The Government welcomes the opportunity to return to the House of Commons Defence Committee’s inquiry into ‘The Armed Forces Covenant in Action? Part 2: Accommodation’ and update the Committee on their follow up questions, as set out in the Committee’s letter of 17 Dec 13. The Government recognises the importance of Service accommodation to our Armed Forces personnel and their families. We are pleased that the Committee acknowledged our progress to date and we are grateful for the opportunity to provide an update on the improvements made against their recommendations.

Good quality accommodation is a key aim of the Department and, as this update will indicate, we continue to make strides in improving both Service Family Accommodation (SFA) and Single Living Accommodation (SLA) in the UK.

The Government would like to reiterate that it recognises the detailed work the Committee has undertaken. Our formal response to our next six month update is set out below.

**The importance of accommodation to Armed Forces personnel**

1. **Progress on the Living Accommodation Strategy Review with regard to both Single Living Accommodation (SLA) and Service Family Accommodation (SFA).**

   As a key input to both the Footprint Strategy and the New Employment Model (NEM) Future Accommodation Workstream, the Living Accommodation Strategy Review (LASR) is developing and costing a set of strategic options to meet Future Force 2020 service personnel accommodation requirements in a manner that is affordable for both Defence Infrastructure Organisation (DIO) and wider Defence to deliver and sustain.

   The Defence Infrastructure Board (DIB) considered the LASR paper at its meeting on 25 Feb 14. Following the meeting the close working will continue between the NEM and LASR teams to enable Chief of Defence Personnel to develop future options for delivering a balanced, affordable accommodation offer, based in part on outputs from the LASR cost model and NEM outcomes, for consideration by the Defence Board.

   As a result of DIB and Defence Board consideration, a Departmental view will be formed on what living accommodation delivery and upgrade plan is affordable over and above current spending plans, how this relates to the portfolio holding strategy, and what the best Value for Money solution is for balancing freehold ownership and leasing arrangements.

2. **Latest position on the New Employment Model including:**
   - The outcome of the “interactive engagement and consultation exercise with Service personnel and families during summer 2013.”

   In Jun 13 Chief of Defence Personnel launched an intensive programme of consultation with Service personnel and their families. The first phase of consultation ran from Jun 13 to Oct 13. Up to 200 briefings were held across the UK, and abroad to explain NEM proposals. In
addition, over 800 Service personnel were involved in focus groups and interviews, including a number with service partners. Our engagement with Service personnel was a success, evidenced by the 12,000 people who voluntarily gave us feedback in an online questionnaire. The immediate outcome from the consultation exercise last summer was a greater understanding of Service personnel, and their families’ opinions on a range of proposals. These included their appetite for an interest-free home purchase loan and their views on subsidised service accommodation.

Consultation has continued throughout the winter, turning the qualitative research conducted in the summer into robust behavioural evidence that is statistically representative of the Service population as a whole. This second phase of NEM consultation was a detailed survey conducted by Ipsos MORI – to which we received 8,000 responses – where nearly half of the questions were related to Accommodation or Family Life. The survey results were received in Feb 14 and are currently being analysed to understand what they mean for policy design. The intention will be to share the results with Service personnel in due course.

- **The results of the research to understand the wider impacts of the introduction of a “new financial incentive scheme to support home ownership.”**

The NEM seeks to reduce the impact of Service life on families and Service personnel by providing them with the opportunity for increased domestic stability. As stated above we have conducted an intensive consultation programme which surveyed the attitudes, perceptions and potential behaviours of Service personnel in relation to home ownership. Overall, there was a strong desire for home ownership amongst Service personnel, with the idea of having a ‘home’ rather than a house important to many. Other Ranks in particular stated that home ownership was essential for life outside the Forces. Those who said that they were not interested in home ownership in the foreseeable future stated that lack of stability in their career and working location made it too difficult to settle down and buy a home. The practicalities of renting their property out if posted elsewhere for long periods of time was also cited as a contributory factor.

When Service personnel would buy a property was driven by: affordability of deposit and mortgage repayments; when they most need family stability, such as when a child attends school; or when a partner requires stability to support their employment. In choosing which home to buy, personnel cited location as being the most important factor. Significant themes were affordability, desirable or familiar area and being close to friends and family. The latter was particularly important for families when Service personnel are away on Operational Tours and to provide help with childcare.

Overall, this study supports the objectives of the Department’s New Employment Model programme. The Armed Forces Continuous Attitude Survey continues to suggest that the ‘impact of Service life on family and personal life’ is the factor most likely to impact intention to leave. The Forces Help to Buy scheme (mentioned below) aims to increase home ownership, and therefore domestic stability, by helping personnel overcome the financial barriers to house purchase. Other strands of work within the NEM will address other concerns such as career structure and stability.

- **Plans for the Long Standing Advance of Pay**
The Secretary of State announced last year that £200M would be made available to launch a new Forces Help to Buy scheme in Apr 14. This scheme will run for a three-year trial and is broadly analogous with the Long Service Advance of Pay scheme, which will be suspended over the period of the Forces Help to Buy pilot. In line with the Committee’s original recommendation, Forces Help to Buy will significantly increase the amount available to personnel to 50% of pay, capped at £25,000 and will increase the number of Service personnel eligible to apply. This enhanced offer should be sufficient to bring home ownership within the reach of all but our most junior personnel. The commitment to this new scheme reflects the Department’s view of the importance of home ownership in supporting family stability and increasing retention.

The Department continues to improve the financial awareness of Service personnel through the MoneyForce programme with the Royal British Legion and Standard Life Charitable Trust. The MoneyForce.org.uk website has had over 50,000 visits since it was launched in Mar 13 and almost 6,000 Armed Forces recruits have received the associated financial awareness training. The Royal British Legion and the Department have been developing new application tools for the website which include a ‘MoneyFit’ finance health check and an accommodation options tool; these are expected to be ready for launch in May 14.

- Progress on replacing the system for determining Grade for Charge with a “Combined Accommodation Assessment System” – will it still be implemented by April 2015.

Work is continuing to develop a more transparent and consistent accommodation charging system that will simplify and align the Department’s grading methodology to civilian comparators, by adopting national standards and assessment systems used in the wider housing sector, and make objective benchmarking against the national housing stock possible. This approach aims to support clearer communication to Service Personnel on the value of the overall accommodation offer. Any changes to the charging mechanism will be sequenced with other NEM measures, including the revised pay model. The current assumption for implementation is for a phased roll-out from Apr 15.

3. The Future Footprint Strategy and its impact on SLA and SFA requirements.

Good Progress has been made towards achieving the total defence infrastructure requirement for Future Force (FF) 2020. In addition to the 5 major programmes in the Defence Change Programme already in delivery, Phase 1 of the Footprint Strategy established the Army 2020 Basing Plan and the Future Reserve (FR) 20 Basing plan, and enabled a number of other routine basing decisions, as set out within the Written Ministerial Statement in Mar 13. There remain a number of areas where the scope and scale of future capability requirements are still emerging. These include areas such as logistics storage and the future Training model. DIO is working with the Top Level Budgets to ensure strategic estate planning is developed coherently in relation to all future requirements.

Based on these future requirements, Phase 2 of the Footprint Strategy for Defence is considering the LASR and further Infrastructure Optimisation opportunities. The Department’s approach to the living accommodation requirements associated with the future
Footprint Strategy is in line with the broader LASR approach, in that decisions in each case will be made on the best Value for Money solution for balancing freehold ownership and leasing arrangements.

4. The latest condition of Single Living Accommodation (SLA) (set out as in table 5 of the Committee’s Report).

The update provided to the HCDC in Jul 13 included the latest SLA condition position. This was:

<table>
<thead>
<tr>
<th>Scale</th>
<th>Standard 1 for Condition</th>
<th>Standard 2 for Condition</th>
<th>Standard 3 for Condition</th>
<th>Standard 4 for Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>31%</td>
<td>13%</td>
<td>19%</td>
<td>37%</td>
</tr>
<tr>
<td>Overseas</td>
<td>18%</td>
<td>8%</td>
<td>9%</td>
<td>64%</td>
</tr>
<tr>
<td>Total</td>
<td>29%</td>
<td>12%</td>
<td>18%</td>
<td>40%</td>
</tr>
</tbody>
</table>

These figures were derived from the last World Wide Audit (WWA) of SLA bedspaces carried out in 2012. This indicated that the Department owns some 145,000 bedspaces, of which 126,000 are in the UK and 19,000 are overseas. The WWA was assessed as being an inaccurate measure of SLA holdings, and work is continuing, as part of the SLA Infrastructure Management Solution (SLA IMS), to baseline the whole SLA estate. This will provide more accurate data on SLA condition and utilisation to better inform estate management, planning and reporting. It is expected this base-lining work will be completed by early 2015.

5. The latest thinking on the provision of SLA including the balance between single and multiple accommodation and the size and quality standards.

As mentioned in the previous update, the Living Accommodation Strategy Review (LASR) is looking closely at the future requirement for SLA in order to meet Future Force 2020 demand. Initial findings were considered by the Defence Infrastructure Board on 25 Feb 14. Informed by this work, LASR and NEM teams will continue to work closely to provide advice to the Defence Board on delivery of a balanced, affordable accommodation offer, that reflects the need for single and multi occupancy SLA accommodation of the right quality and scale.

6. The latest condition of Service Families Accommodation (SFA) in the UK (set out as in Table 2 of the committee’s report.)

Standard for Condition figures as at 31 Jan 14 are:

<table>
<thead>
<tr>
<th>Number of SFA Properties – Standard for Condition</th>
<th>Number of SFA at Standard 1 for Condition</th>
<th>Number of SFA at Standard 2 for Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Officers</td>
<td>Other Ranks</td>
</tr>
<tr>
<td>Number of SFA</td>
<td>5,361</td>
<td>19,027</td>
</tr>
<tr>
<td>at Standard 1 for Condition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of SFA</td>
<td>3,924</td>
<td>18,995</td>
</tr>
<tr>
<td>at Standard 2 for Condition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of SFA at Standard 3 for Condition</td>
<td>71</td>
<td>168</td>
</tr>
<tr>
<td>Number of SFA at Standard 4 for Condition</td>
<td>8</td>
<td>19</td>
</tr>
<tr>
<td>Standard for Condition not yet determined</td>
<td>234</td>
<td>1539</td>
</tr>
<tr>
<td><strong>Total Properties</strong></td>
<td><strong>9,598</strong></td>
<td><strong>39,748</strong></td>
</tr>
</tbody>
</table>

Of the 1,773 not yet determined properties, 1,625 are in Northern Ireland.

**7. The number of families still in SFA condition 3 or 4 and what is happening to the properties in condition 3 or 4.**

As the Committee will be aware, the Department no longer allocates SFA in the UK below the top two Standards for Condition. This is in line with an Armed Forces Covenant commitment. Although Service families occupying those properties have been offered the opportunity to relocate to a higher standard of property at public expense, the following number of SFA at Standard 3 or 4 for Condition (excluding misappropriated or core welfare facilities) remain occupied through personal choice (as at 25 Feb 14):

- Standard 3 for Condition – 120
- Standard 4 for Condition – 10

The approach towards properties at Standard 3 or 4 for Condition is as follows:

For those sites with an enduring requirement, the Upgrade Programme includes the upgrade of all S3 & S4fC SFA (provided access is granted by the occupant). For those properties where access is denied, the upgrade work will be carried out on departure of the occupants.

For those sites being considered for disposal, it is planned to dispense with these properties (either through demolition, released for disposal or handing back to Annington Homes Ltd) when it is appropriate to do so. There will be no investment to bring such properties up to at least S2fC, but key components shall be maintained, if appropriate.

**8. The cost of SFA for 2011-12, 2012-13 and planned for 2013-14 (set out as in Table 1 of the Committee’s Report.)**

Please see below the costs of SFA in the UK for 2011/12, 2012/13, and the projected costs/receipts for 2013/14:

<table>
<thead>
<tr>
<th></th>
<th>2011-12 £M</th>
<th>2012-13 £M</th>
<th>2013-14 £M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anningtons Rent</td>
<td>156</td>
<td>159</td>
<td>161</td>
</tr>
<tr>
<td>Housing PFI's</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Contributions in Lieu of Council Tax</td>
<td>60</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>Planned &amp; Reactive Maintenance</td>
<td>104</td>
<td>125</td>
<td>133</td>
</tr>
<tr>
<td>Upgrades</td>
<td>50</td>
<td>46</td>
<td>120</td>
</tr>
<tr>
<td>Substitute Accommodation</td>
<td>41</td>
<td>44</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>----------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td><strong>Staff Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Total</strong></td>
<td>456</td>
<td>473</td>
<td>554</td>
</tr>
<tr>
<td><strong>Income from Occupants</strong></td>
<td>(189)</td>
<td>(192)</td>
<td>(195)</td>
</tr>
<tr>
<td><strong>Net Costs</strong></td>
<td>267</td>
<td>281</td>
<td>359</td>
</tr>
<tr>
<td><strong>House Purchases</strong></td>
<td>27</td>
<td>150</td>
<td></td>
</tr>
</tbody>
</table>

9. Latest position of the use of substitute SFA including:
   - The number of families in SSFA; and
   - The number of properties purchased to reduce reliance on SSFA and how many of them are occupied.

The number of Substitute SFA properties being occupied by Service Families is 1,659 (as at 31 Jan 14). Since 2010, the Department has purchased some 930 additional SFA to reduce reliance on Substitute SFA, as well as supporting known unit moves. All are due to be delivered by 31 Mar 14. 541 have already been delivered of which 408 are occupied with a further 60 allocated for incoming families.

10. The introduction of SFA for personnel in long term relationships.

The New Employment Model is currently considering opportunities for amending housing entitlements to include personnel in long term relationships and those with caring responsibilities for adult family members. Whilst work is at an early stage, the findings will inform advice to the Defence Board on options for delivering a balanced, affordable accommodation offer.


Attached please find the 1st and 2nd quarter results from the SFA Customer Satisfaction Survey. Please note the 2nd survey covered, exceptionally, the 4 month period from Sep 13 to Dec 13 to align it with normal quarterly reporting periods.

12. The latest performance figures on the Housing Allocations Service Centre and the progress on the introduction of the “automated Self – Preference system”.

The HASC is providing a higher, and more consistent, standard of delivery than previously. It consistently meets its agreed delivery targets on allocating SFA and for telephone call answering times. The latest performance figures (31 Jan 14) are:

- 91% of applicants were offered an allocation within 15 working days;
- The average telephone wait time was 15 seconds; and
- The telephone call success rate was 98.7%

The introduction of the automated self-preference system has made significant improvements to the SFA allocation process by allowing Service personnel to see online ‘estate agent’ type details for available SFA, to register their top 3 preferences for their new home, and to book their house moves. It is now fully embedded, with more that 97% of applications now made electronically. We have recently built on the success of that system to further improve the chances of applicants being offered one of their 3 SFA preferences.
13. Progress through the Community Covenant partnership in implementing the council tax discount.

The issue of council tax, and in particular the grant of discounts from local authorities to serving personnel, continues to be raised from time to time. We therefore propose to work with the Families Federations to undertake a survey to ask their members whether they have experienced problems obtaining full council tax discounts in relation to properties that they own. Subject to the results of this survey, the Department will raise the issue with the relevant authorities and ask that additional guidance be issued to local authorities in Great Britain.

14. Progress on the next generation of the National Housing Prime Contract.

The NGEC NHP contact tenders have been submitted and evaluated. Currently the Department is in the latter stages of Contractor selection and the consequential drafting of the Treasury Clearance Note (TCN), prior to its submission in Feb 14. Depending on when approval is granted, the contract should be awarded between Apr and Jun 14 and be fully in place 8 months after Contract Award following a progressive implementation. NGEC NHP should improve the service provided to families, as well as providing improved Value for Money for the taxpayer.

15. The latest position on the Defence Infrastructure Transformation Programme including the Enhanced Operating Model.

Following the creation of the DIO in Apr 11, the Defence Board approved a significant transformation programme and DIO has been transforming through a series of related programmes of work:

- The introduction from Apr 13 of the new Operating Model (the Enhanced Operating Model), which includes a fully staffed organisation; a single set of business processes, and agreed ways of working and behaviours. Work continues through 2014 to implement a new Infrastructure Management System (IMS) to underpin the new Operating model.

- Putting in place modern contracts – Next Generation Estate Contracts (NGEC);

- Exploring the potential for working with a Strategic Business Partner (SBP).

The DIO’s “One Journey Plan” brings these areas of work together into a single, coherent and integrated plan which will enable DIO to chart the delivery of benefits and ensure that the Operating Model provides the basis for further improvement in the delivery of outputs of both services and capital projects beyond 2014.

The Department is considering appointing a SBP from the private sector to provide infrastructure support. This could help the Department unlock knowledge, skills and resources that are currently unavailable within the organisation. A number of bidders are currently being considered.
As DIO transforms, it has not lost sight of its part in the wider Defence Transformation Programme. The Footprint Strategy is an enterprise-wide infrastructure review, delivering a sequence of plans on a phased basis. The strategy seeks to identify the most cost effective approach to Future Force 2020 basing, and to achieve an affordable and sustainable infrastructure footprint of the right size and quality, in the right place, for Defence personnel to live, work and train. In developing the Footprint Strategy DIO believes there is significant opportunity to:

- Provide the infrastructure to support Future Force 2020;
- Achieve significant running cost reductions through better estate utilisation, which will enable volumetric reductions in the estate; and
- Release embedded value, currently held in infrastructure assets, back to Defence through rationalisation and commercialisation opportunities.

13 March 2014