House of Commons

Public Accounts Committee

Oral evidence: MoD’s oversight of Reserve Forces’ and Cadets’ Associations, HC 893

Monday 16 June 2025

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Watch the meeting

Members present: Sir Geoffrey Clifton-Brown (Chair); Mr Clive Betts; Nesil Caliskan; Sarah Green; Lloyd Hatton; Chris Kane.

Gareth Davies, Comptroller & Auditor General, National Audit Office, Helen Holden, Director, NAO, and David Fairbrother, Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-89

Witnesses

I: David Williams CB, Permanent Secretary, Ministry of Defence; Aneen Blackmore, Director General Finance, Ministry of Defence; Major General Marc Overton CB TD DL VR, Assistant Chief of the Defence Staff (Reserves and Cadets), Ministry of Defence; and Major General (Retd) James Gordon CB CBE, Chief Executive, Council for Reserve Forces' and Cadets' Associations.

HOUSE OF COMMONS

Report by the Comptroller and Auditor General

Investigation into the Ministry of Defence's oversight of the Reserve Forces' and Cadets' Associations

(HC 746, Session 2024-25)

Examination of witnesses

Witnesses: David Williams, Aneen Blackmore, Major General Marc Overton and Major General (Retd) James Gordon.

Chair: Welcome to the Public Accounts Committee. The Reserve Forces' and Cadets' Associations, the RFCAs, support and provide the infrastructure for the reserve forces and cadet forces of the British Army, the Royal Air Force and the Royal Navy. The Ministry of Defence sets the key duties that it expects the RFCAs to deliver, including managing and maintaining around 2,500 reserve sites and cadet centres, engaging with employers and wider society, and supporting the development and running of cadet forces. The MOD also provides around £150 million in annual funding directly to the Council of Reserve Forces' and Cadets' Associations.

In 2019 the Sullivan review recommended the streamlining of 13 RFCAs and their council into a non-departmental public body, the NDPB, which has yet to be implemented. Financial and legal governance risks remain in the organisation and operation of the RFCAs, which must be mitigated to support the evolving role of the reserve forces in the national defence.

This afternoon we will challenge the MOD's oversight and support of the RFCAs, as well as examine its role as the customer and funder of the RFCAs. This session comes in the wake of the strategic defence review and the additional 2.6% of GDP increase to defence spending by 2027, as announced last week in the strategic defence review, with the ambition to reach 3% of GDP in the next Parliament. We will of course examine these issues in the upcoming sessions. Finally, the strategic defence review included expanding the active reserves by 20% and the cadet forces by 30% by 2030, which we will discuss today.

To help us with all that, we are pleased to have with us a regular attender of this Committee, David Williams, the permanent secretary, who has been in the role since April '21, having served as the second permanent secretary since 2020. We are also pleased to have with us Aneen Blackmore, director general of finance. Aneen has been in the role since June 2024 and joined from Ofcom, where she was finance director.

Our two generals with us are, first, Major General Marc Overton, Assistant Chief of the Defence Staff, Reserves and Cadets. He is the MOD's senior reservist and took up his current role in 2020. From the Council of Reserve Forces' and Cadets' Associations, we have Major General Jamie Gordon, Chief Executive for the Council for the Reserve Forces' and Cadets'

Associations. He has been representing the council at a strategic level in the MOD since 2016. A particularly warm welcome to our two generals this afternoon—I believe it is your first time in front of this Committee.

Maj Gen Marc Overton: That's correct.

Maj Gen (Retd) Jamie Gordon: Indeed.

Chair: You are particularly welcome; thank you for coming and helping us with this inquiry. Aneen, I think it is your first time, too.

Aneen Blackmore: It is indeed.

Q1 **Chair:** Very good. We welcome all of you. I am sure this afternoon's session will be very constructive on this particular subject.

I think you have been warned about a top-of-the-session question today on defence equipment procurement.

David Williams: Ah, okay. Right. Something off topic, but—

Chair: I am sorry if you have not been warned, but I think you probably anticipated it. On the ambitious target of the strategic defence review earlier this month and the very long lead-in times that some of these programmes will have—for example, submarines—will you be ambitious and start to progress these programmes? Will you use the assumption of a 3% of GDP increase in spending in the next Parliament to provide the resources so that that will enable you to start planning and procuring some of these very big projects?

David Williams: I agree with you that a range of our most complex equipment programmes take a long time. As we touched on in the last hearing with the MOD in this Committee, one of the equipment procurement reforms that we are pursuing—it is set out in the strategic defence review—is a greater segmentation of our programmes for those major platforms, which we might expect to take longer. There is spiral development, where we look to enhance capability through the life of a platform on a quicker drumbeat, as well as learning lessons from Ukraine about how we can exploit commercial opportunities to bring new capabilities into the frontline on a much shorter timescale. The SDR sets out our ambition for the time from initial requirement to initial contract to speed up procurement as part of our implementation of the defence review.

So that is the context. The Secretary of State set out his statement on the SDR—it is covered in the Report as well. Picking up on a previous evidence session, it is the Government's intention to finalise a defence investment plan over the summer and into the autumn that sets out the detailed capability choices that it will make to deliver on strategic defence reform. That will not be confined simply to equipment, but will pick up investment in infrastructure, digital, and science and technology, which is a broader remit than the previous plans that we have published and shared with the Committee.

The strategic defence review was finalised against the backdrop of the Government's commitment to increase NATO-qualifying spending to 2.6% of GDP by 2027, and the ambition to reach 3% of GDP in the next Parliament. It is a set of recommendations that are scalable and we will agree a set of planning assumptions with the Treasury for the defence investment plan work. I am confident that one of those sets of assumptions will be around 3% of GDP in the next Parliament; that is consistent with the Government's position. We may also plan on an upside or downside scenario—that is all to be decided. The short version of the answer to your question is: yes.

Q2 **Chair:** Very good. We will examine that in greater detail when the defence investment plan comes. In this Committee we want to make sure, as we have done over the last 12 years, that the defence equipment plan is affordable. We will examine that quite closely. Thank you very much for that answer.

Moving to the main session, this question will lead us into it, and we will examine details of your answers in a minute: David, and Major General Overton, how effective are your current arrangements with the RFCAs, given the important role of the reserves and the cadet force and the ambitions in the SDR, which I have already stated, to considerably increase the numbers?

David Williams: I echo your opening remarks, which emphasised the renewed importance attached to the reserve, both the active reserve made up of volunteers, but also the strategic reserve—those former members of the armed forces with a liability for recall—in the strategic defence review, as well as the ambition to grow the cadet force as part of the whole-of-society or connection-with-society theme, which the strategic defence review set out. We are at an inflection point where we need to ensure that our governance and oversight of the Reserve Forces' and Cadets' Associations and the support that we provide them are fit for purpose for that renewed emphasis as we move forward.

As you will see from the NAO Report, we are in a position where we have made some good progress since the 2019 Sullivan review, but there is clearly further to go. Some of that still to come progress is linked to our ambition to rationalise the formal status of the RFCAs into a single non-departmental public body. Other elements are around embedding good governance and oversight and making sure that the information flow and the relationships between the Department and the council, as it currently stands, are in the right place.

As an opening answer, and I am sure we will get into this in more detail: there has been some good progress but there is further to go.

Chair: Thank you.

Maj Gen Marc Overton: To build on the PUS's opening remarks because I am sitting here in uniform, you probably would not know that I am a lifelong reservist. I have been doing that alongside a day job for the last 38 years. In my civilian capacity, I run northern Europe for a large global software company. I was also a previous chair of the Greater London Reserve Forces' and Cadets' Association for seven years. I have an appreciation of the lived experience of being a reservist and of managing one of the 13 RFCAs.

To your point about SDR and what the permanent under-secretary was saying: it is hugely expansive and different thinking on the use of a non-full-time workforce, and that should be welcomed. The narrative around that is significant. The need for scale, given what has been happening in Ukraine, the need for skills, given the changing face of conflict, and the need for workforce agility—for our regular force to tune down to less than full-time service and our reserve component to tune up to full-time service—are embedded in everything within the SDR, and I absolutely welcome that.

As I said, as a business leader in my full-time career, for me, financial accountability and professionalisation of the RFCAs has been front and centre. I would like to put on record that I think that the RFCAs are a force for good and what they do is incredible. They have 1,000 members in the full-time team, and 8,000 in the membership, which, in volunteering, is significant. The outputs they give are incredible—it is not about that. There are opportunities to improve the accountability and financial management. That is what the NAO Report highlights.

The Sullivan review made two recommendations. One was to make my role, the ACDS, Reserves and Cadets, the SRO at a defence level—we have done that. I hold the RFCAs to account through defence. The second piece is the establishment of a non-departmental public body, and that needs primary legislation. That is part of the Armed Forces Act.

Q3 **Chair:** Permanent secretary, can we get on the record whether it is still your intention to go for legislation to create an NDPB?

David Williams: It is the Government's preferred route forward in terms of providing a streamlined organisational basis that allows us to simplify some of the back-office functions and clarify accountabilities. The conversation that we are in with the council and the 13 RFCAs is about how we do that in a way that preserves, supports and enhances the best of the volunteer support, insight and expertise, which the general has already touched on.

Q4 **Nesil Caliskan:** Thank you to the panel members. The major general has already referenced the Ukrainian war. For context, before I get into my question, which builds on the Chair's question, in 2023 the Defence Command Paper stated: "The War in Ukraine has reminded the world that Reserves are essential both on and off the battlefield." The SDR says that it is anticipated that "it will become necessary to increase the UK's Active Reserve forces by at least 20% when funding allows, most likely in the 2030s." Do the existing structures support the 20% increase aspiration that was recommended in the strategic defence review, especially given the context of infrastructure being sold off, for instance, and a real emphasis on maintaining existing capacity, rather than expansion?

Maj Gen Marc Overton: Absolutely. On the SDR, as I said, it is hugely exciting from my perspective to be given the marching orders to increase the active reserves by 20%, to re-establish a strategic reserve and to look at a separate reserve force for critical national infrastructure. A lot of increased thinking is going on. That is now being looked at from a programmatic and a funding perspective. I am sure that the PUS can inform you what will happen there. From where I am sitting, it is fundamentally changing the way the armed forces are thinking about the use of their non-full-time component.

The way in which we organise and invest, where we invest, the demand signal and the plan to get there are being worked through as we speak and put into a series of programmes. From where I am sitting as a head reserve for UK defence, it is super exciting. This is absolutely seismic. RF20 was about increasing the numbers and RF30 was about how to integrate more into the whole force. This is about capability. It is not just about people; it is about how to use the reserves, their skills, their scale and their workforce agility to create a competitive edge for UK defence.

Q5 **Nesil Caliskan:** General Overton and General Gordon, can you comment a bit more on how the MOD can use the RFCAs to invigorate its relationship with the strategic reserve, as recommended by the strategic defence review? The Committee has previously heard representation from witnesses on the need for flexibility, and armed forces that are more generally agile. To what extent is this part of that mission to make sure that we have a more agile workforce in the Army?

Maj Gen Marc Overton: From an RFCA perspective, in the whole conversation about engaging with society, strengthening the reserve proposition is front and centre. The then TAVRs were created in 1908, and this plays to the fundamental ethos of them: local engagement and a citizens militia. We are well prepared, in the RFCA organisation, to support that expansion in reserves.

For me, it is about professionalisation of the operation so that we can build on the great strengths that the RFCA has, and leverage the membership to its full potential to connect with society, but run it as a more professional organisation to deliver the outputs that we need.

Q6 **Nesil Caliskan:** Sometimes there is a tension between the desire to professionalise an organisation and the need, at the same time, to reach out to non-traditional communities to recruit. To what extent has the challenge of that potential tension been considered?

Maj Gen Marc Overton: From where I am sitting, there are two challenges. One is the operational effectiveness of an organisation run at a national level that deals with significant amounts of money, resource and output. We need to make sure that that works, that it is held to account, that it is as efficient and effective as possible, and that it generates the right value for money. On the other side, as the PUS said, the ethos of Haldane was to leverage the membership's volunteer spirit. We need to make sure that we can put in place the right bespoke structures: a bespoke NDPB that allows us to make the organisation as efficient and effective as possible, but at the same time maximise membership. As I said, 8,000 members of the great and the good in society, across this country, are desperately keen to support the armed forces. We need to increase and amplify that at every opportunity, as we engage with society in a different way.

Q7 **Chair:** Major General, you are rightly very enthusiastic about reserves and cadets. Do you think that the figures—which are very large, particularly the 30% increase in the number of cadets—are achievable in a reasonable timescale?

Maj Gen Marc Overton: First, I welcome the ambition. With the cadet expansion plan, we have obviously extended the community cadet forces. That has been hugely successful. The challenge will be to invest in the instructors—the cadet adult volunteers—to make sure that we can recruit and retain them as part of the new proposition. As I said before, that proposition is literally a week or so old, so we are now working out the plans to deliver that ambition. But I think this is a hugely powerful and important part of the narrative, as we engage with the youth of society, and bring more young members in the UK an opportunity to serve in the cadet movement.

Q8 **Chair:** I am sure that you will agree with the answer given by the Minister for Veterans and People, Al Carns, on 28 January. He stated: "We know that if just 1% of cadets change their life outcomes each year—so that they take part in education or training or gain employment—then the annual cost of the Cadet Forces is covered." That is a very sweeping and ambitious statement; do you agree with it?

Maj Gen Marc Overton: Absolutely. We need to take a whole-societal approach. This is about developing the youth of the nation, social mobility, and giving confidence and structure to our most disadvantaged.

Chair: Thank you.

Q9 **Sarah Green:** I put on the record the fact that I am a participant in the armed forces parliamentary scheme. This weekend, I really enjoyed meeting some of the Air Cadets and Army Cadets at the Chesham carnival, who were a fantastic advert for what we are talking about today.

I want to ask about the implementation of the Sullivan review, which we have already touched on, permanent secretary. There were 80 recommendations and two headline recommendations. The one I would like to ask about first is the implementation of a single senior officer as sponsor. How is that working out? What are the benefits? What does good look like now that it is here?

David Williams: As General Overton is the SRO, let him mark his own homework and then we will see whether other members of the panel want to chip in.

Chair: Yes, and we might bring in General Gordon after that.

Maj Gen Marc Overton: As David said, I'm the best SRO we've had!

When I joined three years ago in the Assistant Chief Defence role, it was an opportunity to rethink the governance. At that stage, it was all about getting legislation for the NDPB. That was put on hold because we could not get a legislative slot. We have spent time on it; about 70% of the Sullivan recommendations have been partially or fully worked through. This is not just about the governance; it is about improving the whole proposition. I am particularly proud of that. We have put in a financial framework and we have SLAs that we revisit three times a year. The defining feature is that twice a year there is a sponsor board where we get all the frontline commands and key interlocuters, whether that is the estates or defence relationship management, around the table to discuss and hold to account the RFCAs to deliver the outputs that defence needs.

Q10 **Sarah Green:** Was that not happening before?

Maj Gen Marc Overton: Given that the funding line came through the separate services, it was less coherent. By putting the funding line into defence and making this role—ACDS, Reserves and Cadets—the senior responsible officer, it provided a lot more coherence and focus. I will let the CEO mention whether he has been enjoying the experience, but holding everything to account from a financial perspective—£140 million-plus is a lot of money—and, for the first time, being able to assess in one place, twice a year, how we are performing against that, has been hugely useful, hasn't it, Jamie?

Maj Gen (Retd) Jamie Gordon: Absolutely. Before, we had what was known as a customer board. It was jointly chaired by ACDS R&C and the Director Resources in the Army—so roughly the same people. What this has brought, I suppose, is a greater focus with one chair, but all the single services are there to tell the sponsor how we are performing or not.

Before all that happens out, we sit down triannually with our customers—the single services—to have discussions: are we delivering what they asked us to in the SLA; are they satisfied with our performance; is the SLA out of date, because things change; do we need to update it; and so on? In the past two years, since we have brought that in, we have a much better dialogue with our customers in the single services as to how we are doing. By that, I hope we sort out any issues, if there are any, so that the sponsor board that Marc chairs is fairly easy to go through because all the hard work has been done beforehand.

David Williams: For me, the two principal recommendations from the Sullivan review are two sides of the same coin. The move to an NDPB is about streamlining, professionalising and making more effective the structures on the RFCA side of the equation. The establishment of the SRO role with General Marc is about co-ordinating what is still quite a varied customer and stakeholder landscape in the Department.

The three single services recruit and employ reservists, or sponsor the cadet units. There is a strong relationship with the Defence Infrastructure

Organisation on the volunteer estate. There is the broader people agenda, sponsored by our Chief of Defence People, in whose organisation General Marc sits. Army Command is in the lead on safeguarding issues and provides the SRO for the volunteer estate optimisation programme.

For me, the SRO role is about cohering not a single voice but a range of stakeholders on the MOD side of the equation, ensuring that we have a more deliberate relationship with the council, and holding to account through oversight boards, through better quality service level agreements and through the role of the SRO himself.

Q11 **Sarah Green:** On the NDPB, you confirmed to the Chair that the Government intend to go ahead with that. What progress has been made and what timeline are you working to on that?

David Williams: As the NAO Report suggests, the next opportunity for us to look at legislative changes to establish an NDPB would be in the next armed forces Bill. I cannot pre-empt precisely the content of the Government's legislative programme for their second Session, but we are obliged to update the current one by the end of 2026. That would provide a vehicle, but there is still engagement and conversations to be had about what form that NDP might take, balancing business discipline with the need to continue to harness and engage the spirit of the membership.

Q12 **Chair:** Major General Gordon, you represent the councils. If I was sitting on one of those councils thinking, "My God, what are they going to cook up at central headquarters next with all these NDPBs? How is my role going to change?", how would I see the role changing on the ground?

Maj Gen (Retd) Jamie Gordon: On the ground in the RFCAs, I do not think very much will change for the people who actually do the work. All our people who are involved in maintaining the reserve state or volunteer state, all our people who provide the administrative support for the Army Cadet Force, and all our people who engage daily with employers, encouraging them to support reserves and so on, will carry on. They will answer up to the NDPB as they answer up to the council today.

What it does is make more formal the high-level structure of the NDPB board. We have a council board at the moment; there will be a chief executive on that, whoever that may be in the future. There will be a board that will run the business. It will bring a better coherence and formality to what we have at the moment.

I still think we will have for the future—this is what I would aim for—a sort of USP that I made up: we bring the benefits of being centrally directed and co-ordinated, but the implementation is done at a local level, by local people who understand their local environments, for local effect. The reservists and cadets are local people; they join to serve locally until, in the case of the reservists, they go to war. It is so important that you keep that benefit of our membership in the new structure.

Chair: We will examine bits of that throughout the hearing. Thank you for that overview.

Q13 **Lloyd Hatton:** General Overton, could you outline in a bit more detail whether you feel the MOD currently has the right staff, the right structure and the right support, as the only sponsor for the RFCAs?

Maj Gen Marc Overton: It is a good question. I look after about 30 people, split into about one third of full-time civil servants, a one-third full-time regular component and a one-third reserve component, so we are a mixed team. We have one person who is dedicated to the RFCAs, but the RFCAs deliver an awful lot across estate, as you heard, across cadets and across defence relationship management. We have teams of people who are responsible for each of those who can be co-ordinated to support that one person. We have got a matrix structure with one person dedicated to it that allows a level of staff horsepower when required.

Things like changing legislation obviously need a separate team to come in and provide support, as is currently the case. One of the philosophies of reserve forces and cadets is that we cannot do it ourselves; we need the wider defence business to help us. The change in narrative, certainly over the last three years since I have been in post, is about how we, in reserve force and cadets, get the wider defence enterprise to work for us, as opposed to being a splendid little island that does not have the ability to make transformative change.

Q14 **Lloyd Hatton:** That sounds positive, but do you feel that the current staffing numbers and arrangements are sufficient?

Maj Gen Marc Overton: To run today's operation, they absolutely are. We are looking at resourcing the initiatives to support the ambition cited in SDR.

Q15 **Lloyd Hatton:** What is the delivery timescale as you try to meet the ambitions of the SDR?

Maj Gen Marc Overton: In the next couple of months we will be putting together detailed resourcing plans to do that. We have got some really tight timescales. Whether putting in a digital solution to monitor the reserves by January 2027 or re-establishing the strategic reserve and increasing the size of the cadets by 30% by 2023, we have got some quite demanding goals to hit. It is going to be a pan-defence effort to do it.

Q16 **Lloyd Hatton:** Do you think that once you have published the plan you will have the infrastructure to see through that 30% uplift?

Maj Gen Marc Overton: Absolutely. That is the commitment we are making through SDR.

Q17 **Chair:** I am curious as to how you will go about encouraging that number of youngsters to want to join the cadets. I do not mean that in any pejorative sense—I hope you will do at least that. In outline, does it involve going into schools? How do you intend to do it?

Maj Gen Marc Overton: I am not going to dodge your question, Chair, but that is exactly the challenge that the team are working through right now. In our experience, it is not about the desire of young people to want to be cadets; it is about the infrastructure and the adult volunteers to support the growth of the local units.

Chair: Right.

Q18 **Mr Betts:** Is that more challenging in certain communities than in others? If you go into more deprived communities, do you find that people's attention is more on simply the daily cost of living, rather than having the extra time and resources to volunteer and help you to organise?

Maj Gen Marc Overton: It is an interesting point. Yes, to a certain extent. But what is also interesting is that the school CCF part of the cadet force is under increased pressure because of the increase in VAT on public schools. Some of the discretionary activity is being stripped out. The ability to employ additional staff to look after the CCF has been impacted. It is about not just the poorer elements but looking at it holistically across the whole of society.

Q19 **Mr Betts:** In terms of recruitment, have you got a breakdown as to where cadets come from? You mentioned schools; do a disproportionate amount come from public schools?

Maj Gen Marc Overton: The private sector used to be about 70% of the cadet force. The community cadets—the public or state sector cadets—is now at 60%. Since the cadet expansion plan, we have seen a real democratisation of the cadet movement.

Maj Gen (Retd) Jamie Gordon: On the cadet expansion plan, the increase in the number of cadet attachments was not in public schools, but in more challenging, urban areas where schools raised their own CCF. That has broadened the intake and was a success.

Q20 **Chris Kane:** Obviously, schools are a devolved issue. Can you talk about the differences you may be seeing when it comes to approaching schools or recruiting cadets within a devolved landscape? Is the approach to the four home nations working the same?

Maj Gen Marc Overton: Broadly, yes. There are local variants, and I am happy to follow up with a more detailed breakdown by devolved nation. But the macro point is that the change in mix from private to public, as part of the cadet expansion plan, has been hugely successful across the country.

Q21 **Sarah Green:** I would like to speak about the service level agreements that were mentioned earlier. The NAO Report clearly states that all four recommendations were implemented. I am keen to understand how they are working in practice. General Overton, what do they look like at this point in time, and how could they be improved?

Maj Gen Marc Overton: They are very detailed. There are five types of service level agreement, and we get reviewed three times a year. It is at a level of granularity that, as Jamie was saying, generates a robust discussion from the single services: are they getting the value they want from the RFCAs? The areas of concern from that review are then brought to the sponsor board, where we discuss them in more detail. If we need to take any action, we approve that.

Maj Gen (Retd) Jamie Gordon: At the regional level, the chief exec works very closely with the single service chains of command, whether it is the Army, the Air Force or the Navy. It engages with commanding officers of reserve units to understand what their needs are and, within the available budget, deliver what we can. That is a fairly clear and well-tried process. What it means is that, because we are always in constant engagement with them, trying to deliver the right effect, we try to sort out any issues that arise at the lowest level. They can let us know if they think we are not delivering what we should be delivering.

Q22 **Sarah Green:** If the service level agreements are as detailed as you say, does that mean there is a very good understanding from the RFCAs' point of view of what exactly they are being asked to provide and what services are required of them?

Maj Gen Marc Overton: Absolutely, and that is why we spend a lot of time on those. There is a series of Excel spreadsheets that make your eyes bleed if you are not careful—there is a lot in them. It is driving a cadence and focus across the 13 RFCAs that has not been there before. It is quite a disparate grouping, so having uniform reporting three times a year has provided the discipline and focus that we have not had.

Q23 **Chris Kane:** Paragraph 2.8 of the Report says that "some SLA owners highlighted the lack of penalty or break clauses in the agreements, or that they were uncertain what the escalation mechanism was if RFCAs did not respond to performance concerns they had raised". How do you manage poor performance, particularly if there are not any penalties or break clauses?

Maj Gen Marc Overton: I will ask Jamie to give examples of where we are managing that. This is part of the NDPB discussion; we want to put in more coherent and focused governance. As I said, holding people to account every six months, and three times a year on the SLAs, is starting to change behaviour. People are being called out if they are not delivering the requirements. It is much more obvious, and the single services and I are managing the situation. Until we get to an NDPB that has that centralised focus and governance, and until we have the right board construct, it is not as easy as it should be to have a consequence culture.

Q24 **Chris Kane:** Do you have an idea of what change you need to see once we move forward with this?

Maj Gen Marc Overton: I know what good looks like in a business environment, yes.

Chris Kane: Okay. Could you talk about that in the context of the reserves and the cadets? Are you seeing the same problems and issues with both, or do they work differently?

Maj Gen Marc Overton: It is covered across both.

Chris Kane: Right, so there is no difference between the cadets and the reserves? Thank you. Those are fairly concise answers to my question.

Maj Gen (Retd) Jamie Gordon: I wish to add something. You referred to paragraph 2.8. We have been at this for a long time; it is not as if we suddenly have a new SLA that we are all wrestling with. We have been delivering, for instance, maintenance on the volunteer estate for some time, so we know what we have to do, and the single services know what we have to deliver. There is a formal process in the SLA. By meeting them constantly, we can have discussions if they think we are not doing something correctly, and we can explain that we cannot do that because we lack funding or whatever it is.

We are all on the same side and want to deliver the best effect for the reservists and the cadets. That is what drives us. So yes, you have to have that formal process whereby I am formally held to account because it is public money that has been given to me, and I have to be able to account for it to ensure that the public get value for money, but it is a well-tried process and we all understand what we are trying to deliver.

Q25 **Chris Kane:** My observation would be that if it is articulated in the Report that there is uncertainty about escalation mechanisms, I would read into that that there are problems that some people think should be escalated and are not sure how to do it. My take from that is that it is not working in all instances as well as it could be but, as Marc said, you are aware of it and have plans to address it. If that is what I am hearing, I am happy with that answer.

Maj Gen (Retd) Jamie Gordon: Every SLA has written into it the escalation process, if it is not going right. It is fairly simple: if it is not going right, we try to sort it out at the local level, and explain to each other why something is happening. If either side cannot get a satisfactory answer to that, it is escalated to my level and I will engage with the person I have signed the SLA with. If we cannot sort out what the issue is, it comes to the sponsor board, where Marc will do that. But, I have to say, we do not have issues that need escalation, because we are all working together to the same aim. If there are issues—there will always be issues, because it is a big machine—we resolve it at the local level, where the best understanding is. I hope that that answers your question.

Chris Kane: It does, but it also introduces an uncertainty in that that answer is slightly at odds with what is in the Report. I am happy with the response, and I understand that you will be looking at this as you move forward. I am comfortable with that, so thank you both.

Q26 **Chair:** We have a Member absent, so I have a chunk of nuts-and-bolts questions for you, Major General. The first lot concern the role of DIO, who I know well through its defence housing activities. First, let us talk about disposals—I am going to paragraph 2.21 on page 34. I have been lobbied on this aspect by a peer who is involved with the reserves. He made the point to me that London has a lot of facilities—if you close one facility in London, you probably only have to go a mile down the road. If you go up to Chris's area and talk about the highlands and lowlands, you might have to go 100 miles before you get another facility. Who decides what facilities are to be sold off?

Maj Gen (Retd) Jamie Gordon: That decision is done by the single services. REOP was led by the Army, but it represents all the services. It is a plan—I am now out of my lane—done by the single services, looking at where they want their units to be located. We come in to give advice—because we know the estate well—as to where you might put a new unit, close down a unit; or refurbish that one, but close down that one, because it is uneconomic and in the wrong place, or it was very good in 1880 when it was donated to us, but in 2025 it is not quite the right building for what we need. That is where we provide advice as to the infrastructure, but it is a single service decision, or defence decision, where it is that they want their reserve units and, therefore, the infrastructure to support them.

Q27 **Chair:** Is it done to them, or do the RFCAs actually have an active discussion role?

Maj Gen (Retd) Jamie Gordon: It is done with us. Certainly, I am always interjecting my part to my single service colleagues. For example, the Deputy Commander Field Army, I will alert him—he knows what is going on, but I will say, "Have you thought about this?", so I will be interjecting. It is very clear, though, that we are in support. We will give the benefits of our corporate knowledge and advice, but it is a decision for defence where they want to have their units and buildings.

Q28 **Chair:** On what basis is it done? If you look at the figures in paragraph 2.21, it looks as though you sold off £6.8 million and you are planning to sell off £7.7 million, yet you have £38 million to spend on renovating 55 sites, so in no way is the property that you are selling off going to cover the future renovation. On what basis is it decided which sites are to be sold off?

Maj Gen (Retd) Jamie Gordon: A lot of what we have sold is on the cadet estate. That was tranche 1 and the two business cases of the reserve estate optimisation programme that did that and generated that money, but I think what is also being put in here is money that was already earmarked under previous projects for refurbishment of the reserve and cadet estate. I am reaching back into my memory, but under the last SDR—Project Newbury—we have been refurbishing a number of different sites. There is one up in Scotland. Sorry, the name escapes me—Dunfermline. That money has come from a separate project; it is now being finalised and completed after many years.

Q29 **Chair:** Right. I want to move on to supplier contracts through the Future Defence Infrastructure Services contracts. There are two of them, really. There are infrastructure services—FDIS—and the Hestia contract for 40% of the sites. How well are these working? I ask because again, there is a tendency once the centre starts to impose things on each individual area—it might or might not be effective. How effective is it?

Maj Gen (Retd) Jamie Gordon: The FDIS—Future Defence Infrastructure Services—structure was rolled out on the regular estate first. That's through the three contractors in the four areas: Mitie, VIVO and VINCI. As part of that business case, after the last one went live, there would be a value for money study as to whether the volunteer estate should become part of that contract—there was an amendment in the contract to allow that—so that defence would have its whole estate maintained in a similar way and to a similar standard. That business case went forward, and it was decided to roll the FDIS contract on to the volunteer estate. That went live on 1 August last year.

As with any large contract, we had normal teething problems, which we are resolving, and generally speaking, they are delivering. We have had one area, one contract, where we have had poor performance. They have not met what they are supposed to in the contract. We are in constant dialogue, as is the DIO, to ask for their rectification plans as to how they are going to deliver what they have to within the contract. Since the beginning of the year, their performance has improved—not as fast as I would like, because it is the reserves and the cadets that suffer in the end—and they are due to come to us with their plan as to how they are going to rectify it so that they can deliver against the contract.

Q30 **Chair:** Before I go any further in this area, I should probably declare my interests. A very long time ago, I used to work for the MOD's Property Services Agency, and I am a chartered surveyor, so I know something about this.

To what extent is management, a refurbishment or even a repair of a property devolved? I ask because I can see that if in one of Chris's areas, up in the highlands somewhere, a lightbulb needs to be repaired, it is going to be far cheaper for him to get a local electrician than it ever will be to get this service up there to do it. So to what extent is this devolved?

Maj Gen (Retd) Jamie Gordon: Within the contract, the contractor is mandated to deliver all the standard mandatory inspection checks and then the reactive maintenance that results, up to an inclusive repair limit of, I think, £3,760. Any job below that limit therefore should be fixed, and this is at the contractor's risk. When they bid for the contract, they obviously worked out what that would be, looking over the average of how many jobs there would be to that value.

Anything above that, up to £25,000, is known as billable work, and if we have the money, we can provide it to the contractor, once we are satisfied that the quote that they have given us represents value for money, to get on with that. Within the contract, the portion from the IRL to £25,000 is known as trust and consequences. The trust is in order to speed up the process to get the job delivered; and the consequence bit comes when you re-examine the figures and hope it actually is value for money. This is dependent on how much money we can then give to the contractor or somebody else, if we are not satisfied with the contractor's price, to sort something out.

What we have seen, which I think has confused some, is that the FDIS contract going live coincided with a tightening of funding, which then reduces one's ability to pick up those secondary jobs.

Q31 **Chair:** I am still not sure I quite understand the answer. My question was: how far is this maintenance and refurbishment devolved? As I said, it would cost a great deal of money to get somebody up to the highlands to change a lightbulb, so it obviously makes sense to do it locally. If you wanted to put in a new basin, that might be a few hundred quid. That is slightly different. If you wanted to build an extension, that might cost a few thousand pounds. So where is the balance in all of this?

Maj Gen (Retd) Jamie Gordon: The primary contractor, one of those firms—Mitie, VIVO or VINCI—is responsible for doing that, for changing the lightbulb. They are responsible for doing a check, finding the lightbulb needs changing and doing it there and then. They no doubt will have a tier 1-level contractor that does that. So that should happen. The cost of the lightbulb does not matter, because it is included in the contracted inclusive repair limit—the IRL. As long as it does not cost more than £3,760, it should be done straight away. Only when they come across repair jobs or projects that are over that IRL do we then have to go through another process to get that work done, and that is dependent on having the funds available.

Q32 **Chair:** Can we move on to the Hestia contract, which covers cleaning and catering for 40% of the sites. How well is that going?

Maj Gen (Retd) Jamie Gordon: Forgive me, but I am slightly hard of hearing—too much shooting in my youth.

Chair: Sorry. I have got quite a loud voice. I was asking about the Hestia contract that deals with catering and cleaning and operates in about 40% of the sites.

Maj Gen (Retd) Jamie Gordon: I cannot answer on Hestia because I do not have that contract. That contract is operated by DIO on the defence estate. I can no doubt go to DIO and get you an answer, but I cannot give a proper answer on Hestia.

Q33 **Chair:** A slightly unusual finding in all this contracting out was that RFCAs were not VAT registered and therefore not VAT exempt, so VAT has had to be charged on all these items, which means they are going to get less repairs, less refurbishment, less catering—less everything. Is there not a way to structure it so they do not have to pay VAT? After all, it is really one public body to another, isn't it?

Maj Gen (Retd) Jamie Gordon: I probably agree with you, but I think I need to turn to the permanent secretary, because it is not me on that contract.

Chair: Permanent secretary, do you have an answer for me?

David Williams: Sorry, Chair—

Chair: Shall I repeat the question?

David Williams: Yes, please.

Q34 **Chair:** A slightly unexpected angle in the contracting out was that the VAT had to be charged on each of the contracts. That 20% extra meant they are getting less refurbishment, less catering or less cleaning. Surely, given that it is one public body to another, there must have been a way of not having to pay VAT. Perhaps I should have asked Aneen.

David Williams: Let me give you my level of understanding of the issue, and then the DG finance can tell you what the answer is.

The real issue here is getting to the bottom of the ownership of the estate. As Major General Gordon has said, there is, built up over 100 years, estate that has been donated, estate that the Department has funded, and estate that the RFCAs themselves have bought with our money. There is an ability for us to claw back VAT on departmentally owned assets—departmentally owned estate.

On the application of tax law, as I understand it the current proposal from HMRC is that we would effectively need to do a site-by-site review to establish ownership for tax purposes, as opposed to the way in which they are currently accounted for, which has them on our balance sheets rather than the council's. DG finance may want to give you the latest on the conversations we are having. It is, of course, open to us, and something that we will consider while we are looking for a longer-term solution, to top up the grant so that the RFCAs can do the programme of work that we expect them to do.

Aneen Blackmore: I do not have much to add to the permanent secretary's explanation. As he said, we have started conversations with HMRC and are investigating the options available to us. If it is a site-by-site review, as the permanent secretary sets out, that is quite a significant piece of work, given the history involved in a number of the sites. We are also alive to the fact that if we move to an NDPB structure, there may be an opportunity through that route, while we set up that single entity.

Q35 **Chair:** Across all the sites over the course of a year, 20% extra on VAT will make quite a difference to the amount of money they are going to get. You raise an interesting question, permanent secretary; surely if any of these RFCAs were to fail, the asset ultimately belongs to the nation, doesn't it? It belongs to your Department, doesn't it?

David Williams: Well, I certainly think I am underwriting the risk of any failure—

Q36 **Chair:** I am not presaging that there will be any failure, but you tried to make a distinction that some of the sites belonged to the nation and some did not.

David Williams: Particularly where sites have been donated, for whose beneficial use they are may depend on the terms of any donation.

Maj Gen (Retd) Jamie Gordon: The volunteer estate is not complicated. Of the buildings that we maintain, some are owned by MOD and have the Secretary of State on the title deeds. The vast majority are "owned" by the RFCAs because they have the RFCA or TAVRA name on the title deed. Some we lease for defence, and some are leased by defence, but we maintain the lot. It is quite clear that when we dispose of a site, that money does not go into my personal bank account.

Chair: No, I didn't expect that it would.

Maj Gen (Retd) Jamie Gordon: Sadly, no—it gets reinvested back into the reserve estate, in accordance with defence needs. It is quite clear that technically, our name might be on the title deed, but I suspect that building was bought with Army or defence money some time back. We have been maintaining it using funds given to us by defence, and it is quite clear that we operate that building or the estate for defence on behalf of the Secretary of State. We do not have anything that defence does not want or need, because why would we?

Q37 **Chair:** Thank you for that clarification.

David Williams: Chair, as Aneen sets out, this is an issue that I hope we would be able to clarify and rationalise as part of a transition to an NDPB, where rationally, the built estate would then sit on the NDPB's accounts and we would consolidate them into the Department rather than sitting here. That is another thing that we might look to book into the establishment of a new public body.

Chair: That was exactly the answer I was hoping to hear from you, permanent secretary. Let us hope that that does provide a solution, because it is a great deal of money. I am sure that HMRC would like it, but equally, we want to make sure that the RFCAs get the best value for money.

Q38 **Lloyd Hatton:** Going further on the reserve estate optimisation plan, General Overton, would you be able to give us an overview of the progress that has been made with delivering it?

Maj Gen Marc Overton: As you are probably aware, it is split into three tranches. We have implemented tranche 1, which was a series of disposals. We are in the middle of that. Tranches 2 and 3 are very much an investment into certain new sites, where we make them multidisciplinary super reserve centres, where you can have tri-service cadets, different units parading on different evenings, car parking, accommodation and feeding facilities, so you can actually consolidate on multi-domain sites. Given the threat status and what we are trying to do on the regeneration of the strategic reserve and homeland defence, I think that will be required and a real asset. To do that will require disposals of some existing sites, and also some investment. That investment is part of the SDR planning and has been fed into the SDR financial prioritisation.

Q39 **Lloyd Hatton:** You talked about there being three different sections to this. Am I correct in saying that the funding has currently only been secured for the first one?

Maj Gen Marc Overton *indicated assent.*

Q40 **Lloyd Hatton** Do you think that in any way impacts the long-term delivery of all three parts of the plan?

Maj Gen Marc Overton: Given the earlier statements about SDR and the ambition for the reserves, this is a critical enabler.

Lloyd Hatton Yes—you can't do one without the other.

Maj Gen Marc Overton: Absolutely. I would go so far as to say that we have become very good at managed decline with our reserve estate. We have too much estate. We have 5,000 buildings across the expanse of the UK. That is increasingly not where you want your estate to be, and it is increasingly of an age where there are major issues and they need to be rectified.

The reserve estate optimisation plan seeks to get after what the current demand is, and what the areas are where we need this capability—the new capability. People who are joining and staying in the reserves want things like wi-fi, a gym, a place to park your car, and an easy place to get to from a transport perspective, not too far away from an urban centre. We also need the regional and national footprint to get to those more remote sites. There has been a real collaborative discussion about resizing the reserve estate. Tranches 2 and 3 are dependent on investment, and that is absolutely front and centre, as far as the SDR is concerned.

Q41 **Lloyd Hatton** Could you outline to the Committee what the timeframe is for securing that funding for phases 2 and 3?

Maj Gen Marc Overton: It is completely linked up to the SDR outcomes. That will be a part of the business case that we are reviewing to expand the active reserve, create the strategic reserve and deliver the homeland defence plan.

David Williams: I think it will be an investment choice that we consider, as part of the defence investment plan work starting now through to the autumn, to give effect to the SDR.

Q42 **Lloyd Hatton:** Are you both therefore confident that the funding will be secured for all three parts, and the whole plan can be delivered in order to reach the aspirations of the SDR?

David Williams: Well, securing the funding is consistent with the direction of travel in the SDR. Obviously, there will be some choices about sequencing and prioritisation this Parliament—about the speed at which we take forward some of those recommendations—but I am certainly confident that it will feature in the debate.

Q43 **Lloyd Hatton:** Excuse my ignorance, but is there an end date for delivery of the whole plan that you aspire to meet?

David Williams: At the moment, the plan relates to these tranches that the general has set out. There is a point of review for us as we think about not only the growth of the active reserve but in particular, over time, how we want to reinvigorate our relationship with the strategic reserve, and think about them as being a source that we need to tap into for mobilisation during transition to conflict, and actual conflict. We also need to make sure that the estate supports that mobilisation task at the scale that we will need it. I do not think that means that we are likely to moderate our ambitions down. There may be further tranches to come.

To your point, Chair, about the geographic footprint, the footprint of both the reserve estate and the cadet estate is an important part of the localism that we have talked about, overlaid by the capability that we need, in particular out of reservists. To put it in context, against the 2,500 sites that the RFCAs currently manage, tranche 1 of this optimisation programme sees the disposal of just over 100 sites and the re-provision of around 60, just to give you a sense of the scale of the optimisation programme.

Q44 **Chair:** Permanent Secretary, I would like to see whether I can tie you down a little tighter than your last answer. Given that Major General Gordon said that he wanted to double the lethality of the Army by 2030, and given the uncertainty in the world at the moment, I think the SDR was envisaging substantial progress with everything that was announced in the SDR in this Parliament, so would you expect significant progress around this plan on reservists and cadets to have been completed by the end of this Parliament?

David Williams: The SDR itself sets out some different timelines. There is the growth in cadets by 2030. That is clearly going to need big investment and engagement during this Parliament. The re-establishment or re-formalisation of our relationship with the strategic reserve can take longer, but there are some specific waypoint targets. Major General Overton already mentioned the digital tools for making sure that we are in touch with and maintaining the skills and understanding of our strategic reserve. That needs to be in place in early ’27, so that is going to need investment very quickly.

I think the SDR says that the expansion of the active reserve may need to be in the 2030s, but we will certainly want to see what investment we can pull forward in this Parliament, to secure that as early as we can. As you will appreciate, within the SDR there is a range of priorities. As I said at the beginning, the review was completed against the backdrop of the Government’s commitment to 2.6% of GDP from ’27-28 for this Parliament, and growth to 3% of GDP thereafter. I think the principal focus of the defence investment plan is about the sequencing of those investments. We have pencilled in a lot during the SDR work over the past 11 months, and the work of the defence investment plan is to ink that in. That is the work that we will be doing over the summer.

Q45 **Chair:** I am sure that this Committee will want to come back and look at that progress, but given what has happened in Ukraine, and how useful reserves—or reservists—have been, I would have thought that this was a matter of some considerable priority.

David Williams: I agree.

Q46 **Sarah Green:** I would like to turn to employer engagement. The NAO Report acknowledges that the Ministry of Defence "agreed a new operating model" for defence relationship management back in October. At the time that the NAO was drafting its Report, that was in the process of being rolled out. General Overton, I am keen to hear how that is working in practice and what progress has been made in implementing that new employer engagement model.

Maj Gen Marc Overton: First, defence relationship management has been hugely successful—beyond expectations—in terms of the number of companies that have signed the armed forces covenant and the number that have got employer recognition scheme awards. So, actually, with the existing resource for that, just running that has become untenable. Therefore, instead of just increasing the size of the team, we have had to look at, "Where are we going to put the effort?" and "What else do we want to get out of this, apart from just running events?" Those events had become a thing; it is an important thing, but we are identifying which employers we want to have a deeper discussion with. Some of the bigger employers in particular want to have a more strategic discussion, especially regarding the wider defence enterprise and a change in how defence engages with industry, so it is becoming a lot more focused, and we need to free up resource to have those more detailed conversations.

We can also push—and have done so—some of the more manual approaches on to an online presence so that they do not need the account management piece. It is really about using our resource to generate the right conversations with the right employers to greater effect. I actually think it has been well met. I think the team was feeling that they were just "event organising", not account management, but they are now really enjoying getting deeper into conversations with key industry partners.

Q47 **Sarah Green:** I am keen to understand that account management better, because you said that it has been a huge success, and that is clear from the numbers. The NAO Report says that "Increasing numbers of employers signing up meant that each DRM account manager had around 180 accounts on average, approximately 10 times as many as the 15 to 20…expected when DRM was founded." I am not clear on how those accounts are going to be managed moving forwards. How is that workload being managed?

Maj Gen Marc Overton: The defence relationship management team are really focusing on the national accounts, and those of a significant scale at a national level, and using the local regional teams to manage the other accounts. So it is taking on a customer-segmentation model.

Q48 **Sarah Green:** Turning to you, General Gordon, the other thing that the NAO Report said was that "The MoD told us that it had also asked the Council to carry out a 'zero-based review' of all RFCA activity, including

DRM, to identify areas where savings might be made.” Have you identified any of those savings yet?

Maj Gen (Retd) Jamie Gordon: Yes, in some areas, because one could always be reasonably more efficient. We have examined our three tranches—the estate management, support to cadets and DRM. All of that is output; all the people in it are output-based. The last area we are looking at is what I call the back-office support—HR, finance, office management, and so on—to see how we can make that more efficient. When we become an NDPB, how we manage those aspects will actually be tied into that.

We have done a lot of work to try to make ourselves as efficient as we possibly can. There is not much there, particularly for DRM. Just to give you some facts and figures, when I took over I think the number of Armed Force Covenants was under 1,000; it is now 13,000. The gold awards were less than 30; they are now over 1,200 a year. The workforce and the budget have not changed for seven years, largely. We had to look at a different way to try to deliver that output. But yes, I continually look at how we can be more efficient. One should do that as a business leader to try to make best use of money, but there ain't much fat there—I would say that.

Sarah Green: Understood.

Q49 **Chair:** But it is probably worse than that. If there is not much fat now, you will need to do even more engagement with employers if you want to increase the number of reservists. Are you contemplating in phases 1, 2 and 3 stepping up the role of defence management and the REEDs, the regional employer engagement directors, because you are going to need to talk to more employers, aren’t you?

Maj Gen Marc Overton: As the guy setting the requirement, I will, if I may, Chair—

Chair: Sorry, I didn’t intend to undermine your role.

Maj Gen Marc Overton: Not at all. Engaging with society and employers is absolutely essential. Changing the narrative of our country towards reserves and service is critical. DRM as an organisation and the RFCAs’ membership as a capability will become more and more important. How we enable and scale that is absolutely part of the thinking, along with the infrastructure and the capabilities needed to generate this level of step change of discussion. I think it is fair to say that we need more people, not less people, doing it.

Q50 **Chair:** Nevertheless, on what Major General Gordon says—we have this discussion at almost every single hearing—with modern technology you can do more with less. You are right in this modern technology, so you know that better than anyone else.

Maj Gen Marc Overton: Is there a digital twin of Jamie? We could have a virtual way of dealing with RFCAs. We absolutely need to use the remote online tools that do not require human contact. But where the human is needed, where the organisation is needed to engage, they are focusing on the right conversation with the right employer at the right time. That intelligent customer management is critical.

Chair: That is very helpful—thank you.

Q51 **Chris Kane:** The strategic defence review says, "Reconnecting Defence with society should be the starting point" for "a renewed focus on home defence…as part of a national conversation led by the Government on defence and security. This can be achieved in part through expanding Cadet Forces by 30% by 2030." General Gordon, are the current arrangements for running the cadets suitable for supporting the planned 30% expansion? It is a big expansion. Are we able to achieve that?

Maj Gen (Retd) Jamie Gordon: What we have at the moment—this is primarily the Army cadet force that we support with our professional support staff—is a model where we have enough staff to support the cadets at the moment. It all depends on how the services want to grow their cadets. It is obvious that there are two ways you can do it. You could either thicken what you have got—expand the size of your detachments, the size of your companies—or you have to grow more new units, new detachments, new companies, all of which is really dependent. This is the driving factor on having the cadet adult volunteers to run it. Without them, you cannot grow it.

Once the services have worked out how they want to grow it and where, we will provide advice as to how we can then support it in the model that they want. I see myself very much in a supporting function to enable the plan that the single services might come up with to grow their cadets. But it is their plan, not my plan.

Q52 **Chris Kane:** In the NAO Report, paragraph 2.22 talks about what could be done to encourage employers "to support staff who are adult volunteers". Let us park the 30% expansion for a minute and talk about the need to support the adult volunteers who run local cadet units. Are we supporting the process enough to find more of them?

Maj Gen (Retd) Jamie Gordon: With our adult volunteers, it is sometimes confusing. Our permanent support staff, PSS, are there to support adult volunteers. They might, in their own time, be an adult volunteer. That is their choice. Anyone can be a volunteer, so they can do that. We require them to be an adult volunteer in name, because when the cadet force goes on annual camp, we like to have our PSS there for the two weeks in the camp supporting their battalion on camp. It facilitates them having special paid leave from the RFCA to work full time with their cadet force battalion to deliver that support. Our PSSs are primarily there to do their job as a PSS. If they wish to be a cadet volunteer in the true sense, where they are being an instructor within the cadet force, that is their choice, as any other person can be.

Q53 **Chris Kane:** I suppose what I am hearing—tell me if I am hearing this right—is that a potential barrier to a 30% increase in cadets will be the number of volunteers that exist to support them, so in order to achieve the 30% expansion, we also have to have a programme to expand the number of volunteers. Again, I think I heard from your answer that you are supporting that, but I am not 100% clear who is driving that and responsible for it.

Maj Gen Marc Overton: Absolutely. As I said earlier, I think having the adult cadet volunteers proposition reviewed is going to be part of this. These are critical assets. They are key enablers. We need to do a time and motion study to reduce all the stuff that is not adding real value. We need to give them the support and financial remuneration, where appropriate, to improve the proposition. We also need to look at what the proposition involves. It will increasingly be around new capabilities—STEM capabilities, drone flying, cyber. Those are mentioned in the SDR. There are new parts to what we are proposing the cadet forces get after as part of our STEM agenda in the UK. Joining it up with the Department for Education, making cadet adult volunteers a real force for good in society—we have them as part of the employer recognition scheme, but really raising their profile—I think is going to be fundamental. Without them, we cannot get to 30%.

Q54 **Chris Kane:** The strategic defence review mentions working with the Department for Education, and you mentioned it there. To pick up on my earlier point, when it mentions the Department for Education, it means the Department for Education here, but this is devolved. Can you talk to me about how you are going to get these links to ensure that a state school pupil in my constituency will not have a different interaction with the process than a state school pupil in the Chair's constituency?

Maj Gen Marc Overton: I do not have the exact answer now, but all I can say is that those conversations with the various education authorities are starting to happen. Coming out of the SDR, we are seeing pull and push. We are getting into those meetings cross-governmentally. The Minister for Veterans and People is helping to enable that, but it is at an early stage.

Q55 **Chris Kane:** I am going to push this ever so slightly, because as a Scottish MP—a devolved MP—I think your answer would give my colleagues from England great confidence that these conversations are going on between the right people and the right Departments, but from my perspective there is another level in that, which is the Scottish Government. You have another level to go through to have that conversation with education officials in Scotland. I will leave that less as a question than as an observation, but it is critical that we understand and plan for that devolved process when we are talking about schools, school pupils and conversations within schools.

David Williams: I agree with you—and obviously the same is true of the Welsh Government, and a more tailored approach in Northern Ireland.

Maj Gen (Retd) Jamie Gordon: To give you an assurance, I know that the cadet offer is delivered differently in Scotland from how it is in England, for the reasons you articulate. The RFCAs there—Lowland, based in Glasgow, and Highland based in Dundee—are well aware of the nuances of Scotland. They keep us apprised, to make sure that if we wish to grow the cadets, it will be done in accordance with how it is done in the devolved regions.

Q56 **Chris Kane:** Thank you. I note that the Highland RFCA was one of the two that was visited for this Report. There are challenges in supporting an estate and a process when the geographical scale of the highlands is such as it is. How do you address the challenges of dealing with an estate, and a process, that is incredibly spread out, without a considerable number of volunteers there to support the process?

Maj Gen (Retd) Jamie Gordon: I deliberately asked the NAO to go up to Highland so they could get that difference. Having a dispersed estate, for me, is business as usual—but it is dispersed, so it has its complications. When you are trying to look after a cadet hut in the outer isles in winter, the person going out to look at the huts will get stormbound or cannot get there, because the ferry will not run. It is sometimes difficult to find a contractor to do necessary work, because there are not that many there. Those challenges are what I would just call business as usual. We know the estate and we know it is dispersed; it just requires an additional level of work to provide that same effect, that same service, as we do across the rest of the United Kingdom.

Q57 **Chris Kane:** My experience of dealing with contractors in the highlands is that they are used to dealing with the great distances, and that going between the first call in the morning and the second call can sometimes be 50, 60, 70, 80 or 100 miles. Certainly, the contractors that you encounter in the highlands do not see the geography as the barrier to them not doing their jobs. Sometimes it is the approach that we take when we are used to dealing with it in a more condensed fashion. Are you alive to the fact that dealing with a London-based process and an Inverness-based process are very different things?

Maj Gen (Retd) Jamie Gordon: Absolutely. I have regular discussions with my friend and colleague up in the highlands on that very issue.

Chris Kane: Thank you. I will just make the point, slightly tongue in cheek, that for hundreds of years, Stirling bridge has been the Army's definition of the difference between the highlands and the lowlands, and you still have that, because my constituency is right in the middle, between the highlands and the lowlands. But it works well. Thank you.

Q58 **Chair:** May I follow up on Chris Kane's question, General Overton? Surely with this scale of expansion, in particular in the cadets, we want to make sure that all four parts of the United Kingdom benefit. It would be very easy, would it not, for both of you to go to the areas where, for one reason or another, it is easy to recruit cadets, but actually we want a geographical spread of recruitment, do we not?

Maj Gen Marc Overton: We absolutely do, Chair. The REOP tranche 2 and 3 is national—it is north of the border, it is Wales, and it is Northern Ireland. The plan is not to focus just on the key southern cities; it is a national footprint. As PUS mentioned, this is a key part of our national defence plan, so it has to be national.

Q59 **Chris Kane:** To follow up on that, with the different ranks of non-commissioned and commissioned officers, does that approach to getting geographical spread occur across all ranks of the armed forces, or do you find that you recruit officers from one part and NCOs from another? I am part of the armed forces parliamentary scheme—you have four members of the armed forces parliamentary scheme in this Committee—and I would certainly make the observation that sometimes it feels like you are more likely to get officers from the south, the others from the north. I am very happy to be challenged on that, but I would seek an assurance of a good geographical spread across all ranks of the armed forces in the reserves.

Maj Gen (Retd) Jamie Gordon: Before coming here, I was chatting with the chief executive of Highland about this. The challenge, particularly for the outer isles, is that lots of children would like to be a member of the cadets, but it depends on having enough adult volunteers. We have a number of detachments that have gone into abeyance, because we have not got an adult volunteer. Sadly, with covid, a number of our volunteers who were doing it stopped, but have not restarted after covid. That is where the effort needs to be, in finding the volunteers. That is more difficult in the outer regions where there are fewer people from whom to find them.

Maj Gen Marc Overton: To your point, the currency of the reserves is a sub-unit. It is a local unit, and we are finding that to generate the local commanders, officers and senior NCOs is, no matter where you are, a challenge, and the sustainability of the unit is predicated on it. It is easier to recruit officers in London, but at the same time, we have some of our best officers outside London, so it is a national organisation. It is not a southern organisation.

Q60 **Nesil Caliskan:** I am going to ask some questions on the MOD's role as a funder, but let me first build on Chris's points about the efforts to get more cadets recruited. I absolutely agree with the point about devolution, but on a smaller scale too, the picture can look very different even from local authority to local authority. If you consider some of the funding challenges of local authorities, even in a patch like London—I represent the outer London constituency of Barking and Dagenham, which traditionally had a very strong cadet base and is stronger than other places still—the pressures of not being able to have volunteers or grant funding mean that there can be a very mixed picture. Let me ask one question about cadet recruitment. Do you feel that there has been an oversensitivity to the recruitment of cadets, in relation to it being seen as recruitment for the Army eventually?

David Williams: Let me be clear: the cadet force—the cadet movement—is not a recruitment programme for the armed forces. It is a youth movement. For me, it is about the benefit of bringing on young people, young adults, with a set of skills that allow them to fulfil their potential. It supports social mobility both through hard skills and through helping them to grow in confidence, and in how they present, problem solve, and interact with peers. If, as part of that, they get some familiarity with the armed forces that means that they are potentially more interested in it as a career downstream, fine, but it is very definitely not the purpose of the cadets.

Q61 **Nesil Caliskan:** That is very clear in all the reports. The MOD, the cadets and the reserves are very clear about that, but a large proportion of the Army has come through the cadets, and I cannot help but think that it is a really powerful way to show young people a meaningful and inspiring career path. Do you think that there has been an oversensitivity to that idea that it is okay to say that this could be part of your path to the Army, or do you think this very clear notion of its not being a pathway, and that it should not be seen as one, should be maintained? I only ask it in the context of the aspiration for additional recruitment for both the reserves and the cadets.

David Williams: I would not characterise it as an oversensitivity. The focus of our sponsorship of cadets is not about increasing the pipeline of potential recruits, but getting to know the armed forces and some of the ethos there will be attractive to some young people. The SDR has also set out an idea of a sort of gap year programme, starting with a pilot in 2026, maybe of around 300 people, then getting to a larger scale thereafter. People would come in and spend a year specifically with a view to their perhaps wanting to stay. That is all backed up by a range of marketing and outreach more generally in society about the nature of the offer, and the interest and excitement of the work in the armed forces, whether you are joining as a regular or as a reservist. For me, it is the whole suite.

Q62 **Nesil Caliskan:** So it is absolutely not about actively coercing cadets, but making sure that there is the available information for those who are seeking out pathways.

David Williams *indicated assent.*

Maj Gen Marc Overton: I think that signposting and mentoring are critical. Developing adult volunteers is part of that and getting people who want to do this alongside their civilian career, into the reserves. We have an opportunity to go into the strategic reserve, the active reserve, or the contingent national defence force. That proposition has expanded. The offer is definitely richer for those cadets looking for something different.

Q63 **Nesil Caliskan:** Thank you. I am going to move on to some questions about the MOD's role as a funder for RFCAs. A few years ago, the MOD asked the Treasury to review the financial framework between the Army and the council. In 2022, the review raised concerns about the framework's compliance with Treasury rules. The NAO Report details that in 2022, the MOD began developing a new financial framework for the planned non-departmental public body, which has already been spoken about. Ms Blackmore, can you give us an update on that framework? Why has it taken so long to agree a financial framework in line with the Treasury's standards?

Aneen Blackmore: Over the last two years, we have been strengthening our oversight relationship. Major General Overton has covered some of the structural changes we have made to improve that. As you rightly say, the financial oversight is a really important part of that. One of the aspects we are looking to update is the financial framework between ourselves and the RFCAs, partly to reflect the changes in governance we have introduced. We were waiting for some of that reform to play through because, in the framework, we are very clear about the governance we expect to be followed and the relationships within that. That will be in the revised draft. Alongside that, of course, is ensuring that it reflects the latest best practice guidance from HMT. We have carried out the refresh. That is almost complete and a finalised draft is with HMT for review and comments, and then we will be able to enact it.

Q64 **Nesil Caliskan:** There seems to be a clear timeline or, at least, process going forward, but I want to press a bit more. In 2022, it was first identified that the framework was not adequate. I think the Treasury said it was non-compliant. As of now, it is still not updated, so that has been the case for quite a lengthy period of time. My second question is, what were and are the implications of the framework not being compliant? Were there associated risks with or consequences of non-compliance?

Aneen Blackmore: In answer to your first question about the length of time, what led to some of that protracted discussion, partly, was ensuring that we had a settled framework to represent in the new financial framework, and ensuring that we had that governance agreed between us, so that once we issued the revised framework, it would be appropriate looking forward. With the broader structure we are operating in—with the 13 RFCAs and the council—it takes time to have those conversations, but I am really pleased that we are now in the position that we are in, and close to being able to issue a new framework.

In terms of the risks while we were operating under the old framework, I feel quite comfortable that we had them well mitigated. As I said, we were operating on a revised governance structure. We have monthly financial reviews so that we understand what the plan is, how each of the associations are performing and what their requirements are looking ahead. The expectation of financial processes and reporting in the old framework, as indeed will be the case in the new framework, is that they follow the FReM—HMT's financial reporting guidelines—and international accounting standards as appropriate. Those broad requirements were in the existing framework and will continue to be in the new framework.

Q65 **Nesil Caliskan:** So the next stage is for the Treasury to sign off the framework, or—

Aneen Blackmore: Treasury will provide us comments on the framework, which we will respond to, and we hope to have the new framework in place very soon.

Q66 **Nesil Caliskan:** Does that mean in the next few months? I am just trying to get a sense of when the new framework will be used for financial decision making.

Aneen Blackmore: Yes, I would say in the next few months.

Q67 **Chair:** Sticking with you, Aneen, may I take you to paragraph 2.28 on page 36 of the Report? It says: "The MoD published the 2020-21, 2021-22 and 2022-23 Annual Reports and Accounts in October 2024, which means that some information about the Council and RFCAs' financial performance was not publicly available until more than four years after it had occurred." How can you be so sure there were no risks in that time?

Aneen Blackmore: We have been significantly improving the financial oversight over the last years. It is about ensuring that we are confident that the sponsor board that we have set up is operating effectively with a clear plan. Those monthly conversations, finance to finance, are about understanding how we are performing and the risks against that. You are right to note that we saw a significant delay in the publication of some of the annual report and accounts from 2021. We published three sets of accounts in October last year to catch up and ensure that we were on the appropriate footing going forward.

Q68 **Chair:** I am surprised that your own Department's internal auditors, given that this is public money, were not chasing for accounts to be able to verify how this money was being spent.

Aneen Blackmore: I cannot speak to the detail of what was happening during '20-21 and '21-22, but I do know that conversations were regularly taking place and the visibility of the financial information was available. What we were delayed in doing was publishing the accounts through the process. Partly that is the nature of the structure that we are operating in, where the Department, once it receives the accounts that have had to be prepared by 13 separate associations and then consolidated by the council with follow-up questions, has to go to all 13 bodies.

Q69 **Chair:** I would be more satisfied with those answers if I thought that the system had now caught up, but that paragraph makes it clear that the '23-24 accounts were not going to be published before March 2025. That is nearly a year after the end of the financial year. If these were MOD departmental accounts going to the C&AG, that would be completely unacceptable. It does not seem as though lessons are being learned.

Aneen Blackmore: I agree that it is a much longer, more protracted process than we would like. That is how we are responding to the structure of the length of time it takes to work through the 13 bodies to the council and then to the Department. In the longer term the answer is for us about setting up the NDPB so that we are able to engage with the organisation as a single entity, but also support them, as colleagues have referenced, so that there is a robust, streamlined approach to financial accounting.

In the shorter term we continue to look for ways we can speed up the process. Major General Gordon referred to some work that the council is driving in ensuring that there are common processes and systems that will speed up the financial information that the council can consolidate. From our side, we are also looking at how we can move more quickly, working with colleagues in DIO, the Defence Infrastructure Organisation, to get some of the horizontal information. We are really trying to drive forward a speedier process so that we can publish the accounts.

Q70 **Chair:** David, as accounting officer for the MOD, you cannot be at all happy with this situation. Presumably you will want to see it put right when, hopefully, the whole system comes under an NDPB.

David Williams: I think that with a single NDPB the ability to comply with Treasury guidelines and the production of timely accounts will be easier to deliver, but will come with a higher degree of expectation that we are indeed going to hit that. The only point I would add from a departmental perspective concerns the consolidation of our own accounts and the £146 million or £145 million and £160 million that the council oversaw in ’23-24. Although the accounts for that year are not yet published, there is quite a bit of information in the NAO Report on pages 20 to 21. It comes from us as a grant in aid. We know what the balancing figure is for our accounts. On our side, we need to understand what is happening in terms of the value of the asset base that sits on our balance sheets, rather than on the council’s. In the consolidation of 13 regional accounts into a single set of accounts, and the transfer into Defence, there is definitely opportunity for us to tighten the procedure up. It will need to be tighter when we get to an NDPB.

One point that was discussed in relation to the timelines for the next set of accounts is that they were produced before we got the observations from the NAO on which bits the NAO liked and did not like. All things being equal next time around, I would rather have a set of accounts that the NAO, the Treasury and we collectively think are okay, rather than waiting for the following year. We just need to go around that loop.

The other thing that I would say is that sometimes in our conversations we can mix two things up. Under legislation, the council is required, through an external scrutiny team, to produce a report on the state of reserves each year. That report has been produced and published on time: the ’24 report was published in December 2024. That sort of statutory requirement for reporting, specific to the council, is being met. We need to tighten up on the accounts.

Q71 **Chair:** General Overton, are you satisfied and, given that the accounts are so late, do you have sufficient oversight to say that the whole organisation is providing value for money for the taxpayer?

Maj Gen Marc Overton: As SRO, and having done this role for three years, I am absolutely confident that we are getting value for money. What I need to impress on everyone is that we need to move to a non-departmental public body, with one set of accounts, one audit and one bank statement. We are consolidating 13 separate associations: the complexity of the brief, which will only get more complex as we ask them to do more, means that we need to move to a new structure.

Q72 **Chair:** Major General, I asked you at the beginning what differences the RFCAs would see on the ground if we had an NDPB. We have discussed the ability of the RFCAs to meet Treasury rules on public expenditure. One such rule requires that the reserves, the expenditure, or the grant in aid cannot be transferred from year to year. There will be a little bit of an education drop to your RFCAs, to make sure that they understand the new rules on spending public money, won't there?

Maj Gen (Retd) Jamie Gordon: I am very happy with that. To answer your specific questions, we were late on the '20-21 and '21-22 accounts. Covid got in the way of the first set and made the situation more complicated. The second year was the aftermath of covid. We also had some difficulty with staffing in a couple of the associations, just at year end, so the council had to provide a lot of support to the relevant RFCAs to help them through. That delayed the accounts, and that was not satisfactory. As a result, in my role as accounting officer for the RFCAs, I wrote to them to express my views on where we were, how we could do better, and the plan to do it. I was then comfortable that the '22-23 and '23-24 accounts were done on time. We aim to close each RFCA account in April to May, get them audited, and get their audited accounts to us in June so that we can do the consolidated audit. I can then bring those consolidated and audited accounts to the board in July, having gone through the ARAC, have them signed off and go through the business of putting them into the report.

I can give confidence to the Committee. Are we getting value for money? Yes. Are we looking after that public money properly? Yes. Are we back on track? Yes. We should have done better in those two earlier years. We didn't, but we understand where we are going forward and we will meet what is required of us.

We had been carrying the reserve because it was set out in our financial framework. Talking as the chief executive, I enjoyed that because it drove good behaviour on spend. That is the great benefit of being retired—when I was serving, there used to be an unholy rush to spend money in March in order not to lose it. It would be better to carry it forward, but I understand annuality. In the bits of the paper I have read, if you happen to have an underspend, there is some latitude about what you can carry forward or whether it is taken off your control total for that year. As we had a reserve, we have been able to absorb the unforecasted, unbudgeted pay increases. They are nice to have, but I was able to do that without going back to the Department saying, "I need more money", or, "I cannot carry out the tasks you have given me." There is mutual benefit there. We are quite clear: we have to abide by the rules, and, when they are clear, we will abide by them.

David Williams: I have made this point to the Committee before: we talk about the challenges of annuality—one year at a time—in our budgets quite a lot in defence, but, at the departmental level, for the £62 billion we are getting in '25-26, I am only formally held to account by Parliament for about five or six numbers. The change for me here is that the council cannot automatically assume that unspent money will be carried forward and spent as a reserve. However, if it is better to agree with the new NDPB not to rush to spend something by year end, but to spend it in a more managed way by adding a bit to the budget for the following year, we can accommodate that—it is well within our financial flexibility in the Department. However, it needs to be done within Treasury guidelines, with an agreement about the new budget, and so on.

I would hope that, while complying with the letter of the Treasury rules—I am now making eye contact with the Treasury Officer of Accounts—we can nevertheless maintain some of the benefit of having a bit of flexibility at year end. The NAO Report talks about a pull forward of around £7.5 million. If that level of flexibility delivers a better service against our SLAs and a better experience for reservists and cadets, we will manage it.

Chair: Thank you very much for that clarification, permanent secretary. It saved me the bother—I was going to bring the Treasury Officer of Accounts in to explain that there might be some flexibility, but you have explained it beautifully.

Q73 **Mr Betts:** Who is responsible for allowing the lack of compliance with the Treasury and international financial reporting standards over the years?

Maj Gen (Retd) Jamie Gordon: It started off with me. The framework says that it needs to be in accordance with the FReM, and so on. If you read, as I did this morning, chapter 7, I think it is on page 62 that it says that you need to have a cash flow statement. We did not have a cash flow statement. We have not had one before. It has not been an issue. We will now have a cash flow statement if that is what we are required to do. That is where the level of non-compliance is. The accounts are still audited. The money is there, it has been audited and we know how it has been spent and how it has been received. We are missing one statement. We will incorporate it in the future.

Q74 **Mr Betts:** That was not quite the question I asked. You accept responsibility, in which case you know what the rules are.

Maj Gen (Retd) Jamie Gordon: At the time, no, I did not have every detail of that long document called the FReM deeply embedded in my knowledge. I had assumed that the accounts we had were compliant. I have now been educated, particularly on the cash-flow statement—they were not.

Aneen Blackmore: This comes back to the conversation we have been having throughout this session about how the Department has both the role of providing financial oversight and the role of offering support to the RFCAs and the council to understand the financial obligations and the financial framework. From my perspective, it is important that we are playing both roles.

Q75 **Mr Betts:** But presumably the various associations did not know what the rules were either.

Maj Gen (Retd) Jamie Gordon: Was that directed to me?

Mr Betts: Well, you are the accounting officer, so I presume so, yes.

Maj Gen (Retd) Jamie Gordon: Yes, sorry. As I said earlier, having presented the accounts in the way that we did since I took over in 2016 and inherited that, I was unaware that we should have had a cash flow statement. I now know that we should do. When I put the accounts into the MOD, no one picked up that it was not as it should be, so it continued. Now that I am better educated, we will do so.

Q76 **Mr Betts:** So no one in the MOD who should have picked it up did so?

David Williams: I think this is a question of how the accounts were put together by the 13 RFCAs, the consolidation by the council, the role of the auditors for those accounts and the financial oversight from the Department, which collectively has not been where it needs to be. We have talked in this hearing about how we are improving that. Again, I do not want the answer to all your questions to be, "When we get the NDPB," but I think life will be clearer then. The focus on the accounts within the Department has been on getting them published, given the delay of the last couple of years, rather than necessarily on their content, not least because from a departmental perspective we have a good understanding of where the money goes. Most of it comes from us, and then we have a process of explaining and agreeing how it is going to get spent. The accounts are an important part of accountability to Parliament and the public, but they are probably not central to our day-to-day management of the relationship.

Q77 **Mr Betts:** Right, but until we get the new public body established, is it the intention that the Treasury rules will be followed in all cases?

Maj Gen (Retd) Jamie Gordon: Yes.

Q78 **Mr Betts:** Are they followed? Is every Treasury rule now being complied with?

Maj Gen (Retd) Jamie Gordon: Yes. Our '24-25 accounts will be exactly in accordance with how we should produce them.

Aneen Blackmore: As the NAO Report set out, on lease accounting, under the international accounting standards, we are doing a bit of work with the accounts of RFCAs to get to compliance, but we will be clear on that in the report.

Q79 **Mr Betts:** Right. Pensions are mentioned too. They have been sorted out, have they?

Aneen Blackmore: That has been covered.

Maj Gen (Retd) Jamie Gordon: Yes. We reported the pensions separately into the MOD, and I believe it became part of the wider MOD accounts, but that was reported separately, rather than within the accounts. We will have a note, as required, that it is a defined-benefit pension, etc.

Q80 **Mr Betts:** And when will the leasing issue will be sorted out?

Aneen Blackmore: The lease accounting—because of the complexity of the estate, I think you are targeting 2026. Not this year's accounts, but next year's.

Q81 **Mr Betts:** So in the 2026-27 accounts, it will be sorted?

Aneen Blackmore: Correct.

Chair: This has been a fascinating session. I thank all our witnesses very much. It has been really useful. We will publish an uncorrected transcript of this hearing in the next few days. We will consider carefully the evidence that you have given us today, and we will produce a Report, no doubt with recommendations, in due course. Once again, thank you for spending your time with us.