Thank you for your letter of 22 July 2014. You asked four questions relating to the sale of MOD radio spectrum:

1. What progress has been made on preparation for the sale and whether the plans and timing have changed;

2. Whether the arrangement whereby the MOD has been allocated a fixed sum from the likely sale receipts as part of its Spending Round 2013 still stands and in which year the money falls;

3. Whether the MOD has been allocated any further sum and if the sum concerned is in addition to the normal settlement;

4. Although recognising that receipts from the spectrum sale cannot be linked to specific expenditure, whether any additional money has been found to reinstate the upgrade work on Service Families Accommodation (SFA) and Single Living Accommodation (SLA).

I will address your questions in the same order.

Preparations for the sale remain on track and both the plans and timing remain unchanged with 190MHz of MOD spectrum due to be awarded in financial year 2015/16. Ofcom is currently conducting a number of public consultations on different aspects of the award. For example, in its consultation ending in May 2014, Ofcom sought views on its proposed policy approach towards technical coexistence issues. The outcome of these consultations will determine, amongst other things, Ofcom’s technical parameters for the award together with its auction design. At the same time, MOD continues with its work to clear existing military/Government users from the 2.3 GHz and 3.4 GHz bands.

The sale of radio spectrum used by MOD was agreed between HM Treasury and MOD in Spending Round 10. On current plans the sale will take place in financial year 2015/16. There has been no change to the agreed value of the

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capital receipt resulting from the sale which may be retained by MOD. As you will understand it is not possible to divulge the either the fixed amount retainable by MOD or the current valuation for the spectrum to be released as to do so could unduly influence the bidding activities of interested parties in the subsequent auction.

MOD has not been allocated any further sum in regard to the release of Defence spectrum.

I note the HCDC’s concerns about the impact of the ‘three year pause’ in the Upgrade Programme for both Service Family Accommodation (SFA) and Single Living Accommodation (SLA). The decision to withdraw this funding was not taken lightly and was part of the Department’s drive to reduce its £38BN deficit. When the pause was announced, the Government undertook to look for opportunities to mitigate its effects and I am pleased to report progress in doing so.

As you will know, in his 2012 Budget the Chancellor announced £100M additional investment in Service accommodation to deliver refurbished SFA (£60M) and SLA (£40M) during FY13/14, the first year of the pause. This investment was targeted to provide the maximum support to defence and to benefit Service personnel and their families. In June 2013, when the then Minister for Defence Personnel, Welfare and Veterans wrote to your predecessor, he set out in detail this investment, for both SLA and SFA.

The £100M uplift will be used to make major improvements to approximately 650 existing SFA (£55M), to purchase 25 new SFA (£5M) and to construct 600 new SLA (£40M). It will be targeted to where it will have the maximum impact to support Defence and benefit Service personnel.

For SFA, £60M will be invested as follows:

- £10M to address structurally damaged SFA which have been left vacant for extended periods. These works will substantially improve the aspect of blighted estates and lead to savings in the use of Substitute Service Families Accommodation (SSFA) in areas of high demand (e.g. Northwood, Ruislip, RAF Benson and York).
- £45M to refurbish around 550 SFA to bring them up to Standard 1 for Condition. The programme has been agreed, on a priority basis, with the single Services and will address sites where a high proportion of the stock is below S1fc. The programme includes: Pirbright (62 SFA), Portsmouth (59 SFA), Abingdon (65 SFA), Larkhill (50 SFA), Deepcut (65 SFA), RAF Northolt (63 SFA), RAF St Mawgan (68 SFA), together with a number of smaller projects.
£5M to purchase around 25 new homes from local developers to offset the use of SSFA in areas of high demand (with Lincolnshire and Stafford being possible locations).

For SLA, we plan to invest £40M to take forward a number of SLA programmes already in the planning pipeline including:

- RAF Digby - 159 Junior Ranks SLA, 67 Senior Non Commissioned Officers
- RAF Coningsby - 125 Junior Ranks SLA
- Vimy Bks, Catterick - 156 Senior Non Commissioned Officers/Officers
- RAF Odiham - 53 Officers
- HQ Army, Andover - 72 Officers
  Total 632 SLA

We also intend to commission further plans for new SLA projects to take advantage of any further additional funding that may be made available.

Some 700 new properties were purchased last year from local developers, at a cost of £160M, for use as SFA. These have all been delivered and are being allocated to Service families. They were purchased in areas of high demand for SFA, thus reducing our reliance on costly Substitute SFA. The targeted purchase, or capital build, of SFA will continue, primarily to support Army Rebasings.

Turning to this financial year, we have earmarked some £28M (c60% of the normal budget) to upgrade c230 SFA properties. This investment will improve properties mainly at Warminster and Aldershot.


THE RT HON MICHAEL FALLON MP