

Ministry of Defence The Joint Services Command and Staff College



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
HC 537 Session 2001-2002: 7 February 2002

1 The College's facilities at Shrivenham

The facilities provided by Defence Management (Watchfield) Limited include:

- 100 acre site, containing 45,000 square metres of College facilities which include seven lecture theatres (ranging from 70 to 450 seats), 67 syndicate rooms, and a library
- Support facilities include 170 offices, two conference rooms, and 600 car park spaces
- Mess facilities include one main dining room, three anterooms, two bars, and three small function rooms
- Single residential accommodation for 483 students and staff
- 290 married quarters
- Sports pitches, including two cricket grounds, a floodlit, all weather hockey pitch, six tennis courts, one rugby and one football pitch
- Leisure facilities, including six squash courts and a fitness centre

Defence Management provides a range of support services at the facilities:

- Civilian academic staff
- Electronic media, technology and communication systems services, and IT
- Administration
- Cleaning and waste disposal
- Security
- Library
- Catering
- Estates management (maintenance, repairs and utilities)
- Facilities management



executive summary

- 1 The Joint Services Command and Staff College (the College) was established in January 1997 and initially operated in temporary facilities at Bracknell. In August 2000 the College opened in new purpose-built facilities at Shrivenham (**Figure 1 opposite**). The College trains 2,000 people a year with a staff of 160. Its forecast expenditure in 2001-02 is £35 million¹. From April 2002 the College is to become part of the Defence Academy of the United Kingdom, along with the Royal Military College of Science at Shrivenham and the Royal College of Defence Studies in London.
- 2 The Ministry of Defence (the Department) identified the need for a joint command and staff college in its 1994 Defence Cost Studies. Command and staff training had to keep pace with the fact that there were more joint operations and with initiatives such as the formation of the Permanent Joint Headquarters and the Joint Rapid Reaction Force. During the Defence Costs Studies the Department also considered that a joint college would generate savings from rationalisation of the existing Service colleges - the Royal Navy at Greenwich, the Army at Camberley and the Royal Air Force at Bracknell. Following more detailed work the Department concluded that a joint college would be broadly cost-neutral.



- 3 The Department originally intended to pursue a conventionally funded public sector solution to provide a new college but this proved costly and it was questionable whether the large initial capital outlay involved was affordable. The Department therefore explored a Private Finance Initiative (PFI) project for the construction of a new college, associated married quarters and single accommodation, and the provision of facilities management services and academic teaching - the Department continues to provide directing staff and military lecturers. In June 1998 the Department awarded a 30-year contract to Defence Management (Watchfield) Limited (Defence Management), a special purpose company wholly owned by Laing Investments and Serco Investments. **Figure 2** provides a brief chronology of the steps leading to the establishment of the new College at Shrivenham.
- 4 This report examines whether the Department managed the establishment of the College effectively - whether the College has succeeded in delivering joint training and whether the use of the PFI has been value for money. The methodology we adopted is set out in Appendix 1.

¹ This excludes VAT and is net of forecast receipts of £3 million.

2 Chronology of events

Date	Event
July 1994	Decision to form the Joint Services Command and Staff College
September 1995	Decision to explore the use of the PFI to provide the College's permanent facilities
August 1996	Invitation of preliminary PFI proposals
January 1997	Establishment of the College
February 1997	Selection of Defence Management as preferred PFI bidder
September 1997	Start of the first joint Advanced course in temporary facilities at Bracknell
June 1998	Signature of PFI contract
August 2000	Completion of the new facilities at Shrivenham and admission of the first students
September 2000	College fully established at Shrivenham; interim facilities close

The Department did well to establish the College but there is scope to improve further the management and evaluation of training (Part 1)

- 5 In response to the need for joint command and staff training, the Department set itself realistic objectives. The three Service colleges had aligned their training to the specific needs and traditions of their parent Service and, despite a commitment to joint training, there was considerable scope for disagreement about the design of joint courses. In response to this the College adopted an incremental approach to delivering joint training and concentrated on the design and delivery of the main joint course - the Advanced course.
- 6 The Advanced course was designed to prepare students for the next ten years of their careers, during which time they would go on to occupy senior and higher command and staff posts within the three Services, Joint Commands and the Department. In September 1997 the Department launched its first Advanced course which reflected the required level of 'jointery'. Launching this course on time was a considerable achievement. Following the March 2001 Defence Training Review, the College is planning to extend joint training.
- 7 Since its opening the College has generally delivered the planned level of training. It has consistently operated within budget and met its targets for annual efficiency savings. For example the College has reduced the number of military staff it uses to deliver the main Advanced course from 62 in designing and delivering the first course in 1997 to 52 in 2001. The College has identified the total costs to the Department of each individual course, including its payments to Defence Management. The structure of the charging regime under the PFI contract does not enable the College to identify readily the actual costs incurred by Defence Management for each course. The College has sought this information from Defence Management to assist in its planning of future courses.





- 8 The College employs 115 military teaching staff but has limited say over who these staff are or over the length of their postings, as these are the responsibility of the individual Services. Staff turnover has been high and in June 2001 65 per cent of the military teaching staff on the Advanced course had been in post for less than 15 months. The College considers that 15 months is the minimum length of posting necessary for it to see a benefit from its investment in training such staff. It also recognises that a balance has to be struck as higher quality staff will move on more quickly but will also bring a better understanding of current views and practices within the Department.
- 9 The College has some say on the quality of the students attending its courses and on the students' subsequent postings at the end of their course but both these aspects are the prime responsibility of the single Services. The College seeks to evaluate the effectiveness of its training, especially its Advanced course. It surveys students during and at the end of the course, as well as its graduates and their line managers (both military officers and civil servants) some time after a course's end, and it assesses a student's performance during the course. Feedback is obtained from the College's other stakeholders through its governance structure, and from various external training accreditation bodies. The College is also taking the lead in the international benchmarking of command and staff training.
- 10 The College's evaluation of its training compares well with good practice at civilian colleges and training provided by the private sector, and feedback has been largely positive. The College is planning to extend its evaluation of the Advanced course to ensure that it can identify some of the long-term benefits of its training. It intends to monitor the performance of a sample of Advanced course graduates over ten years, as well as the performance of graduates in certain key posts. We welcome the College's plans and we have identified a number of other ways in which this evaluation could be improved still further. For example, greater use could be made of the performance information generated by the single Services' personnel systems to identify trends in more objective measures of training effectiveness, such as the length of service of graduates and the speed of their promotion. There is also scope to collect more qualitative data on students' perceptions and motivation.

The 1998 PFI contract for the College's permanent home was good value for money and provides useful lessons (Part 2)

- 11 The Department originally planned to procure the new permanent facilities for the College using public sector capital. However, the Government's policy of considering PFI as a procurement option for all projects and increases in the estimated cost of the public sector capital option led the Department to explore the PFI option. Having selected Defence Management as its preferred bidder, it took 16 months to agree a contract. Such lengthy negotiations with the preferred bidder were, however, a common problem on other PFI projects at that time. The Treasury has subsequently issued guidance which, if followed, should reduce the time taken on the negotiations of future deals.
- 12 During the negotiations there was a 4 per cent increase in the cost of Defence Management's bid and a number of changes in the proposed allocation of risk. In our view, the final allocation of risk agreed is broadly in line with other PFI contracts signed at that time. Before signing the contract, the Department confirmed that the PFI offered better value for money than the public sector capital option as, at £200 million, it was estimated to be cheaper by £23 million (over 10 per cent) and more affordable, and brought a number of non-financial benefits, including the establishment of the College in one building. We found no significant errors in the Department's calculations.

- 13 The Department changed the target date for the project from September 1997 to September 1999. Delays in negotiating the PFI contract then pushed this date back by a year to September 2000. In the meantime the Department established the College in interim facilities at Bracknell at a set-up cost of £10 million. The Department's 1998 value for money assessment correctly did not take account of these factors which had already occurred as it was concerned with the future cost implications. Our own analysis of the signed PFI deal against a hypothetical public sector capital option meeting the original target date of September 1997 confirmed that, even taking account of these factors, the use of the PFI was still likely to be cheaper. There were also affordability and non-financial benefits arising under the PFI option.
- 14 The PFI contract has delivered a number of benefits. Defence Management completed the construction of the new permanent facilities by the due date of early August 2000. This allowed the College to admit its first students at Shrivenham within days and to begin the Advanced course in early September. Such a rapid opening was a significant achievement. In addition, construction risk has remained with the private sector. For example, substantial extra costs arising from unforeseen ground conditions at the site have not been passed to the Department. Also, to date (November 2001) Defence Management's performance in delivering the support services and making the new facilities available has been assessed by the College as generally satisfactory.
- 15 This contract, and the College's experiences since contract signature, have highlighted a number of useful lessons:
- The Department has built flexibility into the contract. For example, the Department and Defence Management agreed to share demand risk on student numbers later in the contract. In addition, at the end of the contract the College facilities will revert to the Department at no cost or the Department can exercise its option to leave these with Defence Management and walk away.
 - The performance regime emphasises the use of warning notices, rather than financial deductions, to secure the rectification of poor service delivery by Defence Management. This regime has provided a strong incentive for services to be delivered to the specified standards and the issue of one such notice did result in an improvement in catering performance. On other PFI contracts we have examined, the first recourse open to a department is to make a financial deduction. On this contract financial deductions can arise if poor service delivery is not addressed. These deductions are limited to a maximum of 10 per cent of the service delivery elements of the PFI fee, although the Department can also suspend all payments if service delivery is so poor that Defence Management is in default of the contract.
 - The Department managed the contract well during the construction stage, providing clear direction and leadership. There are also adequate provisions to enable the Department to manage the contract properly during the service delivery stage. The College has, however, identified that it needs to increase its resources for managing the contract.
 - The Department is seeking to incentivise Defence Management to help the College to control the cost of utilities and other items, which Defence Management purchases on the College's behalf and then recharges the College.
 - In moving from construction to service delivery a department needs to show leadership, and continuity within its project team, where possible, should also help. The contractor needs to ensure that the interfaces within its own organisation and with its sub-contractors are well managed to ensure that the department receives the service required.

Recommendations

From April 2002, the College is to become part of the Defence Academy of the United Kingdom. The Academy will therefore need to take note of our recommendations for the College and apply these more widely across the other organisations for which it will take responsibility.

- 1 The College should build on its current plans for improving how it measures its performance and develop a more comprehensive performance regime which covers both its inputs and its training outputs and outcomes.
 - a) On inputs, the College should calculate financial performance indicators for each course and compare performance year on year. It should also explore the scope for using these indicators in its development of international benchmarking.
 - b) On training outputs and outcomes, the College should develop its existing plans for the long term tracking of its graduates' performance to include:
 - Collecting more qualitative data on students' perceptions and motivation, using methods such as focus groups in addition to questionnaires;
 - Gathering feedback from a wider range of key stakeholders; and
 - Making greater use of the performance information generated by the single Services' personnel systems to identify more objective measures of training effectiveness.

These improvements to its evaluation of training should ensure that the College is better able to assess its own performance and the impact of its training on individual and Service performance. This will require action from the College's customers to support implementation. Other public sector training organisations should take note of the College's evaluation practices and our suggested improvements to these.

- 2 The Department should ensure that military teaching staff are posted to the College for a sufficient period for them to become fully effective.
- 3 The College should continue its efforts to resolve outstanding contract management issues, building on the partnering approach underpinning its performance regime to achieve mutually beneficial outcomes.
- 4 There are wider lessons for other departments on the management of the PFI:
 - a) The Department has built flexibility into the contract. For example it can vary its use of the college in future years.
 - b) Poor contractor performance has been rectified without recourse to financial penalties to the advantage of the relationship between the Department and the contractor.
 - c) The College has identified that it needs to increase its resources for managing the contract.
 - d) The College is seeking greater control of utilities and other items purchased on its behalf by the contractor.
 - e) Departments need to show leadership and, where possible, maintain continuity within the project team.