



MINISTRY OF DEFENCE

DE NEXT GENERATION ESTATE CONTRACTS (NGEC) REVIEW NOTE: THE STRATEGIC WAY FORWARD

24 June 2010

Background

In March 2010 a “Review Note” was submitted by the DE Next Generation Estate Contracts (NGEC) team to the MOD Investment Approvals Board (IAB). The note set out a number of strategic options for replacement of the current suite of Defence estate contracts.

Submission of the review note marked the completion of model research stage of the NGEC programme, during which a wide range of stakeholders – including DE delivery areas, DE customers, wider Government, industry, and professional organisations – were consulted.

The aim of the model research stage of the programme was to review the current DE commercial arrangements, to draw on best practice and lessons learnt within and outside Defence, and to appraise different configurations of future commercial arrangements in terms of operational effectiveness and value for money.

The strategic way forward

Among the options subsequently presented to the IAB in the Review Note, one option was recommended for approval as the strategic way forward, namely that:

- **Routine maintenance services** should be delivered through four “Regional Prime” contracts, covering: Scotland and Northern Ireland; North of England, Wales, the Midlands and East Anglia; Southwest England; and Southeast England. This will involve merging the existing delivery teams for each of the Regional Prime Contract Central and the Regional Prime Contract East into a single delivery organisation, and likewise merging the delivery teams covering Scotland and Northern Ireland into a single Regional Prime.
- **Construction projects** should be delivered with a flexible approach, with “Core Works Frameworks” for the majority of projects, with the possibility of additional “Functional Frameworks” for Single Living Accommodation (SLA) and airfield pavements, should there be sufficient demand. DE will retain the facility to inject small projects into the Regional Primes up to the current EU value limit of £3.93m. For very large projects, the options will be standalone prime contracts, private finance initiatives (PFIs), or other novel financial structures.
- **Defence Training Estate (DTE)** should have a single UK-wide “National Training Estate Prime” contract delivering range technical support, hard facilities management (Hard FM), soft facilities management (Soft FM), and training range booking services.
- **Housing maintenance services** should be provided through a single UK-wide “National Housing Prime” contract. The possibility of transferring housing allocation and some other management services into this new contract at a future date should be provided for in the contract terms and conditions.

In June 2010 the IAB signalled its approval for this strategic way forward, enabling the NGEC team to proceed through the model development phase: developing the structure and the terms and conditions of each contract. The NGEC team will begin the

procurement phase in autumn 2010, inviting potential industry bidders to submit expressions of interest (EOIs) in the first tranche of contracts (Core Works Frameworks, Regional Prime Scotland & Northern Ireland, National Training Estate Prime, and National Housing Prime).

Implementation of the various new arrangements will now require a reshaping of the Defence estate business through regional restructuring, process changes, roles and responsibilities, and re-skilling in certain areas as the programme moves closer towards completing the contracts.