Meg Hillier MP  
Chair of the Public Accounts Committee  
Sent electronically

Dear Chair,

ANNINGTON HOMES NEGOTIATIONS UPDATE

Following the Public Accounts Committee hearing on 14 January 2019, I committed to write to you with an update on the negotiations between the Ministry of Defence (MOD) and Annington Homes (Annington). I am pleased to confirm that agreement has been reached on a number of terms that strengthen the relationship and provide benefits to all parties, including agreeing a mechanism to decrease the number of vacant properties. This is as part of the mutual goal of working closer together on the broader defence estate.

Under the terms of the agreement, the MOD will handback no fewer than 3,500 units over seven years; Annington has agreed to waive dilapidation payments of up to £7,000 per property, which would represent a saving of up to £24.5m. Annington will continue to provide dilapidations relief on this basis beyond the initial seven year period, provided the MOD continues to release units at a rate of 500 or more per annum. In addition to this, restrictions on subletting have been relaxed which will help DIO reduce the number of void properties.

The MOD and Annington have committed to work more closely together in other areas that are of mutual benefit, including bulk lettings, redevelopments, utilities agreements and estate planning. The parties have agreed to an expedited process in place of the planned Site Review process, which is designed to produce an equivalent result to the Site Review, but in a shorter period and at a significantly lower cost for both parties. The new rent charged to the MOD will apply from the same dates as originally envisaged.

The original Site Review laid out that the leases require the rents paid by the MOD in respect of the Service Family Accommodation (SFA) to be reviewed between 2021 and 2024. Under the revised agreement, new rental charges will be produced for the SFA estate over approximately the next 24 months. The MOD will continue to pay rent at the current prevailing downward adjustment of 58% from open market levels until the dates on which the new rents become payable, which fall between 2021 and 2024.
The SFA estate has been divided into 27 baskets of sites which share similar characteristics. The accelerated process will produce a new rental adjustment for each of the baskets, which will apply to all of the sites within it. The new rental adjustment for each basket will depend on the basket’s particular characteristics. If Annington and the MOD cannot agree the new rental adjustment for some or all of the baskets between them, they will be determined by a panel of three arbitrators with significant experience in rent reviews.

The MOD looks forward to a closer, more collaborative working relationship with Annington as the parties seek to improve the provision of housing to service personnel.

Yours sincerely,

[Signature]

STEPHEN LOVEGROVE