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PERMANENT SECRETARY

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Dame Meg Hillier MP
Chair of the PAC
Sent electronically

Dear Chair,

TREASURY MINUTES 53 – ANNINGTON PROPERTY LIMITED

I am writing to the Committee because progress on a recommendation in relation to the MOD's contract with Annington Property Limited made in the Fifty-Third Report of Session 2017-19 is no longer on track.

The PAC recommendation was that the Department should develop a plan and timetable for reducing the number of empty properties to a more acceptable level, with a target of getting down to 10% within three years.

Following the PAC review in 2018, a Void Reduction Plan has been implemented and reviewed quarterly. The 10% target rate is to be achieved through a combination of both increased occupation and increased disposals of Service Family Accommodation (SFA) identified as surplus to requirements. However, the void rate reduction has been slower than anticipated - as at the end of March the void rates have reduced to 8,557 (17.85%). This has been influenced by a number of factors.

There has been a continual decline in SFA take up by entitled Service personnel within current policy guidelines. This reflects a combination of factors including reduced overall numbers of entitled personnel, evolving lifestyles where families are increasingly dispersed and less centralised around MOD sites, and increased desire for home ownership, supported by the success of the Forces Help To Buy Scheme.

The number of eligible personnel now occupying SFA continues to increase, primarily among those within long-term relationships however, growth has been slower than predicted, despite efforts to encourage applications in advance of a planned policy change to make such personnel 'entitled' from April 2023.

In addition, an unusually high number of SFA have been held void for major improvement works under the Fiscal Stimulus Programme, which has resulted in major upgrades to around 2,750 homes. Also as part of the Defence Estates Optimisation Programme (DEOP),

which seeks to rationalise the number of MOD sites, there is a requirement to retain circa 1,760 void properties in DEOP 'receiver sites' to accommodate programmed unit moves over the next 10 years. This programme will ultimately result in the disposal of c2,000 properties as current military sites are released.

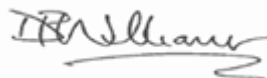
Furthermore, there are constraints in handing back properties to Annington Homes (i.e. numbers, locations and access arrangements) which preclude hand-back on a number of sites where excess stock currently exists. Examples include properties 'behind the wire' which cannot be easily enclaved from sites still in use, and a number of sites involving civilian sub-let tenants where Notices to Vacate were deferred as a result of the pandemic, delaying the point at which we could return properties to Annington in contiguous groups with vacant possession.

Taking into account the above, efforts are being made to increase both the occupation and release of void SFA as follows:

- a. Increased effort will be made to encourage take-up by 'eligible' personnel through a renewed communications plan, the targeting of SFA currently void for repair/improvement in areas of greatest demand in order increase supply, and taking increased risk in terms of reduced, localised management margins to increase stock available to 'eligible' personnel.
- b. Opportunities to utilise currently vacant SFA, required under DEOP, but not for a number of years, will be reviewed.
- c. A review of sites where significant physical, financial or legal constraints have prevented the disposal of SFA so far (i.e. pockets of SFA behind the wire and not easily enclaved from military sites) will be conducted to develop options for further development and approval.

I hope that the above explains the Departments position and demonstrates the work being undertaken to reduce voids to 10%.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'D Williams', with a stylized flourish at the end.

DAVID WILLIAMS