

HOMES FIT FOR HEROES

A housing strategy for
the modern armed forces

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Homes Fit for Heroes
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Contents

About the Centre for Social Justice	2
About the authors	3
Chairman's foreword	4
Executive summary	5
1 What is 'the Patch?'	9
2 What is proposed?	11
3 Why is MoD encouraging Owner Occupation?	15
4 Moving to a needs-based allowance	19
A flawed consultation	19
5 Towards a better solution	22
How is the circle to be squared?	23
In what direction should the individual services go?	24

About the Centre for Social Justice

Established in 2004, the Centre for Social Justice is an independent think-tank that studies the root causes of Britain's social problems and addresses them by recommending practical, workable policy interventions. The CSJ's vision is to give people in the UK who are experiencing the worst multiple disadvantage and injustice, every possible opportunity to reach their full potential.

Since its inception, the CSJ has changed the landscape of our political discourse by putting social justice at the heart of British politics. This has led to a transformation in government thinking and policy. The majority of the CSJ's work is organised around five 'pathways to poverty', first identified in our ground-breaking 2007 report, *Breakthrough Britain*. These are: family breakdown; educational failure; economic dependency and worklessness; addiction to drugs and alcohol; and severe personal debt.

In March 2013, the CSJ report *It Happens Here*, shone a light on the horrific reality of human trafficking and modern slavery in the UK. As a direct result of this report, the government passed the Modern Slavery Act 2015, one of the first pieces of legislation in the world to address slavery and trafficking in the 21st century.

The CSJ delivers empirical, practical, fully-funded policy solutions to address the scale of the social justice problems facing the UK. Our research is informed by expert working groups comprising prominent academics, practitioners, and policy-makers. Further, the CSJ Alliance is a unique group of charities, social enterprises, and other grass-roots organisations that have a proven track-record of reversing social breakdown across the UK.

The 11 years since the CSJ was founded has brought with it much success. But the social justice challenges facing Britain remain serious. Our response, therefore, must be equally serious. In 2016 and beyond, we will continue to advance the cause of social justice in this nation.

About the authors



Sir Julian Brazier MP

Sir Julian Brazier is the Conservative MP for Canterbury, first elected in 1987. After reading Mathematics and Philosophy at Oxford, he worked in industry and as a management consultant. Once elected, he served nine years on the Commons Defence Committee and between 2014 and 2016, was a Parliamentary Under Secretary of State at the Ministry of Defence. He won the Spectator Backbencher of the Year award in 1996 for leading the battle against the sale of the Service Family Accommodation, whose unhappy legacy lies at the heart of this paper. He served as an officer in the Territorial Army for thirteen years.



Professor John Louth BSc (ECON) MSc PhD ACMA CGMA

Professor John Louth is Director for defence, industries and society at the Royal United Services Institute for Defence and Security Studies. He served as an officer in the Royal Air Force for sixteen years before working as a consultant and programme director extensively throughout the defence sector, where his work included the audit and governance of the UK strategic deterrent. Professor Louth is a specialist adviser to the House of Commons Defence Select Committee and was a non-executive adviser to NDI Ltd. He teaches and supervises research at a number of UK universities.

Chairman's foreword

Family breakdown is one of the five pathways that lead to poverty, which the Centre for Social Justice has focused on for a number of years. This is particularly the case for the most vulnerable in society. Whilst we have carried out a huge amount of work into this subject, there is one group which is rarely associated with the term vulnerable, but which I believe has become so.

When it comes to our responsibilities in this area, the spotlight is hardly ever focussed on military families; notwithstanding the fact that they face unique challenges due to the nature of life within the armed forces: constant moving, inflexible work regimes, the challenges of separation due to Service commitments and the repercussions of mental illness on the whole family.

We ask the military to put their lives on the line in our defence and, as we have seen, the stresses and strains they undergo can put their families under enormous pressure too. That is all the more reason to ensure that everything beyond the theatre of war is done to allow them to maintain balance, despite such military pressures. We all have a duty of care towards the families of our Servicewomen and men.

The Government has made some progress to address the problems: the Armed Forces Family Strategy directly acknowledges the contribution that military families make to UK defence and details some of the changes that could be made to make military families' lives easier. This is underpinned by the Armed forces Covenant.

Nevertheless, we share the concern of the authors of this report that key elements of MoD's plan for family housing, the Future Accommodation Model, risk worsening, rather than alleviating, the strains on family life in the armed forces, especially in relation to the Army and RAF.

Previous CSJ reports have called for improving relationship support, supporting spousal employment and training, securing children's education, providing more resources to assist military personnel suffering from mental health issues, and improving the mechanisms that prevents servicewomen and men from falling into personal debt.

In this report, the authors highlight the weaknesses in the government's future plans for service housing and suggest a better, more balanced way forward.

This report presents an opportunity for the government to build on the good work it has already done to improve the lives of veterans and service families in other fields.

Iain Duncan Smith

Chairman, Centre for Social Justice

Executive summary

It is good news that the government has committed to a minimum of 2 percent Defence spending. Nevertheless, last year defence spending reached its lowest point as a proportion of GDP since the 1930s and its forward trajectory only rises very slowly. Resources have had to be stripped away from armed forces personnel to fund a substantial programme of defence equipment purchases. While greatly reducing numbers, substantial savings were also introduced on their terms and conditions of service and more are expected. Some of these measures, including a near pay freeze and reductions in pensions, rightly reflect wider public service belt-tightening. But service personnel have suffered in a range of additional ways too. These include higher rents, a deterioration in the quality of service accommodation, the reduction in access to some allowances and even a marked decline in the standard of food in service canteens. This paper looks at one personnel policy area which is at the core of two of our three armed services, the Army and the RAF. This is the provision of subsidised housing to enable soldiers and RAF personnel to serve accompanied by their families.

The Regular Army is shrinking. Numbers are now down to 79,000,¹ (3,600 below target) despite a rise since 2010 of nearly 1,600 personnel unfit for service but kept on the books.² Particularly worrying is the high number of bright young officers choosing to leave the service before taking up posts at the critical sub-unit command level, which has serious consequences for both professional standards and morale. Yet this haemorrhage is occurring under strong senior leadership – a new breed of generals who have commanded in combat and are introducing the reforms the service so sorely needs.

The RAF is over 1,800 Regular personnel short, a shortfall of 6 percent.³ Pilot numbers are the lowest on record.⁴ The RAF also enjoys strong senior leadership but the fact that almost the entire Executive Committee of the RAF Board, who run the service, has turned over in the last few months is an unfortunate harbinger. The shortage is containable, as the recruiting of pilots (indeed of officers across all services) is going well. Nevertheless, given the multimillion cost of training a fast jet pilot, their retention should be at the very heart of financial as well as military considerations.

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- 1 MoD, *UK armed forces monthly service personnel statistics: January 2017*, 9 February 2017, Table 3a [accessed via: <https://www.gov.uk/government/statistics/uk-armed-forces-monthly-service-personnel-statistics-2017>]
 - 2 PQ 61575 30 January 2017. See Medically Not Deployable (MND) personnel [accessed via: <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2017-01-25/61575/>]
 - 3 MoD, *UK armed forces monthly service personnel statistics: January 2017*, 9 February 2017, Table 3a [accessed via: <https://www.gov.uk/government/statistics/uk-armed-forces-monthly-service-personnel-statistics-2017>]
 - 4 The number of qualified fast jet pilots forecast to be in the Royal Air Force ... both Regular and Reserve personnel: 2016:640, 2017:620, 2018: 600, 2019:570, 2020:560'. PQ 18229 9 Dec 2015 [accessed via: <http://www.parliament.uk/written-questions-answers-statements/written-question/commons/2015-11-30/18229>]. In Jan 2017 it was announced that pilot numbers would no longer be published for security reasons. PQ HL4280 (qualified pilots) 5 January 2017 [accessed via: <http://www.parliament.uk/written-questions-answers-statements/written-question/lords/2016-12-20/HL4280>]

So, what has gone wrong?

Many commentators refer to the loss of opportunities in the Army for combat. Yet the RAF is involved in the heaviest level of combat missions since the Second World War and its numbers are shrinking proportionately faster. Annual surveys show that the most common reason for leaving is the impact of service life on family and personal life.⁵ A recent report from the National Audit Office highlighted accommodation as a particular area where Defence is critically at risk and commented:

'There is a significant risk that the poor condition of the estate will affect the Department's ability to provide the defence capability needed... poor accommodation for service families is affecting the morale and the recruitment and retention of service personnel.'⁶

The document goes on to identify two substantial holes in MoD funding. One is a large shortfall in repairs and lifecycle funding on MoD properties. The other arises from the likely increase in rents for the lease from Annington Homes after 2021, when the payments are to be renegotiated – the unhappy legacy of the sale and leaseback of much of the estate in 1996.

Against this difficult background, the MoD has developed a new policy called the Future Accommodation model (FAM). This contains a range of options, seeking to move some people out of service accommodation towards home ownership or private sector rental with an allowance, where conditions allow. Instead of being guaranteed homes at each location and at rents of subsidised level that reflects the drawbacks of service life, service personnel would be increasingly expected to settle their families where practical. MoD has conducted a major survey of service personnel based on options under FAM.

For more than a generation, most members of the Royal Navy with families have chosen to buy houses and settle their families. The Navy has managed to stem the net outflow of personnel, despite an eye-watering operational schedule. Faced with serious financial pressures on the MoD estate, this approach has obvious attractions. But it works only because of the Navy's geographic concentration, greatly reducing the need for officers and sailors to move, and the fact that the surface Navy's two largest bases, Plymouth and Portsmouth, both offer affordable housing and reasonable employment opportunities for spouses. It is to the Navy's great credit that it has stemmed the outflow of personnel despite its budgetary pressures and operational tempo. Nevertheless, simple geography bars the application of its approach to the other two services.

The families of our soldiers and airmen face two big drawbacks from service life: the difficulty in owning a home, and the greatly diminished career prospects of spouses, which further handicaps house purchase. Unfortunately, the majority of today's Army garrisons and RAF stations are not near major towns with plentiful affordable housing to buy or rent. Even more importantly, the Army and RAF are based up and down the full length of Britain and, whether or not the planned withdrawal from Germany goes ahead, we will continue to have substantial numbers of soldiers and airmen posted in Northern Ireland, Cyprus, the Falklands, Kenya and Brunei. Yet nearly all of the best staff jobs, the arms schools and all staff training are in southern England. So officers and the best non-

5 MoD, *UK Regular Armed Forces Continuous Attitude Survey 2016*, 19 May 2016 [accessed via: <https://www.gov.uk/government/statistics/armed-forces-continuous-attitude-survey-2016>]

6 NAO, *Delivering the defence estate*, 15 November 2016, p10 [accessed via: <https://www.nao.org.uk/wp-content/uploads/2016/11/Delivering-the-defence-estate-Summary.pdf>]

commissioned officers – the people whose retention is most critical for both military and financial reasons – will have to continue to be mobile.

For these reasons, home ownership can only be realistically tackled through buying and letting, with families living in MoD accommodation for at least part of the service person's subsequent career. This is the route much of the RAF and a growing part of the Army has gone down. Yet the 'Help to Buy' scheme is specifically aimed to encourage service families 'to set down roots and get onto the property ladder'.⁷ As a result, it introduces considerable restrictions in letting the property if the individual is posted. In addition, service personnel have been given no exemption from the income tax penalty on landlords introduced in 2015.

As a consequence, good quality, subsidised accommodation for the families of most soldiers and airmen, whether homeowners or not, is crucial, and reducing it will further weaken the offer to families. Ironically, it is proposed at a time when the maintenance of service homes – a major grievance in recent years – is at last beginning to improve. The 'Patch', as it is called, is also important in maintaining a supportive environment for service families while units are on operations or long exercises. Service families are often based a very long way from their original roots.

Unlike civilians, the armed forces have no public voice or unionised status. For obvious reasons, the very group of people who the country asks to do the most difficult and dangerous tasks are also the group who are least able to defend themselves and their families. This imposes a wider duty on government, Parliament and the nation to look after their interests. The formalisation of the Armed Forces Covenant was meant to recognise this. But the heart of that covenant for most families, at least in the Army and RAF, is now under threat as MoD consults on moving away from the principle of universal availability of affordable, quality homes for them.

It is about justice, but not only about justice. One of the most unwise features of all the options is that the new allowance, designed to replace some of the actual housing, would be wholly based on need, i.e. the number and age of children. This would greatly diminish the offer to officers coming up the critical middle rank of Major or Squadron Leader and to the first 'break point' for pilots. Typically in their early to mid-30s, these people may have no children or have only just started families and so would get a small allowance instead of a reasonable-sized house. Yet this is arguably the most critical cohort for retention, both in terms of investment in training and professional standards.

This report sets out to suggest why FAM is pointing in the wrong direction at least for the Army and RAF. MoD must rebalance its budget to cover the shortfall in its housing budget, not pursue fanciful alternatives. This author believes that we need to spend more on defence in this very dangerous world. Whether we do so or not, the worst option is to blind ourselves to financial reality and try to keep larger forces than the resources available will cover. If we do so, the Army and RAF will continue to shrink. Instead of smaller but highly professional forces, we risk having equipment manned by a diminishing and unhappy pool of people.

⁷ *The Telegraph*, 'Armed Forces personnel to receive help with deposits on homes', 27 September 2013 [accessed via: <http://www.telegraph.co.uk/news/uknews/defence/10340650/Armed-Forces-personnel-to-receive-help-with-deposits-on-homes.html>]

This report will outline some affordable ideas to address several concerns, including improving the lot of those who buy-to-let and settle later, and the issue of unmarried families. We must not shoehorn the Army and RAF into an approach that is incompatible with their geographic footprint, and watch as the exodus of the brightest and best worsens. Instead, we should sort out the anomalies in the tax system for service 'landlords' and the perverse incentives in Forces Help to Buy to achieve an evolutionary change.

The authors are cognisant of the work ongoing under the banner of the Armed Forces Covenant to review and develop commercial products that would assist military families into home ownership. We welcome this and the choices it offers Servicewomen and men at certain points within their careers. The argument made in this report, sits harmoniously with that critical notion of choice, although securing an exemption from the new landlord tax will be important in delivering an affordable option of buying to let.

chapter one

What is 'the Patch?'

The pace and pattern of service life, with personnel away for long periods on training and deployments, is a strain on family life. Patch life provides a physical and emotional infrastructure which supports families while service personnel are away. This is especially important in the Army as its age profile is younger and its junior ranks often contain a larger number with limited education, in a way the other two services do not. In all three services, many personnel are based a long way from their original homes. As a constituency MP for what was a garrison city, one of the authors, Julian Brazier, saw the key support this arrangement provided for families of casualties on active service. He remembers, on one visit to the patch at the then Howe Barracks, a conversation with a small boy whose father had just been wounded by a sniper in Iraq. The fact that the friends he was playing football with all had fathers on the same operation provided a supportive bubble at a very difficult time.

Anecdotally, mobility has actually risen over the past generation. Officers in mid-career whose average tours have been less than 18 months are now common. The vast majority of the best Army staff jobs, courses and all staff training are provided for officers in the southernmost portion of England south or close to the M4 and in, or west of, London. The same point can be made about the RAF. Yet, under the projected geographic basing strategy, more than half the Army and most of the RAF will be based outside that restricted area. So an Army officer whose unit is in our largest base, Catterick in North Yorkshire, or Scotland or Northern Ireland, can expect to be posted a very long distance to southern England for staff jobs and training courses. So most officers of 'regimental' age will continue to have to be highly mobile. All the combat elements of the RAF are also a long way from High Wycombe, Northwood and MoD where most of their staff jobs are.

The situation of the Royal Navy is very different. Other than submariners,⁸ almost all seagoing jobs are based in Portsmouth or Plymouth. Naval staff jobs are mostly in Portsmouth, Northwood and the MoD, so the requirement for mobility is greatly reduced. However, the naval family certainly does not have an easy life. For obvious reasons, naval personnel are away from home for a much larger part of their service, meaning that dissatisfaction with the impact of service on family life is even higher than the other two services. But, crucially, the policy of encouraging families to settle in the Navy's two great home towns, where they can buy homes and often enjoy two good incomes like civilians,

8 Once the relocation of the underwater flotilla is complete, all submarines – and most training posts associated with them – will be at Faslane. This leaves one small crucial group, submarine officers with a serious problem, as their staff training and jobs are in southern England but means a high level of stability for other ranks.

works well,⁹ despite the strain on family life. The exception are the submarine corps, whose ratings will shortly be wholly based in Faslane, but whose officers will travel the length of the country to their staff training and postings.

⁹ The proportion of Army officers citing spousal/partner employment as an increased reason for leaving the service was 19% higher than the Royal Navy. Even for other ranks the Army is fractionally higher, which is remarkable given that – because of its much lower age profile – far fewer soldiers have spouses and partners. See MoD, *UK Regular Armed Forces Continuous Attitude Survey 2016*, 19 May 2016, Annex B, Table B14.8 [accessed via: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/523965/AFCAS_2016__ANNEX_B_Reference_Tables.pdf].

chapter two

What is proposed?

The Future Accommodation Model (FAM) embraces a series of options, each including two main elements to varying degrees: boosting the proportion of owner occupiers in all three services, and moving a proportion of service families from SFA (the Patch) onto a system of allowances designed to support rental accommodation in local towns. A consultation exercise on it was conducted last autumn, and is discussed below.

The principle behind FAM is a drive to try to achieve greater family stability, that is to say families staying longer in one place. It is not always clear from MoD pronouncements to what extent this is meant to embrace separated service for personnel who have to move after a family has settled. The vision is that greater stability should improve opportunities for house purchase to levels comparable with civilians, improve spousal employment patterns, and reduce disruption to education.

Encouraging families to settle and become owner occupiers has been the policy in the Royal Navy for more than a generation. The Forces Help to Buy scheme, aimed at all three services, was launched in 2014. This seeks to address both the considerable concern service personnel share with their civilian counterparts about missing out in a rising housing market and the issue that service personnel feel severely disadvantaged by their mobility. More importantly from MoD's angle, it offers savings by reducing the need for family accommodation.

Unfortunately, for soldiers and RAF personnel considering owner occupation near their place of duty, there are three obvious factors they must take into account: the availability of affordable local housing, good quality job opportunities for spouses and, if the family wishes to stay with the Servicewomen or men, the prospect of genuine stability. These simply cannot be met for many of those who are young enough to be serving in units, with the laydown of the Army and the RAF – both at present and as planned.

Most Army units today in mainland Britain are in a few large garrisons. Most of these garrisons and most RAF stations in mainland Britain have no local housing conurbation large enough to service the base without distorting house prices and rentals. This applies to both our largest garrisons, Catterick and Tidworth for example, and to all three of our remaining fast jet fighter bases, in Norfolk, Lincolnshire and Lossiemouth in northern Scotland. Of the few garrisons which do have plentiful housing, the largest is Aldershot, where it is unaffordable for the majority of military personnel. For those in Northern Ireland and overseas, the local purchase/rental model is acknowledged to be unworkable. Arguably, the one large garrison which combines affordable housing and good spousal employment is Colchester, home of 16 Parachute Brigade which, for military reasons, needs to retain a higher turnover than usual.

If an Army or RAF officer based in say Scotland, Yorkshire or Lincolnshire buys a house to become an owner occupier and is posted to a staff job or course, they are faced with either leaving their family behind, two very expensive house moves (for a short posting) or letting the property. The latter is the only realistic option, if they want to keep the family together. An NCO posted from Scotland or northern England to an arms school in southern England faces exactly the same problem. Staff training and jobs are essential for career officers and the quality of Senior NCOs at arms schools is critical for the Army's professionalism – and opportunities for such postings are important for a senior NCO's career. Take, for example, two facilities in Wales, RAF Valley, which provide fast jet fighter training in Anglesey and the Army's Brecon training facility. Both are critical for professional standards in their respective services, in developing pilots and infantry officers and NCOs respectively. Both need to attract the cream of officers and in Brecon's case, NCO instructors. Yet there is no fast jet unit based near RAF Valley and very little Army presence near Brecon.

Yet those who have participated in Forces Help to Buy are handicapped in trying to let their properties. A condition of participating in the scheme is accepting extremely burdensome restrictions on this, even when you are posted a long way away.¹⁰ Compounding this, in 2015, the Treasury introduced an income tax penalty for landlords.¹¹ Nationally, this is a good policy designed to level the playing field in favour of first time buyers against commercial landlords. But, despite the Armed Forces Covenant, service 'landlords' buying the only home they own have not been exempted. This makes the arithmetic for a soldier or airman who buys and is posted a long way away even more precarious than before, if he or she chooses to take their family with them. Instead many start by leaving their family behind and end up leaving the service. With interest rates exceptionally low, service families have swallowed this tax penalty as just one more injustice which comes with uniformed service. When interest rates move up again to more normal levels, it can only increase pressure to leave.

A system which encourages officers and senior NCOs to put down roots where their current units are would inevitably make postings to critical staff jobs or arms schools highly unattractive to families. Yet these posts are some of the most important in the Army, enabling higher command and instructing the next generation. Furthermore, mobility for officers and senior NCOs is important for professional standards in other ways too. If, for example, a Royal Engineers NCO's career took place in a specialised unit in one location, professional standards would suffer as units became inflexible and technical thinking became ossified.

10 They can apply to let on a JPA Form E035a. This is far from guaranteed and is hedged about with burdensome conditions eg 'Service personnel assigned overseas or in Northern Ireland who choose to maintain their entitlement to SFA ... they will be expected to occupy the property purchased ... with the assistance of FHTB at weekends and/or during periods of leave... For the duration of their next permanent assignment to the UK, they will not be permitted to let the property out; either they or their immediate family are required to occupy the FHTB property in accordance with para 1214a.' MoD, *JSP 464, Tri-Service Accommodation Regulations*, vol 1, 6 February 2017 [accessed via: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/589169/20170206_-_JSP_464_Volume_1_Part_1_-_Version_6.pdf]

11 Rent continues to be taxed at marginal rates – 40% for the majority of those who can afford to buy, but mortgage interest is relievable on a reducing scale falling to 20% in three years' time, a heavy penalty when family income has often been hammered by loss of spousal income.

Last year, the three Families Federations carried out their own surveys, after cross checking their question sets with MoD. The RAF Families Federation observed:

‘...it is clear that SSFA management is currently poorly delivered, leading to most if not all respondents replying negatively. Again, this has led our personnel to judge future options against the current poor performance. Interestingly, despite the underwhelming performance of DIO/CarrillionAmey, there is still a positive message with respect to the future need and provision of SFA.¹²

The Army Families Federation (AFF) went further and published its own manifesto.¹³ While it (unsurprisingly) supports some extension to unmarried families, it lists among its top five concerns:

- Continue to make SFA part of the offer to all mobile Army families.
- Offer all families support to secure appropriate, affordable and timely accommodation.
- Ensure that SFA patch life is maintained as a cornerstone of support to families.

Yet, under FAM, all these would progressively disappear at many locations.

RAFFA identified a process concern that in the process of checking the questions with MoD some of their neutrality had been lost.

‘Finally, we did not choose these questions but we recognise some them are leading’ and in other cases ‘closed’, promoting a certain response.’

The feeling that the MoD’s own survey was designed to encourage a particular outcome is also widespread in the Armed Forces. Despite the involvement of a professional pollster, reading the questions it is difficult not to agree (see ‘A Flawed Consultation’ below).

Unsurprisingly, the Royal Navy Families Federation was broadly supportive of the case for change. A majority of their families are already owner occupiers and could benefit from extra allowances being mooted. However, of the minority who don’t already own homes, but would like to do so, 55% want to buy in locations away from where they are based. This reflects, presumably, two groups who suffer similar problems to the other two services. First, the Royal Marines were included in the Naval Families Federation Survey. They are based between southern England and two Scottish bases, including the remote Arbroath. One of their English bases, Poole, has very expensive housing and poor spousal employment and so is wholly unsuitable for owner occupation. In future all submarines will be based at Faslane near Glasgow. Officers can expect to undertake staff training and jobs in southern England, like Army and RAF counterparts, while English sailors may not wish to settle north of the border at the end of their careers.

As in the Royal Navy, the majority of RAF families have bought houses but with a crucial difference. A recent survey by the RAF Families Federation found that an astonishing 37% of their respondents were property owners *living away from their properties*, against only 9% owner occupiers. Only 21% of house owners had selected the area they looked for housing in because it was near their own RAF station or another RAF location.¹⁴ Instead,

12 RAF Families Federation, *The Future Accommodation Model 2016*, 3 October 2016 [accessed via: http://www.raf-ff.org.uk/images/library/files/Future_Accommodation_report_for_website_3_Oct_16.pdf]

13 Army Families Federation, *Manifesto, The Future of Army Housing*, 2016 [accessed via: http://www.aff.org.uk/linkedfiles/aff/army_family_life/housing/fam/affmanifestofamfinal.pdf]

14 RAF Families Federation, *The Future Accommodation Model 2016*, 3 October 2016 [accessed via: http://www.raf-ff.org.uk/images/library/files/Future_Accommodation_report_for_website_3_Oct_16.pdf]

many had selected properties either near their original roots or in the area they had chosen to (eventually) retire to. The sample was self-selected so may not be fully representative, but it still shows the pattern of RAF service. The same survey shows the major reason for property ownership to be, not surprisingly to *provide a home on leaving the service*. This, not a desire to be immediate owner occupiers, is the key issue.

Many Army families are in the same position. Help to Buy's focus on owner occupiers, in the same fashion as the civilian scheme, is failing to help the very people the service most needs. The family can only continue to be occupiers if the Servicewoman or man leaves them behind and commutes weekly to the new job. Many people will not want to split up their family by putting them in the house they own while they move on, if an officer is posted to a staff job or a senior NCO to, say, Brecon or Chatham – both a long way from the rest of the Army.

chapter three

Why is MoD encouraging Owner Occupation?

Spending on Defence is at least nominally at 2 percent of GDP and higher than nearly all our European neighbours. Yet that is the lowest proportion of GDP since the mid-1930s, with an almost flat profile from the nadir in the last financial year. Against this background, MoD has embarked on an ambitious programme of equipment purchase. This has squeezed the funds available for personnel.

Under the Levene rules, the executive boards of the three services have rightly been given much greater control over their services and budgets. The centre continues to control pay and most conditions of service, however. While, the service boards have some flexibility around, for example, retention bonuses, the basic levels of pay, main allowances and pension arrangements are all set centrally, mostly guided by the advice of the Armed Forces Pay Review Body. The expert civil service support needed to tackle the intransigent problems in this area is all held in the centre too. It is time we questioned whether a structure designed to deliver a one-size-fits-all approach across services whose geographic footprint is so very different, is serving the armed forces well.

The 'purple', i.e. central staff responsible for developing policy in this area, is headed by a three star officer (Lieutenant General or equivalent) and otherwise almost wholly composed of civil servants. It is developing policy against a series of extremely difficult headwinds, including the extreme funding position.

The National Audit Office commented in their recent report:

'To manage the estate within its budget, the Department has made decisions that subsequently offer poor value for money in the longer term, including the 1996 decision to sell and lease back the majority of Service Family Accommodation, which is now limiting the Department's ability to manage this element of the estate cost-effectively.'¹⁵

The decision to sell the SFA estate in 1996, yielded a then huge one-off payment for John Major's government of around £2 billion pounds.¹⁶ Its effect was for twenty five

15 NAO, *Delivering the defence estate*, 15 November 2016, p6
[accessed via: <https://www.nao.org.uk/wp-content/uploads/2016/11/Delivering-the-defence-estate-Summary.pdf>]

16 Although this money was publicly scored as an enabler for the MoD's forward equipment programme almost all of it disappeared into central funds, apart from a token sum allocated to MoD for housing improvements, around £100 million.

years to drain the MoD of 'rental' stream equivalent to 40% of the market value of the properties. (The actual rent levels charged to service tenants are calculated and paid wholly independently of this). It gets worse. In 2021, and thereafter every fifteen years, a rent review is due. The rental levels paid by the MoD to Annington are likely to move up from 40% of market levels to a higher proportion. This is because, under the terms of the lease agreement, the factors used to calculate the discount reduce after 2021. This likely extra cost in perpetuity is another major driver for change in MoD housing policy. In what is effectively the largest PFI in history, the government of 1996 saddled our defence budget with a perpetual drain in income which accelerates in 2021.

At the same time, there has been widespread and much publicised dissatisfaction with the management of the housing estate. Stories in the media abounded of service personnel returning from exercise to find their families shivering with broken boilers or spending weeks waiting for cookers to be repaired. The MoD signed two contracts in May 2014 with CarillionAmey, together worth around £780 million over five years.¹⁷ The next month, the MoD signed a contract with a consortium led by Capita to be the strategic business partner for the DIO. At the time the MoD said the ten year contract would be worth about £400 million.¹⁸ Both companies have been generously paid under the arrangements. Yet both contracts are severely criticised, in Capita's case by the NAO in the same report, while a recent Public Accounts Committee report is scathing about the work of CarrillionAmey and the MoD's inability to hold them to account under the contract. The NAO says:

'The Department also considers that the partner has failed to manage certain key contracts adequately or improve internal controls effectively, and that many stakeholders across defence have lost confidence in DIO's ability to deliver the requirements of the Commands. The Department acknowledges that some factors have been outside the partner's control, including the underfunding of the estate and decisions that the Department has taken in the past.'¹⁹

The report concludes:

'There is a significant risk that the poor condition of the estate will affect the Department's ability to provide the defence capability needed... The Department's inability to invest sufficient funds may jeopardise the delivery of new and existing capabilities. The Department now faces a shortfall of at least £8.5 billion in its future funding for 'lifecycle replacement costs'... over the next 30 years... This... could reduce operational readiness. Furthermore, poor accommodation for service families is affecting the morale and the recruitment and retention of service personnel.'

The report rightly gives credit for the MoD's recent estate rationalisation programme, reducing the burden of unnecessary holdings of land and buildings and realising receipts, and making much-needed land available for civilian housing. Nevertheless, in perhaps the most depressing section, it comments that the MoD is looking at options for a fresh Private Finance Initiative to bring in extra funds, thus giving yet another twist to the downward cycle of each generation selling out the next.

17 MoD, '£1.1 billion defence estate contracts awarded', 12 May 2014

[accessed via: <https://www.gov.uk/government/news/11-billion-defence-estate-contracts-awarded>]

18 MoD, 'DIO awards contract for strategic business partner', 9 June 2014

[accessed via: <https://www.gov.uk/government/news/dio-awards-contract-for-strategic-business-partner>]

19 NAO, *Delivering the defence estate*, 15 November 2016, p9 [accessed via:

<https://www.nao.org.uk/wp-content/uploads/2016/11/Delivering-the-defence-estate-Summary.pdf>]

Accentuating both these problems is the issue of vacant MoD housing stock. Currently, the MoD is reducing this from over 20% with estate rationalisation. But because the proportion of eligible people, both in total and at particular ranks, varies, under current policy, the MoD is obliged to keep an overbearing of vacant, but potentially needed, properties of around 10%, higher than any civilian housing provider would regard as acceptable.²⁰

A separate issue is the complex problem of unmarried families. The armed forces reflect the widespread changes in family life prevailing outside. Their accommodation policy does not. At present, service family accommodation is allocated on the basis that house sizes are determined for officers by rank and soldiers by family size, with a special arrangement for the most senior other rank, the Regimental Sergeant Major. This is confined to those who are married. It is widely felt that this should be extended to couples who live together.

Indeed some allies, such as Australia, have changed the rules to accommodate changing society. Nevertheless, whatever view is taken on unmarried families, it is important that any change is carefully circumscribed to prevent a runaway increase in cost. The Australian system allows a couple who can offer proof to the Serviceperson's commanding officer of an established relationship, to occupy family accommodation with the children they are legally responsible for. However hard hearted it may seem, against a background of extreme financial stretch, we have to beware of unaffordable 'mission creep'. For example, if a Serviceman or woman takes on a partner in a short term relationship who has children from earlier relationships, can the MoD really pay to accommodate them all? Again, what about biological children whose prime carers are not the couple concerned but to whom one of them has access. Unfortunately, the MoD survey hints enticingly at FAM greatly extending coverage to new and growing groups, without spelling out that, within fixed resources, this can only be at the expense of existing beneficiaries of the system.

Another factor is the backwash from a recent change in the system for charging for rents. The new approach is called the Combined Accommodation Assessment System. In principle, this moved the outdated way of assessing properties towards a simpler, more transparent one. The principles behind it were supported by the various service Families Federations. Unfortunately, the assessment process appears to have gone adrift for large numbers of properties, with identical streets being valued differently. More importantly, rather than a balanced process, 81% of families saw rent rises. Indeed the Armed Forces Pay Review Body has expressed concern that so many families face a series of large rises in rents, against a background of pay restraint.

Most important of all, the final major driver for policy change is the widespread aspiration to own a home. Failing to achieve this at a comparable age to civilian counterparts can significantly diminish a couple's standard of living for the rest of their lives.

It is difficult not to sympathise with MoD ministers and their advisers as they try to construct a policy for housing and family life for the next generation of service personnel. On the one hand, they are trapped between a desperate shortage of funds brought about by the raid on their assets in 1996 and a history of underinvestment in maintenance, accentuated

20 'Departmental policy is for 10% of properties to be void, and we will reduce the existing 20% to 10% from a combination of disposals, demolitions, leasing and housing of Service personnel returning from Germany', PQ 38976 (married quarters) 8 June 2016 [accessed via: <http://www.parliament.uk/written-questions-answers-statements/written-question/commons/2016-06-03/38976>]

by the flawed 2014 contracts with Capita and CarrillionAmey. On the other hand, societal trends are making life complicated and expensive in civilian life. And they are trying to do it all against the stresses and strains on service families peculiar to the armed forces.

Nevertheless, the fact that things are bad now does not mean that unwise change cannot make them much worse. That is the risk the Army and the RAF face: a dislocation to the cohesion of the patch and, potentially, far-flung and unsupported families. Add to this one further, critical issue.

chapter four

Moving to a needs-based allowance

The proposal is that allowances should be needs-based rather than rank-based. This would be a considerable blow for the remuneration package for the critical category identified earlier, officers coming up for promotion to sub-unit command and pilots coming up to their first break point.

Servicemen and Servicewomen would lose the one immediate advantage their family has over a civilian counterpart. That is good quality subsidised accommodation and being in a community of their peers. In compensation for the hurdles they face in home ownership and spousal employment, they would now be offered a small allowance.

This is a huge step backwards in retaining the people we most need. The command elements who are the lifeblood of fighting services would lose, as would people from pilots to regimental sergeant majors, who happen to have few or no children. The big gainers would be unmarried junior ranks with large families.

The US Armed Forces run a parallel system of allowances for bases where insufficient SFA exists but it is firmly subject to several parameters. The allowance, like the housing, is principally graded by *rank*, in arguably the world's most overtly egalitarian society. It is also set at a generous level and it is accepted that in those areas where houses are scarce or expensive (e.g. Washington), it cannot operate. Accommodation in America is typically cheaper to buy or rent than in many parts of the UK anyway.

A flawed consultation

Last autumn, the MoD sent out a survey to test opinion in the armed forces on a range of options. The process was complicated by the fact that the goalposts have already moved with the number of options growing from four to eight. Nevertheless, all the options were based on a shift, to a greater or lesser extent, away from SFA and towards greater home ownership and allowances. The MoD has just published the results of the consultation. It suggested that 55% of service personnel supported a move towards FAM, roughly double those opposed to it. Unfortunately, there were two major problems with the exercise.

First, within a fixed budget, each of the variants of the new scheme offers several large groups benefits, which is likely to make them support it when consulted. Yet, not all of these groups are as high a priority for retention in the service as those who will lose out.

Among the proposed winners are those whose service is relatively static *and in areas with affordable housing*, arguably the group least likely to leave. A second group is those with large families but few career prospects. The largest such group is those who are unmarried or have children who are not their legal dependants –the options hint at a much better deal without being clear how far it can affordably go.

All these groups will see personal gain in the new arrangements out of a tight fixed budget, gained at the considerable expense of others – including the rising young officers (unless they happen to have had large families early), and expensively trained pilots, who are the lifeblood of the future fighting force. So the net effect will be to target the precious and overstretched funds available for housing away from the groups we most need to retain. No private sector company would succeed if it managed its remuneration and retention policy in this fashion.

The second problem is that the questions in the survey were leaning towards a particular outcome. Despite the involvement of a national polling organisation, this was one of the major concerns among service personnel, and a theme in a recent Parliamentary debate, led by Anne-Marie Trevelyan MP,²¹ Chair of the All-Party Covenant Group. To take some examples: respondents are reminded on the face of the document of dissatisfaction with current arrangements, thus bringing to mind maintenance issues for many, but there is no hint anywhere that maintenance problems are frequently worse in the private sector. Nor does the document say that the MoD will be probably washing its hands of such issues under the new model – unlike the Australian system where each property leased through the Defence Housing Authority is managed by that efficient and generously resourced body. Yet if the MoD was to take that responsibility on, the cost would rise considerably. The gap between the vision the survey conjures and reality is best expressed in the statistic that, for those who would choose not to live in SFA housing, quality is the top reason for that choice (73%). The idea that an allowance, set at a level the MoD can sustain, is going to make superior accommodation near most of our bases affordable is simply illusory.

In the same way, the document refers to the prospect of home ownership in a dozen of its questions, something service personnel are extremely concerned about. But it never says that personnel are likely to be settled in areas where they cannot buy locally, indeed the MoD is relinquishing many of the best locations for local house purchase such as Ripon, Chester and Maidstone, while enlarging isolated super garrisons like Catterick.

Bringing these points together, the lengthy survey does say at the beginning that the current accommodation system is becoming unaffordable and there will be no *reduction* in the pot of money available. As respondents go through it, it identifies the groups of potential gainers and new allowances (e.g. for travel from a purchased home), but it never makes it explicit that money for every new group has to be funded from other parts of the package because there will be no new money. Any set of proposals which highlights the upside and conceals the downside is likely to be popular. The most important statistic in the survey is that 62% of people knew nothing about FAM before carrying out the survey – and it is likely that most of the rest knew very little.

21 HC Deb 19 Oct 2016 vol 615 cc 367–75WH [accessed via: <https://hansard.parliament.uk/Commons/2016-10-19/debates/16101958000001/MinistryOfDefenceFutureAccommodationModel#contribution-2DD01867-21A6-4B43-B197-71F8B1762BB3>]

The MoD continues to say that nothing has been decided, yet has made it clear that this survey is its main evidence base for developing its policy.²² It has also used some definitive sounding language in its recent publications. For example, 'The accommodation allowance of tomorrow will be provided based on their need, regardless of age, rank or relationship status.'²³

22 See, for example, HC Deb 2 Feb 2017 vol 620 cc 1239–92 [accessed via: <https://hansard.parliament.uk/Commons/2017-02-02/debates/72F1C37B-0E33-412C-9B04-46079901610E/ArmedForcesCovenant#contribution-442205BE-88CF-47AF-AEE0-443C73E89758>]

23 Armed Forces Covenant, *Annual Report 2016*, 2016, p41 [accessed via: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/588140/30012016_AFC_Report_FINAL_WEB.PDF]

chapter five

Towards a better solution

The MoD has taken one important step to reduce the scale of the problem. The recent exercise to reduce the estate involved some painful decisions but selling off land and estates, where there is genuine surplus, must help to balance the books. Nevertheless, any long-term solution must start from the requirement to face up to the two large funding gaps identified by the NAO: the consequences of the 1996 sell-off and the backlog of repairs and underinvestment. We can be more efficient but the gaping hole left in the MoD's finances by the Treasury raid of 1996 cannot be made to go away. The MoD faces a significant increase in payments from 2021 to Annington, in perpetuity. Meanwhile, the backlog of repairs has to be met under the leaseback agreement, before houses can be handed back to Annington anyway. If the MoD decides it does not need them for service families, it still has to spend the money.

It is time to plan for generations ahead, rather than going even further down the slippery slope identified by the NAO: getting short term relief by making long term problems even more difficult. That is the slope we have been sliding down since 1996. This means recognising that SDSR 2015 had a hole in it. The MoD achieved a better than expected settlement against a very trying fiscal background, but the ambitious plans for equipment purchases were scored against expected further savings from personnel budgets. These are unachievable. Indeed, this problem can only be dealt with by the transfer of more money into personnel budgets. This will be painful, although it is hundreds rather than thousands of millions per year, a price that must be paid if we want professional armed forces we can remain proud of.

Given the worsening strategic context, we believe that we need to raise defence spending. Even an increase to 2% of GDP on our traditional yardstick (i.e. excluding factors like war pensions and intelligence service costs) would comfortably cover this shortfall. Yet, if that money cannot be found, either some painful decisions have to be faced up to on equipment plans or we have to settle for even smaller Armed Forces. **The worst option, by far, is to allow further shrinkage by default, through a continuing haemorrhage of the brightest and the best from the Army and the RAF.** Those who can command good jobs in the civilian world are often heading for the door first. This will not just leave us with smaller Armed Forces. We will have less professionally capable services, as it is the middle ranking officers and senior NCOs who play the critical role in determining standards and fighting spirit.

Nobody joins the Armed Forces to get rich but the Future Accommodation Model offers a deal for the young officer or NCO starting a family which simply will not fly – more broken families, poor housing – and with little prospect of improvement in living standards through better spousal employment.

Charting a better path is not just about money, although money is crucial. It is also about addressing governance and management of the MoD's housing stock. This has been identified by the NAO and acknowledged by the MoD (several times in the last few years). At the centre of this is a dilemma. On the one hand, decentralisation resulted in chronic underinvestment in the past generation, as individual services, strapped for cash, struggled to keep their training budgets alive. Cutting training really is the fastest way to professional suicide but somehow repairs always came bottom priority. This point is put forward by the NAO as a key reason for holding decision-making in the centre. Furthermore, the existence of the challenge with Annington Homes provides another argument for centralisation, as does the issue of economy of scale in dealing with major infrastructure.

Nevertheless, the needs of the three armed forces are profoundly *different*. To pretend that the footprint of the Army and the RAF allows them to copy the Navy will drive more people out of the service. Personnel policy crafted centrally will fail *by design* for this simple reason. Furthermore, at a more mundane level, the chronic muddle in the maintenance contract, which has caused so much misery for service families, suffers from being held in the centre instead of by the commands who are responsible for the families. Given adequate support, they should be better placed to understand how to reward and penalise performance by a contractor. Delegating them should build on the progress which CarrillionAmey have already made.

How is the circle to be squared?

There needs to be a clear split between a few strategic elements held in the centre and the rest of policy and management delegated to the commands. The Annington contract and the payments it involves need to be held in the centre, together with major new infrastructure projects. Each service should then devise its own family/housing policy and bid for the long-term funding for it. In the face of clear failure in the current arrangements, contracts for maintenance should revert to the services and commands, but subject to careful audit from the centre. A recent announcement by the MoD²⁴ suggested that a much greater degree of delegation is planned in April 2018, if practical. This would be an important step forward but the announcement gave little detail and was heavily caveated. Much of the Chief of Defence Personnel's Department should be delegated to strengthen the professional advice available to the individual Chiefs of Staff, especially to the Army which has more than half the total service manpower, to make this work.

²⁴ Written statement 13 Jan 2017 vol 619 c WS410 [accessed via: <https://hansard.parliament.uk/Commons/2017-01-13/debates/17011335000005/DefenceInfrastructureReform#contribution-B678591F-8786-4D61-8A2B-9767D24F7046>]

In what direction should the individual services go?

The Royal Navy's policy would probably be close to that which it has been for many years. The Army and RAF need to hold onto their 'patches' which play such a central role in maintaining the fabric of family life in peace and war. The AFPRB should continue to be able to set rents at levels where officers and soldiers enjoy a real reward for the penalty they face in loss of spousal earnings and deferred opportunities for house purchase. This will cost money but is a feature of service in our counterpart countries, such as America and Australia, where the discount to the service family is generous and maintenance is well managed. This is needed if we are halt the loss of the brightest and the best.

Instead we need to rebalance the budget between personnel and equipment, remove the perverse regulations from Forces Help To Buy so people who own a property are always allowed to let it, and accept that many will buy in locations they may never serve in. We should also soften the requirement for recipients of FHTB to repay the loan on leaving the service.²⁵ Clearly this retention measure should be tied to service but surely those who go on to serve a full career should not be required to accelerate payment of any outstanding balance. More importantly, we must give service landlords who only own one home the same tax treatment as civilian owner occupiers, whether they live in that home or not. This latter is surely a straightforward Covenant matter as Forces home buyers are severely disadvantaged by their service. An Australian style scheme for long term partnerships may be made to work affordably, as long as it is carefully circumscribed to check that a relationship has lasted a reasonable period and that the MoD does not pick up the bill for a whole range of children of whom the service personnel do not have custody.

There may be some limited scope for an allowance for private letting but *only if it is rank-based*, for officers, as, for example, in America. It could be used to cover the margin currently provided by the expensive overbearing of empty properties. So where an unusually large number of individuals of a particular rank arrive in a location, someone will have to wait in civilian accommodation for a while. Small numbers should not put pressure on rents in the usually very limited, local communities near to our major garrisons. For all three services, rents should continue to be set by the Armed Forces Pay Review Body.

Of course, personnel changes need to reflect much more than provision for accompanied service and housing policy. We really could reduce instability if we could find ways of delivering more courses in units, franchised by the training schools. It would also be motivating for the officers running them and provide valuable preparation for delivering such courses abroad as part of the MoD's contribution to soft power. The Army has already made progress on this for the Army Reserves and is looking at applying it more widely to the Regular component too.

Such initiatives should help to stem the flow of talent, but they are of limited value unless we face the fact that successive British governments faced up to in the 1950s and 60s as Britain moved away from conscription. The leadership elements of professional armed forces need to be mobile if personnel are to follow careers needed for the services and their own needs, and this is expensive. This is one of the reasons why most of our closest

²⁵ MoD, *JSP 464, Tri-Service Accommodation Regulations*, vol 1, 6 February 2017 [accessed via: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/589169/20170206_-_JSP_464_Volume_1_Part_1_-_Version_6.pdf]

allies, including America, make more use of Reserves. The Reserve components of all three of our services are steadily expanding. Size of both components is important but, whatever its size, the Regular component must be organised and funded in a way that attracts and retains good quality people and allows their professional development. Britain recognised this when we moved away from conscription in the late 1950s. Allies like the USA and Australia continue to recognise it. Germany is committed to rebuilding its armed forces, reversing years of decline in funding. Conscription ended there in 2011 and at the heart of their new professional model is a heavy programme of investment in service accommodation. They are moving in exactly the direction we moved in, during the late 1950s and 1960s, as we professionalised our Armed Forces.

The Royal Navy has been able to achieve remarkable retention and savings because of the decision to concentrate that service geographically. That approach is barred to the Army and RAF, with their dispersed footprint. Trying to squeeze more out of the defence budget by sending those two services down the same road, while their personnel are stationed up and down mainland Britain and further afield, as FAM proposes, is deeply unwise. The prospect is already helping to fuel the exodus of talent, as too many servicemen and women vote with their feet. We owe them better.



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