

**The Kerslake Commission
on Armed Forces Housing**

Homes unfit for heroes

The poor condition of armed forces accommodation and what needs to change



April 2024

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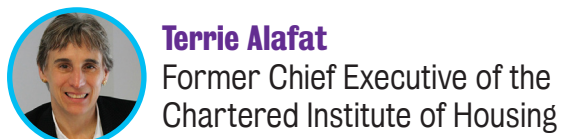
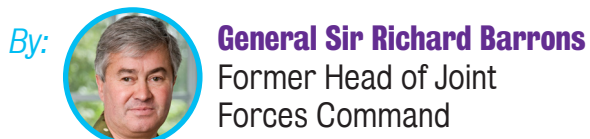
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Foreword



On behalf of the Kerslake Commission on Armed Forces Housing

The Kerslake Commission was launched in February 2023 to investigate the condition of accommodation offered to members of the armed forces and their families and to make recommendations on how the service could be improved. It was created in the light of serious concerns expressed over many years by service personnel about some of the provision, and the Ministry of Defence's own acknowledgement of the difficulties it faces in delivering to the standard expected by all parties.

We have both had the privilege of working with the late Lord Kerslake on this Commission, along with expert academics and experienced leaders in housing and local government. This report is the culmination of our work. We hope its findings and recommendations will lead to improvements in armed services housing, inform the deliberations of the House of Commons Defence Committee, and influence the MoD's new Future Accommodation Model, which proposes some long overdue and welcome reforms. Our objective has been to complement, consolidate and reinforce, as well as to challenge where we think more needs to be done.

We are grateful for the thoughtful input from the Armed Service Families Associations, the insightful testimonies from service personnel and evidence from housing and defence experts. The Commission has looked to strike a balance between the needs of the MoD and the needs of service personnel and their families. It has concluded that there is considerable common ground given the shared interest in maintaining operational effectiveness and enhancing recruitment, retention and high morale.

The Commission was reminded by many participants that the challenge of providing enough decent accommodation has not been met over recent decades. It is also clear that the present funding and delivery situation will not arrest decline. There have been some improvements in accommodation, reflecting investment, but there remains much service accommodation in serious disrepair.

The Commission's overall conclusion is that there is an urgent imperative to restore and then sustain the provision of service accommodation in order to maintain operational effectiveness. This must be done to ensure the armed forces attract the high-quality people needed in a highly demanding market for talent. Getting accommodation right must be one of the most vital issues to be addressed in the defence review that is expected to occur following the next general election.

The Commission is clear that the offer of service accommodation is part of an overall package of supporting services that enable service personnel to live and operate, especially in the more remote or austere locations, without feeling disadvantaged. If this falls short, good people cannot be expected to remain committed to their service.

Armed forces housing is not the same as social housing, but the regulation and legislation underpinning social housing provide clear expectations about what landlords are expected to do, the rights of their tenants, and the levers that can be applied where conditions fall short. There is more that could be done to empower service personnel to have a voice in how they are housed.

The Commission was struck by the degree to which service personnel seem to feel that they should not complain for fear of repercussions on their reputation and career prospects. It seems that too many service personnel are expected to put up with poor accommodation as if it were somehow a reasonable expectation of service life. In fact, sub-standard family and single accommodation has effectively become a tax on the goodwill of highly prized people that directly undermines operational effectiveness and retention.

Preface

This report by the independent Kerslake Commission examines the accommodation conditions and the related maintenance and repairs services offered to service personnel and their families and makes recommendations on options for lasting improvements.

The research concentrates on Service Family Accommodation (SFA) and Single Living Accommodation (SLA) in the UK. It makes only passing reference to substitute service single/family accommodation in the private rented sector, homeownership options or accommodation overseas.

The focus is on the condition and quality of the accommodation and the maintenance and repairs services, as well as the management and investment needs, rather than new housing schemes or issues such as affordability and rent/charges, eligibility and allocations, home improvements or the 'move-in' process.

It is not a technical report or an in-depth audit of what is working and what is not. The intention is to highlight the main concerns and inform the discussion as to what actions need to be undertaken.

The findings and specific recommendations in respect of SFA and SLA should also not be viewed in isolation. They need to be seen as part of a wider, more holistic reform agenda, aimed at improving the overall welfare of service personnel and their families.

The report draws on desk research, including an extensive literature review; scoping interviews with leading academics; written submissions from stakeholders; testimonies from service personnel; interviews with practitioners and housing and defence experts; and information from a specially convened 'engagement workshop' in July 2023, which was attended by representatives from armed forces organisations, personnel with lived experience, and experts from various fields, such as housing, wellbeing and military life. In total, 67 interviews were conducted and inform this report.

About the Commission

The Kerslake Commission on Armed Forces Housing was commissioned by John Healey MP, Shadow Secretary of State for Defence. Launched in February 2023, the Commission was asked to independently ‘assess the condition of MoD accommodation and gather evidence to determine what changes are required to deliver lasting improvements’.

The chair of the Commission was the late Lord Kerslake. The other Commissioners are:

- **General Sir Richard Barrons**, former Head of Joint Forces Command
- **Brendan Sarsfield**, former Chief Executive of Peabody housing association
- **Professor Nicola Fear**, Co-director of the King’s Centre for Military Health Research
- **Terrie Alafat**, former Chief Executive of the Chartered Institute of Housing
- **Darren Rodwell**, leader of Barking and Dagenham Council
- **Dr Lisa O’Malley**, researcher at the Centre for Housing Policy and Senior Lecturer at the University of York

The Commissioners are members of the Commission in a personal capacity. The views expressed in this report do not therefore necessarily reflect the view of their organisation.

The Commission was supported by the Berkeley Group, the Policy Institute at King’s College London, the Smith Institute and London Politica.

Executive summary

The provision of decent and affordable accommodation underpins the health and wellbeing of armed forces personnel and is vital to the operational effectiveness of the nation's defences. Yet for many years the accommodation for many service personnel and their families has been substandard, and in many cases unacceptable.

The condition of both single living accommodation (SLA) and service family accommodation (SFA) has worsened, with growing complaints of damp and mould and issues with heating and hot water. The problem has been driven by a persistent lack of investment, poor management, and inadequate maintenance and repairs by private contractors.

The MoD admits that at least a third of its SLA is in poor condition and that thousands of SFA homes are in need of urgent repair.

Despite repeated promises to tackle the crisis, last year saw a proliferation of contract failures regarding accommodation issues, a rise in the number of complaints and a growing backlog of urgent repairs.

Levels of satisfaction with accommodation among service personnel have fallen to record lows. Poor housing conditions and poor housing services are now cited as major reasons for the fall in overall satisfaction with service life. This is affecting morale and recruitment and retention.

The backlog of repairs is now at a tipping point. The total cost of modernising armed forces accommodation has rocketed and could soon be more than £4bn.

Given past mistakes and the legacy of stop-start investment, incrementalism is no longer an option. Higher levels of investment in new and refurbished accommodation must be sustained over the longer term.

Providing better accommodation for all must become a higher policy priority for the MoD, investment must be increased, performance management and customer service improved, higher housing standards set and accurately monitored, and reforms made to the communication, complaints and compensation systems.

More must also be done to give service personnel a stronger voice over their housing conditions and services.

The cumulative effects of poor accommodation have effectively become a tax on the goodwill of service personnel and their families.

The MoD's New Accommodation Offer (to be renamed from March 2024 the 'Modernised Accommodation Offer') and the extra funding for maintenance and repairs announced last year are a step forward, albeit long overdue. However, the price of past delays and failures continues to mount and has now become critical. More reforms – based on the recommendations in this report – are now needed to ensure that improvements are delivered and sustained.

Key findings

- ♦ The accommodation for many service personnel and their families is sub-standard and affects their health and wellbeing. This in turn reduces the operational effectiveness and efficiency of the armed forces.
- ♦ There are long-standing problems in many places with insulation, damp and mould, heating and hot water, as well as with gas and electrical faults and pest infestations.
- ♦ A significant proportion of service personnel are now dissatisfied with their housing conditions and very dissatisfied with the maintenance and repairs service.
- ♦ High levels of dissatisfaction are damaging morale, recruitment and retention. They may also negatively affect the public image of, and public confidence in, the military.
- ♦ The poor ratings that service personnel give accommodation in the satisfaction surveys and lived experience testimonies presented to the Commission are at odds with the pledges made by the MoD's Enduring Armed Forces Covenant and customer service charters.
- ♦ The accommodation failings go back decades, driven by disinvestment, poor management and broken housing services.
- ♦ Accommodation has been a low policy priority for the MoD and the repairs budgets for SLA has not been protected.

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- ♦ There are concerns over the accuracy of the MoD's property survey data and the absence of any accredited SLA minimum standards.
 - ♦ The maintenance and repairs service provided by private contractors continues to fail badly.
 - ♦ Decisions about repairs and maintenance are too top-down, and for far too long have centred on a 'fix on fail' approach.
 - ♦ The total cost of modernising armed forces accommodation keeps rising and could be as high as £4bn.
 - ♦ The MoD's investment programme for accommodation falls short and does not address the legacy of years of underfunding.
 - ♦ The complaints system dealing with accommodation is dysfunctional. Service personnel do not have recourse to an independent complaints body or have similar housing rights as social tenants.
 - ♦ The Annington accommodation buy-back High Court case overhangs the MoD's forward planning and future funding decisions.

Recommendations

This report, based on the work of the Kerslake Commission, reviews why accommodation matters to service personnel and how the crisis has evolved, highlights what the key issues and challenges are now, and asks what needs to change. The evidence and analysis underpin the following list of recommendations.

Recommendation 1: The MoD should commission an independent survey and review all of its accommodation to establish a clear, up-to-date picture of its condition that sets out what is required to bring it all up to the standards set by the MoD and the anticipated cost. The results should be reviewed by an accredited, independent body such as the Social Housing Regulator and published.

Recommendation 2: The maintenance and repair service continues to fail badly owing to a combination of insufficient funding and inadequate delivery arrangements. Improvements must be made quickly, including the restoration of funding, such that the rate of decline is

overturned and legacy issues addressed. The MoD should be required to benchmark its performance in maintenance and repair to the same standard as Registered Social Landlords, making its performance public annually.

Recommendation 3: The MoD should be incentivised by the Treasury to reduce the void rate as much as possible, rationalising the amount of accommodation in order to focus the funds available for maintenance and repairs on the remaining stock.

Recommendation 4: The support to all types of service accommodation is failing to meet the expectations of service personnel and their families. The MoD should – as it has promised – take forward the Haythornthwaite review proposal to develop ‘people value propositions’ for housing and welfare services and bring this forward in step with the next defence review.

Recommendation 5: The complaints system for dealing with failures in housing and associated services is failing. Service personnel need a system that ensures complaints are registered effectively and known to the chain of command. Failure to act appropriately must be dealt with swiftly and effectively. The MoD should bring forward proposals for a revitalised complaints system that ensures contractors in the chain of command have the same data and that remedial action is taken against the benchmarks applied to other public sector housing.

Recommendation 6: Service personnel do not have housing rights comparable to the tenants of social housing. The MoD should review why this is so, and bring forward proposals to establish equivalency or explain why it is not appropriate. This review should include the views of service personnel and the Armed Forces Family Federations and draw on the expertise of central and local government.

Recommendation 7: There needs to be an effective mechanism by which service personnel who feel that their complaints about their accommodation have not been dealt with appropriately can raise them independently of the chain of command. The MoD should examine how such complaints could fall under the remit of the Services Complaints Ombudsman for the Armed Forces and make their recommendations public.

Recommendation 8: The MoD’s planned investment program for accommodation over the next 10 years falls well short of addressing the legacy of many years of underfunding, or even arresting the present rate of decline in the estate. The MoD must be provided with the funds to rectify the full accommodation challenge over a five-year period, and then assured the annual sum needed to support proper maintenance. This must be included in the budgetary outcome of the next defence review.

Recommendation 9: The funds for the provision of SLA, including maintenance, are regularly used to find short-term savings at the expense of operational effectiveness and retention. SLA spending should be ring-fenced in the same way as the SFA budget.

Recommendation 10: The MoD's intention to move away from maintenance and repairs on the basis of a 'fix on fail' approach is welcome but will not necessarily address the legacy of many years of underfunding. The estate requires wholesale adoption of a preventive maintenance regime that employs the technology and data now commonly found in other sectors to ensure efficiency and value for money.

Recommendation 11: The MoD and the Treasury should review how estate disposals are conducted to ensure that they are done at the best possible developed value of a site rather than disposal at current value. The Treasury should also allow the MoD to retain 100% of its receipts from asset disposals. This approach should significantly increase capital sums available for investment.

Recommendation 12: The MoD should investigate the case for additional private and institutional social impact investment to tackle the backlog of maintenance and repairs.

Recommendation 13: The Defence Infrastructure Organisation (DIO) has struggled to operate with the contracting and commercial experience needed to manage all its responsibilities, as well as attempt to maintain a very large estate with systemically too little funding. The MoD should commission an external expert review of the DIO, making recommendations for reform to better manage the responsibilities placed upon it.

Recommendation 14: The chain of command, especially at local level, has become too disconnected from even small decisions about maintenance priorities that affect operational effectiveness and personnel. The MoD should review how the chain of command is empowered to prioritise spending on its accommodation, including the delegations for authorising expenditure and removing unnecessary bureaucracy.

Recommendation 15: The Annington High Court case must not become a distraction from tackling the accommodation crisis. The MoD must show that the buy-back represents value for money for the taxpayer and will help improve armed forces accommodation.

Introduction

The Ministry of Defence (MoD) currently provides around 48,000 Service Family Accommodation (SFA) properties and around 154,000 Single Living Accommodation (SLA), including 21,000 bedspaces in training facilities.

SFA homes are provided under the terms of a 'Accommodation Offer' by MoD on a Licence to Occupy. SLA is provided to single and unaccompanied personnel, mostly in permanent or temporary 'block' bed space within military bases.

The military accommodation is spread around the country, covering some 500 military sites, and of variable quality – many properties are over 50 years old and cheaply constructed to very basic design and build standards.

The MoD's accommodation has other unique features. Service personnel, for instance, do not choose where to live – they are allocated accommodation according to operational requirements.

Armed forces accommodation: key facts

- The armed forces total around 145,000 service personnel (half in the army)
- Nearly a third of all service personnel live in SFA, with this figure higher in the army specifically.
- Over half of service personnel live in SFA during the week.
- Around 60% of service personnel live in SLA at any one time.
- MoD surveys show most (69%) are living in their preferred type of accommodation.
- On average service members move home (change of station) every three years.
- Three-fifths of service personnel own their own home (this figure is much higher for officer rank).

The accommodation is heavily subsidised and charged to personnel by the MoD on a range of criteria, including military requirements, location, and the condition of the property. In general, accommodation of a poorer condition is cheaper.

The accommodation is typically offered on a short-term basis and often not lived in by service personnel during the week. Service personnel can also access supported private rented accommodation.

The MoD is responsible (through the chain of command) for all service personnel needs, including accommodation and other welfare services. The Defence Infrastructure Organisation (DIO), which centrally manages the entire MoD estate, looks after housing operations and is responsible for planning and improvement programmes.

The MoD is ultimately responsible for the condition of the stock and for housing and property services, as well as for investment in refurbishment and purchasing new accommodation. However, it does not own the vast majority of the SFA properties. Most of its housing stock in England and Wales was sold to a private company, Annington, in 1996 and is held under a 200-year lease-back arrangement, with the MoD paying Annington a negotiated rent. This arrangement, as discussed later in the report, is currently being contested in the High Court. The MoD also has a few housing private finance initiative schemes, which are managed by housing associations.

The maintenance and repair work and administration of SFA is contracted out to three main private firms – the Pinnacle Group, Amey and VIVO Defence Services. Pinnacle provide the customer-facing role through a National Service Centre and inspect homes and provide the point of contact for the allocation of SFA and repairs. The other two contractors provide the maintenance and repairs on a regional basis (see later section on management and contracting).

Why accommodation matters

The provision and condition of the accommodation offered to service personnel is important to the operational effectiveness and efficiency of the armed services. It impacts on the health and wellbeing of service personnel and affects living costs via the rent/charging system.¹ Under the MoD's Combined Accommodation Assessment (CAA) surveys grading system, the condition of the accommodation is used (along with other criteria, such as location) to determine the level of rent/charges paid. Homes that have not been improved are generally significantly cheaper.

‘Domestic accommodation is a core element of our offer to service personnel and reflects the level of mobility we expect from them. Accommodation is crucial to the lived experience of personnel, providing one of the foundations of the moral component of fighting power.’

MoD

There is a widespread understanding – both inside and outside the defence establishment – about the links between decent and affordable armed forces accommodation and operational effectiveness. As the government acknowledged in its Defence Accommodation Strategy: ‘Defence is now acting in the understanding that accommodation is fundamentally linked to the health and wellbeing of our people and their families.’² The MoD’s health and wellbeing strategy similarly states that a ‘key factor in the determinants of health, is ensuring families and personnel have safe and secure accommodation to live, work and train in’.³

Sub-standard accommodation is not only a drain on the MoD’s financial resources, but critically impacts on troop morale and recruitment and retention. This is particularly important at a time when more service personnel are leaving than joining the military.⁴

‘We’ve got to focus on retention ... we want to have good-quality equipment, we want to have the platforms, whether it’s ships, whether it’s tanks et cetera. But, actually what we want to focus on is our people – and that means the accommodation that they live in.’

James Cartlidge MP, Defence Procurement Minister

The public image of the armed forces is also important, and recent mainstream media (and social media) stories of service personnel living in terrible accommodation does great harm to public perceptions.

How the crisis evolved

Despite accepting the importance of accommodation to defence, the MoD (and its private contractors) have for many years faced widespread criticism for failing to provide decent housing for service personnel and their families. The Public Accounts Committee (PAC) in 2016, for example, concluded that service personnel ‘have been badly let down for many years and are not getting the accommodation service that they have a right to expect.’⁵

In 2018, following the collapse of the MoD’s lead housing services contractor, Carillion,⁶ the PAC report stated that the ‘poor performance and serious challenges in respect of accommodation continue to be the most frequently reported concern.’⁷ Reports published later by both the PAC and the National Audit Office came to similar conclusions.⁸

Accommodation condition problems were exacerbated during the 2000s by austerity and budget cuts. This was compounded by a spiralling backlog of maintenance and repairs and pressure to provide suitable accommodation for troops returning from Germany, many of whom were accustomed to higher-quality SFA overseas. Extra funding was made available, but it was not sufficient to meet demand.

Investment continued to fall further behind the level required and questions were raised in Parliament about contract performance, IT failures and the DIO's ability to secure value for money (VFM). The 'accommodation conditions gap' between old and new accommodation became ever wider and more apparent. While some service personnel were allocated suitable, modern accommodation, others lived in sub-standard accommodation affected by damp and mould or had poor basic facilities.

A major new-build and refurbishment programme for both SLA and SFA was rolled out in 2016 under the MoD's 25-year Defence Estate Optimisation Portfolio, which included the building and refurbishing of over 25,000 military homes and SLA bed spaces.⁹ However, the delivery of the programme came under heavy criticism, with the NAO concluding that 'the MoD's main estate risk is the declining condition of infrastructure (mainly accommodation), which could start to affect military capability.'¹⁰

The government put considerable emphasis on encouraging service personnel to opt out and buy privately. MoD schemes, such as the Forces Help to Buy Scheme,¹¹ proved popular, especially among officers and in the army.¹² However, uptake of the scheme has fallen back in recent years owing mainly to affordability barriers.¹³ This in turn has led to a greater reliance on MoD accommodation, especially among lower-paid service personnel.

In 2021 new long-term accommodation contracts were awarded to Pinnacle Group, Amey and VIVO Defence Service.¹⁴ These multi-million-pound contracts, which replaced the single National Housing Prime contract, operated by Amey Defence Services, were heralded as a new departure, 'enhancing customer service ... with clear customer satisfaction targets for suppliers to meet, financial consequences for falling short and incentives to exceed the minimum standards.'¹⁵

By 2022, when the DIO was rolling out the new contracts, maintenance and repairs were in crisis. The MoD's new Strategy for Defence Infrastructure (2022) nevertheless promised to 'ensure all new builds and refurbishments are designed around the needs of our Future Force structure and support a sense of community, drawing on best practice new era of housing provision.'¹⁶

The MoD's 'UK Armed Forces Defence Accommodation Strategy' (2022), in part a response to the ongoing crisis, pledged to 'improve the quality of accommodation to bring it in line with modern living standards and update spaces to the modern requirements of service personnel and their families.' However, the pressure on government ministers and the MoD intensified as cases of poor-condition SFA began to receive mainstream and social media attention and greater parliamentary scrutiny.

At its launch in February 2023, the Commission called for a swift resolution, which Lord Kerslake said 'must be inclusive, sustainable and holistic rather than a stop-gap that ultimately sustains longer term issues and ineffective prioritisation of resources.'¹⁷ A similar inquiry into service accommodation was launched by Parliament's Defence Sub-Committee in July 2023.¹⁸

The Defence Secretary, Grant Shapps MP, announced in September 2023 that the government will make armed forces housing a priority so that 'servicemen and women get to enjoy the best kind of accommodation.'¹⁹ An extra £400m (over two years to 2025) was allocated to the MoD in the Defence Command Paper Refresh to modernise SFA and deliver the 'housing service families deserve'.²⁰

The MoD also fast-tracked its long-running Future Accommodation Model (FAM) review, which was shaped by the Armed Forces Family Federations (Army, RAF and Naval Service) and based on a more modern, 'families first' approach to housing. The New Accommodation Offer, which takes forward the recommendations of the FAM, is to be phased in from Spring 2024.²¹

The New Accommodation Offer is primarily focused on widening choice and reforming eligibility criteria. The changes intend to ensure service personnel in long-term relationships are able to access the same accommodation support as their married or civil partnered colleagues and ensure that accommodation is allocated primarily on the needs of service personnel and their families, rather than reward for rank.

It also included extra support for the Forces Home Buy scheme and a commitment to a new minimum standard for SLA. The focus was on widening choice and fairness. It had little to say about tackling the backlog of repairs or improving the quality of housing services.

While the MoD's New Accommodation Offer and the extra funding have been widely welcomed, the case for further interventions to improve the condition of both SFA and SLA remains strong. There are important and urgent outstanding concerns – over housing conditions and services, maintenance and repairs, spending and investment, performance

management, scrutiny and oversight, and the rights and voice of service personnel. It is these areas that this report examines in more detail and makes recommendations on.

Defence Infrastructure Organisation and accommodation

The MoD's Defence Infrastructure Organisation (DIO) manages the MoD's military estate, including accommodation.²² The Chief of Defence People is responsible for the formulation of Defence living accommodation policy and delegates the lead to the Director of Armed Forces Personnel Policy, who delegates day-to-day responsibility to Head of People Accommodation (Hd Accom). In discharging these responsibilities Hd Accom may consult with the single Service Accommodation Colonels. Front Line Commands have the delegated responsibility to manage their SLA according to need and priority. The DIO's People Accommodation Policy team and the Accommodation Support Cell (a team of civil servants which sits outside of DIO) advise on housing matters.

Applications for SFA received after an assignment order are based on the MoD's 'housing offer' (now the New Accommodation Offer), which is managed by an out-sourced Home Service Team and based around people's needs and preferences. Complaints are made to the lead contractor and then to the DIO. JSP 464 Volume 1 Parts 1 and 2 provides policy and guidelines for the provision of SFA. Volume 2 is the authoritative policy and guidance for the provision of SLA. Review of policy and delivery is through working groups and leadership teams.²³

Living in military accommodation

Service personnel and their families consistently report that they value the discounted accommodation they are offered. Most view military accommodation as a distinct form of tenure, different from social housing and ‘part and parcel’ of military life.

Evidence to the Commission highlighted how being housed on base makes for a distinct lived experience. Military personnel and their family members speak, for instance, of the way ‘living on the patch’ imparts a strong sense of community and camaraderie.²⁴

Housing affordability is also an important factor and the rent/charge discount (between 43% and 73% depending on the type of accommodation) for military housing compares favourably with rent subsidies for affordable rent (at up to a 20% discount on local private rent).

The Accommodation Offer remains an important reason for joining and leaving military service. Nearly four in 10 (38%) service personnel view the Accommodation Offer as a factor influencing intention to stay, whereas nearly a third (29%) cited it is a factor influencing intention to leave.²⁵

However, according to the MoD’s latest Tri-Service Attitudes Survey, overall levels of satisfaction with service life have fallen since 2021 to 42%.²⁶ The MoD accepts that this is largely due to a fall in satisfaction with both SFA and SLA.

The largest fall seems to be among officers and service personnel who live in the South East, who tend to be less satisfied in comparison to personnel who are from other ranks, or who live in the Central area.²⁷

Housing conditions

There are plenty of examples of decent and suitable MoD accommodation and many service personnel are content with their accommodation. Unfortunately, a lot of SFA and SLA properties are sub-standard and suffer from a variety of problems, including damp and mould, issues with heating and hot water, as well as with gas and electrical safety and rodents. These issues have been documented over time by Parliament, the National Audit Office, and more recently the national media.²⁸

‘Whilst we have invested considerably in subsidised accommodation for our people, too many do not have the standard of housing that they should reasonably expect.’

MoD, ‘Defence’s response to a more contested and volatile world’, 2023

According to the independent review on the needs of armed forces families by Andrew Selous MP, unsatisfactory housing services have been a blight on the MoD for a very long time. It said: ‘Vast swathes of the SFA housing stock have suffered from little or no investment for several decades. The recent investment has obviously been helpful but there is no excuse for houses being damp and mouldy and for repairs to take months to be undertaken.’²⁹

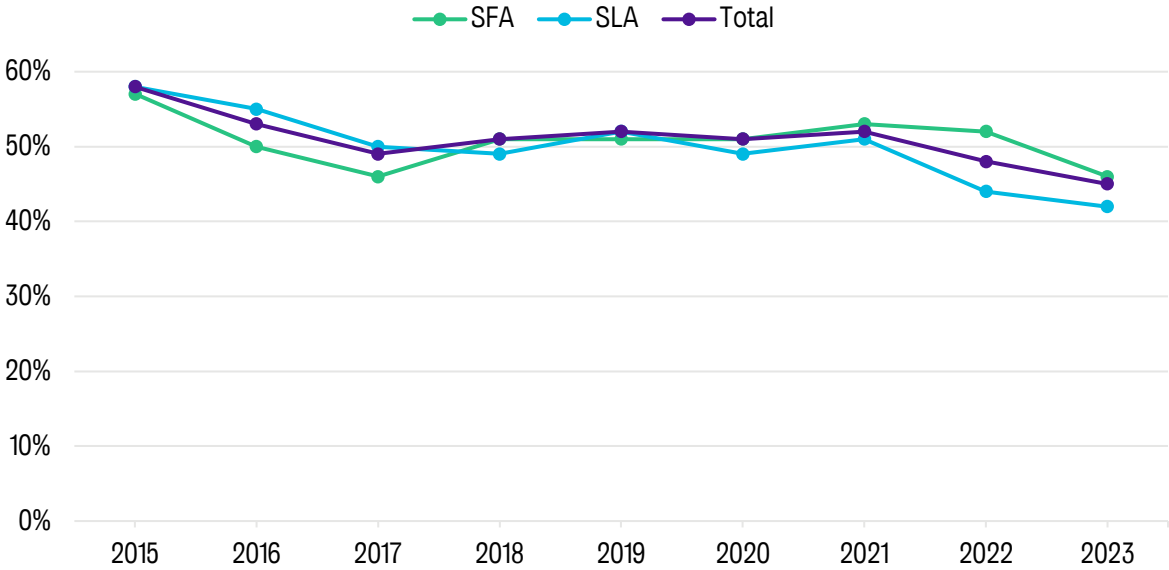
The Armed Forces Family Federations have been at the forefront of reporting concerns over housing conditions. Federation surveys, for example, regularly put accommodation issues as one of the most reported issues by service personnel.

‘Service duty can mean months spent away from home, family and friends, in tough and arduous settings that can test the physical and mental endurance of even the most resolute members of our services. After going through all that, the least we should be able to say to them and their families is that the state of their accommodation should not be a mental endurance test for them. Sadly, that is not currently the case for all of them.’

Alistair Strathern MP, December 2023

The trend in MoD Tri-Service Attitude Surveys shows satisfaction with both SFA and SLA falling overall from 58% in 2015 to a low last year of 45%, with the sharpest drop for both since 2021.

Figure 1: Satisfaction with Service Family Accommodation and Single Living Accommodation, 2015-2023



Source: MoD, Tri-Service Continuous Attitude Surveys

These low ratings compare unfavourably with satisfaction ratings among social tenants, which currently tend to be between 75% and 77%.³⁰ They also contrast with the much higher accommodation satisfaction ratings (75%) among service personnel overseas.³¹

Decent Homes and Service Family Accommodation

The MoD measures its SFA by the standard of its Combined Accommodation Assessment System surveys, which are based around the official technical Decent Homes Standard. This includes minimum standards based on the Housing Health and Safety Rating System and other criteria such as the state of repair, reasonable facilities and services and energy efficiency.³²

The MoD reports that 96% of its SFA met the minimum Decent Homes Standard in 2023.³³ Around 88% were rated as Decent Homes Plus. These ratings have been roughly the same since 2018. According to the MoD, ‘SFA is more likely to meet the Decent Home Standard than rented homes of the general population in England.’³⁴

The MoD housing conditions data and ratings for SFA are hard to square with the lived experience of service personnel. Testimonies to the Commission, attitudes surveys by the MoD, feedback from the Armed Forces Federations, and independent reports, such as

‘Living in our shoes: understanding the needs of UK Armed Forces families’, all document widespread poor housing conditions. The high level of requests for maintenance and repairs also belies the MoD’s own housing standards assessments.

The Armed Forces Covenant Annual Report 2023 stated: ‘it is clear from the Tri service continuous attitude surveys satisfaction rates, that the Decent Home and Decent Home Plus standards do not meet the expectations of service personnel.’³⁵

‘While 97% of our UK military family housing meets Decent Homes standard, in some places, it falls short of our people’s legitimate expectations. In response, we are improving the standard for our military accommodation that reflects how we live in the 21st century. (Strategy for Defence Infrastructure, 2022)

Recent reports of an urgent scaling-up of repairs to SFA also raise doubts over the accuracy of the SFA condition data. The MoD said in November 2023, for example, that damp and mould mitigation packages, boiler and heating upgrades, and energy efficiency improvements were being made to around 10,000 SFA properties, which is 20% of the stock.³⁶ VIVO Defence Services, meanwhile, told Parliament’s Defence Sub-Committee inquiry into service accommodation in 2023 that when they took on the MoD housing repairs contract they ‘had a good understanding that there was a lack of investment over the years on those properties, but the extent of what we found was a surprise to us.’³⁷ They claimed to have identified 2,500 properties where significant work needs to be done.³⁸

The declining condition of the SFA stock is illustrated by data from last year on repair call-outs:

- Pinnacle’s National Service Centre recorded over 10,000 calls relating to damp and mould in SFA in 2023 – more than double what it was in 2022.
- Over 3,000 issues were reported relating to heating and hot water in SFA between April 2022 and December 2023.
- Calls relating to heating in SFA rose from over the same period from 14,648 to 21,377 and for hot water from 3,784 to 4,897.³⁹
- Over 1,100 families in SFA were required to move out of their homes while the repairs were undertaken.⁴⁰

Standard of SLA

Poor housing conditions are widely reported in all forms of SLA – permanent, temporary and training accommodation. According to the MoD’s latest assessment, around a third of those in SLA are currently living in sub-standard accommodation.⁴¹

Around two-fifths of SLA buildings are over 50 years old, and around 10% of SLA beds are situated in buildings built before 1940.⁴² The MoD notes that some of the very old accommodation can’t be repaired or refurbished to even minimum standards. The MoD current review of SLA stock (using its SLA Management Information System)⁴³ suggests around 75% of the estate meets its in-house minimum standard (Enhanced Target Standard), which includes criteria related to wellbeing.⁴⁴

Latest data from the MoD suggest around 40-50% of the SLA is not in good condition, with the army stating that ‘a notable proportion [of personnel] remain in buildings considered beyond end-of-life and in need of replacement’.⁴⁵

The condition of SLA

- Royal Navy: Has 200 SLA blocks with 21,250 bedspaces. Only 44% of SLA rooms are graded Good or Very Good.
- Army: Has 1,520 SLA buildings with 67,409 bedspaces. Over half of the bedspaces are not in good condition.
- RAF: Has 538 SLA blocks with 26,650 bedspaces. 38% of SLA rooms do not meet Defence Minimum Standards.

Source: MoD evidence to Parliament Defence Sub-Committee Inquiry (2023)

However, it is difficult to get an accurate picture of SLA as the accommodation is not benchmarked against the Decent Homes Standard as it is for SFA. Indeed, the absence of a minimum standard for SLA meant the MoD has for years had no baseline against which to make investment decisions or request additional funding, or to demonstrate progress towards establishing an estate fit for the 21st century.

What is apparent is that much of the SLA fails to meet the expectations of service personnel, with the Tri-Service Attitude Surveys referred to above showing that overall satisfaction rates have fallen over time.

'I served nearly 10 years in the British Army. The SLA I was forced to live in was appalling and not fit for purpose. Often no heating, no hot water, and the ceiling leaked water when it rained which resulted in my clothing and belongings being soaked. Rats would crawl through the holes in the walls and scurry around under the sink in my room. Wet and damp conditions would lead to mould and I'd find myself ill all the time.'

Testimony by former service personnel to the Kerslake Commission

Parliament's PAC accused the MoD of being complacent about how it managed SLA, stating: 'the Accommodation Management Information System, on which work started eight years ago, is still not functioning. There is also no single senior person with responsibility for SLA, limited coordination across the Commands and no clear departmental strategy.'⁴⁶

Similar criticisms were made by the NAO, which concluded that: 'SLA has not been a priority for the Department. There has been no clear strategy, limited investment in buildings and a "fix on fail" approach to maintenance. While this approach might help with cost saving in the short term, it has led to an overall decline in the condition of SLA and shortened the life of these buildings, thereby increasing future costs.'⁴⁷

Establishing a baseline for improving SLA has nevertheless proved difficult because conditions vary considerably. The MoD states that 42% of all service personnel in SLA live in the lowest standard of accommodation (Grade 4), while nearly 5% live in very poor conditions – so poor in fact that rent/ charges are reduced or discarded.⁴⁸ The number in highest-grade accommodation (Grade 1) has meanwhile fallen from 35% to 22% of the total.

The MoD has recently accepted that it needs to implement a minimum SLA standard. Its Defence Accommodation Strategy states that all SLA in the future will be assessed against a new minimum standard before necessary improvements are incorporated into phased works programmes from the financial year 2024/25: 'SLA buildings must achieve a Facilities Condition Management (FCM) condition rating of 3 (Fair) and the bed space must achieve a pass in all statements of the living standards assessment.' A new SLA Expert Group, led by the Chief of Defence People, has also been established to help drive improvements.⁴⁹

'To improve living conditions, the Army SLA programme will prioritise modernisation of the under-invested core sites to be retained across the estate and focus on removing the last of the multi-occupancy rooms, whilst continuing to renew the oldest accommodation on the estate.'

MoD evidence to Parliament's Defence Sub-Committee

While welcoming the new minimum SLA standard, which forms part of the New Accommodation Offer, the MoD must ensure that the property assessment processes and data gathering are of the highest standard. The concerns surrounding accuracy of the SFA CAAS/Decent Homes data should not be replicated for SLA.

Recommendation 1

The MoD should commission an independent survey and review all of its accommodation to establish a clear, up-to-date picture of its condition that sets out what is required to bring it all up to the standards set by MoD and the anticipated cost. The results should be reviewed by an accredited, independent body such as the Social Housing Regulator and published.

Maintenance and repairs

Under-investment in maintenance and repairs over many years has been a major driver of the crisis in accommodation. Between 2015 and 2022 investment in SFA repairs, for instance, had stayed flat at an average of around £33m per year – well below what was needed.⁵⁰ The MoD admitted in 2022 that its SFA backlog for maintenance and repairs had reached nearly £1bn.⁵¹ The SLA backlog was estimated by the NAO to be even higher, at over £1.5bn.⁵²

In their recent evidence to Parliament’s Defence Sub-Committee Inquiry into Service Accommodation, the Army Families Federation said: ‘the issue that presented itself most frequently to us was response to repairs and maintenance ... this is quite variable across the SFA estate, depending on location and very often related to the age of the properties concerned.’⁵³

The MoD’s current maintenance and repairs services are managed under the terms of the Future Defence Infrastructure Services’ (FDIS) Accommodation contracts, involving the three prime contractors and several sub-contractors (see section on management and contracting). These contracts include performance measures and targets, such as 85% first-time fixes and a response target of 95%. The MoD can – and has – withheld payments when these performance targets have been sub-par.⁵⁴

DIO operates four Regional Accommodation Maintenance Services contracts which provide statutory and mandatory checks, repair and maintenance services and the preparation of allocated homes for Service families. Amey Defence manage the Northern and Central regions (39% of SFA) and VIVO Defence Services – a 50/50 joint venture between Serco, and ENGIE – cover the South East and South West (61% of SFA).

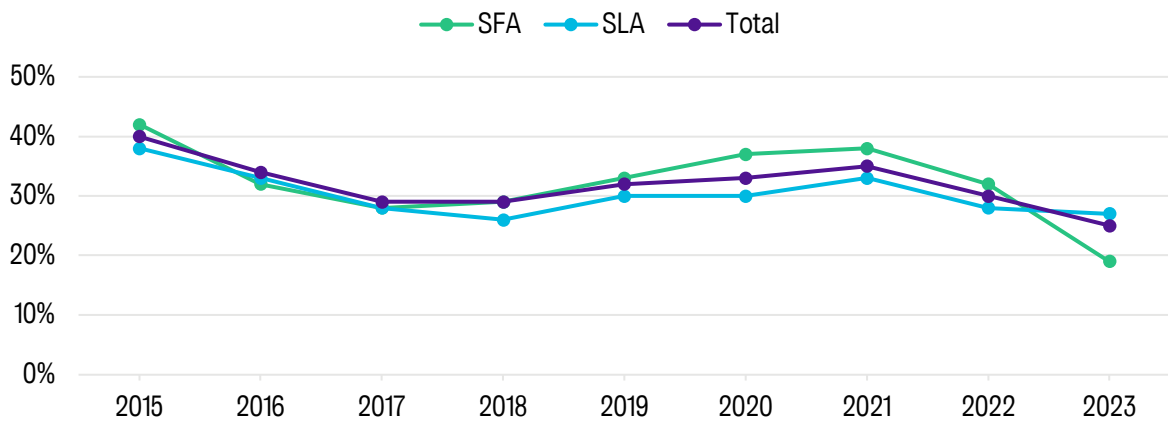
Despite these contractual conditions and some withholding of payments to contractors, the backlog of maintenance and repairs work has remained in place. The Commission was told that the repairs service has in fact deteriorated and that response times have lengthened. It was reported that, as of January 2024, there were 15,095 open work orders for SFA and 16,542 for SLA.

'We have a young son with health conditions and had been left with mould in our bathroom. We reported this issue in November and were told by the company to wipe the walls with bleach. They took action after four months later.'

Testimony of service personnel to the Kerlake Commission

Levels of satisfaction in recent years have been especially low (and declining) for maintenance and repairs. As the table below shows, satisfaction with responses to requests for maintenance and repairs fell overall from a poor 40% in 2015 to a record low of 25% in 2023.

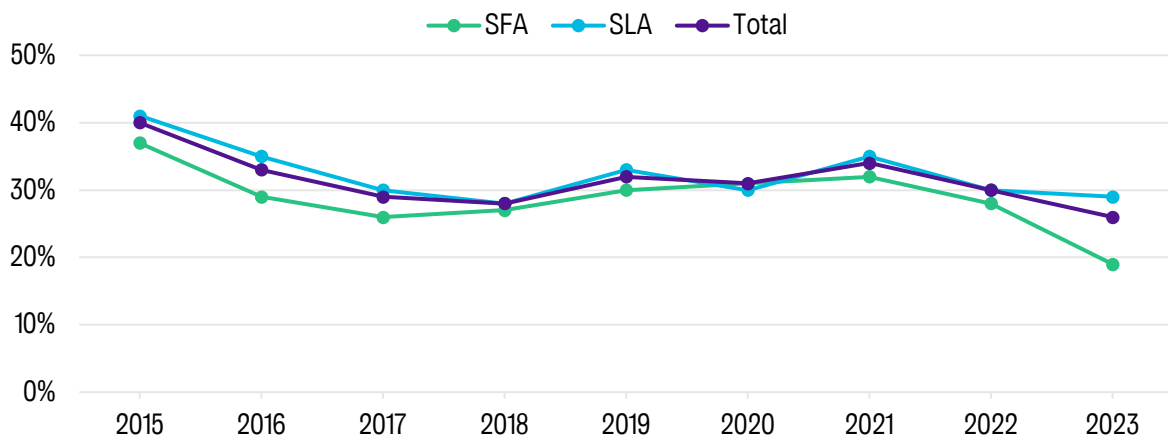
Figure 2: Satisfaction with responses to requests for maintenance/repair work



Source: MoD, Tri-Service Continuous Attitude Surveys

There has been a similar trend regarding satisfaction with the quality of maintenance and repair work, which fell from 40% in 2015 to 26% in 2023, with the biggest drop in SFA over the last few years.

Figure 3: Satisfaction with the quality of maintenance/repair work



Source: MoD, Tri-Service Continuous Attitude Surveys

The contractors claimed that severe weather conditions, IT issues and staffing problems were a big part of the reason for the poor repair service in 2023. However, the MoD states that it has now put extreme weather contingency plans in place. The lead contractors, meanwhile, claim that repair services are now much improved: Amey says it has increased resources for repairs by 40%,^{55%} while VIVO Defence Services claim they have prioritised some 2,500 properties that need urgent work and are now ‘working our way through those’.⁵⁶

‘We have lived in married quarters for 18 years. Our home has mould in the bathroom and in every cupboard and wardrobe, which ruins our clothing. We had a leak in our roof last year which was leaking into our son’s bedroom. It took seven months to fix. Our daughter has now developed asthma and has recently had laryngitis due to the mould in our bathroom.’
Testimony by former service personnel to the Kerslake Commission

However, recent evidence to Parliament’s Defence Sub-Committee inquiry into service accommodation suggests that there are still problems. At the Committee’s evidence session in November 2023, it was noted that ‘there is still poor customer service, a lack of communication, missed appointments, repeated visits, poor response to maintenance issues, and poor quality of workmanship and materials.’⁵⁷

Recommendation 2

The maintenance and repair service continues to fail badly owing to a combination of insufficient funding and inadequate delivery arrangements. Improvements must be made quickly, including the restoration of funding, such that the rate of decline is overturned and legacy issues addressed. The MoD should be required to benchmark its performance in maintenance and repair to the same standard as Registered Social Landlords, making its performance public annually.

Empty properties

The void rate for armed forces SFA properties has been relatively high for some time, averaging in recent years at around 20% – compared with 3% in the social housing sector.⁵⁸ The MoD has stated that it aims to reduce the rate to 10%, and has targeted 1,000 long-term empty SFA for refurbishment.⁵⁹

‘Our kitchen is falling apart. It’s mouldy and old and no matter how much they try to fix the problem, it never gets solved. We just get told they have no money as they are updating empty properties never mind the properties that are not actually occupied. We don’t seem to matter.’

Testimony by service personnel’s partner to the Kerslake Commission

The MoD’s Military Housing Site Review Programme is assessing the best VFM options to retain or replace SFA up to 2050. The Commission was told that the review is important to future investment decisions and should be fast-tracked and the results made publicly available.

Recommendation 3

The MoD should be incentivised by the Treasury to reduce the void rate as much as possible, rationalising the amount of accommodation in order to focus the funds available for repairs on the remaining stock.

Housing services

The DIO has overall responsibility for housing and property services, but the services themselves are delivered mostly by the three prime contractors under the terms of the FDIS Accommodation contracts. Pinnacle Service Families, which operates the National Service Centre, provides a single point of contact for requests from families living in SFA, including for raising repairs and maintenance issues, the allocations of homes and conducting move-in and move-out appointments. They are also responsible for the housing officers who administer the complaints and compensation systems on behalf of the DIO. Amey and VIVO carry out the repairs and maintenance and safety inspections.

DIO manages housing operations in accordance with Tri-service Accommodation Regulations (JSP 464),⁶⁰ covering policy for SFA, SLA and substitute equivalents. It also has an SFA Customer Charter which sets out a list of service standards, including a commitment to service personnel to provide a safe and decent home, a single point of contact for all enquiries and a 24/7 response maintenance service.⁶¹

The statutory Enduring Armed Forces Covenant also sets overarching standards for housing and welfare services, proclaiming that all MoD housing should be of ‘good quality, affordable and suitably located ... and that those that serve in the armed forces, ‘should face no disadvantage compared to other citizens in the provision of public and commercial services’.⁶² However, the lived experience of service personnel seems to suggest otherwise.

‘I have had seven maintenance issues with Pinnacle/VIVO during my time in my current SFA from knocked down fences, to broken boiler, leaking pipes and mouldy taps. All except the taps have taken months to rectify including missed appointments, and shoddy workmanship. We were without a boiler for the weeks over the Christmas period. My family had to live in and out of a hotel due to their incompetence.’

Testimony by service personnel to the Kerslake Commission

The recent Haythornthwaite Review of incentivisation of armed forces personnel commented that poor housing services have led to a breach of trust. Part of the problem, claims Haythornthwaite, is that the MoD has a ‘culture of excessive process and bureaucratised, sometimes inconsiderate, decision-making.’⁶³

‘Repairmen would not turn up when they should do. Mould would be treated, but not properly, and then they would have to come back. The shower took six weeks to be repaired; light switches were wired incorrectly; we had an overflowing water pipe for three months and flooding in the kitchen due to wrong kind of pipe being fitted.’

Testimony by a former service personnel to the Kerlake Commission

The Haythornthwaite Review proposes the MoD creates ‘people value propositions’ (PVP) for core services, such as housing and food. The PVPs, developed hand-in-hand with personnel, would set out (at unit, organisation or defence-wide levels) what the standards and expectations should be and how each service would support the service personnel and their families. Levels of ambition for housing services would be stated more explicitly and tracked, benchmarked and evaluated to ensure meaningful improvements.

‘I acknowledge that our performance in 2022 did not deliver the service that families required, for which I am very regretful, and I apologise to service families.’

Craig McGilvray, Managing Director for Complex Facilities, Amey, evidence to the Defence Sub-Committee inquiry

Dr Sarah Ashbridge, a former fellow of RUSI, suggests the MoD could consider bringing housing services in-house. This, she says, would ‘result in the ability to develop a long-term strategy, facilitating close engagement between those responsible for planning budgets and those tasked with delivering within the budgets assigned. Improved provision may also reduce the potential for reputational damage and the cost of contract variations, factors which further exacerbate budgetary constraints.’⁶⁴ However, this option would mean breaking the new contracts with industry partners, which could prove costly. The DIO would also have to recruit new staff.

Recommendation 4

The support to all types of service accommodation is failing to meet the expectations of service personnel and their families. The MoD should – as it has promised – take forward the Haythornthwaite review proposal to develop ‘people value propositions’ for housing and welfare services and bring this forward in step with the next defence review.

The complaints system

The evidence by service personnel to Parliament's Defence Sub-Committee inquiry into services accommodation and to other previous parliamentary inquiries highlighted past failings in the complaints system for maintenance and repairs. Confidence in the system is low and appears to have declined since the new contractors started in 2022.

The Daily Telegraph reported that VIVO and Amey together missed 14,800 urgent maintenance appointments in eight months in 2022.⁶⁵ The Commission were also told that the trend had continued and that some 18,277 appointments for SFA had been missed since April 2022.

The Armed Services Family Federations report that 'the complaints system is an area that many families find frustrating and complex ... We would ask that the feedback from a recent meeting of all stakeholders to review this system leads to some clear changes as swiftly as possible.'⁶⁶ According to the MoD's 'Living in our shoes' report, 'many people who believe that they have a grievance simply give up.'⁶⁷

Part of the problem seems to be the multi-level formal complaints processes: with initial complaints about maintenance and repairs handled by the contractor, Pinnacle, the second 'appeal' stage by the DIO Operations Accommodation, and a final 'appeal' by the MoD's Independent Housing Review Panel.

The Commission was told that this arrangement has often proved dysfunctional. In September 2022 David Bowden, the Director of Accommodation at the DIO, was forced to apologise to service personnel for the 'the unacceptable levels of service'. Complaints, he said, were not being dealt with quickly and repair jobs were being drawn out.⁶⁸

'I grew up in military housing, and now live in it with my wife. The biggest problem is the quality of repairs and maintenance. For instance, I've had an issue for mould since moving into a newly refurbished property. The cause is immediately apparent due to gaps around the edge of the newly installed windows. However, the job has been repeatedly cancelled by Pinnacle and Gilmartins as the two don't speak to each other and don't speak to me. The job has been ongoing for four months.'

Testimony of service personnel's partner to the Kerslake Commission

The DIO says it is improving the housing complaints procedures and that the contractors have employed significant additional resource to address performance failings.⁶⁹ Levels of direct compensation to service personnel have meanwhile risen. The number of

compensation payment to those in SFA, for example, rose dramatically to more than 33,000 between May 2022 and January 2024, costing the MoD around £2.6m.⁷⁰ However, confidence in the complaints system remains low and is still some way from meeting the commitments and targets made in the DIO’s Customer Service Charter.⁷¹

‘I went for four months without a functional oven. I made many calls to chase up and there were multiple missed appointments. I filed a complaint but never heard back and gave up because it’s a pointless waste of time.’

Testimony of service personnel to the Kerslake Commission

Evidence to the Commission suggested that some service personnel and their families feel reticent about raising a complaint for fear of the repercussions on their reputation and career prospects. Others might feel compelled ‘to put up’ with poor accommodation as something to be tolerated as a normal part of service life.

The Commission were told that service personnel are often in a vulnerable position because they have less protection and fewer statutory rights under the MoD’s Crown Letting housing offer than conventional assured and regulated tenancies. Shelter claim that the ‘MoD/DIO does not meet the landlord condition for creating a secure tenancy or secure licence, as such SFA cannot be protected by the secure tenancy regulations.’⁷²

Some military personnel have become so frustrated with the complaints system that they have sought legal redress through the courts. The law firm Leigh Day, for example, are launching a class action against the MoD, claiming some service personnel may have been overcharged for SLA because of their age or marital status.⁷³

Recommendation 5

The complaints system dealing with failures in housing and associated services is failing. Service personnel need a system that ensures complaints are registered effectively and known to the chain of command. Failure to act appropriately must be dealt with swiftly and effectively. The MoD should bring forward proposals for a revitalised complaint system that ensures contractors in the chain of command have the same data and that remedial action is taken against the benchmarks applied to other public sector housing.

Recommendation 6

Service personnel do not have comparable housing rights to the tenants of social housing. The MoD should review why this is so, and bring forward proposals to establish equivalency or explain why it is not appropriate. This review should include the views of service personnel and the armed forces Family Federations and draw on the expertise of Central and Local government.

Service Complaints Ombudsman

There is currently no independent agency which can take up the complaints of service personnel regarding housing conditions and related services. Concerns are handled through the MoD's chain of command. The remit of the independent Services Complaints Ombudsman for the Armed Forces (SCOAF) excludes accommodation issues. SCOAF also only has powers to assess whether a complaint was dealt with in accordance with the regulations, rather than reviewing the substance of the complaint itself.

The relatively small size of armed forces housing and its unique features arguably does not justify establishing a separate and independent regulator along the lines of the Regulator of Social Housing and Social Housing Ombudsman, whose remit covers more than 4m homes. However, the lack of effective oversight, not least concerning the complaints process in housing services, needs urgent attention.

One way forward would be for the MoD to widen the remit of SCOAF to include accommodation issues. At the same time, the government could also review the role, resources and powers of the Ombudsman to improve its effectiveness in investigating complaints.

Recommendation 7

There needs to be an effective mechanism by which service personnel who feel that their complaints about their accommodation have not been dealt with appropriately can raise them independently of the chain of command. The MoD should examine how such complaints could fall under the remit of the Services Complaints Ombudsman for the Armed Forces and make their recommendations public.

Spending and investment

The MoD's housing stock has suffered from decades of real-term budget cuts and underfunding. The NAO warned back in 2016 that the MoD 'faced significant costs over the next 30 years to improve the condition of the estate.'⁷⁴ In 2021 Parliament's PAC reported that the MoD was only spending a third of what the Royal Institution of Chartered Surveyors suggested is needed to maintain its estate.⁷⁵

Investment spending on MoD accommodation fell year on year between 2010 and 2017 and was broadly flat in real terms between 2010 and 2020. The cost of contracting and materials meanwhile continued to increase and the MoD reported major IT failures and problems with its contractors. The MoD did secure more public funding for both new-build and refurbishment under a 10-year investment programme in 2020, but not nearly enough, and much of the additional allocation was earmarked for later years.

In 2021 the MoD conceded it 'has not – for several decades and across successive governments – invested in the lifecycle replacement or modernisation needed to achieve good quality homes.'⁷⁶ Despite budget savings and land and property sales, the department has struggled to bridge the ever-widening bill for repairs and maintenance.⁷⁷

The different funding regimes for SLA and SFA have not helped. The SFA budget – which until recently had remained flat – is managed by the DIO and ring-fenced, although major investments require MoD approval. However, most of the SLA budget falls within the overall DIO budgets, which are delegated to the Commands. As such, SLA funding must compete with other DIO budget categories, such as training and military hardware.

Furthermore, rents from SLA go to the DIO and are not hypothecated to help finance maintenance and repairs. The NAO reported that the rental income is in fact offset by a reduction in the DIO budget.⁷⁸

It is also interesting to note that MoD investment levels compare unfavourably with equivalent US visiting forces accommodation in the UK. The US has around 1,500 military homes in the UK and spends on average £4,600 per year in core maintenance on each home, compared with the UK's £1,600.⁷⁹

Investment to improve the SFA stock has nevertheless increased in the last three years, rising year on year to around £160m annually. According to the MoD, this is 'more than doubling the rate of investment since the middle of the last decade.'⁸⁰

SLA investment is harder to pin down. However, the MoD does acknowledge that there are significant legacy issues with SLA and that more investment is needed. The most recent SLA investment plans, which have not been approved by the Treasury, suggest an investment of £5.3bn to supply 40,000 new and refurbished bedspaces.⁸¹

The recent increase in future investment plans is partly down to an additional £400m of funding allocated to the MoD – split into £220m for 2023/24 and £180m for 2024/25 – for damp and mould remediation works and for refurbishment to long-term empty SFA.⁸² The MoD also invested a further £140m of funding in 2022/23 for capital purchases, enabling the acquisition and leasing of around 250 properties.

However, the MoD has publicly stated that 'the current funding of £1.8bn over 10 years is insufficient.'⁸³ The total figure needed remains unclear. In 2022 the maintenance and repairs bill for SFA and SLA was estimated at over £2.5bn.⁸⁴ According to the MoD, the cost to just upgrade all SFA to an EPC rating of C or above would amount to £1.2bn.⁸⁵ It is possible that the total tally to modernise the entire stock of SFA and SLA – and meet the MoD's Net Zero accommodation commitments – could be in excess of £4bn.

It is important that the current and planned investments are closely monitored and scrutinised to ensure they deliver the outcomes intended and provide VFM. Previous reports by Parliament's Defence Committee have highlighted poor management and issues over how funding is delegated and delivered.⁸⁶

The current lack of financial oversight makes it hard to track exactly where the investment is being made. Parliament's PAC commented that that previous extra SLA funding 'seems to have already been spent more than once before it had even arrived with the Department, which raises questions about how much investment SLA will actually receive.'⁸⁷

Recommendation 8

The MoD's planned investment program for accommodation over the next 10 years falls well short of addressing the legacy of many years of underfunding, or even to arrest the present rate of decline in the estate. The MoD must be provided with the funds to rectify the full accommodation challenge over a five-year period, and then assured the annual sum needed to support proper maintenance. This must be included in the budgetary outcome of the next Defence Review.

Recommendation 9

The funds for the provision of SLA, including maintenance, is regularly used to find short term savings at the expense of operational effectiveness and retention. SLA spending should be ring fenced in the same way as the SFA budget.

A legacy of 'fix on fail'

The MoD's decision in 2010 to move from a preventative maintenance programme to a 'fix on fail' approach (waiting for something to stop working before fixing it) had a disastrous and lasting effect.⁸⁸ According to Parliament's PAC, the policy – which was initially for a limited time – contributed to a £1.5bn deferred maintenance backlog across all accommodation.⁸⁹

The MoD admits the 'old system' was inadequate and that consistent underfunding made it impossible to move ahead. It claims its new Accommodation Strategy, founded on a preventative lifecycle replacement programme, offers much better long-term value: 'New contracts within the Future Defence Infrastructure Services, which commenced spring 2022, will implement which this approach moving forward.'⁹⁰

'The culture of plastering over the cracks need to stop in SFA. These homes have suffered from years of neglect and shoddy workmanship – many are past fixing. Stop contracting on the cheap! Homes require long-term investment, not just the length of a parliament.'

Testimony of service personnel to the Kerslake Commission

The transition to a preventative maintenance approach represents a major and long-awaited change. However, the MoD notes that 'achievement of steady state delivery in FDIS

Accommodation will not alone address the issues in SFA ... the main blocker now remains the poor condition of the SFA estate and the cost to rehabilitate and upgrade it to modern standards following a prolonged period of disinvestment in the material housing stock and the services within them.’⁹¹

The Commission was told that the focus must be firmly on delivery of a preventative approach across the entire MoD estate, not piecemeal. It was said that DOI must learn from the experience in other industries and make sure there are regular, well-documented inspections using state-of-the-art property management technology.

Recommendation 10

The MoD’s intention to move away from maintenance and repairs on the basis of a ‘fix on fail’ approach is welcome but will not necessarily address the legacy of many years of underfunding. The estate requires wholesale adoption of a preventive maintenance regime that employs the technology and data now commonly found in other sectors to ensure efficiency and value for money.

Raising new investment

According to the MoD, the most pressing issue is with funding the level of ambition that exists, while addressing the wider financial headwinds impacting the construction sector: ‘Therefore, the department is looking to explore innovative and novel approaches in financing the future programme.’⁹²

Increasing rent/charge levels could theoretically help raise more revenue for maintenance and repairs, although there is no guarantee that savings would be reinvested in this way. The Haythornthwaite Review suggested that the rent/charge should be more transparent so service personnel can explicitly see the subsidy they receive if they live in service accommodation: ‘They will then be able to understand more transparently how that offer stacks up against either the subsidy offered in the private rental market or what would happen when they leave Service. It also provides a fair basis by which to give more choice to personnel and the organisation over the offer.’⁹³

Haythornthwaite states that this should not in itself change the amount charged to personnel but should provide a clearer understanding of the value of this element of the offer.

However, even a hint of higher charges for the current poor levels of service is likely to cause resentment among service personnel.

Evidence to the Commission suggested that the MoD should expedite the disposal of surplus land and assets at prices that reflect the potential developed value of all its sites in order to generate bigger capital receipts to support investment and maintenance. It was noted that although the MoD had raised over £1bn from site disposals since 2015,⁹⁴ it could be better incentivised if permitted to keep 100% of the receipts from its disposals (as additional income) to invest back in the defence estate.

The Commission was told that the Treasury must agree to commit to dealing with the backlog in capital investment, including reprovision as part of rationalisation, and in maintenance. It was suggested to the Commission that the estate disposals programme should be reviewed in order to ensure sites are sold at developed value rather than current value. This approach – combined with allowing the MoD to retain the receipts – should significantly increase capital sums available for investment in the existing stock.

There has been a growing interest from private investors and pension funds, as well as from social impact investors, in the social housing market. These investment models typically seek a low return but a secure guarantee or covenant and have been used by local authorities and charities, such as Crisis. They include investment in social bonds and other financial instruments for new-build as well as refurbishment.

The MoD should explore the possibility of seeking additional investment from such investors for refurbishing SFA. While a detailed evaluation of the pros and cons and complexities of such investment models are beyond the scope of this report, it could be worthwhile for the MoD to explore the option.

Recommendation 11

The MoD and the Treasury should review how estate disposals are conducted to ensure that they are done at the best possible developed value of a site rather than disposal at current value. The Treasury should also allow the MoD to retain 100% of its receipts from asset disposals. This approach should significantly increase capital sums available for investment.

Recommendation 12

The MoD should investigate the case for additional private and institutional social impact investment to tackle the backlog of maintenance and repairs.

Management and contracting

The MoD's FDIS Accommodation contracts, worth £650m, cover National Accommodation Management Services (NAMS) awarded to Pinnacle Group, which runs the National Service Centre (NSC), and four Regional Accommodation Maintenance Services (RAMS) contracts run by Amey and VIVO Defence Services. As mentioned, these seven- to 10-year contracts replaced the National Housing Prime contract, which provided management and maintenance services until 2022.⁹⁵

The contracts were partly designed around the MoD's new 'Family First' approach and include a new complaints and compensation system. According to the MoD, the terms and conditions set significantly higher standards, offer greater transparency, and include a wider range of performance measures compared with the previous contract (the NAMS contract, for example, has 34 performance measures, and the RAMS contracts each have 37 performance measures).⁹⁶

However, the new contracts have proved extremely challenging to both the MoD/DIO and the contractors. According to the MoD, 'since the FDIS Accommodation contracts came into service, there have been several performance issues, which have resulted in a lower-than-expected level of service delivery.'⁹⁷ These problems seemed to be compounded by a lack of data transparency and poor communications between the contractors.

'Since the new contracts came into service, there have been a range of performance issues, which have resulted in a lower-than-expected level of service delivery. This has had an associated impact on the lived experience of some service personnel and their families.'

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Part of the problem seems rooted in a misunderstanding between the MoD and the new contractors in the first instance over the condition of the stock and the extent of the maintenance and repairs backlog. However, this does seem surprising given the value of the contracts and the range of performance indicators that the contractors agreed to.

The Commission was told that 'Too little money, chasing too much work' had been a hallmark of accommodation contracting for some time and that the monitoring of contract performance was weak and often failed to pick up ongoing problems with maintenance and repairs.

'The DIO is not fit for purpose, and the Future Defence Infrastructure Services accommodation contract has been a disaster, including completely unacceptable delays in issuing and checking gas and electricity safety certificates.'

Mark Francois MP, former Armed Forces Minister

The Haythornthwaite Review concluded that the MoD's commercial approach in recent years has relied too much on delivering direct financial efficiencies than addressing the root causes of the problem: housing improvements should be 'more explicitly and publicly confirmed ... and a properly resourced monitoring programme should identify and track the benefits of this to ensure personnel see meaningful change'.⁹⁸

Recommendation 13

The Defence Infrastructure Organisation (DIO) has struggled to operate with the contracting and commercial experience needed to manage all its responsibilities, as well as attempt to maintain a very large estate with systemically too little funding. The MoD should commission an external expert review of the DIO, making recommendations for reform to better manage the responsibilities placed upon it.

Empowering commanders

According to past NAO reports, management failings are partly to do with a lack of central coordination and the involvement of too many different stakeholders. Different forums have been set up in the past to establish clearer reporting lines, but these have been said to lack adequate decision-making powers.⁹⁹

Criticisms have been levelled at the MoD over the way it limits the powers of local commanders over even minor decisions affecting their own estate. This has changed to some degree recently under the new Accommodation contracts, which allow local commanders to spend up to £25,000 on local issues without the need to seek prior approval ('trust with consequences').

'Many of the current challenges are as a direct result of chronic under-investment, exacerbated by narrow, siloed decision-making that ignores their critical role in the overall people system and has disempowered local commanders.'

Haythornthwaite Review

However, the Haythornthwaite Review claims that unnecessary financial process controls prevent commanders from using their delegated powers and recommends they be removed, and the delegation ceiling raised to £100,000.

Recommendation 14

The chain of command, especially at local level, has become too disconnected from even small decisions about maintenance priorities that affect operational effectiveness and personnel. The MoD should review how the chain of command is empowered to prioritise spending on its accommodation, including the delegations for authorising expenditure and removing unnecessary bureaucracy.

The Annington case

The MoD's ongoing High Court case to gain full ownership rights of the Married Quarters Estate portfolio it sold to Annington (owned by the private equity group Terra Firma) at auction for £1.7bn in 1996 overhangs the department's forward planning and future funding decisions.¹⁰⁰

The Minister of State for Defence Procurement said the 'decision has the potential to provide the MoD with more flexibility in the management of its estate.'¹⁰¹ However, the MoD has said it will further consider the enfranchising costs (the asset value is estimated by CBRE and Annington at some £8bn). If the unit cost is less than the present value of the rental liabilities, 'then enfranchisement is likely to represent value for money for taxpayers.'¹⁰²

The initial sell-off proved highly controversial and was heavily criticised in several parliamentary reports. The NAO estimated the deal left the MoD between £2.2bn and £4.2bn worse off than it would have been if it had retained the property portfolio and claimed it 'limited the Department's ability to manage this element of the estate cost-effectively'.¹⁰³ The MoD claimed that the sale was intended to release significant investment to improve SFA, but nearly all (94%) of the receipts were returned back to the Treasury. The terms of the sale also allowed for no upgrade funds for the entire period of the 200-year lease.

Following a long-running rent review process (to reset the level of discounted rent from open market level), the MoD sought to explore its enfranchisement rights on a test-case basis. This was presented as part of a wider strategy to improve VFM and the quality of the leased housing.

Last May the High Court ruled that the MoD was entitled to issue enfranchisement notices, covering some 39,000 properties. Mr Justice Holgate found 'the arrangements were and still remain a bad deal for the MoD, its [service family accommodation] estate and the public purse.'¹⁰⁴

In October 2023 Annington were granted permission to appeal by the Court of Appeal. They have argued the MoD's claims are 'not just unlawful but would waste huge sums of taxpayers' money buying back homes in desperate need of repair.'¹⁰⁵ The company also claims that the current rental deal is good VFM and that the 'refurbishment programme of former military homes has seen us repurpose and return over 17,000 properties to the

UK housing market.¹⁰⁶ In addition, a recent statement from Annington said that their shareholders made an offer of £105m in new funds to help improve military properties in exchange for ceasing the ongoing legal action.¹⁰⁷

Recommendation 15

The Annington High Court case must not become a distraction from tackling the accommodation crisis. The MoD must show that the buy-back represents value for money for the taxpayer and will help improve armed forces accommodation.

Conclusion

It is widely accepted that providing safe, decent, and affordable accommodation affects the operational effectiveness of the armed forces, impacts on retention and recruitment and can damage the public image of the military.

Good-quality accommodation is also an essential part of the employment offer for service personnel and their families. Service personnel are – for obvious reasons – not at their best when their morale and health and wellbeing (and that of family members) is impacted by poor housing conditions.

Much military accommodation – covering hundreds of sites – is decent and fit for purpose. Over the past 20 years there has been ongoing investment in both SFA and SLA, including major refurbishment and purchasing schemes to cater for the army's return from Germany. Funds have also been available for maintenance and repairs, albeit not nearly enough or at the quality people expect.

It is also important to state that accommodation issues are not a top concern for all service personnel. Many live in private housing and many others would like to buy and leave MoD accommodation as soon as they can afford to. Most of those who do live in MoD accommodation also report that they like living in military housing with other service personnel.

Unfortunately, the overall picture is mixed and the reality for many service personnel is that a significant proportion of both SFA and SLA is sub-standard, especially the older stock. The MoD in fact now accepts that over a third of service personnel in SLA are currently living in sub-standard accommodation. The proportion living in poor to average accommodation is over half.

Thousands of SFA properties suffer from damp and mould and other issues, such as a lack of heating and unsafe electrical wiring. Complaints relating to poor housing conditions have continued to rise and in November last year the Defence Procurement Minister, James Cartlidge MP, admitted that the MoD was still failing to offer service personnel and their families housing at an 'appropriate standard'.¹⁰⁸

It is therefore disingenuous for the MoD to claim virtually all its SFA properties meet the government's Decent Homes Standard. This may or may not be technically correct, but it implies the homes are assessed as fine, even if the people living in them don't agree.

The bottom line for the MoD is that a significant proportion of service personnel today feel dissatisfied with the accommodation they are offered (both SFA and SLA) and very dissatisfied with the maintenance and repairs service. That dissatisfaction is now a major reason why the satisfaction ratings for service life in general are falling. This must be a loud wake-up call to the MoD and DIO.

The poor ratings that service personnel give accommodation in the MoD's satisfaction surveys and the lived experience testimonies presented to the Commission and Haythornthwaite Review are at odds with the commitments made in the MoD's Enduring Armed Forces Covenant and customer service charters. The poor ratings would be red flags for any registered social landlord.

The evidence presented in this report (and in other past reports) shows that MoD accommodation has been in effect a 'sinking ship' for some time. The MoD was warned 10 years ago by Parliament that continued under-investment would lead to a growing backlog of repairs and higher costs later on. Yet the accommodation budget remained constrained and major reforms were delayed. Competing priorities, such as defence equipment, took precedence when the funding was squeezed. The introduction of a cost-saving 'fix on fail' approach to maintenance and repairs only served to make matters worse.

The Commission was told no one was taking responsibility for the failings and that the private contractors were failing to meet their obligations. By the early 2020s the MoD was facing a 'perfect storm' of deteriorating property conditions, a huge backlog of repairs, pressing new demands, such as net zero compliance, and generally 'far too little money chasing too much work'.

The MoD hoped that further asset consolidation of its estate and new contracts with Pinnacle, Amey and VIVO, which went live in 2022, would usher in rapid and widespread improvements. Unfortunately, the problems persisted. VIVO stated in its evidence to the Defence Committee inquiry that there 'were more tasks than planned from an estate that needed far more remedial work than we expected.'

While the contractors failed to effectively manage the requests for SFA repairs, the poor quality of much of the older SLA came under renewed scrutiny. Conditions in some

SLA were reported to be so bad that the charges/rent to service personnel were dropped completely.

The MoD has now agreed to develop a new minimum standard for SLA and is shortlisting what properties need urgent improvements. This has been welcome, although there are worries about the quality of the SLA assessments given the criticisms of the MoD's SFA Decent Homes measurement.

Considering the concerns over the accuracy of MoD property survey data, now is the time to take a wider and comprehensive assessment of the entire stock. Establishing an accurate baseline will help secure additional funding and provide a clearer idea of precisely what the accommodation investment needs might be over the longer term.

MoD accommodation – from the housing offer to contract performance and property assessments – needs greater transparency and oversight so that the mistakes and failures are not consistently repeated. The complaints system is desperately in need of reform. One way forward would be to include accommodation complaints under the remit of the independent Services Complaints Ombudsman for the Armed Forces and make their recommendations public.

There is also merit in the MoD adopting – as it has hinted it would – the Haythornthwaite Review's proposal to introduce 'people value propositions', which would set out what the housing standards and expectations should be and how they can be tracked and improved.

There are positives to build on. The New Accommodation Offer and the extra funding for maintenance and repairs announced last year are a step forward. However, the price of past delays and failures continues to mount and has now reached a tipping point. Further reforms – as recommended in this report – are urgently needed.

Lifting all the boats and securing the resources to enable the MoD to 'get ahead of the curve' and deliver lasting improvements to its SFA and SLA will be a huge challenge. The department will need to win, and keep winning, the case for more long-term investment, and hold the contractors fully to account. However, there is at last a momentum for change which the MoD must stick with if it is to provide accommodation that its service personnel not only need, but can also be proud of.

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The Kerlake Commission on Armed Forces Housing
