



House of Commons  
Committee of Public Accounts

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# Ministry of Defence Equipment Plan 2021–31

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**Fifty-Second Report of Session  
2021–22**

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

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## Summary

Just days before we took evidence on the Ministry of Defence (the Department)'s 2021–31 Equipment Plan (the Plan), Russia invaded Ukraine—a reminder about the threat from Russia that we cannot take global security for granted. A number of potential adversaries are rapidly developing new military technology. Notwithstanding the 2020 Spending Review's £16.5 billion increase to the Department's budget to 2024–25, these developments make it even more important for the Department to ensure that the Plan delivers equipment to the Armed Forces at the right scale and pace.

We are concerned that the Department may not have identified all the modern battle-winning capabilities our armed forces need, and also that it is not developing its existing large programmes with sufficient urgency. The Future Combat Air System, for example, has concept and development stages which are set to take many years before manufacture can begin.

We are also frustrated to see the complacency with which the Department assumes its Plan is now affordable for the first time in four years. This is despite its worrying inability to control costs in its large programmes, including the Dreadnought class of nuclear submarines, and its reliance on billions of pounds of future cost reductions, many of which have no plans supporting how they might actually be delivered. The prospect of rising inflation will only make pressure on affordability worse.

As we have reported many times before, the issues undermining our confidence in the Department's grip of the situation are deep-rooted. The Department's corporate culture is still too traditional and resistant to change or criticism, and it still does not have nearly enough people with the financial skills to effectively manage one of the government's most challenging portfolios. The Department must not duck these issues any more and must set about tackling them with the vigour and dynamism that it has too rarely shown in the past.

## Introduction

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Each year since 2013 the Ministry of Defence (the Department) has published its Equipment Plan (the Plan), setting out its intended investment in equipment for the following 10 years, and assessing whether this investment is affordable given its budget. This year the Department has allocated a budget of £238 billion to its 2021–31 Plan, which represents a 25 per cent (£48 billion) increase on last year’s Plan. This follows the Spending Review 2020’s announcement that the Department would receive £16.5 billion budget increase over four years to 2024–25 above its standard annual increase.

The Department has decided to disinvest, scale back and defer spending on various equipment types, as well as to invest in a number of new priorities and to address previous funding shortfalls. As a result, it has announced that its 2021–31 Plan marks a step change in future defence capability, and also is affordable for the first time in four years, with headroom of £4.3 billion of budget over cost.

NAO assessments of the Plan over many years have shown that the Department has been over-optimistic in its assumptions and has consistently found it difficult to strike the right balance between increasing equipment capability and living within its means. In reporting on the risks to affordability, the NAO has highlighted how the Department’s decisions to cut budgets in the short term have adversely affected equipment capability and value for money.

The Russian invasion of Ukraine is a reminder of the risks and responsibilities of the UK’s membership of NATO and puts a sharp focus on both the Plan’s ambitions and the extent to which the Department has addressed its previous shortcomings. There is renewed importance that the Department has the right priorities in delivering capability, and that it manages its expenditure effectively to ensure the Armed Forces can secure all the equipment that they need in the quickest possible time.

## Conclusions and recommendations

1. **The invasion of Ukraine highlights rapid technological advances by other potential adversaries beg serious questions about the pace, scope and ambition of the Department’s equipment plan.** Since we last reported on the Equipment Plan, the Department has announced it will retire some equipment (including the oldest Typhoon aircraft) earlier than planned and buy some replacement equipment later than it had planned. It is also now funding new programmes such as the Future Combat Air System. While the ‘Integrated Review’ describes Russia as “the most acute threat to our security”, we are concerned that recent events mean the Review downplays the scale of the threat it poses to the UK’s interests. Additionally, while the Department is focussing on filling the capability gaps that currently exist, other countries are rapidly developing new capabilities such as hypersonic weapons. The Department is starting to spend money on developing next-generation capabilities. But it is not clear if it is doing so with sufficient urgency—there is relatively little money available to exploit promising research this decade—and whether the capabilities will be battle-winning. The new radar for the Typhoon aircraft will not enter service until 2030 even though it was first announced in 2015 and development work had started much earlier.

**Recommendation:** *The next Equipment Plan should include an additional section explaining the specific changes the Department has made to reflect developments since it last reported (including changes in international relations and emerging technologies).*

2. **The Department appears complacent about the affordability of its Plan and still does not yet have robust arrangements in place to control the cost of its largest programmes.** The Department believes that its Spending Review settlement and the decisions it has taken mean its Equipment Plan is now affordable, and that it is striking a better balance between financial and capability risk. We are not convinced that the Plan is as stable as the Department believes, or that it will be able to avoid short-term budget-driven changes to the Plan. The Department clearly finds it difficult to control the costs of the largest programmes and we are concerned that the Department sees the Dreadnought programme ‘contingency’ held by HM Treasury as a blank cheque, freeing it from the need to control costs. This is the Department’s largest programme and it is imperative that cost control is tight. The Department would like to use similar contingency arrangements for the programme to replace the UK’s nuclear warhead. This programme and the Future Combat Air System are at a much earlier stage of development, meaning that costs could be much higher than the current forecast. This uncertainty makes robust cost control still more important. Rising inflation means the cost of delivering projects is likely to rise, particularly if they experience delays.

**Recommendation:** *The Department should write to the Committee within the next three months to detail the current cost of the Dreadnought, Replacement Warhead and FCAS programmes and set out how it intends to control the costs of these programmes in future.*

*We recommend that there should be a clearly defined purpose for the Dreadnought contingency and any proposals for a warhead contingency, and that Government*

*should have a robust arrangement in place, including conditions which would have to be met, before HM Treasury would consider providing any additional funds from the contingency. The Department should write to the Committee within the next three months outlining the proposed lines for governance and the timetable in which they will be agreed.*

3. **The Plan’s affordability relies on the Department achieving a number of different types of savings, including £7 billion of ‘cost reductions’ by 2031.** The Top Level Budgets (TLBs) do not yet have plans to achieve £4 billion of the ‘cost reductions’, which is almost as much as the savings expected from capabilities cut as a result of the Integrated Review. Two-thirds of this £4 billion needs to be achieved by March 2025 even though contractual commitments limit the flexibility to make savings in the short term. The Department is relying on a “sense of cost control throughout the Department” to achieve these cuts. Higher inflation means that any decisions to deliberately delay projects would be costly, and the Department told us that in any case it wants the capabilities to be delivered. Without a realistic plan to achieve savings, the Department risks remaining caught in a trap of short-term, affordability-driven decisions.

**Recommendation:** *The Department should urgently set TLBs targets to develop and implement concrete plans to achieve the cost reductions allocated to them in the Plan.*

4. **Likely additional costs in other areas of departmental spending, such as on its workforce and sizeable estate, may squeeze the Plan’s budget in future years, further threatening its affordability.** The Department’s plans to make substantial reductions to its military and civilian workforces over the next 10 years are already harder than expected as fewer personnel have left the armed forces than normal since 2020 because of the pandemic. Similarly, there are as yet no plans to make an additional £2.5 billion cut to workforce costs, which is also already assumed in the Department’s plans. And the Department does not know how it will afford the pay rises likely to be required as a result of higher inflation and wage growth in the wider economy in the next few years. The condition of the Department’s estate is set to continue to decline despite an additional £500m to be spent on ‘preventative’ maintenance. Service accommodation remains in a very bad way which risks harming recruitment and retention of personnel with key skills.

**Recommendation:** *The next Equipment Plan report must clearly set out the quantified realistic affordability risk to it posed by the Department’s plans for its other areas of spending.*

5. **The Department remains a long way short of having the finance skills it needs to manage the Plan effectively.** Strong financial skills are needed to manage the large and complex set of programmes, crucial to a well managed and affordable Plan. But according to HM Treasury, the Department is in the third quartile of government departments in terms of financial capability. The proportion of Finance staff with professional qualifications has only increased from 41% to 43% in two years, against a target of 60%. There are hundreds of gaps in finance staff across the Department.

We acknowledge that some progress is being made, with around 400 staff studying for qualifications, but progress is very slow even taking account of the disruptive effect of the pandemic over the last two years.

**Recommendation:** *The Department should accelerate its efforts to increase its financial skills by making a career in finance more attractive and making qualifying easier. It should aim to be in the top quartile of financial capability within government departments within 3 years and set out a credible plan to achieve this.*

6. **The Department has made little impact in its efforts to change its longstanding cultural resistance to change or criticism, which has for many years hindered a clear-eyed view of its equipment procurement performance.** Senior officials do not acknowledge the poor state of affairs of current procurement, as outlined in NAO reports and the Infrastructure and Projects Authority’s assessment of the Department’s performance. There is still intolerance of criticism within project teams, and 10% of MoD staff say that they have been subject to or witnessed bullying, harassment or discrimination. The Department has only implemented approximately half of the NAO’s Equipment Plan report recommendations since 2015. The latest Departmental reform programme is already behind target and flaws have been identified in its governance and coherence.

**Recommendation:** *Within three months the Department should set out when and how it is going to implement the outstanding NAO and PAC Equipment Plan recommendations made in their reports since 2015. At the same time, it should write to the Committee on how it intends to change the culture within equipment procurement and support to make it more open and realistic about performance.*

# 1 The Plan’s scale and pace

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Ministry of Defence (the Department) on the Department’s ten-year Equipment Plan (the Plan) which sets out its plans for the procurement and support of military equipment between 2021 and 2031.<sup>1</sup>

2. The Department started publishing a report on the Equipment Plan in 2013 after a period of weak financial management. Its aim is to produce a reliable assessment of the affordability of its equipment programme. Since then, the Comptroller and Auditor General has published an annual assessment of the assumptions underpinning the Department’s Plan, and how it is managing financial challenges.<sup>2</sup> Each year we take evidence on these reports and, since 2017, we have concluded that the Plan is unaffordable.

3. The 2020 Spending Review increased the Department’s overall budget by £16.5 billion over the four years from 2021–22 to 2024–25 (above the budget it had previously assumed would be available). The government’s subsequent Integrated Review of Security, Defence, Development and Foreign Policy (the Integrated Review), and a related Defence Command Paper set a new policy direction for the Department and outlined some of the changes it would make. The Department expects to spend £238 billion on equipment procurement and support over ten years, an increase of £48 billion (25%) from the 2020–2030 Plan.<sup>3</sup>

4. Under the Department’s delegated model, its Head Office allocates budgets to the Top-Level Budgets (TLBs), who are responsible for managing projects. The TLBs with Equipment Plan spending are the four Front Line Commands (Navy, Army, Air and UK Strategic Command), the Defence Nuclear Organisation and the Strategic Programmes Directorate.<sup>4</sup> The Department then aggregates information provided by the TLBs to assess the Plan’s overall affordability. The Department believes that the Plan is now affordable as a result of the decisions it has taken.<sup>5</sup>

## Decisions made in the Integrated Review

5. The Department has sought to balance the Plan by retiring existing equipment and delaying projects in order to free up resources for existing and new projects and priorities. It accepts that some of the cuts were difficult: in particular it highlighted the decision to defer purchase of new Chinook helicopters by three years which is likely to cost more in the long run.<sup>6</sup>

6. We took evidence from the Department a few days after Russia re-invaded Ukraine. We raised the question of whether some of the proposed cuts would no longer be tenable in light of the increased threat of a major war. For example, the decision to save money by retiring the first tranche of Typhoon aircraft by 2025 means that the RAF will have 30 fewer combat aircraft. The Department told us that although it would want to “review the calibration and our understanding of the threat” from Russia in response, the “basic

1 Report by the Comptroller and Auditor General, *The Equipment Plan 2021 to 2031*, HC 1105, Session 2021–22, 21 February 2022

2 C&AG’s Report, paras 1, 2

3 C&AG’s Report, paras 3, 6

4 C&AG’s Report, para 2.3

5 Q24; C&AG’s report, para 7

6 Q29, Q31

direction of travel...looks right”.<sup>7</sup> It also told us that it needed “a bit of perspective on precisely what the lessons are”.<sup>8</sup> In terms of the retiring Typhoons, the Department explained that these aircraft are less capable than later versions, and that the need to keep the necessary spares and skills would be very expensive and difficult.<sup>9</sup>

7. Outside the Plan, we asked if the proposed cuts to the regular Army to 73,000 from 82,000 meant the UK would not have enough soldiers.<sup>10</sup> The Department stressed to us that the UK has “responded positively” to every request from NATO for further support.<sup>11</sup>

## Development of new capabilities

8. The Department told us that it intended to use the Plan’s increased budget to fund both new capabilities and existing programmes. Significantly the Plan now includes £8.65 billion budget for the Future Combat Air System (FCAS) programme. This is a step change as previous Plans did not include money to develop the programme beyond initial spending on innovation and technology.<sup>12</sup> However, the Department told us that the project is at an early stage and the concept phase will take several years. The next outline business case is not due until 2024.<sup>13</sup> No decision will be made on a concept until some time after that.<sup>14</sup> The Permanent Secretary told us that refining the costs for FCAS will be a priority in the next Spending Review.<sup>15</sup>

9. The Department also told us it intends to buy more F-35 aircraft.<sup>16</sup> It had previously told us that the 48 F-35 aircraft it is currently purchasing would not be enough to sustain Carrier Strike operations throughout the life of its two aircraft carriers.<sup>17</sup> We heard that it now intends to buy an additional 26 aircraft, but these will not start being delivered until the end of the decade. The total of 74 F-35s that the Department is purchasing is considerably less than the 138 it originally planned.<sup>18</sup>

10. An example of new funding for more established programmes is the new radar for the Typhoon. Although it had been in development for several years before the decision to buy it was announced in 2015, the Department did not include the cost in recent Plans as it was not affordable.<sup>19</sup> The Department told us that the Spending Review settlement allowed it to fund the programme, and since we took evidence has written to us to report that by the end of February 2022 it had spent £701 million on its development.<sup>20</sup> But it does not expect the radar to enter service until 2030.<sup>21</sup>

11. More widely, the Committee asked whether the Plan was now based on a large number of past assumptions, observing that it does not include funding for capabilities

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7 Q2

8 Q8

9 Q86

10 Qq 7–8

11 Q88

12 Q64

13 Q68

14 Q71

15 Q75

16 Q54

17 Committee of Public Accounts, *Delivering carrier strike*, HC 684, November 2020, paragraph 4

18 Q54

19 C&AG’s report, paragraph 1.8, Qq 62 – 63, Q76

20 Letter to the Committee from the Permanent Secretary, 21 March 2022.

21 Q79

other nations are developing such as hypersonic rockets.<sup>22</sup> The Department responded that the strategy in developing the Plan was to close current capability gaps and to invest in the technologies “to have the capability required to deter our potential aggressors in the future”. The Department told us it believes it is now placing much more attention on developing new technologies than it did in the 2010 and 2015 Strategic Defence and Security Reviews. It told us it had £4.1 billion set aside in the years after 2025 for further development of new technology.<sup>23</sup>

12. However, the NAO report found that in the Plan the Department has only set aside £1.05 billion from 2026–27 to 2030–31 to exploit research to develop usable military capabilities.<sup>24</sup> This expenditure is only 0.4% of the Plan’s total budget, although the Department believes the boundary between R&D and exploitation is blurred. The Department also agreed that the cyber threat is changing very rapidly and accepts that this makes it hard to be certain that the money in the Plan to protect against this threat will be enough.<sup>25</sup> The Department also acknowledged that its procurement approach does not adequately reflect the notion that “if you want to do something cheaply, you need to do it quickly”.<sup>26</sup>

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22 Q144

23 Q144

24 C&AG’s report, para 2.27

25 Qq 92–93

26 Q31

## 2 The Plan’s affordability

13. The Department told us that, thanks to the funding increase in the Spending Review and the Integrated Review process, it thinks the Plan is now affordable, although there are financial and capability risks in its delivery.<sup>27</sup> The Department also told us that it had a clearer strategy than before, with a Plan whose cost is less over 10 years than its budget.<sup>28</sup> It acknowledged that agreeing the Plan had involved difficult decisions, for example to retire some in-service equipment and decisions on profile and timing of replacement projects. The Department’s Permanent Secretary noted that if the Department is to maintain the affordability of the Plan in the future “that kind of discipline needs to be not just a one-off in the integrated review but how we conduct ourselves year in, year out”.<sup>29</sup>

14. This is the first time the Department has claimed the Plan is affordable for four years. And given the NAO has repeatedly reported on the Department’s focus on short term affordability at the expense of long-term value for money, we asked how the Department was guarding against accruing capability risk and higher cost in the Plan’s later years, by trying to save money in the early years. The Department acknowledged that, in seeking balance, it has made some decisions to defer a few future capability enhancements that will cost more overall. It noted the NAO’s example of the three-year delay in purchasing a new model of Chinook helicopter which will result in a net cost of £295 million.<sup>30</sup> According to the Department, “In a world of low inflation, that is an acceptable management technique”, but a world of high inflation will require changes to the “processes, approvals and mindset” in the way the Plan is put together.<sup>31</sup>

15. We asked why the Department is forecasting to spend more than its capital budget in seven of the next 10 years. The Department responded that the differences in those years were quite small and it judged them to be manageable.<sup>32</sup> It had taken a conscious decision not to fully “address that pressure”, in order to balance financial and capability risk, given available contingency and the remaining uncertainties in costings and delivery schedules.<sup>33</sup>

### Cost control of the Plan’s largest programmes

16. We considered the Department’s controls over the costs of the Plan’s largest programmes, in particular the nuclear projects such as Dreadnought submarines and the replacement Warhead programme. As the NAO notes, nuclear projects amount to about £60 billion in the Plan, which is more than a quarter of its value.<sup>34</sup> We were particularly concerned that the Department sees the nuclear projects as a blank cheque from HM Treasury, especially the Dreadnought programme which has a £10 billion contingency.<sup>35</sup> We noted that, between 2018 and 2020, the NAO had identified over £1

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27 Q24  
 28 Q28  
 29 Q29  
 30 NAO report Figure 2  
 31 Q31  
 32 Q94  
 33 Q95  
 34 NAO report Figure 9  
 35 Q126

billion of unnecessary costs on nuclear projects because of poor management decisions.<sup>36</sup> We also noted that the Department’s Cost Assurance and Analysis Service concluded that the Department has under-forecast nuclear project costs in the Plan by £4.8 billion.<sup>37</sup>

17. The Department told us that it was confident that the Dreadnought programme would not exceed its lifetime budget of £31 billion plus £10 billion contingency.<sup>38</sup> It did not agree that the contingency amounted to a blank cheque, and said that HM Treasury only gave out its funds based on the Department driving the schedule and proving value for money.<sup>39</sup> The Department also claimed that there had been significant improvements in management of the nuclear projects in the last two years, primarily as a result of setting up the Submarine Delivery Agency and the Defence Nuclear Organisation, which act effectively as a contractor and client. In addition, the establishment of the ‘Alliance’ relationship with industry should ensure lessons are learned and a proper partnership is in place to aid delivery.<sup>40</sup>

18. On the replacement Warhead programme, the Department pointed to its 2021 action to bring the Atomic Weapons Establishment back under direct Government control, to help better control costs. In addition, it is investing in skills in the Defence Nuclear Organisation. But the Department did acknowledge that refinement of costs was needed at the next Spending Review, and that the programme would benefit from having a similar contingency arrangement to the Dreadnought Programme.<sup>41</sup>

## Cost reductions and savings

19. The Plan’s affordability depends on the Department achieving a number of different types of savings by March 2031. As the NAO reported, these amount to nearly £22 billion, which comprises around £12 billion of ‘management adjustments for realism’, £7 billion of ‘planned cost reductions’ and £2.8 billion of ‘potential efficiencies which project teams have lower confidence in achieving’.<sup>42</sup> We asked about the so-called ‘planned cost reductions’, where £4 billion of the £7 billion assumed savings do not have a plan supporting them. The Department told us that it was confident that all the savings would be achieved, and that in setting the overall target the Department attempts to judge the right balance between risk and maximising capability delivery over 10 years.<sup>43</sup>

20. Pressed on the £4 billion for which there are no plans yet, the Department explained that the target is based on an assumption of what the TLBs can deliver. The Department told us that Head Office scrutinises about 80 of the 400 projects in setting its savings targets for TLBs, as it is not possible to look at all the Department’s projects across all TLBs in any one year. The £4 billion is based on what it believes TLBs can find in the remaining 320 projects through re-scoping and re-prioritising work. Head Office’s aim is to set ‘taut but realistic’ budgets for each year of the Plan.<sup>44</sup>

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36 Q127; NAO Figure 9

37 NAO report paragraphs 2.10, 2.15 and Figure 9

38 Q122

39 Q126

40 Q129

41 Qq 129–130

42 NAO report Figure 8

43 Q96

44 Q96

21. We noted that £2.6 billion of the £4 billion savings—two thirds of the total—needs to be achieved by March 2025. This is despite the fact that contractual commitments limit TLBs’ flexibility to make savings, for example 62% of Air Command’s spend is already committed over the next ten years. Air Command believes that, as a result, it will need to reduce flying activity considerably, which will have consequences for aviators’ skills.<sup>45</sup> The Department said in response it still believes the savings targets are realistic, but it will return to the targets each year to refine them. The latest position will be given in the next Plan, which the Permanent Secretary hopes will be published this Autumn.<sup>46</sup> On the question about fewer flying hours, the Department told us that it is up to Air Command on how it manages its priorities, and that the target may reflect the move to more ‘synthetic’ training.<sup>47</sup>

## Other pressures

22. The Department has made a number of assumptions about how much it will spend on its workforce (and other operating costs) and on its estate and infrastructure over the next 10 years. If it spends more than it currently expects to on these areas, it may have to reduce spending on equipment procurement and support.<sup>48</sup> The Department acknowledged that there is an aspect of workforce costs that is directly relevant to the affordability of the equipment programme, but that any reduction in the Plan’s budget or contingency would need to be a decision taken in a spending review planning round.<sup>49</sup>

23. The Department plans to make substantial reductions to its military and civilian workforces over the next 10 years. These include reducing the Army from 82,000 to 73,000; other savings equivalent to reducing trained military workforce by 6,350 (and their untrained workforce by 1,450) by 2030; and a 10% further reduction in the cost of the civilian workforce by 2024–25. As reported by the NAO report, the targets are already harder than expected as the uncertain economic outlook of the past two years caused by the pandemic has meant that fewer personnel have left the armed forces than normal.<sup>50</sup> But the Department told us that the military reduction plans are now relatively mature, and the civilian reductions are broadly deliverable.<sup>51</sup>

24. In addition to these reductions, the Department’s spending plans currently assume further workforce savings of £2.5 billion over the 10 years to March 2031.<sup>52</sup> The Department told us that plans had not yet been drawn up to achieve these reductions, and they will be subject to agreement in the next spending review.<sup>53</sup> In terms of wages, the Department admitted it does not know how it will afford the pay rises likely to be required as a result of higher inflation and wage growth in the wider economy in the next few years. The Department told us it was looking at a range of options, and now has pay freedoms to recruit more highly skilled staff, particularly in programme and project management.<sup>54</sup>

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45 NAO report, paragraphs 12, 2.17

46 Q97

47 Q101

48 NAO report, paragraph 2.28

49 Q28

50 C&AG’s Report, para 2.29

51 Q102

52 C&AG’s report, para 2.30

53 Q112

54 Q115

25. The condition of the Department’s estate is set to continue to decline despite an additional £500m to be spent on ‘preventative’ maintenance until March 2025.<sup>55</sup> Service accommodation remains in a very bad way which risks harming recruitment and retention of personnel with key skills. The Department told us it recognised the need for investment in the estate and that it was a priority. It said that the imminent accommodation strategy would include a clear articulation of standards for service personnel and families.<sup>56</sup>

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55 NAO report, paragraph 2.33

56 Q16, Q24

### 3 Financial capability and Departmental culture

26. In order to produce a Plan which is effective, realistic and affordable, the Department needs to have in place the right arrangements and capabilities, many of which have previously been absent or incomplete. With such a financially complex Plan, it is vital for the Department’s people to have strong financial skills. And necessary to underpin success is the need for a culture in the Department which is open, collaborative and innovative so that complex problems can be solved imaginatively and decision-makers can have a clear-eyed view of what is happening.<sup>57</sup>

#### Financial skills

27. Strong financial skills are necessary at all levels for good management of the many hundreds of complex projects which make up the Plan. Yet, according to HM Treasury, the Department languishes in the third quartile of government departments in terms of financial capability. And the proportion of professionally trained financial staff in the Department has only increased from 41% to 43% since 2019, against a target of 60%. In July 2021 the Department had 350 vacancies in jobs in finance across the Department.<sup>58</sup>

28. We were interested as to why there had been so little progress since last year. The Department acknowledged “we are not where we want to be”, but told us that things were going in the right direction, and that there was a ‘sea change’ in the Department’s sense of cost control this year. The Department said that many staff were currently undertaking qualifications and that 54% of finance staff were either qualified or studying for qualifications. At senior levels the proportions of qualified staff were higher, including 85% of Senior Civil Service finance staff. He also noted that an initiative to roll out a finance career framework later this year would provide more granular information on where gaps lie. Taken together he said, “we are getting people with the right qualifications in the right roles”.<sup>59</sup>

#### The Department’s culture

29. We found that our witnesses did not readily acknowledge the poor state of affairs of current procurement. The Chief Executive of Defence Equipment and Support told us that, while he did not pretend his programmes were perfect, there has been significant improvements in controlling their costs, making efficiencies and delivering to time.<sup>60</sup> This is at odds with the Infrastructure and Projects Authority’s assessment of the Department’s performance, where, in its latest report, it rated the majority of large defence equipment projects as either red or amber.<sup>61</sup>

30. We were interested to understand why information about project performance does not always seem to flow freely and openly through the Department. The Permanent Secretary told us about the Ajax programme’s Health and Safety Report’s identification

57 C&AG’s report, para 3.3

58 Q116; C&AG’s report, para 3.17

59 Qq 149, 116

60 Q49

61 Qq 38–44; Letter to the Committee from the Permanent Secretary, 21 March 2022.

of “a number of serious failings in which information around the project was flowing between constituent parts of the organisation and up to senior decision makers”.<sup>62</sup> This failure appears to have even affected the open flow of information to Ministers, who have now called for a judicial inquiry into what officials told them. We noted that the Permanent Secretary is recusing himself from the terms of reference of the inquiry as he was involved in the decision to approve the contract for Ajax when he was in the Department some years ago.<sup>63</sup>

31. We asked about the lack of tolerance of those involved in projects to voice their concerns without facing serious repercussions. The Permanent Secretary told us that “there are some particular challenges within the uniform chain of command about how you raise concerns” and he wanted the Department to have “the kind of safety culture where people feel able to raise concerns and have those concerns acted on”.<sup>64</sup> He mentioned in particular his worry about the autumn 2021 people survey results for the Department, in which 10% of staff said that they have been subject to or witnessed bullying, harassment or discrimination, up from 9% in the previous year.<sup>65</sup>

32. Departmental reform efforts have made limited progress. We note the NAO’s finding that the current Defence Transformation Programme, of which a key element is to change both processes and culture within the Department, is already behind schedule. A July 2021 internal review of the programme found that improvements were needed on nine of its 12 projects, as well as its overall governance and coherence.<sup>66</sup> The resistance to change can be seen directly in the way the Plan is managed, where only approximately half of the NAO’s recommendations made since 2015 have been implemented.<sup>67</sup>

33. The Permanent Secretary insisted that progress is being made on changing behaviour and culture, but admitted that such changes “are not quick”. He also said that reducing the level of bullying, harassment and discrimination within the Department is a matter of personal priority for him. This is encouraging but he undoubtedly faces an uphill task.<sup>68</sup>

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62 Q136

63 Q140

64 Q143

65 Q152

66 NAO report, paragraph 3.22

67 NAO report, paragraph 3.21

68 Q152

# Formal minutes

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## Wednesday 27 April 2022

Members present:

Sir Geoffrey Clifton-Brown

Mr Mark Francois

Peter Grant

Kate Green

Sarah Olney

Nick Smith

## *Ministry of Defence Equipment Plan 2021–31*

Draft Report (*Ministry of Defence Equipment Plan 2021–31*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 33 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

*Resolved*, That the Report be the Fifty-second 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.

## Adjournment

Adjourned till Wednesday 11 May at 1:00pm

## Witnesses

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

### Monday 28 February 2022

**David Williams CB**, Permanent Secretary, Ministry of Defence; **Charlie Pate**, Director General Finance, Ministry of Defence; **Air Marshall Richard Knighton**, Deputy Chief of Defence Staff, Ministry of Defence; **Sir Simon Bollom**, Chief Executive, Defence Equipment and Support, Ministry of Defence

[Q1–152](#)

# List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the [publications page](#) of the Committee's website.

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2nd	BBC strategic financial management	HC 187
3rd	COVID-19: Support for children's education	HC 240
4th	COVID-19: Local government finance	HC 239
5th	COVID-19: Government Support for Charities	HC 250
6th	Public Sector Pensions	HC 289
7th	Adult Social Care Markets	HC 252
8th	COVID 19: Culture Recovery Fund	HC 340
9th	Fraud and Error	HC 253
10th	Overview of the English rail system	HC 170
11th	Local auditor reporting on local government in England	HC 171
12th	COVID 19: Cost Tracker Update	HC 173
13th	Initial lessons from the government's response to the COVID-19 pandemic	HC 175
14th	Windrush Compensation Scheme	HC 174
15th	DWP Employment support	HC 177
16th	Principles of effective regulation	HC 176
17th	High Speed 2: Progress at Summer 2021	HC 329
18th	Government's delivery through arm's-length bodies	HC 181
19th	Protecting consumers from unsafe products	HC 180
20th	Optimising the defence estate	HC 179
21st	School Funding	HC 183
22nd	Improving the performance of major defence equipment contracts	HC 185
23rd	Test and Trace update	HC 182
24th	Crossrail: A progress update	HC 184
25th	The Department for Work and Pensions' Accounts 2020–21 – Fraud and error in the benefits system	HC 633
26th	Lessons from Greensill Capital: accreditation to business support schemes	HC 169
27th	Green Homes Grant Voucher Scheme	HC 635

<b>Number</b>	<b>Title</b>	<b>Reference</b>
28th	Efficiency in government	HC 636
29th	The National Law Enforcement Data Programme	HC 638
30th	Challenges in implementing digital change	HC 637
31st	Environmental Land Management Scheme	HC 639
32nd	Delivering gigabitcapable broadband	HC 743
33rd	Underpayments of the State Pension	HC 654
34th	Local Government Finance System: Overview and Challenges	HC 646
35th	The pharmacy early payment and salary advance schemes in the NHS	HC 745
36th	EU Exit: UK Border post transition	HC 746
37th	HMRC Performance in 2020–21	HC 641
38th	COVID-19 cost tracker update	HC 640
39th	DWP Employment Support: Kickstart Scheme	HC 655
40th	Excess votes 2020–21: Serious Fraud Office	HC 1099
41st	Achieving Net Zero: Follow up	HC 642
42nd	Financial sustainability of schools in England	HC 650
43rd	Reducing the backlog in criminal courts	HC 643
44th	NHS backlogs and waiting times in England	HC 747
45th	Progress with trade negotiations	HC 993
46th	Government preparedness for the COVID-19 pandemic: lessons for government on risk	HC 952
47th	Academies Sector Annual Report and Accounts 2019/20	HC 994
48th	HMRC's management of tax debt	HC 953
49th	Regulation of private renting	HC 996
50th	Bounce Back Loans Scheme: Follow-up	HC 951
51st	Improving outcomes for women in the criminal justice system	HC 997
1st Special Report	Fifth Annual Report of the Chair of the Committee of Public Accounts	HC 222

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2nd	Defence Nuclear Infrastructure	HC 86
3rd	High Speed 2: Spring 2020 Update	HC 84
4th	EU Exit: Get ready for Brexit Campaign	HC 131

<b>Number</b>	<b>Title</b>	<b>Reference</b>
5th	University technical colleges	HC 87
6th	Excess votes 2018–19	HC 243
7th	Gambling regulation: problem gambling and protecting vulnerable people	HC 134
8th	NHS capital expenditure and financial management	HC 344
9th	Water supply and demand management	HC 378
10th	Defence capability and the Equipment Plan	HC 247
11th	Local authority investment in commercial property	HC 312
12th	Management of tax reliefs	HC 379
13th	Whole of Government Response to COVID-19	HC 404
14th	Readying the NHS and social care for the COVID-19 peak	HC 405
15th	Improving the prison estate	HC 244
16th	Progress in remediating dangerous cladding	HC 406
17th	Immigration enforcement	HC 407
18th	NHS nursing workforce	HC 408
19th	Restoration and renewal of the Palace of Westminster	HC 549
20th	Tackling the tax gap	HC 650
21st	Government support for UK exporters	HC 679
22nd	Digital transformation in the NHS	HC 680
23rd	Delivering carrier strike	HC 684
24th	Selecting towns for the Towns Fund	HC 651
25th	Asylum accommodation and support transformation programme	HC 683
26th	Department of Work and Pensions Accounts 2019–20	HC 681
27th	Covid-19: Supply of ventilators	HC 685
28th	The Nuclear Decommissioning Authority's management of the Magnox contract	HC 653
29th	Whitehall preparations for EU Exit	HC 682
30th	The production and distribution of cash	HC 654
31st	Starter Homes	HC 88
32nd	Specialist Skills in the civil service	HC 686
33rd	Covid-19: Bounce Back Loan Scheme	HC 687
34th	Covid-19: Support for jobs	HC 920
35th	Improving Broadband	HC 688
36th	HMRC performance 2019–20	HC 690
37th	Whole of Government Accounts 2018–19	HC 655
38th	Managing colleges' financial sustainability	HC 692

<b>Number</b>	<b>Title</b>	<b>Reference</b>
39th	Lessons from major projects and programmes	HC 694
40th	Achieving government's long-term environmental goals	HC 927
41st	COVID 19: the free school meals voucher scheme	HC 689
42nd	COVID-19: Government procurement and supply of Personal Protective Equipment	HC 928
43rd	COVID-19: Planning for a vaccine Part 1	HC 930
44th	Excess Votes 2019–20	HC 1205
45th	Managing flood risk	HC 931
46th	Achieving Net Zero	HC 935
47th	COVID-19: Test, track and trace (part 1)	HC 932
48th	Digital Services at the Border	HC 936
49th	COVID-19: housing people sleeping rough	HC 934
50th	Defence Equipment Plan 2020–2030	HC 693
51st	Managing the expiry of PFI contracts	HC 1114
52nd	Key challenges facing the Ministry of Justice	HC 1190
53rd	Covid 19: supporting the vulnerable during lockdown	HC 938
54th	Improving single living accommodation for service personnel	HC 940
55th	Environmental tax measures	HC 937
56th	Industrial Strategy Challenge Fund	HC 941