



National Audit Office

**MINISTRY OF DEFENCE**  
Service Families Accommodation

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**1** The Ministry of Defence (the Department) requires Armed Forces' personnel to be mobile. They have to be available to be posted to locations within the United Kingdom and overseas such as Germany and Cyprus at short notice. The Armed Forces also find it easier to deploy units on overseas operations such as Iraq and Afghanistan from bases. To facilitate this mobility, the Department provides accommodation for all Armed Forces personnel and their immediate families. This Report deals with the provision of Service Families Accommodation to some 42,000 Armed Forces personnel and their families in the United Kingdom.

**2** The requirement for personnel to be mobile forms part of a broader Defence Living Accommodation Strategy, which aims to support both mobility and stability for the family in the way accommodation is provided. As a result, there are some 20,000 family moves each year in the United Kingdom. The Armed Forces, but particularly the Army, see a number of advantages to serving personnel being accompanied by their family and close to their place of work. It promotes morale and unit cohesion and can also help the Department to support families when the family member in the Armed Forces is deployed on overseas operations. The rate of deployment has increased markedly since 2001. The Department sees accommodation as an important factor in retention, and Service families recognise the provision of accommodation as a benefit. Some families choose to buy and live in their own accommodation, others buy in preparation for when they leave the Armed Forces.

**3** The Department accommodates families in different properties according to rank for Officers, and by family size for Other Ranks (**Box 1 and Figure 1 on fold-out, page 9**). Service personnel pay a monthly charge for the property, set by the Armed Forces Pay Review Body, which is significantly below the standardised market rate to reflect the demands to move frequently; that families have no choice as to where they live; and that they have no right to buy their accommodation. Armed Forces personnel are required to take care of the property and leave it in a fit state when they move. The Department is responsible for all except minor maintenance.

## BOX 1

### The Entitlement System

Service personnel that are married, in a civil partnership or who have custody of children are entitled to Service Families Accommodation. The type, or size, of property that they are entitled to is determined by rank for Officers, and by family size for Other Ranks. The Department has defined the number of bedrooms, the overall size and other detailed requirements for each type of property, which together are called its scale.

Personnel should be allocated a property of the type that they are entitled to in the new duty station or Unit up to four weeks before or four weeks after their posting date. If no such properties are available, the Department can offer a property above their entitlement, although the family will only pay the charge for property they are entitled to. For Royal Navy and Army personnel, a property one type below their entitlement can be allocated, for which they pay the lower charge. Families can request a property that is above their entitlement if they are prepared to pay the higher charge for the property or one type below their entitlement if they would prefer to pay less. The Department will meet these requests where there is stock available to do so.

The charges that Service personnel pay for their accommodation vary with the type of property to which they are entitled. Charges also vary according to the grade of the specific property that they are allocated, according to a four tier grading system, which takes into account the condition of the property, its scale, and the presence of local amenities.

**4** The Department manages a large and diverse estate of some 50,000 units of Service Families Accommodation in the United Kingdom at an annual cost of some £425 million a year. Most of the Department's housing stock in England and Wales has been owned by, and leased back from, Annington Homes since 1996, although the Department retains full responsibility for management of these properties, including maintenance and upgrade. Accommodation ranges from two bedroom flats to large houses; from the historic to modern; in condition, from the very good to poor; and is situated on Armed Forces bases or within the community.

## Key Findings

### Provision of Accommodation

**5** **The Department has sufficient accommodation overall to meet current demand, but many properties are in the wrong locations and in general there are not sufficient properties to meet current family sizes.** If there is no suitable defence accommodation locally, then, families are provided with private rented accommodation. The Department rents some 1,300 properties from the private sector at a cost of £16 million a year.

### Managing the housing stock

**6** **The condition of Service Families Accommodation is variable: 57 per cent (28,300) are in the best state (condition 1), 33 per cent (16,600) in condition 2, and the remainder are in the worst two conditions (four per cent) or their condition is not recorded (six per cent).** Condition 2 is a broad band; many houses within it are a good standard overall, but others have serviceable but outdated kitchens and bathrooms. These figures are likely to change as a result of a recent comprehensive condition survey. When asked about the condition of their property, 52 per cent of families who responded to our survey rated it as good but 31 per cent said it was poor. The Department's aspiration is to raise all its houses to condition 1 and it has a programme to upgrade some 600 properties in 2008-09 to the top standard, with a further 800 a year thereafter. It prioritises work in order to balance a focus on the worst properties with delivering an efficient programme, and targets properties in areas with a long term future. The investment in upgrades has varied over the years. At current rates of progress, and against the previous stock condition data, it would be some 20 years before all properties are condition 1, assuming that funding beyond 2011-12

remains at recent levels and that the number of properties required is unchanged. The Department also has a proactive maintenance programme called the Strategic Facilities Programme to improve properties and to reduce running costs. This programme may result in properties being raised to a higher standard, but that is not the primary objective. When determining its upgrade and maintenance programmes, the Department does not do as much as it could to consult with Armed Forces personnel or their families as to their preferred priorities for the programmes, or about the planning and timing of the work.

**7** **The Department has a complex system for determining the grade of the property.** The Armed Forces Pay Review Body set the charges for properties based on the grade of the property. There is no direct correlation, however, between charges for properties and their condition. Some 45 per cent of families live in the best condition properties, but do not pay the highest charge because of other factors, some of which are recognised as outmoded. The Department is currently updating and streamlining this system.

**8** **As at September 2008, the Department had 9,170 (18 per cent) of its UK properties empty.** The costs of retaining such "void properties" can be high, with an average annual cost per property of £4,200 excluding the cost of any maintenance work that is required to prevent or remedy dilapidation of the property. Annual costs are therefore currently at least £38 million for void stock. There is, however, a need, however, to maintain a management margin of voids to meet the Services' needs for mobility of personnel and to manage upgrade programmes. The Department considers ten per cent to be an appropriate overall level of voids, and has plans to reduce the proportion of "void properties" from 18 per cent to 10 per cent; and since April 2003 it has disposed of some 5,500 properties. There are a number of improvements that can be made to the process of preparing properties that should assist in meeting this aspiration. Defence Estates has recognised that void management requires improvement and has appointed a project team to undertake an extensive review across the housing estate, as well as setting targets for reductions. Between September and December 2008 it achieved a reduction of some 350 void properties and, as the first phase of its current programme, also made an additional 800 properties available for occupation.

## Delivering housing services

**9** In April 2007, the Department centralised its delivery of housing services into seven regional Housing Information Centres, which play a major role in the allocation of houses to Armed Forces personnel and their families and in house moves. **All Centres experienced initial problems. Performance has improved markedly in some regions but in those with larger and more varied stock portfolios and with a higher turnover of occupants, performance has been more mixed.** Problems in these regions have been exacerbated by understaffing, poor office accommodation, and the impact on staff of having to deal with disgruntled customers.

**10 Service personnel have very little choice when applying for accommodation.** Service personnel set out their needs in terms of family size (for Other Ranks), any required adaptations or other special requirements and can express three preferences for areas or streets. In response to our survey, many families said that they had family circumstances which would be eased if they could have an extra room, for example, to accommodate older children. Over 60 per cent of families expressed an interest in having a larger property and paying more for it. Even when stock allows, staff do not always allocate as flexibly as they might. Some families preferred a more local service and feel that allocation staff do not understand their individual circumstances and have little knowledge of the areas or properties which families are being given.

**11 Families are expected to leave their property in a good condition and well cleaned, and can expect to move into a property in a similar state. On the whole, occupants were satisfied with the move-out process but were less satisfied with their move-in. Significant proportions of survey respondents were very dissatisfied with the state of the carpets (43 per cent); the garden (40 per cent); the state of repair (38 per cent); and the cleanliness of the property (35 per cent).** Families can reject a property if it does not meet the required standard, but may not always feel able to do so. Addressing problems which contribute to properties not being properly prepared could improve families' experience of move-in.

**12** In recognition of these issues, a study into the operation of Housing Information Centres was commissioned by Defence Estates in July 2008 and carried out by a joint team of representatives from the Families Federations, the Services and Defence Estates. This study produced the Housing Information Centre Learning from Experience Report and Improvement Action Plan in October. Many of the problems identified in our report have been recognised by the Department's Learning from Experience Report, and are being acted on.

**13 We estimate that Service Families Accommodation is worth in the region of at least £145 million for those who take up their entitlement, in terms of the reduced rental they pay compared with national averages.**

To achieve its operational requirements, the Department spends an estimated net annual sum of £285 million, which also serves the military requirement for Service personnel to be mobile, and accommodated close to bases.

## Contractor management

**14** When the new single housing prime contract for England and Wales was introduced in 2006, there was a higher than expected level of demand for repairs with which the helpdesk and other systems could not cope, resulting in increased expenditure to the Department of £18 million in the first two years. A further £17 million was injected in year two to cover additional requirements. **Many of these problems have been resolved and there has been an upward trend in the contractor's performance against Key Performance Indicators. Many families are, however, still dissatisfied with the service, in particular, with whether the helpdesk understood the problem they were reporting.** Survey respondents who rated their latest repair issues as urgent or routine reported that only 42 per cent of problems were rectified on the first visit and, in those cases where the respondent felt that the helpdesk had not understood their problem, it fell to 13 per cent. Families were, however, generally satisfied with the manner in which the work was carried out.

**15 There are a number of issues with the contract which cause delays and frustrations.** Items such as carpets and block garages were excluded from the principal maintenance contract and require separate funding and approval from Defence Estates, which can be a lengthy bureaucratic process, and can result in additional costs. Poorly defined responsibility for particular repairs can lead to local disputes and the failure of one party to take responsibility. As a result, the time taken to complete the work and the lack of communication to the occupant causes frustration and dissatisfaction for Service families.

## Customer involvement and responsibilities

**16 Although the Department has mechanisms for collecting occupant's overall views on Service Families Accommodation it could do more to consult with occupants as to how best to prioritise available funding for upgrade works.**

**17** Occupants have a responsibility to look after their accommodation and most do. **A minority of occupants, however, do not treat their properties well, and a small number are responsible for significant amounts of damage to properties.** The Department currently charges occupants for mistreatment of properties, but does not usually apply any wider sanctions.

### Conclusion on Value for Money

**18** The Department is meeting its operational objective to house all Service personnel who wish to take up their entitlement. Given this objective, the Department's provision of housing reflects better value for money than renting from the open market, even if sufficient private stock were available to make it a viable alternative. The Department is currently paying for significantly more properties than it needs to meet its requirements. It will always require a margin of empty properties to facilitate the high turnover of occupants and allow upgrade works to take place. The number of empty properties rose however in each of the last three full financial years, from 15 per cent in March 2005 to 21 per cent in March 2008, representing a decline in value for money, though the proportion subsequently fell to 18 per cent in September 2008.

**19** Around a quarter of Service families are dissatisfied with their accommodation. Value for money would be greater if through better maintenance and management of the stock, including fewer empty properties, more resources were available for investment in improving properties.

## Recommendations

**20** Our key recommendations are given below. More detailed recommendations can be found at Appendix 1.

### Strategic review

- i** **The Department has been significantly constrained by the legacy of old stock, some now in the wrong locations and of the wrong size, and the challenge of matching families to properties is made more difficult because of some of the entitlement rules.** The Department should review its entitlement rules and allocation procedures to determine whether they still meet family needs, and enable efficient use of its housing stock.

- ii** **The Department is currently reviewing its complex and, in places, outmoded system for determining the charges paid by families for Service Families Accommodation.** The Department should implement a system which is less bureaucratic and subjective, and avoids duplication. The system should provide a clearer reflection of the condition of the property and the local environment and be updated to take account of modern living requirements.

### Management of void properties

- iii** **The Department had some 9,200 empty properties as at September 2008 (18 per cent of its total stock), which cost £38 million a year (excluding the cost of maintenance and dilapidation).** There is scope for the Department to bear down more heavily on the level of vacancies, by reducing the turnaround time between occupants; faster strategic decision-making about disposal or alternative use in the light of its future estate requirements; and more efficient preparation of properties for occupation. Where properties can be released for disposal, reducing voids will reduce costs (by over £2 million for every percentage point reduction), and free resources for use elsewhere.

### Contractor Management

- iv** **There were significant problems in the first year of a new prime contract for maintaining housing in England and Wales in 2006. Many of these problems have been resolved, but there are still difficulties with contract coverage and management.** The Department should improve its maintenance by clarifying the scope of the contract; extending the contract to include items regularly purchased from the contractor separately such as replacement carpets; and by managing the contract more effectively, especially in monitoring and analysing the performance of the contractor.

### Preparation of properties for new occupants

- v** **Many families are dissatisfied with their property when they first move in, in particular, the cleanliness and the state of repair.** The Department should complete repairs and clean all properties prior to the move-in of families.

## Improving the processes of allocations and move-in and move-out

- vi** The Department has experienced considerable difficulties with the performance of Housing Information Centres, some of which are still not delivering a satisfactory service to occupants.

The Department should improve the performance of these Centres by rebalancing their workloads and improving the support available to staff, such as better management information and the backing of local military units. The Department should also make more rigorous the collection of charges levied on move-out, and implement other sanctions for those that abuse Service Families Accommodation.

## Involving families

- vii** Occupants are still dissatisfied with important elements of the maintenance service, and performance of other housing services, particularly the process of allocating properties to families, is mixed. Building on existing forums, the Department should adopt a greater customer focus, learning from good practice in the social housing sector. There should in particular be better communication to occupants and a greater degree of participation, where appropriate, in determining priorities for investment and service improvement, including through better use of Occupant Consultative Meetings.