House of Commons

Committee of Public Accounts

MoD's oversight of Reserve Forces' and Cadets' Associations

Forty-Third Report of Session 2024–25

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Committee of Public Accounts

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Contents

Summary

The reserves are a key part of the UK's defence capability, while the cadet forces provide potentially life-changing opportunities for many thousands of young people. The Ministry of Defence (the Department) has ambitions to expand the reserve forces and the cadets. It will only achieve its aspirations if it develops realistic, appropriately funded plans and modernises the organisational structures and processes involved in delivery.

The Strategic Defence Review (SDR) sets out the Department's ambition to significantly expand the reserves' role, including a 20% increase in numbers from the current 32,000 reserves when funding allows, most likely in the 2030s. However, the Department does not currently have funding or a detailed plan for how it will achieve this expansion.

The SDR also wants to increase the number of cadets, currently 140,000, by 30% by 2030, aspiring to reach 250,000 cadets in the longer term. But cadet forces depend on adult volunteers to run them, and the Department has not shown that it knows how to address the shortage of volunteers to support the local units. We were told that the issue is not one of a lack of desire of young people to be cadets. However, we believe it will require considerable effort to persuade young people to volunteer as cadets in such significantly increased numbers.

Both the reserves and cadets rely on the infrastructure and support services that the 13 Reserve Forces' and Cadets' Associations (RFCAs) provide, but this crucial arrangement has weaknesses which the Department must address to build a strong base for its growth ambitions. In particular, the Department needs a fit-for-purpose network of reserve training sites and cadet huts, known as the volunteer estate, which the RFCAs manage. The Department acknowledges that the volunteer estate has been in 'managed decline'. It has started an estate optimisation programme, but not yet secured funding for future phases of this.
The Department has also brought maintenance arrangements into line with the wider defence estate, but made incorrect assumptions around the RFCAs' liability for VAT. This has led to increased costs and meant that the RFCAs cannot carry out as much maintenance work as originally planned.

The Department's arrangements for the governance and oversight of the RFCAs fall below the standard we expect. For example, the RFCAs do not have an HM Treasury-approved financial framework in place and the Department has historically lacked the resources to monitor the RFCAs' spending, despite them receiving £146 million from public funds in 2023–24. The Department says that it plans to consolidate the RFCAs into a single non-departmental public body to improve governance and oversight but has not set a firm timescale for achieving this.

Conclusions and recommendations

1. **It is unclear how the Department will deliver the ambitious plans for expanding the role of the reserves set out in the Strategic Defence Review (SDR).** The SDR sets out the government's intentions to increase the numbers and resilience of the reserves. This includes increasing the UK's Active Reserve forces by at least 20%, when funding allows, which the SDR anticipates will most likely be in the 2030s. In the meantime, the SDR says that the armed forces must improve recruitment and retention of the reserves. The Department says that the needs of the reserves will be considered in the defence investment plan it will be developing over the summer, which will confirm the sequencing of the priorities identified in the SDR. However, the Department recognises it needs to make some investments in support of the reserves during this Parliament. A key priority for the Department is reinvigorating its relationship with the Strategic Reserve of ex-regular personnel, which requires it to establish a digital solution by early 2027 to improve reserves management. Effective engagement with employers will be important for the Department achieving its ambitions: this can build on the RFCAs' Defence Relationship Management function and secure employers' support for their staff to be involved in the reserves.

RECOMMENDATION

The Department must set out by 31 March 2026 its plan for how it will:

a. significantly enhance the skills, scale and agility of both the Active and the Strategic Reserves; and

b. provide Parliament with regular updates on its progress in achieving its ambition.

2. **The government's plans to increase the number of cadets by 30% by 2030 face several significant barriers.** There are potentially great benefits for young people in expanding the cadet forces, which will mean increasing both the size and number of cadet units. Cadet forces can enhance social mobility and give confidence and structure to the most disadvantaged young people. The Minister for Veterans and People has told Parliament that the annual cost of the cadet forces is covered if just

1% of cadets change their life outcomes each year, so that they take part in education, training, or gain employment. The Department says that the cadet expansion plan has increased the number of cadet units in state schools, which accounts for 57% of school-based units, whereas independent schools used to account for about 70%. We were informed that there is no lack of interest from young people in joining the cadets, but there is a shortage of adult volunteers to run cadet units. The Department is still working out how to address this shortage. In doing so, it must ensure it maintains robust cadet safeguarding arrangements. Meanwhile, the devolved administrations of Scotland, Wales and Northern Ireland have responsibility for education and the Department's approach to expanding the cadets within the devolved nations needs to take account of this.

RECOMMENDATION

a. The Department should develop a plan by June 2026 (one year after the publication of the SDR) for increasing the number of cadets which sets out how it will:

- ensure that young people from different backgrounds and all parts of the UK can join;
- address barriers to expansion such as the number of adult volunteers; and
- maintain robust safeguarding arrangements for the enlarged cadet forces.

b. The Department should also set out how it will report on its progress, including regional breakdowns for the number of cadets, units and adult volunteers in the community cadets and Combined Cadet Force (including by type of school).

3. **The Department has not secured the legislative slot it needs for its preferred route forward, of streamlining the 13 RFCAs and the Council into a non-departmental public body (NDPB).** Creating an NDPB requires legislation. However, the Department's earlier plan to rationalise the RFCAs into an NDPB, which would simplify back-office functions and clarify accountabilities, was thwarted by a lack of Parliamentary time before the 2024 general election. The Department still aims to establish an NDPB to bring better coherence and formality to the current arrangements, with a new board and chief executive to run the business. It is working to develop a bespoke NDPB which maximises local membership and engagement as well as making the organisation as efficient and effective as possible. Reserves and cadets join to serve locally, and central coordination needs to be combined with local implementation, by people who understand their

local environments. The Department says that the next opportunity to set up an NDPB will be through an Armed Forces Bill, which it is due to produce by the end of 2026.

RECOMMENDATION
The Department should write to the Committee by 31 March 2026 with an update on its progress in establishing an NDPB. This should include details of how it will ensure the correct balance between the operational effectiveness of the NDPB with the benefits of having local volunteer input.

4. **The Department will need to continue to manage around the limitations of its current oversight arrangements for the RFCAs until it has established an NDPB.** The Department has improved its oversight of the RFCAs since 2019, implementing around 70% of the Sullivan Review's recommendations either fully or partially. It now has a single senior responsible owner, the Assistant Chief of the Defence Staff (Reserves and Cadets), to coordinate the Department's various stakeholders who deal with the RFCAs. A sponsor board meets twice a year to review RFCAs' performance. The Department has improved the service level agreements in which the armed forces specify their requirements for the RFCAs. However, the system still relies too much on the Council and RFCA officials' shared aims and values, and it lacks clear and well-understood escalation processes when issues cannot be locally resolved. A 'consequence culture' where officials are truly accountable for poor performance is not yet embedded. The Department says it is now at an 'inflection point' where the governance and oversight of the RFCAs needs to be fit for purpose to support the ambitions in the SDR.

RECOMMENDATION
Alongside its Treasury Minute response, the Department should write to the Committee setting out how it will enhance accountability for the performance of the RFCAs under the current arrangements, pending the establishment of an NDPB.

5. **The Department does not have a modernised and fit-for-purpose volunteer estate to support the enhanced roles of the reserves and cadets.** The reserve training sites are the basis for mobilising the reserves, while having accommodation for thousands of cadet units to operate across the UK provides an important, nationwide presence. However, the volunteer estate has been in a state of managed decline, and it has too many sites— around 2,500—some of which are not in the right places. The Department has started an estate optimisation programme, initially focusing on disposals. It now wants to consolidate some sites, establishing

super reserve centres with additional facilities such as car parking, accommodation and feeding facilities. This will require investment, but the Department has not yet secured funding for future phases of this work. Meanwhile, the Department has brought the maintenance of the volunteer estate into its wider defence estate maintenance contract. There have been teething problems with this contract, with one supplier not delivering what it should. The Department also misunderstood RFCAs' liability to pay VAT on work done through this contract, meaning that RFCAs have had less money available for maintenance than expected. The Department is discussing the VAT issue with HM Revenue & Customs (HMRC). Resolving it may require either a site-by-site review of the ownership of RFCA sites or addressing it as part of forming the RFCAs into an NDPB.

RECOMMENDATION

To establish and maintain an optimised volunteer estate the Department should:

a. ensure due consideration is given to the volunteer estate in its balance of investment decisions as it develops its defence investment plan which it is committed to completing in autumn 2025; and

b. write to the Committee alongside its Treasury Minute response, regarding progress on its discussions with HMRC relating to the RFCAs' VAT status.

6. **The Department's arrangements for monitoring and reporting on the RFCAs' financial performance are inadequate.** The RFCAs' accounts have been produced very late in recent years. The Department published the RFCAs accounts for 2020–21, 2021–22 and 2022–23 together, in October 2024, which means that some information about the Council and the RFCAs' financial performance was not publicly available until more than four years after it had occurred. The Department had not published the 2023–24 accounts at the time of our inquiry, more than a year after the end of that financial year. Despite the RFCAs receiving £146 million of public money in 2023–24, the Department does not have an overall financial framework for them which complies with HM Treasury requirements. The Department began developing a new financial framework in 2022, but this is still not in place: it is currently with HM Treasury for comment, and the Department says that it expects to finalise it in the next few months. In addition, some of the RFCAs' financial reporting is not compliant with HM Treasury and International Financial Reporting Standards. For example, the Council, which consolidates the accounts of the 13 RFCAs, was unaware that it should include a cash flow statement and the Department did not pick them up on this omission.

RECOMMENDATION

As a matter of urgency, the Department should:

a. agree and implement a HM Treasury-compliant financial framework;

b. publish the RFCAs' accounts for 2023–24 in a format that complies with the applicable HM Treasury and international accounting standards; and

c. work with the Council to ensure that in future the RFCAs understand the requirements they must comply with and are equipped to do so.

1 The Ministry of Defence's vision for the RFCAs

Introduction

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Ministry of Defence (the Department) and the Council of Reserve Forces' and Cadets' Associations (the Council) on their oversight and support of the Reserve Forces' and Cadets' Associations (RFCAs).[1]

2. All UK armed forces—the Royal Navy, British Army, and Royal Air Force—recruit and employ reservists and sponsor cadet units.[2] The 13 RFCAs, covering the whole of the UK, the Channel Islands and the Isle of Man, provide the armed forces with essential support and infrastructure for these reserves and cadets. Originally established in 1908, the RFCAs manage and maintain the 'volunteer estate' network of 2,478 (at January 2025) reserve training sites and cadet centres; engage with employers and society to promote the interests of the reserves and cadets; and support the development and running of cadet forces. The RFCAs are not part of the Department but are central government unclassified arm's-length bodies with Crown status.[3] The RFCAs have established the Council as a joint committee to provide them with central coordination and a focus to fulfil their duties: the Council also manages the RFCAs' relationship with the Department. In 2023–24, the RFCAs received £146 million in public funding.[4]

3. In 2019 the Department published the latest in its series of periodic comprehensive reviews of the RFCAs, which became known as the 'Sullivan review' after its author. The review examined the need for the RFCAs, the appropriateness of their delivery model and the effectiveness of their governance and management. The review made 80 recommendations for change, including regularising and streamlining the Council and the 13 RFCAs into a non-departmental public body (NDPB), to provide a "moreefficient and effective service" to the Department, with "more

1 C&AG's Report, Investigation into the Ministry of Defence's oversight of the Reserve Forces' and Cadets' Associations, Session 2024–25, HC 746, 19 March 2025

2 Q 10; C&AG's Report, para 1.2

3 Qq 2 and 5; C&AG's Report, para 1.6 and 1.7

4 C&AG's Report, para 1.10, 1.12 and 1.13

accountable and business-like corporate governance", and to address financial, legal, safeguarding and estate safety risks. The Department said that it had made some good progress since the 2019 Sullivan review, but acknowledged that there was clearly further to go.[5]

Expanding the role of the reserves

4. The Active Reserve forces are made up of volunteers, many with full-time jobs, who use their spare time to train as part of the armed forces and can expect to be called up and deployed on operations alongside their full-time regular colleagues. They provide additional trained personnel and specialist capabilities that regular forces cannot always readily generate or sustain, such as medical and cyber skills. As of 1 January 2025, there were 31,967 reserves out of a total armed forces strength of 180,779 (18%).[6]

5. The Department emphasised that the reserve forces were a crucial part of the UK's defence plans and several recent government publications, including the 2023 Defence command paper and the 2025 Strategic Defence Review (SDR), have highlighted their importance. The Department welcomed a fundamental shift set out in the SDR in how the armed forces think about using their non-full-time component to provide the scale, skills and workforce agility that they need. The SDR 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", and recommended that this should occur. The Department told us that it was currently looking at how to meet this ambition from a programmatic and funding perspective.[7]

6. An important aspect of the reserves is that they comprise local units across the country. The Department acknowledged that it is easier to recruit officers in London to command these units. It told us, however, that while it is challenging to recruit local commanders, officers and senior non-commissioned officers no matter the location, some of the best officers are outside of London.[8]

7. The Department said that the needs of the reserves would be considered in the defence investment plan it would be developing over the summer of 2025, which would confirm the sequencing of the priorities identified in the SDR. However, the Department recognised that it needed to make some investments in support of the reserves this Parliament.[9] A key priority

5 Q 2; C&AG's Report, para 4
6 C&AG's Report, paras 1.2 and 1.3
7 Qq 2 and 4; C&AG's Report, para 1.5; Ministry of Defence, Strategic Defence Review – Making Britain Safer: secure at home, strong abroad, 2025, Part 4.3 para 5 and Recommendation 14.
8 Qq 43 and 59
9 Qq 1, 15 and 44

for the Department was reinvigorating its relationship with the Strategic Reserve of ex-regular personnel who have a liability to be recalled into the armed forces. This would require the Department to establish a digital solution by early 2027 to improve reserves' management, which the Department noted was a tight timescale to meet.[10]

8. The Department said that engaging with society and employers was essential. Effective engagement with employers, building on the RFCAs' Defence Relationship Management function and securing employers' support for their staff to be involved in the reserves, will be important for the Department achieving its ambitions.[11] The Department emphasised the huge success of its employer engagement, which had exceeded its expectations having increased the number of employer accounts from fewer than 1,000 to more than 13,000. It explained that the RFCAs were adopting a customer-segmentation approach so they could most effectively use the resources available given that their workforce and budget had remained largely unchanged for seven years. This meant focusing on larger national employer accounts at a national level and using regional teams to manage local accounts.[12]

Increasing cadet numbers

9. Cadet forces are made up of young people typically aged from 12 to 18 and provide them with interesting and challenging activities and life skills. The Department said that the cadets help to develop the nation's youth, enhance social mobility and give confidence and structure to the most disadvantaged. The Minister for Veterans and People has told Parliament that the annual cost of the cadet forces is covered if just 1% of cadets change their life outcomes each year, so that they take part in education, training, or gain employment.[13]

10. As of 1 April 2024, there were approximately 3,500 cadet units across the UK and 139,960 cadets. Of these, 88,600 cadets were in community units, supported by 22,340 adult volunteers, and 51,360 in the school-based Combined Cadet Force, supported by 4,320 adult volunteers. The Department welcomed the ambition set out in the SDR to expand the cadet forces by 30% by 2030, with an ambition to reach 250,000 in the longer term, and told us that it did not believe that this proposed expansion posed a significant risk to other youth organisations such as the Scouts

10 Qq 2, 4, 15, 43 and 44
11 Q 49; C&AG's Report, para 16
12 Qq 46, 47 and 48
13 Q 8; C&AG's Report, para 1.2; Written answer 28 January 2025, UIN 26238

and Guides.[14] The Department said in a letter following our evidence session that those organisations have much greater age ranges, are more accessible because of their greater presence across the UK and have a different appeal to the cadet forces.[15]

11. The Department also described in its letter the cadet safeguarding arrangements that it has in place. Each of the armed forces is responsible for safeguarding its cadets, but they adhere to the same basic safeguarding principles set out in the Department's Cadet Safeguarding Framework. All adult volunteers and cadet-facing RFCA employees must have the correct disclosure and barring service (DBS) check and undergo safeguarding training. The Department explained that it uses a three-tier approach to provide assurance that these safeguarding arrangements are working, which combines activities at individual unit level with management oversight and independent review.[16]

12. The Department highlighted the success of the Cadet Expansion Programme which had already increased cadet force numbers in schools. The Department said that this had led to a real democratisation of the cadet movement. It reported that 57% of the school-based cadet units now came from the state sector, whereas independent schools used to account for about 70% of them, although units at independent schools tend to be larger and account for 61% of cadet numbers.[17]

13. The Council explained that each of the armed forces would decide how to accommodate more cadets, through a combination of increasing the size and number of cadet units. The RFCAs would then support the chosen approach.[18] The Department said that there was no lack of interest in young people wanting to join the cadets. However, the Department stressed that expansion is dependent on having the adult volunteers who run the cadets, and that the shortage of these was an issue. The Department is still working out how to address this shortage. It acknowledged that it would need to review and improve the proposition for adult volunteers, for example by giving them the necessary support and, where appropriate, financial remuneration.[19] However, the Department also explained that the issue

14 Q 7; C&AG's Report, para 1.4; Ministry of Defence, Strategic Defence Review, 2025, Part 1 para 23 and Recommendation 26; Letter from Ministry of Defence PUS, 9 July 2025, para 18

15 Letter from Ministry of Defence PUS, 9 July 2025, paras 18 to 20

16 Letter from Ministry of Defence PUS, 9 July 2025, paras 1 to 17; C&AG's Report, paras 2.23 and 2.24

17 Qq 7 and 19; letter from Assistant Chief of Defence Staff Reserves and Cadets, 27 June 2025; C&AG's Report, paras 1.5 and 2.22

18 Q 51

19 Qq 7, 51 and 53

should be examined across the whole of society: for example, it claimed that the introduction of VAT on private school fees had affected some schools' ability to employ additional staff to look after cadet activities.[20]

14. The Department said that it is working with the Department for Education to develop the new science, technology, engineering and mathematics (STEM) capabilities, such as drone flying and cyber, which cadets need. This would support the UK's wider STEM agenda.[21] The Department told us that the Cadet Expansion Programme was now UK-wide, and that it had held discussions with the education departments in the devolved administrations of Scotland, Wales and Northern Ireland about it. The response to the programme in the devolved nations had been mixed: the model adopted in Scotland had not proved successful; in Wales there had been a lack of enthusiasm; and while there has been more interest in Northern Ireland, a lack of capacity in the armed forces to support it has restricted further expansion. However, the Council noted that the local knowledge the RFCAs based in the devolved nations had helped with these discussions and that each RFCA employed a school cadet engagement officer.[22]

Establishing an NDPB

15. One of the two headline recommendations in the Department's 2019 review of the RFCAs was to regularise and streamline the Council and 13 RFCAs into a single NDPB. This would provide a clear governance structure that aligned with government policy to transmit, delegate, implement and enforce decisions. However, creating an NDPB requires primary legislation, and the Department's earlier plan to create the necessary legislation was thwarted by a lack of Parliamentary time before the 2024 general election.[23]

16. The Department confirmed that establishing an NDPB remained its preferred route forward. This would facilitate a streamlined organisation, simplify back-office functions and clarify accountabilities. The Department said that the next opportunity for the necessary legislation would be in the Armed Forces Bill, which it is obliged to update by the end of 2026.[24]

17. The Department said that the challenge is to balance the need for a professional and effective national organisation that can be held to account, with the ability to leverage the membership's volunteer spirit. It said that there was an ongoing conversation with the RFCAs around

20 Qq 17 and 18

21 Q 53

22 Qq 54 and 55; Letter from Assistant Chief of Defence Staff Reserves and Cadets, 27 June 2025

23 Q 2; C&AG's Report, paras 1.15 and 1.18

24 Qq 3 and 11

how to develop bespoke structures which will make the organisation as effective and efficient as possible while maximising local membership and preserving, enhancing and supporting the RFCAs' volunteer work and their insights and expertise.[25] The Council explained that reserves and cadets join to serve locally, and central coordination needs to be combined with local implementation by people who understand their local environments. The Council said that it did not believe that much will change for those carrying out the work within the RFCAs at a local level, but that the formalised structure would improve coherence and coordination. It thought that the move to an NDPB would bring the benefits of central direction while maintaining the local knowledge of those who do the work.[26]

25 Qq 3, 6 and 11

26 Q 12

2 Risks and limitations of the current RFCA model

The Ministry of Defence's current oversight of the RFCAs

18. The Department said it is now at an 'inflection point' where the governance and oversight of the RFCAs needs to be fit for purpose to support the ambitions in the SDR. In part, the Department intends to achieve this through its desired creation of an NDPB. It explained that other elements involved embedding good governance and oversight and making sure that the current information flow and the relationships between the Department and the Council were in the right place.[27]

19. The Department said that its oversight of the RFCAs had improved since the publication of the Sullivan Review in 2019, and that it had fully or partially implemented around 70% of the Review's 80 recommendations. It now has a single senior responsible owner, the Assistant Chief of the Defence Staff (Reserves and Cadets), to coordinate the Department's various stakeholders who deal with the RFCAs. The Department has also established a sponsor board, which meets twice a year, where it gets all the frontline commands and other key stakeholders, such as the Defence Infrastructure Organisation, around the table to discuss and hold to account the RFCAs to deliver the outputs that defence needs.[28]

20. In recent years the Department has improved the quality of the five service level agreements (SLAs) that it has with the Council, which set out what the armed forces and Department require the RFCAs to deliver each year. The Department reviews progress against the SLAs three times a year, and it told us that this has provided discipline and focus that was previously lacking and which was starting to change behaviour.[29] However, the system relies on the Council and RFCA officials' shared aims and values, and it lacks clear and well-understood escalation processes when issues cannot be

27 Q 2
28 Qq 9 and 10; C&AG's Report, para 1.18
29 Qq 9, 10, and 21 to 23; C&AG's Report, para 2.5

resolved locally. The Department said that it would not be easy to establish a 'consequence culture', where officials are truly accountable for poor performance, without establishing an NDPB.[30]

The volunteer estate

21. Stewardship of the volunteer estate is one of the RFCAs' core activities. The volunteer estate, which provides the essential infrastructure that the cadets and reserves need to operate, is made up of around 2,500 sites which are widely dispersed around the UK and range from cadet huts to multipurpose reserve centres. The reserve training sites are the basis for training and mobilising the reserves, while accommodation for cadet units provides an important nationwide presence.[31]

22. The Department said that the volunteer estate was a critical enabler for it to deliver the ambitions for increasing the numbers of reserves and cadets set out in the SDR. However, the Department told us that the estate had been in a state of managed decline, and that it had too many sites, some of which are not in the right places.[32] The Department has started an estate optimisation programme to dispose of unneeded sites and modernise others to better serve the needs of cadets and reserves. It explained that it aimed to provide the right facilities in the right locations, balancing the need for sites near urban centres with maintaining sites in more remote areas too. By December 2024, the first phase of the programme had brought in £6.8 million from the disposal of 64 sites, and it had plans to sell 46 more, with forecast receipts of £7.7 million. The Department has reinvested these receipts in the remaining estate, and by December 2024 the programme had completed or started renovation at 85 sites costing £38.1 million.[33]

23. The Department has planned two further phases of the estate optimisation programme. It envisages these will consolidate some sites, establishing multidisciplinary super reserve centres with additional facilities such as car parking, accommodation and feeding facilities.[34] However, the Department has not yet secured funding for these phases of the programme, and it was unable to give us a firm timeline for the completion of the programme. The Department explained that funding for the volunteer estate would compete with other priorities for investment choices when it developed its

30 Qq 23 to 25; C&AG's Report, para 2.8
31 Qq 17, 38, 40, 43 and 58; C&AG's Report, para 1.7
32 Qq 26 and 40
33 Qq 26 to 28, 36, 38 and 40; C&AG's Report, para 2.21
34 Q 38

defence investment plan, which it was due to complete in autumn 2025, and said it was confident that the estate's requirements would feature in the debate.[35]

24. Since August 2024, the maintenance and repair of the volunteer estate has been brought under the Department-wide Future Defence Infrastructure Services (FDIS) estate maintenance contract; previously, each RFCA had delivered these services through local contracts. This was intended to improve compliance, management information and supplier performance monitoring for the estate.[36] There have been some initial teething problems, with suppliers not meeting all their performance measures. The Council recognised that, as with the introduction of any large contract, teething problems were normal, and said that these had largely been resolved. There was one contract where issues were still outstanding, but work was ongoing to improve performance.[37]

25. The Department had not anticipated that the RFCAs would be liable to pay VAT on work done through the FDIS contract, which has resulted in the RFCAs having had less money available for maintenance than expected. The Department explained that the crux of the issue was ownership of the estate which had been built up over 100 years through donations, departmental funding and purchases by the RFCAs themselves. VAT can be clawed back on assets owned by the Department, and HM Revenue & Customs has proposed that the Department conducts a site-by-site review to establish ownership for tax purposes.[38] The Department added that the move to an NDPB may provide an opportunity to review the VAT arrangements as the built estate would sit on the NDPB's accounts and would then be consolidated into the Department's accounts.[39]

Financial oversight

26. For the past four years, the Department has failed to publish the Council's Annual Report and Accounts in a timely manner, and the Department acknowledged that the process was much longer and more protracted than it would like. It published the accounts for 2020–21, 2021–22 and 2022–23 together in October 2024, which meant that some information about the Council and the RFCAs' financial performance was not publicly available until more than four years after it had occurred. At the time of our inquiry, the Department had not published the 2023–24 accounts, more than

35 Qq 39 to 42; C&AG's Report, para 2.21
36 Q 29; C&AG's Report, para 2.18
37 Q 29; C&AG's Report, para 2.19
38 Q 34; C&AG's Report, para 2.20
39 Q 37

a year after the end of that financial year.[40] The Department said that delays in publishing the accounts were in part due to the structure in which it operates, whereby accounts are prepared by each of the 13 RFCAs and then consolidated by the Council. While the Council is responsible for producing a consolidated Annual Report and Accounts, the Department is responsible for publishing it.[41] The Department said that in the longer term, the answer would lie in setting up an NDPB as a single entity, resulting in a streamlined approach to financial accounting. It added that, in the short term, it was looking at ways to speed up the process to publish accounts. This included the Council ensuring that the RFCAs had common processes and systems that would speed up the supply of financial information to it.[42]

27. Some of the RFCAs' financial reporting has not complied with HM Treasury guidance and International Financial Reporting Standards. For example, the RFCAs' accounts have not included a cash flow statement, nor have they correctly disclosed a defined benefit pension scheme for employees. Non-compliance with these rules has created an inconsistency in the financial reporting between the Department and the Council.[43] The Council accepted responsibility and acknowledged that initially it did not have a good understanding of the Treasury's financial reporting manual or guidance on preparing an annual report and accounts. The Council insisted, however, that the accounts have still been audited and that it knew how the money had been received and spent. The Council noted that the Department had also not picked up on the missing cash flow statements but, now that both the Department and the Council were aware of it, a cash flow statement would be included in future accounts.[44]

28. The Department told us that over the last two years it had strengthened its financial oversight of the RFCAs and that monthly conversations between finance teams meant that it understood performance and risks.[45] However, the Department did not have an overall financial framework for the RFCAs which complied with HM Treasury requirements. In April 2022 the Department asked HM Treasury to review its existing financial framework with the Council and the review raised concerns about its compliance with HM Treasury rules. The Department had begun work on a new financial framework which would address these concerns but has not yet completed it. It said it had been waiting for governance reforms to play through so that these could be reflected in the new framework, but that a finalised draft

40 Qq 68 to 70 and 72; C&AG's Report, para 2.28
41 Qq 68 and 69; C&AG's Report, para 2.28
42 Qq 69 and 71
43 Qq 73 to 81; C&AG's Report, paras 2.29 and 2.30
44 Qq 73 to 76
45 Qq 63 and 64

was currently with HM Treasury for review. The Department explained that the next step would be to respond to comments from HM Treasury and that it expected to publish the new framework in the next few months.[46]

46 Qq 63 to 66; C&AG's Report, para 2.26

Formal minutes

Monday 1 September 2025

Members present

Sir Geoffrey Clifton-Brown, in the Chair

Mr Clive Betts

Sarah Green

Chris Kane

Oliver Ryan

Declaration of interests

The following declarations of interest relating to the inquiry were made:

16 May 2025

The Chair declared the following interest: previously worked for the Government Property Service Agency and is a Chartered Surveyor.

MoD’s oversight of the Reserve Forces’ and Cadets’ Associations

Draft Report (*MoD’s oversight of the Reserve Forces’ and Cadets’ Associations*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 28 read and agreed to.

Summary agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Forty-Third Report 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 (Standing Order No. 134).

Adjournment

Adjourned till Thursday 4 September at 9.30 a.m.

Witnesses

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

Monday 16 June 2025

David Williams, Permanent Secretary, Ministry of Defence; **Aneen Blackmore**, Director General Finance, Ministry of Defence; **Major General Marc Overton**, Assistant Chief of the Defence Staff (Reserves and Cadets), Ministry of Defence; **Major General (Rtd) Jamie Gordon**, Chief Executive, Council for Reserve Forces' and Cadets' Associations Q1-89

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.

Session 2024–25

Number	Title	Reference
42nd	Water sector regulation	HC 824
41st	UK Research and Innovation	HC 826
40th	Collecting the right tax from wealthy individuals	HC 827
39th	Government's use of private finance for infrastructure	HC 821
38th	Increasing teacher numbers: Secondary and further education	HC 825
37th	Immigration: Skilled worker visas	HC 819
36th	Jobcentres	HC 823
35th	Introducing T Levels	HC 822
34th	Department for Business and Trade Annual Report and Accounts 2023-24	HC 818
33rd	Supporting the UK's priority industry sectors	HC 1070
32nd	The Future of the Equipment Plan	HC 716
31st	Local Government Financial Sustainability	HC 647
30th	Antimicrobial resistance: addressing the risks	HC 646
29th	Condition of Government property	HC 641
28th	Decommissioning Sellafield	HC 363
27th	Government's relationship with digital technology suppliers	HC 640
26th	Tackling Violence against Women and Girls	HC 644
25th	DHSC Annual Report and Accounts 2023-24	HC 639
24th	Government cyber resilience	HC 643
23rd	The cost of the tax system	HC 645

Number	Title	Reference
22nd	Government’s support for biomass	HC 715
21st	Fixing NHS Dentistry	HC 648
20th	DCMS management of COVID-19 loans	HC 364
19th	Energy Bills Support	HC 511
18th	Use of AI in Government	HC 356
17th	The Remediation of Dangerous Cladding	HC 362
16th	Whole of Government Accounts 2022-23	HC 367
15th	Prison estate capacity	HC 366
14th	Public charge points for electric vehicles	HC 512
13th	Improving educational outcomes for disadvantaged children	HC 365
12th	Crown Court backlogs	HC 348
11th	Excess votes 2023-24	HC 719
10th	HS2: Update following the Northern leg cancellation	HC 357
9th	Tax evasion in the retail sector	HC 355
8th	Carbon Capture, Usage and Storage	HC 351
7th	Asylum accommodation: Home Office acquisition of former HMP Northeye	HC 361
6th	DWP Customer Service and Accounts 2023-24	HC 354
5th	NHS financial sustainability	HC 350
4th	Tackling homelessness	HC 352
3rd	HMRC Customer Service and Accounts	HC 347
2nd	Condition and maintenance of Local Roads in England	HC 349
1st	Support for children and young people with special educational needs	HC 353