



National Audit Office

An Overview of the  
**Ministry of Defence**  
for the new Parliament 2023-24

October 2024

OVERVIEW



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# 1 Introduction to the National Audit Office

**W**elcome to our Overview of the Ministry of Defence, part of our series of Overviews for the new Parliament, covering government departments and cross-cutting issues.

The National Audit Office (NAO) is the UK's independent public spending watchdog and is responsible for scrutinising public spending for Parliament. We audit the financial accounts of all departments, executive agencies, arm's-length bodies, some companies and charities, and other public bodies. We also examine and report on the value for money of how public money has been spent.

The NAO is independent of government and the civil service. The NAO's wide remit and unique access rights enables us to investigate whether taxpayers' money is being spent in line with Parliament's intention and to respond to concerns where value for money may be at risk.

We support all Members of Parliament to hold government to account and we use our insights to help those who manage and govern public bodies to improve public services. In 2023, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.59 billion.

We are funded by, and accountable to, Parliament. As an Officer of the House of Commons, I am committed to ensuring that we support you and your staff in your work as a Member of Parliament, and your scrutiny of public spending and performance.

Our dedicated Parliamentary team can offer you support and put you in touch with our experts on subjects of interest to you and your constituents. If you would like more information about our work, or to arrange a briefing with me or one of my teams, please contact our Parliamentary Relations team at [parliament@nao.org.uk](mailto:parliament@nao.org.uk).



## Gareth Davies

COMPTROLLER & AUDITOR GENERAL  
NATIONAL AUDIT OFFICE

Gareth Davies was appointed Comptroller & Auditor General (C&AG) in June 2019. He was appointed by the Monarch, following the approval of the House of Commons.

The C&AG has statutory authority to examine and to report directly to Parliament on whether government departments and other public sector bodies have spent taxpayers' money in the way Parliament intended. The C&AG and his staff are totally independent of government.

Gareth is a Fellow of the Chartered Institute of Public Finance and Accountancy and a Fellow of the Institute of Chartered Accountants in England and Wales. He is a non-executive Board member of the INTOSAI Development Initiative (IDI), which supports Supreme Audit Institutions (SAIs) in developing countries to sustainably enhance their performance and capacity.

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# 2 How the NAO can help you as a Member of Parliament

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## How we support Parliament

We produce reports:

- on the annual accounts of government departments and their agencies;
- on the economy, efficiency and effectiveness with which government has spent public money; and
- to establish the facts where there are concerns about public spending issues.

We do not question government policy objectives. We look at how government has spent money delivering those policies and if that money has been used in the best way to achieve the intended outcome.

## What we can offer

Through our website or our Parliamentary Relations team, MPs, peers and staff can:

- request a personal briefing on areas of our work that are of interest to them;
- sign up to receive embargoed copies of our reports on subjects of interest;
- make general queries about public spending, or raise concerns with us about value for money; and
- request advice on understanding and scrutinising departments' annual reports and accounts.

## Resources available on our website

- **Reports:** Reviews of public spending and how well government is delivering.
- **Insights:** Learning and best practice to help people across government and the wider public sector.
- **Overviews:** Factual overviews of government departments, sectors and services.
- **Work in progress:** Our schedule of future publications.
- **Briefings:** Background information and factual analysis to support Select Committees.

## Keep up to date with our work

- Sign up to our [latest report updates](#)
- Follow us on [X](#) or [LinkedIn](#)

## How to get in touch

- Via our Parliamentary email inbox: [parliament@nao.org.uk](mailto:parliament@nao.org.uk).



Auditing the accounts of all government departments and public organisations, helping assure money is being spent the way Parliament intended



Reporting to Parliament on the value for money of how public money has been spent and what has been achieved



Sending you embargoed copies of our reports before they are available to the public



Providing briefings to you or a member of your team on our work



Providing advice and training on examining government departments' annual reports and accounts



Giving evidence to Select Committees



Our fortnightly newsletter with our latest reports and new work



You can write to us with any queries or concerns about the misuse of public money or behaviour in public bodies we audit

# 3 About this Overview

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## About this report

This report has been produced to provide an introduction to the Ministry of Defence (MoD) and the NAO's examination of its spending and performance. **It is intended to support the House of Commons Defence Committee and Members across the House in their examination of MoD's spending and performance.**

**It summarises the key information and insights that can be gained** from our examinations of MoD and related bodies and MoD's Annual Report and Accounts. MoD spent **£49 billion** on its running costs in 2023-24 in support of its priorities to secure strategic advantage, protect the UK, counter threats from state and non-state actors, and promote UK national interests globally.

## The report includes:

- the role and remit of MoD;
- how MoD is structured;
- where MoD spends its money;
- key areas of spending and major programmes;
- other key challenges facing MoD this Parliament; and
- where to find more information about MoD, including recent NAO reports.

This report updates our previous report, *Ministry of Defence: Departmental Overview 2022-23*, published in November 2023.

## Focus of NAO work on defence

Since our previous overview, we have published reports on: *The Equipment Plan 2023-2033*, December 2023, and *Military Support to Ukraine*, September 2024. Our findings from these reports are summarised later in this overview (sections 10 and 15).

### How we have prepared this report

The information in this report draws on the findings and recommendations from our financial audit and value for money work, and from publicly available sources, including the annual report and accounts of MoD and its bodies.

We have cited these sources throughout the guide to enable readers to seek further information if required. Where analysis has been taken directly from our value for money or other reports, details of our audit approach can be found in

the Appendix of each report, including any evaluative criteria and the evidence base used.

Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source as well as any appropriate notes to help the reader understand our analysis.

### Other relevant publications

More information about our work on the MoD, as well as information about our other recent and upcoming reports can be found on the NAO website.



# 4 The Ministry of Defence (MoD)

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## The Department's role

MoD is a government department led by the Secretary of State for Defence. It includes the following.

- A Department of State, responsible for supporting ministers, developing policy, developing and delivering plans and generating military capability. The majority of funding and activity in defence (including in the service commands) supports this role.
- A military strategic headquarters. This is a specialised role, unique to MoD, that directs and carries out military operations on behalf of the government.

MoD's purpose is to protect the nation, and to help it prosper. To deliver this it focuses on four priorities.

- Secure strategic advantage, achieve greater economic and industrial resilience, and contribute to national prosperity.
- Protect the UK, its Crown Dependencies and its Overseas Territories, and contribute to the collective deterrence and defence of the Euro-Atlantic area: able to deter and, if necessary, defend against and defeat attacks on the UK homeland (including our Overseas Territories) and our NATO allies.
- Pursue a campaigning approach to counter the threats from state and non-state actors, wherever they manifest in the world, working in an integrated way with allies and partners to achieve focused and impactful results.
- Promote our national interests globally, building influential relationships, and maintaining engagement and access.





# 5 How the MoD is structured

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## Policy and strategy

MoD's Head Office works with other parts of government to develop and periodically review the UK's national security policy and strategy, which are approved by the Prime Minister. These reviews set the top-level policy, which, in turn, sets the framework for MoD activity.

- In March 2023 the previous government published the [\*Integrated Review Refresh 2023: Responding to a more contested and volatile world\*](#) policy paper. This updated the government's security, defence, development and foreign policy priorities to reflect changes in the global context since the 2021 [\*Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy\*](#).
- In March 2024 the previous government published a command paper specifically about the nuclear deterrent: [\*Delivering the UK's Nuclear Deterrent as a National Endeavour\*](#).

MoD uses top-level policy to develop its strategies, which direct how it conducts and organises its activities to deliver outcomes on behalf of the Secretary of State for Defence.

- In July 2023, MoD published [\*Defence's response to a more contested and volatile world\*](#). This paper explicitly incorporated lessons learned to date from the war in Ukraine, and set out improvements needed to meet increasing global challenges.
- This overall strategy is supported by a series of published sub-strategies in all areas of MoD work, some of which are highlighted in this report, and others in the 2023 Integrated Review Refresh.

In July 2024, the new government announced the launch of a "root and branch" review of UK Defence, to be completed in the first half of 2025.

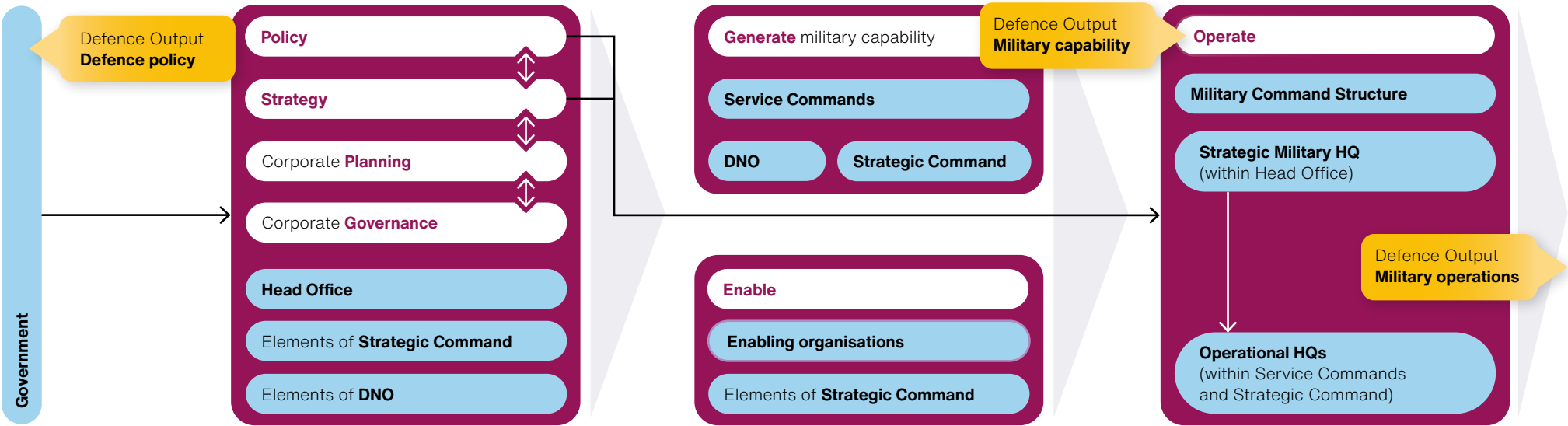
**Section 5:**  
How the MoD is structured *continued*

**MoD's operating model**

MoD's organisations and business functions carry out seven core activities (policy, strategy, planning, governance, generate, enable and operate) to deliver three defence outputs (military capability, defence policy and military operations).

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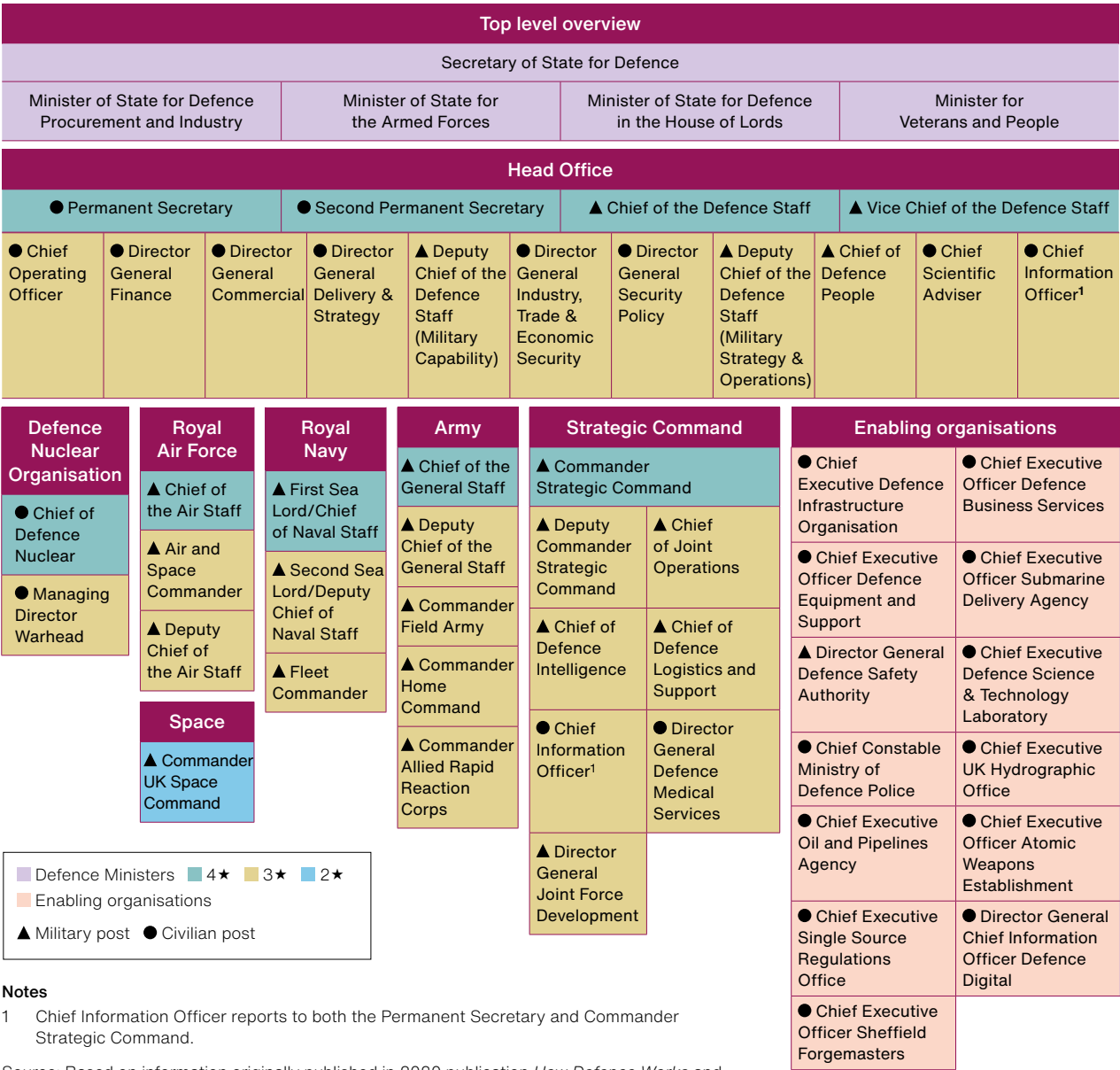
**Notes**

- 1 'Operate' describes conducting military operations.
- 2 'Generate' military capability describes work conducted with Head Office to develop future capability.
- 3 'Enable' describes the activity of the organisations that work within the Ministry of Defence but at 'arm's-length' from Head Office.
- 4 Functions are cross-cutting activities, such as finance and digital, carried out in various parts of the MoD.
- 5 DNO: Defence Nuclear Organisation.

Source: National Audit Office, *Ministry of Defence Departmental Overview 2022-23*



**Section 5:**  
How the MoD is structured *continued*



Source: Based on information originally published in 2020 publication *How Defence Works* and since updated in the *Ministry of Defence Departmental Overview 2022-23*

**MoD's commands and core organisations**

**Head Office** leads the Department of State function and political and military strategic direction for MoD.

**Service commands** generate military capability and operate in accordance with Defence policy objectives. The Royal Navy, Army and Royal Air Force are each led by a chief who is both the head of the Service and its budget holder.

**Strategic Command** supports joint Armed Forces operations. It also develops, operates and integrates pan-Defence capabilities.

**Strategic Programmes** procures, tests and evaluates complex weapons (primarily missiles).

The **Defence Nuclear Organisation** manages the defence nuclear portfolio of projects which deliver the UK's nuclear deterrent.

MoD is developing organisations to operate in new domains. The **National Cyber Force** is a partnership between MoD and the intelligence services. It counters threats and disrupts malign actors in cyberspace. **UK Space Command** is staffed from across the commands, civil service and commercial sector and is the defence lead for UK space operations.

**Enabling organisations**, many of which are listed in the figure opposite, provide essential support services to the front line. Two of the most significant are:

- **Defence Equipment and Support** is an Executive Agency which acts as MoD's procurement arm to develop, supply and maintain military equipment.
- **Defence Infrastructure Organisation** plans, builds and maintains the Defence Estate.

A number of non-departmental public bodies form a part of MoD but are not considered as part of the core department.

# 6 Where MoD spends its money

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In 2023-24, MoD spent £49 billion on its running costs, up from £47 billion in 2022-23. The £49 billion includes day-to-day resources such as staff costs, maintaining military equipment, and management of the Defence estate. It also includes accounting adjustments which are not cash transactions. These include the effect of non-cash depreciation (reduction in value of an asset due to wear and tear) and impairment (reduction in value of an asset due to an event) of military equipment and property.

## Key areas of spending in 2023-24

### £16.4 billion

**Staff costs** make up a significant proportion of MoD's operating expenditure at £16.4 billion (34%); 74% of these staff costs were for military personnel.

### £9.2 billion

**Depreciation, amortisation, impairment, write ons/off and disposals** were £9.2 billion, reflecting a reduction in the value of assets.

### £7.1 billion

**Equipment management costs** were £7.1 billion and include expenditure to keep military equipment functioning.

### £3.8 billion

**Estate management costs** of £3.8 billion were required to maintain the land and buildings across MoD's estate.

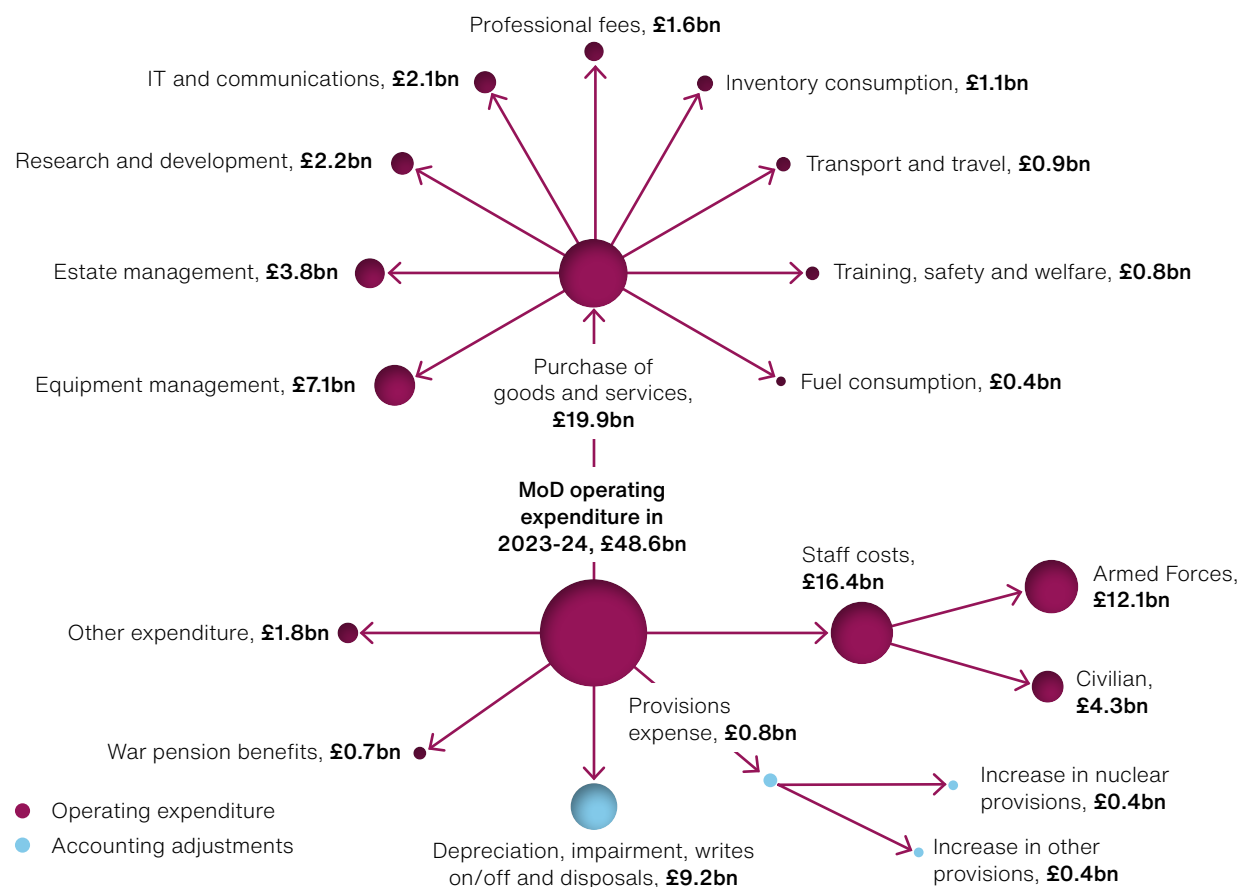
### £2.2 billion

**Research and development costs** of £2.2 billion to support further development of equipment.

These key areas and other areas of spending are set out in the bubble diagram.

## The Ministry of Defence's (MoD's) running costs for 2023-24

Staff costs and purchases of goods and services form the majority of MoD running costs



### Note

1 Figures have been rounded to one decimal place. Numbers may not add up precisely due to rounding.

Source: National Audit Office analysis of Ministry of Defence Annual Report and Accounts 2023-24



# 7 MoD assets and liabilities

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MoD holds significant assets and liabilities. As at 31 March 2024, MoD had assets worth £194.9 billion, most of which fall into the following categories for financial reporting purposes:

- property, plant, and equipment (PPE) with a value of £136.4 billion, including land, buildings and military equipment;
- £35.8 billion of intangible assets, such as development costs for equipment platforms and transport;
- right of use assets of £10.9 billion, which is the value of assets MoD acquired by lease rather than buying outright, including dwellings leased from Annington Homes; and
- inventories, with a value of £4.6 billion: these include raw materials, and consumables such as ammunition and fuel.

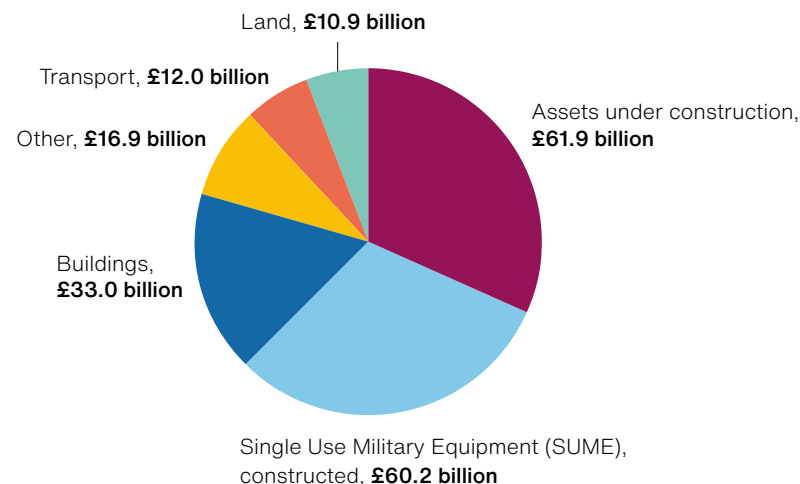
The figure on this page further describes the total assets of £194.9 billion by asset type.

At 31 March 2024 MoD had liabilities (obligations or amounts owed by MoD) worth £36.0 billion including:

- total payables with a value of £24.9 billion, of which £15.8 billion are due within one year, including amounts payable to suppliers and obligations under lease arrangements; and
- provisions with a value of £10.3 billion, of which £9.0 billion relates to nuclear decommissioning; provisions are present liabilities, such as the need to decommission nuclear sites, where the value or timing of payments is uncertain.

## MoD assets at 31 March 2024

**The largest share of MoD's assets is in single use military equipment (equipment which is only suitable for military purposes) and assets under construction**



### Note

- 1 Intangible assets are non-physical assets, such as development expenditure on physical assets.
- 2 Other primarily comprises inventories, cash and receivables.

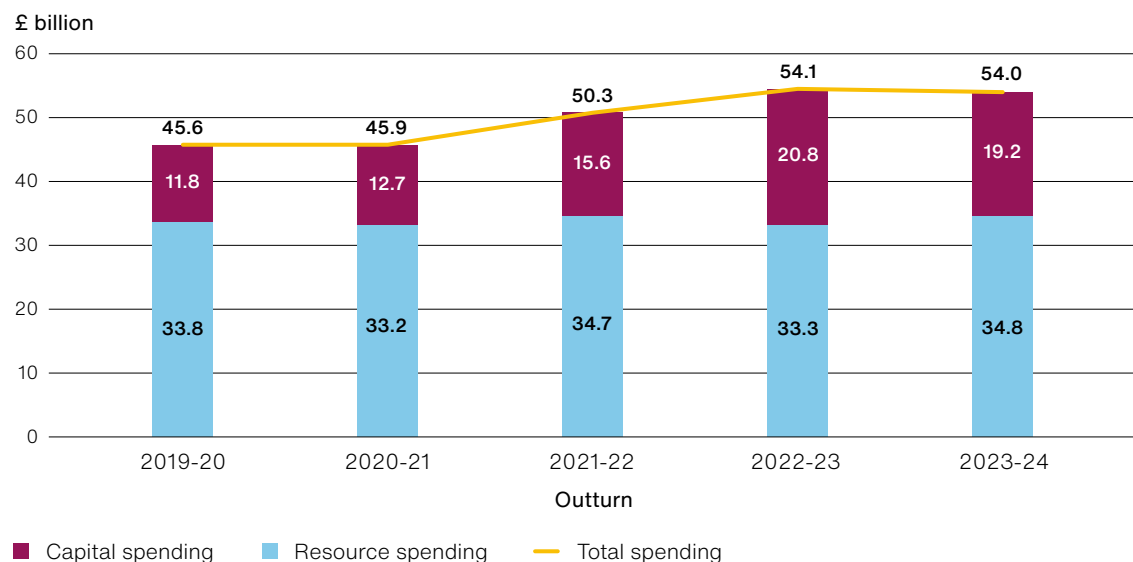
Source: National Audit Office analysis of Ministry of Defence Annual Report and Accounts 2023-24

# 8 MoD spending since 2019-20

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## MoD spending 2019-20 to 2023-24

Over the financial years concluded in the last Parliament, capital spending increased by 63% and day-to-day spending by 3%, once inflation is taken into account



### Notes

- Numbers represent MoD departmental expenditure limits voted by Parliament. As with all departments, HM Treasury, within an overall budget, sets MoD separate annual budgets for capital (spending on equipment, machinery and buildings, known as 'CDEL'), and resource (spending on day-to-day expenses such as staff costs and administration, known as 'RDEL').
- The resource spending figures differ from the running costs discussed in section 6 because the resource spending limits do not include non-cash transactions such as depreciation and provisions, for which MoD receives a separate ringfenced limit from HM Treasury, and because there are some items included in the resource spending definition set by HM Treasury which are not running costs. Operating expenditure does not include capital spending.
- The resource spending figures have been shown excluding ringfenced depreciation because HM Treasury describes RDEL excluding depreciation as its primary control for resource budgets.
- Resource and capital spending include a ringfenced budget for the cost of operations, including support to Ukraine since 2022-23.
- Numbers are shown in 2023-24 prices, i.e. taking account of inflation, using a GDP deflator taken from the Office of National Statistics.

Source: Treasury 'Red Book' figures from 2019-2023 and National Audit Office analysis of Ministry of Defence Annual Report and Accounts 2023-24

## Departmental spending trends

Over the last five years, when adjusted for inflation, annual spending on defence has increased each year except for 2023-24. Spending in 2023-24 was £54 billion, which is just over 18% higher than spending in 2019-20 (£45.6 billion in 2023-24 prices).

## Capital and resource spending

The great majority of the increase in overall spending has been in capital investment, which was 63% higher, adjusting for inflation, in 2023-24 than in 2019-20, largely as a result of higher spending on equipment. By contrast, spending on running costs has only increased by 3%, adjusting for inflation using a GDP deflator taken from the Office of National Statistics, over the same period.

The average number of full-time equivalent (FTE) MoD employees has increased by 1.3% over the period, from 220,029 in 2019-20 (156,027 military, 64,002 civilian) to 222,796 (151,905 military, 70,891 civilian) in 2023-24.



# 9 Major programmes

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MoD has some of the most costly procurement programmes (also known as projects) in government, with 50 in the 2023-24 Government Major Projects Portfolio (GMPP). Over many years, MoD has regularly experienced difficulties delivering many of its projects to required performance, cost and time. Of the 52 projects in the 2022-23 GMPP (the latest to be published), five were rated as Red, 41 as Amber and only two as Green, with four exempt. Among the causes of the problems are supplier under-performance; weaknesses in MoD programme, contract and financial management; MoD and suppliers underestimating project scope and technical complexity; and MoD prioritising short-term solutions given its affordability challenges. The Red-rated programmes include the

following: the next generation fighter aircraft, the programme to deliver nuclear submarine reactor cores, two programmes providing missiles to the RAF, and MoD's base information and communications technology.

**Notes on ratings:** Ratings are given by the programme Senior Responsible Owner, or Infrastructure Projects Authority (IPA), where a project receives active IPA support or has undertaken an independent IPA assurance in the last six months, provides a delivery confidence assessment each year as Red, Amber or Green. Prior to 2021-22 there were also categories of Amber-Red and Amber-Green; some MoD projects are exempt from this rating for national security reasons.

■ **Green:** Successful delivery of the project on time, budget and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery

■ **Amber-Green:** Successful delivery appears probable; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.

■ **Amber:** Successful delivery appears feasible but significant issues already exist, requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.

■ **Amber-Red:** Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to address these problems and/or assess whether resolution is feasible.

■ **Red:** Successful delivery of the project appears to be unachievable. There are major issues with project definition, schedule, budget, quality and/or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and/or its overall viability reassessed.

■ **Grey:** Data can be exempt in exceptional circumstances and in accordance with Freedom of Information requirements, e.g. protecting national security.

## Section 9:

### Major programmes *continued*

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#### Delivery confidence assessments for major defence projects from 2016 to 2023

**Most MoD projects are rated Amber**

Project name	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Air</b>								
A400M	Green	Amber	Amber	Amber	Amber	Amber	Amber	Amber
E-7 Wedgetail						Amber	Amber	Amber
European Common Radar System Mk2							Amber	Amber
Future Combat Air System (Global Combat Air Programme/Tempest)						Amber	Amber	Red
Lightning	Amber	Amber	Amber	Amber	Amber	Amber	Red	Amber
Maritime Patrol Aircraft		Amber	Amber	Amber	Amber	Amber	Amber	Amber
Marshall	Green	Amber	Red	Green	Amber	Green	Amber	Amber
Protector		Amber	Red	Amber	Amber	Amber	Amber	Amber
<b>Army</b>								
Armour Main Battle Tank 2025		Amber	Amber	Amber	Amber	Amber	Amber	Amber
Armoured Cavalry 2025 (Ajax)	Amber	Amber	Amber	Amber	Amber	Amber	Red	Amber
Chinook Capability Sustainment Programme							Green	Amber
Collective Training Transformation						Amber	Amber	Amber
Ground Based Air Defence							Amber	Amber
Land Environment Tactical Communication and Information Systems		Amber	Amber	Amber	Amber	Amber	Amber	Amber
Land Intelligence Surveillance Target Acquisition and reconnaissance							Amber	Amber
Mechanised Infantry Programme							Green	Amber
New Medium Helicopter						Amber	Amber	Amber
<b>Navy</b>								
Crowsnest Programme	Green	Amber	Amber	Amber	Red	Red	Red	Amber
Fleet Solid Support			Amber	Amber	Amber	Amber	Amber	Green
Maritime Electronic Warfare Programme						Amber	Amber	Amber
Mine Hunting Capability						Amber	Amber	Amber
Naval Support Integrated Global Network							Amber	Amber
Type 26 Global Combat Ship Programme					Amber	Amber	Amber	Amber
Type 31e			Amber	Amber	Amber	Amber	Amber	Amber



## Section 9:

### Major programmes *continued*

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Project name	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Nuclear</b>								
Astute Boats 1-7								
Aurora								
Clyde Infrastructure								
Core Production Capability								
Dreadnought								
MENSA								
Pegasus								
Submarine Dismantling Project								
Submarine Waterfront Infrastructure Future								
SSN AUKUS								
Teutates								
<b>Missiles</b>								
Brimstone 3								
Future Cruise Anti Ship Weapon								
Martlett								
Meteor								
Sea Venom								
Spearcap 3								
Spearfish Upgrade Programme								
<b>Cross Service enablers</b>								
Armed Forces Recruitment								
Defence Estate Optimisation								
Future Defence Infrastructure Services								
Joint Crypt Key Programme								
MODNnet Evolve								
New Style of Information Technology (Base)								
New Style of Information Technology (Deployed)								
Next Generation (fixed) Communication Network								
Project Bramley								
Skynet 6								

Source: Infrastructure and Projects Authority Annual Report 2022-23

# 10 NAO audit of MoD programmes

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The NAO regularly audits MoD programmes:

- from a thematic perspective, such as [contract management](#), and [delivering capability](#);
- the affordability of its equipment programmes as a whole (see below); and
- specific programmes, such as a series on [Carrier Strike](#) (the MoD's acquisition of its two aircraft carriers and supporting capability), and a report on [the Ajax armoured vehicle programme](#).

## NAO's annual audit of the MoD's Equipment Plan

Since 2012, MoD has published its Equipment Plan (the Plan) each year, setting out its intended investment in equipment and support projects over the next 10 years. Its aim is to produce a reliable assessment of the affordability of its equipment programme, to demonstrate to Parliament that the programme is based on realistic and effective long-term financial decisions.

Each year since 2012 the NAO has published a report examining MoD's assessment of the Equipment Plan's affordability and the robustness of the assumptions underlying it. MoD has consistently found it difficult to strike the right balance between increasing capability and living within its means. Overoptimism about budget and cost assumptions, and weaknesses in cost estimating, have together contributed

to high financial pressures, resulting in the business units within MoD responsible for delegated budgets typically making short-term savings and stopping lower-priority work.

In our Equipment Plan 2021-31 report, we set out the specific consequences for equipment delivery of the resulting increased costs of this pattern of behaviour. These include:

- the loss of capabilities, where funding is not included in later years of the Plan;
- a lack of funding to maintain or enhance existing capabilities; and
- reduced spending on support activities – such as replacing a programme of equipment updates with lower levels of maintenance.

## Equipment Plan 2023–2033: NAO report

In December 2023 we reported on the affordability of MoD's [Equipment Plan 2023–2033](#). The Plan included more than 1,800 projects, including the future nuclear deterrent, F35-B Lightning II aircraft, and new information and communication technologies.

MoD allocated a budget of £288.6 billion, 49% of its entire forecast defence budget. However, its central estimate of forecast costs was £305.5 billion, making the plan currently unaffordable by £16.9 billion (6%) – the largest deficit in the Plan since MoD first published it in 2012.

Those forecast costs include cost reductions of £35.9 billion that MoD expects to make. These include £18 billion for “managed adjustment for realism” because MoD expects that some projects will be delivered slower than planned and it will therefore not spend as much during the next 10 years. The other reductions are efficiencies, including £3.2 billion that MoD does not have plans for, and £1.7 billion of reductions in planned deliveries.

The Plan also does not include all the capabilities in the Integrated Review and Defence Command Paper, and their subsequent refreshes. These include life extensions for Challenger 2 tanks, operating a third F35-B squadron, and modernising the Royal Marines. MoD is uncertain how much these additional capabilities would cost but estimated in July 2023 that the Army alone could need around an additional £12 billion.

MoD faces significant challenges in delivering the Plan. These include supply chain risks, due to skills gaps such as a shortage of welders and staff with digital skills, shortages of key components such as semiconductors, and an increased demand for defence equipment in other countries. These constraints have delayed the delivery of projects, which has also increased the costs of maintaining existing equipment for longer. The supply chain is also affected by inflation, with MoD estimating in August 2023 that this had increased Plan costs by £10.9 billion.

# 11 Defence Nuclear

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MoD maintains a submarine-based nuclear deterrent as the cornerstone of national security policy. It currently operates four nuclear-armed deterrent submarines: the Vanguard class.

To maintain the deterrent for the future, MoD has committed to a major programme of modernisation of its nuclear forces. This involves the construction of four replacement submarines (the Dreadnought class), the design and construction of a replacement nuclear warhead, and the building and refurbishment of critical infrastructure including naval bases and manufacturing processes.

To do this work, MoD relies on a network of programmes, equipment and people, often referred to as the Defence Nuclear Enterprise (DNE). Its work includes designing, producing and maintaining submarines and nuclear warheads, and providing the necessary estate, people and support activities. Submarines and warheads are built, maintained and disposed of in the UK.

## Costs and the DNE ringfence

Defence nuclear spending is set to rise sharply over the next few years, having already increased substantially. In 2019 the Defence Nuclear Organisation (DNO), responsible for most defence nuclear spending, forecast that it would spend just under £44 billion in the subsequent ten years. By 2022 forecast spending for the subsequent ten years had risen to over £60 billion. In 2023, the ten-year forecast rose by 62% to nearly £100 billion. The Department's 2023-33 Equipment Plan calculated a total DNE forecast spend over the ten years of £117.8 billion, by adding spending on defence nuclear by the Royal Navy and Strategic Command to the DNO amount. This total represents 39% of overall Departmental forecast spend on equipment to 2033, a significantly higher proportion than in previous years.

The increasing costs have a significant impact on the affordability of the Equipment Plan. From 2023-2033 the Equipment Plan as a whole has a deficit of £16.9 billion, of which the DNE makes up nearly half (£7.9 billion).

In Spring 2023, in order to protect DNE spending, HM Treasury agreed that MoD should ringfence the DNE budget. This means that cost savings to address budget deficits in equipment and wider defence will need to come from areas of spending which do not contribute to the nuclear deterrent.

## NAO published reviews

In 2018, the NAO published [\*The Defence Nuclear Enterprise: a landscape review\*](#), to help Parliament better understand its complexities. In particular the Review described its component parts, governance, and the management of specific aspects. Subsequently the NAO has published reports on [\*Managing infrastructure projects on nuclear-regulated sites\*](#), and an [\*Investigation into submarine defueling and dismantling\*](#). The reports found some positive aspects in the way MoD was managing the DNE, but also found problems relating to the key risks of costs, skills, commercial relationships and delivery to schedule, which all need to be carefully managed as DNE activity and spending increase.



# 12 MoD workforce

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MoD has a whole-force approach to strategic workforce planning in which budget holders have freedoms to design their workforce approach to deliver Defence outputs. It faces challenges in recruitment and retention, which is particularly impacting on the level of specialist skills available.

At the end of March 2024, there were 116 whole-force skills pinch points assessed as significant or above. MoD has identified workforce challenges in priority areas including nuclear, digital, and cyber, commercial, science technology engineering and mathematics (STEM), medical and health, programme and project delivery. MoD is developing a whole-force skills picture to attract and retain these key skills in a challenging employment market.

MoD is also responding to the 2023 Haythornthwaite Review commissioned to look at the terms, conditions and incentivisation of service in the Armed Forces. Several actions to implement its recommendations are underway, including developing more flexible career paths and approaches to incentivising and rewarding staff.

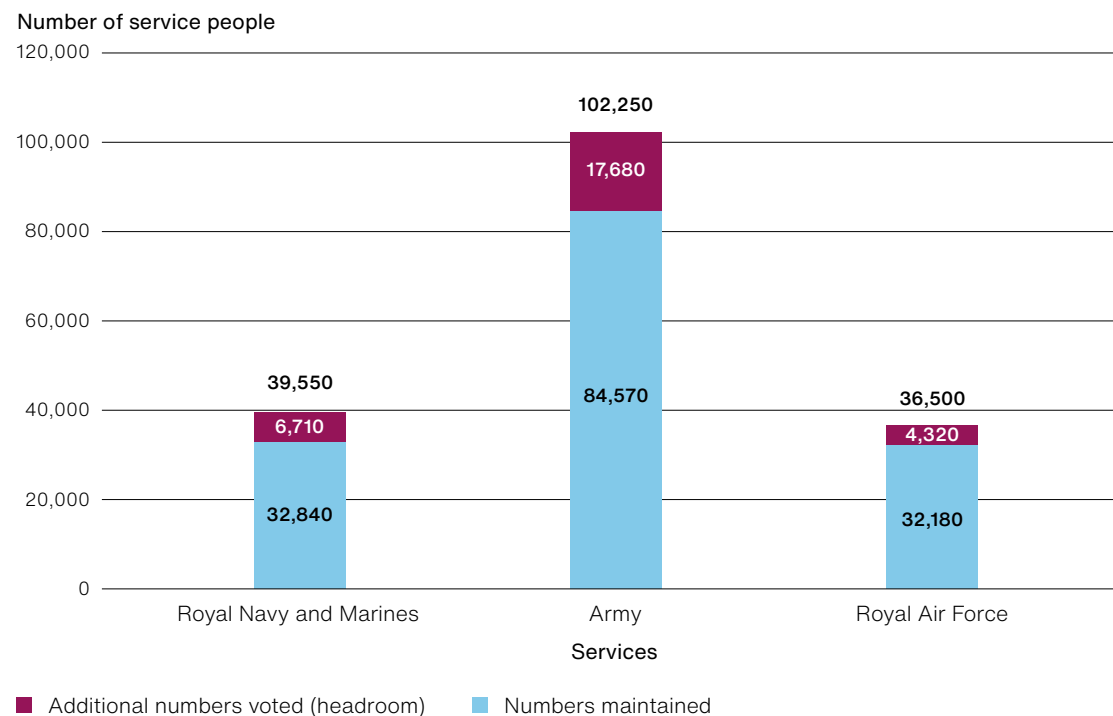
The NAO produced reports on MoD workforce including [Reforming the civilian workforce](#) in 2019 and an [Investigation into the British Army's Recruiting Partnering Project](#) in 2018.

MoD must seek parliamentary authority for the maximum number of service personnel to be maintained each year for the armed forces. Different numbers are voted for the regular armed forces and the reserve armed forces.

In 2023-24 the number of regular armed forces maintained was 83% of the voted maximum for the Royal Navy and Royal Marines, 83% for the Army, and 88% for the Royal Air Force. The maximum number for each Command includes a margin of 10% to cover unforeseen contingencies.

## Maximum regular service personnel numbers maintained vs numbers voted by Parliament in 2023-24

**Personnel numbers are below the amount voted for, even accounting for the 10% margin Parliament voted in order to cover unforeseen contingencies**



### Notes

- 1 The maintained numbers represent the peak number of personnel that each service employed during 2023-24, and are rounded to the nearest 10.
- 2 The maximum number for each service includes a margin of 10% to cover unforeseen contingencies.

Source: National Audit Office analysis of Ministry of Defence Annual Report and Accounts 2023-24

## Scale of the estate

The MoD has access to approximately 432,500 hectares of land in the UK, which comprises 1.8% of the country's landmass. It owns or controls 225,800 hectares of this land, of which about two-thirds is rural and used primarily for training and ranges. The remaining approximately 75,000 hectares are a built estate, comprising offices, houses, technical facilities, and storage and support for military equipment and inventory. The built estate consists of 900 sites, which have roughly 96,000 buildings and other assets such as runways and electrical networks. The MoD also manages 200,000 hectares of land overseas.

The MoD's 2023-24 accounts valued all MoD estate assets at £33.4 billion on 31 March 2024.

## Nature of the estate and MoD's major programmes of work

The MoD has acknowledged that the scale, nature and location of the estate needs to be better aligned to current and future Armed Forces' size and composition. It also recognises that much of its built estate is old, of poor quality, and expensive to run. Around 40% of its estate assets are over 50 years old. The MoD has acknowledged that too many of its Service personnel do not have the standard of housing that they should reasonably expect.

Since 2016, the MoD's single biggest estates change programme has been the Defence Estate Optimisation Portfolio. This is a 25-year, £5 billion portfolio of interdependent infrastructure programmes, involving construction activity, personnel moves and land disposal. A key objective of the programme is to deliver new and refurbished military accommodation and housing for over 40,000 soldiers, airmen and airwomen, sailors and their families.

In October 2022 the MoD published the Defence Accommodation Strategy that set out an enhanced accommodation offer for personnel, their partners and their families. The strategy establishes a new minimum standard for Single Living Accommodation (SLA) against which the estate is now being assessed.

Overall, the MoD spends approximately 12% of its annual resources on its estate, amounting to around £5 billion a year.

## NAO published reviews

In 2021, the NAO published *Optimising the defence estate*, which examined progress on the estate optimisation strategy since 2016. It found that the MoD had made limited progress in five years in rationalising the estate, only cutting its built estate by 2%, although recent changes had put the strategy on a stronger foundation for the future. Also in 2021, the NAO published *Improving Single Living Accommodation*, which found an overall decline in the condition of SLA, and that the MoD was not meeting its commitment to provide high-quality subsidised accommodation to all service personnel.

# 14 Support for overseas operations

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## Context

The [2023 Defence Command Paper](#) sets out that MoD's policy is to increasingly compete, challenge and contest global threats, wherever they are, and that in future MoD is to take a more proactive campaigning approach against threats from state and non-state actors. This approach is to be supported by a new Global Operate Programme, which aims to "double the effect that MoD achieves in the world by 2030". A new Global Response Force (GRF) will bring together deployed and high-readiness forces to respond quickly wherever required. MoD intends that its Global Hubs in Cyprus, Gibraltar, Germany, Oman and Kenya, together with its Overseas Territories bases, such as on the Falkland Islands, will increasingly act as the springboards to project Defence globally.

## Military operations

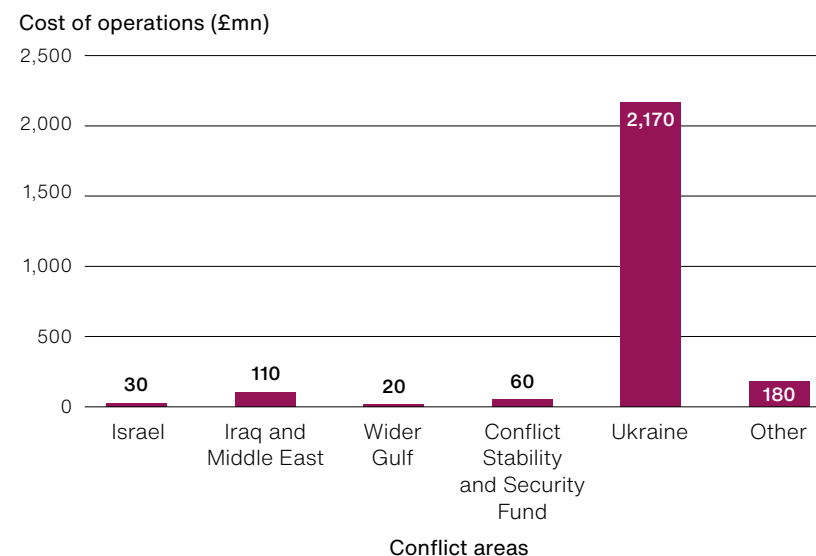
Over the last year, UK armed forces were engaged in specific military operations around the world. They supported Ukraine (see next page), policed the skies over the Middle East – including deterring missile attacks from Iran, protected shipping lanes in the Red Sea – including attacking hostile actors in Yemen, and undertook peacekeeping activities in Kosovo and elsewhere.

MoD reports the additional costs of its military operations in its annual report. These costs do not include planned expenditure such as salaries. The funding sources include:

- Deployed Military Activity Pool (DMAP): a joint HM Treasury and MoD initiative to make resources available to fund initial short-term costs of unforeseen military activity;
- Integrated Security Fund: a cross-government fund enabling funding for conflict prevention, stabilisation, security and peacekeeping activities, under the direction of the National Security Council (NSC); and
- Special Reserve: a HM Treasury fund to meet the costs of large-scale and/or enduring military operations as directed by the National Security Council.

## Cost of military operations by conflict area 2023-24

**The majority of the £2.6 billion spent on military operations in 2023-24 relates to Ukraine**



Source: National Audit Office analysis of Ministry of Defence Annual Report and Accounts 2023-24



# 15 Military support for Ukraine: NAO investigation

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In September 2024 we published an investigation into the MoD's provision of military support to Ukraine. Between January 2022 and March 2025, the UK government expects to spend £7.8 billion in military support for Ukraine, including spending to date and funding announced for 2024-25. As of summer 2024, some 233 MoD staff worked in 'Operation Scorpius', on the MoD's main activities in support of Ukraine.

From this funding total, by March 2024 the MoD had spent £2.4 billion on the procurement of military equipment for Ukraine, as well as contributing £500 million to multinational procurement via the International Fund for Ukraine. The 'net book value' of equipment donated up to March 2024 (representing its original cost minus depreciation for age and wear and tear) was £171.5 million. Taskforce Kindred, part of Operation Scorpius, leads the MoD's efforts to provide equipment to Ukraine, while Defence Equipment & Support

(DE&S) oversees the legal and practical work of procuring equipment from suppliers. DE&S's logistics contractor Team Leidos and the Royal Air Force (RAF) deliver the equipment to handover points in Eastern Europe. The MoD has estimated the cost of replacing its donated equipment at £2.71 billion, to be spent over the years up to 2030-31.

Over the last two years, the MoD has spent £315 million on training programmes for the Armed Forces of Ukraine (AFU). 'Operation Interflex' has provided training for 42,050 Ukrainian infantry troops between June 2022 and July 2024, at British Army training sites in the UK. Other specialist programmes include training for combat life savers and medics, chaplains and marines. Interflex is taking up more than a quarter of the British Army's training estate, and the MoD has acknowledged that this will constrain the Army's capacity to train its own soldiers.

The MoD considers that lessons from the Ukraine conflict highlight the need for sufficient stockpiles of munitions to sustain maritime, air, and land operations, a requirement heightened by the donations it has made from its existing stockpiles. DE&S is seeking to apply lessons from its acceleration of procurement under Operation Scorpius to its core business.



# 16 More information about our work on MoD

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This page gives more detail about four of the 14 reports we have published since April 2019

## Defence inventory management

13 September 2023

This report examined the extent to which MoD has addressed its long-standing challenges with inventory management and is set up to achieve the ambitions set out in its Support and Supply Chain Strategies.

The report found that MoD is not set up to deliver value for money from its management of inventory worth £11.8 billion. Its management is inefficient, with different policies and processes in place across different organisations and commands.

## The Digital Strategy for Defence: A review of early implementation

19 October 2022

This report examined whether MoD was on track to achieve value for money in implementing its Digital Strategy for Defence, published in May 2021.

The report found that the Strategy was providing clear direction across MoD, although MoD cannot readily measure whether implementation is on track.

Furthermore, MoD's ability to deliver digital programmes is hindered by a lack of people with the right digital skills.

The MoD accepted our recommendation that it should immediately create a clear delivery plan for the strategy, and finalised its Digital Strategy Delivery Plan in April 2023. This was accepted by MoD as an impact of the NAO's work.

## The Ajax Programme

11 March 2022

This report examined MoD's progress in delivering Ajax armoured fighting vehicles to replace the Army's reconnaissance vehicles. The MoD contracted primarily with GDLS UK to deliver 589 vehicles for a contract price of £5.5 billion, within a programme budget of £6.35 billion.

The report found that the programme had yet to deliver value for money, with the in-service date having been

pushed back by four years. MoD had failed to understand the scale or complexity of the programme. Programme management failures left safety and technical issues unresolved, with MoD in dispute with GDLS UK.

The Programme was formally reset in September 2023, and is working to a revised delivery schedule. Planned Initial Operating Capability has been revised to December 2025. Planned Full Operating Capability has been revised to September 2029.

## Optimising the defence estate

11 June 2021

This report examined MoD's progress in delivering its Defence Estate Optimisation (DEO) strategy and disposing of sites it no longer needed.

The report found that MoD had yet to demonstrate it could deliver value for money from its estate. It had made limited progress in rationalising its estate, with the size of

the built estate cut by just 2%. This had reduced MoD's estimate of benefits from the strategy from £2.4 billion to £0.65 billion.

The DEO strategy remains ongoing, having been set up in 2016 as a 25-year investment strategy.

In our reports we make recommendations and follow up on those recommendations in a [tracker](#) on our website to promote scrutiny and parliamentary accountability. As at the end of September 2024, there were 14 reports on the tracker relating to MoD, containing 72 recommendations. Of these MoD has accepted 71 and partially accepted 1 and, so far, implemented 43.

# 17 Things to look out for

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There is broad consensus across the political spectrum that global security is deteriorating amid rising geopolitical volatility, implying increasing threats to UK interests at home and abroad, and potentially increasing demand on UK Armed Forces.

The new government has stated that tackling the threats will require new approaches to ensure the UK has the capabilities it needs. In July the Prime Minister launched a [Strategic Defence Review](#), which is taking a “root and branch” review of UK Defence, and is to report in the first half of 2025. In particular, the Review will consider “the threats Britain faces, the capabilities needed to meet them, the state of UK armed forces and the resources available”.

Notwithstanding the Strategic Review, the following key trends and issues are likely to affect the work of MoD over coming years.

- **Shift in how MoD invests increasing resources:** The new government has committed to spending 2.5% of GDP on defence in future, and has stated that it will set out how and when it intends to achieve this in a “future fiscal event”. It is likely that these increasing resources will be invested differently to the past. A shift is already under way: the 2023 Defence Command Paper, *Defence’s response to a more contested and volatile world*, set out some lessons from the war in Ukraine,

including the need to move away from basing acquisition primarily on large, multi-year physical equipment ‘platforms’. Instead, investment should be prioritised in software as much as hardware, including cutting-edge technologies (e.g. autonomous vehicles and direct energy weapons) and research (e.g. Artificial Intelligence), as well as in the new domains of cyber and space capabilities. It also set out the need to increase munitions stockpiling to build resilience.

- **Nuclear deterrent:** The new government has signalled that one of its highest priorities is the need to invest in updating the nuclear deterrent, which is likely to make up an increasing proportion of total defence spending (see section 11).
- **MoD reform:** The 2023 Defence Command Paper acknowledged that more resources alone would not be enough to meet the increasing challenge facing Defence, and the new government has expressed its desire to reduce waste in the use of resources, particularly in procurement. Two key current reforms to look out for are:
  - **Acquisition reform:** In February 2024 the previous government launched the [Integrated Procurement Model](#), which set out procurement reforms to increase the pace and agility of equipment acquisition, including, for example, by reducing bureaucracy and embedding

‘spiral’ development, whereby projects deploy a minimum capacity more quickly and iterate the design over the project life. The Strategic Defence Review is looking again at the approach and other initiatives, with the aim of building on them to drive more pace and better value for money in equipment acquisition in future years.

- **Stronger international partnerships:** The new government has emphasised the need to enhance the UK’s defence partnerships, including planning for a UK-EU security pact. It has also expressed support for existing long-term international procurement partnerships including AUKUS with USA and Australia, to build conventional nuclear submarines; and the Global Combat Air Programme (GCAP), with Italy and Japan, to build a sixth-generation fighter aircraft. This is in line with the “Allied by Design” policy set out by the previous government in the Defence Command Paper.
- **Support for Armed Forces communities:** The new government has committed to put the Armed Forces Covenant fully into law and establish an independent Armed Forces Commissioner to act as an independent voice to improve Service life for Service Personnel and their families.