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Committee of Public Accounts

MoD Equipment Plan 2023–2033

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to the report*

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The Committee of Public Accounts

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Summary

This year's Equipment Plan (the Plan) reveals that there is a £16.9 billion deficit between the Ministry of Defence's (the MoD's) capability requirements and its budget, despite the MoD having increased the Plan's budget by £46.3 billion. This is the largest funding deficit in any of the 12 Plans the MoD has published since 2012. It is also a marked deterioration in the reported financial position since last year's Plan, which the MoD judged to be affordable but this Committee concluded was not and that is characterised by optimism bias. The real deficit, however, is even larger, because some parts of the Armed Forces have not included costs for all the capabilities government expects the MoD to provide, but only those they can afford. The Army, for example, could need around £12 billion more to fund all the capabilities the government seeks.

The MoD has not had the discipline to balance its budget by making the difficult choices about which equipment programmes it can and cannot afford. Instead, it has opted to assume—or perhaps, given the uncertainty, hope—that fiscal and economic circumstances will improve during the next ten years so that government will fulfil its aspiration to annually spend 2.5% of GDP on defence. This, combined with the marked deterioration in the Plan's affordability, means that the MoD has not credibly demonstrated to Parliament how it will manage its funding to deliver the military capabilities that government wants.

In this Committee's report on last year's Plan, we commented that we saw the same problems recurring year-on-year, with many defence procurement programmes being delayed and over-budget. We are disappointed, if not surprised, that these failings are evident yet again. The need for the MoD to assert firm control on defence procurement remains as acute as ever.

The MoD has asked the Committee for our views on how the MoD could best update Parliament on equipment affordability in the future. Our recommendations set out several ways to do this, including improving the effectiveness and transparency of future Plans, so that Parliament can better hold the MoD to account. There are areas of the Plan which cannot be scrutinised in the public domain for security reasons. We are concerned that there is a gap in Parliament's ability to hold the MoD to account for spending and delivery in those areas which do not fall within the mandates or practical working arrangements of other committees such as the Defence Select Committee, the Joint Committee on the National Security Strategy or the statutory Intelligence and Security Committee of Parliament. The Committee will seek to work with the Government and within Parliament to identify a practical solution to enable effective scrutiny across sensitive areas of defence spending and delivery.

Finally, we note the Department's statement in the House on 28 February 2024 regarding Acquisition Reform and the proposed new Integrated Procurement Model (IPM). We have not yet had an opportunity to examine and take a view on this, but would encourage our successor Committee do to so in any consideration of next year's expected MoD Equipment Plan (which may well be affected by some of the proposed reforms).

Introduction

The Ministry of Defence (the MoD) has published its Equipment Plan (the Plan) each year since 2012, setting out its 10-year spending plans on equipment procurement and support projects. The MoD's aim is to produce a reliable assessment of the affordability of its equipment programme, and to demonstrate to Parliament how it intends to manage its equipment funding. Each year, the National Audit Office (NAO) publishes a report examining the MoD's assessment of the Plan's affordability and its response to the financial challenges it faces.

This year's Plan, which is based on financial data at 31 March 2023 and was published in December 2023, covers the period from 2023 to 2033. It contains forecast costs for some 1,800 equipment projects that the MoD has chosen to fund following the 2021 Integrated Review of security, defence, development, and foreign policy and the associated Defence Command Paper. Both the Integrated Review and the Command Paper were refreshed and broadly endorsed by the government in 2023. The Plan includes equipment in early-stage development, equipment that is already in use and budgets to support and maintain military capabilities.

The MoD has allocated a budget of £288.6 billion to the current Plan's 10-year timeframe. This is £46.3 billion more than the MoD allocated in the 2022–2032 Plan and is 49% of the entire 10-year forecast defence budget. However, forecast costs have increased by £65.7 billion to £305.5 billion, resulting in a £16.9 billion deficit between the MoD's capability requirements and the budget available to provide them. This is the largest affordability gap in any of the 12 Plans published by the MoD to date.

Conclusions and recommendations

1. **The MoD’s approach to dealing with the largest Equipment Plan deficit ever is an optimistic assumption that government will fulfil its ambition to spend 2.5% of GDP on defence each year.** Despite the MoD having increased the budget for this year’s Plan by £46.3 billion, forecast costs over the next ten years exceed this budget by £16.9 billion. Part of the reason for this deterioration is inflation, which the MoD estimates added £10.9 billion to its costs, and adverse foreign exchange movements which added £2.2 billion. The greatest cause of cost increases, however, is the MoD’s decision to fully fund the nuclear enterprise, with costs at the Defence Nuclear Organisation having increased by £38.2 billion (a rise of 62% compared to the previous Plan). The MoD, however, is unwilling to address this deficit by making major decisions about cancelling programmes. It asserts that such decisions should wait until after the next Spending Review, which is expected in 2024 but might conceivably be delayed by the forthcoming general election, the timing of which is also uncertain.¹ The MoD also argued that if the government fulfilled its aspiration of spending 2.5% of GDP each year on defence, the Plan might be affordable. However, the government will only increase defence spending from the current 2.1% to 2.5% of GDP if fiscal and economic circumstances allow, and there is no certainty when or whether this will occur.

Recommendation 1: *The MoD should demonstrate in its future Plans that it has a disciplined approach to budgeting which keeps costs in line with the funding available, challenges project teams on costs and takes account of risks such as inflation. It should also include a prioritised list of capabilities that government expects it to deliver, and clearly set out what it would need to cut if future funding does not meet the 2.5% aspiration.*

2. **The Plan is inconsistent because some parts of the Armed Forces include the costs of all capabilities that the government expects them to deliver, while others only include those they can afford.** The MoD’s aim is that the Plan provides a reliable assessment of the affordability of its equipment programme and demonstrates to Parliament how it will manage its funding to deliver equipment projects. The MoD headquarters provides the Front Line Commands and other budget holders with guidance on preparing their cost forecasts. However, it allows the budget holders to take different approaches to whether they include in their forecast costs all the capabilities they need to meet government’s expectations, or just those capabilities that they can afford. This flexibility has created an inconsistency of approach, which means that users of the Plan cannot compare Commands and other budget holders on a like-for-like basis. For example, the Royal Navy has included in the Plan predicted costs for all the capabilities the MoD expects it to deliver, and it has reported a deficit of £15.3 billion. In contrast, the Army has reported a deficit of £1.2 billion in the Plan, because it only includes those projects it can afford. However, its deficit would increase by around £12 billion if it had included all the capabilities the government has requested. The MoD conceded that a Plan compiled on a consistent basis would clearly be easier to interpret.

¹ The date of the general election will be determined by the government, but must happen no later than 28 January 2025 according to the Electoral Commission.

Recommendation 2: *In future Plans, the MoD should ensure that all budget holders adopt the same approach to including forecast costs. This will help the Plan to achieve its aim of providing a reliable assessment of the affordability of its equipment programme, and improve transparency so allowing the Plan’s users, including Parliament, to compare contributors’ positions on a like-for-like basis.*

3. **The MoD’s prioritisation of the Defence Nuclear Enterprise carries a risk that this will further squeeze budgets for conventional capabilities.** Maintaining the nuclear deterrent remains the MoD’s highest defence priority. This year’s Plan is the first time that the MoD has set out its nuclear budget separately from other defence spending, and it has sought to limit the long-term costs of its nuclear programmes by prioritising their quicker delivery over immediate cost constraints. The MoD said that its nuclear programmes are in a much healthier position than for many years and that the £7.9 billion deficit in the nuclear budget is manageable. To deliver these savings requires significant work and is a huge challenge. We are concerned that this will be difficult to deliver. The MoD has agreed a minimum budget with HM Treasury for its nuclear activities, and it said that it might ask HM Treasury for more money for nuclear programmes in future planning rounds. If additional money is not forthcoming, the MoD has the flexibility to redirect money from its budgets for conventional equipment to nuclear programmes. However, the current budget for conventional equipment is £9 billion less than forecast costs, and HM Treasury recognises that it will be difficult for the MoD to fund fully its nuclear requirements through the reprioritisation of conventional capabilities.

Recommendation 3: *The MoD should build upon the transparency it introduced in this year’s Plan regarding nuclear costs and budgets by reporting trends in nuclear funding and how these might affect budgets for conventional capabilities in future Plans.*

4. **Uncertainty about the MoD’s future demand for equipment hinders its work with industry to develop a resilient, responsive, and cost-effective supply chain.** Key lessons from the war in Ukraine include the need for the Armed Forces to invest in weapon stockpiles and ensure resilience and agility in sustaining military capabilities. The MoD has earmarked £5 billion during the decade to 2032–33 to do this, half of which is additional funding provided by the HM Treasury across 2023–24 and 2024–25. The MoD recognises that building capacity, including the industrial skills base, will take time, and that in order to invest industry must have the confidence that the level of demand will continue. The MoD has launched some initiatives to provide assurance regarding future demand, including an order with BAE Systems for 155mm artillery shells. It is also engaging with industry to discuss technical developments which are occurring at fast pace because of the war in Ukraine. However, the failure to provide budgets that match ambition, such as the £5.9 billion funding shortfall in the shipbuilding pipeline, risks undermining suppliers’ confidence to invest in their capacity.

Recommendation 4: *In order to build industry’s confidence to invest in supply chain capacity, the MoD should develop and communicate clear and funded schedules of work for the procurement and support of its military equipment.*

5. **The MoD’s strategy for replacing ageing capabilities is undermined by the slow delivery of new systems, resulting in military capability gaps.** Despite the MoD working with prime contractors to better understand its supply chain, increased international demand for key components and skilled workers has contributed to the slow delivery of defence equipment, including digital communications, armoured vehicles, and Royal Navy ships. For example, technical issues developing the state-of-the-art Type 26 frigate have contributed to delays, and the delivery of new warships for the Royal Navy is considerably slower than in other countries such as Japan. It has also been difficult for the defence industry to attract suitable candidates because the skilled people it requires, such as engineers, are in high demand globally. As a result, only two of the 46 MoD equipment programmes that are included in the Government Major Projects Portfolio (GMPP) are rated as being highly likely to be delivered to time, budget, and quality. Successful delivery appears to be unachievable for five GMPP programmes, including replacement communications technology, nuclear submarine reactors, and missiles. The MoD said that an emphasis on pace would be a key aspect of the new procurement strategy, which was subsequently announced in the House on 28 February 2024 as the new “Integrated Procurement Model” (IPM). In the meantime, the intensive use of existing equipment is creating a maintenance backlog that will take more time and money to address, leaving the UK’s Armed Forces having to make do with fewer pieces of ageing equipment.

Recommendation 5: *The MoD should include in next year’s Plan an assessment of what impact its new procurement strategy has had on improving the delivery of new capabilities and set out how this will provide continued improvement going forward.*

6. **The MoD is becoming increasingly reliant on the UK’s allies to protect the UK’s national interests, which carries the risk that such support might not always be available.** Recent international developments, including the war in Ukraine, have reinforced the importance of strategic international partnerships for the UK. The UK has been working with its allies, including Ukraine, to develop interoperable equipment, pool essential munitions and encourage industry to build its capacity to supply the necessary equipment. However, for deterrence to be effective the UK’s Armed Forces must be credible. Such credibility is undermined by widely reported recruitment and retention issues, with more people leaving the Armed Forces than are being recruited, the mothballing of Royal Navy ships because of crew shortages, and the unavailability this year of the only Royal Navy ship able to fully replenish the UK’s aircraft carriers because of a refit. Given the changing global security picture, it is vital for the MoD to work with industry, including through the Defence Suppliers Forum, and also the higher education sector to ensure sufficient supply of highly skilled workers and also apprentices to the defence sector. With the support of its allies, the UK’s Armed Forces continue to fulfil a crucial role internationally. However, many allies are facing similar challenges to the UK, which might affect their ability and willingness to continue providing extensive support.

Recommendation 6: *The MoD should assess the extent to which its capability requirements are reliant on support from the UK’s allies and develop mitigations for how it would manage the risk of allied support being curtailed or withdrawn.*

1 The affordability of the Equipment Plan

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Ministry of Defence (the MoD) on the Equipment Plan 2023–2033 (the Plan).²
2. The MoD has published an Equipment Plan each year since 2012, in which it sets out its 10-year spending plans on equipment procurement and support projects. The MoD’s aim is to produce a reliable assessment of the affordability of its equipment programme, and to demonstrate to Parliament how it intends to manage its equipment funding. Each year the National Audit Office (NAO) publishes a report examining the MoD’s assessment of the Plan’s affordability and its response to the financial challenges it faces.³
3. This year’s Plan, which is based on financial data at 31 March 2023 and was published in December 2023, covers the period from 2023 to 2033.⁴ It contains forecast costs for some 1,800 equipment projects that the MoD has chosen to fund following the 2021 Integrated Review of security, defence, development, and foreign policy and the associated Defence Command Paper.⁵ Both the Integrated Review and the Command Paper were refreshed and broadly endorsed by the government in 2023.⁶ The Plan includes equipment in early-stage development, equipment that is already in use and budgets to support and maintain military capabilities.⁷ In July 2023, the MoD wrote to the Committee to explain that it would not publish a full Equipment Plan report this year. The MoD explained that it needed to understand further how to mitigate the impacts of inflation, and to work through the consequences of the 2023 Command Paper. However, the MoD nonetheless undertook the same depth of financial analysis as in previous years.⁸

MoD’s response to the Plan’s unaffordability

4. In this year’s plan, the MoD has allocated a budget of £288.6 billion over its 10-year horizon. This is £46.3 billion more than the MoD allocated in the 2022–2032 Plan and is 49% of the entire 10-year forecast defence budget to 2032–33.⁹ However, forecast costs have increased by £65.7 billion to £305.5 billion, resulting in a £16.9 billion deficit between the MoD’s capability requirements and the available budget.¹⁰ This is the largest affordability gap in any of the MoD’s Plans, which the MoD has published since 2012.¹¹
5. Part of the reason for this deterioration is inflation, which the MoD estimates has added £10.9 billion to its costs, and adverse foreign exchange movements which have

2 C&AG’s Report, [The Equipment Plan 2023–2033](#), Session 2023–24, HC 315, 4 December 2023

3 C&AG’s Report, paras 1, 3, 1.3

4 Q 12; C&AG’s Report, para 2

5 C&AG’s Report, paragraph 1.2; HM Government, [Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy](#), March 2021, Command Paper, CP 403; Ministry of Defence, [Defence in a competitive age](#), March 2021, Defence Command Paper, CP 411

6 C&AG’s Report, paragraph 11; HM Government, [Integrated Review Refresh 2023: Responding to a more contested and volatile world](#), March 2023, Command Paper, CP 811; Ministry of Defence, [Defence’s response to a more contested and volatile world](#), July 2023, Defence Command Paper, CP 901

7 C&AG’s Report, para 2

8 C&AG’s Report, para 6

9 C&AG’s Report, paras 2, 9

10 Q 12; C&AG’s Report, para 9

11 C&AG’s Report, para 1.6

added £2.2 billion.¹² The greatest cause of cost increases, however, is the MoD’s decision to fully fund the nuclear enterprise. This has increased 10-year costs at the Defence Nuclear Organisation by £38.2 billion (62%) compared with last year’s Plan, to £99.5 billion. Costs at the Royal Navy, 20% of whose budget is for nuclear, have increased by £16.4 billion (41%).¹³

6. The MoD told us that the Plan is effectively work in progress, and that it needed to do more to clarify assumptions around budget, costs and the content of the programme. The MoD is at present unwilling to address the deficit by making major decisions about cancelling projects.¹⁴ The MoD accepts that it will have to make hard-edged decisions about deleting, de-scoping or deferring projects at some point.¹⁵ However, it asserts that such decisions should wait until after the next Spending Review, which is expected in 2024 but which might be delayed by the forthcoming general election.¹⁶ In the meantime, the MoD’s approach is to only sign contracts for those projects it is confident it wants in the forward programme, come what may. For other projects, the MoD said it would decide case by case whether it makes sense to defer signing contracts at present.¹⁷ However, cancelling equipment late in the programme risks losing more money, rather than cancelling it earlier.

7. The MoD told us that if the government fulfils its commitment to spending 2.5% of Gross Domestic Product (GDP) each year on defence, the Plan could well be affordable.¹⁸ The current defence budget is 2.1% of GDP, which increases to 2.25% when the UK’s support for Ukraine is included. The MoD said that the difference between 2.25% and 2.5% of GDP is about £6 billion or £7 billion.¹⁹ However, the government will only increase non-Ukraine defence spending to 2.5% of GDP if fiscal and economic circumstances allow, and there is no certainty when or whether this will occur.²⁰

8. The MoD asserted that it was not a gamble to assume that its budget will increase to 2.5% of GDP.²¹ At present, however, the MoD has budget certainty only to the end of March 2025, which hinders its ability to plan with any degree of precision over 10 years.²² The MoD said that it made sense for defence to have a multi-year settlement.²³ From a military perspective, a five-year settlement would help the MoD provide long-term deterrence by allowing it to build the confidence the defence industry needs to invest in its capacity.²⁴ The MoD also told us that if government’s ambition for defence spending was reduced to less than 2.5%, it would need to revise the level of capability it could buy to match the smaller budget.²⁵

12 Q 12; [Correspondence from MoD to PAC](#), 4 December 2023

13 Q 12; C&AG’s Report, para 1.8

14 Qq 12, 13

15 Q 62

16 Qq 13, 68, 69

17 Q 16

18 Qq 19, 20, 136–138

19 Q 99

20 Q 13; C&AG’s Report, para 2.25

21 Q 66

22 Qq 18, 19, 93

23 Qq 70, 71

24 Q 73

25 Q 67

Inconsistencies in the Plan

9. The MoD’s aim is that the Plan provides a reliable assessment of the affordability of its equipment programme and demonstrates to Parliament how it will manage its funding to deliver equipment projects.²⁶ The MoD’s headquarters provides the Front Line Commands and other budget holders with guidance on preparing their cost forecasts. However, it allows the budget holders to take different approaches to whether they include in their forecast costs all the capabilities they need to meet government’s expectations, or just those capabilities that they can afford.²⁷ For example, the Royal Navy has included in the Plan predicted costs for all the capabilities the MoD expects it to deliver, and it has reported a 10-year budget deficit of £15.3 billion. In contrast, the Army has reported a deficit of £1.2 billion because it only includes those projects it can afford: its deficit would increase by around £12 billion if it included all the capabilities it needs.²⁸

10. This flexibility means that users of the Plan, including Parliament, cannot compare Commands and other budget holders on a like-for-like basis.²⁹ The MoD assured us that its ability to understand the Armed Forces’ capability and operational risks was unaffected by budget holders using different approaches to costing.³⁰ However, as the Minister of State for Defence said in the House of Lords on 7 December 2023: “I have looked at budgets for the last 40 years and I have never seen a budget that resembles anything like this one, and that is not just the absolute figures. The way in which it is constructed means that it is very difficult to get to exactly the way in which the money moves around”.³¹ We are similarly puzzled about how the Plan can be allowed to contain such inconsistent approaches.³² The MoD conceded that this was not the most transparent part of its planning process, and that a Plan compiled on a consistent basis would clearly be easier to interpret.³³ The MoD confirmed that it was happy to accept the NAO’s recommendation that the Plan should be prepared on a more consistent basis, and also conceded that the current approach made it difficult for us to hold the MoD to account.³⁴

Funding the Defence Nuclear Enterprise

11. Maintaining the nuclear deterrent remains the MoD’s highest defence priority. This year’s Plan is the first time that the MoD has set out its nuclear budget separately from other defence spending.³⁵ The MoD has sought to de-risk and limit the long-term costs of its nuclear programmes by prioritising their quicker delivery over immediate cost constraints.³⁶

12. The MoD said that its nuclear programmes are in a much healthier position than for many years.³⁷ The MoD has agreed a minimum 10-year budget with HM Treasury for its nuclear activities of £109.8 billion, and it said that the £7.9 billion deficit in the

26 C&AG’s Report, para 1.3

27 Qq 24, 25

28 Q 26; C&AG’s Report, para 1.12

29 C&AG’s Report, para 1.13

30 Qq 24, 25

31 House of Lords, [Ministry of Defence: Equipment Plan](#), volume 834, 7 December 2023

32 Q 26

33 Qq 27, 65

34 Q 26

35 C&AG’s Report, paras 16, 2.16

36 Q 12; C&AG’s Report, para 2.17

37 Q 78

nuclear budget compared to forecast costs was broadly manageable.³⁸ However, the MoD acknowledged that it cannot rule out asking HM Treasury for more money for nuclear programmes in future planning rounds.³⁹

13. The MoD's prioritisation of the nuclear enterprise carries a risk that this will further squeeze budgets for conventional capabilities, because if additional money is not forthcoming, the MoD has the flexibility to redirect money from its conventional equipment budgets to nuclear programmes.⁴⁰ However, HM Treasury recognises that it will be difficult for the MoD to fund fully its nuclear requirements through the reprioritisation of conventional capabilities, given that the forecast cost for conventional equipment is £9 billion more than the expected budget.⁴¹

38 Q 77; C&AG's Report, para 2.17

39 Q 78; C&AG's Report, para 2.15

40 Qq 80, 82; C&AG's Report, para 2.19

41 C&AG's Report, para 2.19

2 Wider issues affecting the Equipment Plan

Working with the supply chain

14. The Ministry of Defence (the MoD) is working with industry to develop a resilient, responsive, and cost-effective supply chain. For example, it told us that it has been working with the Defence Suppliers Forum, which covers about 80 companies directly and the whole supply chain through trade associations, to ensure that its suppliers are monitoring supply chain fragility. It has also worked with its prime contractors to get visibility of at least four levels down in its supply chain.⁴²

15. Key lessons from the war in Ukraine include the need for the Armed Forces to invest in weapon stockpiles and ensure resilience and agility in sustaining military capabilities.⁴³ The MoD has earmarked £5 billion over the decade to 2032–33 to develop this, half of which is additional funding provided by HM Treasury in 2023–24 and 2024–25.⁴⁴ The MoD has started using the new money from HM Treasury on both enhancing production capacity and working down through the supply chain to secure the supply of essential commodities, such as chemicals.⁴⁵

16. The MoD recognises that building capacity, including the industrial skills base, will take time, and that for industry to invest in this it must have confidence that the MoD's demand will continue.⁴⁶ For example, the MoD estimates that over the next 10 years industry probably needs an extra 10,000 or so apprentices, graduate engineers and other staff to deliver the MoD's defence nuclear programme.⁴⁷ The MoD is working with industry through the Defence Suppliers Forum to try to get more apprenticeships created, and with the higher education sector to attract more people with science, technology, engineering and mathematical qualifications into the defence industry.⁴⁸ The MoD is also seeking to encourage industry to train enough skilled tradespeople, such as master welders, who then go on to teach the apprentices.⁴⁹ However, the MoD said that the defence industry has struggled to attract suitable candidates because the skilled people it requires, such as engineers, are in high demand globally.⁵⁰

17. Because of high and volatile inflation, the MoD has changed its approach to contracting with suppliers. Formerly, around 25% of contracts were 'firm price', whereby the supplier bore the inflation risk.⁵¹ However, the MoD said that the cost of such firm price contracts has now become too great, and that it was not getting good value for money offers when

42 Q 112

43 Q 31; C&AG's Report, para 2.20

44 Qq 130, 132; C&AG's Report, para 2.20

45 Q 113

46 Qq 118, 119

47 Q 83

48 Q 108

49 Qq 128, 129

50 Q 108

51 Q 21; C&AG's Report, para 2.4

trying to get suppliers to bear the cost of inflation through new contracts.⁵² Instead, the MoD has decided to take on more inflation risk itself by linking cost increases in contracts to appropriate indices.⁵³

18. The MoD has also launched some initiatives to demonstrate a long-term commitment to industry regarding future demand, including an order with BAE Systems for 155mm artillery shells.⁵⁴ The MoD told us that it wanted to develop an “always-on production line on munitions”, so that it could surge supply when necessary.⁵⁵ It is also engaging with industry to discuss technical developments which are occurring at fast pace because of the war in Ukraine. The MoD said that without government giving industry appropriate guidance, industry cannot make long-term commitments because the chances of it developing something that would not be marketable is high. The volatility in the nature of the threat means that what is most important is to build adaptable capabilities that can respond to changing requirements.⁵⁶

19. The MoD said that it tries to publish as much of its defence pipeline as it can to build supplier confidence.⁵⁷ However, its failure to provide budgets that match ambition, such as the £5.9 billion funding shortfall in the shipbuilding pipeline, risks undermining suppliers’ confidence to invest in their capacity.⁵⁸ Furthermore, the MoD’s focus on not committing to contracts for new projects—only about 25% of its 10-year budget is committed—might undermine its attempts to build supplier confidence.⁵⁹

Delivering equipment programmes

20. Only two of the 46 MoD equipment projects that are included in the Government Major Projects Portfolio (GMPP) are rated as being highly likely to be delivered to time, budget and quality (green).⁶⁰ Successful delivery appears to be unachievable for five GMPP projects (red), including replacement communications technology, nuclear submarine reactors, and missiles.⁶¹ The rest of the GMPP projects are rated amber, which means that delivery appears feasible, but there exist significant issues requiring management attention.⁶² The MoD told us that it has introduced several initiatives to address this, including regular GMPP review meetings, started by the Minister for Defence Procurement, which focus on red- and amber-rated projects, and project review meetings led by non-executive directors on the board of Defence Equipment & Support.⁶³

21. The MoD has made some progress with training senior responsible owners (SROs) and increasing the proportion of their time spent on delivering projects.⁶⁴ SROs also now

52 Q 23

53 Qq 21, 23; C&AG’s Report, para 2.4

54 Qq 31, 113; C&AG’s Report, para 2.6

55 Q 30

56 Q 75

57 Q 75

58 Q 26; C&AG’s Report, para 2.6

59 Qq 15, 16

60 Q 102; C&AG’s Report, para 2.11

61 Q 106; C&AG’s Report, paragraph 2.11; “The full definition of ‘red’ is that “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.”

62 C&AG’s Report, para 2.11

63 Q 111

64 Q 122 ; C&AG’s Report, para 2.12

have a direct route to contact senior MoD staff if they are concerned about progress.⁶⁵ However, the MoD has faced difficulties both in funding teams to support SROs, and in recruiting and retaining suitably qualified and experienced staff.⁶⁶ The MoD said that it is facing a slow and steady attrition of skilled staff, because they have attractive skillsets that are wanted by many industries in a vibrant job market.⁶⁷ In March 2023, recruitment and retention problems resulted in SROs for 24 out of 30 major MoD equipment projects rating the availability of skills and capabilities for their projects as amber, while four rated it red.⁶⁸

22. Since the end of COVID-19 restrictions, there has been increased international demand for key components and skilled workers from other sectors, such as the car and commercial aviation industries.⁶⁹ This has contributed to the slow delivery of defence equipment, including digital communications, armoured vehicles and Royal Navy ships.⁷⁰ For example, solving technical issues affecting the state-of-the-art Type 26 frigate has contributed to delays, while demand for semiconductors by other industries has affected the progress of the Army’s Boxer armoured fighting vehicle project.⁷¹ The delivery of new warships for the Royal Navy is currently considerably slower than in some countries such as Japan, although the MoD is hopeful that the pace will quicken as projects, such as Type 31 frigates, become more established.⁷²

23. An emphasis on pace is one of five key features of the new “Integrated Procurement Model” which the Minister for Defence Procurement announced on 28 February.⁷³ For example, the MoD plans to get new capabilities into the hands of the Armed Forces more quickly by introducing them into service when the “minimum deployable capability”—60% or 80% of the capability—has been developed, then adding the remaining capability when in service (this technique is sometimes referred to as ‘spiral development’). In our session, the MoD cited its modular approach to the Boxer armoured vehicle project to illustrate this method.⁷⁴ The new procurement model also includes a joined-up approach based on “pan-defence affordability”; a new Integration Design Authority; prioritising exportability to maximise the potential market for UK-developed defence capabilities; and closer engagement with industry to encourage innovation and make supply chains more resilient.

24. In the meantime, the intensive use of existing equipment is contributing to a maintenance backlog that will take more time and money to address, leaving the UK’s Armed Forces having to make do with fewer pieces of ageing equipment nearing the end of their in-service lives.⁷⁵ For example, there is uncertainty about whether two Type 23 frigates that have recently gone into refit will return to active service.⁷⁶ If they do not, this

65 Q 111

66 C&AG’s Report, para 2.12, 2.13

67 Q 127

68 C&AG’s Report, para 2.13

69 Q 108

70 Q 112; C&AG’s Report, para 2.5

71 Qq 108, 112

72 Q 42

73 [Defence Procurement Minister oral statement on the Integrated Procurement Model – 28 February 2024 – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/defence-procurement-minister-oral-statement-on-the-integrated-procurement-model-28-february-2024)

74 Qq 33, 34, 84

75 Qq 46, 114

76 Q 35

would further curtail the Royal Navy’s already limited capacity to provide escorts.⁷⁷ The Type 23 class is coming to the end of its in-service life, and the cost of refitting them has increased from £23 million to £100 million because their age means that the necessary work is now much more extensive and takes almost twice as long to complete.⁷⁸

Reliance on allies

25. Recent international developments, including the war in Ukraine, have underlined the importance of strategic international partnerships for the UK.⁷⁹ The UK has been working with its allies, including Ukraine, to develop interoperable equipment, pool essential munitions and encourage industry to build its capacity to supply the equipment they need.⁸⁰

26. However, for deterrence to be effective, the UK’s Armed Forces must be credible.⁸¹ Such credibility is undermined by widely reported recruitment and retention issues, with eight people leaving the Armed Forces for every five who are recruited.⁸² Despite the MoD’s assurances that it took this issue very seriously, it accepted that recruitment and retention is a problem and that this had led to workforce pressures.⁸³ The MoD acknowledged that its current workforce plan was not working in the way it wanted, and said that its number one risk to delivering defence priorities both now and in the future was not attracting the right number of people with the skills that it needs.⁸⁴ To address this, it is looking at ways to provide greater flexibility in Armed Forces careers, such as “zigzag careers” with people coming in and out of the services.⁸⁵

27. In the meantime, the MoD is considering mothballing Royal Navy ships because of crew shortages, and the only Royal Navy ship able to fully replenish the UK’s aircraft carriers is unavailable this year because of a refit.⁸⁶ With the support of its allies, the UK’s Armed Forces continue to fulfil a crucial international role.⁸⁷ However, many of its allies are facing similar challenges to the UK, which might affect their ability and willingness to continue providing extensive support.⁸⁸

77 Qq 39, 40

78 Q 41; C&AG’s Report, para 2.5

79 Q 41

80 Qq 76, 116, 118, 120

81 Q 61

82 Qq 8, 11, 49

83 Qq 8, 54

84 Qq 10, 11

85 Qq 6, 125

86 Qq 41, 43, 48–50

87 Q 54

88 Qq 108, 117

Formal minutes

Monday 4 March 2024

Members present

Dame Meg Hillier, in the Chair

Paula Barker

Olivia Blake

Mr Jonathan Djanogly

Mrs Flick Drummond

Peter Grant

Sarah Owen

Ms Marie Rimmer

MoD Equipment Plan 2023–2033

Draft Report (*MoD Equipment Plan 2023–2033*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 27 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Nineteenth 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 Monday 11 March at 3.30 p.m.

Witnesses

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

Monday 22 January 2024

David Williams CB, Permanent Secretary, Ministry of Defence; **Tom Wipperman**, Director of Strategic Finance and Investment Approvals, Ministry of Defence; **Andy Start**, Chief Executive, Defence Equipment & Support, Ministry of Defence; **Lieutenant General Sir Robert Magowan KCB CBE**, Deputy Chief of the Defence Staff (Financial and Military Capability), Ministry of Defence

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Published written evidence

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

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

- 1 Nuclear Information Service ([EQP0002](#))
- 2 Patel, Jag ([EQP0001](#))

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.

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6th	Competition in public procurement	HC 385
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22nd	Tackling local air quality breaches	HC 37
23rd	Measuring and reporting public sector greenhouse gas emissions	HC 39
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