strategic Defence and Security Review. Due to the sensitive nature of this issue, the response will be subject to the usual security classification restrictions.</p>	

Tenth Report (2010/11) – Managing the Defence Budget and Estate

http://www.hm-treasury.gov.uk/d/minutes_3_13_reports_cpas_feb2011.pdf

Serial	PAC Recommendations	Responses Reported in the Treasury Minute	Departmental Action and Current Status
1	<p>The Department's poor financial management has led to a severe funding shortfall of up to £36 billion in defence spending over the next ten years. Weaknesses in financial planning and management have resulted in poor value for money from delays, changes to project specifications and costly contract renegotiations. There is a culture of over-optimism about the ability to meet financial commitments and senior officials do not challenge unaffordable decisions about equipment procurement. All of these factors have contributed to serious budgetary pressures year after year, with consequent budget cuts being made mid-year in an unsystematic and ad hoc way, leading to greater costs in the longer term. The Committee believes this situation is entirely unacceptable. The Department needs to take immediate steps to sort out its financial management.</p>	<p>The Government agrees with the Committee's recommendation. The Government agrees that more must be done to improve financial planning. The Defence Reform Unit's review, launched by the Defence Secretary last year, will therefore include financial management and acquisition reform within its scope. This includes continuing implementation of the measures outlined in the Strategy for Acquisition Reform, published in February last year, focussing on a number of areas, including: improving management information, better provision and use of costing information, increasing transparency through a NAO affordability assessment of the equipment and support programme and developing more rigorous control of the equipment programme. The costs of the Defence programme over the long-term will of course also depend on future cost trends, including in pay, pensions, fuel, foreign exchange and equipment inflation.</p>	<p>Partially Met.</p> <p>The Defence Reform Steering Group, chaired by Lord Levene, aim to report by the end of July 2011. We are continuing to make progress through the Defence Acquisition Reform Programme such as through the Cost Assurance and Analysis Service referred to in the response to recommendation 5.</p> <p>The Permanent Secretary and the Chief of Defence Materiel, Bernard Gray, are also leading work to review the future equipment programme to ensure it is grounded in a realistic analysis of the likely costs of development, procurement, and deployment.</p> <p>The MOD is in discussion with the National Audit Office to determine the details of how the audit of the affordability of the MOD's equipment and support plans will operate, with a view to bringing greater transparency and more discipline to our plans.</p>

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2	<p>The Department has failed to develop a financial strategy identifying core spending priorities. This should have been a fundamental part of the Department's business planning processes. The Department's inability to prioritise individual elements of the defence programme on a strategic basis means it cannot easily identify where in-year budget cuts should be made. As a matter of urgency, the Finance Director should lead the creation of a realistic financial strategy which identifies and reviews spending priorities on an annual basis.</p>	<p>The Government partially agrees with the Committee's conclusion and recommendation. Successive external capability reviews recommended that the Department needed a corporate strategy. The first Strategy for Defence, published in October 2009, provided better linkage between policy, programmes, plans and available resources. The Strategy provided clear guidance on the priorities for Defence backed up by detailed guidance for planning and finance staff. Following the SDSR, the Department will produce a new Strategy for Defence, underpinned by the more detailed Defence Strategic Direction document. This will look out from the present day to around 20 years hence and provide detailed direction to the Department on priorities for resource allocation. This direction will shape the Department's annual budgeting exercise (termed the Planning Round, which sets the Defence Budget over the next ten years). Interim strategic direction has already been produced to inform Planning Round 2011.</p>	<p>Partially Met. Interim strategic direction was provided to inform the detailed costing of the SDSR outcomes through Planning Round 11 (PR11). Once PR11 was concluded, an interim draft of Defence Strategic Direction was issued to the Department on 18th May 2011. This has provided detailed direction to the Department on priorities for resource allocation and detailed direction for each of the sub-strategies to ensure that the priorities flow through to all areas of the MOD. Defence Strategic Direction will be reissued in the summer to take account of the outcome of Defence Reform and the initial stages of Planning Round 12.</p>
3	<p>The Department's senior officials did not seek ministerial directions to proceed when they had major concerns about decisions threatening the value</p>	<p>The Government agrees with the Committee's conclusion and recommendation, although it recognises that it must remain the duty of each</p>	<p>Not Met. The work to reissue Managing Public Money is in train, and this will be delivered later this year.</p>

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	<p>for money of defence spending. In response to a recognition that the overall defence programme was unaffordable, a series of decisions to delay and change the scope of defence projects were made which offered poor value for money. The Accounting Officer did not, however, consider it appropriate to seek a direction from Ministers to proceed on any of these individual decisions or in respect of their cumulative effect. Whilst respecting his view, we recommend that HM Treasury and the Cabinet Office revisit the issue on seeking ministerial directions and strongly reiterate to Accounting Officers the importance of seeking such directions in appropriate circumstances.</p>	<p>Accounting Officer to decide, in the context of the programme, and the Department's other obligations, whether to seek a direction in any particular case. The Government agrees that Accounting Officers need to consider seriously whether major programmes with long term spending implications are affordable, when deciding whether they are in accord with their responsibilities. As Sir Nicholas Macpherson told the Committee on 19 January 2011, the Treasury plans to reissue the standard guidance Managing Public Money (MPM) later this year and will ensure that this issue is given greater prominence in the chapter on Accounting Officers' responsibilities.</p>	
4	<p>The Finance Director's role has been undermined by giving responsibility for long-term financial planning to the Strategy Director. The Committee welcomes the Department's commitment to give the Finance Director the full range of powers he needs to perform his job effectively. The Committee urges the Department to make sure the Finance Director has immediate responsibility for all financial matters, including strategic financial planning.</p>	<p>The Government partially agrees with the Committee's conclusion and recommendation. The intention associated in giving responsibility for long-term financial planning to the Strategy Director was to ensure stronger linkages between Departmental strategic planning and resources, particularly in the build-up to, and creation of, the SDSR. Currently, the responsibility for long-term strategic financial planning is shared by both the Strategy and Finance Director who are</p>	<p>Met. As of 1 April 2011 the Finance Director took full responsibility for the financial planning process.</p>

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		supported by a shared core staff. The Department will move responsibility for financial planning to the Finance Director from April 2011. The Finance Director is already a member of the Defence Board. The Defence Reform work which Lord Levene is leading will consider the roles and responsibilities of the Finance Director and other members of the top team as part of its review of the top structure of Defence and make recommendations as appropriate.	
5	The recent Strategic Defence and Security Review was an opportunity to set out how defence spending could be brought into line with available funding. However, in the absence of an explicit statement of how the Department will balance its budgets in the future, it is even more imperative that the Department gets a firm grip on its strategic financial management.	The Government agrees with the Committee's conclusion and recommendation. The Department accepts the lessons of recent years regarding strategic financial management. The publication of the Strategy for Defence in October 2009 was the first step to ensure coherence between strategic and financial planning across the Department. A range of other improvements have been or are being undertaken to improve strategic financial management. This includes refreshing the Strategy for Defence in light of the SDSR and providing detailed direction to planning and finance staff through the more detailed Defence Strategic Direction document, including priorities for resource allocation and improved force planning. The Department will be	Partially Met. As set out in response to recommendation two, detailed direction is being provided to planning and finance staff through the Defence Strategic Direction documents. The Department is implementing the long-term vision set out in these documents through the Defence Plan. The Defence Plan 2010 articulated 10 Defence Board Strategic Objectives, each of which had a range of strategic performance measures/indicators. These were reported against quarterly providing the Board with the information and insight necessary to support discussion and provide direction and guidance. The process has been

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		<p>implementing the long-term vision set out in these documents through the Defence Plan, with progress monitored by new performance management and governance arrangements covering all aspects of Departmental business. The Department is producing sub-strategies, covering key areas of the Department, which will set out a long-term, resource-aware vision aligned with that set out in the Defence Strategic Direction, as well as a near-term plan showing how that vision will be achieved, aligned to the Defence Plan. There will be improvements and additional investment in how the Department undertakes cost forecasting, particularly for its largest and most complex equipment projects. The Department is making a commitment to regularly audit and publish, every year, an assessment of how affordable the equipment procurement and support programme is over the next ten years. There will be quarterly reviews, by the Secretary of State, on the progress and affordability of major equipment projects and stronger controls over how projects enter the core Departmental Programme.</p>	<p>refined over the year and Defence Plan 2011 reflects this evolution and will inform the board over Financial Year 2011-12. One of the Defence Board Strategic Objectives focuses on affordability, which supports and is supported by regular financial reporting.</p> <p>We are continuing with our plans to audit and publish every year, an assessment of how affordable the equipment procurement and support programme is over the next ten years. The MOD is in discussion with the National Audit Office to determine the details of how the audit of the affordability of the MOD's equipment and support plans will operate.</p> <p>The Defence Secretary's Major Projects Review Board will meet in June and then quarterly thereafter. It will consider progress and affordability of the Department's Top 50 projects. The Department will also publish a list of Projects of Concern to ensure that industry is held publicly to account.</p> <p>We are in the process of upskilling our independent Cost Assurance and</p>

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			<p>Analysis Service through a programme of partnering with industry, to ensure greater rigour in our cost estimation. This will deliver improved cost forecasting risk adjusted forecasts, pre-concept capability forecasting and wider engagement in the largest and most complex equipment projects. Initial progress has been promising.</p> <p>The Department has introduced the Project Start Up Project Foundation (PSPF) process, which allows the Department to more tightly control how projects enter the core Programme. New projects have to be approved at specific points in their planning and delivery and meet strict criteria. These include a consideration of benefits, affordability, and a wide range of options to deliver the capability. Such options include international collaboration, sustainable development and exportability considerations.</p>
6	<p>The Department's decision making about its estate has been driven almost entirely by a loose judgement on operational need, with a bias toward keeping sites rather than releasing</p>	<p>The Government agrees with the Committee's recommendation. Following SDSR, the Department is aware of the need to operate on a more centralised basis. It is currently</p>	<p>Met. The Defence Infrastructure Organisation (DIO) was formed on 1 April 2011. This has brought together the former Defence Estates</p>

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	<p>them. The Department must develop a more robust decision making process, which balances perceived operational need with the cost of holding and running major assets. It should change the way it takes decisions on the future of the estate, so that it can challenge more robustly whether the use of the estate is cost effective and efficient in the light of changing operational needs and reductions in personnel numbers.</p>	<p>considering how best to do this and the work will be taken forward as part of the Defence Reform Unit's Review, led by Lord Levene.</p>	<p>organisation with property and infrastructure functions within the other six MOD TLBs. The DIO will provide both hard and soft facilities management under a single organisation. This will greatly assist decision making by ensuring that the widest range of information relating to the management of the Defence estate is taken into account. The Defence Infrastructure Board will include representation from the Government Property Unit to assist in providing strategic leadership and commercial knowledge.</p>
7	<p>The Department has not defined high level criteria or metrics to judge whether it is using its estate efficiently. It has not set any high level targets for estate size and cost, nor has it developed appropriate indicators of its efficiency. The Department should define the size and type of estate needed to fulfil the tasks required of it. Within six months, it should develop a small suite of measures to assess whether it is successfully reducing the size and cost of its estate, in line with changes to the size of the armed forces and equipment fleets. Whilst it should have regard to the views expressed by operational staff, it needs to establish clear,</p>	<p>The Government agrees with the Committees recommendation. The Department will improve strategic management of the estate / infrastructure through the creation of a Strategic Asset-management and Programming Team. The Department is in the process of developing an effective Infrastructure Management Information Study. Work has already commenced, building upon previous work to establish a coherent picture of the condition of the totality of the estate. This will require much better information than currently exists covering the utilization of assets, the value of our property portfolio and its sustainability characteristics. An Asset</p>	<p>Partially met. Following the recommendations of the PAC, and building on the findings contained within the NAO Report, the Department has undertaken a detailed study into the strategic asset Information requirements for effective management of the MOD estate. In order to facilitate strategic planning and decision making, align Military Capability to Asset Importance and Lifecycle Investment, and drive rationalisation planning, the Study team has engaged with a number of other Government Departments, large Private Sector organisations, estate users and the NAO. The</p>

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	<p>objective, and value for money criteria in determining the future of its estate.</p>	<p>Management Information Study will identify a clear set of targets and objectives to inform the effective management of Defence Infrastructure Assets and in doing so drive value for money and cultural change across the estate. The Department will introduce a suite of measures (which includes appropriate indicators of its efficiency) within the timescales required by the Committee. The Asset Management Information Study already commissioned by the Department to look into the development of a systematic approach to the management of the Defence Infrastructure Asset Portfolio will identify a set of high level metrics which detail the type, use and utilisation of infrastructure assets and identify the cost benefit of retaining infrastructure assets and take into account SDSR follow-up work.</p>	<p>outcome of these engagements has been the identification of a suite of six key estate performance indicators to inform the effective management of the Estate, comprising: Size; Utilisation; Condition; Importance; Cost of Ownership and Value.</p> <p>In concert with the other Departmental TLB's and Industry Partners, work is in hand to produce a detailed estate 'Strategic Information Model' to underpin the six key estate indicators. This work includes identifying information needs and creating specifications for information providers - both internally and externally with industry partners.</p> <p>A review of existing data holding and systems has been undertaken and an analysis of data gaps has been produced. Business processes are currently being reviewed to ensure the future availability of appropriate information.</p> <p>Following the outcome of the Strategic Defence and Security Review, the Defence Infrastructure Organisation (DIO) was formed on 1 April 2011. This brought together the</p>

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			former Defence Estates organisation with property and infrastructure functions within the other six MOD TLBs. The DIO will provide both hard and soft facilities management under a single organisation. This will greatly assist in unifying information relating to the management of the Defence estate.
8	<p>The Department does not have good central data to inform decision making about its estate. The Department recognises it needs to collect better information but has not set out a timeline to achieve this, and previous attempts to develop data systems have failed. The Committee recommends that the Department should immediately identify the key data it needs to manage its estate assets effectively, including data on relative operational importance, potential sale value, running cost, utilisation and condition. The Department should have systems in place to collect this data within 12 months, and certainly well before signing its next generation of major estates contracts. The Committee expects the Department to report back on the progress it has made within six months.</p>	<p>The Government agrees with the Committees recommendation. Whilst good condition data on some 60,000 Built Technical Assets and over 40,000 Service homes of the estate is available, this needs to be expanded for the remainder of the estate and centralised. Work to improve the performance management systems had already commenced and utilisation (and other similar data) is being taken forward under the Asset Management Information Study (AMIS). In taking forward the AMIS over the next twelve months, the Department will develop a Strategic Asset Information System, including: defining a future estate strategic information model and creating specifications for future information providers; and establishing the working practices, responsibilities, interfaces and governance to support efficient information reporting, including NGEC.</p>	<p>Partially met. Having fit-for-purpose IT systems and Management Information is at the heart of the DIO Operational Model. To this end, in parallel with the Asset Management Information Study and the development of the Strategic Information Model, an analysis has been undertaken of Management Information Systems (MIS) in use by large property management organisations, both within the Private and Public arena.</p> <p>As part of the Defence Infrastructure Transformation Programme, and to help inform the and the award of the Departments Next Generation of Estate Contracts, an options analysis has been undertaken of candidate MIS solutions with a view to selecting a MIS and having initial operating capability in early 2012 well before</p>

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		<p>This will meet the Committee's requirements in terms of timescale. The Department is committed to putting in place an improved suite of asset management measures and undertakes to report back to the Committee on its progress at the six month point.</p>	<p>the signing of the Next Generation Estate Contracts.</p>