



House of Commons
Public Accounts Committee

Defence capability and Equipment Plan

Tenth Report of Session 2019–21

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 1 July 2020*

The Committee of Public Accounts

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Publication

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Committee staff

The current staff of the Committee are Bradley Albrow (Second Clerk), Hajera Begum (Committee Assistant), Jessica Bridges-Palmer (Media Officer), Ameet Chudasama (Senior Committee Assistant), Richard Cooke (Clerk) and Shai Jacobs (Chair Liaison).

Contacts

All correspondence should be addressed to the Clerk of the Committee of Public Accounts, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5776; the Committee's email address is pubacom@parliament.uk.

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Summary

The Ministry of Defence's (the Department's) 10 year Equipment Plan (the Plan) continues to be unaffordable despite this Committee and the NAO consistently highlighting serious affordability issues in the Plan year after year. The 2019–2029 plan is too expensive by between an estimated £2.9 billion and £13 billion. The Department has still not made the hard choices necessary to balance the Plan and address the affordability gap, which arises in part from a failure to fully fund ambitions set out in the 2015 Strategic Defence and Security Review. The Department is instead stuck in a cycle of managing its annual budget, using additional funds to offset financial pressures, and making short-term decisions which result in poor, long-term value for money. Plans for efficiency savings remain totally unrealistic; for example £4.7 billion of savings are assumed without plans for how they will be delivered.

The Department has also struggled to deliver key military capabilities, including equipment, to anything like their required timescales. Of 32 of its top priority programmes, a third are at serious risk of not being delivered on time and capabilities are reaching the full operational stage on average over two years late. The most common cause of delays is late or faulty equipment delivered by suppliers, a problem exacerbated by the impact of COVID-19. Ongoing Departmental transformation programmes to improve capability delivery lack clear metrics to measure their success. We are extremely frustrated that we see the same problems year after year and that, despite repeated departmental assurances that it will make progress, there appear to be no consequences for failure to deliver.

Introduction

The Department's Equipment Plan report 2019 to 2029 (the Plan) sets out its spending plans for the next 10 years on projects to equip the Armed Forces. This currently amounts to £181 billion of equipment and support projects (42% of its entire budget). The Plan also assesses whether its equipment and support projects and programmes are affordable. The Department needs to manage this expenditure effectively to ensure the Armed Forces can secure and maintain all the equipment that they need. It introduced the Equipment Plan in 2012 after identifying a significant gap between funding and forecast costs across the defence programme.

Equipment delivered through the Plan is key to meeting the Department's strategic requirements and objectives. In order to fully deliver the capability, it also needs sufficient trained personnel, information technology, and logistics and maintenance support. The Department estimates that around 20,000 civilians and military personnel within the Department are involved in delivering such capabilities. The Department has historically struggled to deliver new or replacement capabilities on schedule and in a fully functioning state.

Conclusions and recommendations

1. **The government has still not taken the strategic decisions required to establish an affordable Equipment Plan and deliver the crucial military capabilities needed by our Armed Forces.** The Department's lamentable failure to get a grip on the Equipment Plan continues, despite this Committee and the NAO consistently highlighting serious affordability issues in the Plan year after year. The Equipment Plan has been unaffordable for the last three years, echoing the wider, longer-term pressures on a fundamentally unbalanced defence budget. As the Equipment Plan accounts for around 40% of the total budget, the impact of these funding shortfalls has negative consequences across the Department's activities – for example, by limiting investment in areas such as estate maintenance or training. These problems will persist until the government agrees an affordable multi-year investment programme for military capabilities. We urge the government to avoid the mistakes made in the last two strategic reviews in 2010 and 2015, and this time set a balanced defence budget that reflects new priorities and ambitions in developing capabilities to meet the evolving threats of modern warfare. It will need to engage widely across Whitehall, exploit new technologies, and establish cross-government initiatives in areas such as cyber and space. The Department told us the Integrated Review of Security, Defence, Development and Foreign Policy (the Integrated Review) had been delayed until 2021 due to the COVID-19 pandemic. In the interim, it is seeking to provide industry with a stable investment programme.

Recommendation: *The Department must demonstrate financial prudence by developing the next Equipment Plan with affordability and long-term sustainability at its core. The Department should write to the Committee within one month of the publication of the next Equipment Plan to explain what it has done differently in order to reduce the Plan's affordability gap.*

Recommendation: *The government's promised Integrated Review must balance ambitions for future military capabilities with an affordable long-term investment programme. Given the Review has been delayed, in the interim, the government should provide as much certainty as possible on as many defence programmes as possible.*

2. **The Department's focus on managing financial pressures on an annual basis creates bigger problems for future years as the budgetary imbalance grows, and slows the development of military capabilities.** The Department has missed the last two opportunities (the Modernising Defence Programme and the Spending Review 2019) to develop an affordable Equipment Plan. As a result, it has focused on living within its in-year budget and, as the Accounting Officer emphasised, complying with government accounting standards. For example, additional funding from HM Treasury in 2018 and 2019 plugged annual funding shortfalls in existing programmes, but failed to reflect longer-term thinking. This short-termism comes at a huge cost for longer-term projects, which often have to be stopped, descoped or delayed. We are deeply concerned that the problems are getting worse as the budgetary imbalance continues, leading to reduced military capabilities and higher overall costs. The frontline commands have already made investment prioritisation decisions on some equipment projects but are facing a tighter financial position

than in previous years, reducing their flexibility to manage a portfolio of projects within annual approval limits. This increases costs and represents poor value for money. We are also not convinced that any adequate consequences are in place for Accounting Officers' failure to meet budgets.

Recommendation: *In line with our recent recommendation on nuclear infrastructure programmes, we urge the Department and HM Treasury to consider greater flexibility to manage strategic programmes on a multi-year basis. Such an approach should be introduced cautiously, with the Department demonstrating why it should be trusted. Together they should report to us by 31 December 2020 on the progress of discussions to this end.*

3. **The Department's ways of working have not helped it to deliver capabilities effectively, and its ambitions for the reform of capability delivery will be undermined if it does not change an internal culture that focuses on milestones and cost constraints but appears not to prioritise progress towards delivery against those two measures.** In its Acquisition Review, the Department has acknowledged that over the years its Head Office has encouraged a culture which prioritises passing review points and approvals above delivery of programme outputs and outcomes. In addition, delivery teams have often been keen to press on regardless of progress against formal milestones, so long as the equipment is deemed safe. The Department is implementing a range of initiatives to improve delivery but is not yet clear what practices would replace managing to the rigid set of milestones traditionally used to manage programmes. The Department wants to adopt more agile procurement methods that might formalise such an approach, but it is not clear how it will keep track of the capability that is available as a result.

Recommendation: *The Department should decide how it is going to measure and demonstrate progress in transforming capability in a way that optimises delivery of results without undermining budgetary controls. It should report to the Committee on measures taken to combat poor practice in programme reporting and delivery by 31 December 2020.*

4. **The impact of COVID-19 will increase the widespread delays to deliveries of equipment and weaken the resilience of key suppliers.** The Department says that it has worked to minimise the impact of the virus on its suppliers and equipment programme. It has been paying significant sums to suppliers in advance of work done, which has been particularly valuable to suppliers where orders from private sector customers have dried up. However, the Department is concerned about the financial resilience of some suppliers. It had already begun to look at these issues prior to the pandemic as part of its work for the recently announced Integrated Review. These financial concerns, together with the ability of suppliers to continue working through the pandemic, even given their designation as key workers, will only worsen the already lengthy delays to the delivery of many key capabilities. The Department has not yet quantified the impact of delays to the delivery of key capabilities caused by the pandemic.

Recommendation: *The defence and security industrial strategy offers the Department an opportunity to reset the relationship with its key suppliers. In return for commitments to support the defence industry as part of this strategy, it*

should set out its expectations of how the industry will improve its performance to address the endemic delivery and quality issues that afflict the sector. The Department should write to the Committee by 31 December 2020 on what steps it has taken to enhance contractor performance.

5. **The Department is full of good intentions as to how it will transform capability delivery, but it is unclear how it will know if this has happened.** The Department is focusing its transformation activities on becoming more agile by reducing the elapsed time from project inception to approval for demonstration and manufacture, perhaps by several years for major procurements. However, after many years of reporting on defence procurements, we are well aware that delays occur at all stages, not just in this developmental phase. The Department is not sure what metrics it will set to demonstrate that significant improvements are being achieved, or how quickly real improvements will be seen.

Recommendation: *The Department should set out clear metrics indicating what progress it expects to have made, and by when, against its objectives of improving the effectiveness of the reformed procurement process. It should report to the Committee on this by 31 December 2020.*

6. **The Department has not yet established a stable basis for assessing the Equipment Plan affordability gap or a realistic approach to delivering efficiency savings.** The Department's methodology for assessing the funding shortfalls changed again in 2019 and prevented a comparison with the previous year. It has not yet established a stable approach to cost forecasting and has again made over-optimistic adjustments which make the Plan look less unaffordable. The Department accepts that unrealistic plans to achieve efficiency savings in the 2015 Strategic Defence and Security Review have contributed to today's funding shortfalls, yet these practices persist. For example, it included £4.7 billion of efficiency savings in the 2019 Plan for which it had no plans. It also has inconsistent and unrealistic expectations of what savings the frontline commands can achieve, and when. The Department has not made any real progress in strengthening its financial capabilities, despite our previous recommendations on the need to develop financial skills. The Committee will continue to hold the Department to account for its performance in managing its equipment budget and improving cost forecasting.

Recommendation: *The Department should write to the Committee as soon as possible setting out its approach—agreed with the NAO—for reporting on the Equipment Plan 2020–2030. It should also provide details of a stable methodology for assessing the affordability gap, and its plans for measuring efficiency savings realistically and improving financial capabilities as soon as possible. In due course, the Department should write to the Committee on the impact of the Integrated Review.*

1 Managing funding shortfalls

1. On the basis of two reports by the Comptroller and Auditor General, we took evidence from the Ministry of Defence on the Equipment Plan 2019–2029 and the introduction of new military capability.¹

2. Each year, the Ministry of Defence (the Department) publishes its Equipment Plan report, setting out its spending plans for the next 10 years. It sets out its expected expenditure on projects to equip the Armed Forces, and assesses whether these are affordable. The Department introduced the Equipment Plan in 2012, after a period of weak financial management which led to a significant gap between funding and forecast costs across the defence programme. The latest Plan covers the period from 2019 to 2029.²

3. For the third successive year, the Equipment Plan remains unaffordable. The Department's central estimate was that equipment and support costs of £183.6 billion will exceed the budget of £180.7 billion, a shortfall of £2.9 billion. It assessed the shortfall could be larger, estimating that it could be as high as £13 billion if all risks materialise, equivalent to 7% of the budget over this period. The Department also faces the same profile of funding shortfalls as in previous years, with a gap of £6.0 billion in the first five years of the Plan.³

4. The Department develops and operates military capabilities in order to meet its strategic requirements and objectives. A military capability is not simply a piece of equipment. In order to fully deliver the capability, the Department also needs sufficient trained personnel, information technology, and logistics and maintenance support. As at 30 September 2019, there were 32 programmes defined as capabilities in the Department's Defence Major Projects Portfolio (DMPP)—those programmes the Department considers the most complex and strategically significant, its top priorities. These programmes have an estimated total procurement cost of £196.2 billion. The Department identified major risks to the timely delivery of nearly one-third of these capabilities.⁴

Responding to affordability pressures

5. The Department's 2019–2029 Equipment Plan is unaffordable for the third year in a row, which is a reflection of the funding pressures that we have seen across the defence budget for many years. As expenditure on equipment represents around 40% of the Department's budget, these funding shortfalls also affect its ability to invest in other areas.⁵ For example, the Department told us that it has reduced expenditure on infrastructure and training exercises.⁶

6. The Plan does not include all of the Department's commitments, which will add to future financial pressures; for example, it is still committed to buying 138 F-35 Lightning jets but has made provision for just 48 in the Plan, even though it may decide to procure

1 C&AG's Report, The Equipment Plan 2019 to 2029, Session 2019–21, HC 111, 27 February 2020; and C&AG's Report, Defence capabilities – delivering what was promised, Session 2019–21, HC 106, 18 March 2020

2 C&AG's Report (Equipment Plan), paras 1–3

3 C&AG's Report (Equipment Plan) paras 7–9

4 C&AG's report (Defence capabilities) paras 1.6–1.8

5 Qq 6, 20

6 Q 45

more in this period.⁷ The National Audit Office also highlighted that the Department is investing in new military equipment to meet the demands of modern warfare, but does not yet know the scale of additional investment required.⁸ The Department told us that the additional funding provided by HM Treasury in the last three years—between £1 billion to £1.5 billion each year—was an indication of the funding shortfalls it faced.⁹

7. We expressed our concern that, yet again, the Department has not established an affordable long-term investment programme in military equipment. The Department accepted that the only way to develop an affordable Equipment Plan was to undertake a multi-year strategic review of the capabilities needed.¹⁰ It has not used the last two opportunities (the Modernising Defence Programme and the Spending Review 2019) to take the necessary difficult decisions to help develop an affordable plan.¹¹

8. The Integrated Review of Security, Defence, Development and Foreign Policy (the Integrated Review)—announced in February 2020 but now delayed by the COVID-19 pandemic—will provide the next opportunity to take these decisions in support of a coherent defence and security policy. The government will need to apply the lessons from the last two strategic reviews; from 2010, which balanced the budget but did not produce a coherent programme of capabilities; and from 2015, when over-ambition created the funding shortfalls we see today. The Department emphasised the need for a fundamental assessment of the capabilities required to deliver future defence priorities and meet the changing threats facing the UK.¹² It told us it will seek to exploit new technologies and engage widely across Whitehall to establish cross-government initiatives in areas such as cyber and space.¹³

9. The Department expects the Integrated Review to be completed in 2021. In the interim, it has established a balanced budget for 2020–21 and told us that this gives policy makers more freedom to make choices on future military capabilities.¹⁴ However, we are concerned that this approach of short-term financial management does not provide certainty for the defence industry. The Department explained that it is engaging with the defence industry to support contractors through the COVID-19 pandemic and, where possible, is seeking to provide assurance about a stable work programme.¹⁵

10. Faced with funding shortfalls, the Department has focused on living within its annual budget. It has taken a range of measures to achieve this, introducing commitment levels on commands' budgets, restricting the introduction of new projects, and closely monitoring in-year expenditure.¹⁶ The Accounting Officer is accountable for delivering the Equipment Plan within budget and he emphasised the pre-eminence of complying with government accounting standards and meeting departmental spending limits, over the ability to deliver the Plan.¹⁷

7 Qq 36, 40; C&AG's report (Equipment Plan), para 8

8 C&AG's report (Equipment Plan), paras 8, 14

9 Q 37

10 Qq 18–20, 51

11 C&AG's report (Equipment Plan), para 12

12 Q 20, 22, 51, 52

13 Qq 39, 53

14 Qq 22, 44, 50

15 Qq 34, 35, 43

16 Q 3

17 Qq 15–17

11. We were concerned that commands were not held tightly enough to account for managing their budgets and achieving their objectives, and that there were no consequences for missing targets. The Department explained that finance directors in commands were personally accountable for the managing their delegated budgets, and under-performance would be reflected in their appraisals. The Department's head office would also cut delegations if targets were breached, although the commands managed their budgets within 1% of the baseline in 2019–20.¹⁸

12. The Department accepted that its approach of deferring projects to remain within its annual budget created higher level of funding shortfalls over the next 3 or 4 years. Its programme is now very tight and getting tighter, and it has less contingency and no headroom in the Plan.¹⁹ The Department also accepts that it cannot secure everything it wants. At the start of 2019–20, the commands had to defer equipment projects, and then find further savings midway through the year due to budgetary pressures. The Department's focus on living within its annual budget means the commands must manage long-term projects within short-term expenditure approvals, which it acknowledged led to higher overall costs.²⁰

13. We remain extremely concerned that the Department's short-term focus on living within its in-year budget is affecting its ability to develop the military capabilities that are needed. The frontline commands are responsible for making investment prioritisation decisions on which equipment projects should be stopped, deferred or descoped.²¹ But the increasing financial pressures mean they have had to reduce military capabilities as a result of cost pressures and now have less flexibility to manage their portfolio of projects. For example, Air Command has delayed the introduction of the Mode 5 Indicator Friend or Foe programme as annual budgetary restrictions delayed the modification of the platforms.²²

14. We again raised the issue of the effects of annual accounting and asked whether this was right model for delivering long-term projects. The Department acknowledged that while it does have some flexibility in the programme, it does not have multi-year budgets for projects. It continues to engage with HM Treasury on its accounting arrangements.²³

Producing a reliable assessment of funding shortfalls

15. We are frustrated that the Department had not established a consistent methodology for estimating the funding shortfalls.²⁴ The National Audit Office's report also highlighted that the Department's adjustments to its cost estimates are still over-optimistic, including its assessment of when projects will be delivered and the level of potential efficiency savings. The changes to the methodology also prevent a direct comparison to the funding

18 Qq 9, 10, 23, 24

19 Qq 7, 25; C&AG's report (Equipment Plan), para 10

20 Q 7, 13, 14, 30, 32, 45

21 Qq 7, 30

22 Q 25, 30–32, 47

23 Q 26

24 Qq 2, 3

shortfalls in the 2018–2028 Plan.²⁵ The Department acknowledged the difficulties that this causes and explained that its intention was to develop a sustainable and understandable methodology to assess the Plan’s affordability and estimate the shortfalls.²⁶

16. In our report on the Equipment Plan 2018–2028 we raised concerns that the Department was including efficiency savings that it was not confident of achieving.²⁷ This year, we again sought assurances that its savings were realistic and deliverable. The Department accepted that it had not delivered planned efficiency savings in previous years, even acknowledging that expenditure plans in the 2015 Strategic Defence and Security Review were based on unrealistic assumptions. Despite this track record and our recommendations, the Department has again included £4.7 billion of efficiency savings without knowing how it will achieve them, more than double the total used the previous year. It told us that it is continually working to refine these plans. The Department could not, though, provide confidence that the commands will achieve all of their planned savings and or explain why they had made quite different assumptions on the level of savings that was achievable. For example, Air and Strategic commands had assumed that they would achieve 100% of their planned savings, while others had been more prudent.²⁸

17. We have previously recommended that the Department should improve its financial skills, and asked what progress had been made.²⁹ The Department told us that 41% of finance staff were professionally qualified (or part qualified), the same proportion as last year. It explained that a further 8% of finance staff were studying for a professional qualification, with a pipeline of 52 more internal staff and 40 new graduates about to start. It is also seeking to strengthen its costing skills, introducing a new two-year graduate scheme in its Cost Assurance and Analysis Service. It has found recruitment of finance staff difficult in some parts of the country, and is considering the location of certain functions and the scope for more remote working.³⁰

18. The Department advised the Committee that it did not intend to produce a full Equipment Plan report in 2020, due to the delay in completing the Integrated Review and the need to respond to the impact of COVID-19. Instead, as a holding position, it intends to reduce the level of reporting. We emphasised the importance of accountability and our intention to continue to scrutinise the Department’s management of equipment expenditure, drawing on the National Audit Office’s advice and support.³¹

25 C&AG’s report (Equipment Plan), paras 7, 8

26 Qq 2, 3

27 Committee of Public Accounts, Defence Equipment Plan 2018–28, 77th Report of Session 2017–2019, 1 February 2019

28 Qq 4, 5, 8

29 Q 27; Committee of Public Accounts, Defence Equipment Plan 2018–28, 77th Report of Session 2017–2019, 1 February 2019

30 Qq 27–29

31 Qq 48, 49

2 Delivering defence capabilities

19. Linked to the question of affordability of the Equipment Plan is the issue of how effectively the Department is able to secure the new capabilities it needs, assuming the money is available. A key part of each capability is the equipment contained within the Equipment Plan. To fully deliver the capability, the Department also needs sufficient trained personnel, information technology, and logistics and maintenance support. It estimates that around 20,000 civilians and military personnel are involved in delivering such capabilities.³²

How the Department goes about delivering capabilities

20. The Department has struggled to deliver key military capabilities, including equipment in the Plan, to anything like the required timescales. Of 32 of its top priority programmes, timely delivery is considered at serious risk for one-third. The most common cause of delays is late or faulty equipment delivered by suppliers.³³

21. In its Acquisition Review, the Department acknowledged that over the years its Head Office has encouraged a culture which prioritises passing programme review points and securing approvals above delivery of outputs and outcomes, despite the best intentions of the Levene reforms introduced in 2014.³⁴ Within the delivery teams in the front line commands, the mindset is to press on, even if they cannot fully demonstrate progress against formal milestones. Even in a relatively small sample of programmes, the National Audit Office found that there were over 100 ‘exceptions’ (or capability limitations) at the point of declaration of the main milestones. A number of these impacted upon the ability of the capabilities to perform as intended even after ‘full’ operating capability was declared.³⁵

22. Department witnesses involved in the process of signing off milestones acknowledged the risk of ‘groupthink’ in decisions to declare milestones, but insisted that such things did not happen in practice. However, information submitted to us separately about the Project Shepherd procurement illustrated a particularly serious example of such an occurrence, resulting in 2018 in the Department having to make a public correction to a past Equipment Plan.³⁶ We still await the results of the Department’s investigation into this matter.³⁷

23. The Army’s Watchkeeper reconnaissance drone is an unfortunate example of what can go wrong with the Department’s current approach. The National Audit Office report sets out a litany of technical problems and delays which led to slippage of five years in declaration of Full Operational Capability (FOC). Even then, there were continuing restrictions on its use.³⁸ The Department assured us the system was now deployable, but

32 C&AG’s report (Defence capabilities), para 1.3

33 C&AG’s report (Defence capabilities), paras 1.8–1.9, 1.12

34 Q 78; C&AG’s report (Defence capabilities), paras 3.3, 3.9

35 C&AG’s report (Defence capabilities), paras 1.21–23

36 Q 60–4, 66, 67; Ev XX evidence submission from Lt Cdr Grantham

37 Chair’s opening remarks

38 C&AG’s report (Defence capabilities), Appendix 3, p48

was reluctant to commit to its future beyond the mid-life upgrade in the mid-2020s. This raises the prospect of Watchkeeper being in service for considerably less time than the 13 years it took to get from business case to Full Operating Capability.³⁹

24. The Department wants to move away from a system that sets a rigid set of milestones in the business case, to a more flexible approach of delivering through ‘agile’ or ‘spiral’ development, which recognises that digitally based systems require constant upgrades. It is not yet clear what practices would replace the traditional approach of managing to a rigid set of milestones, and how teams across the Department could be explicit about the level of capability available at any point in time.⁴⁰

Relationships with contractors and COVID-19

25. The Department told us that it is very worried about the impact of the COVID-19 virus on suppliers and it has increased monitoring of the sector’s financial health as part of a cross-government response. It has taken a ‘generous’ approach to suppliers, who can apply for payments in advance of delivering goods or services. Defence suppliers are classed as key workers and we were told that they have made great efforts to remain productive, for which the Committee would like to echo the thanks of the Department. Inevitably, however, observing government distancing restrictions has had an impact, which the Department is not yet able to quantify.⁴¹ The redundancies recently announced in Rolls Royce’s civil aerospace business, and the interconnected nature of the civil and military sides of the business, underline why the Department needs to be proactive in order to protect its interests.⁴²

26. On 13 March 2020, the Department announced it would lead a cross-government review into the UK’s defence and industrial strategy, which would in turn feed into the Integrated Review.⁴³ It told us that the need to look strategically at short- and long-term plans to support the defence industry—a key part of the UK’s industrial base—was a “very, very live” issue in the context of the pandemic. In particular, discussions were underway about the need to maintain sufficient qualified and experienced personnel in key technical disciplines.⁴⁴ Despite acknowledging the urgency with which decisions need to be made, the Department was unclear about the timetable for the Integrated Review, beyond “some time next year”.⁴⁵

27. The financial concerns of the sector, together with the challenges of continuing to work through the pandemic, will only worsen the already lengthy delays to the delivery of many key capabilities. The National Audit Office reported that, prior to the pandemic, the most significant capabilities were on average already one year late at Initial Operating Capability stage and more than two years late at Full Operating Capability stage, while almost one third are at serious risk of further delay.⁴⁶ The Department replied that, by

39 Qq 71, 73

40 C&AG’s report (Defence capabilities), para 3.8; Q 77

41 Qq 34–36

42 Qq 56–9

43 [Review into the UK’s defence and security industrial strategy](#), March 2020. Ministry of Defence

44 Qq 54–55

45 Q 50

46 C&AG’s report (Defence capabilities), Figure 3 and para 1.8

2019, “only” 46% of programmes were running late, less than broadly similar evidence from ten years earlier. The most frequently cited reason for these delays is late or faulty equipment delivery by contractors.⁴⁷

The Department’s attempts to transform capability delivery

28. The Department is implementing a range of initiatives to improve delivery, notably through its Project MAID (MoD’s Approach to Investment Decisions), which is designed to modernise the capability acquisition processes. This is designed to enable the Department to take a more strategic approach when developing business cases for new capabilities, and is under way in some cases.⁴⁸ The Department also intends to become more agile by reducing the elapsed time from project inception to demonstration and manufacture, and by avoiding being over-prescriptive in its specifications. It told us this could take several years out of the process and quoted the Type 31 Frigate as an example of the new approach generating results. The Department is also seeking to learn the lessons from the innovative work done by the Defense Advanced Research Projects Agency (DARPA) in the United States, including how to increase the involvement of SMEs.⁴⁹

29. A detailed timetable for the wider roll-out of these new approaches was still in development at the time of the National Audit Office report. The Department told us that it is in a process of continuous improvement as recommendations are implemented. It also said that developing measures of the effectiveness of the new approach is difficult, and will take some time.⁵⁰ These improvements will also need to address the wider issues with the Department’s project management, capacity and capability identified in the National Audit Office report.⁵¹ We want to see lasting improvements to the system and do not want to continue to criticise Department repeatedly for its wider problems with project management.⁵²

47 Q 21; C&AG’s report (Defence capabilities), paras 1.5, 1.12

48 Qq 76, 77

49 Qq 80–82

50 Qq 76, 80

51 C&AG’s report (Defence capabilities) para 3.8

52 Q 83

Formal minutes

Wednesday 1 July 2020

Virtual meeting

Members present:

Meg Hillier, in the Chair

Sir Geoffrey Clifton-Brown	Sir Bernard Jenkin
Dame Cheryl Gillan	Gagan Mohindra
Peter Grant	Sarah Olney
Mr Richard Holden	James Wild

Draft Report (*Defence capability and Equipment Plan*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 29 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Tenth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 6 July at 1:45pm]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Thursday 28 May 2020

Sir Stephen Lovegrove, Permanent Secretary, Ministry of Defence; **Charlie Pate**, Director General Finance, Ministry of Defence; **Sir Simon Bollom**, Chief Executive, Defence Equipment and Support, Ministry of Defence; **Air Marshal Richard Knighton CB**, Deputy Chief of Defence Staff (Financial and Military Capability), Ministry of Defence; **Air Commodore David Bradshaw**, Assistant Chief of Staff Capability Delivery Combat Air, Ministry of Defence

[Q1–83](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

DCE numbers are generated by the evidence processing system and so may not be complete.

- 1 Grantham, Lt Cdr Guy ([DCE0001](#))
- 2 Patel, Jag ([DCE0002](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2019–21

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