



House of Commons
Public Accounts Committee

Service Families Accommodation

Forty-first Report of Session 2008–09

*Report, together with formal minutes, oral and
written evidence*

*Ordered by the House of Commons
to be printed 29 June 2009*

HC 531

Published on 20 October 2009
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The Public Accounts Committee

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

Current membership

Mr Edward Leigh MP (*Conservative, Gainsborough*) (Chairman)
Mr Richard Bacon MP (*Conservative, South Norfolk*)
Angela Browning MP (*Conservative, Tiverton and Honiton*)
Mr Paul Burstow MP (*Liberal Democrat, Sutton and Cheam*)
Mr Douglas Carswell MP (*Conservative, Harwich*)
Rt Hon David Curry MP (*Conservative, Skipton and Ripon*)
Mr Ian Davidson MP (*Labour, Glasgow South West*)
Angela Eagle MP (*Labour, Wallasey*)
Nigel Griffiths MP (*Labour, Edinburgh South*)
Rt Hon Keith Hill MP (*Labour, Streatham*)
Mr Austin Mitchell MP (*Labour, Great Grimsby*)
Dr John Pugh MP (*Liberal Democrat, Southport*)
Geraldine Smith MP (*Labour, Morecombe and Lunesdale*)
Rt Hon Don Touhig MP (*Labour, Islwyn*)
Rt Hon Alan Williams MP (*Labour, Swansea West*)
Phil Wilson MP (*Labour, Sedgefield*)

Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Sian Woodward (Clerk), Lorna Horton (Senior Committee Assistant), Pam Morris (Committee Assistant), Jane Lauder (Committee Assistant) and Alex Paterson (Media Officer).

Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee’s email address is pubaccom@parliament.uk.

Contents

Report	<i>Page</i>
Summary	3
Conclusions and recommendations	5
1 The condition and management of the housing stock	9
2 Allocations and moves	13
3 The maintenance service	17
4 Encouraging Home Ownership	19
Formal Minutes	21
Witnesses	22
List of written evidence	22
List of Reports from the Committee of Public Accounts 2008–09	23

Summary

The Ministry of Defence (the Department) has around 50,000 properties in the UK, providing accommodation for 42,000 Service personnel and their families. It has to manage around 20,000 Service family moves each year. Around half of Service families surveyed by the National Audit Office considered the condition of their property was good, but, disappointingly, a third said it was poor. Around 90% of the Department's housing stock is within the top two of its four condition standards, which meet or exceed the Government's Decent Homes Standard. Emerging findings from the Department's recent condition survey, however, show there are now fewer properties at Condition 1 (35%) and more at Condition 2 (59%) than previously recorded.

The Department intends to upgrade all properties to Condition 1 well within a 20 year timescale, and all of its 2,300 Condition 3 and 4 properties to the top standard by 2012. Condition 2 is a broad category. The Department has not analysed in sufficient detail the condition of its properties so that it can demonstrate which meet the Decent Homes Standard, and determine the investment needed to upgrade properties.

The Department has many properties sitting empty and is still some way off its target of having only 10% of properties vacant. Each percentage point reduction in the number of empty properties could reduce costs and free resources by over £2 million.

The Department's system for allocating property is complex, and results in limited choice for families. Families receive minimal information about the properties to which they are allocated and in many cases they only see the house for the first time when they arrive to move in. Too many families are moving into properties which are not properly cleaned. There are a number of simple improvements the Department can make to its processes, which will improve the experiences of families moving in to properties and enhance how it captures occupants' concerns and complaints.

Nearly a quarter of families consider their properties to be poorly maintained. Despite improvements in the reported performance of the maintenance contractors in England and Wales, the proportion of repairs fixed first time and communication of progress are inadequate. The Department has not yet benchmarked its housing services with other housing providers.

On the basis of a Report by the Comptroller and Auditor General,¹ we took evidence from the Department on the condition and management of the housing stock, the process for allocating accommodation and moving Service families, the maintenance service and on encouraging home ownership.

1 C&AG's Report, *Ministry of Defence: Service Families Accommodation*, HC (2008–09) 13

Conclusions and recommendations

- 1. Almost a third of Service families surveyed by the National Audit Office describe the condition of their house as poor.** The Department plans to upgrade 2,300 of its houses in the lowest Conditions 3 and 4 to the best Condition 1 by 2012, and do the same for the remaining stock within the next 20 years. The Department should use its new condition standards data to assess which properties meet the Government's Decent Homes Standard and targets for energy efficiency, and quickly tackle the problems in those that do not. The Department should also further analyse properties rated Condition 2 so it can prioritise upgrade work in this broad band towards those most in need of improvements.
- 2. The Department was wrong to release new data on the condition of its housing stock the day before publication of the Comptroller and Auditor General's Report, particularly as it contained known errors, and neither the survey nor the analysis were complete.** The Department must complete the survey, validation and analysis to its planned timescale so it can identify all the properties needing an upgrade using reliable data. It should update Parliament on the condition of the housing stock once its survey work is complete. In future, Departments should make the National Audit Office fully aware of relevant data they intend to release at, or around, the time of the publication of a report by the Comptroller and Auditor General and only release information that is sufficiently reliable.
- 3. Currently around 17% of properties sit empty, at significant cost, well above the Department's target of 10%.** Each percentage point reduction in empty properties reduces costs and frees resources by over £2 million. To reach its target more quickly, the Department should speed up the process by which it makes strategic decisions on the location and make up of its housing stock. Where it has identified that empty stock needs to be retained for future basing requirements, it should explore alternative uses for the houses during the interim period, for example, leasing appropriate blocks to other housing providers.
- 4. The Department's entitlement system is complex, and Service personnel have limited ability to request a property outside their strict entitlement.** The Department is constrained by its existing housing stock, but it should review the scope to simplify the number of property types it offers when providing new stock. It should also increase the flexibility around the margins of the system, for example, in reviewing the scope for using properties designated for Officers for larger Other Ranks families where there is a shortage of appropriate stock.
- 5. Families receive very limited information about the properties which they are allocated and in many cases only see the house for the first time when they arrive to move in.** The Department should introduce estate agent style details for occupants including photos, information on layout and floor plans. It could make use of data collected during the recent condition survey where feasible, and should build the generation of estate agent details into the data collection plans for its survey of the remainder of the housing stock.

- 6. Over a third of those surveyed by the National Audit Office were dissatisfied with the cleanliness of their property on moving in.** The Department should either undertake to clean all properties before a family moves in, or strengthen expectations that families leave them clean by inspecting properties and completing minor repairs before another family moves in. The Department should also:
- make permanent the process being trialled in England and Wales whereby staff “take back” properties from the contractor two days before a new family arrives (particularly after repair work, or if the house has been empty) to allow for attention to unsatisfactory repairs or cleaning;
 - introduce a deposit, from which the Department can deduct cleaning charges for properties not left in a satisfactory state;
 - create a record of tenants who abuse their accommodation so incidents can be taken up with their military units and involve the Services on a more systematic basis, and
 - make more rigorous the collection of charges levied on moving out, and return the charges collected to the local area so that costs incurred do not reduce funding for other maintenance work.
- 7. Although some of the problems with the maintenance contract have been overcome, the level of first time repairs is too low, communication of progress to occupants is often poor and the contract excludes some important items.** The Department should benchmark the maintenance system with other housing providers and manage the contract to ensure that the contractor meets meaningful key performance targets. In particular, it should work with the contractor to improve the actual rate of first time repairs. The contract excludes important items such as carpets. The Department should seek to extend the existing contract to include them, and should build currently omitted items into any new contract it agrees. It should also prepare the market so there is sufficient competition for the incumbent provider.
- 8. The Department needs to develop better mechanisms for communicating with occupants and for recording their experiences and complaints.** The Department should use the results of its planned survey of Service families to inform its priorities for improving customer service. It should also consult more widely with occupants on their priorities when determining what upgrade work to carry out. It should introduce a more rigorous system for recording and monitoring occupants’ complaints to quickly identify recurrent problems and take prompt action to address them.
- 9. The Department is improving the way in which it delivers housing services, but could do more to follow good practice.** To improve its own performance further, the Department should benchmark its performance and practices against other housing providers such as Housing Associations and Local Authorities, and draw on good practice in these sectors to develop a greater customer focus.

10. **It is more difficult for Service personnel to be home owners than the civilian population because they are required to move frequently.** The Department assists with home ownership and plans to pilot a shared equity scheme where it would acquire a share of the property bought by Service personnel. The Department should undertake an early evaluation of the pilot shared equity scheme to assess the likely take-up from lower income Service families, as well as the potential risks it may be taking in committing to long-term equity shares in private housing.

1 The condition and management of the housing stock

1. The Ministry of Defence (the Department) provides subsidised housing, called Service Families Accommodation, to some 42,000 Service personnel and their immediate families. Subsidised accommodation facilitates the Services' need for personnel to be mobile. The Department's stock of 50,000 Service Families Accommodation properties within the United Kingdom is diverse, ranging from two-bedroom flats to detached properties, and from historic listed buildings to recently built housing estates.²

2. The Department leases the majority of its stock from Annington Homes under a sale and leaseback arrangement, made in 1996, for which it currently pays 40% of the market rent. The Department has retained responsibility for maintaining the housing stock, which it commissions from a number of regional contractors. The Department's aspiration is for all properties to have a modern kitchen and bathroom, double glazing, loft insulation and fitted carpets.³

3. The cost of delivering UK Service Families Accommodation is some £425 million (£285 million net after receiving occupants' charges). Service families pay a subsidised rent for their accommodation which is set by the Armed Forces Pay Review Body, an independent advisory body. The Review Body aims to reduce the subsidy over time.⁴

4. A substantial minority of Service families are dissatisfied with their accommodation.⁵ Over half of those who responded to a survey by the National Audit Office of occupied Service Families Accommodation said that the condition of their property was 'good', but nearly a third of respondents said that it was 'poor'.⁶ The Department agreed that not all its housing was as good as it would like. The Department believed that the bathroom, kitchen and energy efficiency were the biggest sources of complaints.⁷ It did not consider that there was a significant variation in the condition of properties occupied by senior Officers and Other Ranks as many senior Officers are required to live in properties that are large, quite old and are, therefore, difficult and expensive to maintain. These factors can generate regular complaints from occupants.⁸

5. The Department assigns Service Families Accommodation one of four 'Standards for Condition'. The Department's aspiration is for all properties to be at Condition 1, the best condition, although it also considers Condition 2 to be of a satisfactory standard.⁹ On the day before the publication of the Comptroller and Auditor General's report, the

2 C&AG's Report, para 1.1, Figure 2

3 Qq 33, 49, 69

4 Q 48

5 Q 108

6 C&AG's Report, para 6

7 Q 59

8 Qq 98–101

9 Q 12; C&AG's Report, para 6

Department announced in the form of a Written Ministerial Statement¹⁰ the interim results of an asset survey of Service Families Accommodation in England and Wales. This statement updated the condition data included in the Comptroller and Auditor General's report (Figure 1). Only 40,500 of the 44,000 properties in England and Wales have been surveyed, and a revised condition assessment is available for just over 33,500 properties (75% of the housing stock in England and Wales).¹¹ The data contains known errors and the Department has yet to complete its analysis of those properties surveyed.¹² The emerging results show that, while the overall proportion of properties in Condition 1 and 2 is the same, more of them are in Condition 2 and fewer in Condition 1 than previously recorded. The Department agreed that the timing of the Ministerial statement was a mistake, but believed that it was important to publish the less favourable data for the Committee to consider.¹³

Figure 1: Percentage of properties at each Standard for Condition in England and Wales at August 2008 and at March 2009

CONDITION	1	2	3	4	NOT RECORDED	TOTAL
Number of properties based on the data as at August 2008	25,165	16,452	1,917	104	905	44,543
Percentage of total properties as at August 2008 (%)	57	37	4	<1	2	
Number of properties based on the revised data as at March 2009	11,591	19,775	1,903	353	See note 1	33,622
Percentage of properties as at March 2009 (%)	35	59	6	1	See note 2	

Note:

1. Not recorded covers those properties (9,346) for which it has not yet been possible to calculate a revised Standard for Condition assessment, or which have not yet been surveyed.

2. Percentage is based on those properties for which a revised Standard for Condition assessment is available (33,622). This represents 75% of the housing stock. Were the percentages to be calculated based on the total number of properties (42,968) the figures would be lower.

Source: National Audit Office analysis of MOD data¹⁴

6. The Department did not include properties in Scotland and Northern Ireland in the condition survey, but intends to survey them by March 2011. Currently 95% of the 2,786 properties in Scotland are at Condition 1, 5% at Condition 2, and only 5 properties are at Condition 3. The 1,940 properties in Northern Ireland have not previously been assessed for condition as they were managed separately to the rest of the United Kingdom stock prior to April 2008.¹⁵

7. The Department is seeking to target its investment at properties in the lowest two condition bands, and aims to have upgraded them to Condition 1 or 2 by 2012.¹⁶ Given the

10 HC Deb, 17 March 2009, cols 43–44WS

11 Ev 14

12 Ev 15

13 Qq 3–5

14 Ev 16

15 C&AG's Report, Figure13; Ev 15

16 Q 2

current state of the building industry, the Committee welcomed that the Department plans to accelerate this work, by advancing to the 2009 budget £50 million from later years.¹⁷

8. Properties are assessed against eight characteristics, with the overall condition for the property being the lowest rating of any one of the characteristics. To be Condition 1 a property must achieve a rating of 1 in each of the eight criteria. Condition 2 is a very broad band, and the Department's Standard for Condition is not a sufficiently discriminating measure to determine the investment needed. Some 58% of properties at Condition 2 failed to be Condition 1 for only one criterion, and a lack of a thermostatic shower was a factor in over half of properties rated as Condition 2.¹⁸

9. The Department believes that its Standards for Condition, while not directly comparable, are higher than the Government's Decent Homes Standard.¹⁹ Properties in Condition 1 and 2 meet or exceed the Decent Homes Standard, while the Department considers only some of those at Condition 3 and 4 would fail.²⁰ While the current condition of Service Families Accommodation is superior to the state of social housing in 1997, the Department acknowledged it could not be satisfied with the current condition of its housing stock.²¹ The Department does not know if it will also achieve the Government's commitment for 95% of social housing to meet the Decent Homes Standard by 2010, but it believes that very few of its properties will not meet it. The Department also has a programme to make properties more energy efficient through increased insulation, which reduces occupants' energy costs and contributes to the Department's carbon reduction target.²²

10. In contrast to the social housing sector, the Department has to provide housing when personnel require it and, therefore, has to carry some spare capacity in order to be able to do so. The level of empty properties has been over 15% of its housing stock since 2002, peaking at 21% in 2008.²³ The Department has recognised that the level of empty properties is too high. It is confident that it can reduce the level to below 15% of stock by 2010 through bringing properties that are salvageable back into use, disposing of excess properties and sub-letting properties that it needs in the long-term, but for which there is no immediate demand. The Department does not know when it will achieve its aspiration of reducing the total proportion of void properties to 10%.²⁴

11. In 2008–09, the Department disposed of 1,300 properties, twice as many as in previous years, by being more decisive about those houses that it will not need.²⁵ Disposal is complicated in England and Wales by the fact that the majority of excess houses have to be returned to Annington Homes. Under the terms of the sale and leaseback agreement,

17 Qq 15–16

18 Ev 16

19 Q 89

20 C&AG's Report, para 2.4

21 Qq 46–47

22 Q 61

23 Qq 6, 86; C&AG's Report, Figure 17, para 2.24

24 Qq 6, 17

25 Qq 36–37

properties must be returned in good tenantable repair or the Department has to pay compensation in the form of a dilapidation charge. The Department believes that the system for agreeing charges with Annington Homes is fair. It is easier and quicker for it to agree the sum than to bring the property back to standard. In 2008–09, it paid £6 million in dilapidation charges.²⁶

12. Retaining empty properties is expensive for the Department as it has to pay half the Council Tax charge for the property to Local Authorities, as well as rent on those that are owned by Annington Homes. The dilapidation charge for a property increases the longer it is left empty due to increased deterioration.²⁷ Reducing the level of void properties by releasing property for disposal will reduce costs and free resources by over £2 million for each percentage point reduction.²⁸ If reinvested in Service accommodation, these resources could help the Department to achieve its aspiration to improve all properties to Condition 1 within 20 years.²⁹

26 Qq 94–96

27 C&AG's Report, para 2.25, Box 6

28 C&AG's Report, recommendation iii

29 Q 110

2 Allocations and moves

13. The Department manages around 20,000 family moves each year, which is a significant organisational challenge.³⁰ Housing Information Centres are responsible for allocating properties to families according to the Department's complex entitlement rules. Entitlement to the different types and sizes of properties is determined by rank for Officers, and by family size for Other Ranks. The Department considered that the entitlement rules were not a major constraint on its ability to manage its stock.³¹ It reflects the tradition of the Services, and the need for troops and their Officers to have time away from each other. It also takes into account that senior personnel are able to pay more towards bigger houses.³²

14. The Department's entitlement system does, however, limit the amount of flexibility for families who request a property outside their strict entitlement. Those who wish to pay more can request a larger house, and the Department will allocate a property one level above their entitlement if stock is available. Other Ranks cannot apply to live in properties designated for Officers, although the Department believed that the system on the ground was fairly flexible, and that Officers' housing may be used for Other Ranks in some limited cases.³³ The Department is currently looking at whether it may be possible to ring fence some of its slightly larger properties for Senior NCOs and Warrant Officers in order to reward long service and recognise their seniority.³⁴

15. Service families receive only very limited information on their allocated property, and in many cases only see the property for the first time when they move in. The Department does not currently provide photographs of properties or information on layout. It is keen to introduce 'estate agent' details, which should give families a better idea of what to expect when they move in, but it considers this is not straightforward, as it involves detailed surveys of individual properties, which can take time and which existing occupants may find intrusive. A partial service, with some information on the condition of properties and photographs, should be in place by the end of 2009, and the Department then hopes to begin making floor plans available. The Department could learn from the social housing sector's choice based lettings system, which allows those applying for housing to see detailed information online on available properties. The Department is aiming for a similar style in its plans for estate agent details.³⁵

16. The Department can also provide better information to occupants by improving the service offered by the Housing Information Centres. Each centre is responsible for between 5,000 and 10,000 houses but the stock is spread over a wide geographical area. The Department hopes to improve staff knowledge of the housing stock by ensuring they make more visits to the areas for which they are responsible. Together with appropriate training,

30 Qq 18–19

31 Q 7

32 Qq 66, 75–78, 83

33 Qq 79–82

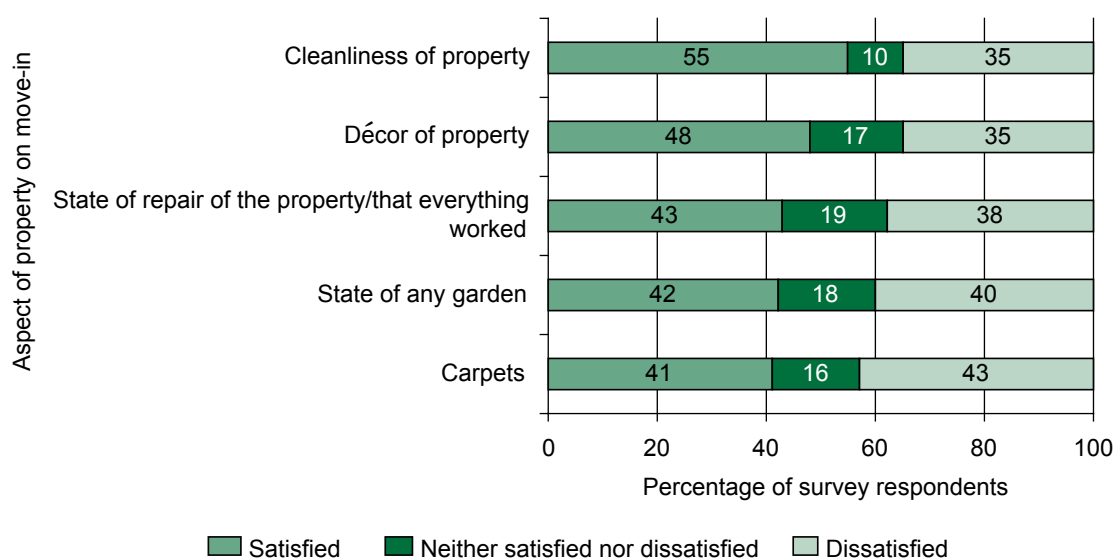
34 Q 66

35 Qq 11, 51–52

this should put staff in a better position to answer queries, and to provide a more useful service to families.³⁶ Housing Information Centre staff are civil servants, but many are married to Service personnel and live in the accommodation themselves. Managers are trained in housing delivery, and many of those recruited through open competition have previously worked in local authority housing. The Department agreed that it could benefit from more contact with other housing providers. It also believes there is now a greater openness to the idea of benchmarking with other housing providers and to sharing experiences with both public and private providers.³⁷

17. Families rightly expect to move in to clean, well-prepared properties, but on too many occasions this does not happen. Some 35% of those surveyed by the National Audit Office said they were dissatisfied with the cleanliness of their property when they moved in, and 38% were unhappy with the state of repair (Figure 2).³⁸ The Department fully agreed that it should avoid families moving into inadequately prepared properties wherever it can. Preparation of properties for moving in has been one of its biggest problem areas in the past, although the Department believes that the situation is now improving.³⁹

Figure 2: Satisfaction with property on move-in



Source: C&AG's Report, Figure 26

18. Lack of cleanliness on moving in is a particular source of dissatisfaction for occupants, because they are currently required to clean their previous property thoroughly when they move out. The Department did not necessarily agree that it would be better to deep clean all properties before a new family moves in, as outgoing families may be more likely to leave properties in a bad state. It does now offer a cleaning package, allowing occupants to hand over responsibility for cleaning the property to a good standard, at a cost of £200.⁴⁰

36 Qq 52–54

37 Qq 55–58

38 Q 8; C&AG's Report, para 11

39 Qq 30, 59

40 Qq 8, 30

Even where properties are cleaned thoroughly, subsequent repair work or redecoration may affect the overall levels of cleanliness. The Department is trialling a new process in England and Wales, similar to that in place in Scotland, where its staff now visit properties with the contractor two days before a family moves in to ensure all required work is complete. The Department believes this will be key to improving standards of cleanliness, and is already having an impact.⁴¹

19. The majority of families look after their properties, but there are a small minority who do not. The Department does not retain a record of how individuals look after their properties, although it would like to find a way to do so.⁴² It has been looking at a deposit scheme to encourage better treatment of properties, but has found that the idea may be unpopular with families. The Department may benefit from talking to housing providers in the private sector who have successfully implemented the tenants deposit scheme.⁴³ The Department believes that greater engagement with the Commanders of the local military units can also help to ensure families are fulfilling their responsibilities on moving out, and that the recent unit moves in Catterick are a good example of where this can have real impact. The number of properties failing to meet the standard was too high initially, but improved dramatically following Commanders' intervention.⁴⁴

20. Families are charged for damages or additional cleaning where their property does not meet the standards required for moving out, but any money received does not come back to the local area, even though it bears the cost of the repair work.⁴⁵ The Department agreed that this did not seem the most sensible approach, but believes returning income raised from individual charges to the specific area where the costs were incurred would be too much of an administrative burden given that thousands of invoices are raised each year. It is, however, looking at whether it can develop a simpler system than the one it currently operates, which may allow more appropriate targeting of income received from charges.⁴⁶

21. In order to improve the service to families, the Department needs to improve the ways in which it captures their experiences and concerns. Although the Department monitors the overall number of complaints it receives and deals with problems as they occur, it was not able to say what proportion of families complained on moving in, and how many of these were serious complaints. Maintaining a clear record of where complaints are occurring would enable the Department to target its efforts towards those areas which contribute the most towards occupant dissatisfaction.⁴⁷ The Department accepted that its consultation with occupants could be improved. It considers it does a lot of consultation at local level, and is aware of occupants' main priorities for improving the condition of their

41 Qq 17, 30; C&AG's Report, Figure 27

42 Qq 23–24

43 Qq 50–51

44 Q 26

45 C&AG's Report, para 3.15

46 Q 97

47 Qq 27–30

properties. It now intends to repeat the National Audit Office's survey in order to obtain better information on a national level.⁴⁸

3 The maintenance service

22. The Department provides a comprehensive maintenance service for the occupants of Service Families Accommodation. In England and Wales, the maintenance service has been contracted out to Modern Housing Solutions since 2006. Initially, the contract did not run smoothly because both the Department and the contractor underestimated the likely volume of requests for repairs. The helpdesk and other systems struggled to cope, and the Department paid the contractor an additional £18 million in the first two years to cover this extra work. The Department believes that actions it has taken mean the contract is now operating more smoothly, and pointed to improving satisfaction levels with the service as evidence that the earlier problems have now been resolved.⁴⁹

23. Although the performance of the contractor is improving, it is disappointing that a significant minority of occupants are still dissatisfied with the maintenance service, in particular, with the organisation, communication and arrangement of repairs work. Some 24% of those surveyed by the National Audit Office felt their property was poorly maintained. The level of 'right first time' repairs appears low, and 60% of those surveyed said that their most recent maintenance issue was not resolved on the first visit.⁵⁰ The Department agreed it needed to do better to ensure as many repairs as possible were fixed on the first visit, and is seeking improvements through its 'right first time' initiative.⁵¹

24. Communicating progress to the occupant where repairs cannot be fixed first time is good customer service and is key to maintaining occupant satisfaction. We consider it unacceptable that only 26% of families surveyed whose repair was not fixed first time said that the contractor contacted them to resolve the issue. We are particularly concerned about the additional stress that dealing with the frustrations of a poor maintenance service could cause to the families of those serving overseas. The Department was committed to ensuring that Service personnel felt their families were well looked after when they were away on deployment, and it makes families aware of the support available in terms of welfare and maintenance arrangements. The Department told us that the maintenance call-out system should take into account the fact that a Service person is away and give their family priority when scheduling work.⁵²

25. The maintenance contract for England and Wales excludes handling some key elements, including carpets. The Department left carpets out of the contract because it felt the contractor was asking for too much money to include them, and so it chose to manage the provision of carpets itself. The approvals process for replacement carpets, and any other repairs excluded from the contract, can take a long time and is subject to funding being available. This has led to properties sitting empty waiting for carpets, costing the Department around £400 per month per property. In August 2008, at least 700 properties had been empty for an average of five months waiting for carpets. The Department agreed that this was unacceptable. The length of time to resolve carpet related issues is also a

49 Qq 68, 93; C&AG's Report, para 2.17

50 C&AG's Report, paras 2.16–2.20

51 Qq 91–92

52 Qq 90–92

source of dissatisfaction for occupants, with 39% of those surveyed by the National Audit Office reporting carpet related problems on moving in.⁵³ The Department accepts it may be beneficial to integrate carpets into the main contract, and is currently examining whether this would enable it to achieve better value for money.⁵⁴ Contractual responsibilities for some other areas of repairs such as cleaning communal areas are unclear, and are subject to continuing local disputes, which leads to frustration for occupants passed between organisations in seeking to get the issues resolved.⁵⁵ The Department has a seven-year contract with Modern Housing Solutions, and intends to secure a better arrangement for the provision of carpets when this comes up for renewal in three years' time.⁵⁶

53 Qq 9–10; C&AG's Report, para 2.22

54 Q 10

55 C&AG's Report, para 2.22

56 Q 22

4 Encouraging Home Ownership

26. It is more difficult for Service personnel to be home owners than the civilian population because they are required to move frequently as a condition of service.⁵⁷ The level of mobility that is required varies considerably between the Services. The Army requires personnel to move regularly (often as frequently as every two years) to meet operational needs, and as a result of the number and geographical spread of its bases. As a consequence, a greater proportion of Army personnel occupy Service Families Accommodation.⁵⁸ Personnel who work at the main Royal Air Force and Royal Naval bases are more settled because they are able to develop their careers in one location. The Department's aspiration is for all personnel to be more geographically stable, including in the Army through the establishment of Super Garrisons.⁵⁹

27. Housing can be a significant issue for personnel, who have relied upon the Department's provision of accommodation, when they leave the Services. The Department recognises that encouraging personnel to own a home in the latter stages of their career can help with their transition to civilian life. The 2008 Cross-Government Service Personnel Command paper outlined improvements in their access to social housing on leaving the Services through changes to legislation. The Housing and Regeneration Act 2008 removed the disadvantage that previously existed for Service families in England and Wales, by allowing them to establish a local connection where they are serving, in the same way as any other citizen can through local employment, family connections or residence. The Department has also had discussions with the devolved administration in Scotland.⁶⁰

28. The Department assists with home ownership for Service personnel on lower incomes through facilitating access to affordable housing schemes such as Key Worker Living, and with financial support towards accumulating a deposit. The Department believes that take up of Key Worker Living by Service personnel has been low because many of the schemes are regionally based. Service personnel who wish to purchase a home in a different area to where they are based, for example, because they would like to settle near to family, are not able to do so under existing schemes. To address this problem, the Department is working with the Department for Communities and Local Government and the Homes and Communities Agency to develop and pilot a shared equity scheme. The details are still being finalised, but the Department expects to launch the pilot scheme in the autumn in England and Wales. Under the scheme, the Service person would identify a property on the open market, and the Department would acquire a share of the equity. The Department is investing £5 million a year over 4 years, and hopes the pilot will assist around 300 to 400 Service families in purchasing their own homes.⁶¹

57 C&AG's Report, para 1.15

58 C&AG's Report, Figure 2

59 Q 60

60 Qq 64–65, 107; *The Nation's Commitment: Cross-Government Support to our Armed Forces, their Families and Veterans*, (Cm 7424, July 2008); Ev 19

61 Qq 40, 64, 73–74; Ev 19

29. The Department also provides financial assistance for personnel wishing to buy a home, in the form of a ten-year interest-free loan of £8,500, called the Long Service Advance of Pay, which is intended as a deposit on a house. The Department acknowledged that the value of the loan was low given current house prices, but any increases to the loan had to be tested against other priorities in the Defence budget. The Department stated that Service personnel also receive a £15,000 commitment bonus after eight years of Service, which they may choose to use to purchase a property. The commitment bonus was recently increased from £8,000.⁶²

Formal Minutes

Monday 29 June 2009

Members present:

Mr Edward Leigh, in the Chair

Mr David Curry

Nigel Griffiths

Keith Hill

Mr Austin Mitchell

Geraldine Smith

Mr Alan Williams

Draft Report (*Service Families Accommodation*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 29 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Forty-first Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 8 July at 4.30 pm]

Witnesses

Wednesday 13 May 2009

Page

Sir Bill Jeffrey KCB, Permanent Under Secretary of State, **Vice Admiral Tim Laurence CB MVO ADC**, Chief Executive Defence Estates and **Vice Admiral P J Wilkinson CVO BA FCIPD**, Deputy Chief of Defence Staff (Personnel), Ministry of Defence

Ev 1

List of written evidence

- 1 National Audit Office
- 2 Ministry of Defence

Ev 13

Ev 18

List of Reports from the Committee of Public Accounts 2008–09

First Report	Defence Information Infrastructure	HC 100
Second Report	The National Programme for IT in the NHS: Progress since 2006	HC 153
Third Report	Skills for Life: Progress in Improving Adult Literacy and Numeracy	HC 154
Fourth Report	Widening participation in higher education	HC 226
Fifth Report	Programmes to reduce household energy consumption	HC 228
Sixth Report	The procurement of goods and services by HM Prison Service	HC 71
Seventh Report	Excess Votes 2007–08	HC 248
Eighth Report	Ministry of Defence: Chinook Mk3	HC 247
Ninth Report	Protecting the public: the work of the Parole Board	HC 251
Tenth Report	New Dimension—Enhancing the Fire and Rescue Services' capacity to respond to terrorist and other large-scale incidents	HC 249
Eleventh Report	The United Kingdom's Future Nuclear Deterrent Capability	HC 250
Twelfth Report	Selection of the new Comptroller and Auditor General	HC 256
Thirteenth Report	Department for Work and Pensions: Handling Customer Complaints	HC 312
Fourteenth Report	HM Revenue and Customs: Tax Credits and Income Tax	HC 311
Fifteenth Report	Independent Police Complaints Commission	HC 335
Sixteenth Report	Department for International Development: Operating in insecure environments	HC 334
Seventeenth Report	Central government's management of service contracts	HC 152
Eighteenth Report	Investing for Development: the Department for International Development's oversight of CDC Group plc	HC 94
Nineteenth Report	End of life care	HC 99
Twentieth Report	Ministry of Defence: Major Projects Report 2008	HC 165
Twenty-first Report	The Department for Transport: Letting Rail Franchises 2005–07	HC 191
Twenty-second Report	Financial Management in the NHS: Report on the NHS Summarised Accounts 2007–08	HC 225
Twenty-third Report	Mathematics performance in primary schools: getting the best results	HC 44
Twenty-fourth Report	Maintaining the Occupied Royal Palaces	HC 201
Twenty-fifth Report	The efficiency of radio production at the BBC	HC 285
Twenty-sixth Report	Management of tax debt	HC 216
Twenty-seventh Report	Building Schools for the Future: renewing the secondary school estate	HC 274
Twenty-eighth Report	Management of Asylum Applications	HC 325
Twenty-ninth Report	NHS Pay Modernisation in England: Agenda for Change	HC 310
Thirtieth Report	Ministry of Defence: Type 45 Destroyer	HC 372
Thirty-first Report	The Nationalisation of Northern Rock	HC 394
Thirty-second Report	Financial Management in the European Union	HC 698
Thirty-third Report	Planning for Homes: Speeding up planning applications for major housing developments in England	HC 236
Thirty-fourth Report	DEFRA: Natural England's Role in Improving Sites of Special Scientific Interest	HC 244
Thirty-fifth Report	The administration of the Crown Court	HC 357
Thirty-sixth Report	The health of livestock and honeybees in England	HC 366
Thirty-seventh Report	Building the Capacity of the Third Sector	HC 436
Thirty-eighth Report	HMRC: The Control and Facilitation of Imports	HC 336
Thirty-ninth Report	The Warm Front Scheme	HC 350
Fortieth Report	The National Offender Management Information System	HC 510
Forty-first Report	Service Families Accommodation	HC 531
Forty-second Report	Supporting Carers to Care	HC 549
Forty-third Report	Learning and Innovation in Government	HC 562
Forty-fifth Report	Assessment of the Capability Review programme	HC 618
Fifty-fourth Report	Ministry of Defence: Support to High Intensity Operations	HC 895

Oral evidence

Taken before the Committee of Public Accounts on Wednesday 13 May 2009

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr David Curry
Mr Ian Davidson
Nigel Griffiths

Keith Hill
Mr Austin Mitchell
Geraldine Smith
Mr Alan Williams

Mr Tim Burr CB, Comptroller and Auditor General, **Mr Jim Rickleton**, Assistant Auditor General and **Mr Mark Andrews**, Director, National Audit Office, were in attendance.

Mr Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL (HC 13) MINISTRY OF DEFENCE: SERVICE FAMILIES ACCOMMODATION

Witnesses: **Sir Bill Jeffrey KCB**, Permanent Under Secretary of State, **Vice Admiral Tim Laurence CB MVO ADC**, Chief Executive Defence Estates and **Vice Admiral P J Wilkinson CVO BA FCIPD**, Deputy Chief of Defence Staff (Personnel), Ministry of Defence, gave evidence.

Q1 Chairman: Good afternoon. Welcome to the Committee of Public Accounts where today our hearing is on the Comptroller and Auditor General's Report on *Service Families Accommodation*. We welcome back to our Committee Sir Bill Jeffrey who is the Permanent Under Secretary of the Ministry of Defence, Vice Admiral Tim Laurence who is the Chief Executive of Defence Estates and Vice Admiral Peter Wilkinson who is the Deputy Chief of Defence Staff for Personnel. Admiral Laurence, could I refer you to paragraph six of the Report? Why do almost a third of our service families rate their accommodation as poor do you think?

Vice Admiral Laurence: It is true to say that some of our accommodation is not as good as we would like it to be, certainly not as good as I would like it to be. I do not think it is a surprise that they grade it as poor and obviously we are doing everything we can to speed up the process of upgrading it.

Q2 Chairman: If we look at figure eight on page 17, Admiral Laurence, can you give a commitment to this Committee as to the date when you will have upgraded all your properties as you are committed to doing, those in the lowest two bands to grade one and two? What date or year do you think you can give us?

Vice Admiral Laurence: The year we are targeting to get all of the lowest two bands (threes and fours) up to one and two is 2012, three years from now, which means that we have to upgrade about 3000 or so houses in England and Wales in that time. It is quite a tough target but I think it is feasible.

Q3 Chairman: Sir Bill, you have seen this memorandum from the National Audit Office. Why did you issue a Ministerial statement on the stock condition survey without telling the NAO the day

before the NAO published their Report, especially as the data you published contained errors and neither the analysis nor the survey itself is finished and results are still immature? Why did you do that without telling the NAO the day before they published their Report?

Sir Bill Jeffrey: First of all, Chairman, not telling the NAO was an oversight and I apologise; it is something we clearly should have done. What was happening here was that at the same time as the NAO were doing their study we were undertaking a survey of the estate. At the point they were bringing their Report to a conclusion, I do not think any of us thought that the data that was emerging from that was sufficiently reliable for them to put any weight on. What was becoming clear was that there was a significant shift apparent between, in particular, condition one and condition two properties. We discussed this with the NAO; they decided not to redo their analysis but to include it in the Report with a brief reference to the fact that this data was emerging. We then felt, after consulting our ministers, that it would actually be more straightforward for the Committee and publicly if we got this information out.

Q4 Chairman: So the timing was deliberate, doing it the day before they published their Report.

Sir Bill Jeffrey: If I may say so, it was certainly a mistake to publish it the day before. I regret that and I think I have had a chance to say so to the NAO.

Q5 Chairman: This whole process with this Committee works so much better if you can try to get alongside the NAO.

Sir Bill Jeffrey: I accept that. I think generally speaking we do work very closely with the NAO. On this occasion, notwithstanding the fact that as you

imply this data puts a less favourable light on the picture than the Report describes and probably because of that we felt it was better to get it into the public domain not least because, if we had not, it would have looked as if we were concealing it.

Q6 Chairman: Admiral Laurence, I think voids have exceeded 15% for some years. When are you going to get to your target of 10% do you think?

Vice Admiral Laurence: It is difficult to say. We have turned the corner on voids. I think the voids figure reached something like 21%, as the Report indicates. When I first came into the post two years ago I identified this as an area that needed a lot of attention. It has been a struggle; it got worse before it got better. It is now getting better. We are down to below 17% now; we are confident we can get it down to 15% next year. I am not confident that I can get it down to 10% in the next two or three years, but as soon as possible.

Q7 Chairman: Do you think that having a different entitlement for officers and other ranks constrains your ability to manage this stock?

Vice Admiral Laurence: I suppose any of the entitlement rules constrain us a bit because, in an ideal world, my allocators would simply allocate any house to anyone. I do not think that particular difference makes a particular problem for us.

Q8 Chairman: Do you think that families have a right to move into clean properties? We read that 35% were dissatisfied with the cleanliness on move-in. Why do you not just ensure that there is a deep clean before they come into the property?

Vice Admiral Laurence: That is a very fair question. Yes, it is absolutely right that people should move into clean properties and that is our objective. That process has been going wrong over the last 18 months or so; it is now a lot better. We have discussed endlessly the debate as to whether we should take responsibility for cleaning the house away from the occupants and just do it ourselves. The view at the moment is that that would merely be an incentive to people to leave the house in a bad state. What we have done though is to offer occupants a cleaning package which they can buy—it costs around £200—and that removes the responsibility from them. They pay for it but they then do not have to clean the house and it is cleaned to a good standard.

Q9 Chairman: We read in paragraph 2.22 that you have set up a maintenance contract that does result in key elements such as carpets sometimes being left out. Why does this happen? Was it a cost constraint? What was going on?

Vice Admiral Laurence: The reason it was left out was because the contractor was asking for more money than we were prepared to give to include carpets in the contract. Carpets are a difficult area; there is a risk attached. They were suggesting that we should add a lot of risk factor into the sum; we decided that was not good value for money for the public purse so we took it out. We have been

managing it ever since. It has been very difficult; we have been through a very bad patch but I am pleased to say things are a lot better now.

Q10 Chairman: You have had some properties lying empty for five months waiting for a carpet.

Vice Admiral Laurence: That is totally unacceptable and whenever I find that sort of thing around the estate I cause a lot of trouble.

Sir Bill Jeffrey: One of the things worth noting on that is that in the surge programme that we have had to bring void properties back on stream the carpets are included in that package and that does mean that we are bringing the two together. There is a bit of work going on now to examine whether it would actually make value for money sense to include carpets in the main contract as the NAO point us towards. I think it would be better if we could do that but it obviously depends on whether it stacks up financially.

Q11 Chairman: Admiral, why do you not give service families estate agent details for properties such as pictures so they know what they are moving into? Any other family in any other walk of life has an idea. It is fairly easy. Estate agents have plenty of spare capacity at the moment, why do you not use them to do this or do it yourselves through the internet or some other process?

Vice Admiral Laurence: I agree. It is very much our aspiration. We are working on estate agent style details. The problem is that to do it accurately it means quite a detailed survey of the house which takes time and it is intrusive for the occupants. By the end of this year we are going to offer a partial service with quite a lot of information. There will be information about the condition of the house, photographs and so forth. Progressively we will get the floor plans available to send out.

Q12 Nigel Griffiths: I want to ask some questions which you may not be prepared for and which you will not be able to answer; let me know, because I am not trying to trip you up, I am trying to get to the bottom of how we get a solution to this. Roughly how many substandard—or whatever the word is—houses are there?

Sir Bill Jeffrey: If you take the four categories of condition that the Report sets out, broadly speaking conditions one and two are satisfactory and three and four, as the Admiral said, we are targeting.

Q13 Nigel Griffiths: What is the figure?

Sir Bill Jeffrey: They constitute about 5% between them. We are confident that category four constitutes significantly less than 1%.

Q14 Nigel Griffiths: Roughly how many houses?

Sir Bill Jeffrey: One per cent of roughly 50,000 is about 500 or so.

Q15 Nigel Griffiths: What proportion is causing the most grief to our servicemen and women? Is it more than that?

13 May 2009 Ministry of Defence

Sir Bill Jeffrey: My personal view is that the area we have to target relentlessly is the condition three properties. We no longer allocate condition fours—nobody is living in them who does not want to—but there are 2000 or 3000 condition three and they are the ones we are giving priority to upgrading over the next year or so.

Q16 Nigel Griffiths: Have you given any serious thought to the state of the country and the building industry at the moment, the availability of perhaps cheaper contracts to try and accelerate that? It is clearly the government and the chancellor's wish to bring forward expenditure to spend now which would give you a double bonus of satisfying our servicemen and women and at the same time possibly getting it cheaper and saving for maintenance in future years.

Sir Bill Jeffrey: The Admiral may want to say more about that but one significant point—although it was not a huge amount of money—was that the Budget included £50 million in this year advanced from later years which we are planning to spend principally on creating new service living accommodation.

Q17 Nigel Griffiths: I am impressed and I think the Committee should be grateful for you doing that. Following up the Chairman's question on the issue of these unoccupied properties, you did say I think that you have been working over the past 18 months on the cleanliness issue, what conclusions have you reached? What systems are in place now or are about to be brought in?

Sir Bill Jeffrey: I think there are two distinct issues. On the cleanliness issue and the handover on move-in, we think the key to solving that is to have this minimum two day period at which point our people and the contractors jointly visit the property to ensure that any bad cases of the kind that the NAO picked up just do not happen. In relation to voids themselves, it is a mixture. To start with, the work I mentioned earlier to get those that are salvageable back into shape to be used for their proper purpose; second, disposals (because we carry a lot of properties we would be better off just getting rid of); and third, sub-letting where we judge that we could use the property longer term but we do not have any immediate need for it, therefore we could transfer it to local authorities or social housing of one sort or another and sub-let through these means.

Q18 Nigel Griffiths: On average how long are servicemen and women in properties?

Sir Bill Jeffrey: It is a remarkably short period. The Admiral may know off the top of his head. The really significant figure in this Report is 20,000 moves a year.

Q19 Nigel Griffiths: So they are not there for two or three years?

Sir Bill Jeffrey: A little way short of 50,000 properties and 20,000 moves of service families. That is one of the great organisational challenges for us. This is a much more mobile population than any other general social housing population.

Q20 Nigel Griffiths: I presume it has the attendant problem that people do not really feel that they are building a home there.

Sir Bill Jeffrey: There is a risk of that.

Q21 Nigel Griffiths: Do they ever feel they are?

Sir Bill Jeffrey: Our people are responsible about this. They look after properties by and large but certainly in most cases—it varies a bit by service because the Army move around more than the others do—we are not talking about people who are going to be in the same residence for years and years and years.

Q22 Nigel Griffiths: In terms of your dispute over things like carpets, can you resolve that? Are you stuck with these contractors? How long are you stuck with them for?

Vice Admiral Laurence: The contract is for seven years. We are not absolutely stuck with them but it would be difficult to get out of the contract in the course of that seven years. On the subject of difficult contractual issues like carpets, it is not a dispute; it is a debate we have between us. They are perfectly prepared to take carpets in but we think they are asking too much to do it and therefore we hold out doing it ourselves for the time being. When we renew the contract at the end of the term it is something we will want to nail down better.

Q23 Nigel Griffiths: You have anticipated my next question. Do you do an assessment or is there a record kept of the state of the apartment when someone moves in and the state when they move out?

Sir Bill Jeffrey: There is a very interesting idea we have been following up of tenants' history (I think that is the phrase the NAO use in their Report) but at the moment we just do not have that data in any detail.

Vice Admiral Laurence: We do not track how individuals look after their properties.

Q24 Nigel Griffiths: Do you accept that that is a bit of a failing?

Sir Bill Jeffrey: It is something we would like to rectify.

Q25 Nigel Griffiths: Admiral Laurence, you looked a little sceptical and I am always interested in an alternative point of view. Clearly you think it is not worth the effort.

Vice Admiral Laurence: My preference would not be to go down that route. My preference would be to establish clear rules on what the standards should be on move-out, leave it to individuals to meet that standard, offer them opportunities like a cleaning service if they want it to help them get up to that standard and then enforce the standard very

rigorously. That is what I would like to do and I would like the standards of move-out to be much higher than they are at the moment.

Q26 Nigel Griffiths: When you offer them the £200 service but they do not take it up and they move out and they leave it having required the clean, are you going to bill them for it?

Vice Admiral Laurence: Yes.

Sir Bill Jeffrey: There is a deeper relationship between Defence Estates on the one hand and the chain of command on the other because in the extreme these are service discipline issues and it makes sense to play the chain of command in, in a sensible, well-judged fashion.

Vice Admiral Laurence: The Report points out in the Catterick move—which is the biggest move we have done for several years—in the early stages of that the number of houses which failed the move-out standard was quite high. We engaged the chain of command, they said, “Leave it to us” and within two weeks things had improved dramatically. I think that is a lesson for more communication with the chain of command.

Q27 Nigel Griffiths: Do you monitor complaints when people move in and say, “I am not happy with this”? How is that done?

Vice Admiral Laurence: We certainly deal with complaints when they move in.

Q28 Nigel Griffiths: That is a slightly different question in that I am keen to know whether you know that actually 10% of people say “I have got a complaint” and 1% say it is a serious complaint. Do you have a mechanism for that?

Vice Admiral Laurence: We monitor the number of complaints. I am not sure whether we monitor specifically complaints on move-in.

Q29 Nigel Griffiths: Do you have an idea of how many complaints you get on moving in? Is it 10%, is it 20%? Is it higher than that?

Vice Admiral Laurence: I do not know. I do not think it is as high as 10% but, as I said, we changed the way we do move-ins. We do this take-back 48 hours before, mirroring more or less the situation in Scotland, and already we are noticing that the number of complaints on move-in is dropping.

Vice Admiral Wilkinson: Of course quite rightly the NAO highlighted where there are difficulties, but the majority of move-ins happen smoothly and the majority of service family occupants actually look after their property well and leave it in an entirely acceptable condition. As Admiral Laurence says, we are looking at the margins here of a number of people who do not behave like that.

Q30 Nigel Griffiths: I am glad you have made that point, I do however feel that in morale terms as well as in wider PR terms, if you have a number of tenants who are moving in and saying, “This is actually not of an adequate standard” then the more you bring systems to bear to reduce that, the better it is for you and the less hostility you are going to get

from this Committee and elsewhere. Unfortunately in the commercial sector a majority is just not quite good enough; you only need one or two people complaining about something terrible and you are in real trouble. It is that focus that I hope you will give some thought to.

Sir Bill Jeffrey: I certainly think that the NAO Report is absolutely right. If I was somebody moving in who had taken the trouble to clean up very carefully behind me and discovered that the property was inadequately prepared, then I would be very annoyed. I think we should prevent that happening wherever we can.

Q31 Mr Curry: We have to be a little bit careful before we judge too much on the rate of complaints. I suspect it is a great deal harder for somebody in the Armed Forces to complain than it is for somebody in a different sphere in a very hierarchical organisation where you do not want to get the reputation for being difficult.

Vice Admiral Laurence: I do not think that is true. There is a very straightforward complaints process. It is all done through my people who are civilian people; there is no come-back to them in their career.

Sir Bill Jeffrey: The creation of Defence Estates makes a bit of safe space in that you are not complaining upward in the chain of command, you are complaining to a central defence organisation.

Q32 Mr Curry: Let me start with something which is on my mind which is relevant and goes rather wider. I am thinking about the Army in particular because that is the experience of my constituency, it is very good at fighting wars but not great at social welfare. The reason I say that is that we have this long history of housing but it also affects, however inconvenient it may be to say it, schools—where there are a significant number of children from army personnel—find quite serious behavioural problems amongst those children. We know that army families have quite a high rate of dislocation within the family units and we also know there has been a history of people who come out of the army and eventually end up in the homelessness ranks. If we take all these issues together there is an issue for social care and social welfare which has to be addressed and it has certainly not been addressed on a comprehensive basis as things stand at the moment. I do not quite know where those officers in units which are charged with dealing with family issues rank in the hierarchy but I suspect it is a bit like being a personnel officer; it may not be the most desirable springboard for important promotions. I just wanted to put that on the table because I think these issues need to be addressed in the rounds somewhat.

Sir Bill Jeffrey: My own sense is that, particularly in the Army, there is a strong tradition of caring for our people but these are busy operationally focussed organisations and it is something we need to keep reminding ourselves of. I certainly think that against that quite complicated background we have a very strong responsibility of care in these sorts of cases which we have to discharge.

13 May 2009 Ministry of Defence

Vice Admiral Wilkinson: I think Sir Bill is quite right that we have people coming from complicated backgrounds—we are recruiting from society and therefore reflecting it—and the army takes its responsibilities very seriously. Certainly the way the families federations have increased their professional approach to some of these problems and the way that they are now seen as a very credible mechanism for articulating some of the difficulties all the way up to ministers I think has helped focus people's minds on the issues that you raise, Mr Curry, where they were perhaps swept under the carpet a few years ago.

Q33 Mr Curry: The reason I raise them is because we have had issues relating to the educational performance and the impact upon schools, not overwhelmingly alarming but where there is a very significant minority of people in the schools. In this Report quite frankly I could not see the wood for the trees and I would like to go back a bit. I am used to the housing market where the local authority does a transfer and a housing association or another body takes control of those properties. The local authority retains the allocations but the rest is taken out of their hands. Investment is agreed at the time of the transfer and is figured into the transfer. I really am confused as to quite who does what in military housing. What happened to Annington Homes? Where does Modern Housing Solutions fit in? Who commissioned them to do this? It does seem as if it is a neither nor situation; you neither control the housing entirely nor have you done a proper transfer to take it off your hands. I cannot quite understand where all these boundaries are between the two. Can you give me a sort of organigram?

Sir Bill Jeffrey: We could and it might actually make sense for us to supply you with something of that sort afterwards.¹ Essentially Defence Estates is in a commissioning position. The Annington Homes deal has been the subject of earlier scrutiny by this Committee and it is not one we would do in its present form now. It is essentially a sale and lease back. Modern Housing Solutions is the contractor that we use for most of the maintenance in England and Wales. In both cases Defence Estates is active in acting in what one might describe as the local authority role and is responsible ultimately for delivering the outcomes. Is that a fair description?

Vice Admiral Laurence: Yes. I think the big difference between us and what you describe for local authorities is that we have kept control of the maintenance and we do that principally through Modern Housing Solutions as Sir Bill says but also some other contractors in Scotland and Northern Ireland. Perhaps, if we had our time again, we would have devolved that responsibility to Anningtons. At the time that did not work for one reason or another so we have it, but actually I think it is very important that we maintain the houses properly so, to some degree, I think it is right that the responsibility rests with me.

Q34 Mr Curry: The estate is scattered across the country as we have heard and there are some areas where the proportion of voids is high. Is there any reason why blocks of the estate cannot be disposed of differently, why a block of the estate could not be made the subject of a transfer with full responsibility for maintenance handed to the private sector? I realise that the rental is sub-market rent and presumably there is not the top-up of housing benefit that would go with it so there might be a cash flow issue. However, it does seem that one is still slightly locked in this almost Stalinist management system and I wondered if there was a way through it.

Sir Bill Jeffrey: Had we been having this conversation before the Annington Homes deal, that is a very interesting way forward. I think the fact that we are now leasing back the properties that we disposed of all those years ago to them makes it harder to pursue the sort of solution you suggest. The other point, as came out a moment ago, is that there is not the rental income base to make this as viable as it might seem.

Vice Admiral Laurence: I do not feel that the process we have and the structure we have is the major problem in terms of making houses better. It is a question of the funding that I have and the efficiency of the way we do business which is really the problem.

Q35 Mr Curry: We have talked a lot about voids and you want to get the number of voids down. You have had disposals of properties, have you not?

Sir Bill Jeffrey: Yes.

Q36 Mr Curry: So is there an on-going programme of disposal of properties? How do you choose the ones to dispose of? How do you market them? Who buys them?

Sir Bill Jeffrey: We disposed of 1300 in 2008/09 which was twice as many as it was in previous years. We have also sub-let quite a number to local authorities and housing associations. It is something we want to do not least because it will get the voids picture better.

Q37 Mr Curry: Given that the government has got programmes to try to encourage local authorities to take the houses which have not been completed because of the present recession and we have all got this figure of three million houses which we are supposed to be building by 2020, then presumably there are some houses there that can at least make a small contribution to that.

Vice Admiral Laurence: As Sir Bill says, it is very much our intention to release houses as soon as we possibly can. The difficulty very often is where there is a bit of uncertainty about whether we are going to need houses in two, three or four years' time. We have released or disposed of some properties and regretted it so there is a bit of a debate there. Last year and this we are being more bullish about disposing of houses that we really do not think we need.

¹ Ev 18

Q38 Mr Curry: On the subject of home ownership, the amount of money available to help people purchase is a tiny amount.

Sir Bill Jeffrey: I wish it could be more.

Q39 Mr Curry: It looks more reasonable now than it did 18 months ago.

Sir Bill Jeffrey: Looking on the positive side, there is one thing one can say. To that sum I think one can also add the commitment bonus which we pay after a number of years' service which is currently standing at £15,000 and was recently almost doubled. That is a more substantial sum of money and one that can be put towards home purchase.

Vice Admiral Wilkinson: Sir Bill is quite right. Soldiers, sailors or airmen, after eight years' trained service, could have £23,500 available to put down as a deposit on a house. You are quite right that the long service advance of pay as it is known, the £8,500, has stayed at the same level for a number of years. We would like to increase it but it has to be tested against other priorities in the defence budget.

Q40 Mr Curry: I think there is work to do there because those sums, in relation to the housing market and what you can buy for that amount of money, are really pretty far down.

Sir Bill Jeffrey: The other interesting idea is that we are investing £20 million in a pilot of a shared equity scheme which we are working out with the Department for Communities and Local Government where we would share some of the risk.

Q41 Mr Curry: I would be very interested in having a little note on that scheme.²

Sir Bill Jeffrey: We can certainly provide that.

Q42 Mr Curry: What you pay to councils in lieu of council tax, is that indexed, as it were, to the local council tax level? Is it a standard rate across the country?

Vice Admiral Wilkinson: It is levelled across so that people who are drafted to an area where council tax is higher are not penalised. It is levelled across.

Q43 Mr Curry: In terms of yield to the council, what does the council tax per house represent to them compared with what a similar house in the private sector would yield in council tax?

Vice Admiral Wilkinson: I would have to send you a note on that.³

Q44 Keith Hill: What is the kind of housing comparator in your mind when you think about the housing that you provide to service personnel? Is your comparator a housing association or a local authority or do you see yourselves perhaps as a private lettings agency in terms of the standard of provision that you are seeking to make?

Sir Bill Jeffrey: I do not think we draw that comparison with any one of those; I think it is more a desire to provide a decent standard of housing.

Q45 Keith Hill: What do you mean by a decent standard of housing?

Sir Bill Jeffrey: I forget the phrase, something like decent homes standard which exists in the general community. We are confident that all our condition one and two properties exceed that standard and a good proportion of our condition three and four properties as well.

Q46 Keith Hill: I think you are right about that. Although poor accommodation gets rightly condemned in the media, if you look at the statistics about your stock 57% of your stock is condition one, 33% of your stock is condition two which means that 20% of your stock is condition three and four, of which the NAO states that only some of it would fail the decent homes test. If you compare the situation that the present administration inherited in 1997 of council house stock where, my recollection is, 60% of council house stock failed the decent homes standard, you can see that most of your housing stock is far superior to at least the condition of council housing 10 years ago, which is a good news story.

Sir Bill Jeffrey: I think that is true but I do not think we can be in any way satisfied with it.

Q47 Keith Hill: No, I am sure you cannot.

Sir Bill Jeffrey: What I am keen to emphasise is that the condition two slice of stock is in no sense inadequate, it simply does not press all the buttons that the condition one does. We really need to target our efforts on the 5% or so in conditions three and four and that is what we will do. I do not think we can be satisfied, but you are absolutely right to say that this is not an issue about accommodation which fails to meet the decent homes standard because, apart from very few cases, it has not failed to do so.

Q48 Keith Hill: How do the rents compare with either private lettings or council housing?

Sir Bill Jeffrey: I suspect they are lower than private lettings. They are set by the Armed Forces Pay Review Body and, as the Report brings out, there is an element of subsidy in that which the AFPRB feel over time ought to be removed.

Q49 Keith Hill: Some of the things you offer are different from normal social housing or council housing, for example—we have already talked about it quite extensively—your properties have carpets. If you are transferred into a council property you would not have carpets. What other fittings are there in your properties?

Vice Admiral Laurence: As you say, they are fitted with carpets. We aspire to have double glazing, loft insulation, ideally a modern kitchen and a modern bathroom and various other things. That is the aspiration. We do not meet it in every case but that is what we are aiming to achieve.

Q50 Keith Hill: On this question of the complaints about the poor state of cleanliness and the condition, for example, of the carpets, have you thought about a deposit scheme with tenants? We now have the

² Ev 19

³ Ev 19

13 May 2009 Ministry of Defence

tenants deposit scheme which operates in the private lettings sector. That works both ways; it works for the landlords—yourselves—as well as for the tenants. Have you thought about that?

Vice Admiral Laurence: I have been pushing quite hard for that, I have to say, and I have met opposition from the services and the families federations who think it will go down very badly with occupants. I will come back to the charge on it from time to time.

Q51 Keith Hill: It might be worth actually talking to the appropriate federations outside to see how they have managed it in their areas in the past two or three years while it has been in existence. The other thing again which has been referred to is the very limited choice which personnel have in these properties, not only limited choice but it is very extraordinary that, according to the NAO, they usually only see their property for the first time on the move-in.

Sir Bill Jeffrey: This is one of the things we are trying to tackle. To some extent the limitation of choice reflects the reality of the estate but, particularly through the estate agent style details that we were talking about earlier, if we can develop that successfully, if only on-line, that will give an opportunity to see the property before moving in. There ought to be an opportunity to see what it is like in the estate agent fashion.

Q52 Keith Hill: It is very common not only with estate agents which implies the private sector, but now, very extensively local authorities and federations of local authorities and housing associations have this system of choice based lettings in which people, on a weekly basis, see on-line and see in printed form a range of properties with photographs and full descriptions of the interiors. Have you thought about taking a leaf out of external agencies' books and doing something along those lines?

Sir Bill Jeffrey: That is very much the style we are aiming for. I think it comes back also to an issue that the Report dwells on quite critically—we would say justifiably critically—which is the way that the housing information centres which do the initial allocations operate. The more we can make that more user friendly—we are working through training and otherwise to do so—the more there can be a productive dialogue with the potential occupant and the more the details of what might be available can be discussed.

Q53 Keith Hill: There are seven of these housing information centres now. What is the range and the quantity of stock that each information centre deals with?

Sir Bill Jeffrey: They are regionally based and each of them deals with the stock that happens to be in their part of the country which can be a very wide range depending on what we happen to have inherited from the past.

Vice Admiral Laurence: In terms of numbers the biggest housing information centre has a bit over 10,000 houses; the smallest I think about 5,000, something like that.

Q54 Keith Hill: So actually they are really quite small scale enterprises.

Vice Admiral Laurence: Yes. I think the difference between that allocation process and perhaps a local housing association or a local authority is that with only seven centres the houses are spread across quite a wide area. There is only one, for example for the whole of Scotland. Geographically they are widely spread but the numbers involved are not huge.

Sir Bill Jeffrey: Therein lies an opportunity I think because one of the things we are trying to do is get the staff for the housing information centres to make more visits to areas that they relate to, to get to know their stock better and it is feasible to do so on that scale.

Q55 Keith Hill: Who are the staff?

Sir Bill Jeffrey: The staff are civil servants who are employees of Defence Estates.

Vice Admiral Laurence: Quite a number of them are married to service personnel or have some family links to service personnel so quite a lot of them actually understand the problems. Some of them live in this accommodation themselves.

Q56 Keith Hill: Are the managers trained in housing provision delivery?

Vice Admiral Laurence: We give them as much training as we can deliver. We do not necessarily recruit housing specialists although we recruit openly and very often people come into Defence Estates from local authority housing.

Q57 Keith Hill: Are these exclusively civilian organisations or are the top managers military personnel?

Vice Admiral Laurence: The head of my housing division is military and there are some military personnel but it is predominantly civil servants.

Q58 Keith Hill: I think you probably get my drift which is that on the whole it sounds to me as though you could benefit from a good deal interaction with housing providers outside.

Sir Bill Jeffrey: If I may say so, that point is well taken. My sense, from my own discussions with Defence Estates is that there is a greater openness than there may have been in the past to engage in benchmarking, talking to people in housing in the private and public sector and sharing experiences.

Q59 Geraldine Smith: What would be the major complaint that you get from service personnel about housing? What is the most difficult area would you say?

Vice Admiral Laurence: In terms of the condition of the house and what the house is like, the biggest areas are bathroom, kitchen and energy efficiency (loft insulation and so forth). In terms of the way the process is handled the weakest area in the past has

been the preparation of a house for move-in and probably equally the availability of the right house in the right place and the right size.

Q60 Geraldine Smith: If that is one of the most difficult areas, is there anything you can do to prevent such movement of service personnel? I know that might be difficult, but they do seem to move around an awful lot.

Sir Bill Jeffrey: It varies very much between the services. The Army have a strong tradition of moving people. It is partly to do with what they do. There is an operational need to move Army people quite regularly which does not exist elsewhere and you will find closer to the main RAF bases, for example, and indeed close to Portsmouth that the people are more settled and do not expect to be moved round so regularly.

Vice Admiral Laurence: It is true that there is an aspiration to base people more stably and even the army is considering doing that now with their super garrison approach.

Q61 Geraldine Smith: On the question of energy efficiency, do you have a planned programme to make the properties more energy efficient?

Vice Admiral Laurence: We do. We have a target for houses which have the right thickness of insulation. Unfortunately we have done a lot of insulation in years gone by which was not up to standard so we are focussing on that very much, partly because it saves the occupants costs and it contributes to our carbon target.

Q62 Geraldine Smith: Do you consult with the service personnel? You seem to appreciate that the main concerns are the kitchens and bathrooms which I suppose it is bound to be, but do you ask them what they would like to see?

Vice Admiral Laurence: I have to pay tribute to the NAO because the survey that they did was probably the best and most comprehensive information we have had on what customers want. We do a lot of consultation at local level but this was a very good national coverage and we plan to go on and repeat that survey at least once a year. You will notice from the results of it that it is not that 100% of people want one thing; there are quite a range of preferences.

Q63 Geraldine Smith: You also use the private sector quite a lot for properties. Does that cause many issues because people, I guess, are outside the base with all their friends and work colleagues?

Vice Admiral Laurence: It depends on the circumstances. There are some rented properties which are in nicer places to live than living on the base and people are very happy. There are others where, for example, the service person needs to drive from there to get to work, there is only one car for the family which leaves the spouse without a car and that is not so popular.

Q64 Geraldine Smith: I sometimes see ex-service personnel in my constituency office and housing is a big issue when they come out of the forces. It must

be difficult because if you have had something provided for you for a long time and then suddenly you have to find it yourself, what do you do to help people? Why has there been a low take up of the key worker scheme?

Sir Bill Jeffrey: I am not sure why it has not been taken up more. Certainly the Service Personnel Command Paper that the government published a year or so ago was partly directed at getting service people and ex-service people onto a more level playing field in relation to general public services like that. This Committee had an interesting hearing about resettlement and we certainly accept that there is a responsibility which we do our best to discharge within the MoD to ensure that that transition into normal civilian life is as smooth as it can be.

Vice Admiral Wilkinson: You are quite right and, as Sir Bill said, if we can do more to encourage people into home ownership towards the latter stages of their career in the military, then we know that that helps this transition back to civilian life and hence the aspiration for perhaps the shared equity scheme or to increase the long service advance of pay. As we have been working our way through the various possibilities, you quite rightly highlight that the key worker living scheme has not been successful. We found through the Command Paper work that a lot of these schemes are very regionally based and a soldier based in Colchester, as he leaves the army, might want to move back to Manchester, Birmingham or wherever and the opportunities surrounding that have actually been quite difficult. The shared equity scheme that we are hoping to pilot later this year will actually be just a single point of entry across England and Wales to start with so we think that will encourage a much greater take-up.

Q65 Geraldine Smith: Do you find that things have improved? There seems to be a recognition in the country that we have to do more to look after people who are prepared to give their lives for the country. Do you find local authorities are becoming more cooperative to the needs of ex-service personnel?

Sir Bill Jeffrey: I certainly detect in the last few years a change in attitude publicly and in places like local authorities. I referred earlier—as the Admiral did—to the Service Personnel Command Paper which was published about a year ago. That was the product of a lot of work across Whitehall with other departments like local government, health, schools et cetera. I certainly felt during that experience that even within government there was more understanding of the priority that ought to be given to service people among my colleagues and other government departments than there had been before and I sense increasingly—although from a lower base than I would wish—opinion outside has begun to move in the right direction as well.

Vice Admiral Wilkinson: One of the key outcomes, specifically with housing, was to remove the need for the local connection as you went onto the bottom of a local authority waiting list which of course immediately disadvantaged service families perhaps, again, moving back from a garrison to where they

13 May 2009 Ministry of Defence

intended to spend the rest of their time. The Command Paper, as Sir Bill says, specifically worked at that objective.⁴

Q66 Geraldine Smith: Can I jump back to your accommodation that you provide? You treat the officers and the other ranks differently; can you tell me a bit about that and why that is the case?

Sir Bill Jeffrey: It is partly rooted in the tradition of the services. People have not traditionally been mixed up within the same geographical areas across the boundary between officers and other ranks. I think it also reflects, in terms of the standards and entitlements that are set out in this Report, the fact that more senior people who earn more in the general community would be living in different accommodation. In this case they contribute more and they pay more than other ranks.

Vice Admiral Wilkinson: Where we are working closely with Admiral Laurence's team is recognising for senior NCOs and warrant officers that, whilst maintaining the degree of segregation that Sir Bill has mentioned, it may be possible to ring fence a number of properties that are perhaps slightly larger and therefore give them adequate recognition and recompense for their seniority and long service.

Q67 Geraldine Smith: If I was to conduct a little survey of service personnel, do you think they would say they were satisfied with the accommodation you provide?

Sir Bill Jeffrey: I think, as the Admiral said earlier, the NAO Report survey was extremely useful. It was pretty comprehensive and we plan to repeat it in the summer. What comes out of it is a mixed picture. The majority view is favourable but there was a substantial minority who are dissatisfied and that is what we have to address.

Q68 Mr Mitchell: Annington Homes owns the properties, the MoD maintains them and then there is Modern Housing Solutions—into which you have pumped £18 million I see—going round doing the contracting work. Why not have one central organisation? If Annington Homes owns them, why should they not maintain them as well?

Sir Bill Jeffrey: Largely because that was not the nature of the deal that was done. As I mentioned earlier, that deal which now goes back to the 90s has been the subject of close examination by this Committee's predecessors. It was one that essentially involved us getting the benefit from a sale to Annington Homes on the understanding that the properties would be leased back and a proportion of them would remain with Annington Homes. In its nature it does not provide for a singular solution of the kind that you imply, but there is something to be said for that; I do accept that.

Vice Admiral Laurence: The lease back from Annington Homes was for 200 years and it still has 188 years to run, so to all intents and purposes we effectively own those houses. We have leased them on a very long lease.

Q69 Mr Mitchell: In that case they just get the ability to raise bigger mortgages and more profit. They have got themselves a good deal. You pay rent to them and when you hand them back you pay for any damage that has been done. This is a sweetheart deal, is it not?

Sir Bill Jeffrey: I would not put it quite like that but, as I said earlier, I do not think it is a deal we would necessarily do now.

Vice Admiral Laurence: We do only pay them 40% of the market rent and that is tested year on year so that offsets some of the benefits that they get out of it.

Q70 Mr Mitchell: Are they profitable? Do you look at their accounts? Do you know what profit they are generating?

Vice Admiral Laurence: I do not think there is any way that Annington Homes would not make a profit.

Q71 Mr Mitchell: No, not with that deal!

Vice Admiral Laurence: The deal was a reasonable deal. It was offered to the market and Annington Homes offered by far and away the best deal for us.

Q72 Mr Mitchell: Let me turn to ownership. You give them £8,500 if they go in for purchase. It seems fairly mean really given the price of houses these days. Why is the figure so low?

Sir Bill Jeffrey: The £8,500 is an advance on pay which is intended to be a deposit. I agree it is lower than I would wish it to be. If we had the chance to do so I certainly would like to increase it. There ought to be added to it, as I was saying earlier, the long service award which is now standing at £15,000 having been increased from £8,000 quite recently. For those who qualify for it, the £15,000 bonus essentially for longer service is something that many might well choose to commit to a house purchase.

Q73 Mr Mitchell: When we talk of shared equities, that is shared equity in defence houses, in Annington Homes, is it? Or is it another scheme outside?

Sir Bill Jeffrey: No, this is something we are piloting and to which the government itself will bring some money onto the table.

Q74 Mr Mitchell: It is not working very well in fact.

Sir Bill Jeffrey: It has not started yet.

Vice Admiral Wilkinson: We have not started it yet. We have £20 million allocated for a pilot scheme which, with an average house costing £200,000, if the MoD put in equity of about 35% we could start benefitting 300 to 400 service families using that £20 million to see if this is a scheme we would wish to roll out more widely.

Q75 Mr Mitchell: Are they buying equity in houses on the military estate?

⁴ *Note by witness:* The Housing and Regeneration Act 2008 removed the disadvantage for Service families in England and Wales, by allowing them to establish a local connection where they are serving, in the same way as any other citizen, rather than by requiring local authorities to change the importance they attach to the local connection. This was noted in paragraph 2.19 of the Service Personnel Command Paper, Cm 7424.

Vice Admiral Wilkinson: No, they are buying equity in what would be their own property.

Q76 Mr Mitchell: The table in this pullout section is rather like the old sketch: "I'm working class, I'm middle class and I'm officer class". Why do you have these ridiculous differentiations? Why not just have two houses, officers and the rest? It must be very difficult to allocate houses when you have all these types to be chosen between.

Sir Bill Jeffrey: I think that it reflects the point I made earlier.

Q77 Mr Mitchell: It is a complicated system, is it not?

Sir Bill Jeffrey: It is.

Q78 Mr Mitchell: It reflects the days when officers were supposed to entertain chaps; that no longer operates really.

Sir Bill Jeffrey: There is a bit of entertainment still expected but I think myself that the rationale is more to do with the fact that we are expecting people or giving them the opportunity to live in service accommodation like the rest of the community.

Q79 Mr Mitchell: If I were a squaddie could I say that I was prepared to pay the rent to get a better quality house and I would like that particular one?

Sir Bill Jeffrey: There is some scope for—

Q80 Mr Mitchell: Some scope? Is it big or little?

Vice Admiral Laurence: People can apply. If there is a house available which is larger than they are entitled to and we are fairly sure we do not need it—

Q81 Mr Mitchell: So I could move in with the officers?

Vice Admiral Laurence: We do not allow that at the moment.

Q82 Mr Mitchell: Why do you not allow it? Because it would lower the tone of the neighbourhood?

Vice Admiral Laurence: The practice on the ground is much more flexible than these entitlements imply and very often there are areas on the margins where we move people in and out of the accommodation.

Vice Admiral Wilkinson: You know that segregation between the troops and the officers actually works well for both parts of the organisation. The troops need some time and space away from their officers and vice versa.

Q83 Mr Mitchell: Are the houses furnished? Do I move into a furnished house? I ask that because the *Daily Telegraph* have just been ringing me asking why I had sofas reconditioned at enormous expense and why I had the work done in Yorkshire, so how often are your sofas reconditioned?

Vice Admiral Laurence: We have a programme of renewal of the furniture. I would describe it as modest.

Q84 Mr Mitchell: Would you be renewing sofas every 20 years or 10 or what?

Vice Admiral Laurence: I think it is done on an as required basis. I am not absolutely certain about that.

Q85 Mr Mitchell: Mine was required. I was hoping to get posh sofas so I could entertain Tony Blair to supper and things, improve my career! They were 20 years old, so would they qualify for reconditioning in your terms?

Vice Admiral Laurence: I suspect that if a sofa in a married quarter was 20 years old it would probably need to be replaced.

Q86 Mr Mitchell: Thank you very much! Why have you got so many voids? Is it that the services are shrinking or what?

Sir Bill Jeffrey: It is more to do with the fact that fundamentally in the social housing sector there is a certain amount of housing and people sometimes, depending on where they live, have to queue for it. Our responsibility is to provide housing for people as they require it therefore traditionally there has been a bit more built in in the way of spare than you would find elsewhere. I personally think—and the Admiral does as well—that the void rate has got far too high. What we have been trying to do for the last year or so, it having exceeded 20%, is to drive it down by all the means we discussed earlier in this hearing.

Q87 Mr Mitchell: Apparently you were not satisfied with the inspections; the void properties were not regularly inspected so they are deteriorating. Is that correct?

Sir Bill Jeffrey: It is not so much inspection, it is simply that, for one reason or another, within the estate there are too many properties that at any one time are not occupied. There are a variety of reasons for that. There are a variety of ways of tackling it, including disposing of them.

Q88 Mr Mitchell: The contractors who were supposed to be doing the inspections were not doing them.

Vice Admiral Laurence: There is a requirement on all of our contractors around the country that when a house is empty they need to inspect it regularly.

Q89 Mr Mitchell: The government has a target of every council house and housing association house to be brought up to the decent homes standard by next year. That is a manifesto commitment. It seems to me that you are not going to reach that on the Defence Estates. Can you tell us what the gap is?

Vice Admiral Laurence: I think the gap is small. It is hard to be precise about the decent homes standard because, as you have seen from the Report it is very hard to compare. I think our standards are much higher than the decent homes standard and I would say that by next year there will be very, very few that do not meet it.

Q90 Mr Williams: Adequacy of accommodation is an important morale factor for servicemen, particularly if he is abroad and his family are at home. It is very important for him to feel that his

13 May 2009 Ministry of Defence

family is secure and being looked after. When a serviceman is on duty overseas, what extra support would be available to his wife and family to deal with housing problems that he would normally be dealing with on their behalf?

Vice Admiral Wilkinson: Spouses of service families are made aware of all the facilities that are available both in terms of welfare and the maintenance system that comes through Defence Estates. They will have a range of contact details that they can use if there is a difficulty in their house or property. You are quite right—and this is why it was slightly difficult to answer Mr Hill's questions about what standard we are trying to set—because actually the purpose of families accommodation is to enhance operational effectiveness and that is the aspiration of us all.

Q91 Mr Williams: I had a few marches in and out in my brief spell in the RAF way, way back in history. The reason I ask about the families of service men who are away is because we are told that only a quarter of families whose repair was not fixed first time were contacted by the contractor to resolve the issue. That is appalling; it is unacceptable that only 26% bothered to respond but it is even more frustrating and difficult—I do not want to sound sexist here—if the husband is abroad and the wife is having to handle all the responsibility.

Vice Admiral Wilkinson: The maintenance call-out system takes that into account so if there is an emergency defect under that particular definition and it is known that it is a service wife who is on her own then that will be given an additional priority. That system is in place.

Vice Admiral Laurence: You are right, Mr Williams. That statistic is unacceptable. We have to do better on the right first time initiative.

Q92 Mr Williams: Why, after all these years of experience, is it still so low? It is good of you to admit that it is something you recognise you have to deal with. How long have you, for example, been involved in this area of activity?

Vice Admiral Laurence: I have been involved for two years in this current post and of course our aspiration is to have nought per cent of repairs that are not right first time and hopefully we will be heading in that direction. The only thing I would say in mitigation, although it is not very much solace, is that if you live in a private house—as I happen to do—and you deal with private contractors, if I was lucky enough to get only 25% of the time that the private contractor did not fix the problem first time I would be doing pretty well.

Q93 Mr Williams: I do not suppose you have this information, but it would be interesting to know whether the 26% is uniform or whether it varies with rank. Do the ranks have, say, 50% failure while officers have, say, 10%?

Sir Bill Jeffrey: I would be surprised if that were the case. What this goes back to—in England and Wales anyway—is the contract with Modern Housing Solutions that was referred to earlier which, we would be the first to admit, made a difficult start

because we and the contractors had underestimated the amount of work that needed to be done. It is now, not least because of some quite active contract management within Defence Estates, on a much more even keel. If you look at appendix five in particular in the Report it shows after a slow start some pretty high general satisfaction levels with the service received.

Q94 Mr Williams: Switching to another problem where again the cost involved seems very high, we are told that £6 million had to be paid in dilapidation charges on properties that you hand back to Annington Homes. Was that a typical year or was 2008/09 not typical?

Vice Admiral Laurence: It is a fairly typical year. It was a bit higher than usual because we handed back more properties last year.

Q95 Mr Williams: How are the dilapidation charges agreed? When you hand a property back who does the evaluating? Is it within the service? Is it external advice from experts or what?

Vice Admiral Laurence: There is a very clear standard that was set out in the Annington Homes agreement and there is a panel, one from the MoD and one from Anningtons, who are detailed to decide what should be done.

Q96 Mr Williams: Are you sure that that is a fair charge?

Vice Admiral Laurence: I think it is a fair system. The alternative would be for us to spend the money ourselves to upgrade the house. Generally speaking it is easier and quicker for us to agree a sum, hand it back to Anningtons, we then stop paying rent and stop paying council tax and we hand it over to them.

Q97 Mr Williams: When families move out and are charged for damage and cleaning and so on, why does the charge that is made to the families, because of the situation they have left behind them, not go back to the area where the cost is actually going to have to be covered? It seems ludicrous to say that you have created a mess there but the money you have created is going to the place you are in which may have no problems at all. What is the logic of that?

Vice Admiral Laurence: There are thousands of instances of this across the country and the administrative process of taking that particular money and passing it back to the local area would be very complicated. However, the NAO has made some recommendations on this and we are following this up to see if we can produce a system which is not hugely burdensome but achieves the effect that you seek.

Q98 Mr Davidson: In paragraph six it states that 31% of the service families responded to the survey saying that their accommodation was poor. Can I ask how many of those were admirals, generals and above?

Sir Bill Jeffrey: I do not think we can answer that. We can try to find an answer and supply it.⁵

Q99 Mr Davidson: Would you expect that the percentage of admirals, generals and equivalent who thought their conditions were poor would be as high as 31%?

Sir Bill Jeffrey: I would be surprised if it were.

Q100 Mr Davidson: So would I actually. What sort of percentage do you think it might be of admirals, generals and above who are living in poor conditions?

Sir Bill Jeffrey: I would not care to speculate. If you are asking a question of how many would complain, I do not know whether there have been any complaints or not.

Vice Admiral Laurence: Can I make a point there because being an admiral I get a lot of direct complaints from admirals; it is a good way to tease me! A lot of the houses they live in are quite large, a lot of them are very old, they often are expensive and difficult to maintain, so actually, rather surprisingly, the complaints we get from senior officers are quite regular.

Q101 Mr Davidson: They are able to downgrade if they wish. Have there been admirals, generals and the equivalent downgrading regularly because they did not like these big houses?

Vice Admiral Laurence: Some of the more senior ones are in residences which are official residences that go with the post and it is difficult to—

Q102 Mr Davidson: That is a no then. Can I just be clear, in terms of the conditions there are four categories. How many of the admirals, generals and above are in anything other than tip top condition?

Sir Bill Jeffrey: I do not think that there is a significant variation as between the condition of the larger properties and the smaller ones.

Vice Admiral Laurence: I am not confident on the answer to that and I am not sure that the NAO Report gives us that split between the condition of officers and other ranks.

Mr Davidson: I think we understand the drift of that point. Can I just clarify with Mr Jeffrey, is it still the case that 90% of generals are from public school or has there been a change in that?

Q103 Chairman: Does that affect their accommodation in any way?

Sir Bill Jeffrey: This issue came up I think a few hearings ago and we did update the information and provide the Committee with the report. Essentially the question was around the more senior officers in the three services. In the army nine out of 10 have private school backgrounds. I think that is still the case but I can check. The significant rider I would add though is the one that we have added every time we have supplied this information which is if you look at the up and coming promising officers on the

main command course the picture is dramatically different and much more representative of society at large.

Q104 Mr Davidson: I think that is a very fair point. I take it the other point I raised at the same time as I raised that was in terms of bursaries and those who were receiving bursaries to Sandhurst and elsewhere where again there was a disproportionate allocation in favour of private schools.

Sir Bill Jeffrey: On the bursary point, we have taken it on board. In fairness, given the extent to which we have prepared ourselves for this hearing on accommodation, it might be an idea if I just check where we stand on this.

Vice Admiral Wilkinson: We are working closely with the government's wider initiative on fair access to the professions and so we certainly have some of those statistics available.

Q105 Mr Davidson: When can we expect to see results?

Vice Admiral Wilkinson: We have the information already.

Q106 Mr Davidson: Do you have the information on the results in terms of improvement?

Vice Admiral Wilkinson: Yes.

Mr Davidson: I look forward to receiving those.⁶

Chairman: There is a supplementary from Mr Griffiths.

Q107 Nigel Griffiths: The wife of a serviceman in Afghanistan came to see me just over two months ago almost in tears because the City of Edinburgh Council had said that although her husband was nearing the end of his service she was going to have to declare herself homeless to get on the list. I wrote and received a reply from the Councillor Paul Edie, the executive member for housing, in which he confirmed that, which I considered to be disgraceful. Am I right in thinking that councils have been requested—if not required—to give priority to service families in that position? What should I be saying to my council?

Sir Bill Jeffrey: That is an issue that was covered in the Service Personnel Command Paper I know for England and Wales and there were quite extensive discussions with the Scottish Government about provisions in Scotland, the details of which I am not familiar with.

Vice Admiral Wilkinson: We have had similar discussions with the devolved administration and that particular very difficult point that people had to be made statutory homeless has been removed. If I could have the specific details I would be delighted to follow up the case. As Sir Bill says, under the Command Paper that should no longer be the situation.

Nigel Griffiths: Thank you very much.

⁵ Ev 19

⁶ Ev 20

 13 May 2009 Ministry of Defence

Q108 Chairman: Thank you gentlemen, that concludes our hearing. As Mr Williams said, obviously if our troops are serving abroad it is absolutely vital that they have confidence that their families are being well looked after and indeed many of the properties clearly are in good condition. However, I think it is worrying that a third who were surveyed by the NAO still feel that their housing is poor and nearly a quarter consider their home to be poorly maintained. I would have thought there is a lot more progress that can be made in very simple things like ensuring that the house is in a clean and good condition when they arrive.

Sir Bill Jeffrey: Could I be allowed a brief response?

Q109 Chairman: Of course.

Sir Bill Jeffrey: I hope what has come across in this hearing is that we are not at all complacent about this. It is easy enough to come to a hearing like this and describe the position which, across the board, is not perhaps as bad as it is being represented publicly, but in amongst it there are some important detailed cases involving individual people who often do get

distressed and very concerned about these issues and we take that seriously. I hope that has come across this afternoon.

Q110 Chairman: We hope that you can meet this target and indeed improve it and get all your properties up to a higher standard within 20 years. It sounds a long time to me; you will do that, will you not?

Sir Bill Jeffrey: I think we can do it quicker. One of the things that has not quite come out of this hearing is that since the NAO Report we have looked into the strategy for approaching the upgrading of properties. The target at the moment is the category three and four properties but they are also the most expensive. If we can clear them out of the system, as the Admiral said, within the next two or three years, we can then move onto the larger numerically but in unit cost terms cheaper challenge of upgrading the category twos to category one. At that point we think we can begin to deal with much larger numbers of properties within the money we have available.

Chairman: Thank you very much gentlemen.

Memorandum from the National Audit Office

ANALYSIS OF THE MINISTRY OF DEFENCE'S REVISED DATA ON HOUSING CONDITION

Introduction

1. This memorandum updates the Committee on the C&AG's report *Ministry of Defence: Service Families Accommodation*.¹ It provides the results of the NAO's analysis of new Departmental data on the condition of properties in England and Wales, following the Department's announcement of the results of an asset survey in a Written Ministerial statement released on 17 March 2009. It covers the background to the Ministerial Statement, the condition survey, and what the new condition data shows as at March 2009. It also covers our analysis of the new data and how the results compare to the condition data in August 2008 published in the C&AG's report. It considers how the condition of the stock has changed, how the Department intends to use the results, and the implications for the timescale in which the Department intends to upgrade all properties to its top standard, Condition 1.

Background

2. On 17 March in a Written Ministerial Statement, the Parliamentary Under-Secretary of State for Defence (Mr Kevan Jones MP) announced the results of an asset survey of Service Families Accommodation in England and Wales (Annex A). The statement included new information on the condition of properties in England and Wales, which was not included in the C&AG's Report on Service Families Accommodation published the following day. The information from the survey was not available when the NAO undertook their study, so the analysis in the C&AG's Report was based on earlier figures. The data were immature when the Report was finalised, and the Department and the NAO therefore agreed that the Report should be based on the earlier figures, but should include a brief reference to the emerging results of the survey. Subsequently, the Department decided the new figures were sufficiently reliable to be published; and that since there were material changes from the information on which the report was based, it would be helpful to put the C&AG's Report in context if the data, although evolving, were published around the same time. Through administrative oversight, the NAO were not informed in advance.

3. The C&AG's Report stated the new stock condition figures were "not yet firm", but indicated that the emerging results showed fewer properties in Condition 1, and more in Condition 2. The Department's decision to extend the scope of an existing asset survey to collect information to assess the Standard for Condition of its properties was taken after the NAO study began. For this reason, and because the new survey and analysis were incomplete, the C&AG's Report is based on the recorded condition of properties in August 2008. The Department's recorded condition data is not the only source of evidence in assessing the state of its housing and our analysis of the reported data was supplemented with a comprehensive survey of all occupants of Service Families Accommodation in the United Kingdom to provide their views on the overall condition of their properties.

¹ HC 18 Session 2008–09 18 March 2009.

4. In deciding on 13 March to announce the new condition data, The Department considered that, although not complete, the survey had covered a sufficient number of properties to give a representative sample and that additional data was unlikely to show significant variation. The Ministerial Statement states that “of the 44,000 properties in England and Wales, to date we have analysed condition data for over 40,500 properties”. Although 40,500 properties have been visited by the team of surveyors, the Department has only calculated a revised Standard for Condition assessment for just over 33,500 properties (75% of the housing stock), which form the basis of the percentages in the statement. The Department intends to complete its analysis of the new stock condition data for these properties by Summer 2009, and to use this to inform its maintenance and upgrade programmes. It will not complete its survey of the remaining properties until April 2010, at which point it should have a revised condition assessment for all the housing stock in England and Wales. The Department also intends to survey the housing stock in Scotland and Northern Ireland by 31 March 2011.

The Condition survey and results

5. As part of its Housing Prime Contract with Modern Housing Solutions, the Department commissioned an asset survey of housing stock in England and Wales. The survey was initially designed to compile an asset register and to plan future investment but the Department extended the scope to collect information which would enable it to assess the standard for condition of its properties. Of the 44,000 properties in England and Wales, 38,605 have been surveyed by March 2009 and the information validated and entered onto the Department’s database.

6. As at March 2009, the Department has been able to convert the data for just over 33,500 of the surveyed properties into a revised condition assessment (75% of the housing stock). For the remaining 5,000 properties, largely those surveyed in the early stages, information was not collected in sufficient detail to enable the calculation of Standard for Condition. These properties will be the target of a second condition survey, along with those which have not been surveyed at all.

7. Our analysis is based on the data set for England and Wales as at 25 March 2009 as the data set is continually updated, which has a new Standard for Condition figure for 33,622 properties. 35% of these are at Condition 1, and 59% are at Condition 2 (Figure 1). The figures in the Ministerial statement (32% of properties at Condition 1 and 57% at Condition 2) are different because it was based on an earlier data set which has since been adjusted to reflect additional surveys, disposals of housing stock, and the results of the Department’s data integrity checks.

Figure 1

STANDARD FOR CONDITION OF SERVICE FAMILIES ACCOMMODATION IN ENGLAND AND WALES

<i>Standard for Condition</i>					<i>Properties with revised Standard for Condition</i>	<i>Not recorded</i>	<i>Total properties</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>			
25 March 2009 Data							
No of properties	11,591	19,775	1,903	353	33,622	9,346 ¹	42,968
Percentage ²	35	59	6	1	100		

Notes:

1. Not recorded covers those properties for which it has not yet been possible to calculate a revised Standard for Condition assessment, or which have not yet been surveyed.
2. Percentage is based on those properties for which a revised Standard for Condition assessment is available (33,622). This represents 75% of the Housing stock. Were the percentages to be calculated based on the total number of properties (42,968) the figures would be lower.

Comparison of the new condition data and the survey data in the NAO Report

Limitations of the new data

8. The data from the survey are not yet mature, but this should be seen against the background of a constantly changing picture on the ground as properties age and are upgraded. The Department has identified that there is an overall error rate of less than 2%. Our analysis of the high number of Condition 4 properties listed as having an external WC suggests that the error rate for these properties is much higher, and that as many as 35% of those rated Condition 4 in the new data may be wrongly categorised. The Department has further work to do before it can be certain of the figures regarding Condition 4 properties.

Changes to overall figures

9. The following analysis compares the data in the C&AG's Report for England and Wales properties to the new data for those 33,622 properties for which it has been possible to calculate a revised Standard for Condition assessment, in order to see how the picture has changed (Figure 2). Properties which have yet to be surveyed, or for which there is insufficient information to calculate a new rating, are excluded from this comparison:

- Figures for August 2008 are based on the recorded condition of properties presented in Figure 8 of the C&AG's Report. In order to enable a like for like comparison, these have been recalculated for England and Wales only.
- Figures as at March 2009, based on the 33,622 properties for which a new Standard for Condition assessment is available, cover approximately 75% of the housing stock in England and Wales. These figures may change once the analysis is complete for all properties.

10. Overall, the number of properties recorded at Condition 1 has fallen from 57% to 35% and the number of properties at Condition 2 has increased from 37% to 59%. The number of properties rated Condition 4 is now 353, compared to 104 in August 2008.

Figure 2

PERCENTAGE OF PROPERTIES AT EACH STANDARD FOR CONDITION IN ENGLAND AND WALES AT AUGUST 2008 AND AT MARCH 2009

<i>Condition</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>Not Recorded</i>	<i>Total</i>
Number of properties based on the data as at August 2008	25,165	16,452	1,917	104	905	44,543
Percentage of total properties as at August 2008	57%	37%	4%	< 1%	2%	
Number of properties based on the revised data as at March 2009	11,591	19,775	1,903	353	See note 1	33,622
Percentage of properties as at March 2009	35%	59%	6%	1%	See note 2	

Note:

1. The March 2009 data also contains 9,346 properties for which no new condition rating has been calculated.
2. Percentages for the March 2009 data are based on the 33,622 properties for which a new Standard for Condition assessment is available. This represents 75% of the Housing stock. Were the percentages to be calculated based on the total number of properties (42,968) the figures would be lower.
3. Properties in Scotland and Northern Ireland were not included in the condition survey, but the Department intends to survey these by March 2011. Currently 95% of properties in Scotland are at Condition 1, and 5% at Condition 2, with only 5 properties at Condition 3. Properties in Northern Ireland have not previously been assessed for Standard for Condition as these were managed separately to the rest of the UK stock prior to April 2008.

More detailed analysis of the changes at each condition

11. Figure 3 shows our analysis of only those 33,622 properties for which a new Standard for Condition rating is available, and looks in more detail at how the condition of these properties have changed from that in the recorded data in August 2008.

- 11,591 properties are now at Condition 1. Of these, 8,842 have remained unchanged and 2,530 have risen from Condition 2.
- 19,775 properties are now at Condition 2. Of these, 10,140 have fallen from Condition 1, and 912 have increased from Condition 3.
- 1,903 properties are at Condition 3. Of these, 1,209 have fallen from Condition 2.
- 353 properties are now rated Condition 4. Of these properties, 58 were previously at Condition 1, 256 at Condition 2 and 36 at Condition 3.
- In total the condition of 17,658 properties (53%) has remained the same. 3,640 properties (11%) have a higher condition rating in the new survey, and 12,246 properties (37%) have a lower rating. The remaining 78 properties did not previously have a condition rating.

Figure 3
CHANGES TO STANDARD FOR CONDITION RATINGS

Previous reported condition		1	2	3	4	Not rated	TOTAL
New condition rating	1	8,842	2,530	151	2	66	11,591
	2	10,140	8,677	912	42	4	19,775
	3	547	1,209	136	3	8	1,903
	4	58	256	36	3	0	353
							33,622

KEY:

- - properties where the Standard for Condition rating has increased
- - properties where the Standard for Condition rating is unchanged
- - properties where the Standard for Condition rating has fallen
- - properties that did not previously have a standard for condition

Why the condition of so many properties has changed

12. We analysed the properties that were not at Standard 1 for Condition to identify the main reasons why they were awarded these ratings.

Condition 2 properties

13. The condition of each property is assessed against eight groupings of items (C&AG's Report, Appendix 3). Each grouping is given its own Standard for Condition and the lowest of these determines the overall rating given to the property. For a property to be awarded Condition 1 it must achieve a rating of 1 in each of the eight criteria. If a property achieves a rating of 2 in any of the eight groupings then it will be rated Condition 2 overall.

14. 19,775 properties are rated at Condition 2 in the new data. Of these 10,140 (51%) were previously rated at Condition 1.

15. Of the properties rated at Condition 2 11,509 (58%) failed to meet the criteria for the top standard on just one criterion. A further 6,227 (31%) failed on two criteria. Figure 4 shows that the lack of a thermostatic shower was a factor for nearly half of the properties rated 2. The age of electrical wiring was a factor for 30% of properties. The age of the kitchen was a factor for 1 in 10 properties.

Figure 4
FACTORS CONTRIBUTING TO CONDITION 2 RATING

<i>Factors contributing to Condition 2 Rating</i>	<i>Number of properties</i>	<i>Percentage of properties rated 2</i>
Lack of thermostatic shower	9,246	47%
Electrical wiring more than 36 years old	5,895	30%
12 points for loft insulation less than 50mm	3,606	18%
Lack of an Miniature Circuit Breaker consumer unit	2,764	14%
Kitchen more than 20 years old	1,903	10%
Security (at least one lock defect in combination with other defects to locks, chains, spyhole, bell or lights)	1,875	10%

Notes:

- The table includes all criteria or attribute-level defects that cause a failure to meet condition 1 and that were found in more than 5% of properties rated 2 overall.
- Since there are properties rated 2 overall that had more than one of the defects listed above the total number of properties in the table exceeds the total number of 19,775 rated 2 overall.
- 1,748 properties were also rated 2 overall on account of a combination of other defects not identified in the table.

Condition 3 properties

16. 1,903 properties are rated Condition 3 in the new data. Of these 547 (29%) are properties which were previously rated at Standard 1 and 1,209 (64%) were previously at Standard 2.

17. 1,740 properties (91%) failed to meet the criteria for Condition 2 on just one criterion. A further 159 (8%) failed on two criteria. The age of the electrics was the most common factor contributing to a rating of 3 overall (44%), with the age of the kitchen a factor in nearly a fifth of properties.

Condition 4 properties

18. 353 properties are rated Condition 4 in the new data. 232 (66%) of these properties rated Condition 4 because of electrical criteria and 142 properties are rated Condition 4 either because they are recorded as having an external WC (123 properties) or because data on an inside WC was unrecorded or missing (and in 21 properties both the electrical criteria and the WC were contributory factors). The Department is aware of this issue which was identified as part of software verification and independent reviews of the data. The Department has further work to do before it can be certain of the figures regarding Condition 4 properties. Any new occupied Condition 4 properties identified will be reviewed in line with the Department's policy that families are no longer obliged to live in the worst standard properties. Housing Information Centre staff will also be informed so that they do not allocate these properties to families in the future.

Implications of the new condition data

19. Once the analysis is complete, the new condition data should provide a better baseline for the Department to assess the standard of its housing stock. The Department is putting new processes in place to ensure the information is kept up to date and is also considering whether to introduce periodic surveys on a sample of houses.

20. The Department intends to use the new data to inform the timing and nature of the work it does to maintain and upgrade its houses and to assess the order of priority for investment. In parallel, the Department is currently undertaking a review of its upgrade and Strategic Facilities programmes, which it intends will be more closely linked to the new condition data. It intends to produce a 10-year programme for planned upgrade works and hopes to use the new dataset and processes to predict how the standard of condition of properties will change due to age of lack of investment in maintenance or upgrade works.

Overall NAO conclusions on the new condition data

21. The new data remains immature. The Department has not yet completed its analysis of the new stock condition data and still needs to complete its survey of the remaining stock which will take until April 2010 for all properties in England and Wales.

22. Emerging findings from the new stock condition survey in England and Wales are in line with the trend identified in the C&AG's Report that fewer properties are at Condition 1 and more at Condition 2. But our analysis of the new data has showed that just over half the properties rated at Condition 2 in the new condition data have failed to meet the criteria for the top standard due to just one criterion. For many houses this could be for relatively small failings, for example, lack of a thermostatic shower was a factor for just under half of the properties now rated as Condition 2, and our analysis of the new data confirms the finding in the C&AG's Report that Condition 2 is a broad band. This confirms that the overall Standard for Condition for a property will not be a sufficiently discriminating measure to determine the investment needed without further analysis.

23. The C&AG's Report concluded that at the current rate of upgrade it would be some 20 years before all properties were Condition 1 based on the previous stock condition data, and the average level of investment required historically to raise a property to Condition 1. It is likely that it will now take longer than 20 years for the Department to upgrade all properties to Condition 1. The exact timescale will depend on the work needed to bring individual properties up to the top standard. For example, the fitting of thermostatic showers could be a relatively "quick win", as it can make a significant impact on condition assessment. The Department has not yet completed its analysis of the timescale to upgrade properties.

1 May 2009

Annex A

WRITTEN MINISTERIAL STATEMENT FROM THE MINISTRY OF DEFENCE, 17 MARCH 2009

SERVICE FAMILY ACCOMMODATION

The Parliamentary Under-Secretary of State for Defence (Mr Kevan Jones): An asset survey of Service Family Accommodation (SFA) in England and Wales has been carried out as part of the Housing Prime Contract with Modern Housing Solutions. The survey was initially designed to compile an asset register (detailing for instance the make and model of boilers) but its scope was extended to collect "standard for condition" information and life cycle data for planning purposes. The results of the survey will provide improved management information to help us plan for the future and we will use the data from now on to inform reporting on the condition of SFA.

Of the 44,000 properties in England and Wales, to date we have analysed condition data for over 40,500 properties. The remaining properties will be surveyed between now and April 2010. Consideration is being given to undertaking similar surveys of SFA in Scotland and Northern Ireland, where the properties are maintained under Regional Prime Contracts. A survey of the overseas housing estate is already in progress.

The survey was visual and carried out by professionally qualified surveyors. Over 300 items of data were collected for each property and the improved information resulting has led to changes in the numbers of properties in each of the four standards for condition (standard 1 being the highest and standard 4 the lowest).

Previously reported figures reflected the results of a condition survey undertaken in 1996. The more detailed information collected in the present survey has changed the balance between standard 1 and 2 for condition. Overall, around 90% of SFA in England and Wales falls within these two standards but 32% are now assessed at standard 1 and 57% as being at standard 2, broadly reversing the previous position. Standard 2 properties are considered to be of a high standard, and both those and standard 1 properties have been assessed by the NAO as meeting or exceeding the Government's decent homes standard.

The condition of each property is assessed against eight groupings of items (for example relating to the building fabric, or kitchen). Each grouping receives its own Standard for Condition and the lowest of these decides the overall standard of the property. Hence a property could be assessed as standard 2 (rather than 1) if seven of its groupings are at standard 1 but one is at standard 2.

The number of houses falling into standard 4 has increased, though remains fewer than 450. Service families are no longer required to live in such properties, although some choose to do so. From 2012 no families will have to live in properties at either of the two lowest Standards for Condition. We remain committed to housing our personnel in high quality accommodation and this survey will help us achieve that objective.

Supplementary memorandum from the Ministry of Defence

Question 33 (Mr Curry): *Who does what in military housing*

The following table illustrates responsibilities for the management of Service Families Accommodation (SFA) in the UK, including those of Defence Estates (DE), Annington Homes Ltd (AHL) and Modern Housing Solutions (MHS).

OVERALL MANAGEMENT

Defence Estates provides overall management of the SFA stock in UK:

- The Housing Head Office is at Brampton, near Huntingdon in Cambridgeshire.
- There is a network of Area Housing Managers, aligned with the Housing Information Centres (see Allocations below).
- Individual housing officers are responsible for a group—or “patch”—of houses, typically 300–500, and they have responsibility for all move-in and move-outs, general estate management issues and customer focus for occupants.
- DE Technical Compliance Officers ensure that maintenance is carried out by the various contractors to the standard required.
- DE Housing also manages the upgrade and Improvement programmes across UK.

ALLOCATIONS

- All SFA in UK are allocated by DE Housing Information Centres (HICs).
- The Centres are located at: Rosyth; York; Telford; Thetford; High Wycombe; Aldershot and Warminster.

	<i>England and Wales</i>	<i>Scotland and Northern Ireland</i>
Ownership	<ul style="list-style-type: none"> — AHL bought a 999 year lease on most properties in 1996. — MOD lease back some 41,000 of these for 200 years. — A few remain in MOD Ownership (typically heritage buildings). — A few are leased from Private Sector. — Total number of houses is 45,052 (as at 31 March 2009). 	<ul style="list-style-type: none"> — Most houses owned by MOD. — A few leased from Private Sector. — Total number of houses is 4,978 (as at 31 March 2009).

Maintenance	<ul style="list-style-type: none"> — 43,000 SFA are maintained by MHS under the Housing Prime Contract (excludes Private Finance Initiative properties and those leased privately). — The Housing Prime Contract began in November 2005 and expires in November 2012. — MHS is a Joint Venture between Carillion plc and Enterprise plc. 	<ul style="list-style-type: none"> — All SFA in Scotland are maintained by Turner Estate Solutions as part of the Scotland Regional Prime Contract. — In Northern Ireland, SFA are maintained through five contracts based on geographical area, prior to consolidation to a prime contract structure.
-------------	---	--

Questions 38–41 (Mr Curry): *Amount of money available to help home ownership*

In March 2008, the Prime Minister announced the commitment of £20 million to assist Service personnel with affordable home ownership. The Service Personnel Command Paper published in July 2008 confirmed that MOD planned to launch a pilot scheme during 2009.

From August to December 2008, MOD ran an open competition to seek innovative ideas and commercial investment for a pilot affordable homeownership scheme. Changes in the property and financial markets impacted on the open competition and no viable tenders were received. Since then MOD has been looking at a range of alternative options and in particular working with the Department of Communities and Local Government (DCLG) and the Homes and Communities Agency (HCA) to explore a joint initiative.

MOD is developing details for a joint pilot scheme with the HCA. It is planned that MOD will provide £20 million (£5 million over four years) capital funding and HCA will use their expertise to manage a scheme through a single service provider. The pilot scheme is likely to be based on a shared equity product and aims to increase opportunity for home ownership for those Service personnel on lower incomes. Under such a scheme the Service person would identify a property on the open market which they wanted to buy, and the Department would acquire a share of the equity of that property.

A detailed project plan is being worked up and the pilot scheme is expected to be launched in autumn 2009.

Questions 42–43 (Mr Curry): *Payment of council tax and comparisons*

The Department has a long-standing agreement, reached with the former Department of Environment, under which it is exempt from paying Council Tax for all Service accommodation in England, Scotland and Wales. The MOD instead pays a Contribution in Lieu of Council Tax (CILOCT) to local authorities, which is broadly equivalent to the amount of tax that would otherwise be due. Each year, the Department calculates the payments to be made, using the relevant Local Authority bands for each type of MOD property in the area. The yield to each Local Authority is thus comparable to that if the properties were not in MOD ownership.

The total amount of CILOCT paid to Local Authorities is recovered from occupants living in publicly provided accommodation in England, Scotland and Wales. For each type of property occupied, the amount is aggregated across all Service personnel in that type of property, and then divided equally. CILOCT is recovered from Service occupants together with their accommodation charge.

To ensure parity of treatment, Service personnel living overseas or in Northern Ireland are charged the same levels of CILOCT by property type as Service personnel in England, Scotland and Wales. This relates to the provision of services by MOD (or on its behalf by an agency in the host nation), which would normally be provided by a local authority in Great Britain. The overseas receipts are used by MOD as a contribution towards services such as schools, social services, roads, police, fire brigade, recreation facilities, environmental health, refuse collection and street lighting. This supports the principle that, as far as possible, personnel receive the same basic pay and pay the same amount for these services wherever they are serving worldwide.

Questions 98–100 (Mr Davidson): *Rank of personnel who responded to accommodation survey*

This question relates to the survey of occupants of Service Families Accommodation conducted by the National Audit Office, and to its finding that 31% of respondents judged the condition of their property to be poor. We have, therefore, consulted the NAO about the underpinning information. The NAO have informed the Department that they did not collect information on the individual ranks of survey respondents, but did ask respondents which of three broader groups of rank they belonged to: officers, senior non-commissioned officers (NCOs), and junior ranks. The NAO's analysis of this survey data shows that a slightly higher proportion of officers responding to the survey described the condition of their property as poor (30%) than junior ranks (28%). Of these groups, senior NCOs had the highest rate of dissatisfaction where 33% described the condition of their property as poor.

Questions 102–106 (Mr Davidson): *Educational background of the most senior officers and awards of bursaries to*

As regards the educational background of the most senior Army officers, the position is as shown in the supplementary note provided by the Department following the hearing into the Major projects Report 2008.²

As regards bursaries, Services award bursaries to undergraduates who have demonstrated their potential to become officers, by passing a single Service Officer Selection Board. These bursaries are designed to assist individuals to read for a first degree prior to joining the Armed Forces, and there is no restriction on the subject studied or university attended. These are merit-based awards and are available irrespective of school background. Details of the number of bursaries applied for and awarded in financial years 2005–06 to 2007–08 are provided below.

<i>Royal Navy</i>	<i>Independent Schools</i>				<i>State Schools</i>			
	<i>Applications</i>		<i>Awards</i>		<i>Applications</i>		<i>Awards</i>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
2005–06	23	31%	7	39%	51	69%	11	61%
2006–07	23	27%	7	24%	63	73%	22	76%
2007–08	18	27%	2	17%	48	73%	10	83%

<i>Army</i>	<i>Independent Schools</i>				<i>State Schools</i>			
	<i>Applications</i>		<i>Awards</i>		<i>Applications</i>		<i>Awards</i>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
2005–06	109	67%	91	63%	54	33%	53	37%
2006–07	106	66%	85	70%	55	34%	36	30%
2007–08	76	68%	68	69%	35	32%	30	31%

<i>Royal Air Force</i>	<i>Independent Schools</i>				<i>State Schools</i>			
	<i>Applications</i>		<i>Awards</i>		<i>Applications</i>		<i>Awards</i>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
2005–06	102	25%	13	22%	305	75%	47	78%
2006–07	81	23%	26	26%	279	77%	74	74%
2007–08	102	25%	27	28%	310	75%	68	72%

² Committee of Public Accounts, Twentieth Report of Session 2008–09, *Ministry of Defence: Major Projects Report 2008*, HC 165, Ev 16.