

A report just released by the National Audit Office says that the Ministry of Defence lost the taxpayer around **£14.5 billion** over the life of the Annington Homes deal, compared to where we would be if the 1996 deal had never happened.

But there is also praise for the action finally taken by MoD to repurchase more than 36,000 service family homes in England and Wales for **£6 billion**.

The deal involved the transfer to the private sector of the bulk of the MOD's service family accommodation (SFA) in England. It was widely criticised, increasingly so as the maintenance standard of SFA under a separate contract was seen as deteriorating, and when surplus accommodation was being released for the market, the MOD had to pay to refurbish the properties before being sold for private sector profit.

The NAO had reported that the MoD's main aims had been "to secure funds for upgrade work; improve management of the estate; and secure value for money through a competitive sale." *[Comment: There were 19 bidders.]* They had found that "the sale and leaseback appeared to satisfy the MoD's immediate objectives. However, the sale price was lower than the value of retaining the estate, and the MoD retained important responsibilities for managing it."

So although there were rational objectives for the deal at the time, there were criticisms at the time which only increased in the new century.

Although as ever there were financial pressures on the Government and on Defence in 1996, it is worth noting that UK defence spending was then around **2.8-2.9% of GDP** (depending on the measure used). Today the UK is spending around **2.5%** of GDP, with a stated ambition to reach 3% during the next Parliament.

So despite the post-Cold War reductions, Options for Change etc, defence spending as a share of national income was actually **higher** when the Annington deal was struck than it is now.

The Annington story is a reminder that decisions taken to solve today's defence budget pressures can shape the lives of service families for decades.

Service personnel and their families have lived with the consequences of this decision for almost thirty years, despite having had no voice in it. Whatever political conclusions are drawn from the Annington saga, future decisions affecting service housing should involve meaningful consultation with those who actually live in that accommodation.

Service Family Accommodation is not simply a housing asset. It is part of the employment package. Decisions about it affect recruitment, retention, family stability and operational readiness. Accommodation is part of the Armed Forces' operational capability, their recruitment offer and their covenant with those who serve.

The NAO notes that perhaps surprisingly, "Despite the poor value for money of the Annington arrangements, the MoD did not seriously consider improving its arrangements

MOD lost billions over Annington deal - but did a good job of ending it  
with Annington until 2019."

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Credit is therefore due to the Department that although a wholesale repurchase was not initially considered viable, a rent review and a successful legal strategy and eventual negotiations ultimately led to the 2024 buy-back.