



Comptroller and Auditor General
Report on Value for Money Examination

Department of Defence
Defence Property

December 1998

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The report was prepared on the basis of information, documentation and explanations obtained from the bodies referred to in the report.

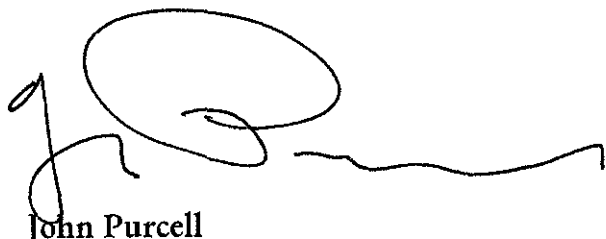
The draft report was sent to the Accounting Officer of the Department of Defence and his comments were requested. Where appropriate, these comments were incorporated in the final version of the report.

Report of the Comptroller and Auditor General

Defence Property

I have, in accordance with the provisions of Section 9 of the Comptroller and Auditor General (Amendment) Act, 1993, carried out a value for money examination of Defence Property.

I hereby submit my report of the above examination for presentation to Dáil Éireann pursuant to Section 11 of the said Act.

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a series of loops and a long horizontal stroke.

John Purcell
Comptroller and Auditor General

21 December 1998

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Summary

Since 1990, the Department of Defence and the Defence Forces have been the subject of several efficiency studies which have led to the commencement in 1996 of a major rationalisation programme for defence. The primary focus of reform has been on structural and personnel issues and on the equipping of the Defence Forces. Defence Property, although a significant State asset, has received less attention.

The purpose of the examination was to establish the nature, extent and operational costs associated with Defence Property and to consider current arrangements for the management of the property portfolio.

Property Assets and Costs

The Defence Properties consist of a diverse range of facilities from conventional military barracks to forts, camps, dwelling houses and land which is mainly used for training purposes. The principal assets are 34 permanently occupied barracks which were taken over from the British Government in 1922. The Department has recognised that these barracks are not all in ideal locations to serve the current needs of the Defence Forces and that some barracks are no longer required. A plan to dispose of six barracks was announced in July 1998.

Detailed records of the nature and utilisation of properties are not centrally maintained and an adequate asset register with information on the condition of the properties is not available. The current property business plan provides for establishing an assets register by 2000. Property assets are valued only when they are identified for disposal. While the question of determining the value of the properties has been considered, no overall estimate of value is available.

The examination revealed low occupancy of single and married quarters. At January 1998, it was found that only 36% of the 4,412 available single living-in accommodation units were occupied. Some 2,215 unoccupied units were rated as substandard and are partially used for storage or during training activities. The property records indicated that 117 out of 473 married quarters were vacant and practically all unoccupied married quarters were in poor condition. Since 1988, 219 married quarters have been sold off and have yielded £2.3 million.

The rents charged for married quarters have not been increased since 1988. The occupancy of married quarters includes 80 overholders (army personnel who do not vacate their quarters following their discharge) who are charged the standard rent plus 10%. The problem of overholding and the level of rents charged are under review by the Department.

Expenditure associated with the upkeep of property in 1997 is estimated at some £27.2 million which is 6.6% of the annual total expenditure on defence. A survey in 1994 found that property management was the ninth highest user of military manpower accounting for 404 man-years and using more time than other functions such as the maintenance of equipment, internal security operations and transport. The expenditure includes almost £16 million for property maintenance of which nearly £11 million related to payroll costs in respect of the employment of over 600 civilians for barracks maintenance work. The ratio of the civilian payroll to materials expenditure in 1997 was very high despite the age, condition and location of defence establishments. This suggests that there is scope for improving the efficiency of maintenance work.

The 1997 expenditure also includes £4.4 million in respect of security duty. The high cost of security has been attributed to the excessive number of facilities occupied and to not maximising the use of modern security technology or contracting out work where it may be economically justified. Some contracting out has been arranged for the barracks recently vacated for disposal.

Management of the Property Portfolio

The arrangements for property management were reviewed in terms of the four elements of strategy, structure, management information and programme evaluation.

While statements of strategy are in place generally, they do not adequately cater for the strategic management of property. In view of current developments, there is a case for developing a medium term strategy to determine the ongoing property requirements for the new defence structures and to maximise the returns from the disposal of surplus assets and a longer term strategy for efficient and effective management of property.

There is scope for a review of the organisation and control of property administration and maintenance which should lead to more timely execution of work. The current shortage of officer engineers and their deployment on non-related duties is having an impact on the organisation of capital work and was partly responsible for a significant underspending of the budget for 1997.

In contrast to the control of contract work, the examination found that there was insufficient information available to monitor the economy and efficiency achieved from property maintenance and in particular from the work activities and output of the civilian maintenance staff. The standard of record keeping should be improved to facilitate the performance of periodic programme evaluations in the property management area.

Defence Property

1 Introduction

- 1 1 The Department of Defence (the Department) and the Defence Forces are primarily responsible for the defence and security of the State. The expenditure incurred in providing these services in 1997 was £405 million.
- 1 2 The Defence Forces comprise a Permanent Defence Force (PDF) and a Reserve Defence Force. The PDF includes the regular army, the Air Corps and the Naval Service and has a current strength of 11,500. The Reserve Defence Force which comprises the First-line Reserve, an Forsa Cosanta Aitiúil (FCA) and the Naval Reserve has a current strength of 14,000.
- 1 3 The relationship between the Department and the Defence Forces has certain unique features, in particular, the existence of two substantial organisations (the civilian and military branches) to achieve the defence mission. The Secretary General of the Department acts as Accounting Officer for all Defence Vote expenditure while three senior military officers are responsible for the operational management of the Defence Forces. The Chief of Staff is responsible for the performance of the Defence Forces and reports directly to the Minister. He is supported by two deputy chiefs of staff with responsibility for operational activities and support activities, respectively.

Defence Property

- 1 4 Property, comprising land and buildings, is a significant non-human resource of the Defence Forces. The property portfolio includes approximately 8,500 hectares of land and 34 permanently occupied military barracks, (in July 1998 the Minister for Defence announced the closure and disposal of six of these barracks). The property portfolio also includes FCA premises, rifle ranges and training grounds, married quarters at locations outside barracks, airfields, a dockyard and numerous coastal look-out posts. The question of determining the value of the property portfolio has been considered from time to time but no estimate of the value was available at the time of the examination.

Property Management

- 1 5 The property management function involves several administrative branches on the civil and military sides of the Department. On the civilian side the Property Management Branch is responsible for day-to-day management, including the maintenance of a property register, identification and disposal of surplus properties, raising and collecting revenues from the temporary letting and leasing of properties not immediately required for official use, and for fencing, drainage and weed control. The bulk of routine day-to-day barracks maintenance is carried out by attachments of

civilian employees under the general supervision of the Corps of Engineers. Larger maintenance and refurbishment projects are carried out under contract.

Value for Money in Defence

- 1.6 Since 1989, both the Department and the Defence Forces have been the subject of several significant external evaluations which have explored the adequacy of the structures and resources put in place to achieve the defence mission. The main evaluations, organised by the Efficiency Audit Group¹ (EAG), were concerned with ways of improving both efficiency and effectiveness through organisational reform and the introduction of a strategic management approach to the administration of defence.

Figure 1.1 Reports influencing management reform in Defence

Year	Title of Report
1990	The Gleeson Report
1991 to 1994	Efficiency Audit Group Reports 1, 2 and 3
1994	Defence Forces Proposals to the Efficiency Audit Group
1994	Price Waterhouse review of the Defence Forces
1995	Review of the Defence Forces (A summary of earlier reports)
1996	Defence Forces Review Implementation Plan
1997	Statements of Strategy 1997 - 1999
1998	Revised Statements of Strategy 1998 - 2000
1998	Price Waterhouse review of the Naval Service and Air Corps
1999 (expected)	Draft White paper on Defence

- 1.7 While the external evaluations were wide ranging, their primary focus was on structural and personnel issues and the appropriate equipping of the Defence Forces with less attention to property and property management issues. The references to property and property management in the reports produced on these evaluations are set out in Appendix A.

¹ *This Group was set up in 1988 under the aegis of the Department of the Taoiseach to carry out efficiency studies in Government Departments*

- 1.8 In July 1995, the Government decided to proceed with a major reform programme of the structure and organisation of the Defence Forces. An Implementation Group, reporting to the Government, was established to prepare a fully costed plan for the reform and restructuring of the Defence Forces in accordance with the findings of the EAG reviews. The plan was to detail the action to be taken in the first three-year phase of a proposed ten-year reform programme. In formulating the plan, the main issues addressed were command, control and management; organisation and structures, personnel, logistics and material; training; special studies of specific areas, financial framework. The plan, *'Defence Forces Review Implementation Plan'* was produced in February 1996 and approved by the Government in March 1996.
- 1.9 The Government also approved a number of special studies of specific areas including military accommodation. This study was to be carried out before the end of the first phase of the Implementation Plan and to address the problems associated with the present barracks configuration, so that the potential for rationalisation of facilities, improved operational effectiveness and consequent savings, could be identified and fully exploited. The Government directed that there would be no barrack closures during phase one of the implementation process covering the period 1996 to 1998.

Statements of Strategy

- 1.10 Both the Department and the Defence Forces have produced separate (but strongly interlinked) strategy statements covering the period 1998 to 2000 which set out the Defence mission, the strategic objectives to give effect to the mission, the programmes to achieve the objectives and the associated outputs and targets. The statements of strategy present a clear commitment to obtaining value for money for the taxpayer in the achievement of the defence mission. The references in the statements to strategic activities associated with securing value for money and with the management of defence property are summarised in Appendix B.

Objectives and Scope of the Examination

- 1.11 A value for money examination of defence property was considered appropriate at this time for the following reasons
- the nature and extent of property held and the operational costs of property management are significant.
 - the implementation of structural reforms and the production of the strategy statements provide a convenient context for considering how the Department aims to secure economy and efficiency from the management of its property assets

- 1 12 The overall objective of the examination was to examine economy and efficiency issues associated with the management of defence property and the control of costs. In particular, the examination sought to address the following issues
- the extent, size, purpose and value of defence property holdings and the associated costs of upkeep
 - the management of the property portfolio.
- 1 13 The examination was concerned with the management of military property by the Department of Defence and by the Defence Forces. It did not include an appraisal of property related capital projects administered by Contracts Branch but did cover its routine property maintenance responsibilities
- 1.14 While reference is made to relevant reports in previous periods, most of the data used during the examination for analysis purposes was in respect of 1997.
- 1 15 Although some information is maintained at local level, the absence of basic information about the current value, condition and utilisation of property, in a centralised form which would be suitable for analysis, prevented any assessment of the efficiency of the utilisation of property

2 Property Assets and Costs

- 2 1 The pursuit of economy and efficiency in the management of defence property requires that sufficient property in the appropriate location and condition, should be available to the Defence Forces at the lowest cost. The measurement of economy and efficiency achieved in the provision and management of defence property is only possible if suitable records of the location, use, value and condition of property are maintained.
- 2 2 In this chapter, the defence property assets are described and the associated costs for 1997 are analysed. The location, use and condition of properties are also considered

Defence Property Assets

- 2 3 The properties used by the Defence Forces range from conventional military barracks, forts and camps to dwelling houses, huts and sites. A summary of the principal land and property assets is set out in Table 2 1
- 2 4 The principal accommodation consists of 34 permanently occupied barracks² most of which were constructed in the eighteenth and nineteenth centuries and which were taken over from the British Government at the time of the founding of the Irish Free State in 1922. Because of this largely inherited infrastructure, the Defence Forces are deployed over a wide number of locations throughout the country. It is generally recognised that it is not the ideal configuration for the current needs of the Defence Forces. Figure 2.1 shows the location of the principal properties.
- 2 5 Since 1922 only two new barracks have been constructed - Monaghan Barracks (1976) and Dun Uí Neill, Cavan (1990) - although extensive alterations, refurbishment and additions have been carried out to many of the inherited properties. There have been two disposals of barracks - Griffith Barracks, Dublin which was sold to private sector investors and developed as an educational college and Collins Barracks in Dublin which has been restored and developed to house part of the collection of the National Museum³

² *A military barracks as used in the context of this report describes an area of military property accommodating such facilities as living-in accommodation, married quarters, dining and recreational facilities, offices, communication centres, stores, and training facilities*

³ *See Comptroller and Auditor General, Report on Value for Money Examination number 11, The National Museum at Collins Barracks, PN3068, October 1996*

Table 2 1 State Owned Defence Property

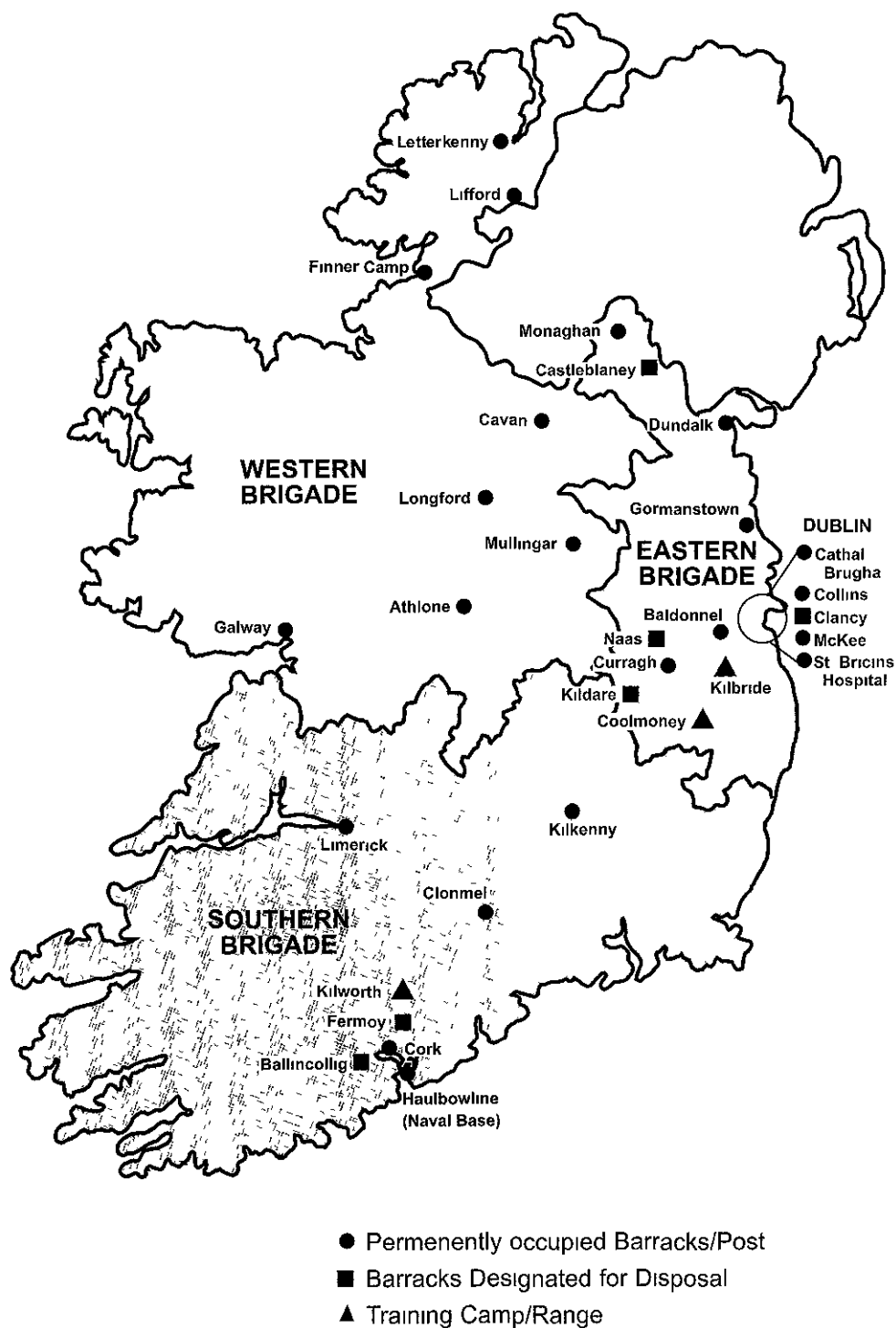
Property	Number	Hectares
Curragh Camp and Lands ^a		1,971
Glen of Imaal		2,678
Kilworth Camp and Range		1,370
Kilbride Camp and Range		637
Casement Aerodrome Baldonnell		277
Haulbowline Naval Base		34
Other Permanently Occupied Barracks/Posts	25	699
FCA Premises	31	11
Firing/Rifle Ranges	9	540
Camps and Forts not Permanently Occupied	10	240
Military Hospitals ^b	3	3
Land and Sites	9	2
Houses and Apartments (Married Quarters)	473	-
Miscellaneous (Piers, Huts, Halls, etc)	17	11
Total	577	8,473

Notes a Although historically the Curragh Camp is regarded as comprising seven barracks, over the past 25 years there has been ongoing rationalisation and sharing of facilities throughout the camp so that at present it is effectively administered as a single barracks

b Hectares represent St Brins Hospital only Other hospitals at the Curragh and Cork are included with the military installations at those locations

Source Property Management Branch

Figure 2 1 Location of principal Defence properties



Rationalisation

- 2 6 Information on the allocation of properties and their utilisation is not held in a manner which would enable a study of the cost effectiveness of its allocation. As the properties were inherited without costs, the main cost considerations have been the need to achieve economies in non-staff running and maintenance costs rather than on the opportunity costs represented by the current capital value of the properties occupied.
- 2 7 All of the reviews of the Defence Forces that have been carried out in the past decade have concluded that there is a need to rationalise the number of facilities occupied by the Defence Forces. While it is recognised that some spare capacity will always be required for operational reasons the current reorganisation and decrease in PDF numbers which have fallen by 12% since 1988 reinforces the view that many of the properties held are surplus to requirements. On 15 July 1998 the Minister for Defence announced the Government's intention to close and offer for sale six barracks. The examination did not evaluate the basis on which the proposed closures were selected.
- 2 8 The Defence Forces Review Implementation Plan includes provision for carrying out a special study on the rationalisation of Defence Forces facilities. The study is required to properly consider the economic and social implications of any proposals for disposal. Although a disposal programme has commenced, a written assessment of the suitability of all potential properties for disposal or of the specifically identified properties has not been made. In order to maximise the value for money opportunities presented by rationalisation, it is essential that it should be preceded by a comprehensive analysis which demonstrates the expected net benefits to be achieved and that dedicated structures to manage the disposal programme are established. In carrying out a review, the potential benefits and the costs arising from rationalisation need to be taken into account. Examples of these are set out in Figure 2 2.

Figure 2 2 Potential benefits and costs of rationalisation of facilities

Potential Benefits

- Proceeds from sales of properties
- Reduced running costs
- Efficiency gains from re-organising activities

Potential Costs

- The costs of closing facilities
- The costs of sale
- The costs of re-locating
- The loss on sales where proceeds are lower than the book value

- 2 9 Good practice criteria are also essential to ensure the economic and efficient management of the rationalisation process. These should include the following

- Setting targets for disposals which are specific, measurable, achievable, and time based
- Using milestones as a basis for monitoring progress on individual disposals
- Aiming to sell property within a specific time period of it being identified as surplus to requirements
- Preparing an expenditure budget at the start of the sale and monitoring expenditure against budgets with significant variances being investigated
- Supporting disposal proposals with up-to-date valuations, particularly where delays occur in the course of negotiations

Assets Register

- 2 10 Neither the Department nor the Defence Forces maintain a full assets register which should contain the information needed to evaluate the economy and efficiency of property management. The main central record is a register of property holdings on a computer spreadsheet maintained by the Property Management Branch which records the name, location and area of each property together with ownership details. A series of manual files comprising general files and files relating to each property is also held.
- 2 11 The Property Management Branch's Business Plan includes a proposal to establish an assets register which would address some of the limitations in the existing information. The current commitment to achieving value for money in the statements of strategy and the expected programme of disposals should accelerate the development of information recording systems which are an essential requirement in assessing the economy and efficiency of property management.

Condition of Properties

- 2 12 The Defence Forces property portfolio includes examples of the most modern facilities and accommodation but these are the exception rather than the rule. In its interim report in March 1992, the EAG concluded that the buildings occupied by the Defence Forces are extensive in scale but frequently of poor quality. During the examination visits to a sample of barracks/posts confirmed that the condition of many of the facilities was poor.
- 2 13 The Gleeson Commission reporting in 1990 stated that the quality of accommodation which it observed in many locations was extremely poor and that in some cases even new facilities did not seem to be particularly well maintained. It observed that a lot of living accommodation was in use only on an occasional basis and was superfluous.

Single Living-In Accommodation

- 2.14 Arising from the Gleeson Report, in March 1992 a classification and grading system was developed for single living-in accommodation using the following three classes
- | | |
|---------------------|--|
| <i>Standard</i> | Accommodation that is considered satisfactory for long term living-in single personnel because it meets prescribed space, facilities and services levels |
| <i>Sub-standard</i> | Accommodation that is not considered satisfactory for long term living-in personnel. It may be single, two-man, four man or billet accommodation, in reasonable decorative order, with limited furniture and floor covering |
| <i>Emergency</i> | Billet accommodation which is not normally in use and is not intended for long-term occupancy. It receives minimal care and maintenance and consequently is in poor decorative condition and structural repair. This accommodation is of a contingency nature intended for use in the event of a mass call-up of personnel |
- 2.15 An analysis of the occupancy levels of accommodation units, at January 1998, based on the above definitions is summarised in Table 2.2. The analysis shows that only 23% of all accommodation is recorded as being occupied but this increases to 36% when emergency accommodation, which is normally unoccupied, is excluded. Only about 50% of accommodation in a standard condition is occupied.
- 2.16 The Department has stated that many unoccupied facilities are used on an occasional basis for purposes such as training, recruitment, and FCA activities. Some of the accommodation blocks are partially occupied which makes rationalisation difficult. In addition, some of the sub-standard and emergency accommodation is used to facilitate storage of personal equipment and provide shower facilities for military personnel living away from barracks. However, the high level of unoccupied facilities which are in poor condition would indicate that much of this type of accommodation is likely to be surplus to requirements and should be rationalised.

Table 2.2 Grading of Single Living-in Accommodation at January 1998^a

Classification	Standard	Substandard	Emergency	Total
Occupied Units				
Officers	232	286	-	518
Other Ranks	400	659	-	1,059
Total	632	945	-	1,577
Unoccupied Units				
Officers	91	139	137	367
Other Ranks	529	2,076	2,298	4,903
Total	620	2,215	2,435	5,270
Total	1,252	3,160	2,435	6,847

Note a The table includes accommodation units located in the six barracks which were designated for disposal in July 1998. The total number of units involved in these barracks is 809 of which 115 were occupied at January 1998.

Source Barrack Services and Accommodation Section

Married Quarters

- 2.17 In addition to the permanent military barracks and posts taken over in 1922 over 1,000 accommodation units which had been provided for married personnel were also acquired. Between 1951 and 1982, a further 346 houses were built as married quarters mainly at the Curragh Camp and in Dublin. In the same period an unknown number of quarters in poor condition were demolished or blocked up.
- 2.18 A board of officers established by the Quartermaster General⁴ (QMG) reported in August 1993 that approximately 92% of married quarters were in an unsatisfactory condition as a result of a lack of funds for maintenance over a long number of years.
- 2.19 Since 1988, the Department's policy has been to sell off all married quarters constructed since 1954 which are located outside of barracks. By disposing of married quarters the Department eliminates not only the yearly cost of their maintenance but also the considerable costs associated with their administration.
- 2.20 Under a scheme, which applies the same terms as the Local Authority Tenant Purchase Scheme, occupants were given the opportunity to purchase their quarters.

⁴ In October 1998 the position of Quartermaster General was replaced by the Deputy Chief of Staff (Support).

at favourable discounted prices. Since 1988 the disposal of 219 married quarters has yielded approximately £2.3 million. The sales prices achieved, taking into account the discounts allowed under the terms of the scheme, were in line with the initial valuations placed on the properties by the Valuation Office in all cases examined.

- 2.21 According to records maintained by the Property Management Branch at the time of the examination, there were approximately 473 units still on hands, of which
- 59 officers married quarters were occupied and 4 were vacant
 - 297 other ranks married quarters were occupied and 113 were vacant but will not be re-allocated or sold because of their poor condition
- 2.22 Occupiers of married quarters are charged rent based on rank and the type of accommodation provided. Rental charges are determined by Order of the Minister made with the concurrence of the Minister for Finance. They have not been increased since April 1988 and range from £767 to £1,402 per annum for officers quarters and from £1.55 to £19.48 per week for other ranks quarters. The property management business plan includes a provision for a review of rents.
- 2.23 Overholding of married quarters arises where army personnel fail to vacate quarters following their discharge. There are currently 80 overholders, of which over 60 are located in the Curragh Camp. In one scheme of 100 houses, 24 were overheld including one case which dates back to 1972. Overholders are charged the standard rent plus an additional 10% surcharge. The problem of overholding is currently under review by the Department.

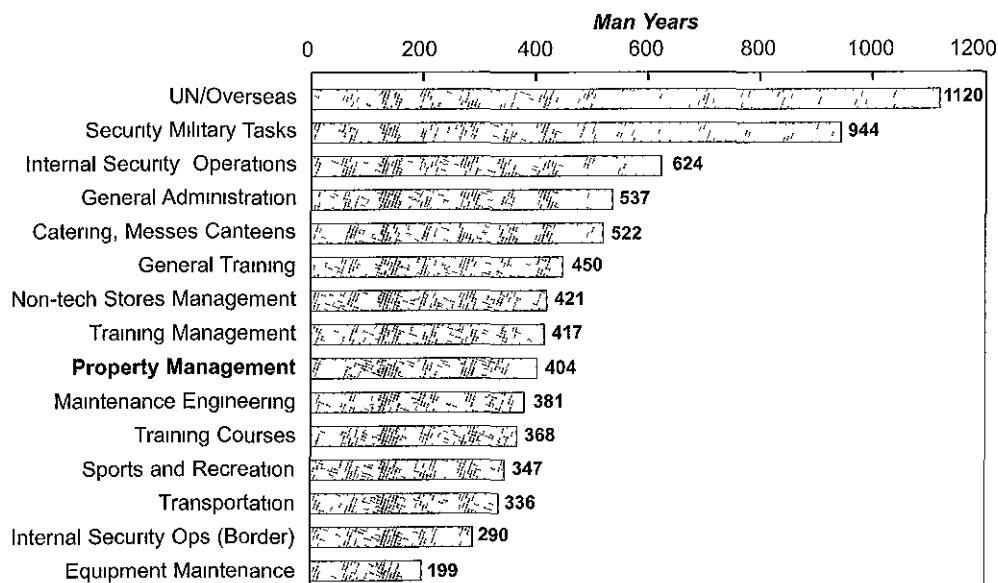
Property-Related Costs

- 2.24 Expenditure incurred on the property portfolio is charged to various subheads in the Defence Vote but is not collated or analysed to monitor expenditure trends. In order to determine the total direct costs of supporting the current level of facilities, property related expenditure was identified and extracted from the subhead records. The methodology adopted is described in Appendix C.

Maintenance and Operational Costs in 1997

- 2.25 Based on this methodology the maintenance and operational costs for defence property for 1997 are estimated to be over £27 million which is approximately 6.6% of the total Defence Vote expenditure. This is disproportionately high relative to costs in other areas.

Figure 2 3 Defence Forces activities



Source Review of the Defence Forces, Price Waterhouse 1994

- 2 26 The significance of these costs is consistent with the findings of an activity survey conducted in 1994. The purpose of the survey was to identify the activities performed by all military personnel and civilian employees attached to military installations and to determine the top 15 activities in terms of manpower usage based on actual activity on the particular day of the survey (see Figure 2 3)
- 2 27 The survey revealed that property management was the ninth highest user of military manpower accounting for 404 man-years and consuming more time than equipment maintenance, internal security operations and transportation. In a commentary on the results of the survey, the consultants considered the ranking for property management to be an astonishingly high figure which pointed to an urgent need to reduce the number of barracks and contract out the property management functions.

Functional Analysis of 1997 Costs

- 2 28 The direct property related expenditure incurred in 1997 is analysed in Table 2 3. Indirect costs relating to property, such as the costs of central administration services and a proportion of Finance and Personnel Branches costs, are not included.

Opportunities to improve efficiency

- 2 29 The functional analysis of property related costs reveals several opportunities for improving the economy and efficiency obtained from the maintenance and administration of defence property. Several worthwhile initiatives have been taken in recent years which have resulted in economies in the supply of heating fuels and in controlling the level of utility costs in the barracks. However, little progress has been made in the major cost areas.
- 2 30 The ratio of the civilian payroll cost for maintenance work to the cost of maintenance materials for 1997 has been estimated at 16:1. In a similar exercise carried out in early 1997, the Internal Audit Section of the Department, using an estimate of stores issued, calculated that the ratio of labour to materials was in the region of 10:1. These ratios are extremely high. For example, the Office of Public Works uses a guideline ratio of maintenance staff to materials of 2:1. There is clearly considerable scope for greater economy and efficiency in routine maintenance operations of barracks whichever measure is used, even when account is taken of causal factors such as the dispersion, age and condition of properties.

Table 2 3 Property-Related Expenditure 1997

Property Maintenance Costs		£m
Contracted -out Repairs and Maintenance		3.2
Corps of Engineers and Maintenance Companies - Payroll		1.1
Civilian Employees - Payroll		10.9
Property Management Branch - Maintenance of Lands		0.2
Maintenance Engineering Stores		0.5
Total		15.9
Operating Costs		
Security ^a		4.4
Utilities - Fuel, Electricity, Oil, Water and Waste Disposal		5.5
Barrack Services		1.4
Total		11.3
Grand Total		27.2

Note a These costs include the provision of military security at non-military sites such as Government Buildings and the Central Bank which were not separately available

Source Analysis by Office of the Comptroller and Auditor General of Finance Branch records

- 2 31 The Defence Forces Review Implementation Plan states that a special detailed study will be carried out during phase one of the plan to examine the role and disposition of all civilian personnel under the reorganised and restructured Defence Forces.
- 2 32 Security costs comprise additional payroll allowances which are paid to military personnel in respect of duties which specifically relate to the guarding and securing of defence equipment, military posts and vital installations. Military personnel engaged in these duties are not available for other operational tasks. The 1994 activity survey revealed that security tasks are the second highest consumer of military manpower. The consultants who carried out the survey concluded that the high levels of manpower involved in this area are a function of the excessive number of facilities occupied, of not maximising the use of modern security technology and of failure to recognise the potential for contracting some of this activity to the private sector.
- 2.33 Subsequent to the announcement in July 1998 of the closure of six army barracks, private security firms were contracted for an initial three-month period, at a total cost of £1,700 per day, to protect five of the barracks which were evacuated. If army personnel had been used there would have been a requirement for the payment of security duty allowances and the personnel would be diverted from operational duties. The use of army personnel would also have involved substantial transport costs in deployment from other barracks.
- 2 34 The Defence Forces Review Implementation Plan states that there are a variety of tasks, including security, currently being performed by trained soldiers which could be more cost-effectively carried out by civilians or by contracting out the service provided. It also states that a civil-military study group will be established to examine all of the functions carried out in the restructured Defence Forces to identify those which could be more appropriately performed by civilians.
- 2 35 It was not otherwise possible to draw firm value for money conclusions from the analysis of costs because of limitations within the available information and the absence of non-financial activity data to facilitate the compilation of performance indicators.

3 Management of the Property Portfolio

3 1 Chapter 2 has shown that the property assets used by the Defence Forces are extensive and diverse in nature and that the associated costs for their upkeep and operation are significant. The management of these assets is therefore a challenging task with potential risks to value for money.

3 2 The examination looked at the extent to which the existing arrangements and those proposed contribute to the achievement of value for money in the light of the extensive re-organisation and rationalisation proposals currently being implemented. The conditions needed for an efficient and effective property management function are

- clear strategic objectives
- proper organisational arrangements
- relevant management information to support decision making
- arrangements for periodic programme evaluation of the property management function and prompt corrective action, if necessary

Strategic Objectives

3 3 The defence property requirements will be subject to significant change as the programme of reorganisation and restructuring takes place. In these circumstances it is essential that both the Department and Defence Forces management have a clear overall strategy for property. A good property strategy would help to ensure that suitable property is available in the right locations, as and when it is needed and at an economic cost. The strategy should outline the actions needed to bring the portfolio into line with current and future needs, based on an assessment of the property currently held

3 4 In relation to property management the current Departmental Strategy Statement sets out a number of outputs and targets including the initiation of a review of accommodation requirements before the end of 1998; the identification of all surplus property commencing in 1998 for disposal as soon as possible, a review of married quarters rents on a phased basis from 1998, the disposal of selected married quarters by 2000; and the completion of a property assets register by 2000.

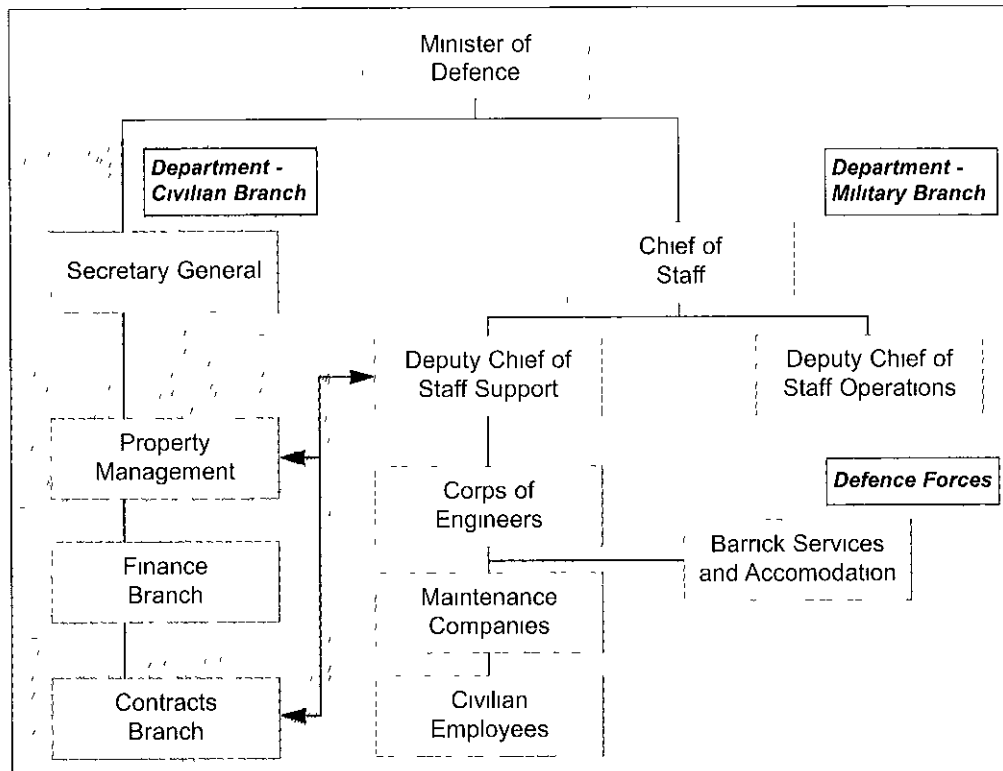
3 5 The Statement also proposes the establishment of a new logistics organisation and system which will be functionally based as opposed to Corps based. It is envisaged that it will be fully integrated through the use of information technology and will have delegated financial authority in order to eradicate unnecessary procedures and processes

- 3 6 In January 1998, Property Management Branch produced a Business Plan for the period 1997 to 1999 which set out their responsibilities and related objectives such as the establishment of a property asset register, the continued identification of property for disposal and financial targets for rental of property and sales of married quarters.
- 3.7 While the strategy statements and business plans are positive steps, they fall short of a comprehensive strategic approach to property management. In the light of the extent of reorganisation and rationalisation taking place, there is a case for developing separate strategies for
- the medium term transitional requirements which involve the determination of ongoing property requirements for the new structures; a significant programme of disposals and rationalisation and the strengthening of information systems to support the planning and management of the maintenance of properties.
 - the longer term management of the provision of property which is an essential part of the effective achievement of the defence mission.
- 3 8 The strategies should address the following requirements
- The need to articulate a clear vision of the overall size and nature of the required property portfolio based on an assessment of needs which would provide a firm basis for investment and rationalisation decisions.
 - The need to carry out a systematic review of property holdings on the basis of operational requirements and an assessment of what would be the optimum sized portfolio
 - The development of a property plan which would bring together the results of the property assessments and reviews and the actions needed to bring the portfolio into line with current and future needs. The plan should also identify key acquisitions, disposals, refurbishment, maintenance and major capital works and establish an integrated timetable and financial plan.
 - The need for the property strategy to dovetail with the overall strategic plan for the Defence Forces

Organisational Arrangements

- 3 9 The organisational and accountability arrangements for property management mirror those in place for the Defence Forces involving both civil service and military elements. Property related functions are split between a number of different branches and sections as set out in Figure 3 1 The principal activities of the main units are summarised in Appendix D

Figure 3 1 Organisation of Defence Property Management



- 3 10 The effect of these arrangements is that overall responsibility, control and accountability for property management has not had a central focus. Due to the dispersed nature of the function, the concentration of resources and co-ordination of effort is difficult with a resulting adverse impact on the economic and efficient use of the property portfolio.
- 3.11 The 1994 Price Waterhouse report was critical of the existing structural arrangements for logistics support. They described the existing support structures as over-elaborate, bureaucratic and manpower absorbing and recommended a substantial redistribution of personnel from support activities to operational activities, involving a slimming down of support structures. They also recommended the devolvement of budget preparation and control functions, the contracting out of some logistics activities and the civilianisation of administrative posts.
- 3 12 In the design of control systems, there is usually a trade-off between the efficiency of administration and level of internal control applied. The establishment of controls should have due consideration to the amounts at risk and should take account of their impact on timeliness. For example, the lead-in time from inception of a building project to the commencement of work on site can take up to two years. Although

the proposed delegation initiatives should improve efficiency the Department should review the control process for the administration of building contracts and establish standard times for the execution of controls.

Under-expenditure in 1997

- 3.13 A shortage of engineering officers in the Corps of Engineers and the diversion of some engineer officers to other work has had an impact on the efficiency of the execution of capital work. In 1997, £10.5 million was provided in the estimates for capital projects relating to new works, additions and alterations but expenditure in the year amounted to £3.8 million, representing only 36% of the sum provided. The causes of the under-expenditure were
- failure to produce tender documents
 - late production of tender documents
 - long lead-in times between receipt of tender documents and placing of contracts due to health/safety requirements and in some instances the obtaining of Performance Bonds from contractors.
- 3.14 The inability to progress projects as planned has been partially attributed to the staffing situation in the Corps of Engineers. While the staff establishment of the Corps is 50 officers the actual strength in June 1998 was 41, of which 9 were either serving overseas or were attending military courses. In addition to building and maintenance engineering work the remaining 32 officers also perform, to varying degrees, military engineering and other military duties. The employment of civilian engineers and technicians, on a contract basis, at an estimated annual cost of £0.75 million is being considered to enable the proposed capital and maintenance building programme to be met.

Civilian Employees

- 3.15 At present there are some 1,200 civilian employees working with the Defence Forces under direct military management. Over 600 are engaged in carrying out day-to-day barracks maintenance work under the supervision of the Corps of Engineers. The estimated payroll costs of these staff was some £11 million in 1997.
- 3.16 The civilian staff are distributed in small detachments in each barracks. A total of 47 grades are employed which can be categorised into three main functional areas.

Functional Area	Number	Nature of work
Trades	405	Carpenters, plumbers, painters ,welders, fitters
Services	60	General operatives, drainsmen, range wardens, boilermen, chimney sweeps
Clerical/ Supervisory	149	Foremen, chargehands, clerks of works, quantity surveyors, draughtsmen, typists

- 3 17 In contrast to the control over the scheduling of contract work, the examination noted an absence of information relating to the work activities and output of maintenance staff which would allow for the proper management and control of their work. In particular, the following information deficiencies were found
- The bulk of job-related information is maintained locally in a manual format which limits the capacity to summarise and analyse and generally examine the meaning and trends behind the data
 - The full cost of jobs is unknown as only the materials issued to jobs are recorded
 - There are no standard costs or targets for jobs.
 - There is no centralised planning and co-ordination of the work carried out by civilian employees. Planning is confined to local level and jobs are undertaken as resources become available.
 - It is not possible to compare the cost effectiveness of the work carried out by the civilian employees with similar work carried out by outside contractors
 - It is also not possible to relate the work done by civilian employees with the general condition of properties
- 3 18 As shown in paragraph 2.30, there is considerable scope for greater economy and efficiency in the use of civilian maintenance staff. In the absence of adequate systems to manage and control the utilisation of civilian employees there is a significant risk to the achievement of value for money in respect of this resource

Re-organisation Proposals

- 3 19 The Defence Forces Review Implementation Plan recognises that organisational arrangements need to be redesigned to fit the organisation's strategy. The Plan has proposed that the Deputy Chief of Staff (Support) will be responsible for the main logistics activities including the provision and maintenance of military installations. It also proposes a re-organised logistics structure which will combine a number of sections to be co-ordinated by the Deputy Chief of Staff (Support). This will include the establishment of a Logistics Section with responsibility for the provision and

maintenance of buildings and utilities and barracks services. A detailed special study on the role and deployment of all civilians is also to be carried out

Limitations of Property Information Held

- 3 20 It was established during the examination that the data held on property is of very limited use. It is not capable of providing a satisfactory basis for senior management to measure the achievement of strategic objectives, supervise the economic and efficient management of the portfolio and to monitor performance, in particular, regarding utilisation and rationalisation.
- 3.21 The following information deficiencies were noted
- Information is not recorded collectively in relation to either targeted or actual utilisation of property which would promote the better use and rationalisation of property and assist in identifying property surplus to requirements
 - Property valuations are not regularly made and are only carried out by the Valuation Office if a property is being considered for disposal. This means that consideration of the relative benefits of the disposal of property is not informed by information about the likely financial gains. The absence of any property values also means that the notional cost of occupancy is not factored into property allocation decisions
 - Details of the condition of the properties are not recorded. This means that there is no direct basis for assessing the efficiency and effectiveness of the maintenance of properties. It also implies that no attention is given to the preservation of the value of the properties
 - There is no linkage between property records and financial records of costs associated with properties. This prevents any routine analysis of the economy or efficiency of property related services.
- 3 22 The efficiency reviews which have been carried out have pointed out the requirements to establish adequate management information systems and the Department and the Defence Forces have recognised the need to put in place a system which will capture fully the cost of military activities and provide information for decision making and reporting purposes. It is also proposed to develop a comprehensive property asset register.

- 3 23 In the light of proposals for the re-organisation and restructuring of the Defence Forces, including proposals for a programme of barracks closures, it is essential that a comprehensive system of recording property related data should be developed. At a minimum this system should be used to record
- all property holdings and their value, use and condition
 - the use of property and comparisons against requirements
 - the full operational costs against targets
 - property identified as surplus to requirements and awaiting disposal
 - capital works planned and in progress
 - programmes for property maintenance including targets and the progress of these programmes against targets
 - calculations of unit costs which could be used to compare the running costs of different buildings and to monitor trends
- 3 24 The data should also be easy to access and be capable of being readily analysed. Summary reports should be made available on a regular basis to senior management for the purposes of decision making and for assessing performance against targets

Programme Evaluation

- 3 25 A system of programme evaluation is also an essential element of a framework for ensuring the ongoing achievement of value for money in the management of property. This would enable senior management to assess the extent to which objectives are being achieved and the continuing need for programmes and to review the potential for increasing value for money in the service provided

Appendices

Appendix A

References to Property Management in Efficiency Audit Group Reviews and Other Documents

Report of the Commission on Remuneration and Conditions of Service in the Defence Forces - 31 July 1990

The *Gleeson Commission* was established on 27 July 1989 to carry out a major review of the remuneration and conditions of service of the Defence Forces having regard to their separate and distinct role and organisation and to make recommendations.

References to Property

'It seemed clear to the Commission, even from its necessarily cursory investigations, that facilities and resources, both within military bases and between bases, require rationalisation'

'The question of the number of military barracks that should be maintained in particular areas is outside the Commission's remit. There may be good local arguments for maintaining a particular barracks and it is recognised that a military base can have a significant role in the local economy. However, considerations of this type must be weighed against the additional strains put on the personnel and financial resources of the Defence Forces. The existence of multiple military installations in close proximity to one another, for example, within twenty miles of the city of Cork and in the Curragh/Kildare area, does not seem to the Commission to be justified in terms of military efficiency or financial economy.

'The number of separate military installations which are maintained also has an impact on the standard of physical accommodation that is provided. The quality of accommodation which the Commission observed in many locations was extremely poor and in some cases even new facilities did not seem to be particularly well maintained.'

'Some of the living and working accommodation seen by the Commission during the course of its visits to military installations was of a very poor standard. Much of it was old or badly maintained or both. The Commission saw sleeping accommodation where windows had been blocked up by boards, washing facilities which had been built in the last century, leaking roofs, ceilings with the paint peeling off, workshop conditions which appeared to be hazardous to the health of those working there, cracked and broken floor covering, accommodation blocks without washing and toilet facilities, heating by pot-bellied stoves and guard rooms occupied 24 hours a day with only very basic cooking and washing facilities.'

‘On the other hand, the Commission saw examples of good quality accommodation and also saw evidence of the initiatives taken at local level at some locations.’

‘Overall, the Commission was left with the impression of a great deal of poor quality and badly maintained accommodation but also that a lot of the living accommodation is in use only on an occasional basis and is superfluous’

Recommendations

‘Facilities and resources within military bases and between bases require rationalisation’

‘A review should be undertaken by professional management consultants of the management structures within the Defence Forces, the relationship between military and civil management, the geographical deployment of the Defence Forces, physical asset management and the systems of procurement, financial management and information management which should operate in the Defence Forces and the Department of Defence.’

Interim Report of the EAG Working Group on the Military Review (EAG 2) - March 1992

The Efficiency Audit Group was established in 1988, under the aegis of the Department of the Taoiseach, to examine the workings and practices of Government Departments with a view to recommending improved or alternative methods which would reduce costs and improve efficiency.

References to Property

‘Most of the Army barracks were constructed during the eighteenth and nineteenth centuries and handed over to the State in 1922. Modern purpose-built accommodation is still the exception rather than the rule. The buildings occupied by the Defence Forces are extensive in scale but frequently of poor quality’

‘The number of permanently occupied posts is determined more by historical factors than by actual needs. The six largest locations, the Curragh Camp, Haulbowline, Casement Aerodrome, Customs Barracks (Athlone), Collins Barracks (Cork) and Cathal Brugha Barracks, contain nearly half of the Permanent Defence Forces. The remainder are widely dispersed. The military authorities and the Department of Defence acknowledge that the number of occupied posts is surplus to requirements.’

‘This number of occupied posts is not only costly to maintain, but contributes to the inefficient use of military personnel. As each military post must be self-sufficient to

a great extent, the large number of occupied posts increases the number of military personnel providing support services (eg. dining facilities, stores) and engaged in military post security - the latter imposes a heavy workload. Though the military authorities have taken steps in recent years to rationalise facilities within posts, the workload generated by the excess of posts remains '

'As mentioned in Chapter 2 there are 37 permanently occupied barracks/posts in the State. The Defence Forces require countrywide deployment in pursuance of their Aid to the Civil Power tasks and for security purposes in general. However, the size, location and number of existing barracks/posts has more pertinence to the tasks and consequent deployment of the Army which built them (i.e. the British Army) than to the Defence Forces of today.'

'The Department of Defence, in consultation with the military authorities, has identified a number of barracks which should be closed. We believe that there is an overwhelming case for such closures which present a major opportunity for long-term efficiency gains and administrative savings.

Review of the Defence Forces (Price Waterhouse) - July 1994

Price Waterhouse, management consultants, were commissioned by the Efficiency Audit Group to carry out an in-depth examination of the Defence Forces. This examination was part of the review being carried out by the EAG itself.

References to Property

Summary of Findings

- Unit sizes are far too small to be effective and available manpower is spread over too wide a geographical dispersal.
- Generally speaking the PDF is badly structured, too old, poorly trained at the collective level, inappropriately equipped, over-manned, over-ranked and too widely spread in too many barracks and locations.

The study recommended, inter alia, that there was need for a structured approach to barrack closures based on a detailed barracks by barracks study.

Detailed Recommendations

- Geographic deployment should be based on taskings.

- A separate detailed study on the barrack needs of the Defence Forces should be carried out to fully exploit the potential for rationalisation of facilities and for savings.
- The long-term aim should be a reduction of about 50% in the number of permanent facilities occupied by the Defence Forces with a consequent reduction of 500 to 600 military personnel.
- An immediate short-term target of two barrack closures should be set for 1995
- Critically review all tasks with a view to civilianisation and/or contracting out to the maximum extent possible consistent with cost effectiveness. We estimate that at least 700 military posts would be affected by such a review in areas such as security of installations, administration, catering, maintenance engineering and in DFHQ
- The property management function involving the management of barracks, married quarters, barrack services and grounds is a low to medium benefit activity with high associated costs which should be targeted for reductions as part of the proposed barrack closure study and programme

Other References in Report

‘The current deployment of the Defence Forces over a widespread geographical dispersal and in a multiplicity of locations is driven by out-of-date factors rather than by current roles and operational taskings. These factors include the largely inherited infrastructure and historical considerations. This issue will not be easily dealt with given the age, designation, location and local economic impact of change in the current physical infrastructure. There is, however, massive potential for long-term savings in this area (in both PDF and Reserve Force infrastructure) which will need separate study based on principles and guidelines set down in this report. As a general finding, we would have to say that most of the facilities we visited are in a very poor state of repair.’

‘Property management appears as the next highest user of military manpower. This is an astonishingly high figure and points to an urgent need to reduce the number of barracks and contract out the property management functions’ (*This refers to the ranking achieved by property management in a military manpower analysis exercise carried out by Price Waterhouse as part of their study*)

‘The two-brigade option is based on our conclusion that geographic dispersal is only an important consideration in relation to the border area. We believe that, within the bounds of common sense in terms of major population centres, there are no overwhelming operational imperatives, outside of the border area, which would call for the current widespread physical dispersal of the forces on a permanent basis but which are capable of rapid deployment as required to various areas of the country to aid the civil power or otherwise to discharge the roles set down by Government. We

do not see an on-going requirement for widespread geographic deployment other than in the border areas nor do we see the need for the Defence Force structures to mirror those of the Gardai who are charged with the primary responsibility for internal security. However, as dealt with elsewhere in the report, we believe that a separate study needs to be undertaken on the whole issue of the numbers of barracks and geographic deployment.'

'There is a need to close barracks. Many of the barracks currently occupied exist not for operational reasons but for historical and/or outmoded territorial occupation reasons. The cost of upkeep has already reached unacceptable levels and will only increase over time. It is difficult, however, to be specific about exactly how many and which barracks should be chosen and over what timetable. This issue requires in-depth study in its own right.'

'Our two brigade group option assumes a programme of barrack closures. Currently 34 permanent facilities are occupied by the Defence Forces. The operational requirement would, we believe, only amount to about half that number in the long-term. It is difficult, however, without separate study, to identify exactly how many and which barracks should close. We assume that under a barracks closure policy about 530 existing posts could be saved. However, realisation of these savings will be dependent on a barracks closure policy as most of the posts are involved in garrison functions.'

'A separate study is needed in this area (*barrack closures*). It will need to be aligned with the re-organisation proposals (i.e. the location of units in the new structure) and the manpower plan (i.e. targeted force reductions). Each facility will have to be looked at in terms of its necessity in the new structures, its manning levels, its market value and the potential to redeploy the personnel involved elsewhere which will also mean looking at redeployment costs in the receiving facility. This study needs to be undertaken as a matter of urgency and any further significant investment in the current physical infrastructure should await the outcome of that study.'

'Realistic short-term targets should be set while the overall study is proceeding. We believe that an immediate target of two closures in 1995 should be set. In our view such a target is achievable in non-sensitive areas and could be delivered upon without major disruption and without major redeployment costs. The output of the study should enable similar realistic targets to be set for subsequent years.'

'(*Appendix 5*) Property is one of the most significant elements of cost (£11m). This includes the management of barracks, married quarters, barracks services and grounds. The cost is driven by the number of installations. Barrack closures and contracting out of these services should ensure savings are achieved.'

Defence Forces Proposals to Efficiency Audit Group - 14 June 1994

This submission was made by the military authorities to the EAG and contains their reaction to the Price Waterhouse Report and other examinations in the defence area

References to Property

‘The Defence Forces agree with the PW conclusion that we are overstretched in terms of barrack deployment, and that rationalisation will generate savings. Price Waterhouse advocate the closure of seventeen barracks out of our present thirty four with no indication of how this figure was decided upon and no indication of what ‘shape’ the new deployment would take. We have nine military posts along the border and it is neither acceptable on the grounds of security nor is it acceptable from a public perception point of view to close any one of them at this time. Any reduction of troops, units or posts along the border could send very wrong signals at this sensitive juncture. The PW proposals in regard to barrack closures are very incomplete - it seems however that their proposed PDF strength is based on the closure of seventeen barracks. It is the view of the military authorities that the closure of seventeen barracks, is, for reasons of national security not possible.’

Report of the EAG on the review of the Defence Forces - December 1994

This is the report of the third and final review of the EAG on the defence area.

References to Property

‘A programme of rationalisation of the use of facilities should be undertaken taking into account, in particular, the conclusions in the report (*PW report*) that existing facilities are too numerous and many require substantial upgrading and modernisation. A separate detailed study is required in this area.’

Review of the Defence Forces - July 1995

This document, prepared by the Department of Defence, provides an overview of the recent review of the Defence Forces by the Efficiency Audit Group (EAG). It sets out the background to this review and provides a summary of the analysis and conclusions of the Price Waterhouse report prepared for the EAG. It states at the outset that the Government accepts that the issues to be addressed are national priorities and require an urgent response.

The report outlined the Government's approach to implementing the reforms advocated by the EAG and Price Waterhouse reports. It decided to set up an Implementation Group to formulate a fully costed three-year implementation plan (Phase 1) for the Minister for Defence.

The report states that the Government are conscious of the fact that a number of very sensitive issues need to be addressed. Separate studies on the rationalisation of Defence Forces facilities have been recommended both by Price Waterhouse and by the EAG and will be undertaken as part of the overall implementation process. The economic and social implications will be fully taken into account in these studies. 'There are no plans at present to close army barracks.'

Defence Forces Review Implementation Plan - February 1996

This document detailed the background to the proposed Defence Forces reform programme, outlined the Government decisions taken in regard thereto and specified the three year implementation plan for Phase 1 as requested by Government.

References to Property

'The Government in announcing their approach, subsequently stated that a number of areas, such as rationalisation of Defence Forces facilities, would be the subject of a special study. The Government stated that there would be no barracks closed during the first phase of the plan.'

'There are 34 military barracks. The Price Waterhouse study for the EAG concluded that there are too many barracks, many unsuitably located for military needs, many in very poor condition with unacceptably high upkeep costs and that barrack management and administration takes up an unduly large element of military manpower.'

'The Government have already announced, following consideration of the EAG report, that there would be no barracks closed under the Phase One plan of the implementation process but approved the need for study which will include the socio-economic aspects, in addition to operational imperatives.'

'It is acknowledged that the question of barracks rationalisation, and more particularly their closure, is a very sensitive local and national issue. It will need careful study from a number of perspectives. The precise terms of reference and the modus operandi of the proposed study will be drawn up as part of the implementation process. It is clear, however, that such a study must address the future infrastructural needs of the Defence Forces having regard to the security situation, the required

disposition of military resources and the progress in relation to re-equipment and increased mobility. The study must also take full account of the economic and social implications of any proposal.'

'In the meantime expenditure to modernise military infrastructure will continue. Between 1992 and 1994 almost £20 million was spent on maintenance and refurbishment of military installations throughout the country. This year (1996) a total of £13.5 million has been provided for this purpose. Proposals in this area will be considered having regard to the new organisational arrangements arising from the creation of the new brigade structure and new units within this structure.'

Appendix B

Value for Money references in the Defence Statements of Strategy 1998 - 2000

Department of Defence Statement of Strategy 1998 - 2000

Mission

The opening words of the defence mission are “to provide value for money military services” The phrase is further defined as providing services and discharging roles in a value for money way, that is, economically, efficiently and effectively

Action programme

A white paper on defence will be published in 1999 to provide a 5 - 10 year framework within which Defence policy can evolve and to provide a programme for on-going reform for the Defence organisation

The Department of Defence is to become a policy led Department with day to day administration delegated to the military authorities. There is to be a flexible approach to the management of Defence which will seek to manage its own environment and influence in a pro-active way the controllable elements of the environment

As part of the commitment to customer service, a key focus is on putting structures and arrangements in place to identify and deliver value for money

Strategic Objectives and Performance Management

The strategy statement identifies result objectives and enabling objectives. One of the enabling objectives is to develop and sustain a value for money ethos and in so doing promote a flexible organisational approach to respond to the needs of government and security. An organisational review programme and a VFM programme are envisaged to achieve this objective

Specific outputs and targets are identified for all strategic objectives The more relevant proposals are as follows

Result Objective - Ministerial Support Property Management

The specific proposals in respect of property management are

- Initiate a review of Defence Forces accommodation requirements before the end of 1998
- Continue the process of disposal of married quarters in an orderly way with all quarters (apart from a small number at the Curragh) disposed of by 2000
- Rents for married quarters are to be reviewed and updated on a phased basis beginning in 1998
- All surplus property will be identified commencing in 1998 and will be disposed of as soon as possible
- The property assets register is to be completed by 2000

Enabling Objective - Defence Forces Review Implementation Plan

A new top level management system is being introduced and a new Strategic Planning Office has been established

In the financial management area, administrative support systems to facilitate financial delegation will be developed and the use of multi-annual budgeting will be extended. The realignment of financial subheads will continue.

Enabling Objective - Value for Money

The organisational review and VFM programme is concerned with the development of an organisational approach which emphasises flexibility and the ability to review the results achieved and the approaches adopted

Structures will be re-designed to better fit with the organisation's strategy

Business planning will be used as a mechanism to harness each Branch's contribution to the achievement of the mission and objectives. The plans will take full account of cross functional linkages.

A particular focus of the strategy statement is the importance of generating and maintaining a strong value for money orientation in all areas. A joint civil-military audit and VFM committee will be established in 1998. VFM evaluation capabilities will be developed and the business plans will have a VFM element.

Specific targets are to alter the pay: non-pay expenditure ratio from 80 20 towards 70 30 and to further develop the management accounting system to show programme costs and outputs

Defence Forces Statement of Strategy 1998 - 2000

The statement of strategy of the Defence Forces also contains a strong value for money agenda. This is reflected principally in the following areas

Discussion of the Domestic Environment

The need to provide better value for money is identified as a driver for the process of reform which is described in terms of

- a more streamlined command and management arrangements
- greater devolution of decision making authority and responsibility, including budgetary responsibility
- simpler, more operationally focused organisational structures and systems
- improved training and equipment regimes
- a better balance of expenditure between equipment and personnel costs
- improved age profile and personnel policies
- unit deployment to suit current responsibilities

The danger of a selective approach to the implementation of reforms and ongoing pressure to contain public expenditure are presented as external threats in the environmental analysis.

Enabling objectives targets and outputs

Logistics and Equipment

The target is to acquire, maintain and manage assets and material for the Defence Forces at the appropriate level of operational readiness in a cost effective manner. Asset management and maintenance policies which provide value for money are identified as a contributor

Financial Management

Fully devolved financial authority and greater awareness of the cost of resources utilised are seen as key elements of the financial management targets

Information Management

The target is for a fully integrated strategic information system to ensure the most effective and efficient delivery of administrative and management services

Planning and assessment

The target is to plan and evaluate activities, procedures and processes to verify attainment of objectives and standards in a cost efficient manner This is to be achieved through an assessment programme which measures performance vis-a-vis objectives and targets and which complements the work of the Audit Committee

Appendix C

Property-Related Costs Methodology

Financial Records

- 1 The examination noted that certain aspects of the recording of expenditure hinders the extraction of relevant information for the analysis of costs. Although the financial management system operated by the Department provides for the charging of expenditure to cost centres, some of which relate to specific military units/locations, a high proportion of expenditure was charged to general cost centres. For example, electricity invoices for all property locations were charged to one cost centre.
- 2 A further difficulty encountered was some inconsistency in the recording of financial transactions where there were multiple descriptions for the same location or where a reference to location was omitted entirely.
- 3 The development and operation of a financial recording system which charges expenditure against property cost centres, allows for the apportionment of expenditure and is flexible enough to provide for the extraction of multiple views of the data is a prerequisite for a proper understanding of property cost trends.
- 4 A fully developed performance measurement system would further require the integration of the financial costing records with non-financial data concerning the usage and condition of property to facilitate the production of meaningful economy and efficiency indicators.

Property Costs Methodology

- 5 Due to the limitations in the financial records, the following methods were used to calculate property costs during the course of the examination
 - The financial transactions relating to property as recorded in the Financial Management System (FMS) for 1997 were summarised and analysed using file interrogation software - Interactive Data Extraction and Analysis (IDEA).
 - Expenditure in respect of utilities was estimated based on work carried out by the Barrack Services and Accommodation Branch.
 - Certain expenditure items were apportioned based on the actual outturn for related expenditure headings.

Appendix D

Organisation of Property Management Activities

Unit	Main Activities
<i>Property Management Branch</i>	<ul style="list-style-type: none"> ● Maintaining the Property Register ● Renting of privately-owned property ● Letting of Department's lands and properties ● Limited maintenance in relation to drainage encroachments, fencing, and the control of noxious weeds ● Monitoring and assessing planning applications which may affect the Department's property ● Regular perambulation or inspection of properties ● Ensuring compliance with legal requirements ● Identification and disposal of surplus properties ● Administration of married quarters
<i>Contracts Branch</i>	<ul style="list-style-type: none"> ● Evaluates proposals in relation to and makes arrangements for the procurement of building and engineering services
<i>Quartermaster-General's Branch</i>	<ul style="list-style-type: none"> ● Overall responsibility for the provision and maintenance of military accommodation and facilities
<i>Directorate and Corps of Engineers (Maintenance)</i>	<ul style="list-style-type: none"> ● Provide technical direction and advice in relation to building and maintenance contracts, health and safety requirements, fire prevention and building regulations ● Provide a planning and design service for contracts and preparation of tender documents ● Supervision of contractors ● Responsible for the day-to-day maintenance of buildings and for supervision of civilian employees
<i>Civilian Employees</i>	<ul style="list-style-type: none"> ● Day to day routine maintenance of barrack buildings
<i>Barrack Services and Accommodation Section</i>	<ul style="list-style-type: none"> ● Provision of essential services and operational requisites such as bedding and utensils, heat, light and power for barracks