



## POLICY INSTRUCTION

Government Efficiencies – Extension to the Controls on Property Commitments

Number: PI 09/10

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Contact if different from Property Directorate Sponsor:

Who Should Read this: All DE Offices, Partnering Organisations, PPP/PFI Project Managers, CEstOs and TLBs.

When it takes effect: Immediately

When it is due to expire:  
11 July 11

Estate Management

### Equality And Diversity Impact Assessment

This policy has been Equality and Diversity Impact Assessed in accordance with the Department's Equality and Diversity Impact Assessment Tool against:

**Part 1 Assessment Only (no diversity impact found).**

**Document Aim: The aim of this Policy Instruction is to advise and provide clarification on the application of the extended controls to property matters set out in the recent Government Efficiencies announcement and the procedure operating in the MOD for those property commitments requiring clearance.**

### Background

1. [DE Property Directorate Policy Instruction 09/2005](#) sets out the extant requirement for HM Treasury to be consulted about all substantial proposals to acquire new or renew land and property commitments<sup>1</sup> in London and the South East.

<sup>1</sup> Defined as new freehold acquisitions; new lease/licence acquisitions including lease/licence extensions; renewals of existing leases/licenses; non-operation of existing break clauses; new property commitments or non-operation of break clauses in underlying leases on the PFI estate

2. As part of the new set of spending controls and priority measures in the recent Government Efficiencies announcement made by the Chancellor of the Exchequer and Chief Secretary to the Treasury, all property matters within the scope of the control currently operating in London and the South East have now been extended to apply nationally with immediate effect.

3. This extended restriction applies to all UK government departments, their agencies and arms length bodies subject to certain exemptions, a number of which have been agreed for the MOD.

### Scope

4. The extended control applies to all MOD property commitments which shall require approval in accordance with the clearance procedure set out below with the exception of the following which have been agreed as **exempt** from the restriction:

- the hiring of Substitute Service Accommodation (Service Families and Single Living Accommodation)
- new freehold acquisitions and the entering into new or renewal of leases/licences of land and property to support military capability that do not fall within the definition for a 'civil element of the Defence estate' defined at Annex A (see Note)
- overseas leases for accommodation or the leasing/licensing of land and property in direct support of operations either in theatre or in overseas supporting locations
- all lettings (leases and licences) with the object of generating income or other tangible benefit to Defence, or to MOD contractors in connection with approved service contracts e.g. Multi-Activity Contracts (see Note).

5. **If there is any doubt** about whether a property commitment proposal is exempt from the requirement for clearance, a business case for approval is to be submitted. NOTE: Despite exempt, DE Chief Finance Officer (DE CFO) approval must still be obtained for all new freehold acquisitions and new hirings or lettings of 3 years or more without a recurring 3-yearly or less break provision.

### Clearance Procedure

6. Any MOD property commitments not covered by the exemptions shall require a business case to be submitted by TLB Command Secretaries to DE CFO for consideration and staffing through the Office of Government Commerce (OGC) to the Treasury DDI Spending Team. Ministerial approval may also be required. Business Cases should be submitted in the form provided at Annex B.

7. When seeking permissions for new property commitments, departments have been guided to bear in mind the Prime Minister's commitment to improving energy efficiency in year. All new property commitments in the UK must therefore have regard to [DE Property Directorate Policy Instruction 08/10](#) on procuring buildings in the Top Quartile of energy performance and the consideration given to this reflected in the business case submitted.

### Trading Funds

8. Business cases for new property commitments requiring approval are to be submitted to DE CFO through DFM Head of Business Strategy & Governance (DFM Hd BSG).

### Contacts

9. MOD points of contact for the referral of business cases are:

DE CFO - Mike Martindale Tel: 0121 311 2068 Mil: 94421 2068  
[michael.martindale@de.mod.uk](mailto:michael.martindale@de.mod.uk)

DFM Hd BSG - Emma Davies Tel: 020 721 87527 Mil: 9621 87527  
[emma.davies236@mod.uk](mailto:emma.davies236@mod.uk)

## Definition of 'civil elements of the Defence estate'

*'General purpose office property'<sup>1</sup> capable of being shared with Other Government Departments that is not:*

- i) situated within the secure boundary of an Armed Forces Establishment<sup>2</sup> or*
- ii) held solely in connection with military operations<sup>3</sup>.*

### Examples that fall within the 'civil elements' definition (for illustrative purposes):

MOD Main Building, London  
St George's Court, London  
St George's House, Sutton Coldfield  
Stirling House, Waterbeach  
Careers Information Offices (high-street located)

<sup>1</sup> 'General purpose office property' means all freehold or leasehold office accommodation occupied or controlled by the MOD and its sponsored bodies or run under PFI contracts irrespective of whether it is being used or occupied and where tenure exceeds 3 months duration.

<sup>2</sup> 'Armed Forces Establishment' means an aggregation of land/buildings that together function administratively as a RAF Station, Army Barracks, Camp, Range or Training Area, Naval Base, Defence R&D facility or Storage & Supply Depot.

<sup>3</sup> 'Military operations' means campaigns or manoeuvres of or relating to Armed Forces training or war.

**SECURITY CLASSIFICATION – [Insert security classification]**

**Property Acquisition Moratorium - Exemption Request**

| <b>Department</b>   | <b>TLB</b> | <b>Address of Property</b> | <b>Size</b> | <b>Cost</b> |
|---------------------|------------|----------------------------|-------------|-------------|
| Ministry of Defence |            |                            |             |             |

**Guidance Note – (to be removed before submission)**

*All government property is within scope except Olympics, overseas and military estate.  
Cases proposing the non-operation of a lease break should be submitted 6 months before the break point or notice period is due.  
For events due before December 2010, cases need to be submitted as soon as possible.*

*Cases should be submitted in the first instance to DE CFO.*

*This template is designed to provide the minimum information required to ensure that a proper account can be given to the material considerations underlying a request to commit to a new property acquisition, lease renewal, extension or to not operating a lease break. The submission should routinely be no more than 2 pages – however additional information may be added for more significant cases.*

*The business case must include the following:  
(end of guidance note)*

**Proposal:**

1. *[Insert clearly details of what is being asked to approve]*

**Timing:**

2. *[Insert exact date by which a decision is required together with explanation to justify]*

**Recommendation from Government Property Unit:**

3. *[To be completed by GPU (formerly OGC Government Estate Transformation) before submission to Minister]*

**Background:**

4. *[Insert basic context to the transaction]*

**Business Rationale:**

5. *[Insert the business drivers and need to secure approval for the transaction proposed. There has to be very clear linkage to priority and to being operationally essential, and the business case needs to address fully all the delivery options that have been considered and discounted, stating very clearly why options have been discounted]*

**Property Options Considered:**

6. *[Insert details of all the options considered including parent department estate, available civil estate and options from the wider public sector (if any). The section must justify fully rejection of the options listed. Suitable accommodation on the civil estate should be re-used subject to it being operationally suitable and representing best value for money for the Exchequer. Departments are responsible for appraising property commitments in line with HMT "Green Book" & Managing Public Money, and for agreeing appraisals with the Government Property Unit (the new combined Shareholder Executive/OGC team)]*

7. **Financial Analysis:** *[Insert consideration given for all of the options:]*

- A) Departmental affordability<sup>1</sup>**
- B) Exchequer Perspective**
- C) Overall Value for Money**

**Preferred Option:**

8. *[Insert a robust business and commercial rationale to the property transaction preferred]*

**Transactional Detail:**

9. *[Insert a detailed summary of the transaction proposed requiring approval]*

<sup>1</sup> NB it is unlikely that affordability to the Department will be a significant factor for Treasury.