The Home Front
The Future Accommodation Model for the UK Armed Forces: Obligations and Choices for Service Personnel and Families

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About the Authors
The Ministry of Defence (MoD) is currently testing various options for reforming Service Accommodation through an initiative known as the Future Accommodation Model (FAM). This paper is focused primarily on potential policy changes relating to Service Families’ Accommodation (SFA) under FAM, which could profoundly change the accommodation offered to service families in the twenty-first century.

Recommendations

In the short term:

1. The armed forces should give increased priority to families’ accommodation within the employment offer. In particular, increased financial and MoD management resources should be allocated to families’ accommodation.
2. An Armed Forces Covenant Programme Office, at arm’s length from the MoD, should be established, with the review and assurance of accommodation provision for the armed forces as one of its key responsibilities.
3. A full test and evaluation programme for the FAM should be developed now and managed as a coherent assessment phase programme. The trials should focus on:
   a. The rules of entitlement to SFA.
   b. Capital investment in SFA.
   c. Financial products that provide increased choice.
   d. Alternative delivery models through housing associations and public–private partnerships.

In the longer term:

1. The lessons learned from an effective FAM assessment phase should shape the policy debate.
2. Service chiefs should focus on accommodation within their strategic priorities and fund new builds as necessary at main operating bases.
3. A whole of government approach needs to be garnered to attract large employers to the areas in which military bases are located.
4. Contractors supporting the operation of military sites could, through the AFC, consider ways to actively encourage service spouses to apply for employment opportunities within their organisations.

5. The services should provide longer-serving personnel, who are unlikely to receive further promotion or need additional development, with longer posting periods.

6. The FAM could be conceptualised as a major change programme for the UK government. It is pivotal that factors such as service ethos, traditions and values remain at the centre of thinking. Capability generation sits upon these factors as much as hard investment choices and real estate.

7. A non-executive advisory board should be established prior to the FAM assessment phase to address all perspectives and values. Much of the debate framed by such an advisory group must be within the public domain.
Introduction

THE ARMED FORCES exist to provide the government and country with desired military capability. Trained, motivated and supported personnel are a key building block of that capability, along with infrastructure and other elements of the Defence Lines of Development.¹ Accommodation for personnel should be seen as a critical component of defence capability and this applies to where (and how) military personnel and their families live as much as their fixed and deployed places of work. Government, therefore, needs to ensure that living accommodation for service personnel and families is properly resourced, provisioned and administered. It must also be cognisant of the specialist nature of the many military roles undertaken and the levels of support needed by service people and their families to enable this effective capability generation.

Given this, there are two parallel strands of work that have informed this paper: the Future Accommodation Model (FAM), which is the intended Ministry of Defence (MoD) reform of service accommodation; and the Armed Forces Covenant (AFC). This paper focuses on potential policy changes relating to Service Families’ Accommodation (SFA) under FAM, about which Lieutenant General Richard Nugee, Chief of Defence People (CDP), wrote in an open letter to armed forces personnel:

We are looking at ways to improve the accommodation offer to meet 21st Century challenges ... This project is looking at how we might change the way in which accommodation is provided, bringing more choice and helping more people get the housing they need, irrespective of age, rank or relationship status.²

However, because of the incidence of partnered military personnel living away from the family home during the working week, the provision for families cannot be seen in isolation from the provision of Single Living Accommodation (SLA).

MoD policy relating to FAM, the first strand, seems to highlight two future packages: a mobility package that supports armed forces personnel to rent from the private sector near to the base, when SFA is unavailable; and a stability package that supports the purchase or rent of a property in a permanent location. No details relating to potential schemes have been reviewed and their

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¹. The Defence Lines of Development are Training, Equipment, People, Infrastructure, Doctrine, Organisations, Information, Logistics and Integration/Interoperability.
potential impact on terms and conditions of service remain unknown – but the consequences could be substantial in changing the nature of military life and the rewards offered.\(^3\)

As addressed in more detail below, two separate considerations could be behind the FAM initiative: the level of (justifiable) dissatisfaction with current provision; and the cost of current arrangements, which is likely to increase after 2021, when a major contract with the MoD’s major landlord, Annington Homes, is subject to a rent review.

The FAM outlines the government’s intent to change the way accommodation for service families is to be sourced, provided and centrally subsidised. At the time of writing, the FAM appears long on principle and statements of aims, but short on detail and methods of delivery, frustrating representatives of service families and other stakeholders. However, the principles, as offered by the government, are as follows:\(^4\)

- The total amount of government subsidy service personnel receive for accommodation will not be cut, but changes to entitlement rules mean that individuals might receive more or less, depending on their circumstances.
- The MoD will be looking to provide service personnel with a level of accommodation subsidy and provision according to need and will not be based on rank or marriage.
- The FAM will address both mobility of the armed forces and their families and the regional stability or permanence of the family home.
- As well as financial support through subsidised housing, the MoD will offer training and other benefits and levels of support to enable personnel and their families to live where the ministry requires.
- Whether in SFA or the private sector, personnel will not be expected to pay more for housing if assigned to a more expensive geographical area. The MoD will finance the additional cost.
- The MoD’s accommodation provision is to be more affordable, ostensibly by reducing the number of vacant properties and ending an increasing need for repairs and maintenance.

With the FAM, the MoD signals that existing accommodation models are presenting problems for which there are no quick fixes or best ways to address the situation. However, the FAM appears currently to exist as a policy imperative rather than a coherent programme of work, which is causing disquiet within military personnel and their families. Moreover, the military is a hierarchical set of organisations with rank and (marital) status traditionally driving entitlement to SFA. It is not clear how accommodation is to be provided by need rather than status – the rules for such a scheme will be difficult to generate, given the traditions of the armed forces. It is also hard to envisage that certain groups, perhaps mid-ranking officers or senior non-commissioned officers, will not feel profoundly disadvantaged.

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As far as the authors can tell, the FAM is to be trialled in several pilot projects over a period of about five years, learning lessons and refining the provision before being rolled out across defence in the years after that. The commitment to the FAM also indicates MoD recognition of the need for a comprehensive approach to accommodation after a series of piecemeal reforms in recent years.

The second strand is the authors’ work on the Armed Forces Covenant (AFC) and the role of the commercial sector. The authors’ analysis in October 2016 of the AFC and its commercial champions and supporters generated clear findings, of which three are pertinent to this research:

1. Nine out of ten businesses signed the AFC because they wished to support the military and to demonstrate this overtly. It is noted that many UK banks and building societies are pledged to the AFC.
2. When businesses express a commitment to the armed forces through the AFC, there is an expectation that the MoD or another part of government can help the company to navigate the sector in terms of offering support. Businesses sometimes express astonishment that the government is unable to articulate or prioritise preferences for support where these are offered.
3. It was noticeable just how little spouses and children are mentioned and considered. There might be passing mention in the policy narrative, but dependants are rarely considered when it comes to delivery.

This paper combines two ideas: broader support to the armed forces and their families through the AFC; and profound institutional reform of SFA. It offers an analysis and recommendations of what the future offer to service families could look like, accounting for their various and changing needs for living accommodation.

The authors note at the outset their admiration for those seeking to reform a complex, important and expensive area of defence – especially the government officials charged with developing policy and the families’ federations seeking to influence that development. It is hoped that the ideas presented here are considered a helpful addition to the debate.

**Approach and Methodology**

The authors approached this issue from two perspectives. On the one hand, there is the largely ethical perspective associated specifically with the AFC, which relates to how a society should treat its military during and after periods of uniformed service. On the other, the MoD’s core

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responsibility is to generate military capability, a responsibility in which the need to recruit and retain people is a key element. Accommodation is a major element of the overall employment package for the military to attract and retain the people it needs. Reducing one element of the package would have implications for pay and pensions, among other issues.

The key research issues involved:

- Analysis of the key financial and managerial challenges faced by the MoD regarding service accommodation.
- Articulation of the links between accommodation and wider defence management, such as basing, posting periods and military personnel development.
- Exploration of the options open to the MoD for implementation through the FAM.

The authors do not seek to write policy themselves, but instead wish to stress-test decisions or proposals. The report’s recommendations are based on the official literature reviewed and the evidence gathered through interviews and focus groups, as discussed further below. The aim of this paper, therefore, is to engage critically with both defence policy ambitions and the potential added value of engagement with the private sector under the AFC. This has led the authors to explore, among other issues, opportunities specific to challenges faced by armed forces personnel located within the space of the financial sector in relation to home ownership.

The authors relied on expert advice in this area, derived primarily from consultation with Nationwide’s products team on potential financial options. These provided an opportunity to see if there is an appetite for appropriate products that can offer choices that address the challenges identified in the paper. The choices highlighted at the end of the paper (see Findings, p. 27) reflect the options provided by the Nationwide experts consulted, and are intended to be illustrative rather than exhaustive. In the authors’ view, however, they do help to illuminate some of the issues and dilemmas that would need to be addressed if it were to be decided to explore the efficacy of new financing mechanisms for service family accommodation.

This paper makes use of government documentation and statistics, reports from the services’ families’ federations, and statements from service charities. The authors also ran two focus groups for members of the public in August 2017. Focus groups were organised in Salisbury, one group for members of the general public with little direct knowledge of the UK armed forces and another for citizens with direct or familial experience of the military. Members of the focus groups were chosen at random by a third-party provider (paid by Nationwide) which was commissioned to source focus group members. The authors relied on the third-party provider for the selection of the focus group members prior to engagement. Each focus group consisted of twelve participants and met for three hours. All four authors took part in both focus groups, and led the discussions to ensure that the key research questions were answered. Specifically, the purpose of the groups was to ascertain, first, whether they agreed with the AFC’s proposition that the military should be treated exceptionally in provision of support for their welfare needs, and, second, whether new financial products specifically designed for the military might be welcomed as part of such provision. The conversations were then transcribed, and the results used to inform the research. The authors also talked with a local authority
and housing associations in one region of the UK. In addition, they undertook a series of ten confidential one-to-one meetings with ministers, officials, parliamentarians, military personnel, service spouses and commercial leaders, especially from within the financial services sector. The authors elected not to engage with market regulators and their equivalents on their emerging findings, believing this was best an exercise conducted in government.

With one author a former serviceman and another having almost 20 years’ experience of working with mid-ranking and senior military officers, the paper inevitably reflects their experience and awareness of service life.

A non-executive independent advisory group was established under the chairmanship of Sir Peter Luff, former Minister for Defence Equipment, Support and Technology, to comment upon and critically assess the work of the researchers as findings emerged. Details of this group can be found in Appendix A. Members of this group do not necessarily endorse all the findings of this research, pointing to the contentious nature of discussions around the proposed service accommodation reform. However, the authors are grateful for their critique, guidance and challenge. The paper has been through blind peer review and guided by feedback from defence specialists. Any errors, omissions or weaknesses remain the responsibility of the authors.

The Benefits’ Realisation Model for SFA as a component of military capability, developed to guide the authors’ thinking, is in Appendix B. For ease of access, the home-ownership and wider civilian accommodation schemes for armed forces personnel can be found in Appendix C, while Appendix D summarises the datasets used for this research.
I. The Road Home: How Did We Get Here?

THE MOD, UNLIKE most employers, is committed to the provision of accommodation for its uniformed personnel. Accommodation takes the form of SLA for unattached individuals and SFA for those with spouses, partners and other family members.1

The prime justification for this provision is that the training, development and use of armed forces requires individuals to move location regularly (traditionally every two or three years, although tour lengths have been extending), and that it would not be practical to ask people to make new accommodation provision for themselves so frequently. The MoD’s 2017 Families Attitudes Survey reported that 26% of Army personnel, 24% of RAF personnel and 15% of Navy/Marines personnel had moved home in the previous year.2 This consideration is particularly telling given the remote nature of many MoD bases.

Additionally, the UK operates a wholly professional volunteer military and thus needs to attract people of the right calibre and number to the armed forces. Having invested in their training and wider development, the MoD then needs to retain their services in the light of private sector competition.

The MoD has a longstanding policy of including subsidies for the accommodation it provides as part of the overall employment offer to armed forces personnel. It is recognised by the Armed Forces Pay Review Board as a significant element of that offer, which is important to many families.3

Any shortcomings in accommodation provision weaken the overall employment package.4 The current situation, recognised by the MoD, is that voluntary outflow (opting to leave before the end of an agreed engagement or commission) of trained and trade-trained personnel accounts for almost 60% of those leaving the forces. Net outflows (total leavers minus new recruits) of

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1. Service Families’ Accommodation (SFA) is an entitlement of military personnel who are ‘married or in a civil partnership or who have permanent custody of children’. See National Audit Office, ‘Ministry of Defence: Service Family Accommodation (NAO)’, June 2016, p. 5, last updated 1 May 2018.
trained personnel increased in 2017 and overall the armed forces were 5.6% short of trained people in October 2017. Service personnel are particularly unhappy with the current state of accommodation and the introduction of a new accommodation payment system, and have concerns about the FAM.6

These personnel development, recruitment and retention imperatives are central to the generation of military capability, typically articulated as Force Elements at Readiness Levels. This logic is represented in Figure 1.

However, the commitment to provide (subsidised) accommodation can also be recognised as a financial burden and a risk to the MoD, particularly in terms of the amount of accommodation it may be obliged to provide, but which may not be taken up.

**Figure 1**: Accommodation for Capability Generation

A short review of the recent history of service homes and the available alternatives would suggest that the subject may not have always been considered by government in a wholly strategic manner with regard to the prioritisation of resources.

The next section analyses the evolving MoD approach, and outlines the reforms and changes made in recent years. This is the necessary foundation for the changes the authors suggest

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in the latter part of the paper. In brief, the MoD uses a range of instruments to implement its accommodation commitments, but ministry ownership of properties has declined considerably.

The Landlord

Most SFA in England and Wales was sold to Annington Homes in 1996 for £1.7 billion under a lease and leaseback contract. This was for 57,434 properties, of which 2,374 were sold freehold. Of the remaining 55,000 properties across 765 sites, Annington Homes acquired a 999-year lease, granting an under-lease back to the MoD under a 200-year deal. Under the agreement:

- The MoD remains responsible for the maintenance of SFA.
- The MoD receives a 58% discount to open-market rents on rent it pays to Annington Homes.
- The MoD must pay Annington Homes a Guaranteed Minimum Payment until 2021 (the breakpoint 25 years from award of the contract).
- The MoD can terminate leases and release properties to Annington Homes to sell on the open market. However, before handing back a property to Annington Homes, the MoD must ensure that the properties have been maintained or restored to a good standard of repair. The bills for this fall to the MoD.
- Annington Homes carried the financial risk of holding or selling properties released by the MoD if their value fell from 1996: this risk has not materialised to date as house prices across the UK have risen.

The contract includes five-yearly rental reviews and a breakpoint at 25 years. Consequently, in 2021 a rent review of under-leases will be due, with costs to the MoD potentially rising. As of 2017, Annington Homes owned more than 38,000 residential properties within the Defence Estate that it leased back to the MoD. The remainder of the Defence Estate is either owned by the MoD (16%), provided through a Private Finance Initiative (4%) or sourced from the open market (around 2%, but varies slightly from year to year). The National Audit Office (NAO) has judged that the sale of the estate in 1996 represented poor value for money and has warned that a failure to secure a similar discount on rent to that currently enjoyed would ‘exacerbate the funding shortfall in the Department’s budget’.

This is significant. In 2015/16, the MoD received £138 million in rental charges from service personnel and their families. But the department paid out £286 million on SFA. Indeed, the NAO calculates that on average the MoD spent a net amount of £165 million per annum on SFA between 2009 and 2016. Of the expenditure committed by the MoD, on average 27% relates to

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maintenance, 7% to capital improvements, 13% to the purchase or build of new properties, and 53% in rent or dilapidation charges to Annington Homes.¹¹

Facing this landlord is the MoD’s Defence Infrastructure Organisation (DIO), whose role is to support the armed forces by building, maintaining and servicing the infrastructure needed for the generation of defence capabilities. Accordingly, the DIO is the ministry’s lead for SFA provision, holding the budgets and (still) managing the contracts in place until Financial Year 2018/19.¹² The DIO’s priorities are:

- The implementation of an estate rationalisation plan and the disposal of sites.
- Investing in the estate that remains.
- Making savings and efficiencies.

The quality and value for money of provision to service family customers are not stated as priorities but, perhaps, could be assumed as government has stated its wish to provide value for money in the public sector and quality is an ongoing discourse within defence.¹³

The DIO manages around 50,000 family homes in the UK, although the maintenance service and provision of improvements and upgrades is outsourced under contract to CarillionAmey. One of the parent companies of this partnership, Carillion, collapsed in early 2018, but this did not affect the contract awarded to CarillionAmey as the latter is a separate legal entity. Separately and prior to this, Carillion operated a portfolio of contracts for the MoD worth about £1 billion, supporting more than 360 UK defence sites and establishments. Services included engineering, maintenance and repairs, the management of armouries and stores, security, administration, accommodation and catering.¹⁴

In areas where SFA housing stock is unavailable, substitute service family accommodation (SSFA) can be provided, sourced and leased on behalf of the DIO by Mears Group through a separate contract. The DIO has also placed contracts with other advisory businesses and service delivery companies for strategic advice and change management in running the estate.¹⁵ Of interest, the relationship between the MoD Centre, Annington Homes, the DIO and the maintenance provider seems somewhat hazy, with little public record of management meetings at a strategic level between Annington Homes and the DIO, such as minutes of meetings between ‘partners’, joint risk and opportunity management reviews and progress reports. Any that do exist are

¹¹. NAO, ‘Service Family Accommodation Update’, Memorandum to the House of Commons Committee of Public Accounts, January 2017, Figure 4.
¹². From Financial Year 2018/19 the budgets for accommodation revert to the front line commands.
¹⁵. Authors’ interview with senior commercial leader, 20 September 2017.
unavailable to open-source researchers. There also appears to be a lack of regular programme reviews and continual managerial contact and engagement at a senior level.

Until the end of March 2018, the head of the DIO was a Top-Level Budget holder in the MoD, responsible for the delivery of all infrastructure elements, including non-accommodation matters, such as training grounds, airbase facilities, garages, among others. Thus, accommodation was competing for funding with these other demands. However, from April 2018, infrastructure funding was passed to the four service commands, which are now in charge of prioritisation. The DIO will act as the agent of the commands, much as the Defence Equipment and Support body does for the purchase of equipment and support.

The Choices Facing Armed Forces Personnel

Armed forces personnel are entitled to SLA within barracks or SFA for those with a partner and/or permanent custody of children. About three-quarters (76%) of service personnel live in either SLA or SFA accommodation during the week, with this being the preferred choice for many, according to the Armed Families Federation (AFF) survey, as:

- The rent is subsidised.
- It allows for the family to move together on posting.
- It is near the place of work.
- For spouses using SFA, it also means living close to other service families and being part of a broad military community.

Research conducted by the MoD in 2013 showed that service personnel spend less than 12% of their salary on service accommodation charges, compared with 20% for an owner-occupier and 40% for private renters. However, these benefits were counteracted by the widespread practice of maintaining separate housing outside the defence estate (especially for families), as well as the MoD’s and contractors’ poor record regarding the maintenance and repair of properties. Despite the improvements sought and being delivered by the Army in Project Allenby Connaught, under which Aspire, a joint venture between KBR and Carillion, is making

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16. Those who apply for SFA must be over eighteen, be married or in a civil partnership or have permanent custody of children, and have at least six months left to serve. See NAO, ‘Ministry of Defence: Service Family Accommodation’, <https://www.gov.uk/guidance/defence-infrastructure-organisation-service-family-accommodation#entitlement-for-sfa-and-ssfa>, accessed 4 May 2018.
17. MoD, ‘UK Regular Armed Forces Continuous Attitude Survey Results 2017’, 25 May 2017, p. 18. The Army has the lowest proportion of personnel living in their own home during the week (10%), while the Royal Navy has 28%, RAF 26% and Royal Marines 22%.
extensive infrastructure improvements in the Aldershot-Salisbury Plain area,\textsuperscript{20} overall levels of satisfaction of service personnel remain low. In 2017, only 57\% of users were satisfied with the standard of SFA overall, and contentment with the response to requests for repairs was much lower.\textsuperscript{21} ‘Accommodation remains, by far, the top issue reported to the Families Federations … Despite statistics showing recent improvement, the “lived experience” of too many SFA occupants remains poor, causing stress and frustration’.\textsuperscript{22} Satisfaction with service accommodation has fallen from 53\% (2016)\textsuperscript{23} to 49\% (2017).\textsuperscript{24} Given the cost now associated with maintaining service accommodation and the level of dissatisfaction, the MoD is looking for alternative housing options for armed forces personnel.

Service personnel are not obliged to live in ministry-provided accommodation and can choose to live out of barracks with the permission of their commanding officer. However, this means that they do not receive subsidies from the MoD for monthly rental costs.\textsuperscript{25} Also, if the commanding officer declines permission, this can affect retention levels.\textsuperscript{26}

Many older service personnel prefer to provide a geographically stable home for their families. Those who opt for this either rent or buy a family home and then either travel daily to their post or take up MoD SLA during the working week, normally returning home at weekends. This is enabled by the current reality that most non-deployed military personnel work a standard five-day week. The exact number of people doing this is unknown but reflected in the 76\% who take up MoD accommodation and the 59\% of military personnel with spouses who own their own home.\textsuperscript{27} Some of the latter, however, let their owned properties and ‘follow the flag’ on posting rather than base their families in them. However, taxation on rental income and recent changes to ‘buy-to-let’ legislation makes this increasingly financially difficult for service personnel.

The AFF has exposed several issues associated with increased emphasis on private renting that are of concern to military families. These include the ability to secure a rental property while pursuing a military career.\textsuperscript{28} This can generate obstacles in passing credit checks due to


\textsuperscript{21} MoD, ‘UK Tri-Service Families Continuous Attitude Survey Results 2017’, p. 21.


\textsuperscript{23} MoD, ‘UK Regular Armed Forces Continuous Attitude Survey 2016’.

\textsuperscript{24} MoD, ‘UK Tri-Service Families Continuous Attitudes Survey Results 2017’.


\textsuperscript{26} Authors’ interviews with service and ex-service personnel, April 2018.

\textsuperscript{27} MoD, ‘UK Tri-Service Families Continuous Attitude Survey Results 2017’, p. 20.

service personnel’s mobility, having a non-standard postcode or not being registered on the electoral roll.29

Renting privately is still seen by many in the services as an expensive, unstable and inflexible option at odds with the demands of their careers. However, for those personnel (and partners) who simply wish to live among a civilian population or who do not qualify for SFA because they have not married or entered into a civil partnership, the MoD has introduced the Tenancy Deposit Loan Scheme.30 This allows serving service personnel to access an advance on their salary to pay for the upfront rental deposit, repaid over twelve months and taken directly from the salary of those who sign up to the scheme. This is useful for those who wish to rent, but offers little incentive to the majority of serving personnel who still view private renting as an unattractive alternative to SLA, SFA or SSFA.

The Combined Accommodation Assessment System

A new charging system for SFA called the Combined Accommodation Assessment System (CAAS) was introduced in 2016. This replaced a four-tier grading charging system that was perceived by the MoD as complex and not fit for purpose.31 Under the new system, charges were to be determined by three factors: condition; scale; and location.32 It incorporated the Department for Communities and Local Government’s Decent Homes Standard as a requirement for allocation. However, the new arrangements have not been without controversy as ‘81% of service families living in Service Families Accommodation will pay more rent under the new charging system’.33

This reinforces a perception among service personnel and families in SFA that they are not getting the best of deals.34 The importance of adequate, affordable and flexible housing has been a concern within the armed forces for many years35 and has had a negative impact both on morale and family life, contributing to low retention levels across the services. The MoD’s ‘UK Regular Armed Forces Continuous Attitude Survey 2016’ notes that ‘the impact of Service life on family and personal life remains the top reason for leaving the Armed Forces’.36

34. Authors’ discussion with a senior MoD official, 22 February 2018.
35. See UK Regular Armed Forces Continuous Attitude Surveys between 2010 and 2017 and the Armed Forces Covenant Annual Reports.
Military Personnel and Home Ownership

The ambition for home ownership apparent in the wider UK population is present also in the military, and is recognised in discourse around the FAM. However, rising house prices in most parts of the UK have made ownership an increasingly difficult prospect for many, including military personnel.

The push by government to ensure that service personnel are not disadvantaged by the nature of their jobs is one of the main factors behind the Armed Forces Covenant and the Forces Help to Buy Scheme is available currently for those first-time buyers (or those needing to move to another property) in the armed forces, enabling them to secure a loan worth up to 50% of their annual salary, to a maximum of £25,000.37 Applicants must have served for two years and the loan must be used towards purchasing a property. It was launched on 1 April 2014 and has now been extended to the end of 2018, when it is scheduled to cease.38

Another initiative under the Armed Forces Covenant has sought to address the issue of job mobility and home ownership by allowing service personnel to rent out their purchased property if deployed overseas or redeployed within the UK, rather than incurring fees by switching to a buy-to-let mortgage. This initiative was supported by 47 of the UK’s largest banks and building societies.39 However, as stated above, changes to the tax benefits enjoyed by landlords offering homes on the private rental market has significantly increased costs to those service families who have become landlords. Research is ongoing as to how much of an impact these changes have had on service personnel, but it seems a substantial issue.

The ability to gain access to the property market is not only an issue of finance for armed forces personnel. To put down roots, families need to discuss careers and be able to secure school places and access to medical and other services. The RAF 2016 Future Accommodation Model report puts the two biggest reasons for not buying a property as: retaining the ability to be mobile; and the unpredictable nature of posting locations (this was also mirrored by survey data from the Army), which makes it difficult to choose a destination in which to buy.40 Those who wish to buy may also feel restricted in their choice because of affordability in their posting location.41

Of all the services, the Royal Navy has a tradition of home ownership, made possible through its geographic concentration in areas that offer spousal opportunities for employment, such

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37. MoD, Joint Service Housing Advice Office, ‘Forces Help to Buy Scheme’, No. JSHAO/03, 1 April 2018.
38. Ibid.
41. Ibid.
as Plymouth and Portsmouth.\textsuperscript{42} The Army, meanwhile, falls behind all the other services in terms of home ownership for both officers and other ranks. Those who own a property do not necessarily live there during the week, which suggests strongly that home ownership does not necessarily equate to an increased presence of the serving man or woman in the family home. In fact, the reason for buying a home may have more to do with dependants’ needs, having somewhere to live after leaving the armed forces, or as a financial investment.\textsuperscript{43} This would suggest that SFA is still the most compatible living arrangement for serving personnel and attempts to reduce or eradicate this option without an attractive alternative may make a career in the armed forces considerably less desirable.

There has been only an incremental increase in the proportion of personnel who are homeowners, with the latest figures suggesting 49\% of personnel report owning their own home.\textsuperscript{44} However, more than three-quarters of service personnel live in MoD accommodation during the week, while the number of military who have bought their homes on a buy-to-let basis is not reported. The AFF ‘Big Survey Report’ on the future of military housing demonstrates that army accommodation preference remains in favour of SFA, at 39\%. However, 43\% would like the flexibility to decide on each posting, depending on their circumstances.\textsuperscript{45}

**Table 1:** Proportion of Personnel Who Currently Live in Each Kind of Accommodation at Present During the Working Week

<table>
<thead>
<tr>
<th>Service Accommodation</th>
<th>Property Owned</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Navy</td>
<td>65%</td>
<td>28%</td>
</tr>
<tr>
<td>Royal Marines</td>
<td>72%</td>
<td>22%</td>
</tr>
<tr>
<td>Army</td>
<td>87%</td>
<td>10%</td>
</tr>
<tr>
<td>RAF</td>
<td>70%</td>
<td>26%</td>
</tr>
</tbody>
</table>

*Source: MoD, ‘UK Regular Armed Forces Continuous Attitudes Survey Results 2017’, p. 18.*

This data shows there is a clear need to bring SFA and SLA on or near the main operating sites as an integral part of the accommodation offering and emerging solution. This is a critical component of the FAM, complementing other initiatives and options. It shows that the MoD’s commitment to the provision of service accommodation, mindful of the wishes of individual families, and to carry through the commitments of the AFC, generates a complex problem. Moreover, while the overall percentages in Table 1 may not vary much year-on-year, this may not be true about the demand for SLA and SFA at specific locations, adding yet more complexity and uncertainty into the FAM design, test and evaluation process.


\textsuperscript{44} MoD, ‘UK Regular Armed Forces Continuous Attitudes Survey Results 2017’, p. 19.

One issue, often unreported, in relation to this complexity is that the National Security Strategy and Strategic Defence and Security Review 2015 (SDSR) had committed to reduce the MoD estate by 30%.\(^{46}\) How this policy ambition sits with a commitment to widen SFA entitlement to unmarried families and accommodate service personnel at specific defence clusters within the UK remains open to debate.\(^{47}\)

In this regard, the location of future ‘super garrisons’ is sensitive to local conditions, such as the markets for house purchase and rent. The FAM policymakers need to explain how these factors have influenced the choice of basing solutions: if these factors have not been considered, they should be now before the FAM becomes operational. Indeed, the authors would argue that the location and expansion of future UK defence clusters should form part of a FAM assessment phase.


II. What is the Problem?

If the Government is seeking to reform service living accommodation, there must be a reason or set of reasons generating this current imperative for change. Based on the preceding analysis, the authors would characterise the drivers for the FAM as:

- Affordability of the housing estate.
- Flexibility of living accommodation provision.
- Retention of service personnel.
- Conflicting service models of families’ accommodation.
- Opportunities for spouses and partners.

Affordability and Competence

A concern within the MoD is the ongoing affordability of housing provision, especially on site, for service personnel and their families. Nearly one-third of personnel live in SFA and, as discussed above, the sale of most of the Defence Estate to Annington Homes in 1996 has brought year-on-year financial obligations to the ministry that it is struggling to manage effectively and to afford. As one senior official told the authors, ‘The accommodation deal is broken and a bad fit for us going forward. It has to be reformed and the FAM is our stab at doing just that’.1

The ministry’s ability to manage service families’ accommodation, either through its relationship with the landlord or the contractor employed to manage the estate, has been severely criticised, especially from within Parliament. The Public Accounts Committee reported that:

Service families have been badly let down for many years and are not getting the accommodation service that they have a right to expect. Satisfaction with the accommodation the Ministry of Defence … provides, and the quality of maintenance services, has fallen significantly … CarillionAmey acknowledges that it was not organised to deliver the required level of service from the beginning of the National Housing Prime maintenance contract. … The performance of CarillionAmey has been totally unacceptable.2

In addition, the NAO identified two substantial holes in MoD funding relating to accommodation.3 The first is a shortfall in repairs and lifecycle funding on MoD properties, such as routine boiler maintenance. The other arises from the likely increase in rents in 2021 to pay for the lease from Annington Homes, when payments are due to be renegotiated at the end of the first 25-year lease.

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1. Authors’ discussion with senior MoD official, 18 December 2017.
Flexibility

The FAM is the response to a commitment by government to make a new accommodation offer to service personnel that would be inherently more flexible and cognisant of supposedly modern expectations in relation to housing.4 Within the 2015 SDSR, government specifically made the pledge to ‘help more Service personnel live in private accommodation and meet their aspirations for home ownership’.5

While this focused on home ownership away from SFA provision, the Public Accounts Committee found that the current model for service families was ‘not flexible enough to meet the reasonable needs of service families in the 21st century’.6

Consequently, the government views the current accommodation model as inflexible, unsustainable and not attractive to all.7 In this regard, the Chief of Defence People argues that a service person who is married or in a civil partnership is currently entitled to SFA, but a single person with care responsibilities for an elderly relative, perhaps divorced with access to children at weekends, or in a long-term relationship, has no such entitlement.8 This presents as insensitive and discriminatory, as well as inflexible.

Retention of Service Personnel

The government believes that the current accommodation offer for families of service personnel is potentially a significant push factor in causing them to leave the military.9 This perception is supported by the data gathered by the MoD through the UK Regular Armed Forces Continuous Attitudes Surveys. For example, in 2016, the survey stated that ‘the impact of Service life on family and personal life remains the top reason for leaving the Armed Forces … Satisfaction has fallen noticeably among those living in Service Families Accommodation, with a decrease of 7 percentage points to 50 per cent in 2016’.10

In addition, a recent report from the NAO noted that ‘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’.11

5. Ibid., p. 32.
9. In discussion with the authors, a senior military official within the MoD described the condition and constraints of SFA as the major cause of dissatisfaction and exit.
On the face of it, the government’s intent to prioritise military retention through changes to the accommodation offer seems a sensible and responsive policy response. However, there is significant unease that the current FAM ambition will drive people, potentially, to leave the military rather than properly aiding retention. As Sara Baade, Chief Executive of the AFF, argued:

The changes that are being proposed by the MOD have the potential to have a hugely negative effect, not only on the nature of our Armed Forces in the future, but also how we honour and protect those who sacrifice so much in the line of duty to serve our country. Indeed, 76 per cent of respondents to AFF’s survey on FAM said they would definitely leave or consider leaving the Army if FAM is introduced.

The AFF’s views reflect the responses of its members, who are particularly concerned about the apparent end of the commitment to provide SFA, the risks and inconveniences of more stress from relying upon private rental accommodation, and the failure to recognise the different situations of the three services. Also reflected are fears that the entitlements of some will be reduced, and the overall uncertainty that is being generated and is likely to remain until well after the completion of pilot schemes.

Varying Individual Service Models of Families’ Accommodation

A theme emerging from independent research relating to SFA is that the Royal Navy, the British Army and the RAF have differing needs and preferences for living accommodation. While the key components of the FAM are still to be worked through and announced, one common interpretation is that the policy will seek to migrate people away from SFA on military sites, where they have been housed traditionally, towards home ownership (possibly close to extended family) or into private rental properties – with an appropriate allowance, depending upon the final terms of the scheme. As Julian Brazier and John Louth point out, ‘[i]nstead of being guaranteed homes at each location and at rents of subsidised level that reflects the drawback of service life, service personnel would be increasingly expected to settle their families where practical’.

The three services appear to have diverged in their use of SFA as traditionally provided. Unlike the Royal Navy, which is based where there is significant local and affordable housing stock, the British Army and the RAF have been unable to follow this practice. Most Army garrisons and RAF stations are located away from major cities and towns across the UK. In contrast to operational locations, most staff jobs, training and the arms schools are in London or southern England. For these reasons, many RAF and Army personnel have chosen to stay mobile and ‘follow the flag’ by moving their families between SFA sites, depending on their posting. How the FAM creates harmony between Royal Naval practice on the one hand and that of the other two services on the other remains open to conjecture and debate.

13. See Brazier and Louth, ‘Homes Fit for Heroes’.
The observation that the three services may require different approaches to military housing is supported by current practice in the US. Indeed, like Britain, the US military has continually found it necessary to offer a range of non-salary benefits to attract and retain the people it wants and needs.15

Box 1: US Military Housing Case Study of Public–Private Partnership: Military Housing Privatization Initiative (MHPI) and a Service Tailored Approach

By the mid-1990s, the US Department of Defense (DoD) had become increasingly concerned about the detrimental effect poor-quality housing and inadequate allowance was having on the perceived incentives of joining and remaining in the military.16 As a result, it instigated two initiatives: the first saw an increase in housing allowances to ensure that service personnel in various geographical locations were not out-of-pocket; and the second saw the introduction of the MHPI, a public–private programme used to attract private sector funding by leveraging federal investment to ensure efficiency, innovation and timely construction, which was perceived to be lacking in the traditional military construction funding (MILCON). MHPI was used to improve service personnel’s quality of life by addressing the shortage of quality, affordable housing that could be considered both financially and physically sustainable by employing ‘a variety of financial tools, including: direct loans, loan guarantees, equity investments, and conveyance or leasing of property or facilities’.17 The developer has the responsibility for constructing or renovating housing units and leasing them to military personnel. It is now DoD policy to rely on the private sector as the main means of providing military families with housing. Approximately two-thirds of military families utilise their housing allowance to rent or buy near a military installation.18

While Congress and several government offices provide the general oversight and approval mechanisms, it is the individual services that have operational responsibility for any MPHI projects and the authorisation to enter into agreements with private developers. MPHI is perceived as different from other failed attempts to partner with private industry to provide housing for military personnel, as it does not provide a one-size-fits-all solution and allows the services to devise their own approaches, as outlined in Table 2. Current plans have set out a target to privatise 75% of existing family housing worldwide (approximately 190,000–195,000 units).19

16. These issues were revealed after a comprehensive survey in 1994 where quality of life, pay and housing were cited as the main reasons for soldiers leaving the Army. See The Marsh Report, 1995.
18. US housing depends on rank, marital status and dependants, rather than need, as proposed by the FAM.
Table 2: US Approach to Housing Provision for Services’ Personnel

<table>
<thead>
<tr>
<th>Service</th>
<th>Approach</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>Residential Communities Initiative</td>
<td>Focused on large installation privatisation efforts based on a whole-community approach to foster community development. The process of selecting a developer is made through a Request for Qualifications process, which provides fewer details on the result and allows developer expertise and vision to have more weighting.</td>
</tr>
<tr>
<td>Air Force</td>
<td>USAF Housing Privatization</td>
<td>Balanced approach, including MPHI and MILCON.</td>
</tr>
<tr>
<td>Navy and Marine Corps</td>
<td>Public–Private Venture: NAVFAC Special Venture Acquisition (SVA)</td>
<td>Uses a joint-venture approach by establishing a limited liability company (LLC) with a private sector company. This approach sees the MPHI as a potential investment opportunity as well as a way to improve the standards and availability of housing.</td>
</tr>
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</table>


Opportunities for Spouses and Partners

There is a sense that the current SFA offering – located, in many instances, on defence sites miles from conurbations offering employment opportunities – stymies the working aspirations of many service spouses.20 One of the authors interviewed more than 50 spouses at multiple British and German sites during 2017 and a recurring theme of dissatisfaction lay in the lack of flexibility in housing provision which, in turn, limited the ability of a spouse to pursue a career or even work casually. In Wendy Faux’s art installation, ‘Not Just a Wife: Portraits of Army Spouses’, exhibited at RUSI in October 2017, narratives of the lives of spouses were matched to portraits of the people concerned – the ‘recurring themes during the interviews [were]

20. Authors’ discussion with senior MoD official, 22 February 2018.
loneliness, isolation, lack of understanding, no career, no say in the direction their lives will take physically and mentally’.21

The FAM, therefore, could be seen quite legitimately as a commitment and opportunity to offer service personnel, spouses and other partners more choice in their lives. Indeed, this seems to be the ambition of Lieutenant General Nugee, with his focus on a housing system in future that offers greater flexibility and choice.22

Additional Considerations

Beyond these key themes, the authors would also point to the following factors as being significant to the debate on SFA and the future provision of housing:

- The changing social fabric of British life.
- The end-of-service and through-service benefits model.
- Society attitudes.
- The failure to exploit fully the opportunities offered by the AFC.

The Changing Social Fabric of British Life

The armed forces have traditionally recruited young, white men.23 However, with a reduction in the birth rate24 and an increasingly diverse society, the armed forces, like any organisation, must compete to attract the most capable recruits regardless of gender, sexuality, religion or ethnicity. The opening of all roles to women in the armed forces, including combat roles in 2016,25 was a clear indication of this direction articulated in the SDSR 2015, which said that the UK was ‘committed to achieving an inclusive working environment, and to building Armed Forces that are diverse and fully representative of UK society’.26

This change to the armed forces ‘brand’ was demonstrated in the new recruitment campaign ‘This is Belonging 2018’, which featured a variety of short films, such as ‘Can I be gay in the Army?’ and ‘Can I practise my faith in the Army?’.27 These changes are not only pertinent at the recruitment stage but also in terms of retention and the overall package offered by the armed forces.

21. The quotation is taken from the hand-out that accompanied the installation.
27. Varasha Saraogi, ‘UK Army Adverts Tell Recruits They can be Gay, Pray and Cry’, Reuters, 10 January 2018.
Accommodation policies must also reflect the new social fabric of modern life, which includes civil partnerships, the expectation of the military spouse pursuing his or her own full-time career, a reduction in the number of heterosexual couples getting married, an increase in cohabitation, and an increase in births outside of marriage.\(^{28}\) There is also the reality of service people divorcing and needing to accommodate their children in shared custody arrangements and short-term visits, as well as service people remarrying and perhaps needing accommodation for the children of their new spouse. Some, but not all, of these issues are recognised in the FAM documentation.

**End-of-Service and Through-Service Benefits Model**

The service person’s remuneration is based on several interlocking factors: pay and a series of applicable allowances; training and development; subsidised housing; support for the private education of children; and the military pension. As pensions are paid out on the basis of rank achieved and length of service, the military person and their family could be said to enjoy an ‘end-of-service’ benefit. A military pension is like that of a civilian, although armed forces enjoy a defined-benefits pension scheme, which civilian companies are dropping.

One intriguing idea offered during this research was the thought that part of the present value of a service person’s pension could complement or enhance a deposit value on a house purchase.\(^{30}\) The authors explore this point further below.

Policies and benefits relating to continual education of the children of service families need to be at the centre of the FAM’s design and implementation. Access to quality education in boarding schools is a highly emotive benefit and cost to both service families and budget-holders. Government needs to be clear how the allowances relating to private education feature in the FAM and how this has been modelled into recruitment and retention policy aspirations.

**Society Attitudes**

British public attitudes towards members of the armed forces and their families have remained very positive, even throughout the Iraq and Afghanistan campaigns. A survey showed that a clear majority of the British public has a high or very high opinion of, and respect for, the armed forces and its personnel.\(^{31}\) As part of this research, the authors conducted two focus groups in Salisbury in 2017 of members of the general public, picked at random by a third party. One focus group comprised members of the public who had a connection with the military, either

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29. *Ibid*.
30. Authors’ discussions with pension and investment fund managers, July 2017 to March 2018.
through previous service or via a family member. The other comprised citizens who had no direct or indirect experience of the military. The purpose of these focus groups was to review the extent to which the public was prepared to support members of the armed forces as citizens, and whether their military roles afforded them and their families a special status in society. What became clear was that both groups considered the military to be ‘exceptional’, when compared with other areas of society, and that bespoke rights and products – such as the development of financial products relating to housing for service families unavailable to other citizens – should be a feature of military life.

The Armed Forces Covenant

As part of the SDSR 2010, there was a commitment to enshrine throughout society an Armed Forces Covenant (AFC), which states that, ‘[we] will rebuild and formalise an Armed Forces Covenant. The covenant represents a promise of fair treatment, on behalf of the nation, to ensure personnel are valued and respected as individuals and that they and their families will be sustained and rewarded by commensurate terms and conditions of service’.\(^{32}\) It adds that ‘this obligation involves the whole of society: it includes voluntary and charitable bodies, private organisations and the actions of individuals in supporting the armed forces’.\(^{33}\)

The AFC exists, therefore, to redress any perceived disadvantages to the armed forces’ community in comparison with other members of society. If the government perceives that the accommodation offering to the military is the cause of such disadvantage, it is reasonable that the whole of society – government, charitable bodies and private businesses – can be charged with addressing it.

Indeed, under the auspices of the AFC, several positive interventions have been pushed through by government:

- On the basis of Single Service feedback, we have focused on tackling commercial disadvantage. We have continued helping Service personnel to get on the property ladder through the forces help to buy scheme. We’ve introduced a new Tenancy Loan Deposit Scheme to help Service personnel fund the cost of a deposit for private rented accommodation. We have also launched a new credit union service to allow Service personnel access to safe and affordable finance when they need it.\(^{34}\)

Yet, despite this success, the FAM is still perceived in government as necessary to address the issues highlighted. The thrust of this paper is that this conventional view of accommodation’s place in service life has been challenged by expectations around choice, flexibility, affordability of housing to buy and rent, spousal expectations of employment, and ongoing access to high-quality services – such as health and education – for families. Added to this is the sense that each

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of the armed services might require different things from SFA. The traditional view, represented in Figure 1, could therefore be amended slightly to that in Figure 2.

**Figure 2: Accommodation Drivers and Influences**

Source: The authors.

To understand this better, an independent benefits’ analysis was undertaken to explore the modern relationship between SFA and military capability. The resulting benefits’ map can be found in Appendix B. The key finding from this independent analysis was that accommodation remains a core element of capability generation. If policies and practices inhibit effective accommodation provision, the real impact is felt in constraints on force generation.

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35. Redstone Risk was contracted to produce an independent Benefits’ Map. This work was undertaken between January and March 2018. The final model is being made available to government under separate arrangements. See <http://redstonegrp.com/wp/>.
III. Findings

There are multiple stakeholders across the public and private sectors involved in the generation of homes for service families. Yet there seem to be only six substantive choices, albeit with several blurred lines of distinction as represented in Figure 3. In designing and deploying the revised policy under the FAM, the MoD must construct its solution around these six options and their associated cashflows.

Figure 3: Choices and Cashflows

Source: The authors.

1. MoD, ‘Guidance: What you Need to Know about the Future Accommodation Model?’.
2. Authors’ discussion with a senior MoD official, 22 February 2018.
There are several emerging findings from this research that are worth emphasising:

- Government has made choice a guiding principle: the choice between SFA on site; rental solutions through applicable allowances; continual home-ownership close to the operating base; ownership with the home subsequently rented out to allow the family to stay together on posting; and home-ownership close to extended family and unaccompanied service thereafter. The policies and practices in place need to enable service personnel and their families to exercise their choice and take effective decisions. Also, those choices will probably change as careers and families grow and develop.

- The emphasis on choice, combined with the variety of people that need to be helped, plus the squeeze on expenditures, give the MoD what is perhaps a highly demanding set of problems. Any change in the blanket commitment to provide satisfactory accommodation would weaken the employment offer and have implications for adjustments in pay scales.

- There can be no simple answers, given the number of moving parts in the system – the obligations of the MoD to provide accommodation, the changing locations of military bases, the continuing perceived need to move service personnel from post to post, and the desire to offer choice to individuals and their different preferences, which are affected in part by the circumstances of their spouse and the specific location of a posting. Some, perhaps even substantial, surplus capacity of both MoD-provided SLA and SFA seems inevitable.

- The MoD is about to engage in a rent review negotiation with Annington Homes, the monopoly landlord of much SFA. To reduce the number of empty properties to be paid for, the armed forces would need to review their postings and career development practices, find the money to restore properties to a reasonable standard and persuade more military personnel to accept private accommodation solutions.

- Poor accommodation is a factor in service personnel leaving the military. There is no place for inadequate SFA or rental accommodation in the twenty-first century.

- There is a perceived operational requirement to house service personnel close to their place of work. If accompanied by family, SFA needs to be located close to that place of work as well, and the housing must be at, or exceed, the Decent Homes Standard for public housing.4

- The AFC places an obligation on government, businesses and charities to address any real or potential disadvantages for service personnel and their families. Standards of living accommodation, aspirations for home-ownership and stability are all areas where the service family might be disadvantaged. The financial services sector in Britain is, in general, a strong supporter of the AFC. Individual businesses would be prepared to develop products that are targeted specifically to service families and their housing needs.

- ‘Choice’ is also a guiding principle for single personnel, who might have differing accommodation needs. It is welcome that, under the new Top-Level Budget arrangements, the command chiefs will have the ability to invest in new housing estates on or close to their main operating bases. The authors urge commanders to exercise this managerial freedom, recognising that accommodation drives capability. It would be a tragedy if

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4. The Decent Home Standard is a programme aimed at improving council and housing association homes to a minimum standard, especially regarding safety and access. See Shelter, ‘What Counts as a Decent Home?’, <https://england.shelter.org.uk>, accessed 6 April 2018.
commanders neglected accommodation to focus on more tangible components of capability, such as equipment.

- Multiple stakeholders contribute to SFA and other potential accommodation solutions. The relationship between existing stakeholders appears currently to be poor, with little effective relationship, risk or programme management being undertaken between government, the landlord of the SFA estate and maintenance bodies. An arm’s length AFC Programme Office could be given responsibility for effective oversight of SFA in all its forms.

- Spousal employment remains an issue, colouring accommodation solutions, and now must be seen in the context of large garrisons and main operating bases underscoring the UK’s Joint Force 2025.

- In this context, the re-basing and geographic concentration of British forces, including the Army Basing Programme for bringing forces back from Germany, needs to take account of several considerations:
  - The desirability of spreading military installations across the country to maintain awareness of and familiarity with the armed forces across a good proportion of the population.
  - The desirability of focusing service installations in specific locations so that military personnel have a greater chance of being posted to a new role without having to move house.
  - The availability of good quality MoD-provided families’ accommodation in different locations.
  - The availability of employment opportunities for spouses in different locations.
  - Profound variances in local housing markets in Britain’s regions with significant issues around affordability.

The authors also considered whether there are any financial schemes or public–private partnerships that could assist. As the authors are not financial experts, they tested ideas with finance professionals and product developers from Nationwide. Three of these ideas are outlined below. These would, of course, need to be modelled, tested and evaluated by the appropriate authorities, so that risks as well as potential benefits could be properly understood, before any decisions were made.

**Pre-Purchase of Housing for Later Sale to Service Personnel**

Satisfaction with service life and thus retention might be improved markedly if military personnel who have ‘followed the flag’ for an extended period could be confident of being able to buy their own homes after this time and subsequently be able to pay off the mortgage before their overall retirement from employment at around 65 years of age.

- In this connection, as well as urging the indefinite continuation of the Forces Help to Buy arrangement, albeit at a ceiling above £25,000, Nationwide suggested that the

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5. As a deposit in its own right, £25,000 is inadequate in the current British housing market. It makes sense to review the ceiling in the context of blending the scheme with other financial products, as recommended.
following could be considered. Military personnel could be given the option of saving enough for a house deposit in a specified area of the UK over their service career. The target sum would be based on a 10% deposit for a specified type of home chosen by the individual saver in a specified area at current prices. The actual sum eventually paid out to them would be calculated by reference to the 10% value of the specified home type in the specified region at the end of the savings period. Nationwide suggested that this scheme could be securely financed by the government or AFC supporters in the private sector through the purchase and then rental of properties in the areas of demand. These properties would then be made available for sale to service personnel at the maturity dates of the savings schemes at the price agreed at the commencement of the scheme. If the individual chose to do so, she/he would also be able to use it for the purchase of property that is not part of the scheme, or for other non-housing purposes.

- Concern with this proposal is likely to include the extent of the risk, and associated costs, incurred by the organisations (public or private) that take on the responsibility for purchasing the properties in question. In addition to tying up significant capital without the prospects of normal capital appreciation, the provider would also be responsible for the upkeep (and presumably rental) of the property before they are purchased by service personnel. There would also be a risk that, years into the future, no service purchasers for the properties would be found. Furthermore, such a solution implies the government’s willingness to provide significant investment, perhaps at the expense of investment in other aspects of service accommodation, or indeed at the expense of other elements of defence capability.

Earmarking Part of Increased SFA Rent Payments for Personal Investment Funds

- When a single member of the armed forces enters training, they pay single living accommodation charges. While they live in the mess or barrack block on a main operating base, this continues to be the case. If they are married or in a civil partnership, SFA charges are incurred. As reported earlier, accommodation charges have increased, and the authors were briefed that it is an aspiration for government that prices creep towards market values, while subsidy remains government policy and an important part of the offering. If fees are raised slowly and in increments, Nationwide suggested that it could be possible for part of the rent (for both SLA and SFA) to be paid into a purpose-built investment fund for the service person. This could be individually named savings accounts or a military group scheme. Because the fund could not be accessed until a home purchase was being made, the scheme could be tax efficient, or tax free, and actively managed by an investment professional. The individual service person could then draw-down full benefits from this scheme at the point of buying a home. Naturally, the longer they are in the scheme, the greater the accrued benefit. Tax-efficient savings schemes are core products of the financial services sector. As many companies from this market support the AFC, it could reasonably be expected that these businesses would actively support a military deposit scheme, financed at source through payroll. The authors have discussed this

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6. Author’s interview with senior MoD official, 30 January 2018.
idea informally with a small number of bankers and brokers, in addition to Nationwide, and the concept was received positively.

- Because the scheme would be compulsory (much like a pension contribution), it might not necessarily be welcomed by all service personnel. Service personnel already have rates of home ownership that are broadly comparable to those of the population as a whole, and it could be argued that it is not the government’s job to oblige individuals to do more in this regard than they would otherwise choose to do. Moreover, given the state of repair of much service accommodation, it could also be argued that further rent increases might be better applied toremedying these deficiencies.

**Diverting Part of Accrued Pension Benefits into Saving Schemes**

- From day one in service, typically, the member of the armed forces is accruing contributions towards a final pension. As discussed above, like all pension schemes, the armed forces scheme is an end-of-service scheme, when benefits are received post-service. But it does not have to be this way. Conceptually, the present value of part of the accrued pension could be released as a lump sum on application to complement other values being generated for a deposit on a property. Nationwide experts told the authors that this would require significant amendment to the armed forces pension scheme, detailed engagement with the pensions’ regulator and possibly primary legislation. As with the savings scheme suggested above, the longer a member of the armed forces is in service, the greater the lump sum accrued. The authors do not underestimate the bureaucratic and policy difficulties with this, but it could be possible if it was thought valuable to the service person. Again, as banks and building societies are AFC supporters, the detailed design and management of such a scheme – the Armed Forces Pension for Deposit – could be developed. Although the authors have not explored the potential derivative values of such tradeable assets or instruments, it is not unreasonable to suggest that these could be substantial, perhaps even benefiting Britain’s broader prosperity agenda in the long term. Yet there could be inherent risks in this scheme. The individuals in question would be giving up part of their entitlement to a defined pension benefit for a return from a private investment, the final value of which could not be guaranteed. In these circumstances, it is far from clear that the government would feel able to recommend such an approach.

**The Future of the FAM**

The FAM is highly complex and contestable, and presents as a risk to service life and military ethos, as well as being a strategic opportunity. The principal risk is the status of and financial commitment to the notion of ‘the patch’ of SFA at main operating bases, accessed through

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7. The authors emphasise that this release should be for only a minority element of the current, at application, net present value of the pension. The requirement for a military pension is understood and well tested. The authors would not wish to see this undermined by reckless raiding of pension pots.
entitlements anchored in rank and status. If the management of this risk is mishandled, the impact could be profound for force generation. Given this, the test and evaluation of the FAM needs to be carefully designed, overtly within the public domain and subject to parliamentary review.

Recommendations

The authors suggest that these significant findings generate the following recommendations:

In the short term:

1. The armed forces should give increased priority to families’ accommodation within the employment offer: increased financial and MoD management resources should be allocated to the families’ accommodation provided through Annington Homes so that maintenance levels can be improved markedly in the short term. Families carry much of the work and burden associated with the military postings system and their support for the spouses’ employer is at a low level. It is surely disappointing that only 15% of spouses say they would be less happy if their partner opted to leave the military.\(^8\)

2. An Armed Forces Covenant Programme Office, at an arm’s length from the MoD, should be established with the review and assurance of accommodation provision for the armed forces as one of its key responsibilities. The work of the FAM team could be absorbed by this office, with Covenant supporters encouraged to part-fund or provide additional personnel for this function. The findings from this research could be audited and assessed by the Programme Office, feeding into future FAM trials and the government’s forward legislation programme as necessary. Of significance, the findings relating to financial products should be tested within the FAM trials after consultation with regulators.

3. In the context of trials, a full test and evaluation programme for the FAM should be developed now and managed as a coherent assessment phase programme. The critical success factors for each trial component should be decided in advance and the trials properly resourced and structured with a project officer and senior responsible owner. This assessment phase should be reviewed annually by the House of Commons as part of its review into the AFC.\(^9\) The trials should focus on:
   a. The rules of entitlement.
   b. Capital investment into SFA.
   c. Possible new financial products that enhance choice.
   d. Alternative delivery models through housing associations and public–private partnerships.

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9. The authors believe that this assessment phase of the FAM should be managed and administered within an Armed Forces Covenant Programme Office.
In the longer term:

1. The lessons learned from an effective FAM assessment phase should shape the policy debate. Some elements of an emerging solution can offer certainty, while other elements will remain iterative. An effective communications campaign, with families’ federations critically involved, seems essential. This should be developed within the assessment phase.

2. Service chiefs should focus on accommodation within their strategic priorities and fund new builds as necessary at main operating bases. This recognises that the single services might assess that their requirements and responsibilities differ and that investment decisions that diverge should be expected. Commanders’ strategic choices in relation to accommodation should be reviewed by Parliament annually as part of the AFC impact analysis.

3. A whole of government approach needs to be garnered to attract large employers to areas in which military bases are located. The education and training courses provided by local authorities through their adult colleges could, and should, mirror the skills and competency needs of such local employers. National and local government should intervene to attract, retain and up-skill such employers as centres of employment opportunity for spouses and other family members (and, possibly, service leavers).

4. Clearly, contractors supporting the operation of military sites could, through the AFC, consider ways to actively encourage service spouses to apply for employment opportunities within their organisations.

5. The services should provide longer-serving personnel, who are unlikely to receive further promotion or need additional development, with longer posting periods. The burdens of the moving process, including packing up and unpacking, are resented by many military families, and so reducing the incidence of moves could improve both morale and retention.

6. The FAM could be conceptualised as a major change programme for the UK government. It is pivotal that factors such as service ethos, traditions and values remain at the centre of thinking. Capability generation sits upon these factors as much as hard investment choices and real estate.

7. Linking the short term to the long term, a non-executive advisory board should be established prior to the FAM assessment phase to address all perspectives and values. The board should help the assessment phase project team decide on the regional locations for trials, as this decision seems significant. The board should include retired senior military officers, politicians, academics and representatives of service families. Much of the debate framed by such an advisory group must be within the public domain.

10. The House of Commons Defence Select Committee reviews the Armed Forces annual report each year.
Appendix A

RUSI Independent Advisory Group

Sir Peter Luff (Chair), former Minister of Defence Equipment, Support and Technology, 2010–2012

Mark Arscott, BT Openreach

Brigadier (ret’d) Jon Brittain, Partner with Terrington Management

Sascha Chennell, Nationwide

John Gall, Nationwide

Karen Jackson, formerly Clerk to the House of Commons Defence Committee

General (ret’d) Sir Barney White-Spunner, independent businessman
Appendix B

Independent Benefits’ Realisation Model

**Outputs**
- Legislation — enabling legislation and policy developed, including a decision on continuing the Forces Right to Buy scheme
- Development of investment schemes — investment schemes to be developed by fund managers that generate the necessary options for early pension release, tax-free savings and deposit savings schemes
- Delivery of financial education — as part of the scheme, financial education will be developed and delivered to service personnel to assist their decision-making processes
- Creation of the programme office — to manage the significant change programme, including sufficient resourcing and leadership, an efficient programme management office is to be set up

**Outcomes**
- Early pension release — scheme provides option for early pension release
- Tax-free savings — scheme provides a tax-free savings vehicle derived at source
- Deposit savings scheme — investment vehicle drawn from uplift in rent, with the difference being invested to grow the contribution towards the deposit for first house purchase
- Continuation of Forces Right to Buy — scheme continues the Forces Right to Buy, which allows up to £25k to be saved for first house purchase
- Option to purchase — indication that Annington Homes may allow service personnel to purchase their occupying home

**Benefits**
- Affordable — affordable to both the MOD and service personnel. Reduces deficit by £165m per annum
- Flexible — home ownership and private accommodation options provided for all service personnel and families
- Retention — retention of service personnel is general, all age ranges and at key leave points
- Recruiters — new option has financial benefits that may not currently exist, thereby assisting with recruitment
- Increased accommodation choices — provides more flexibility to Army and RAF, and maintains owner/occupier to Navy
- Adapts to changing ‘social fabric’ — the scheme is more akin to modern trends and social societies, thereby benefiting modern age
- Increased MOD reputation — increase in rental payments seen to be funding new investment vehicles

**Ambitions**
- Meeting the objectives of force 2025 — sustained and flexible military force 2025, with accommodation as a key ‘pillar’ of the force offering
- Promoting the role of service personnel — service personnel to be viewed as exemplars, thereby offering utility and service back to society as either military personnel or as veterans
- Promoting the role of government — government wants to protect its citizens, project influence and promote prosperity
- Collective national pride — a maintained sense of national pride that service families are cared for
- Increased MOD reputation — increase in rental payments seen to be funding new investment vehicles
## Appendix C

### Home-Ownership Schemes Past and Present for Armed Forces Personnel

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Year</th>
<th>Description and Conditions</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armed Forces Home Ownership Scheme (AFHOS)</td>
<td>2010</td>
<td>Pilot scheme with limited funding for service personnel across all services with more than four and less than six years’ service on a first-come first-served basis. Assistance through shared equity (equity provider will be the MoD) with the possibility of borrowing between 15% and 50% (up to the value of £75,000). No charges or interest are applied to the MoD element of funding (unless sub-letting or more than 50 miles from place of work).</td>
<td>Closed</td>
</tr>
<tr>
<td>Long Service Advance of Pay (LSAP)</td>
<td>1995</td>
<td>Ten-year interest-free loan up to £8,500 to be used to purchase a property. Eligibility requires four years’ service (Army and RAF) or is based on the trained strength of the Royal Navy or Royal Marines.</td>
<td>Frozen with introduction of FHTB</td>
</tr>
<tr>
<td>Forces Help to Buy (FHTB)</td>
<td>2014</td>
<td>Allows serving personnel to borrow up to 50% of their salary interest free (up to a maximum of £25,000) to buy their first home or move to another property on assignment or as their family needs change. Repayments are made from the salary over a ten-year period. Eligibility requires two years’ service (Army and RAF and be on the trained strength) or on the trained strength of the Royal Navy or Royal Marines.</td>
<td>Pilot extended to end-2018</td>
</tr>
</tbody>
</table>
Examples of Prioritisation for Members of the Armed Forces on Wider Civilian Schemes

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared Ownership</td>
<td>England</td>
<td>A share of between 25% and 75% of the home can be purchased either with savings or a shared ownership mortgage, with rent paid to cover the remainder with the prospect of gradually purchasing 100% of the property. Only military personnel are given priority over other groups.</td>
</tr>
</tbody>
</table>
| Low-cost Initiative for First Time Buyers (LIFT) | Scotland | Includes two shared equity schemes that give priority to members of the armed forces who have left within the past two years:  
  - New Supply Shared Equity (NSEE) entails buying a new-build property from a housing association or a housing cooperative. Service members would essentially buy a stake of between 60% and 80%, with the remainder funded by the government. They do not pay interest on the government-funded portion and repay when they sell.  
  - Open Market Shared Equity scheme: a very similar scheme to NSEE except it does not have to be a new-build property and the maximum stake can be up to 90%. |
| HomeBuy Scheme                              | Wales    | Offers support to people who would otherwise need social housing. Provides an equity loan of around 30% of the property price, but can be increased to 50%. Funding is limited, but service personnel and veterans have priority status. This has also been extended to widows and widowers of serving personnel. |
| Rent First Scheme                           | Wales    | A scheme providing rented housing at intermediate rents, which gives tenants an opportunity to buy their property outright.                                                                                                                                               |
## Appendix D

### Dataset

<table>
<thead>
<tr>
<th>Resource</th>
<th>Date</th>
<th>Public/Private Domain</th>
<th>Relevance to Research Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Regular Armed Forces Continuous Attitude Survey</td>
<td>2010–2017</td>
<td><a href="https://www.gov.uk/government/collections/armed-forces-continuous-attitude-survey-index">https://www.gov.uk/government/collections/armed-forces-continuous-attitude-survey-index</a></td>
<td>Traces the perceptions towards military housing over the years and its relationship to issues such as retention.</td>
</tr>
<tr>
<td>Armed Forces Covenant Annual Report</td>
<td>2012–2017</td>
<td><a href="https://www.gov.uk/government/collections/armed-forces-covenant-annual-reports">https://www.gov.uk/government/collections/armed-forces-covenant-annual-reports</a></td>
<td>Provides an account of AFC progress in terms of implementation and evolving policy towards the Armed Forces Community. It also explores the challenges military personnel face and the opportunities for bespoke products.</td>
</tr>
<tr>
<td>Source</td>
<td>Year(s)</td>
<td>URI</td>
<td>Description</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------</td>
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<td>-------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>RAF Families Federation, ‘The Future Accommodation Model 2016’, survey report</td>
<td>2016</td>
<td><a href="https://www.raf-ff.org.uk/publications/raf-ff-reports/">https://www.raf-ff.org.uk/publications/raf-ff-reports/</a></td>
<td>Traces the perceptions of RAF personnel towards military housing over the years and its relationship to issues such as family relationships and retention.</td>
</tr>
<tr>
<td>MoD Freedom of Information releases</td>
<td>2016-2017</td>
<td><a href="https://www.gov.uk/government/publications?departments%5B%5D=ministry-of-defence&amp;publication_type=foi-releases">https://www.gov.uk/government/publications?departments%5B%5D=ministry-of-defence&amp;publication_type=foi-releases</a></td>
<td>Cover a broad range of issues and provide relevant data.</td>
</tr>
<tr>
<td>Annington Homes Reports and Accounts</td>
<td>2015-2016</td>
<td><a href="https://www.annington.co.uk/cms/cms_files/anningtoninfo20170331v1.pdf">https://www.annington.co.uk/cms/cms_files/anningtoninfo20170331v1.pdf</a></td>
<td>Reveals data on the housing stock previously owned by the MoD.</td>
</tr>
<tr>
<td>Military and civilian focus groups</td>
<td>2017</td>
<td>Commissioned for RUSI project</td>
<td>Explored issues of military exceptionalism, the conditions of SFA, the proposed policy for the FAM and alternative products.</td>
</tr>
</tbody>
</table>
Structured and semi-structured interviews with: policymakers; politicians; officials; military commanders; service personnel; service spouses; families’ association representatives; financial services professionals; and actuaries

<table>
<thead>
<tr>
<th>Activity</th>
<th>Year</th>
<th>Commissioned for</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>The interviews captured a variety of opinions on the current and future state of SFA from a variety of stakeholders.</td>
<td>2017</td>
<td>RUSI project</td>
<td></td>
</tr>
<tr>
<td>Modelling of SFA policy proposals’ benefits, risks and uncertainties</td>
<td>2017–2018</td>
<td>RUSI project</td>
<td>Models the benefits, risks and uncertainties of various proposed policy solutions for SFA.</td>
</tr>
<tr>
<td>Provides recommendations on military pay, allowances and charges. This report also engages with the FAM and accommodation in the services more generally.</td>
<td>2017</td>
<td>Armed Forces’ Pay Review Body Forty-Sixth Report</td>
<td></td>
</tr>
</tbody>
</table>
About the Authors

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