The Government welcomes the opportunity to return to the House of Commons Defence Committee’s inquiry into ‘The Armed Forces Covenant in Action? Part 2: Accommodation’ and update the Committee on their recommendations, as set out in the Committee’s published report on 26 June 12. The Government recognises the importance of Service accommodation to our Armed Forces personnel and their families. We are pleased that the Committee acknowledged our progress to date and we are grateful for the opportunity to provide an update on the improvements made against their recommendations.

Good quality accommodation is a key tenet of the Armed Forces Covenant and, as this update will indicate, we continue to make strides in improving both Service Family Accommodation (SFA) and Single Living Accommodation (SLA) in the UK. Recognising its importance, the Government has commissioned two key accommodation reviews:

- The Living Accommodation Strategy Review will refresh the Defence Accommodation Management Strategy (DAMS) to provide options that align future SFA and SLA requirements with emerging policy and resources, which can then feed into the Defence Infrastructure Programme as part of the overall infrastructure plan. This work is ongoing.

- Following on from the improvements made to the allocation of SFA to Service Personnel and their families, further exploration of the scope to enhance other aspects of SFA service delivery has been carried out. Proposals to this effect have recently been presented to Minister for Defence Personnel, Welfare and Veterans for consideration.

The Government would like to reiterate that it recognises the detailed work the Committee has undertaken. Our formal response to the six month update is set out below. For ease, we have used the framework of the 25 recommendations. The Committee’s findings are highlighted in bold, with the Government’s initial response in plain grey text and the six month update underneath in black. As in the previous report, paragraph numbering follows that in the ‘Conclusions and Recommendations’ section of the Committee’s Report.

The importance of accommodation to Armed Forces personnel

1. Armed Forces personnel and their families see accommodation as a key component of the Armed Forces Covenant. It is clear that they have concerns about it and we consider those concerns in this Report. The MoD agrees that accommodation is an important and integral part of the Covenant. We welcome the commitment made by the MoD to report to Parliament on accommodation in the Annual Report on the Armed Forces Covenant. We expect to see the importance given to the Covenant by the Armed Forces and the MoD reflected in the content of the Annual Report. We would welcome
clarification of when the first Annual Report is due to be presented to Parliament. (Paragraph 13)

Government’s previous response:
The Government is required by the Armed Forces Act 2011 to produce an annual report on the Armed Forces Covenant. This report will be published towards the end of 2012.

The first statutory report on the Armed Forces Covenant was published on 6 December 2012. It highlighted improvements in the standards of accommodation provided to Service personnel and set out remaining areas of concern. The Government recognises the continued concerns and will work to address these issues during the period leading to the next annual report on the Covenant.

2. The MoD should fully recognise that serving Armed Forces personnel and their families regard accommodation as fundamental to the Armed Forces Covenant. It should regularly update Armed Forces personnel and their families as to developments in its policy on accommodation. (Paragraph 16).

The Government recognises the importance of providing Service personnel and their families with an acceptable level of accommodation and the linkage that this has on overall levels of personnel satisfaction and retention. That is why it was specified that accommodation should be one of the four areas which Ministers are required to address in the annual report on the Armed Forces Covenant, keeping accommodation issues at the forefront of everyone's agenda. Whilst every effort is made to inform Service personnel and their families on policy developments through a variety of means, the Government recognises that we may still be failing to effectively convey the message through to all concerned. The Ministry of Defence is, therefore, looking at new and innovative measures (including use of social media sites and blogs) with which to engage our audience. We will provide the Committee with an update on our findings in the follow up report.

The statutory report on the Armed Forces Covenant notes that accommodation remains a key issue for the Armed Forces Community. In addition to highlighting the progress made in improving the standard of accommodation, the report outlines the Ministry of Defence’s ongoing work to develop future accommodation policy as part of the New Employment Model.

Successful communication and engagement with Service personnel is a key building block in successful delivery of the New Employment Model programme. The Secretary of State’s speech to Reform in November 2012 outlined the intent of the Programme, and was accompanied by an internal package of communications, which included a Defence Internal Brief, single-Service cascade briefs and briefings to key external stakeholders, including the Service Family Federations.

The Ministry of Defence is running an interactive engagement and consultation exercise with Service personnel and families during summer 2013, which will include road shows, focus groups and an online survey. The consultation will be supported by a range of communication materials including a ‘talking heads’ video recorded by the Principal Personnel Officers from the three Services.
In the meantime, we are continuing to communicate with Service personnel and their families as often as possible utilising a range of internal and external media, for instance through Departmental social media presence, use of the ‘gov.uk’ website and engagement with external organisations, such as the Service Family Federations.

The provision of accommodation

3. We note that actual levels of home ownership have declined substantially over recent years. We should like to see more research in this area, particularly as house purchase in the Army can lead to separation and pressure from families to leave. (Paragraph 18)

The decline in home ownership over recent years is not just a phenomenon of the Armed Forces. As the Ministry of Defence moves towards fewer, larger bases and offers Service personnel greater stability, the option of home ownership should become more attractive. Recognising, however, that affordability is an issue for many of our families, the New Employment Model is considering whether greater financial assistance can be provided to families than is available under the current Long Service Advance of Pay (LSAP).

Whilst there is evidence that home ownership can lead to increased separation, there are no indications to suggest that this transmits to Service personnel being put under greater pressure from their families to leave the Armed Forces early. However, the Government agrees with the Committee that further research in the area would be appropriate. The Ministry of Defence is, therefore, seeking to fund a tri-Service study to examine the linkages between home ownership and Premature Voluntary Release in order to better understand the issue and, thus, inform future work to promote greater stability for the Armed Forces and their families. The Government will provide the Committee with an update on progress in the follow up report.

The New Employment Model seeks to reduce the impact of Service life on families and Service personnel by providing them with the opportunity for increased domestic stability. As part of this work, the Ministry of Defence has commissioned further research to help understand the wider impacts of introducing a new financial incentive scheme to support home ownership. This research will include a comparison of home ownership trends in the civilian sector with those in the Armed Forces and will also seek to assess the likely impact of increased home ownership on Service personnel and their families.

The Ministry of Defence has also investigated potential linkages between home ownership and/or the ability to live in one’s own home and an individual’s stated intention to stay until the end of his/her current engagement/commission or to leave before it ends, using data from the Armed Forces Continuous Attitude Survey (AFCAS) 2012. Overall, there appears to be no correlation, although there are variations between the Services. However, stated intentions to leave do not necessarily correlate with actual leaving behaviours, and the reasons influencing an individual’s desire to stay in or leave the Armed Forces are varied and inter-related and are (probably) not solely related to home ownership and/or the ability to live in one’s own home.
The ‘impact of Service life on family and personal life’ is the factor most often identified by AFCAS as increasing intention to leave. The ‘impact of Service life’ can incorporate a variety of factors, which may include home ownership and/or the ability to live in one’s own home and may vary with age, life stage and the aspirations/expectations of individual Service personnel.

The Ministry of Defence will, therefore, be considering the potential impact of home ownership in the context of all factors likely to impact on retention, and this work will be conducted in conjunction with the New Employment Model programme to ensure that it supports the overall direction of travel. The New Employment Model programme will implement measures to track the effectiveness of any changes that it implements.

Service Families Accommodation

4. We welcome the policy that no family will be placed in housing assessed at conditions 3 or 4. We are, however, concerned that the MoD may become complacent about the quality of accommodation especially as condition 2 is a broad band and, at the lower end of the band, the quality of accommodation could easily slip into condition 3. We expect the MoD to tell the Committee if it has to revert to putting families in accommodation in conditions 3 or 4. We recommend that the MoD review the condition 2 band to see if it should be split into two sub-categories which lay down expected quality thresholds for families to facilitate management decisions on the improvement of properties. (Paragraph 26)

The Government welcomes the Committee’s acknowledgement that Service personnel and their families are no longer allocated SFA at either Standard 3 or Standard 4 for Condition in the UK with effect from January 2012. This reflects a major improvement in the condition of SFA as 10% of the properties were below Standard 2 less than 3 years earlier, and is in line with the commitment made in the Armed Forces Covenant to only allocate properties that are Standard 2 for Condition or above in the UK. Approximately 900 properties remain at the lowest two Standards (not all are occupied), and the Government plans to either upgrade them, provided there is an enduring requirement, or to dispose of them. If the families occupying these properties wish to be re-located, they will be moved to an alternative home at public expense.

The Government acknowledges the Standard for Condition criteria may mean there is a visible difference in appearance and performance for some properties at the lower end of Standard 2, be it older kitchens and bathrooms, or less efficient boilers. However, it is not complacent about the quality of these properties. The SFA MIS allows for the identification of those cyclical elements reaching the end of their ‘shelf-life’, and allows for focused investment where it is most needed. This investment is delivered through the annual Asset Replacement Programme - a proactive pre-planned maintenance programme which will continue to be funded and delivered during the pause in the SFA Upgrade Programme - to make improvements and reduce running costs by replacing or refurbishing key elements, such as boilers, kitchens, bathrooms, glazing or insulation. This programme, which is agreed with the single Services and is based on the ‘greatest need first’, may result in the properties being raised to a higher Standard for Condition, but that is not the primary objective. Rather, the aim is to bring about real life-style improvements to properties for the
benefit of Service personnel and their families. It ensures that properties are maintained to at least Standard 2 for Condition, thereby allowing them to continue to be allocated to Service personnel and their families.

The Government has continued to meet its commitment not to allocate SFA in the UK below Standard 2 for Condition; those properties that remain below Standard 2 are either being, or are soon to be upgraded, vacant awaiting disposal, or the family has asked for the upgrade to be postponed until they move out. If a family occupying one of these properties wishes to be re-located, they will be moved to an alternative home at public expense.

The Asset Replacement Programme continues to be funded to historic norms, which has allowed the Government to make further progress on improving SFA at the lower end of Standard 2 for Condition. Between April 2012 and March 2013, 3,822 properties were improved, including the replacement of some 900 Class F boilers with Class A units. This followed the successful improvement of approximately 3,000 properties in Financial Year 11/12. In addition, as part of the Government’s contribution to the Carbon Emissions Reduction Target (CERT), during financial year 2012/13 over 12,000 SFA benefited from improved loft insulation, providing more energy efficient homes for Service Personnel and their families.

The Government’s plans are in place for the delivery of the 13/14 Asset Replacement Programme with at least 2,500 properties due to receive significant improvements.

5. We accept that it is appropriate for the MoD to reflect local factors such as access to local facilities when determining the grade for charge. But the MoD should revise the system for determining the grade for charge and ensure that non-condition related factors are up to date. It should ensure that the condition of the property is more closely reflected in the grade for charge. (Paragraph 28)

The Government is aware that the current system for determining Grade for Charge is outdated and needs to be refined. The New Employment Model is considering whether the current system should be replaced by a Combined Accommodation Assessment System (CAAS) as the means of determining grade for charge, based on national standards for size; condition; and location. If accepted, CAAS will ensure that the Standard for Condition of a property is closely aligned with the Grade for Charge.

The proposal to replace the current system for determining the Grade for Charge with a Combined Accommodation Assessment System (CAAS) has been agreed by the Service Personnel Board and supported by the Armed Forces Pay Review Body. Detailed work to develop and test the new system is now being taken forward as part of the New Employment Model. If accepted, we anticipate that CAAS will be introduced by April 2015.

6. We are concerned about the amount of substitute accommodation that the MOD is having to use. Not only is it costly but it is unsatisfactory for the families to live away from their Units. The MOD should make decisions about Germany, rebasing and the Future Accommodation Project, as speedily as possible. (Paragraph 32)
The Government notes the Committee’s concerns about the amount of substitute accommodation being used. Substitute Service Family Accommodation (SSFA) and Substitute Service Single Accommodation (SSSA) properties are rented from the private sector to accommodate Service families and single personnel when no suitable Ministry of Defence accommodation is available to entitlement at, or close to, the duty station. The Government recognises that, whilst substitute properties are normally located be within a ten-mile radius of the duty station (in line with SFA and SLA allocation policy), its provision may result in people and their families being separated from the main living accommodation areas. Substitute accommodation is only used as a last resort. When the longer term demand for SFA or SLA is uncertain, it may make economic sense to use it until the enduring requirement is identified. The future demand for SFA and SLA is largely dependent on the outcomes of the aligned Future Footprint Strategy and New Employment Model work, the Footprint Strategy will present their initial findings by the end of 2012. Until the demand for accommodation is confirmed, substitute accommodation will be used where necessary to avoid entering into long term financial commitments.

Meanwhile, when funding allows, the Government is purchasing pockets of properties from private developers for use as SFA in areas of enduring demand for SSFA. In 11/12, a total of 128 new properties were purchased in Nottingham, Andover, Swindon, Helston, Redruth and Penryn. These houses will be allocated later this year. We will continue to seek opportunities for further purchases in the future.

The Government is making major progress in reducing its reliance on costly Substitute Service Family Accommodation (SSFA). In addition to the 128 new SFA purchased during 11/12, £150M was committed in Financial Year 12/13 on the purchase of a further 703 properties from local private developers for use as SFA. These were purchased in areas of high demand for SFA, including Lincolnshire, Nottingham, Yeovilton, Salisbury Plain, Oxford, Helston, Plymouth, Lympstone, Birmingham, Lichfield and Hereford. The new properties will become available for allocation to Service personnel progressively throughout the year, since many are parts of new developments; and all will be delivered by March 2014. There is strong evidence that this strategy is already having a positive effect as, by March 2013, there was a 9% reduction in the use of SSFA from its peak in October 2012 of 2,125 properties.

For Substitute Service Single Accommodation (SSSA), the new DIO Single Living Accommodation Management Information System (SLA MIS) will, for the first time, provide full transparency on the availability and utilisation of all SLA. This will allow staff to check whether SLA is available within a 10-mile radius of the duty station prior to authorising substitute accommodation, and will help considerably in improving utilisation of SLA and reducing reliance on SSSA. The initial operating capability of the SLA MIS was delivered in April 2013 with full operating capability due to be achieved by April 2014.

In parallel with this work, and as detailed in the covering note, the Living Accommodation Strategy Review will refresh the Defence Accommodation Management Strategy to provide options that align future SLA and SFA requirements with emerging policy and resources taking account of the Future Footprint Strategy and the New Employment Model.
7. We accept that some of the concerns about the standard of maintenance may be the result of poor communication but believe that many of them must result from the genuine experience of personnel and families. The MoD should investigate the entrenched belief amongst occupiers of Service Families Accommodation that the maintenance contractors carry out short term fixes to problems rather than provide a good quality repair. It would also be worthwhile to review the incentives and measurements of success amongst maintenance contractors to ensure that they are in line with comparable best practice in the private sector. The MoD should continue to monitor satisfaction levels with reactive maintenance carefully and deal promptly with any deterioration in performance, in particular during the three year ‘pause’ in the upgrade programme. (Paragraph 34)

The Government acknowledges that there were service delivery problems when the Housing Prime Contract in England and Wales was implemented in 2005. Whilst substantial progress has been made in improving the level of service, those legacy issues still, to a certain degree, colour the perception of a number of Service personnel of the delivery performance of the contractor (MODern Housing Solutions (MHS)). The latest monthly performance figures, as at 30 June 2012, were:

- 99.41% of emergency repairs were resolved within the contractually required 24 hours;
- 89.18% of urgent repairs were resolved within the contractually required 5 days;
- 94.78% of routine repairs were resolved within 15 days (MHS contact requirement is for 20 days); and
- 92.14% of all response orders were ‘fixed first time’ when it was possible to do so.

The high level of response maintenance performance are reflected in strong and consistent customer satisfaction levels, both in relation to response repairs and Helpdesk enquiries, and a marked reduction in the number of complaints from occupants. The completion of repairs, and the customer feedback, is monitored on a daily basis to ensure that the agreed performance targets are achieved. This includes a formal monthly review with the Contractor where any adverse trends are identified and addressed. The Government recognises, however, that anything short of 100% performance delivery does represent a significant number of families with cause for concern.

The Government requires the Contractor’s workmanship and components to be ‘fit for purpose’ and offer ‘value for money’. Between 2-5% of all repair works are inspected by Contractor and Ministry of Defence compliance staff to verify that theses requirements are achieved. Moreover, weekly reports are produced that specifically identify where works of a similar nature have been carried out on the same property. These works are subject to additional checks to ensure they are not due to ineffective or inappropriate repairs. If a ‘short term fix’ is identified, the contractor is not permitted to charge any subsequent repair costs to the Ministry of Defence, thus reducing any incentive with the supply chain to short cut the repair process. In addition, the MHS contract is incentivised to reduce costs through the pain/gain cost sharing mechanism.
Therefore, through a system of strong and transparent governance and control arrangements and an incentivised contract, the Government can provide assurance that MHS is providing a good level of service. However, the Government acknowledges that the Committee’s observation, about the entrenched belief amongst occupants that MHS only seeks short term solutions, is worthy of investigation and is examining the apparent discrepancy between customer perception of MHS performance and the results of the daily customer satisfaction surveys undertaken by MHS.

As part of the Government’s agenda to meet the future needs of Defence, the Ministry of Defence is delivering a programme (Next Generation Estate Contracts (NGEC)) which aims to provide the most cost effective mix of estate contract models. This programme spans UK facilities management, housing, training estate and new-build construction projects.

From 2013, the current prime contracting arrangements with Industry for the provision of management, maintenance and development of the UK Defence estate will expire. NGEC is replacing those arrangements with a mix of new contracts that will deliver the best possible service for the Armed Forces and the rest of UK Defence, and achieves best value for money for the UK taxpayer.

As part of this programme, the National Housing Prime Contract (NHPC) will provide repairs and maintenance to more than 49,000 SFA in the UK, grounds maintenance, and housing construction projects of an individual value of up to £3.93 million. Subject to further review, the NHPC could potentially also provide occupancy management activities such as SFA allocation, move-in and move-out services, and the provision of domestic furniture and fittings.

The development of the NHPC, which is based on best practice both within and outside Government and is aligned to ‘firm price’ principles, will provide the best way forward to incentivise the new Contractor. The acquisition process for the NHPC will include scrutiny by both Ministry of Defence and HM Treasury before it reaches its In-Service date of mid to late 2014. Given the development of the NGEC programme, the Government does not agree to review existing contractual arrangements. Nonetheless, the Government will continue to monitor satisfaction levels with housing maintenance. This will be carried out through Ministry of Defence and Contractor monthly meetings, regular surveys and reviews of occupant satisfaction, particularly in relation to:

- Help Desk Operations - especially call answering and customer satisfaction levels;
- Response Maintenance delivery against contractual arrangements;
- Projects to ensure agreed delivery and quality agreements are being met against pre-planned maintenance programme.
- Complaints – analysis of main causes and trends.

Similar monitoring will extend into the NGEC NHPC, thereby covering the remainder of the three-year pause and beyond.

The Government continues to provide monthly performance updates to its key stakeholders, which assess Key Performance Indicators. These updates confirm that
the key MODern Housing Solution (MHS) performance figures remain high. As at 31 March 2013:

- 99.70% of emergency repairs were resolved within the contractually required 24 hours;
- 95.32% of urgent repairs were resolved within the contractually required 5 days;
- 94.86% of routine repairs were resolved within 15 days (MHS contact requirement is for 20 days); and
- 91.06% of all response orders were ‘fixed first time’ when it was possible to do so.

Customer satisfaction levels reported to MHS regarding their repair and maintenance service also remain high. However, and as highlighted in our initial response above, the Government commissioned an internal audit to examine the apparent discrepancy between customer perception of the performance of MHS reflected in the Armed Forces Continuous Attitude Survey and the results of the daily MHS customer satisfaction surveys. The audit did not identify any major concerns about the way customer satisfaction was reported by MHS upon completion of repairs. It did, however, highlight the need to improve communication, together with the need for an overarching Customer Satisfaction Survey.

The Government has consulted HouseMark, the social housing sector’s leading provider of performance improvement services, on how best to conduct a regular Customer Satisfaction Survey that captures the perceptions of Service families on all aspects of their housing and allows direct comparisons to be made with the performance of other housing providers. Following a competitive tendering exercise, an independent company was recently appointed to undertake regular monthly telephone Customer Satisfaction Surveys of 200 randomly selected occupants. The first survey is expected to be carried out in June 2013. The monthly performance update to stakeholders will be expanded to incorporate feedback from the Survey.

The Next Generation Estate Contract’s (NGEC) National Housing Prime (NHP) remains on track for contract award in early 2014, leading to an in-service date of late 2014 following a phased transition period. The Government will ensure that customer satisfaction with the NGEC NHP is captured and monitored regularly. The NHP will align performance, as measured by occupants’ satisfaction with the service, with the payment mechanisms. For example, the Contractor will have payments withheld for repairs and ‘Void Preparation’ should they not be completed to specification. The contract will be based on ‘Firm Prices’, thereby passing much of the risk to the Contractor and controlling the core services costs so that the Department can concentrate on the added value additional works.

8. The MoD should monitor the impact on the service given to personnel and families living in Service Families Accommodation of the changes to the system of allocation and the amalgamation of the Housing Information Centres. It should act promptly to rectify any problems identified. (Paragraph 36)
The Government agrees that it will continue to monitor the impact of the SFA allocation service given to Service personnel and their families, particularly the recent changes made to improve this service, including:

- The centralisation of SFA allocation at the Housing Allocations Service Centre (HASC) to standardise delivery and improve efficiency;
- The introduction of an automated self-preference system for applying for SFA which allows Service personnel to view, on line, good quality ‘estate agent’ details for the available SFA and register their top three preferences for their new home; and
- The opening of regional Customer Assistance Points to provide greater face-to-face local support for occupants of SFA.

The Government acknowledges there were teething problems associated with the stand up of the HASC. The stand up was brought forward to 1 April 2012 to mitigate the earlier than expected closure of the 7 regional Housing Information Centres (HICs) as staff employed there found alternative employment. In parallel, the introduction of the self-preference system was delayed until mid-June 2012 to ensure that a robust, reliable and responsive system was delivered. This combination of circumstances meant that, at stand up, the HASC was operating the old allocation system with considerably less staff. As a result, the Ministry of Defence took the decision to reduce the HASC telephone opening hours in order to allow the HASC to concentrate on its primary role of allocating SFA to Service families. This prioritisation meant that Service personnel trying to call the HASC had to wait longer to get through, which led to considerable frustration amongst its customers.

The introduction of the new Self-Preference system on 20 June 2012 was a notable success and has, for the first time, ensured that the SFA allocation process is fully transparent to Service personnel. With the appointment of the new HASC staff and revision of the HASC processes to exploit the potential of the Self-Preference system, the Government is confident that the HASC will achieve full operating capability by 31 August 2012.

The early indications are that the Self-Preference arrangements are working well and feedback from the single Services and Family Federations has been positive. The Government believe Service families have never had such transparency and access to submit an informed choice about where they would wish to live at their new duty station. Nonetheless, the Ministry of Defence will continue to monitor the new system, and will look to exploit its full potential.

The Housing Allocations Service Centre’s (HASC) early teething troubles were resolved following the introduction of the Self-Preference system in June 2012 and the recruitment of a full complement of staff. The HASC demonstrated that it had reached its full operational capability in September 2012 by meeting the key delivery targets agreed with the single Services. A 25% increase in the number of moves around the Christmas/New Year Holiday was handled smoothly, and additional short term staff have been employed to handle the surge of movements during the summer holidays. The HASC is providing a higher standard of delivery than the old Housing Information Centres (HICs) whilst using 40% less resource.

With this firm platform in place, the Government has been working with the customer community to fully exploit the capability of the automated Self-Preference system.
and provide the best possible housing allocation service. A number of proposals for improvement have been agreed, and are being taken forward.

**Single Living Accommodation**

9. We accept that there are many uncertainties with regard to the provision of accommodation such as the return from Germany and rebasing, and the Future Accommodation Project. However, it is unsatisfactory that over 60 per cent of Single Living Accommodation is in conditions 3 and 4. It is unacceptable that the MoD can make no estimate as to when it might meet its aspiration to have 90 per cent of such accommodation in the top two categories. (Paragraph 42)

The Government notes the Committee’s concerns about the provision of good standard SLA. The Ministry of Defence set out its intent for the management of SLA in the Defence Accommodation Management Strategy (DAMS), which was published in 2009. This strategy targeted that 50% of SLA bedspaces for trained personnel should be at Standard for Condition and Scale (SFC&S) 1 by 31 Mar 13; the Ministry of Defence is on track to achieve that target.

The DAMS stated that the Ministry of Defence’s longer-term intent was that, by 2020, SLA for 70% of trained personnel would be at SFC&S 1 and 30 % at SFC&S 2, with all SLA for trainees at the appropriate scale and the highest grade. The DAMS made clear that achieving these long-term targets was dependant on the availability of sufficient funding within the Ministry of Defence. In the current financial climate, the Government acknowledges that the 2020 DAMS targets remain unfunded aspirations and the overall standard of SLA may be further affected by the pause in the SLA upgrade programme. Moreover, uncertainty over the future requirement for SLA in terms of location and numbers to support the Future Footprint Strategy and the impact on future demand caused by the introduction of the New Employment Model, make projections for overall improvements to the condition of SLA difficult. The provision of the new SLA MIS will be key to the development of accurate projections for the improvement in the condition of SLA.

The Government remains clear in its view that the development of a robust SLA Allocation and Management Information System (MIS) will be an important enabler towards providing good quality SLA. The base lining of current SLA assets as part of the MIS will provide a clear picture of the demand, supply, utilisation and condition of SLA to inform future investment decisions. A phased roll-out of the system has begun with a number of sites nominated to pilot the new processes; this includes Industry Partners. As use of the system increases, SLA data from across the estate will be captured leading to full operating capability in April 2014. The present SLA position is (figures not rounded):

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<th>Standard 1 for Condition &amp; Scale</th>
<th>Standard 2 for Condition &amp; Scale</th>
<th>Standard 3 for Condition &amp; Scale</th>
<th>Standard 4 for Condition &amp; Scale</th>
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<tr>
<td><strong>UK</strong></td>
<td>31%</td>
<td>13%</td>
<td>19%</td>
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<td><strong>Overseas</strong></td>
<td>18%</td>
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<td><strong>Total</strong></td>
<td>29%</td>
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In parallel with this development, and as detailed in the update for Recommendation 6 above and in the covering note, the Living Accommodation Strategy Review will refresh the Defence Accommodation Management Strategy to provide options that align future SLA (and SFA) requirements with emerging policy and resources.

10. We recommend that the MoD should have regard to both the needs of the Armed Forces and the expectations of personnel when determining how much single and multiple occupancy accommodation it should build in the future. The MoD should carry out further work on determining the quantity of multi-occupancy accommodation required for trainees and those early in their careers in order to maintain unit cohesion and to prevent isolation, in particular in junior Armed Forces personnel. (Paragraph 46)

The Government acknowledges that there is a balance to be drawn between the needs of the Armed Forces and the expectations of Service personnel when determining the future ratio between single and multiple-occupancy SLA.

Work was initiated recently by the Ministry of Defence to review the future provision of SLA in response to budgetary restrictions, the changing lifestyle and personal needs of Service Personnel, the requirements of front-line commanders to promote unit ethos and cohesion, and cost reductions mandated by the Government Construction Strategy. Maintaining single room en-suite SLA as the core design, this study is considering aligning the scaled entitlement to user need rather than rank, noting that Service Personnel at the start of their careers for whom their room is home typically require more space to store their equipment than a Senior Officer or Senior Non-Commissioned Officer living in a Mess during the week. Greater standardisation of design would reduce unit costs and allow higher standard SLA to be provided. This future SLA work is being incorporated into the Future Footprint Strategy. Meanwhile, when funding allows, the Government is improving SLA in the worst condition through the Service Personnel First programme. £10M was invested in this programme during 11/12.

The work to review the future provision of SLA is ongoing as part of the Living Accommodation Strategy Review. The Ministry of Defence has engaged fully with the single Services over the current design and delivery of SLA to ensure that the needs of each Service are captured, and their views considered alongside the need to optimise funding and meet mandated Government Construction Strategy targets. The review considered the requirement for SLA against need and lifestyle versus rank; single versus multi-occupancy; the possibility of reducing the number of designs; and the requirement for storage, common areas and catering facilities. This work is ongoing.

11. We recommend that the MoD should determine how much Single Living Accommodation it needs and take steps, as appropriate, either to provide more accommodation in barracks or to reduce excess provision. It should consider the advantages of achieving any reduction by decommissioning the worst accommodation first in any location. The MoD should also improve its management information on the provision of SLA in terms of the number of bed spaces, the quality of the accommodation and its usage. (Paragraph 48)
The Future Footprint Strategy will determine the lay-down of infrastructure required to support the Future Force (FF) 2020. Subject to the outcome of this work, and following Ministerial endorsement, the Ministry of Defence will assess how best to meet its future SLA requirements, including setting targets for the condition of the stock.

The new SLA MIS will provide more comprehensive, accurate and timely data on the demand and supply for SLA across Defence, including the condition of SLA, and how that accommodation is being utilised. This will inform the prioritisation of SLA investment and the rationalisation of SLA stock.

The new DIO Integrated Management System, including the SLA MIS, will provide the management information needed for the Department to provide the right quantity of SLA and prioritise its investment programme appropriately. The initial information from the baselining of SLA Assets will also help to inform the work on the Living Accommodation Strategy Review.

New build of SFA and SLA

12. We welcome the work the MoD is doing to review the factors which drive the cost of replacing SLA to develop a more cost-effective approach for future projects. We consider that such work should include the examination of new options in respect of the provision of new accommodation. We look forward to seeing the results of this work in due course. We expect the MoD, in carrying out the further work we call for in paragraph 46, to take into account the cost of building each en-suite room.

(Paragraph 52)

The Government acknowledge the Committee’s endorsement of the work being carried out by the Ministry of Defence to develop a more cost-effective approach for future SLA projects. This work is being undertaken in response to Departmental budgetary restrictions, the changing lifestyle and personal needs of Service personnel, the requirements of front-line commanders to promote unit ethos and cohesion, and cost reductions mandated by the Government Construction Strategy. In particular, adoption of a single, modular design for all ranks could reduce unit costs significantly. For instance, in terms of build, for every 2 Junior Officer or Senior Non-Commissioned Officer bedspaces provided in this way, one extra Junior Rank SLA could be delivered.

The Ministry of Defence believes that further reductions in unit costs could be derived from:

- Making better use of available floor space (i.e. provision of communal areas);
- More flexible risk management when applying Counter Terrorism Measures;
- Maximising economies of scale (through whole site development);
- Provision of a consistent requirement underpinned by centralised planning and certainty of future funding.

The approach will be balanced appropriately by funding of the Service Personnel First programme to address the shorter term requirements of personnel accommodated in SLA that is in the worst condition.
This work has still to reach maturity, but the Government will keep the Committee informed of developments as its ideas are crystallised.

As detailed within the update for Recommendation 10 above, the work to review the future provision of SLA is ongoing as part of the Living Accommodation Strategy Review; taking into account the views of the single Services and the need to optimise funding and meet mandated Government Construction Strategy targets.

13. We regard the three year stoppage of the upgrade programme for both Service Families Accommodation and Single Living Accommodation as a false economy. The announcement sent out the wrong signal to Armed Forces personnel about the importance the Government attached to the Armed Forces Covenant. We recommend that the MoD look again urgently at the stoppage and consider whether the increased long-term cost that is likely to accrue from this policy means that it is making a decision on a false economy and whether it should find the additional resources required to reinstate the upgrade programme. (Paragraph 58)

The Government acknowledges the three-year pause in the SFA and SLA Upgrade Programmes was most unwelcome news for Service personnel, coming so soon after the publication of the Armed Forces Covenant. However, given the overriding requirement to eliminate the Ministry of Defence's £38Bn deficit to allow it to begin to operate within a balanced and sustainable budget, tough decisions had to be taken, which included large-scale redundancies of Service personnel. The Government believes that Service personnel appreciate the overall financial position within the Ministry of Defence and recognise that the decision to pause the Upgrade Programmes would not diminish the commitment to provide accommodation that is of good quality, affordable and suitably located.

During the Upgrade pause, routine and response maintenance and minor new works (including special needs adaptations and carpet replacement) will continue to be funded, together with the SFA Asset Replacement Programme (explained above).

In announcing the pause, the Government undertook to look for opportunities to mitigate the effects of the funding pause. In his 2012 Budget, the Chancellor announced £100M additional investment in Service accommodation to deliver new and refurbished SLA and SFA. This additional investment will offset the impact of the first year of the 3-year pause. Meanwhile, the Ministry of Defence will continue to look for opportunities to mitigate, in whole or in part, the impact of the remaining two years of the pause.

The Government continues to look for opportunities to mitigate, in whole or in part, the impact of the remaining two years of the three-year funding pause.

As outlined in the update for Recommendation 6 above, a further £150M was made available for investment in 12/13 financial year for the purchase of 703 properties from local developers in England for use as SFA.
Also, an additional £5M was made available to enhance the 12/13 SFA Upgrade Programme, and was used to improve more than 800 properties to the top Standard for Condition by March 2013.

These additional investments, together with the Budget Statement uplift of £60M for SFA improvement from April 2013, more than offset the impact of the 3-year funding pause for SFA. The impact of the funding pause on improvement of SLA has been partially offset by the £40M uplift in funding for SLA as announced in the 2012 Budget Statement. The Government recognises the continued concerns and will look to identify further opportunities to improve the condition of SLA.

14. We welcome the Budget announcement of an extra £100 million to be spent on Armed Forces accommodation as we regard this additional funding as both necessary and timely. The MoD should provide us with further details as to how this money is to be spent, where it is to be spent, and over what period. (Paragraph 60)

The £100M uplift will be used to make major improvements to approximately 650 existing SFA (£55M), to purchase 25 new SFA (£5M) and to construct 600 new SLA (£40M). It will be targeted to where it will have the maximum impact to support Defence and benefit Service personnel.

For SFA, £60M will be invested as follows:

- £10M to address structurally damaged SFA which have been left vacant for extended periods. These works will substantially improve the aspect of blighted estates, and lead to savings in the use of SSFA in areas of high demand (e.g. Northwood, Ruislip, RAF Benson and York).
- £45M to refurbish around 550 SFA to bring them up to Standard 1 for Condition. The programme has been agreed, on a priority basis, with the single Services and will address sites where a high proportion of the stock is below S1fC. The programme includes: Pirbright (62 SFA), Portsmouth (59 SFA), Abingdon (65 SFA), Larkhill (50 SFA), Deepcut (65 SFA), RAF Northolt (63 SFA), RAF St Mawgan (68 SFA), together with a number of smaller projects.
- £5M to purchase around 25 new homes from local developers to offset the use of SSFA in areas of high demand (with Lincolnshire and Stafford being possible locations).

For SLA, we plan to invest £40M to take forward a number of SLA programmes already in the planning pipeline including:

- RAF Digby – 159 Junior Ranks SLA, 67 Senior Non Commissioned Officers
- RAF Coningsby – 125 Junior Ranks SLA
- Vimy Bks, Catterick – 156 Senior Non Commissioned Officers/Officers
- RAF Odiham – 53 Officers
- HQ Army, Andover – 72 Officers
Total 632 SLA

We also intend to commission further plans for new SLA projects to take advantage of any further additional funding that may be made available. An update will be provided to the Committee in Feb 13.

The Government’s investment programme to deliver the Budget uplift of £60M for SFA (£55M on upgrades and £5M for purchases) from April 2013 has been agreed, and reflects a number of changes to the original plans to reflect the availability of properties for refurbishment and the capacity of locally delivery teams. Projects at Deepcut and Abingdon have been replaced by new projects at Grantham and Colchester and an increase to the Portsmouth project. The investment programme will deliver major improvement to at least 550 SFA, including:

- Pirbright (72 SFA)
- Portsmouth (87)
- Larkhill (52)
- Lulworth (46)
- Northolt (70)
- St Mawgan (78)
- Driffield (12)
- Andover (12)
- Grantham (25)
- High Wycombe (12)

There are also a number of additional locations with lower numbers of planned upgrades.

In addition, approximately 100 structurally damaged SFA - mainly in London (Northwood, Ruislip and Uxbridge) and RAF Wittering - will also be upgraded. The overall upgrade programme will utilise the Green Deal (Energy Company Obligations) funding opportunities.

The £40M SLA programme has been reprioritised in view of Governmental priorities to undertake the following projects:

- Wimbish: 124 Junior Ranks SLA, 27 SNCOs & 18 Officers.
- RAF Coningsby: 127 Junior Ranks SLA and 104 SNCOs.
- Woodbridge: 120 Junior Ranks SLA, 28 SNCOs & 8 Officers.
- RAF Odiham: 53 Officers SLA.

Home ownership

15. We recommend that the MOD should ensure that the lessons learned from its work in developing schemes to encourage home ownership should be taken forward into the Future Accommodation Project. These lessons should include better financial education and information for Armed Forces personnel and greater flexibility in relation to the offers available. The MOD should increase the size of the Long Service Advance of Pay as it is 22 years out of
date and therefore not likely to encourage a high uptake amongst those eligible. (Paragraph 65)

In assessing the options to promote greater home ownership within the Armed Forces community, the Ministry of Defence, through the Future Accommodation Project, has studied the variety of schemes currently available to Service personnel, both from within Service sources and wider Government sponsored schemes, for which they are given the highest priority in the majority of cases. As highlighted in the response to recommendation 3 above, the Government is looking at possible improvements to financially support home ownership as every indication suggests that the demand for LSAP remains strong. Concurrently, detailed work is underway to determine how best to improve the education of Service personnel in this important field.

Work is ongoing under the New Employment Model to identify the most appropriate form of financial support for home ownership; this work is linked to improvements in financial ‘life skills’ training and will include a review of the conditions currently applied to the Long Service Advance of Pay (LSAP) scheme. The exact details of the new scheme and how it will be delivered have yet to be finalised, but it is envisaged that the proposals, if accepted, should be ready for implementation from April 2015. The LSAP has remained at its current level while this work is developed.

The Ministry of Defence has already taken steps to improve the financial awareness of Service personnel, working closely with the Royal British Legion and Standard Life Charitable Trust to develop web-based financial capability training. The resultant ‘MoneyForce’ website, which was officially launched on 12 March 2013, is designed to improve financial awareness and capability among the Armed Forces Community. Whilst financial information and education is widely available on the Internet, MoneyForce deals specifically with the unusual aspects of Service life (such as mobility and overseas tours) and the financial impact that these factors can have on personal finances. The website provides detailed guidance on housing matters, mortgages and savings and will encourage Service personnel to get their finances on a firm footing from an early stage. New entrants will be briefed on the availability and benefits of ‘MoneyForce’ and similar briefings will be incorporated into leadership and command training, so that commanders can both support their personnel and advertise the service to the wider Armed Forces Community. Regular on-site briefings by the Royal British Legion will complement the website. It is perhaps too soon to measure the programme’s effectiveness, but early indications are that it has been well received. The Ministry of Defence will monitor progress as the programme matures.

In the meantime, we will continue to publicise the website to all relevant groups and seek to further develop and enhance its capability and content.

16. We recommend that the MoD Joint Housing Advice Office should be tasked to educate Armed Forces personnel early in their careers about the likely situation on housing when they leave the Services and some of the options they may wish to consider prior to leaving in the light of this reality. The Joint Housing Advice Office should be supported and resourced to carry out this additional task. (Paragraph 67)
The Joint Service Housing Advice Office is responsible for providing specialist housing advice to Service personnel and their families, normally within the last 9 months of service. Whilst they provide an extremely good service, the Government fully accepts the Committee’s finding that the education process with regards to housing should start much earlier in an individual’s career. The Ministry of Defence is currently investigating how best to take this recommendation forward, we will provide the Committee with an update on progress in the follow up report.

Work is ongoing to determine how best to take this recommendation forward as part of the new scheme to support home ownership (see Recommendation 15 above). Whilst the exact details of the new scheme have yet to be finalised, the proposed scheme includes an improved education element, and work is underway to review the current provision of housing advice and to recommend a way forward. This is likely to include the Joint Services Housing Advice Office and advice for Service personnel throughout their career.

17. The Government should clear up the confusion as to the situation on council tax rebates for Armed Forces personnel who own their own home but have to live in SFA overseas. All Armed Forces personnel with an empty property who are living in SFA in the UK or overseas should be entitled to a rebate of 50 per cent of council tax as they pay a charge in lieu of council tax on their SFA property. Alternatively those living in SFA overseas should not be required to pay a contribution in lieu of council tax. (Paragraph 69)

The Government had previously considered whether to extend the council tax discount for those in Great Britain to include Service personnel who are posted overseas leaving a private unoccupied property in the UK. As part of the Armed Forces Covenant, the Department for Communities and Local Government (DCLG), who hold policy responsibility for council tax, issued a council tax information letter to all billing authorities in England on 19 July 2012, to raise awareness of the payments that Service personnel and their families make in lieu of council tax and ask that they take this into consideration when considering applications for second home discount. Once the letter has had time to take effect, the Ministry of Defence will undertake a further review of the process alongside DCLG to determine whether further work on this issue will be required.

The Ministry of Defence continues to reinforce the importance of the council tax discount through the Community Covenant partnerships, and will seek feedback from the Family Federations and stakeholders, such as the Local Government Associations, to ensure that the Armed Forces Community is not being disadvantaged. The findings will be presented in the next Armed Forces Covenant Annual Report, which is due to be published towards the end of 2013.

New Employment Model and the needs of the individual Services

18. We have not looked at the work on the New Employment Model in detail but, as a result of the divergence in accommodation needs between the Naval Service and the Army, it has become apparent to us that it is crucial the
Government ensure that the New Employment Model will work for each of the three Services allowing sufficient variation within the Model to meet their differing needs and aspirations. (Paragraph 72)

19. As with the New Employment Model, proposed arrangements under the Future Accommodation Project should be sufficiently flexible to meet the needs of the three individual Services by allowing sufficient variation to meet their differing needs. They should also take account of the needs of personnel at different stages in their lives and careers. (Paragraph 77)

The Future Accommodation Project is an integral part of the New Employment Model programme. Work has been taken forward by tri-Service teams and addresses the future requirements of the three Services. The Government agrees with the broad thrust of the Committee's observations on the need for flexibility in the model and differentiation between career stages.

The New Employment Model aims to provide a degree of choice to enable Service personnel to make an informed assessment of how they wish to balance their career and lifestyle; by offering more agile and flexible working practices, career options and predictability, improved domestic stability whilst continuing to support mobility where necessary, and support to partners in securing employment. It also aims to provide a high quality and affordable domestic accommodation offer to Service personnel.

Stage I (Concept Development) of the New Employment Model was completed in September 2012. This delivered a proposed high level model and a number of policy options for further development. Following Defence Board approval, Stage II (Policy Design) commenced in October 2012, and is currently on track for completion by April 2014. Implementation will commence no later than April 2015, although it may be possible to introduce certain elements beforehand. Full implementation is not expected before 2020.

Work continues to define a future accommodation offer for Service personnel that allows more individual choice, but continues to support mobility where required, seeking to continue to offer Service accommodation to those who want it and increase the help available to those who would rather buy their own home. The single Services and the Service Family Federations are being consulted as development of the Workstream progresses to ensure that the needs of each Service are addressed, and that Service personnel are provided with genuine and realistic choices.

With greater domestic stability, home ownership is likely to become a more realistic option and, as highlighted in the updates for Recommendation 15 and 16 above, work is ongoing to identify the most appropriate form of financial support and to review the current provision of housing advice. We also want to improve the standards of Service accommodation for those who continue to choose to live in SFA and SLA, and work continues to develop and test the proposal to replace the current system for determining the Grade for Charge with a Combined Accommodation Assessment System (see update for Recommendation 5 above). We will continue to charge a discounted rate for Service accommodation compared to rental charges for similar properties in the civilian housing market and work is ongoing to consider the appropriate level of discount. Subject to Armed Forces Pay Review Body approval,
this could mean an increase in Service rents. However, any increases are likely to be phased over a number of years to minimise the impact on Service personnel and would be introduced in tandem with improvements in the accommodation offer.

20. We recognise the MoD is considering the entitlement rules as part of its work in support of the Future Accommodation Project and the New Employment Model. We believe that the MoD should consider whether the current arrangements for accommodation meet the needs of modern family life. It should take this into account when comparing and modelling the options under the Future Accommodation Project. (Paragraph 81)

The needs of modern families are being addressed as part of the Ministry of Defence’s Future Accommodation Project work. Options to alter entitlement will be considered as part of the revised accommodation solution.

The capacity of the existing SFA stock to accommodate changes to entitlement or eligibility for the modern family would need careful consideration. Work to consider extension of entitlement or eligibility to accommodation to reflect societal changes in modern 21st Century families, will initially aim to develop trend data to assess the scale of the likely requirement. Questions will be included in the Armed Forces and Families Continuous Attitude Surveys (AFCAS and FAMCAS) to assess this. However, it is hoped that we can introduce some early flexibility for Service personnel on size allocation, where there is sufficient SFA stock to meet their request.

21. Given the fragility of morale and past difficulties with effective communications, we recommend that the MoD develop a well thought-through communications plan for the Future Accommodation Project which involves direct communications with individual Service personnel and their families conveying relevant and detailed information as well as general communications via the Families Federations. This plan should be in place and activated as soon as an announcement is made in Parliament. (Paragraph 84)

The Government agrees with the Committee’s recommendation. As soon as an announcement on the outcome of the first phase of the New Employment Model programme is made in Parliament, the Ministry of Defence will put into action a comprehensive communication plan. This will advise Service personnel, and their families, of the range of changes resulting from the introduction of the New Employment Model, including those relating to future provision of accommodation.

A Communications and Stakeholder Engagement Workstream was established as the New Employment Model programme moved into Stage II in October 12. The team is leading on a programme of communications intended to inform Service personnel and their families about the New Employment Model and its progress at appropriate junctures; this includes the Future Accommodation Workstream.

As highlighted within the update for Recommendation 2 above, the Secretary of State’s speech to Reform in November 2012 outlined the intent of the New Employment Model programme, and was accompanied by an internal package of communications. The Ministry of Defence is running an interactive engagement and
consultation exercise with Service personnel during summer 2013. In the meantime we are continuing to communicate with Service personnel and their families as often as possible utilising a range of internal and external media; the details are contained in the update for Recommendation 2.

22. We recommend that the MOD research the potential impact on recruitment and retention of the options for consideration under the Future Accommodation Project. In particular, the MOD should investigate the likely impact on the retention of personnel serving unaccompanied either because of increased home ownership or unmarried personnel not being entitled to Service Families Accommodation. We think it particularly important in the Army’s case to compare rates of premature voluntary release, in recent years, between home owners and those in SFA. (Paragraph 86)

The Ministry of Defence has conducted some research on the potential impact on recruitment and retention that subsidised Service accommodation has on Service personnel. This has indicated that there is no recruiting benefit from the provision of subsidised accommodation as it is other factors that attract individuals to join the Armed Forces. The importance of subsidised accommodation increases for Service personnel over time and it is believed that, if the subsidy is reduced, there could be a moderate increase in premature voluntary release (PVR) rates as a result. The New Employment Model is not planning to advocate unaccompanied service. Further research will continue to be conducted on PVR rates for home owners in comparison to PVR rates for Service personnel in SFA (see Recommendation 3 above). However, all current surveys suggest that accommodation is not a major factor in an individual’s considerations of whether to apply for PVR, or indeed whether to join the Armed Forces.

As highlighted within the update for Recommendation 3 above, as part of its work under the New Employment Model, the Ministry of Defence has commissioned further research to help it understand the wider impacts of introducing a new financial incentive scheme to support home ownership. This research will seek to assess the likely impact of increased home ownership on Service personnel and their families.

The Ministry of Defence has also investigated the potential linkages between home ownership and/or the ability to live in one’s own home and an individual’s stated intention to stay until the end of their current engagement/commission or to leave before it ends. Its findings are again provided within the update for Recommendation 3 above.

23. We are concerned that the introduction of almost any proposals for the New Employment Model and the Future Accommodation Project will require upfront start-up costs. Given the financial constraints faced by the MOD, we ask the MOD to ensure that any plans for the Future Accommodation Project can be fully funded before embarking on them. The MOD should provide us with the details of the financial package it has available to undertake these developments. (Paragraph 87)

24. Given the willingness of the Treasury to embrace 10 year budget cycles for other aspects of the MOD’s budget it would seem reasonable, given the front-
loading and potential long term savings, for the MOD to argue for a similar approach with respect to changes in the housing arena. (Paragraph 88)

The Government recognises that there could be up-front pump-prime costs associated with the introduction of the New Employment Model (NEM); of which an element will involve the future accommodation plans. However, it is also anticipated that the overarching solution will deliver long term savings. The finer details of the financial package to support the NEM, balanced against wider Ministry of Defence’s requirements, have yet to be finalised, but once they are approved details will be provided to the Committee.

One of the objectives of the Future Accommodation Workstream is to deliver a balanced accommodation solution that matches policy aspirations with available funding, including reinvestment of charges. The business cases for the Future Accommodation solution will present the cost and benefits of its approach during 2014. The overall requirement for accommodation will be considered as part of the Living Accommodation Strategy Review. The funding requirements for both programmes will need to be considered alongside wider Ministry of Defence requirements.

Defence Infrastructure Organisation Transformation

25. The MOD accepts that the Defence Infrastructure Organisation is undergoing a major transformation at the same time as managing the estate aspects of significant events such as the return of Armed Forces personnel from Germany. Given the importance of managing Service Families Accommodation and Single Living Accommodation well, we want assurance from the MOD that the DIO will remain sufficiently robust and properly staffed to carry out the work required of it while going through this major change. (Paragraph 92)

The DIO’s Transformation Programme (DITP) has been approved by the Defence Board, with the next review point at the end of 2012. Basing is a Tier 1 Ministry of Defence Transformation Programme, with CE DIO as Senior Responsible Owner (SRO) and is subject to internal reviews and ‘holding to account’ in Ministry of Defence. Interdependencies between the DITP and other transformation programmes for which CE DIO is SRO have been mapped, risk-assessed, and are considered sound by the Defence Transformation Unit. A recent review of interfaces between FF2020, New Employment Model, Reserves Review and Basing concluded that they are being satisfactorily managed, with clear programme milestones and deliverables between the four respective SROs. The development of a Future Footprint Strategy has been endorsed by the Defence Board, and has been resourced appropriately and is currently under development. The Footprint Strategy will provide the optimum basing solution for Defence, with initial findings being presented to the Defence Board by the end of 2012.

The Defence Infrastructure Transformation Programme (DITP) aims to enable the DIO to develop into a world class infrastructure delivery organisation, which serves the needs of Defence personnel long into the future. We have continued to progress the Enhanced Operating Model (EOM), which reached initial operating capability on the 29 April 2013. Staff will continue to receive appropriate training to
embed the new organisational, technological and process changes through to full operating capability in April 2014. As a result of EOM there has been a significant Human Resources effort to best align staff and roles in the new organisational structure and this should be complete by summer 2013. Interdependencies between the DITP and other transformation programmes for which CE DIO is Senior Responsible Owner (SRO) have been mapped and risk-assessed, and are considered sound by the Defence Transformation Unit. CE DIO is SRO for several ongoing programmes that are subject to internal reviews and “holding to account” by the Permanent under Secretary.

As DIO transforms, it has not lost sight of its part in the wider Defence Transformation Programme. The Footprint Strategy is an enterprise-wide infrastructure review, delivering a sequence of plans on a phased basis. The strategy seeks to identify the most cost effective approach to Future Force 2020 basing, and to achieve an affordable and sustainable infrastructure footprint of the right size and quality, in the right place, for Defence personnel to live, work and train. In developing the Footprint Strategy DIO believes there is significant opportunity to:

- provide the infrastructure to support Future Force 2020.
- achieve significant running cost reductions through better estate utilisation, which will enable volumetric reductions in the estate; and
- release embedded value, currently held in infrastructure assets, back to Defence through rationalisation and commercialisation opportunities.

The Footprint Strategy Phase 1 has centred on the Regular Army Basing announcement of 5 March 2013 to bring the Army back from Germany and support delivery of the Army 2020 Force Structure; Phase 2 will consider aspects of the current Defence estate and future provision across three work streams (reserves, optimising defence infrastructure and living accommodation review) against the common themes of fitness for purpose, value for money and coherence.

The Regular Army Basing plan represents a costed and funded plan to rebase all remaining Army personnel based in Germany by 2020, in line with the policy intent in the Strategic Defence and Security Review (SDSR) White Paper. It is also a key enabler of Army 2020, providing a basing laydown in the UK that is required to generate military capability in the most effective and efficient way to deliver success on future operations.

Additionally, it provides certainty for Regular Army personnel and their families, allowing them to plan ahead and delivering increased stability in line with the aims of the New Employment Model. Financially, the basing plan will build to savings of around £240M per annum from Germany running costs, on top of savings already generated by some initial moves out of Germany. Overall the plan represents a £1.8Bn infrastructure capital investment programme and will provide some 1900 new SFA units and some 7,800 SLA bed spaces and is consistent with our strategy for the optimal utilisation of the Ministry of Defence estate in the UK, rationalising where we can and where it represents value for money to do so. The plan will release significant estate holdings in Germany and some sites in the UK.
The plan will now be taken forward by DIO and the Army, working with Other Government Departments, local councils and other key stakeholders to manage delivery of the announced package (including disposals and increases in the number of Service Personnel and families). The Army Basing Plan will continue to be part of Defence Major Programme Portfolio, receiving Departmental oversight and scrutiny to ensure it remains on track.

DIO has recognised that delivery of the Programme of work outlined in the plan will require additional resource beyond the small team that carried out the initial work, and has secured funding from the Department to expand the team's resources. The existing Programme team is being bolstered through: the provision of additional DIO staff; technical support for delivery and niche services unavailable within the Department (e.g. specialist environmental surveys). The delivery timescale of the announcement is recognised as challenging but, with the resources being focussed on the programme, it is assessed as being deliverable.

Conclusion

26. We recognise the importance of accommodation to Armed Forces personnel and their families. The MoD has made progress in improving Service Families Accommodation but has a way to go in ensuring that all personnel entitled to SFA are accommodated near to their Units and not in substitute accommodation. The three year ‘pause’ in the upgrade programme is unfortunate and gave the wrong signal to personnel about how the Government regarded accommodation as part of the Armed Forces Covenant. We look forward to seeing how the additional funding announced in the budget will be used to reverse the earlier signal. (Paragraph 93)

27. The New Employment Model and the Future Accommodation Project are important in underpinning changes to the Armed Forces. We are concerned that the models adopted by the Armed Forces should truly reflect the different needs of the three Services. The conclusions of the Future Accommodation Project should: address the different needs of the three Services;

- meet the needs of modern family life where practicable;
- balance the aspiration of personnel to have their own rooms with the need to promote unit cohesion by having multi-occupancy rooms;
- have a comprehensive a plan to communicate the outcome of the Project;
- have the necessary funds to implement the results of these projects. (Paragraph 94)

28. The Defence Infrastructure Organisation is managing a large estate and carrying out a major transformation programme in the midst of uncertainty over the Future Accommodation Project, return of personnel from Germany and other rebasing issues. We ask the MoD to review whether the DIO is sufficiently well staffed to undertake this transformation. (Paragraph 95).

We are grateful for the Committee’s constructive and continued scrutiny of our accommodation. We hope that this update demonstrates how we are improving our SFA and SLA. We fully appreciate that this is a long road, but we hope that the Committee will be satisfied with our progress to date as demonstrated in section 25.