



National Audit Office

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## **Memorandum**

to the House of Commons  
Committee of Public Accounts

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## **Ministry of Defence**

# Service Family Accommodation update

**JANUARY 2017**

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# Summary

1 The National Housing Prime is the contract through which CarillionAmey provides maintenance services for the 47,000 houses owned by the Ministry of Defence (the Department) or leased from Annington Homes. During 2015 CarillionAmey's performance fell below the contracted level. Our key findings on recent performance against the National Housing Prime are:

- accommodation is an important element of the overall employment package provided to service personnel;
- the Department has sought to improve the condition of Service Family Accommodation and committed, from April 2016, that families would only be moved into homes which meet the Decent Homes Standard;
- the Department previously acknowledged that the service that was being provided to service families through the National Housing Prime contract was not acceptable and has worked with CarillionAmey, the contractor to whom the contract had been awarded, to put in place an improvement plan;
- CarillionAmey has improved its performance and has met its overall performance targets on the National Housing Prime contract since April 2016. It has not, however, met its performance targets against all of the underlying indicators;
- satisfaction with the services provided by CarillionAmey is improving although levels of complaints remain above target; and
- the Department has decided to continue its contract with CarillionAmey primarily on the basis of improved performance and the increased focus on performance management of the contract.

**2** In the Strategic Defence and Security Review 2015 the government committed to develop a new accommodation offer to help more service personnel live in private accommodation and meet their aspirations of home ownership. This work, known as the Future Accommodation Model, aims to deliver, from 2018, a more flexible, attractive and better value-for-money approach to accommodation for military personnel and the Department. Our key findings on the Future Accommodation Model are:

- on average, over the past seven years, the Department has spent £307 million a year on Service Family Accommodation and received £142 million in charges from service families;
- the Department is developing a new model for providing accommodation to service personnel which it wants to be a more flexible, attractive, and better value-for-money approach. It will not reduce the current level of accommodation subsidy provided to service personnel as a whole; and
- the Department is undertaking research to inform the development and costing of the accommodation options that it will make available to service personnel, prior to taking a decision in 2017 on which strategic option to pursue and pilot from 2018.

# Part One

## Introduction

**1.1** This memorandum has been prepared to support the Committee of Public Accounts' (the Committee's) consideration of the Ministry of Defence's (the Department's) provision of accommodation to its service personnel. It is an update to an earlier memorandum that we published on this subject in June 2016.<sup>1</sup> The memorandum is based on data provided to us by the Department, which have not been subject to a full audit. It has been cleared with the Department, which has confirmed that it is content with the facts and their presentation.

### Background to our work

**1.2** Because of the requirement that service personnel are mobile and due to the remote nature of many of the locations in which they serve, all regular service personnel are entitled to subsidised accommodation. Those meeting specific criteria, relating primarily to marital status and number of dependent children, are entitled to Service Family Accommodation.<sup>2</sup> The Armed Forces' Pay Review Body, which provides independent advice to the Prime Minister and the Secretary of State for Defence on the remuneration and charges for the Armed Forces, has found that service families greatly value the provision of subsidised accommodation, and consider it an important part of their overall package.

**1.3** Accommodation is an important issue for the Department and the Armed Forces. Data from the latest Armed Forces Continuous Attitude Survey shows that only 45% of respondents would recommend that somebody else join their service and that the most important factor increasing service personnel's intention to leave the services, cited by 61% of respondents, was the "impact of Service life on family and personal life".<sup>3</sup> Although accommodation is only one element of this context, the Department recognises its significance. At a hearing of the House of Commons Defence Select Committee in October 2016 the Permanent Secretary of the Ministry of Defence stated that the concern among service families about the condition and maintenance of accommodation was very clear to him and was "a very high priority".<sup>4</sup>

<sup>1</sup> Comptroller and Auditor General, *Service Family Accommodation, Memorandum for the House of Commons Committee of Public Accounts*, National Audit Office, June 2016.

<sup>2</sup> Service personnel are entitled to Service Family Accommodation where they are aged 18 or over; are married or in a civil partnership; or have permanent custody of children.

<sup>3</sup> Ministry of Defence, UK Regular Armed Forces Continuous Attitude Survey 2016, May 2016.

<sup>4</sup> Available at: <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/defence-committee/ministry-of-defence-annual-report-and-accounts-201516/oral/41397.html>

**1.4** In June 2016 we published a memorandum for the Committee of Public Accounts on Service Family Accommodation, in which we examined:<sup>5</sup>

- the provision and condition of Service Family Accommodation;
- the introduction of the Combined Accommodation Assessment System; and
- the Department's management of the National Housing Prime contract, including the establishment of the Next Generation Estates Contract programme and a comparison between the National Housing Prime contract and the contract which it replaced.

**1.5** Our June 2016 memorandum included information about the level of the Department's investment in Service Family Accommodation; the condition of Service Family Accommodation; and the Department's commitment that, from April 2016, families would only be housed in homes which meet the Decent Homes Standard. To fully understand the issues relating to Service Family Accommodation, this update should be read in conjunction with the original memorandum.

**1.6** The Committee subsequently held a hearing on the memorandum and published its own report on this subject in July 2016.<sup>6</sup> In November 2016, the government published a response to the Committee's recommendations in a Treasury Minute in which it accepted all of the Committee's recommendations and committed to taking action in response to the Committee's concerns.<sup>7</sup> The Committee's recommendations and the government's response are set out in Appendix One.

**1.7** In September 2016, the Department launched a survey of service personnel aged 18 or over entitled to accommodation subsidised by the Department in order to inform the development of options for its Future Accommodation Model.

**1.8** On 7 November 2016 the Department published *A Better Defence Estate*.<sup>8</sup> This document sets out the Department's plans for the future of its built estate over the next 25 years, including the likely future 'footprint' of the estate.

**1.9** At its hearing on our original memorandum, the Committee asked to be updated on developments. The remainder of the memorandum therefore sets out updated information on:

- the performance of CarillionAmey against the National Housing Prime contract (Part Two); and
- the Future Accommodation Model and the impact of *A Better Defence Estate* (Part Three).

<sup>5</sup> See footnote 1.

<sup>6</sup> HC Committee of Public Accounts, *Service Family Accommodation*, Ninth Report of Session 2016-17, HC 77, July 2016.

<sup>7</sup> HM Treasury, *Government responses to the Committee of Public Accounts on the Thirty-Seventh and the Thirty-Ninth reports from Session 2015-16; and the First to the Thirteenth reports from Session 2016-17*, Cm 9351, November 2016.

<sup>8</sup> Ministry of Defence, *A Better Defence Estate*, November 2016.

## Part Two

### Performance against the National Housing Prime contract

**2.1** Our memorandum on *Service Family Accommodation* set out the details of the Ministry of Defence's (the Department's) Next Generation Estates Contract programme, which it put in place to deliver capital projects and hard and soft facilities management services.<sup>9</sup> It also provided information relating to the poor performance of CarillionAmey, the contractor which was awarded the National Housing Prime contract through which it provides maintenance services to the 47,000 houses owned by the Department or leased from Annington Homes.

#### **CarillionAmey's performance against its key performance indicators**

**2.2** As set out in the memorandum, during 2015 CarillionAmey's performance in relation to the National Housing Prime contract fell below the contracted level.<sup>10</sup> In February 2016 the Department and CarillionAmey agreed an improvement plan, which ran from 1 March to 31 May 2016. This plan included an agreed level of performance expected against CarillionAmey's key performance indicators on the contract on a monthly basis, increasing to the contracted level by May 2016. It also included agreement on extra resources to be provided by CarillionAmey and the Department.

**2.3** Following implementation of the improvement plan CarillionAmey's performance has improved. **Figure 1** shows that since the beginning of the plan the overall percentage of tasks completed within the agreed response time increased from 93% in March 2016 to 96% in the months April to August 2016, against a target of 95%. The percentage of occupied Service Family Accommodation with a Landlord Gas Safety Certificate has also risen from 99.80% (71 overdue) in March 2016 to 100% in September 2016 (1 overdue) against a target of 100%.<sup>11</sup> The target is set at 100% to ensure properties are compliant with health and safety standards.

<sup>9</sup> Comptroller and Auditor General, *Service Family Accommodation, Memorandum for the House of Commons Committee of Public Accounts*, National Audit Office, June 2016.

<sup>10</sup> See footnote 9.

<sup>11</sup> 100% due to rounding.



**Figure 1**

CarillionAmey's performance against the key performance indicators within the National Housing Prime contract between December 2014 and September 2016

Month	Percentage of tasks completed within the agreed response times against a target of 95%	Percentage of occupied Service Family Accommodation with a Landlord Gas Safety Certificate against a target of 100%	Number of overdue Landlord Gas Safety Inspections in England and Wales
December 2014	83	99.16	300
January 2015	84	98.60	497
February 2015	86	98.36	584
March 2015	97	97.71	815
April 2015	92	97.80	782
May 2015	92	98.02	704
June 2015	92	98.09	678
July 2015	92	98.30	606
August 2015	90	98.89	396
September 2015	91	99.09	322
October 2015	93	99.48	186
November 2015	91	99.72	101
December 2015	91	99.70	108
January 2016	91	99.83	61
February 2016	93	99.92	27
March 2016	93	99.80	71
April 2016	96	99.97	9
May 2016	96	100.00	0
June 2016	96	100.00	0
July 2016	96	100.00	0
August 2016	96	100.00	0
September 2016	95	100.00	1

**Notes**

- 1 The improvement plan agreed between the Department and CarillionAmey ran between 1 March 2016 and 31 May 2016.
- 2 The contracted performance target for emergency response and statutory and Ministry of Defence mandatory works is 100%.
- 3 The agreed response times are: emergency – attend within three hours and make safe within 24 hours; critical – respond within three hours and resolve within 12 hours; urgent – attend and rectify within five working days; and routine – attend and rectify within 15 working days.
- 4 The Landlord Gas Safety Inspection compliance percentage is approximated based on current number of occupied Service Family Accommodation with a gas supply = 35,557.
- 5 The data provided for Landlord Gas Safety Inspections in the months from September 2016 to January 2016 corrects the data in our original memorandum (Figure 14) on Service Family Accommodation.

Source: Ministry of Defence

**2.4** The overall monitoring of performance in Figure 1 is carried out using five underlying indicators. **Figure 2** sets out CarillionAmey's performance broken down against these indicators in the period between September 2015 and September 2016. It shows that, while CarillionAmey has met its overall target of 95% in every month since April 2016, it failed to meet its performance targets against some of the underlying indicators. In particular, it did not achieve its target of 100% in the emergency response category nine times in the 12 months between October 2015 and September 2016. This is primarily as a result of failing to attend jobs within the three-hour target. While CarillionAmey aims to meet the 100% target, the relatively small number of emergency jobs means that any failure to achieve the target has a big impact on the reported percentages. For example, in September 2016 CarillionAmey attended four out of 139 jobs outside of the three-hour target resulting in the reported performance of 97.12%.

**2.5** In May 2016 the Minister for Defence Personnel and Veterans stated publicly that if CarillionAmey's performance against the contract did not improve, it would be terminated.<sup>12</sup> The Permanent Secretary reiterated this position during a Committee of Public Accounts hearing on Service Family Accommodation on 8 June 2016.<sup>13</sup>

**2.6** In order to inform its decision regarding whether to continue with the National Housing Prime contract in its current form, the Department commissioned an independent audit of the processes used by CarillionAmey to report against its key performance indicators. This audit, which was undertaken by Bureau Veritas, a company which provides inspection, testing and certification services around the world, assessed CarillionAmey's processes against 78 lines of inquiry. The results broke down as follows: good (56); satisfactory (9); needs improvement (13). There were no lines with unsatisfactory results. The results of the audit have given the Department confidence in CarillionAmey's reporting processes and the data it has reported as part of the improvement plan.

**2.7** In September 2016 the Defence Infrastructure Organisation (DIO) Board considered the sustainability of all CarillionAmey's contracts, including the National Housing Prime contract. In a paper to the Board, the DIO Director of Service Delivery recommended that the CarillionAmey contract should be continued primarily on the basis of improved performance and increased focus on the performance management of CarillionAmey within DIO. However, the paper also noted that, while CarillionAmey remains committed to the current contracts, there is no incentive for the Department to withdraw as there is no viable alternative that could be put in place prior to the end of the contract in October 2019.

<sup>12</sup> Interview on BBC Radio 5, *Radio 5 Investigates*, broadcast 8 May 2016.

<sup>13</sup> Available at: [www.publications.parliament.uk/pa/cm201617/cmselect/cmpublic/77/77.pdf](http://www.publications.parliament.uk/pa/cm201617/cmselect/cmpublic/77/77.pdf)

**Figure 2**  
CarillionAmey's performance against the underlying indicators in the National Housing Prime contract between September 2015 and September 2016

Key performance indicator (%)	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016	July 2016	August 2016	September 2016
Emergency (100%)	99.53	100.00	99.08	99.48	99.55	99.22	99.58	100.00	100.00	92.08	93.53	90.76	97.12
Critical (95%)	99.23	99.62	98.48	99.19	99.19	99.28	99.39	99.74	98.98	96.05	95.79	96.05	97.68
Urgent (95%)	85.76	89.21	86.74	85.66	85.12	86.70	87.98	93.66	96.23	96.01	95.79	95.48	94.13
Routine (95%)	91.41	93.02	90.90	90.10	90.17	92.82	93.35	95.59	95.61	95.91	95.64	95.52	95.00
Wind and weather proof (95%)	95.59	98.53	100.00	98.99	98.15	98.54	96.43	100.00	100.00	100.00	100.00	100.00	80.00
<b>Overall (sum of all categories)</b>	<b>91.15</b>	<b>93.21</b>	<b>91.26</b>	<b>90.74</b>	<b>90.90</b>	<b>92.59</b>	<b>93.21</b>	<b>95.81</b>	<b>96.18</b>	<b>95.90</b>	<b>95.66</b>	<b>95.54</b>	<b>95.21</b>

**Note**

1 To provide context regarding the relative number of jobs per month, in August 2016 the breakdown of number of jobs was as follows: Emergency 217 (20 not achieved); critical 3,014 (119 not achieved); urgent 3,757 (170 not achieved); routine 15,952 (715 not achieved); and Wind and Weather 2 (0 not achieved).

Source: Ministry of Defence

**2.8** CarillionAmey told us that they had taken a number of actions to improve the service they provide. These include:

- implementing customer engagement forums to listen to service families' concerns and capture feedback;
- improving real-time engagement with customers on social media;
- improving processes for managing complex works and follow-on jobs;
- installing 5,572 new boilers during 2016 and improving the stock of parts in preparation for winter with a specific focus on the management of cooker and boiler repairs and replacements;
- ongoing recruitment of additional heating engineers;
- establishing a new department to manage and resolve complaints more efficiently; and
- improving customer service training for staff.

**2.9** The Department advised us that it is encouraged by the improvement in CarillionAmey's performance. However, it is aware that the improvement coincides with the summer months and that maintaining a good standard of performance will be more challenging for CarillionAmey over the winter. It has therefore reviewed CarillionAmey's plans for how it intends to maintain performance levels over the winter and continues to monitor CarillionAmey's performance. This includes quarterly meetings between the DIO, Head Office, the Armed Forces (the Commands), the Families Federations and CarillionAmey. These are intended to be a mechanism to challenge performance and hold CarillionAmey to account.

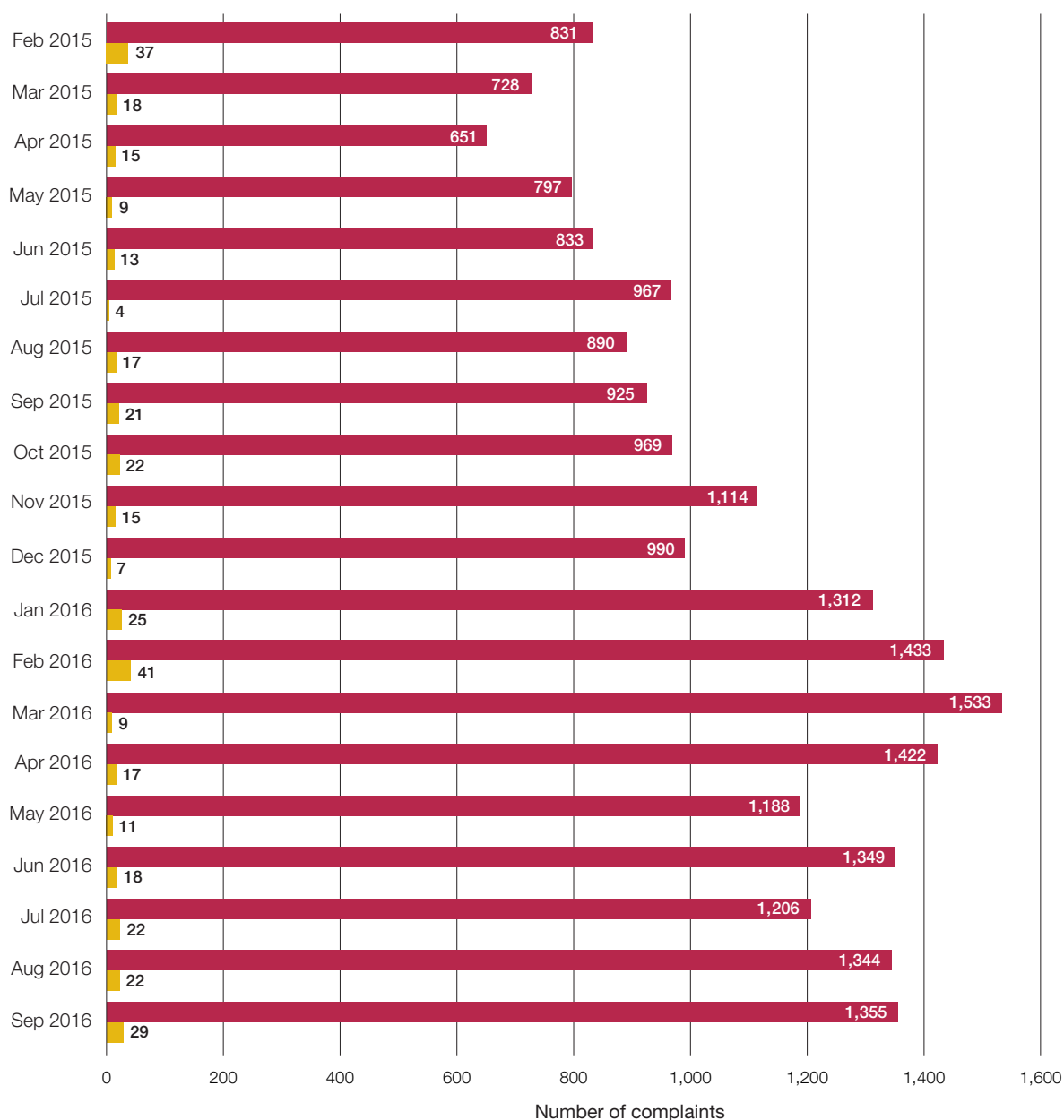
### **Satisfaction with repair and maintenance work**

**2.10** Our original memorandum explained the process by which service families can complain to CarillionAmey. **Figure 3** sets out the number of stage 1 complaints (complaints made to CarillionAmey by telephone or email) and stage 2 complaints (complaints made to the DIO in writing or through the defence intranet) received between February 2015 and September 2016. It shows that the number of stage 1 complaints increased to a maximum of 1,533 in March 2016, at the beginning of the period covered by the improvement plan, but had fallen by 12% to 1,355 by September 2016. However, this is still more than double the number of complaints received in April 2015 (the month with the lowest number of complaints) and 2.87% of the total jobs in that month, above the target of 1.75%. The Department recognised that the percentage of service personnel complaints concerning maintenance is too high and this remains an area of focus but also believes that rates of complaint have been affected by wider issues such as the impact of rent increases under the new charging system; pay restraint; and the potential impact of the Future Accommodation Model (see Part Three).

**Figure 3**

## Number of complaints received per month concerning maintenance of Service Family Accommodation

The number of complaints received has decreased since March 2016



■ Number of stage 1 complaints received by CarillionAmey for maintenance work on Service Family Accommodation

■ Number of stage 2 complaints received by the Department

### Notes

1 Based on data available at time of reporting.

2 The data provided in the months of January and February 2016 correct the data in our original memorandum on Service Family Accommodation.

Source: Ministry of Defence

**2.11** The Department and CarillionAmey also monitor customer satisfaction using a customer satisfaction net promoter score.<sup>14</sup> The data is based on the survey of more than 1,000 customers each month following the completion of a response or planned maintenance task. The score increased by 79% over the period March 2016 to September 2016, from +30.10 to +53.93.

14 Net Promoter Score (NPS) is a management tool to gauge customer satisfaction as an alternative to more traditional methods. NPS is based on direct questions with scoring based on a 0 to 10 scale. Promoters are those who respond with a score of 9 or 10 and are considered loyal enthusiasts. Detractors are those who respond with a score of 0 to 6 – unhappy customers. Scores of 7 and 8 are passives and their responses only count towards the total number of respondents, but do not directly affect score from the formula – they are effectively discounted. NPS is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters.

## Part Three

### The Future Accommodation Model and the impact of the Better Defence Estate strategy

**3.1** On 7 November 2016 the Ministry of Defence (the Department) published *A Better Defence Estate*.<sup>15</sup> This document set out the Department's plans for the future of its built estate over the next 25 years including the likely future 'footprint' of the estate. Our report, *Delivering the defence estate*, evaluates the Department's strategy with regard to its estate, including its 'Footprint Strategy', and considers whether the Department has an appropriate operating model in place to support its long-term strategy for the defence estate.<sup>16</sup>

#### **Service Family Accommodation and government targets**

**3.2** The government has set targets for the Department to reduce its built estate by 30% by 2040 and, as part of the Spending Review settlement, it must also make £1 billion between 2016-17 and 2020-21 by disposing of parts of the estate that it no longer needs. The Department is also the largest contributor to the government's objective of releasing land to build 160,000 new homes between 2015 and 2020, and has a target of releasing enough land to build 55,000 homes.

**3.3** While the impact of Service Family Accommodation (SFA) requirements was considered as part of the Department's review of the future footprint of its estate, SFA does not count towards the 30% reduction target. However, SFA does count towards the Department's target to release land for 55,000 homes. In *A Better Defence Estate* the Department states that it plans to release land for 8,100 homes through accommodation optimisation.<sup>17</sup> This includes both the building of new service accommodation units, such as SFA, as well as the release to the private market of existing accommodation which is no longer required. In our memorandum we identified that around 10,000 (20%) of SFA properties are empty, of which half have been empty for more than 12 months. This is, in part, as a result of forthcoming moves resulting from the Army Basing Plan and other initiatives.

<sup>15</sup> Ministry of Defence, *A Better Defence Estate*, November 2016.

<sup>16</sup> Comptroller and Auditor General, *Delivering the defence estate*, Session 2016-17, HC 782, National Audit Office, November 2016.

<sup>17</sup> See footnote 15.

## Expenditure and income related to Service Family Accommodation

**3.4 Figure 4** shows that on average, between 2009-10 and 2015-16 the Department spent £307 million per year on SFA and received £142 million in charges from service personnel and their families. On average it therefore spent a net amount of £165 million on SFA a year. Of the expenditure, on average 27% related to small-scale improvements and maintenance; 7% to larger capital improvements; 13% to the purchase of new properties; and 53% to dilapidation charges and payment of rent to Annington Homes.

### Figure 4

The amount that the Department has spent on Service Family Accommodation, and received as income in charges, between 2009-10 and 2015-16 (£m)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Annual average
<b>Type of expenditure</b>							
Improvements (resource)	29	37	49	38	38	53	41
Maintenance	55	47	42	40	41	36	44
Improvements (capital)	15	11	15	58	28	3	22
Purchases	9	29	18	116	40	20	39
Dilapidation fee	1	3	2	2	3	7	3
Rental payments to Annington Homes	153	156	159	161	161	167	160
<b>Total expenditure</b>	<b>262</b>	<b>283</b>	<b>285</b>	<b>415</b>	<b>312</b>	<b>286</b>	<b>307</b>
<b>Type of income</b>							
Income from SFA charges	147	147	144	141	136	138	142
<b>Net expenditure</b>	<b>115</b>	<b>136</b>	<b>141</b>	<b>274</b>	<b>175</b>	<b>148</b>	<b>165</b>

#### Note

1 Totals may not sum due to rounding.

Source: National Audit Office analysis of Ministry of Defence data



## **The development of the Future Accommodation Model**

**3.5** As explained in our earlier memorandum, the Department has concluded that the current model of directly providing accommodation to service personnel is becoming less attractive to service personnel and their families, increasingly unaffordable for the Department, and less effective at meeting the Department's operational and business needs. For example, the current accommodation model bases entitlement to SFA on marital status and rank and so, in its view, does not reflect the diversity of today's service families. The government has committed to developing a new accommodation offer to help more service personnel live in private accommodation and meet the aspirations that many have for home ownership.<sup>18</sup> This work, known as the Future Accommodation Model, aims to deliver, beginning with a pilot in 2018, a more flexible, attractive and better value-for-money approach to accommodation for military personnel and the Department.

**3.6** The Department has undertaken research to inform the development of the model and the potential options from which service personnel and their families will be able to choose. This research includes focus groups with service personnel and a survey of personnel aged 18 or over entitled to accommodation subsidised by the Department. The focus groups were run, on the Department's behalf, by Ipsos MORI, the independent research agency. The survey was run by Defence Statistics, and designed in conjunction with Ipsos MORI.

**3.7** Between May and June 2016, Ipsos MORI ran 45 focus groups across 13 locations, each lasting around three hours and comprising around 15 personnel. The groups were split by service and rank and covered personnel in a range of different personal situations, for example, married, single and with or without children. The focus groups brought out a number of strengths, weaknesses, opportunities and threats in the proposed design of the Future Accommodation Model. Some of the concerns raised included the potential loss of a service community if more personnel live in privately provided accommodation; the affordability of private housing at the locations to which personnel may be posted; the potential impact on the Department's ability to retain service personnel if SFA is no longer available; and possible welfare and security issues. The Department acknowledges these concerns and is considering how to address them in its design of the different options available within the model.

<sup>18</sup> HM Government, *National Security Strategy and Strategic Defence and Security Review 2015: A secure and prosperous United Kingdom*, Cm 9161, November 2015.

**3.8** On 5 September 2016 the Department launched its survey of service personnel. The Department stated that the objectives of the survey were to:

- tell service personnel about possible future accommodation options;
- understand what service personnel might choose to do if these options were offered to them in the future; and
- gather views that would help the Department develop and deliver policy.

**3.9** The survey was primarily designed to understand what service personnel would do if SFA was not an option available to them. As such, respondents were initially asked to choose from the following four options:

- Single Living Accommodation – The provision of Single Living Accommodation on the same basis as it is provided currently for those who do not own a home elsewhere.
- Renting near work – Renting from the private market within daily travelling distance of the relevant duty station. The Department would provide subsidies to contribute towards accommodation, commuting and relocation costs.
- Owning near work – Buying a home near the relevant duty station. The Department would provide an interest-free loan; a relocation allowance; mortgage support; and a commuting allowance.
- Owning or renting away from work – Buying, or renting, a home anywhere in the UK. The Department would provide an interest-free loan; a relocation allowance; a commuting allowance; and subsidised weeknight accommodation.

**3.10** However, because the Department recognised that SFA would remain attractive to some, it also asked whether, if SFA was still available at the same cost as the renting package, personnel would want to live in SFA instead and, for those who answered “yes” to this question, asked personnel to choose the primary reason for this response. It also made it clear when asking service personnel to choose an option that SFA would still be available to at least some people under any new system.

**3.11** The Department received around 28,000 responses to its survey, around 20% of those surveyed. It has collated and analysed the results and will publish them as national statistics in early 2017. The results were not available in time to be included in this memorandum.

**3.12** The Department is now examining the results of the focus groups and survey on the design of the Future Accommodation Model. It is considering several different options ranging from expanding its current provision of SFA to a wider range of personnel, to reducing SFA to a minimum, and several options in between. It will continue to develop the format of these options, and its estimate of the associated costs, over the next few months and anticipates reaching a decision on the most appropriate option in the summer of 2017. The Department intends to maintain its budget for the provision of accommodation for service families at around its existing level. It has not yet produced detailed costing for any of these options but estimates that expanding its provision of SFA to a wider range of personnel would cost around £5 billion in capital costs plus an increase in ongoing maintenance costs. This cost includes building and maintaining the thousands of extra homes that would be required to meet the broader entitlement and changing requirement of Defence as larger numbers of personnel are concentrated in fewer locations.

**3.13** In developing the detail of its options the Department acknowledges that it needs to consider the impact of the *A Better Defence Estate* strategy including the reduction in the size of the operational estate and relocation of elements within it. The changes are likely to lead to a reduction in demand for accommodation in some areas and an increase in others. The Department told us that it is starting to think about how to align these policies and make sure they are mutually beneficial.

# Appendix One

## Recommendations made by the Committee of Public Accounts in its July 2016 report on Service Family Accommodation and the government's response

**Recommendation 1:** The Department must ensure that CarillionAmey, or any replacement contractor, meets or exceeds its contractual obligations as regards estate maintenance, and that the contractor is organised to sustain this level of performance for the remainder of the contract.

**Government response:** The Government agrees with the Committee's recommendation. Recommendation implemented.

The Department has ensured that performance levels against the contractor's Improvement Plan have been met and sustained since May 2016. As of August 2016, the Key Performance Indicators (KPIs) reflect that improvement. The Department has continued to hold CarillionAmey to account for its performance through robust monitoring of contract performance indicators and demanding action where the standards are not met. A further *Sustain and Improvement Plan for the National Housing Prime (NHP) contract* has been agreed to ensure performance gains are sustained and have targeted other broader performance indicators to improve the customer experience and elevate customer satisfaction. This included employing more staff and more qualitative customer service training. The Department expects the current contracts to continue, while it closely monitors the sustainability of performance. The Department will consider contract termination should performance drop below contractual levels.

**Recommendation 2:** The Department should write to the Committee promptly on conclusion of its deliberations about whether to continue the contract with CarillionAmey and set out the evidence on performance supporting its decision.

**Government response:** The Government agrees with the Committee's recommendation. Following the 90 day Improvement Plan period, CarillionAmey have met the Improvement Plan requirements at or above the targeted levels, with focus now being on the sustainability and further improvement of performance. The Department has also undertaken its own assurance processes in support of the performance data and a third party audit has recently completed. The audit confirmed that data integrity (fundamental to accurate performance reporting) is satisfactory.

**Recommendation 3:** When letting future contracts, the Department must ensure it has done enough to test contractors' ability and capacity to deliver the services at the price agreed, that it has captured and taken account of the views of service users, and that the proposed Key Performance Indicators in the contract are clearly backed up with robust financial penalties and incentives.

**Government response:** The Government agrees with the Committee's recommendation. Target implementation date is December 2019.

The Department has undertaken a full lessons learned exercise and is using this to inform the procurement of the Next Generation Estates Contracts replacements, as well as other contracts; this includes more robust contractual penalties for under performance.

Since the introduction of the NHP, the Department has retained £10.42 million from payment to CarillionAmey owing to performance failings, and failure to implement a required IT system. £6.27 million in temporary retentions has been returned to CarillionAmey following performance recoveries in the necessary timeframe whilst £4.15 million is still retained by the Department, comprising a mix of permanent and temporary retentions.

To provide the single Services with a voice and to ensure their views are represented, the DIO has a quarterly forum with each of the Armed Forces and the respective Families Federations to take account of user's views on Service Family Accommodation (SFA) and other estate issues. Local customer insight forums are now also being held.

**Recommendation 4a:** As part of its considerations about the Future Accommodation Model, the Department should think imaginatively about different approaches for providing housing, including setting up Arm's Length Management Organisations and using new legal powers to support families collectively buying MOD land and building their own homes.

**Government response:** The Government agrees with the Committee's recommendation. Target implementation date is Autumn 2018.

The Future Accommodation Model is still in an early stage of development. Consideration will be given to different approaches for providing housing as part of continuing work on the model.

**Recommendation 4b:** Many families may eventually want to own a home close to their extended family. As personnel move frequently it may be that some will own a home but still need to rent close to, or on the base of, the service personnel member of their family, and home ownership will therefore not necessarily reduce the demand on services accommodation as much as the Department expects. It should consider this in its full analysis of the needs of modern families.

**Government response:** The Government agrees with the Committee's recommendation. Target implementation date is Autumn 2018.

The Department recognises that the decisions Service Personnel make in choosing whether to rent or buy a home, and where to buy a home, are driven by a number of different factors. The Future Accommodation Model project includes a stream of work specifically to consider and analyse what decisions personnel might make when considering their accommodation options. This includes running a survey of Service Personnel, conducting focus groups, and considering previous research already undertaken.

**Recommendation 5:** The Department should set out for the Committee what it will do to improve the way it engages with service families when setting policies and agreeing contracts that will impact upon their lives.

**Government response:** The Government agrees with the Committee's recommendation. Recommendation implemented.

The Department engages widely with service personnel and their families via the medium of Continuous Attitude Surveys, focus groups and bespoke surveys, as well as use of social media, to help inform and shape personnel policy. There are also regular official-level meetings with the Families Federations, as well as regular Minister-chaired Families Federations forums. The scale and volume of forums is being increased and the Department will examine further options to gather families' views.

The Department is committed to engaging with service personnel and their families, primarily via liaison with the Families Federations, when developing requirements for new contracts in relation to housing. The Families Federations are now actively engaged in developing the Future Accommodation Model.

**Recommendation 6:** Once it has cleared the backlog of appeals to new rent bandings, the Department should write to us and set out the results of the appeals process, as well as the lessons it has learned about how it communicated and managed the process of surveying properties.

**Government response:** The Government agrees with the Committee's recommendation. Recommendation implemented.

Additional resources have been allocated to clear the backlog of challenges and appeals. As at 9 October 16, 2046 challenges and appeals have been submitted and there are now only 61 active. Of the 38948 letters that were issued to SFA occupants there have been 203 upheld decisions to challenges and appeals, which represents 0.5%. This, along with the rigorous assurance process applied by DIO as a part of its survey programme, has provided the Department with confidence in the process used to survey properties.

The current status of all challenges and appeals, as at 9 October 16, is as follows:

Challenges Stage 1					Appeals Stage 2				
Total action	Total reject	Total upheld	Total cancel	Total active	Total action	Total reject	Total upheld	Total cancel	Total active
1,760	1,587 (90.17%)	140 (7.95%)	33 (1.88%)	10	225	160 (71.11%)	63 (28.00%)	2 (0.89%)	51

Two key lessons have been identified with regards how the Department communicated and managed the survey of properties. The Department recognises there was a lack of understanding of the scoring mechanism within the Decent Homes Standard and with the assessment criteria for Thermal Comfort and location, because not all information was readily accessible to individuals. In order to resolve these issues there is now far greater information for SFA occupants contained within 'Move in Letters' and where able additional information is being published on websites.

Linked to the above, there is a firm case for providing additional clarification within the policy as this is the sole point of reference used by Service personnel. This will be taken forward by the Department and included within the update to the policy to be published by January 2017.

**Recommendation 7:** In its Treasury Minute response to this report, and then more fully in the articulation of its Future Accommodation Model, the Department should explain how it is assessing the impact on recruitment and retention levels of any changes to its accommodation provision for service personnel.

**Government response:** The Government agrees with the Committee's recommendation. Recommendation implemented.

The Department regularly considers the recruitment and retention levels of Service personnel, and derives data from a number of sources to understand the 'push' factors (the impact of Service life on the individual) and 'pull' factors (the attractions of outside life) influencing their decision to stay. The 2015 Armed Forces Continuous Attitude Survey found that the impact of service life on family and personal life remains the top reason influencing an intention to leave the Armed Forces and whilst that may include accommodation the Department does not consider it to be a primary driver.

However, the Department recognises that the current accommodation model does not work for everyone and its lack of flexibility and choice could be a factor influencing retention. To redress this, the future accommodation model seeks to offer more choice. The Department has been engaging with Service Personnel and their families through surveys and focus groups to try and understand their priorities and what choices they might make under a future model. As policy development progresses, the Department will continue to consider the potential impacts of the future model on recruitment and retention.

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