

Report by the
Comptroller and Auditor General

Ministry of Defence

Managing reductions in the number of vacant family quarters

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Executive summary

Introduction

1 The variety and pressure of operational demands, and the need for professional training and career development, necessitate frequent moves for members of the Armed Forces and their families. Families may spend only a short time in one place and may be in remote locations. The Ministry of Defence (the Department) consider it essential to morale and retention that Service personnel, while away on duty, have confidence that their families are safely and adequately housed. To this end, every married Service person is entitled to a family quarter, although they are not compelled to take up their entitlement. The Department provide around 63,000 family quarters in Great Britain to cater for the needs of some 84,000 entitled Service personnel and their dependants. The bulk of the estate, some 53,000 homes, is owned by Annington Homes Limited and leased back to the Department under the terms of a sale agreement drawn up in 1996. The Department, through the Defence Housing Executive (the Executive), nevertheless remain responsible for the management, maintenance and upgrade of the family quarters estate in Great Britain.

2 In recent years, there has been an overall upward trend in empty and unavailable quarters - those that are used for purposes other than housing entitled or eligible families - and disposing of surplus quarters has been one of the Executive's key challenges. This Report examines the scale and cost of vacant quarters currently held; how the Executive plan to reduce vacant quarters; the management of the estate to minimise vacant quarters; and the arrangements for identifying and disposing of houses that are surplus to requirements.

The scale and cost of vacant quarters

3 The size of the family quarters estate has fallen from some 75,000 houses in 1991 to around 63,000 in 1999, a reduction of 16 per cent. Despite this, the number of empty properties in the family quarters estate has increased by 29 per cent over the same period from some 11,200 houses in 1991 (15 per cent of the total housing stock) to 14,425 in 1999 (23 per cent) leading to an increased oversupply. The family quarters estate contains a number of older properties built to meet previous military needs. They are not necessarily the right size and condition, or in the right location, to meet current demand. Around half the stock is in poor condition and needs upgrading, disposal or demolition.

4 Analysis of the Executive's database of properties indicated that, as at September 1999, there was no immediate need for 9,514 houses (66 per cent of all vacancies) and that over 3,800 houses had been empty for more than 6 months, of which 346 had been empty for over three years. Of the remaining properties, over 4,900 had been allocated in anticipation of an agreed deployment, were being modernised or were awaiting disposal or demolition. More than 2,200 houses, were being used for purposes that did not contribute to the objectives of providing family quarters. For example, roughly half were misappropriated for other Defence-related uses such as family welfare centres, while the remainder were occupied by families whose entitlement had ceased, perhaps because of marriage breakdown, pending a move or re-housing, or were leased to third parties such as housing associations.

5 Based on average costs, we calculated that, were the level of vacancies held at September 1999 to persist, the Executive would pay £39 million a year in rent and maintenance in respect of such properties awaiting incoming occupants, upgrading, in process of disposal or genuinely surplus. The Executive acknowledge that such a high level of empty houses and the associated costs are unacceptable and they are determined to reduce the size of the estate in line with demand. To this end the Executive disposed of nearly 2,000 houses in 1999, and plan to dispose of around a further 6,500 quarters by the end of 2001.

Planning reductions in vacant quarters

6 Inaccurate planning of the family quarters estate has the potential to add to the Executive's costs through the payment of rent and maintenance on vacant houses and, where demand has been underestimated, the rental of substitute private sector accommodation. To help them to deliver housing that meets the Services' requirements, the Executive introduced, in 1997, annual planning processes - which seek to identify, over a five year horizon, the size and disposition of the estate that will be required. One plan - the Long Term Housing Plan - focuses primarily on disposals and is based on consultation with local housing managers and Service commanders and analyses the estate on an area by area basis. Although an improvement on previous planning, in developing them further the processes should, for example, focus more closely on overall stock, demand and occupancy levels and analyse the Executive's performance against previous targets and forecasts and between area offices.

7 If the Executive are to deliver the right housing at the right time it is imperative that the Services strive to define clearly their requirements. We found, however, that the Services were not always able to provide accurate forecasts. They are currently in a period of instability stemming from the Strategic Defence

Review of 1998 since a number of major decisions about the configuration and dispersion of the Forces, particularly affecting the Army, have still to be finalised. While such problems are not unique to the United Kingdom, they are mitigated in other countries by the choice of policy instrument for delivering Service family housing and by the arrangements for gathering data. Our enquiries of defence organisations in Australia, Canada and the United States of America show that in each case they seek to rely to a much larger extent on the local housing market to meet their Service family housing needs. The Executive have pointed out several factors that make the United Kingdom military housing task different from those of other countries, primarily that in many locations the United Kingdom does not have a ready or affordable rental market to support military requirements.

8 A further factor in defining demand for family quarters is personal choice. Although Service families may be entitled to live in family quarters, they are not obliged to do so. And not all Service personnel elect to be accompanied on their tours of duty by their families. In 1997 and 1998, the Executive commissioned surveys of military personnel to identify why they chose to live in family quarters or private accommodation. Although only achieving 51 per cent and 23 per cent response rates respectively, the surveys indicated that a wide range of factors influenced personal choice. The main factors centred on the remoteness or otherwise of locations; the affordability of private sector accommodation; and the need to consider the non-Service spouse's career expectations and the stability of children's education.

9 A key target for the Executive is to reduce the number of vacant quarters to 13 per cent of the estate by March 2002. That target was devised from a pragmatic assessment of what seemed possible in 1995, when it was set, rather than a detailed analysis of what level of vacancies were needed to run the housing system cost-effectively. The Executive accept that further reductions of the vacancy rate are desirable - a sentiment confirmed by their area managers, who estimated that an efficient percentage vacancy rate would vary from area to area according to circumstance. Currently, there is no formal interpretation of the Executive's overall target for areas: managers assumed that the target applied uniformly.

10 In order to improve their strategic management of the estate the Department should:

- in improving their planning, include specific analysis of stocks, performance, quality of service and other indicators and how they relate to demand and the level of vacant property held;

- ensure that an assessment of demand for housing is an explicit part of the planning process and that outturn is compared with planning forecasts so that forecasting lessons can be learned;
- make routine, and improve the scope and quality of, their periodic survey of entitled staff views of family quarters. In doing so, they should seek to integrate the housing survey with other annual surveys by the three Services to deliver a joined-up programme of information gathering that minimises the burden on respondents;
- set individual area vacancy targets by reference to local operational factors, and a clear understanding of the need for empty properties for specific purposes, as well as in recognition of the speed of change that is feasible;
- derive the Executive's overall vacancy target from the sum of area targets;
- build on the limited mapping of influences on vacancy rates that we have undertaken, to improve their understanding of the family quarters system and so refine target setting;
- establish those constraints within current family quarters regulations that most affect vacancy rates and substitute housing costs, and review their continuing relevance - adjusting vacancy targets as appropriate; and
- monitor closely the number of houses that, while occupied, are unavailable for allocation to entitled and eligible families with a view to keeping such usage to an absolute minimum.

Managing estates to minimise vacant quarters

11 The Executive administer the family quarters estate through a network of 24 area offices. One of the key determinants of the need for a proportion of vacant quarters is the need to be able to handle moves of military units and individuals. The management practices areas adopt affect the level of vacancies.

12 Unit moves, where a whole military unit is moved from one location to another en masse, account for around 10 per cent of all moves handled by areas. Although they involve the simultaneous movement of large numbers of families,

unit moves cause area managers little difficulty since such moves generally have a long lead time and managers are normally able to ascertain individual requirements well in advance of the posting date.

13 The bulk of housing movements handled by area offices each year stem from the regular reassignment of Service staff between posts as part of their career progression and development. There are a number of inefficiencies in the allocation of housing in these circumstances which result in higher than necessary vacancy rates and associated costs. Although Service personnel usually receive around three months notice of a posting and are likely to apply for family quarters at their new location at an early stage, area managers that we interviewed said that personnel were often reluctant to notify them of their impending departure until, for example, they had secured a new address, their children had been accepted by a new school and they had arranged their removals. Areas therefore often received as little as two weeks notice of departure. This lack of advance notice inhibits sensible forward planning and leads to houses remaining empty longer than would otherwise be necessary since the Executive are unable either to allocate houses or carry out any essential maintenance work at an early stage. Areas may also rent unnecessary substitute accommodation from the private sector.

14 In the absence of independent notification of postings, the Executive's current information systems can do little to alleviate these problems. Area offices do not routinely communicate with each other about Service personnel as they move through the housing system; and area staff are unable to use their current computer system to check whether their residents have applied to be housed elsewhere, or to inform colleagues in another area that an application has been received. The Executive are currently trialling the feasibility of providing incoming families in the Portsmouth area with early confirmation of new addresses. If successful, this initiative would also provide the opportunity for area managers to receive early advice of impending departures. The Executive also plan to introduce a new computerised information system by April 2001 which will provide an opportunity to enhance area managers' ability to administer the estate and improve communications.

15 To reduce the number of vacant quarters held to cover moves, and to minimise the need for payments for substitute housing, the Department should:

- continue with the current sensible arrangements in place to handle unit moves, which generally work well;

- ensure that the Services provide posting information to housing staff, in advance of direct notification of imminent departure by the Service person in question;
- pursue their plans to introduce a new computerised information system which should improve facilities for areas to exchange information and interrogate each others' applicant and occupant data;
- ensure that when an application for accommodation is made to a new area, that area routinely informs the applicant's current area; and
- monitor the arrangements being trialled at Portsmouth for trickle posting notifications, and extend them if successful.

Disposal of surplus houses

16 As part of their annual planning exercise, the Executive liaise with the Services to identify surplus properties that may be disposed of over the following three years. The process is not straightforward. We found that such issues as the continued security of military bases following the release of housing situated behind perimeter fencing, and uncertainties about the future location of personnel created by the Strategic Defence Review, had made some Service commanders reluctant to declare properties as surplus, even though they lacked a clearly identified requirement for them. The Executive's position is further undermined in such circumstances since there are currently no direct financial incentives on the Services to assist with the identification and release of surplus houses - all rent and maintenance costs on vacant property are met by the Executive. And the Executive's management information systems do not enable them to track the realism of demands made by the Services to retain apparently surplus houses. The current consultation process is also too time consuming and unable to respond easily to any short-notice changes in demand for quarters. The Executive now intend to update their disposal forecasts on a quarterly basis.

17 The Executive do not dispose directly of surplus properties on to the open market, but release such houses to either Annington Homes or the Defence Estates agency for eventual disposal, depending on the ownership of the quarters concerned. The release to Annington Homes of surplus houses owned by them is governed by the terms of the original sale agreement. Within the agreement the

Executive retain complete control of which houses are released and the timing of releases. However there are some constraints on how the Executive can return quarters to Annington Homes, and two in particular can cause difficulties:

- The Executive are required to return properties to Annington Homes in “good tenentable repair”. Where this is not the case, Annington Homes may claim financial compensation for the cost of any repairs needed to restore the property to the required standard. This “dilapidations” process requires the Executive and Annington Homes to inspect each house prior to handover to agree an appropriate level of payment and is staff resource intensive for both parties and can be time consuming;
- The sale agreement states that each property release must comprise at least 20 housing units or 10 per cent of an estate, and be contiguous with any other quarters released on that site. Single houses or small numbers that become surplus but are pepper-potted within estates are not therefore readily available for release. And the Executive have undertaken to minimise the number of mid-tour moves imposed on Service personnel, given the damaging effect to their morale that can be caused by frequent moves of home. Taken together, the effect of these constraints has been to delay the release of some empty houses for up to 18 months while the pepper-potted quarters are gathered into groups suitable for disposal.

18 There are no constraints on the release to the Defence Estates agency of houses owned by the Department. There are, however, concerns over the speed with which the agency dispose of properties. For example, we found that the Defence Estates agency had taken two years to dispose of surplus properties in Aberdeen. The Executive currently bear the consequences of such delays since, although the agency are responsible for marketing and disposing of the properties, the houses continue to show as vacant on the Executive's management reporting system until they are finally sold and the maintenance costs remain with them. The Executive have proposed that, with effect from April 1999, the Defence Estates agency should become responsible for Department-owned surplus housing, and any associated maintenance costs, at the time at which the Defence Estates agency accept the properties for disposal.

19 To improve the arrangements for identifying and disposing of surplus properties, the Department should:

- streamline consultation with the Services by promoting concurrent comment from various Service stakeholders, rather than the existing sequential and repetitive process;
- ensure that the costs of retaining surplus vacant quarters because of the Services' over-estimation of need are identified and made explicit within the planning and review cycle;
- ensure that discrete batches of surplus houses can be identified and released as part of the proposed quarterly updating process;
- investigate the possibility of simplifying the dilapidations process prior to release of houses to Annington Homes - for example, by devoting further resources to inspection - to speed disposals;
- consider, as a short term measure to speed the disposal of batches of properties, the limited use of specific programmes of mid-tour moves, and the payment of additional compensation to displaced families where this would be appropriate and cost effective, to relocate families within estates that have a significant number of pepper-potted vacancies; and
- introduce, as soon as possible, the proposed revised arrangements under which the Defence Estates agency would be provided with a financial incentive to sell properties quickly, by transferring maintenance costs for properties awaiting sale from the Executive to Defence Estates.

Concluding comments

20 The high levels of empty houses within the family quarters estate has been a long running problem. The Executive inherited vacancies of around 20 per cent at the time of their inception in April 1995, since when they have disposed of over 8,000 surplus properties and have drawn up plans to release around a further 2,500 homes a year over the next three years. Despite their best efforts, however, the problem has continued to grow. The reasons are diverse. Reductions in the size of the Armed Forces in recent years and falling take-up rates among Service

families have contributed to the oversupply. But, as this Report shows, there are also inherent weaknesses in the current system for allocating family quarters, and obstacles to timely disposals of surplus quarters, that need to be addressed.

21 Implementation of the detailed recommendations contained in this Report would greatly assist the Executive in their quest to reduce the level of vacant housing within the family quarters estate. For example, we estimate that an initial reduction of vacant properties to 13 per cent of the total estate would achieve savings of £17 million, funding that could be used to the benefit of families through, for example, the stock upgrade programme. Implementing the recommendations will require co-ordinated action between the Executive, the Services and central branches of the Department.

22 During the course of our review the Department, together with the Treasury, began a wider review of Defence housing policy, operations and organisation and will report to Ministers in the Spring. Members of the joint review team have taken note of our findings and recommendations in carrying out their work.