

A Short Guide to the

Ministry of Defence



About this guide and contacts

This Short Guide summarises what the Ministry of Defence does, how much it costs, recent and planned changes and what to look out for across its main business areas and services.




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The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £734 million in 2016.

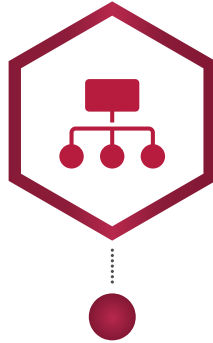
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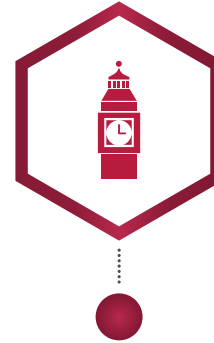
Overview



Key facts



About the Ministry of Defence



Accountability to Parliament



Where the Ministry of Defence spends its money



Key trends



Strategic and major programme developments



Key themes from NAO reports

Key facts

Expenditure



£35.3 billion
Annual spend in 2016-17



£178 billion
Planned spend on defence equipment between 2016–2026



2%
Proportion of GDP government has committed to spending on defence

People



Employs 197,040¹
military staff and
56,680²
civilian staff



50,000
Service family accommodation units in UK



30%
Target reduction in civilian staff headcount by 2020

Programmes



£31 billion
The government's cost estimate for manufacturing four new nuclear deterrent submarines, with £10 billion additional contingency



December 2020
When the Ministry of Defence expects to be able to operate the Carrier Strike capability, fundamentally changing how the Navy operates³



30%
Target reduction in the Ministry of Defence's 'built' estate by 2040

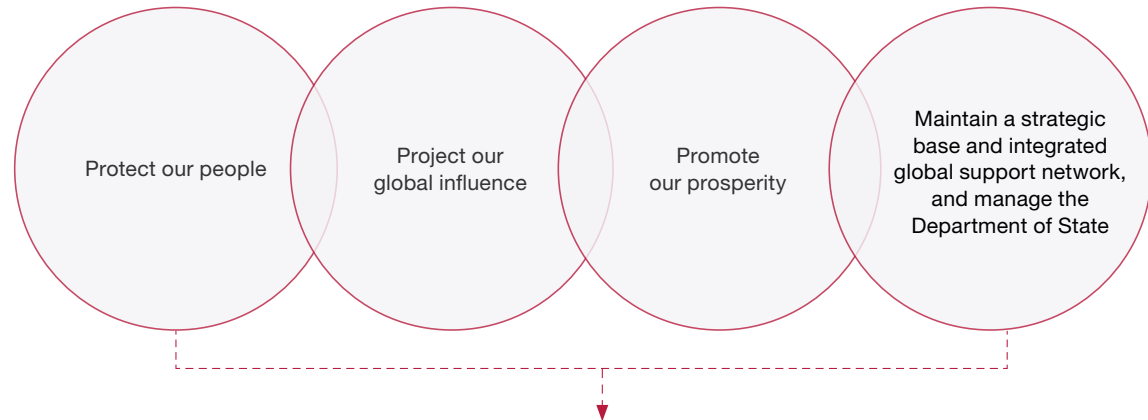
Notes

- As at 1 April 2017 representing all UK Forces Service Personnel across both regular/ reserves and trained/ untrained personnel. Includes Gurkhas, Military Provost Guard Service, Locally Engaged Personnel, Volunteer Reserve, Serving Regular Reserve, Sponsored Reserve, and Full-Time Reserve Service of unknown origin. University Officer Cadets are excluded.
- As at 1 April 2017. Includes all permanent and casual civilian personnel, Royal Fleet Auxiliaries, trading funds, locally engaged civilians and DE&S Trading entity.
- Carrier Strike capability consists of an aircraft carrier, Lightning II jet aircraft and a helicopter-borne radar system called Crowsnest.

About the Ministry of Defence

The Ministry of Defence's strategic objectives and functions

The Ministry of Defence (MoD) is both a Department of State and a military headquarters. It is responsible for providing the military capability necessary to deliver the government's objectives and define future military requirements. Its main purpose is to deliver security for citizens of the UK and the Overseas Territories by defending them, including against terrorism, and to act as a force for good by strengthening international peace and stability.



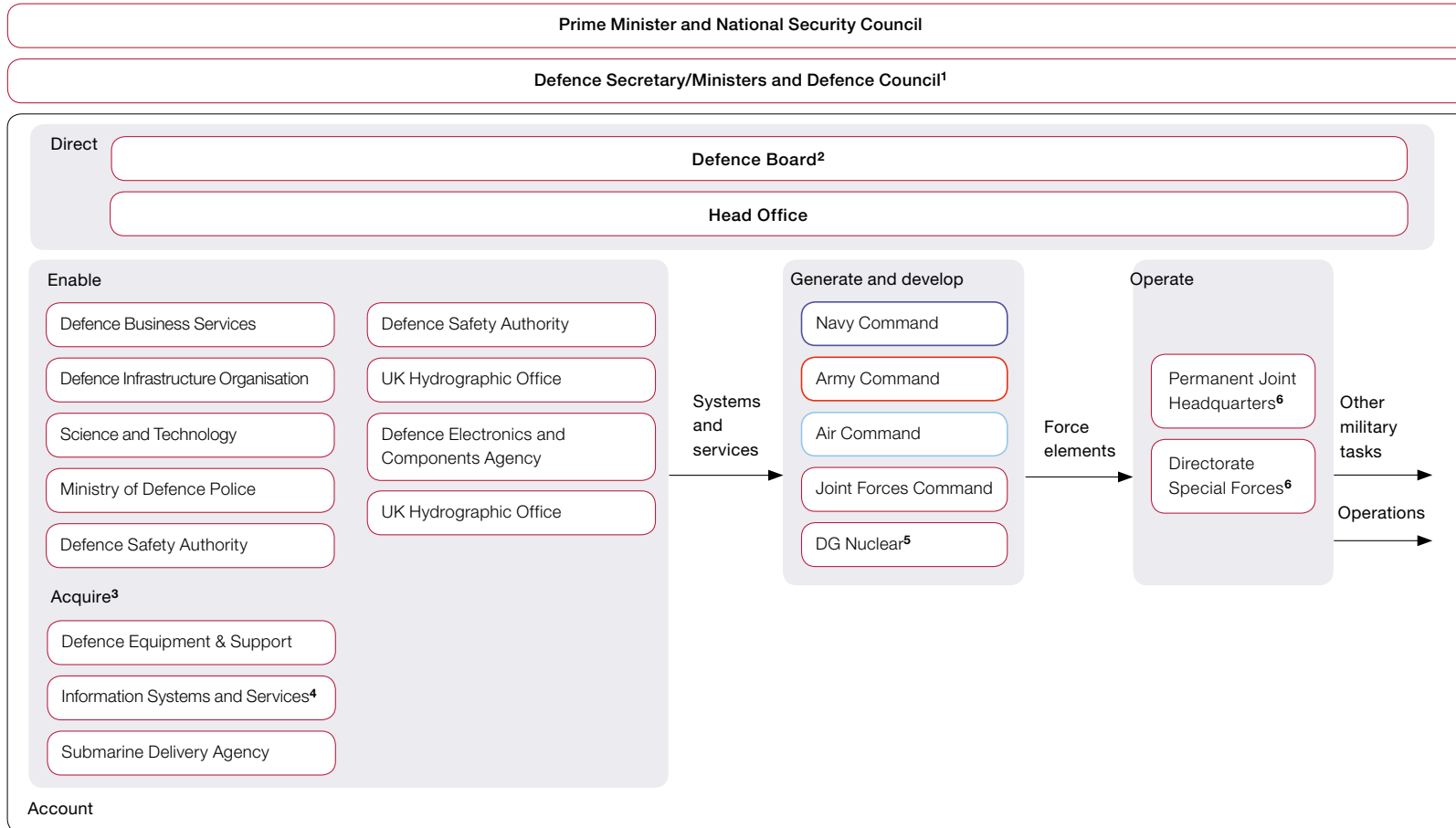
The Department of State and the Armed Forces carry out six core functions:

- 1 Direct** policy, military operations and contribute to national security at the strategic level, as well as direct rules and standards applying to the whole organisation.
- 2 Operate** Armed Forces at home and overseas.
- 3 Generate and develop** Armed Forces so that they are ready for operations.
- 4 Acquire and support** the equipment, systems and other items our Armed Forces need.
- 5 Enable** defence to work properly by providing support services.
- 6 Account** for and report on defence activity and spending to Parliament and the public.

Source: Ministry of Defence, *Annual Report and Accounts, 2016-17*; Ministry of Defence, *How Defence Works*, December 2016

About the Ministry of Defence *continued*

The Ministry of Defence's structure



Notes

- Defence Council:** Senior departmental committee chaired by the Secretary of State for Defence. Members include the other defence ministers, Chief of Defence Staff, Permanent Under-Secretary, Vice Chief of Defence Staff, single-service chiefs of staff, Commander Joint Forces Command and DG Finance.
- Defence Board** oversees the strategic direction and oversight of defence, supported by an Investment Approvals Committee, Audit Committee and People Committee.
- Acquisition bodies act as agents on behalf of their customers, such as the Commands.
- Information Systems and Services** is within Joint Forces Command.
- DG Nuclear** directs the Defence Nuclear Enterprise; and develops nuclear systems and capabilities.
- Within Joint Forces Command.

Accountability to Parliament

Permanent Secretary (Stephen Lovegrove, from 26 April 2016)

Government's principal civilian adviser on defence with primary responsibility for policy, finance and business planning. As the MoD's Principal Accounting Officer (AO), he is personally responsible and accountable to Parliament for managing the MoD, its use of public money and stewardship of assets as set out in [Managing Public Money](#). Starting in 2017 all departments will publish an Accounting Officer System Statement to outline how the AO gains assurance over all of the public spending for which the Department is responsible.

How MoD's accountability is organised

Bodies delivering the Department's principal outputs

Top-level budgets (TLBs)

Financial structure consists of seven top-level budgets – the four Commands, Defence Infrastructure Organisation, Head Office and Corporate Services, and recently, DG Nuclear.

Each TLB head is personally accountable for the performance of their organisation and delivering agreed outcomes.

Executive agencies and arm's-length bodies

Includes Defence Equipment & Support; Defence Science and Technology Laboratory;

Defence Electronics and Components Agency; UK Hydrographic Office; Oil and Pipelines Agency and Submarine Delivery Agency.

As the Principal Accounting Officer, the Permanent Secretary appoints the chief executive who, as an AO, must also prepare separate accounts to the Department.

Scrutiny by parliamentary committees

House of Commons Defence Select Committee: examines policy, expenditure and administration, selecting its own subjects for inquiry. Recent focus has included the 2015 Security Review, defence procurement and British military personnel fatalities. It scrutinises departmental Estimates and requests information, taking expert evidence and questioning ministers and officials.

House of Commons Committee of Public Accounts: examines MoD spending and how resources allocated have been used. It does not question policy. Recent evidence sessions, based on NAO reports, have covered the [Equipment Plan 2016–2026](#) and [Delivering the defence estate](#).

Accountability to Parliament *continued*

Challenges to accountability across the MoD

1

A clear expression of spending commitments and objectives

Our report on the *Equipment Plan 2016–2026* described how new commitments set out in the Strategic Defence and Security Review 2015 considerably increased cost uncertainty, with the number of immature cost estimates increasing. Given the long-term nature of many defence



equipment projects this creates challenges for MoD in clearly setting out what it wants to achieve and the full cost going forward.

2

A mechanism or forum to hold to account

MoD makes significant use of contractors. In our [report](#) on the defence estate, we found fundamental weaknesses in its contracting to deliver savings and performance improvements on the estate, which made it harder for MoD to hold the strategic business partner to account.



3

Clear roles and someone to hold to account

Since 2014, MoD has delegated much responsibility to TLBs, executive agencies and Commands. There will be further change with the new Submarine Delivery Agency and DG Nuclear organisations to enhance accountability and performance in these complex areas.



4

Robust performance and cost data

Our report on the *Equipment Plan 2016–2026* also highlighted how the MoD's current costing practice could lead to significant understatement in the cost of some projects at an early stage in development, and recommended the MoD provides greater insight into the range of potential outturn costs across the portfolio.



Where the Ministry of Defence spends its money

In 2016-17 'total defence spending' was £35.3 billion. This includes both resource and capital delegated expenditure limit (DEL) spending such as civilian and military staff costs, infrastructure costs and equipment support costs. It also includes investment in military equipment.

It does not include annually managed expenditure (AME), spending not easily controlled by the MoD. It also excludes non-cash depreciation costs. Together this expenditure totalled £8.6 billion in 2016-17.

The 'total defence outturn', which includes all these elements, totalled £43.9 billion in 2016-17.

Spending and financial position across major business areas, 2016-17

Equipment and support The MoD spent £8.8 billion on equipment, and £6.4 billion on equipment support. Equipment support involves testing, repair and maintenance of equipment alongside acquiring and holding a range of equipment parts. In March 2017, the MoD held capital spares valued at £20.5 billion.

People The MoD spent 30% (£10.3 billion) of total defence spending on its people, including military personnel and civilians.

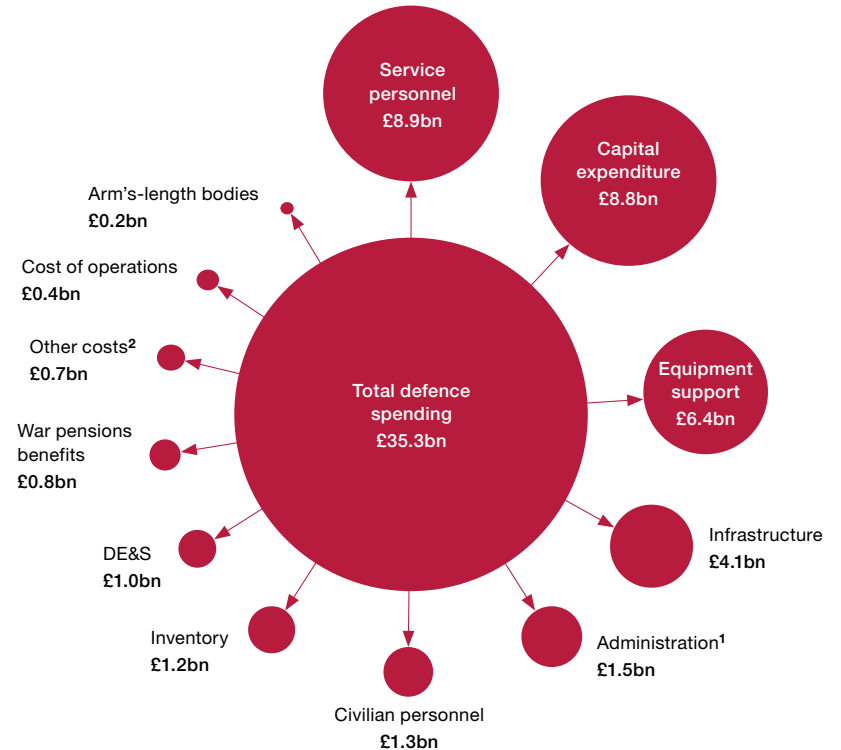
Defence capability The MoD spent £7.5 billion on running the Department. This included £4.1 billion on infrastructure, £1.5 billion on administration, £1.2 billion on inventory and £0.7 billion on other costs such as fuel consumption.

Estate At March 2017, the MoD held land and dwellings valued at £32 billion.

Provisions As at 31 March 2017, the MoD held nuclear decommissioning provisions, to cover its expected future costs, valued at £10.2 billion.

NATO has stated that according to its calculations "five allies, including the United Kingdom, currently meet or exceed NATO's 2% spending benchmark for 2016". However, the House of Commons Defence Select Committee has questioned the expenditure included in the 2% of GDP commitment to defence spending. This highlighted risks around how funding is classified.

Breakdown of total defence spending, 2016-17



Notes

- 1 Includes all costs relating to other costs and services, cash release of provisions and cost of military and civilian personnel who perform an administrative role.
- 2 Includes Conflict, Stability & Security Fund; other costs and services; receipts and other income; cash release of provisions; and research and development costs related to provision of defence capability.

Key trends

Expenditure

The defence budget is planned to grow but continues to be under pressure

In 2015, the government committed to increasing the MoD's budget by £5.3 billion from £34.3 billion in 2015-16 to £39.6 billion in 2020-21. In the same year, the Strategic Defence and Security Review (SDSR) also outlined MoD would:

- receive £2.1 billion from the Joint Security Fund to deliver commitments, maintain current Armed Forces levels and build four new submarines; and
- need to generate savings of £9.2 billion by the end of 2020-21. This figure comprises £1.8 billion of re-profiled spend and a £7.4 billion five-year efficiency saving target. The MoD plans to make the efficiencies by pay restraint, improved commercial terms in the Equipment Plan and changes to how Front-Line Commands operate.

The MoD expects that the measures introduced to reach the 2020-21 target will continue to provide savings after the five-year term. In total, the MoD requires £20 billion of savings to be realised over the 10 years to 2026-27.

The MOD's 2016-17 annual funding estimate, which gives the MoD in-year parliamentary authority to meet its costs, exceeded the amounts set out in 2015. Costs have developed as programmes progress.

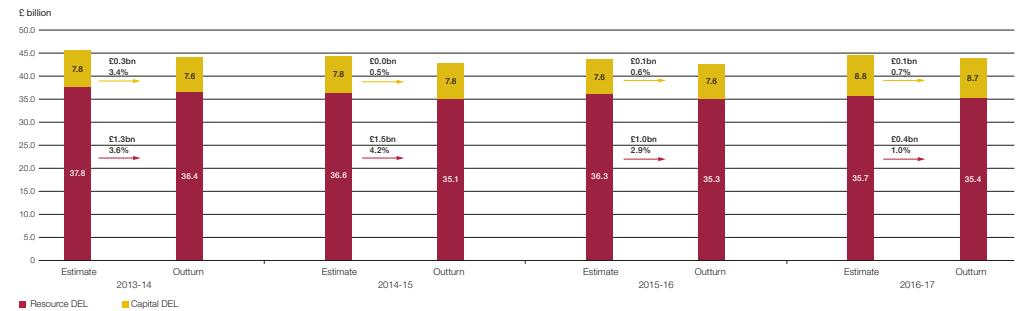
MoD continues to underspend against the annual funding estimates provided by Parliament. Nevertheless, there is increasing pressure on the MoD's budget, because, among other things, the cost of planned new military equipment exceeds additional funding, and fluctuations in the value of sterling following the UK's decision to leave the EU may affect the cost of equipment purchased in dollars (Appendix One).

The percentage resource DEL underspend has decreased each year. In 2016-17, MoD underspent by 1% on its resource DEL budget, compared with 2.9% in 2015-16.

Pressure on the capital DEL budget is even greater, with the MoD underspending by less than 1% in the past three years.

MoD outturn against supplementary estimates with percentage underspend 2012-13 to 2016-17

In 2016-17, the MoD underspent by 1% in relation to the resource DEL budget compared to 2.9% in 2015-16



Notes:
 1. Figures do not sum due to rounding.
 2. Resource DEL: Departmental expenditure limit for resource spending.
 3. Capital DEL: Departmental expenditure limit for capital spending.
 Source: Ministry of Defence's Annual Report and Accounts over the last four years

The MoD's accounts have been qualified for the past eight years

In 2016-17, the C&AG qualified his opinion on the MoD accounts for an eighth successive year. This related to the MoD not holding records to enable it to comply with financial reporting standards relating to leases. He concluded that the MoD had omitted a material value of leased assets and liabilities from its Statement of Financial Position. The information was not available to quantify the impact on the financial statements.

The C&AG also qualified his opinion on the Defence Equipment & Support 2015-16 accounts as DE&S was unable to provide sufficient and appropriate evidence behind private sector support and other programme costs. After also receiving a qualified audit opinion in 2014-15, DE&S introduced an improvement programme, which helped overturn a 2014-15 qualification in relation to trade and other payables balances. The programme recognises further work is required on in-year private sector support and other programme costs.

Key trends *continued*

People

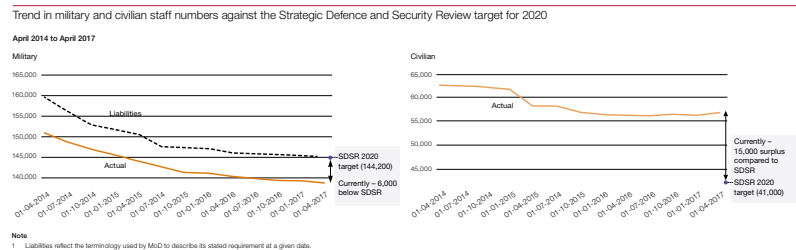
The mix of MoD's staff is changing, with a reduction in civilian staff and an increase in military personnel

In 2015, the MoD committed to reducing the size of its civilian workforce by 30% by 2020. It also committed to expanding its reserve force to 35,000, maintaining an Army of 82,000 and increasing the Royal Navy and Royal Air Force by 400 and 300 respectively.

In 2017, the government committed to maintaining the overall size of the Armed Forces, including an army that is capable of fielding a war-fighting division.

Actual military personnel numbers continue below levels set out in 2015 ([Appendix Two](#)). The number of civilian staff has fallen but remains above the SDSR target.

The MoD remains below the 2016 civil service average across all areas of the People Survey ([Appendix Three](#)).



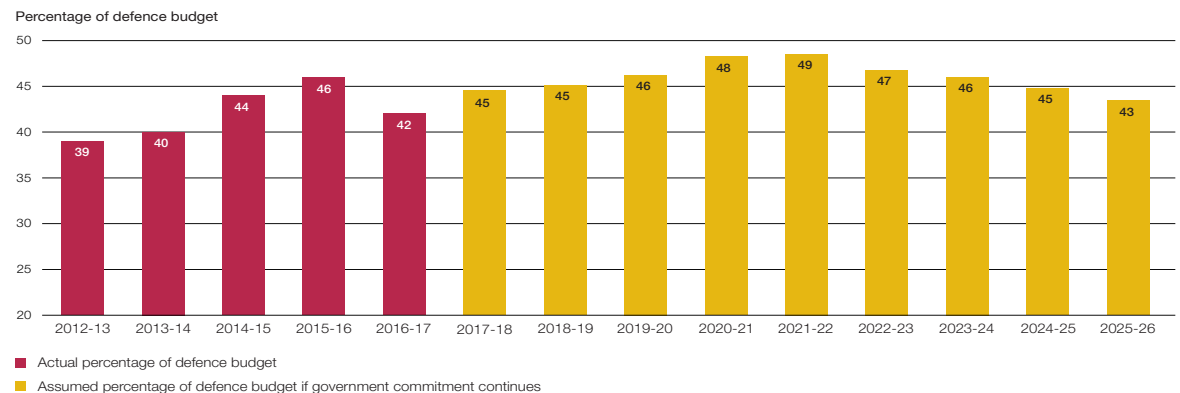
Programmes

The MoD's spending on equipment and support will increase as a proportion of the overall defence budget up to 2021-22

Over the next five years, the MoD expects to spend an increasing proportion of its budget on the Equipment Plan, which covers the production and support of major defence equipment. Spending is expected to increase from 42% of the defence budget in 2016-17, peaking at 49% in 2021-22. This trend reflects the timing of the planned funding requirements for the MoD's largest projects in the coming years.

Past NAO work has identified concerns over the affordability of the Equipment Plan going forward. The Strategic Defence and Security Review 2015 identified the need for the MoD to make savings across the Equipment Plan, its people and estate in order to ensure the Plan's affordability.

Equipment Plan spend as a proportion of the defence budget, 2012-13 to 2025-26



Note
1 Figures have been rounded to the nearest whole number.

Source: National Audit Office

Strategic and major programme developments

The 2015 Strategic Defence and Security Review

The Strategic Defence and Security Review sets out the government's National Security Strategy for the coming five years and how it will be implemented.

The [2015 Strategic Defence and Security Review](#) (SDSR) sets out four particular challenges which are likely to drive UK security priorities for the coming decade.

They have both immediate and longer-term implications:

- 1 The increasing threat posed by terrorism, extremism and instability.
- 2 The resurgence of state-based threat and intensifying wider state competition.
- 3 The impact of technology, especially cyber threats, and wider technological developments.
- 4 The erosion of the rules-based international order, making it harder to build consensus and tackle global threats.

The SDSR forms the basis of departmental funding allocations although costings have developed since then.

The SDSR included the following:



Increase the MoD's budget by 3.1% in real terms to 2019-20.



Invest £1.2 billion over 10 years to ensure a Queen Elizabeth Class Carrier is able to deploy with 24 jets from 2023, as well as investing almost £2 billion in UK Special Forces.



Receive £2.1 billion from the Joint Security Fund to deliver SDSR commitments, maintain the current Armed Forces levels and build four new submarines.

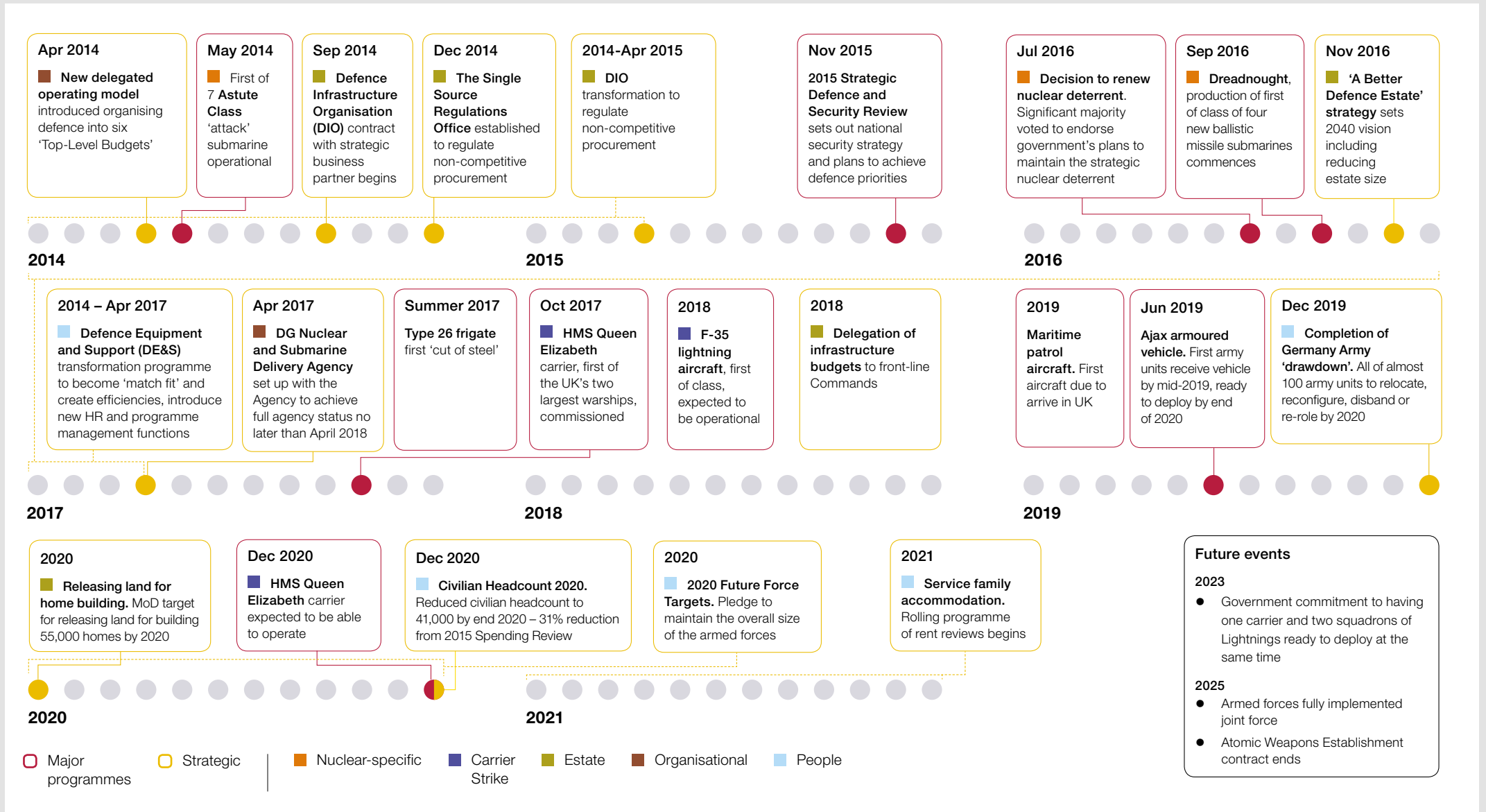


Need to generate savings of £9.2 billion by the end of 2020-21. This comprises £1.8 billion of re-profiled spend and a £7.4 billion five-year efficiency saving target.





The MoD expects that the measures introduced to reach the 2020-21 target will continue to provide savings after the five-year term. In total, the MoD requires £20 billion of savings to be realised over the 10 years to 2026-27.

The SDSR 2015 sets the outline for defence policy over the coming period. Other ongoing developments going back some years also continue to have an impact. These developments include changes to the MoD's operating model, strategic reform and performance improvement initiatives, and key milestones in major programmes. The next page provides a timeline summarising some of the most important milestones.

Timeline of strategic and major programme developments



Key themes from NAO reports

		Link to further information	NAO report references (Appendix Four)
Major equipment and support programmes	MoD's forward programme is dominated by a few high-cost programmes and projects, notably nuclear submarines, Carrier Strike and the warship programme. These are exceptionally complex with major deliverability and affordability issues. Historically, the MoD has understated the likely costs of large projects, leading to significant cost increases during design and manufacture.		Delivering Carrier Strike Equipment Plan 2016–2026
Affordability	Affordability of the MoD's Plan to provide equipment and support is at greater risk than at any point since reporting began in 2012. MoD needs to make further savings, such as through applying Single Source Contract Regulations and disposing of unneeded land and buildings. The need to make savings can influence decisions such as the support model in place for ships, submarines and other equipment.		Equipment Plan 2016–2026 Delivering the defence estate
Providing a suitable defence estate	The built defence estate is a key element of defence capability, allowing the Armed Forces to undertake training and operations. Constraints on funding have led MoD to make decisions that are poor value for money in the longer term. The government has set targets to reduce its built estate by 30% by 2040. After many years of limited progress, in November 2016 the MoD published its challenging <i>A Better Defence Estate</i> strategy, which identifies the built estate it needs and the 25% it can dispose of by 2040 to reduce costs.		Delivering the defence estate Service Family Accommodation update
Shortages in the defence workforce	There are recognised shortages in skilled and experienced personnel across the MoD. This includes commercial skills, affecting the ability of the MoD to negotiate and manage contracts, and the management skills required to deliver defence estate savings. Factors, such as service family accommodation, act as an important element of the overall employment package provided to service personnel.		Delivering Carrier Strike Delivering the defence estate Service Family Accommodation update

Major equipment and support programmes

The NAO examines many major programmes across government, looking at progress and the risks to delivery. The MoD is responsible for some of the government’s most complex programmes. Our recent report on *Delivering Carrier Strike* highlighted progress in introducing the new aircraft carriers and building up a squadron of F35 jets, but noted that success of the programme was subject to managing a range of technical, schedule and personnel risks.



How is it delivered?



Recent and planned developments across key programmes



What are the things to look out for?

How is it delivered?

During 2016-17, MoD spent 42% of its total funding on the procurement and support of defence equipment. These are predominantly long-term contracts to produce complex equipment such as ships, submarines and aircraft.

The government's Infrastructure and Projects Authority (IPA) monitors 33 MoD projects.

These include highly significant programmes such as:

- Ajax, a fully digitised tracked armoured vehicle with a range of specialised variants; and
- Type 26 Global Combat Ship, the next-generation anti-submarine warfare frigate.

The IPA's delivery confidence in individual projects varies over time. There is a general trend of improvement in ratings as projects move towards completion. At July 2017 the IPA had rated five MoD equipment projects as amber/red.

Day-to-day responsibility for programmes rests principally with Defence Equipment & Support (DE&S). Fiscal responsibility for the Plan is delegated to the Commands, who act as the customers. They review changes to project costs through quarterly review reporting by project teams within DE&S.

DE&S has agreements with defence contractors to deliver major equipment and support programmes. It uses a small number of contractors, with BAE Systems receiving 15% of the total MoD spend in 2015-16.

Infrastructure and Projects Authority assessment of 24 defence equipment projects, July 2017

Airseeker	●	Carrier enabled power projection	●
Spearfish upgrade	●	Lightning II	●
A400M	●	Queen Elizabeth	●
Complex weapons	●	Astute boats one to seven	●
Crowsnest	●	Maritime sustainment programme	●
Wildcat	●	MARSHALL	●
Future beyond line of sight	●	Successor (ballistic submarine)	●
Core production capability	●	Watchkeeper	●

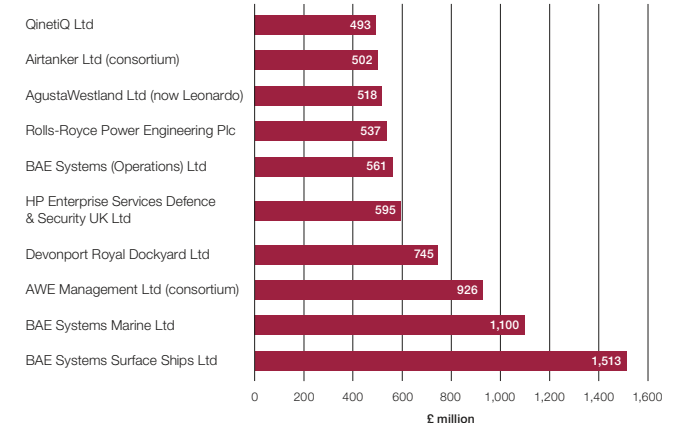
Description of delivery confidence assessment ratings

- Successful delivery of the project on time, budget and quality appears highly likely, no major outstanding issues.
- Successful delivery probable with constant attention to ensure risks do not materialise into major issues.
- Successful delivery feasible. Significant issues resolvable and should not present a risk.
- Successful delivery in doubt with major risks in some key areas. Urgent actions needed.
- Successful delivery appears unachievable. Major issues with project definition, schedule, budget, quality and/or its overall viability reassessed.

Note

¹ Programmes relating to 'Cryptographic enabling services', 'Nuclear warhead capability sustainment' and Type 26 Frigates exempt from reporting given Freedom of Information considerations.

Top 10 recipients of MoD expenditure on defence equipment and support, 2015-16



Role of contractors

Seven of the 10 contractors secured more than 80% of their business non-competitively.

Non-competitive procurement is an area of risk to value for money. In April 2015, the Single Source Contract Regulations, overseen by the Single Source Regulations Office, came into force. These regulations are designed to enhance transparency over contract costs and provide greater clarity on allowable costs charged by contractors.

Recent and planned developments across key programmes

Nuclear Enterprise

Astute

Between 1997 and 2011, the MoD Investment Approvals Committee approved the manufacture of seven nuclear-powered attack submarines. These will replace the existing Trafalgar class boats. The MoD brought into service boats 1–3 between 2010 and 2016. The 10-year cost estimate for the programme increased by a further £216 million in the *Equipment Plan 2016 to 2026* due to delays, re-assessment of future performance and contract discussions. In April 2017, the MoD contracted BAE Systems and Rolls-Royce to build boat 6 at a cost of £1.4 billion.

Dreadnought

In July 2016, Parliament supported a motion for four new ballistic missile submarines (the Dreadnought class) to maintain the continuous at sea nuclear deterrent. These will replace the Vanguard class from the 2030s. The MoD started production in September 2016. The programme has a £31 billion budget plus a £10 billion contingency. The primary suppliers are BAE Systems and Rolls-Royce.

Departmental responsibilities

In late 2015 the MoD recognised the need to strengthen governance by bringing together and clarifying responsibilities. Following announcements in the SDSR 2015 the MoD:

- created a new DG Nuclear role to provide a single point of accountability across the Nuclear Enterprise, which encompasses the deterrent, nuclear-powered submarines and supporting programmes. In May 2017 it appointed Julian Kelly as DG Nuclear.
- set up the Submarine Delivery Agency in April 2017, to achieve full agency status by April 2018, to have day-to-day responsibility for submarine procurement and support which will transfer from DE&S.

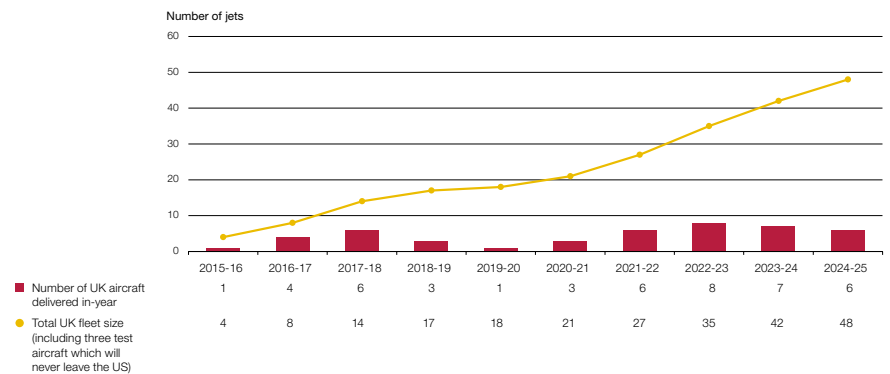
Carrier Strike

In 1998, the MoD decided to replace its Invincible Class aircraft carriers with two larger, more versatile carriers and to replace its Harrier jets with a new generation of fast-jets. Deploying a carrier and jets, with a new radar system, is referred to as ‘Carrier Strike’. This is the first step towards ‘Carrier Enabled Power Projection’ (CEPP), which will allow the UK to deploy military capabilities anywhere in the world.

To provide Carrier Strike and the subsequent CEPP capability, MoD is building two aircraft carriers, intends to purchase 138 F-35B Lightning II stealth aircraft, and is developing a helicopter-borne radar system known as ‘Crowsnest’. It expects the CEPP capability to be ready by 2026. The first aircraft carrier made its maiden voyage in June 2017 and MoD has approved the purchase of the first 48 aircraft.

Expected number of Lightning II jets in the UK fleet

The Department plans to have two squadrons consisting of 12 front-line aircraft each by 2023



Note

1 Alongside the 24 front-line jets, aircraft will be used for testing and evaluation, training front-line pilots, and replacement aircraft for these activities.

Source: National Audit Office analysis of Ministry of Defence data

What are the things to look out for?

Area	Future developments, risks and challenges
Number of 'firsts' for Carrier Strike	The schedule for Carrier Strike to 2020 includes several 'firsts' in 2018 where the result is uncertain. For example, the first sailing of HMS Queen Elizabeth took place in summer 2017, to be followed by flying trials from the carrier at sea in 2018. There are several 'pinchpoints' on the critical path to delivering the Carrier Strike capability as well as complex interdependencies between the programmes which, if not achieved on time, will need Head Office to direct the Commands in the best interests of 'Carrier Enabled Power Projection'.
Entry into service of the F-35 Lightning II fighter aircraft	The MoD has committed to buying 48 of the short take-off and vertical landing F-35B Lightning II aircraft for use on the new aircraft carriers. This is the first tranche of the 138 Lightning II aircraft that the UK has committed to purchasing over the life of the programme. The UK expects to receive the first squadron in 2018. These are built by a US prime contractor, Lockheed Martin, which is also supplying similar aircraft globally. UK contractors supply 15% of each plane. Increasing reliance on technology is a risk particularly relevant for the F35s, which are being manufactured while design testing is still under way.
Publication of the National Shipbuilding Strategy	In 2016, Sir John Parker published an independent review to inform the National Shipbuilding strategy. This reported that new warships took too long to progress from the identification of a requirement and cost too much. This resulted from funding uncertainty and governance failures, which led to frequent design and specification changes. The government published its response in September 2017. MoD told the Committee of Public Accounts that in procuring the Type 26 Warship and the General Purpose Frigate, it would change its traditional contracting approach to warships to better incentivise contractor performance and, in the case of the latter, to re-introduce competition warship procurement.
Production of the Type 26 Frigate	Production of the first Type 26 Frigate is due to start in 2017. This is the highest value non-nuclear procurement in the MoD's Equipment Plan. The number of Type 26s to be built has been reduced from 13 to eight under the Strategic Defence and Security Review, with the shortfall in ship numbers to be filled by the creation of a new class of frigate.

Affordability

Every year, NAO reports on the Ministry of Defence's Equipment Plan. Our most recent report concluded in January 2017 that the affordability of the MoD's Plan to provide equipment and support is at greater risk than at any point since reporting began in 2012. MoD risks returning to a situation where affordability of its portfolio is maintained by delaying or reducing the scope of projects.



How is it delivered?



Recent and planned developments



What are the things to look out for?

How is it delivered?

The Equipment Plan, introduced in 2012, provides clarity and certainty over equipment procurement and support costs

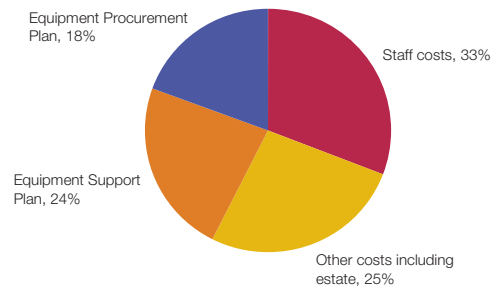
The Plan develops a 'core programme' budget and contingency for key defence projects. It:

- forecasts the 10-year spend and is updated annually;
- includes procurement and support with a central contingency reserve;
- is funded from MoD's overall budget; and
- makes up more than 40% of MoD's planned spend.

The Plan is designed to assure Parliament of the affordability of MoD's spending plans. The underpinning assumptions are examined annually by the National Audit Office in reports to Parliament. The most recent report was January 2017.

Breakdown of departmental spending, 2016-17

The Plan accounts for 42% of the Department's forecast spending in 2016-17



Source: National Audit Office analysis of Ministry of Defence 2016-17 estimates

Responsibility for aspects of the Equipment Plan is split

Fiscal responsibility for the Plan is delegated to four front-line Commands (Air, Army, Navy and Joint Forces), DG Nuclear and Head Office's Strategic Programmes Directorate.

Cost pressures should be managed within and between Commands. The cost of the *Equipment Plan 2016-2026* has risen by 7% since the previous year to £178 billion. The SDSR added £24.4 billion of new commitments, the majority of which are to be funded within the existing Plan.

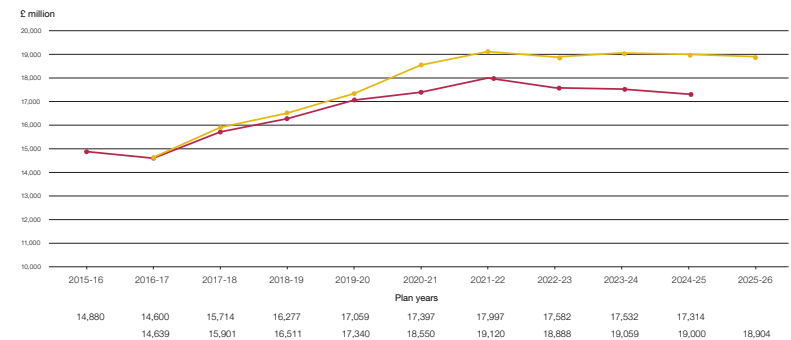
DE&S work with the Commands to produce estimates for equipment procurement and support costs. They then deliver these projects within these time and cost parameters.

The MoD's board approves funding for the largest projects, including any changes.

MoD's Cost Assurance and Analysis Service provides independent assurance on costing and pricing work carried out by project teams.

The 10-year forecast cost profiles of the Plan over time

The 2016 funding increase will apply in the second half of the 10-year period



Source: Ministry of Defence

Recent and planned developments

The SDSR 2015 included new spending commitments of £24.4 billion

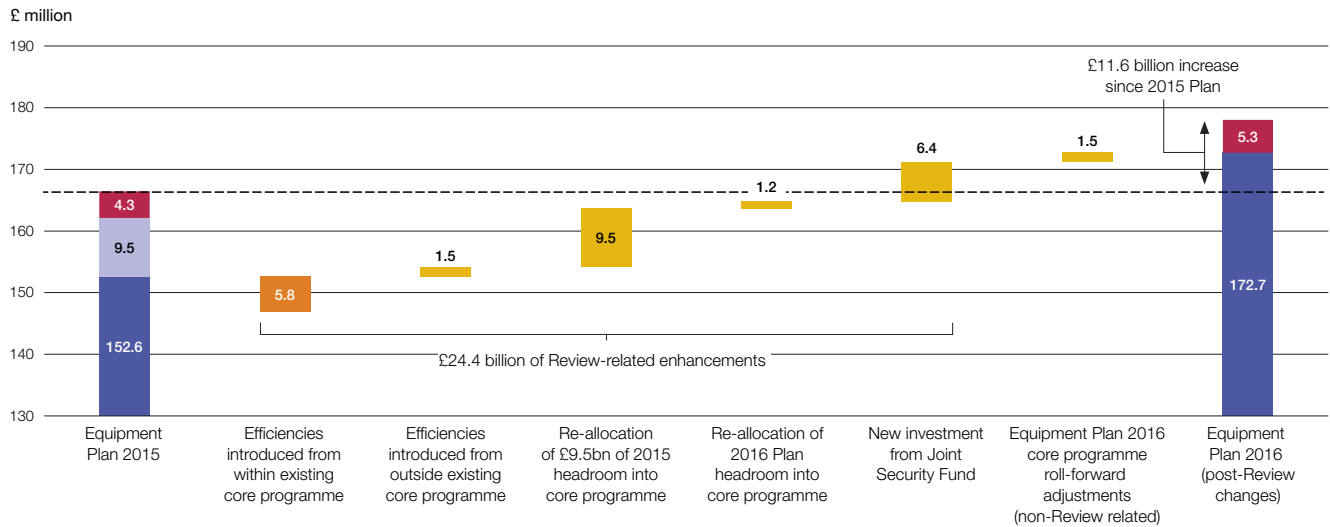
SDSR 2015 announced additional commitments including:

- two additional Typhoon squadrons;
- accelerating the purchase of F35 Lightning aircraft to create an additional squadron by 2023;
- nine new Boeing P-8 Poseidon aircraft;
- two new strike brigades of up to 5,000 personnel; and
- Apache attack and Chinook support helicopter upgrades.

Sources of funding include a new Joint Security Fund for the Armed Forces and the security and intelligence agencies. Maintaining the affordability of the programme relies heavily on significant efficiency savings.

Increase in Equipment Plan programme value, 2015 to 2016

The core programme has increased in value by £20.1 billion



- Contingency
- Adjustments
- Efficiencies within the Plan, hence do not result in net increase to the core programme
- Core programme
- Headroom in 2015 Plan

Notes

- 1 The roll-forward adjustments encompass the change in 10-year reporting period between the 2015 to 2025 and 2016 to 2026 Plans, changes made to the headroom budget within the 2016 Plan pre-Review, and transfer of money into the 2016 Plan following budget adjustments by the Commands.
- 2 Further development of the commitments in the Review means that the value of commitments (£24.4 billion) is lower than that given in our memorandum on the impact of the Review in June 2016 (£25.6 billion).

Source: National Audit Office analysis of Ministry of Defence data

Recent and planned developments *continued*

Affordability of the Plan depends on significant efficiency savings

In the 2016 Equipment Plan, the MoD stated it must achieve £7.3 billion of savings over 10 years – £5.8 billion within the Plan and £1.5 billion from elsewhere within the defence budget – alongside additional savings already incorporated into the Plan.

In early 2017, the MoD continued to identify which programmes would contribute across the main areas:

- transformational activities within DE&S (£3.3 billion);
- applying Single Source Contracts Regulations (£1.7 billion); and
- other (£0.8 billion).

Across the wider defence budget, savings initiatives are in progress such as a:

- 30% reduction in the size of the defence built estate by 2040 (£2.4 billion);
- 30% reduction in the size of the civilian workforce by 2020; and
- military and civilian pay restraint until 2020 (£2 billion).

Affordability of the Plan also depends on £7.1 billion of savings carried forward from previous Plans. A total of £4.6 billion has been achieved, with £2.5 billion remaining.

Progress against existing efficiency savings programmes in the Plan

Source of savings	Target (£bn)	To be achieved by	Target achieved to date (£bn)
Support budget	4.1	2023-24	3.4
Complex Weapons pipeline	2.1 gross (1.2 net) ³	2019-20	0.6 gross ³
Submarine Enterprise Performance Programme	0.9	2020-21	0.6

Notes

- 1 Support budget savings as at March 2016; Complex Weapons savings as at August 2016; Submarine Enterprise Performance Programme savings as at September 2016.
- 2 The target savings figures for the support budget and Complex Weapons pipeline have already been removed from project budgets. Submarine Enterprise Performance Programme savings, once identified, are removed from the Plan after a validation process.
- 3 The Complex Weapons target is £2.1 billion gross savings, which gives £1.2 billion actual savings after netting off the notional additional cost of single-source procurement from the benefits of the extant procurement strategy.

Source: Ministry of Defence

What are the things to look out for?

Area	Future developments, risks and challenges
Immature cost estimates for new projects	The earlier a project is in its lifecycle the greater the scope for cost estimates to grow. In 2016, a higher proportion of these large high-value projects are at an early stage of the project lifecycle than when the Plan started in 2012. This is unsurprising following the inclusion of new commitments in the SDSR, but significantly increases the exposure of the Equipment Plan to cost growth.
Risk of significant changes to foreign exchange rates	Changes in the foreign exchange rates, such as following the EU referendum, could affect the future affordability of the Plan. Approximately £18.6 billion of the Plan is denominated in US dollars and £2.6 billion in euros. The MoD has used forward purchase contracts with the Bank of England to mitigate exchange rate volatility.
Reduced flexibility going forward	In the <i>Equipment Plan 2016–2026</i> , the MoD has allocated all headroom budget which in previous years was set aside for emerging priority requirements. This has removed its flexibility to accommodate any additional capability requirements. Any further capability requirements during the lifetime of the Plan will have to be met through a reprioritisation of existing commitments, or a reallocation of funding from the wider defence budget.
Cost growth in the nuclear programme	Cost growth in the existing nuclear programme continues, with the potential to destabilise the Plan. The scale of spend and life cycle of the programme make costs particularly uncertain. The forecast 10-year costs of the Dreadnought and Astute programmes increased by £836 million in 2015-16. Given its complexity and inherent uncertainty, the MoD is enhancing its management of the programme through a new DG Nuclear post and a separate Submarine Delivery Agency.

Providing a suitable defence estate

The built defence estate includes bases, offices, supply depots, houses and training grounds. Our recent report on *Delivering the defence estate* showed that funding constraints have led MoD to make decisions that are poor value for money in the longer term. After many years of limited progress, the MoD has set out a new estate strategy designed to reduce the built estate by 25% by 2040, making a significant contribution towards meeting its 30% built estate reduction target by 2040.



How is it delivered?



Recent and planned developments



What are the things to look out for?

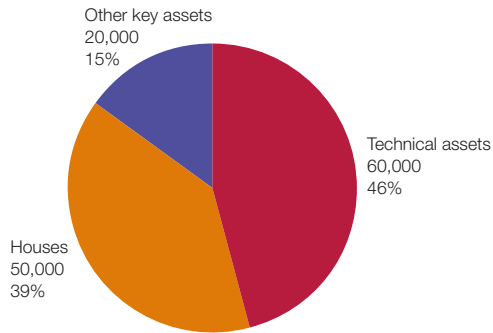
How is it delivered?

The defence estate

- The defence estate is made up of 115,000 buildings including service family accommodation, the training estate and 4,000 sites worldwide.

Zoom Out

Zoom In +



Note
1 Other key assets includes runways and electrical networks.

Source: Ministry of Defence, *A Better Defence Estate*, November 2016

- Comprises approximately 30 million m², with an overall land area covering approximately 1.8% of the UK land mass.
- Valued at £32 billion.
- Government plan for a 30% reduction in built estate before 2040 and generating £1 billion from disposing of estate it no longer needs between 2016-17 and 2020-21.
- In 2015-16, the MoD spent £4.8 billion (12% of its budget) running the estate.

Managing the estate

The Defence Infrastructure Organisation (DIO) builds, maintains and services most of the estate. Its 2017 priorities include:

- implementing the estate rationalisation plan and site disposal;
- investing in the estate; and
- making savings and efficiencies.

The Armed Forces are the primary estate users and specify the estate required to deliver military capabilities. The MoD's Head Office oversees DIO's performance which includes setting policy, prioritising estate improvement projects and approving investments.

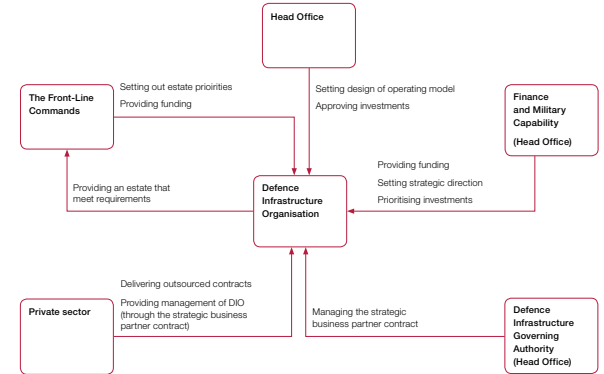
In June 2014, Capita (working with partners) were appointed as the DIO's Strategic Business Partner to lead and manage DIO for a 10-year term. This followed departmental concerns that planned savings would not be achieved through the transformation programme it started in 2011. Our 2016 report on *Delivering the defence estate* reported on problems with this arrangement, which has since been subject to review. Reforms will be introduced in 2017 and MoD plans to delegate responsibility for infrastructure funding to Commands in 2018.

Zoom Out

Zoom In +

Defence estate operating model (November 2016)

Infrastructure operating model



Note
1 The MoD is considering a number of changes to the operating model which includes, subject to a final readiness assessment in autumn 2017, the majority of funding being delegated to Front-Line Commands and Top Level Budgets.

Source: National Audit Office

Recent and planned developments

Service family accommodation

Between 2009-10 and 2014-15, the MoD invested £886 million in service family accommodation and, in 2014, contracted CarillionAmeY to maintain it. During 2014-15, CarillionAmeY's performance fell below the contracted level and the MoD worked with the contractor to put in place an improvement plan. CarillionAmeY has improved its performance. It met its overall performance targets but not all the underlying performance indicators. Although satisfaction with the service is improving, the levels of complaint remain above target with more than 1,000 complaints a month since 2016. In April 2016, the MoD assessed 87% of service family accommodation as meeting or exceeding the government's minimum standard.

Annington Homes

In 1996, the MoD sold 80% (57,000 properties) of its service family accommodation to Annington Homes for £1.7 billion. It leased back 55,000 of these properties, with each sub-lease including a discounted rental rate to reflect MoD's continuing maintenance responsibilities, a bulk discount and the benefit of guaranteed rental payments. The MoD releases to Annington the properties it no longer needs so they can purchase the reversionary interest and sell them on the open market. A profit share arrangement in place on the proceeds of each sale ceased after 15 years.

However, the sale meant MoD has not benefitted from much of the recent increase in property prices. The lease allows for a rent review every 25 years, with a rolling programme of reviews to begin in 2021. This unique arrangement may lead to rent increases that place pressure on the budget.

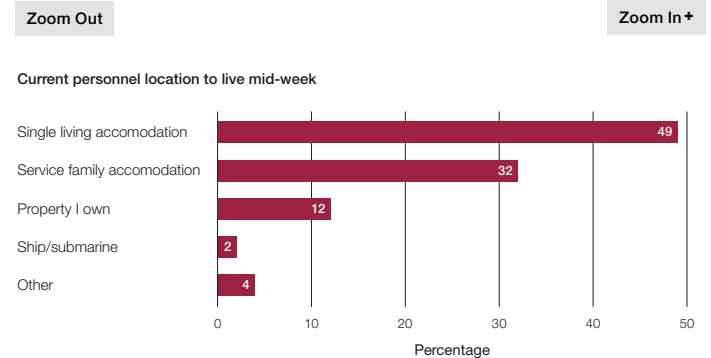
Future accommodation model

Following a 2015 commitment, MoD is exploring how it can provide service personnel with more housing choice and help people get the housing they need. The Future Accommodation Model (FAM) aims to deliver a more flexible, attractive and better value for money approach to accommodation.

The MoD is yet to publish full details of the model and is considering packages that:

- enable service personnel to rent private accommodation;
- encourage home ownerships; and
- directly provide service accommodation.

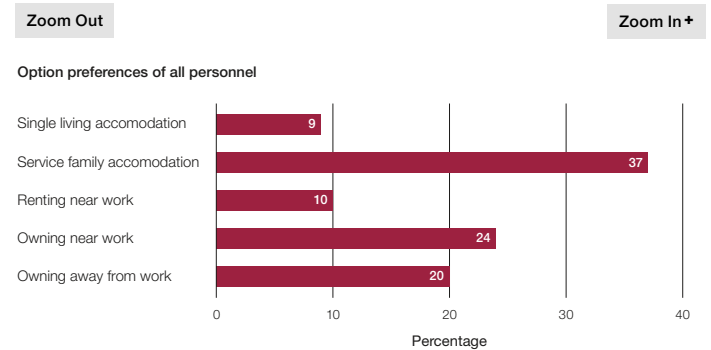
As part of its underlying analysis, in 2016 the MoD conducted a survey of service personnel to examine the attractiveness of accommodation options. It received 24,302 valid returns (18% response rate).



Note

1 Figures do not sum due to rounding.

Source: Ministry of Defence Future Accommodation Model survey; 2016



Note

1 Figures do not sum due to rounding.

Source: Ministry of Defence Future Accommodation Model survey; 2016

Recent and planned developments *continued*

DIO transformation

Between 2011 and 2013, DIO implemented a transformation programme to achieve £1.2 billion of savings up to April 2015. It planned to outsource more services and reduce staff numbers by 59%.

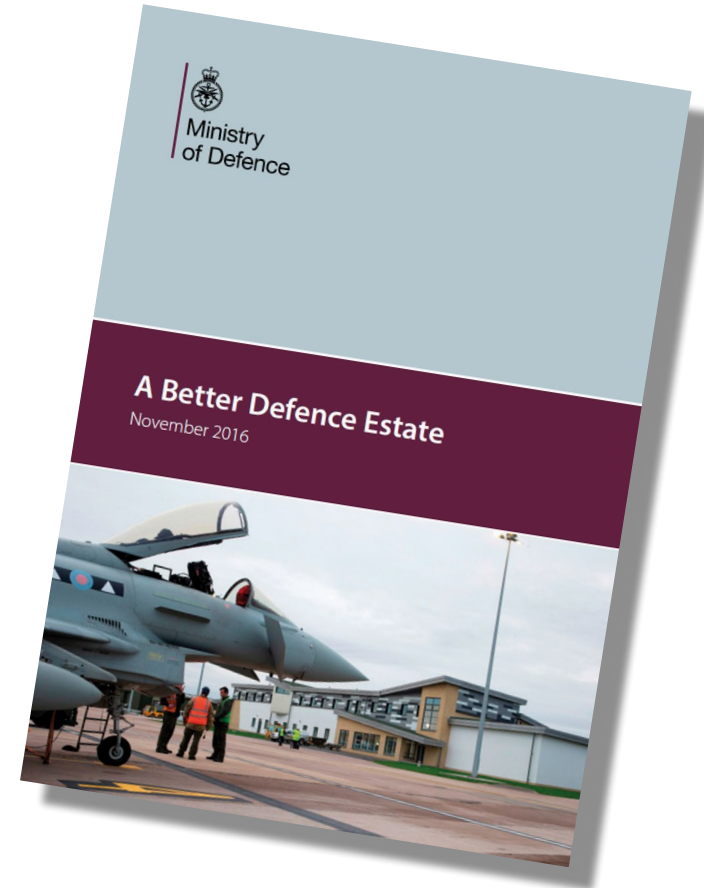
In 2012, DIO concluded the programmes would achieve insufficient savings and contracted a Strategic Business Partner to run the transformed organisation.

The transformation programme was not completed as planned. It did not operate effectively when the business partner contract commenced. This affected the MoD's ability to hold the contractor to account.

A Better Defence Estate

In November 2016, the MoD published *A Better Defence Estate* strategy. This sets out how the MoD will reduce the size of its estate to be more affordable and sustainable, and to meet government targets through disposals and procuring land for housing. MoD envisages implementing the strategy will:

- provide an overall financial benefit of £2.4 billion over 25 years through disposal proceeds and running cost savings; and
- reduce estate running costs, which could be reduced further by better targeting of resources and efficiencies across the Commands.

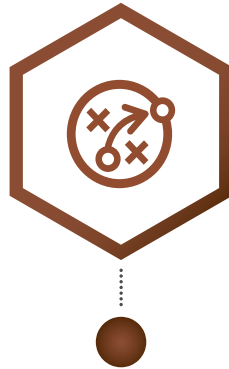


What are the things to look out for?

Area	Future developments, risks and challenges
Optimal balance between investment in the estate and other priorities	The delivery of new and existing capabilities may be jeopardised by insufficient funding and increased costs. The MoD faces a shortfall of at least £8.5 billion in its future funding for 'lifecycle replacement costs' based on the expected size and condition of its estate over the next 30 years. As the estate's condition deteriorates some parts may wholly or partially close. This will exacerbate other risks and could reduce operational readiness.
<i>A Better Defence Estate</i> strategy: Assumptions and estimates	While the strategy is based on assumptions and estimates, the MoD expects that the plans will evolve over time. If, however, the MoD fails to secure the disposal proceeds predicted, or costs increase, this could reduce the financial benefits of the strategy and cause funding gaps and delays. The MoD anticipates that more than 40% of disposal proceeds will come from disposal of a few sites in London, which are uncertain.
Service family accommodation improvement plan	CarillionAmey has improved its performance and has met its overall performance targets on the National Housing Prime Contract since April 2016 and the MoD has decided to continue its contract with CarillionAmey. There is, however, a risk that progress is not maintained in the future and that service standards drop.
How defence infrastructure is organised	Despite the MoD undertaking large-scale change, it does not yet have an overall model for managing the estate effectively. Roles and responsibilities remain unclear, governance arrangements are confused and DIO still does not have the skills and capability it requires. Since we last reported on this in November 2016, the MoD has undertaken a review and launched a new transformation programme to deliver a revised model for managing the defence estate. This includes the delegation of estate funding to Front-Line Commands, transformation of DIO as the delivery agent and setting out a new operating model for the estate with clear roles and responsibilities.

Shortages in the defence workforce

A number of recent NAO reports have identified the need for suitably skilled staff. These include commercial and project management skills required to negotiate contracts and manage major programmes. We have also highlighted the importance of specific aspects of the overall employment package provided to service personnel, such as accommodation, particularly at a time (April 2017) when the military is 4% below its requirement of 145,250.



How is it delivered?



Recent and planned developments

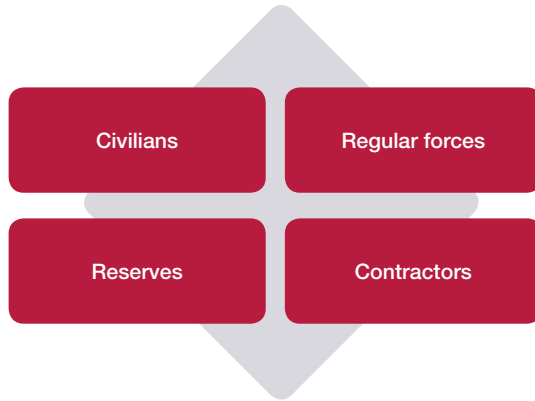


What are the things to look out for?

How is it delivered?

How it is organised?

The MoD has adopted a 'Whole Force Approach', which means its workforce comprises a mix of regular and reserve military forces, MoD civilians and contractors. It aims to get the most cost-effective balance between the various groups of staff involved in defence activity.



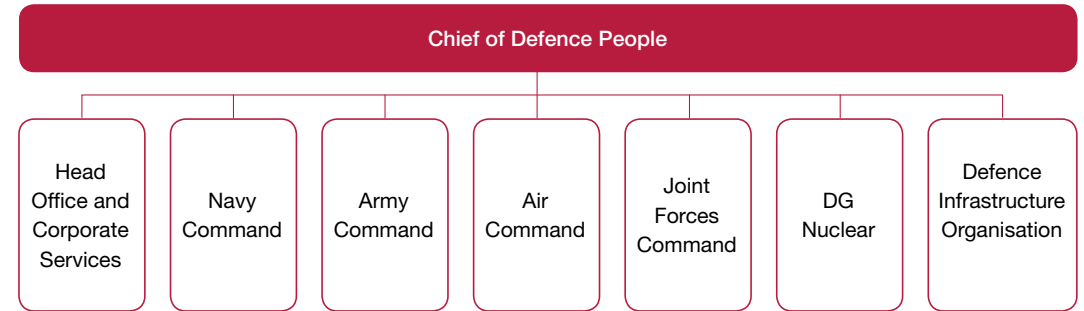
The top-level direction for the defence workforce is articulated in the [National Security Strategy](#) and the [Strategic Defence and Security Review \(SDSR\)](#). These inform the five-yearly Defence People Strategy and the annual Defence People Plan. The overall pay remit is set by HM Treasury. MoD has delegated authority to decide how to allocate available funds within the overall remit.

Who is responsible?

Since 2013, oversight of the MoD workforce lies with the Chief of Defence People. He is responsible for setting the environment and framework within which the 'Top Level Budgets' will deliver the right mix of staff across the whole force.

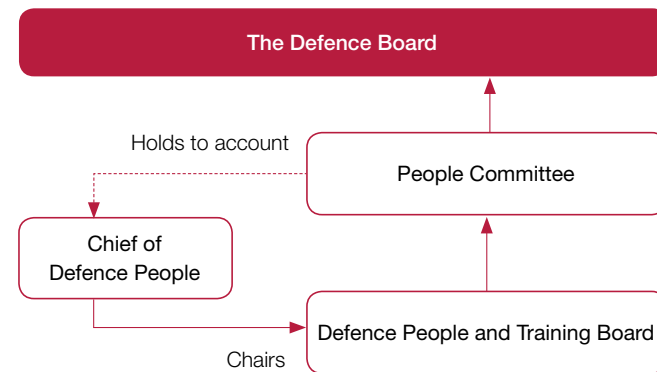
These comprise the Head Office and Corporate Services; the four Commands; Defence Infrastructure Organisation; and DG Nuclear.

The MoD's 'Top Level Budgets' – operate within delegated budgets and are responsible for managing their workforces on a day-to-day basis within the framework set by the Chief of Defence People.



MoD has established boards to provide oversight and governance for the defence workforce. The main two boards are the People Committee and the Defence People and Training Board. These feed into the Defence Board, the senior committee in defence.

The Chief of Defence People chairs the Defence People and Training Board and is held to account by the People Committee.



People Committee

Sub-committee of the Defence Board. It is a senior forum that directs the Chief of Defence People, in his role as Defence Authority for people, in setting the policies and processes for managing people.

Defence People and Training Board

Provides strategic direction and guidance on all defence people and training matters, in accordance with the direction of the People Committee and the Defence Board.

Recent and planned developments

Recruitment and retention of suitably skilled personnel is one of MoD's major risks. As it seeks to strengthen Armed Forces' capability, it faces increasing competition from the private sector for staff with marketable skills. The economic environment and changes to the UK population also affects the MoD's ability to meet its workforce requirement. It is implementing a range of measures to improve recruitment and retention, and mitigate skilled staff shortages.

Armed Forces

Overview

The military has historically been below its manpower requirement – it was 6,400 below its required regular strength at 1 April 2017.

Service	Stated requirement at 1 April 2017 ¹	Actual size at 1 April 2017 ¹	Target size by 2020
Navy	30,200	29,580	30,450
Army	82,640	78,410	82,000
Air Force	32,410	30,850	31,750
Total	145,250	138,840	144,200

¹ Includes full-time trained strength (Navy and Air Force) and full-time trade trained strength (Army).

Capability

The Armed Forces have significant key skills gaps. They identify 'operational pinch points' where a shortfall in trained strength would have a measurable, detrimental impact on operations without any mitigating actions. In 2017 the MoD had 30 pinch points, a decrease of eight from 2016. This includes across engineering roles, which reflects UK-wide recruitment challenges.

Service	Operational pinch point
Navy	15 Decrease of three since April 2016. Covers engineering and specialist roles, such as warfare specialists.
Army	4 No change since April 2016. Covers logistics roles, including two where wider commitments have increased short-term requirements.
Air Force	11 Decrease of five since April 2016. Covers engineering and intelligence roles with emerging shortfalls in relation to aircrew.

Diversity, equality and inclusion

The Armed Forces are working towards military recruitment diversity performance targets for gender and ethnicity. They recognise the need to create a more diverse workforce, which would help recruit the staff they need.

Service	Women (%)	Black, Asian and minority ethnic (%)
Navy	11	3
Army	10	9
Air Force	18	4
Total	11	7

Target joining in 2020 (%)

Women	15
Black, Asian and minority ethnic	10

Notes

- Comprises trained and untrained personnel. Excludes Gurkhas, full-time reserve personnel and mobilised reservists.
- Performance against target for intake in 12 months to 31 March 2017.

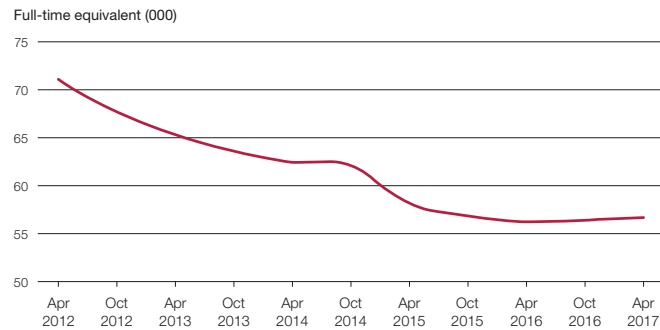
Recent and planned developments *continued*

Civilians

Overview

The 2015 SDSR pledged to reduce the civilian workforce by 30% to 41,000 by 2020. It is unclear if MoD will reach this target.

MoD departmental civilian personnel strength



Source: Ministry of Defence Annual Report and Accounts, 2016-17

Capability

The MoD recognises a shortage of commercial and digital skills, particularly within Defence Equipment & Support. The DE&S transformation programme, to improve skills and capability, aims for DE&S to be 'match fit' by April 2017.

DE&S introduced new pay freedoms to attract and retain the necessary staff. These pay freedoms are not available to the rest of the MoD, which must maintain the 1% pay increase. The effectiveness of these freedoms is unclear yet.

Diversity, equality and inclusion

The MoD recognises it scores below the civil service average, with little change, in relation to the diversity of civilian personnel by ethnicity and gender.

As at 1 April 2017	Women (%)	Black, Asian and minority ethnic (%)
Ministry of Defence ¹	42	4
Civil service average	54	12

Notes

¹ Includes all core MoD industrial personnel, but excludes all Trading Funds personnel, Royal Fleet Auxiliary and locally engaged civilians.

What are the things to look out for?

Area **Future developments, risks and challenges**

Civilians

Progress with DE&S transformation

DE&S set itself the target of improving its skills and capability and becoming 'match fit' by April 2017. To facilitate this, it has put a number of foundations in place. This includes a new organisational structure centred around 'functional areas', a more flexible staff allocation system and a new performance and reward regime. DE&S is using its freedoms and flexibilities from public sector pay rules so that staff rewards align more with industry to improve recruitment and retention. New standardised working practices and arrangements for private sector skills are being introduced. Moving forward, these changes need to become fully embedded to deliver the transformation benefits, which DE&S must monitor to demonstrate the full impact and benefit of these changes.

Civilian headcount reductions

In line with the SDSR 2015, the MoD aims to reduce its civilian workforce from 58,000 to 41,000 by 2020. The Department has told the Committee of Public Accounts that it expects the majority of the 15,000 staff to move to outsourced companies. Work to achieve these targets is being taken under the Future Defence Civilian programme. This focuses on re-shaping the workforce, considering alternative delivery models and developing a model employment offer alongside changing the culture to one that is more empowered and open to challenge. In June 2017, the MoD announced a reform programme for its Head Office.

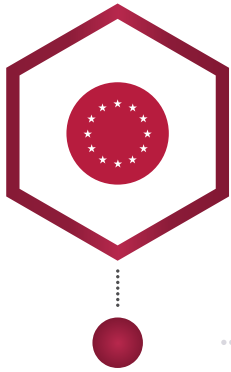
Armed Forces

Ensuring Armed Forces capability

The MoD faces challenges in meeting its manpower headcount requirement by 2020, and was 6,500 below complement as at 1 April 2017. New initiatives include:

- **Future Accommodation Model** – aims to deliver greater choice and better support for people to get the housing they need.
- **Flexible Engagement System** – aims to enable regular service personnel to temporarily change the nature of their service, such as by working part-time or adjusting deployment liabilities.
- **New Joiner Offer** – a new reward package for those joining the Armed Forces from 2020, aiming to improve recruitment and retention while reducing costs in the overall reward package through more efficient delivery of reward.
- **Enterprise Approach** – aims to make it easier for people to move across defence throughout their careers and work collaboratively with industry to make skills available across organisational boundaries.

Appendices



Appendix One – Exiting the European Union



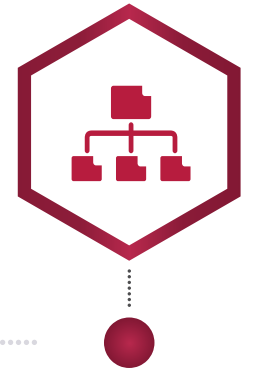
Appendix Two – Staff and pay 2016-17



Appendix Three – Staff attitudes and engagement



Appendix Four – Recent NAO reports



Appendix Five – Sponsored public bodies

Appendix One – Exiting the European Union

Departure from the European Union will not affect many of the UK's multinational and bi-national defence arrangements but the fall in exchange rates since the referendum in 2016 has an impact on defence procurement.

Government and MoD's assessment of the impact

Things that will not change:

- permanent seat on the UN Security Council;
- relationship with NATO and a role in its missions, such as NATO's Enhanced Forward Presence and Response Force;
- commitment to European security; and
- intergovernmental arrangements (for example, intelligence sharing).

Things that will change once no longer EU member:

- membership of the European Defence Agency, a Council of European Union intergovernmental agency;
- EU Common Security and Defence Policy role, which included global and European missions; and
- departmental activities governed by European agreements, for example defence research funding.

Things that might change:

- potential reinforcement of bilateral ties; and
- control of borders/waters if these are reclaimed as part of Brexit arrangements.

MoD has assessed that the largest potential impact is on foreign exchange transactions

The international nature of defence procurement means that many of the MoD's largest procurements are paid for in foreign currency – approximately £21 billion of the Equipment Plan is denominated in US dollars or euros over the next 10 years, such as the £5.8 billion in US dollars for the Lightning II programme.

Following the 2016 EU referendum, sterling significantly lost value. When the NAO last reported on the Equipment Plan in January 2017, sterling was 21.4% below the US dollar and 4.2% below the euro exchange rates used by the MoD to develop its expected equipment costs over the next decade. Using unrealistic rates could affect future affordability for individual projects or the Plan as a whole.

To create more certainty over future spending, MoD manages its exchange rate risk exposure through forward purchase contracts with the Bank of England. On a rolling basis, MoD aims to cover 80% of foreign exchange commitments for the next year, 50% the year after and 20% the year after that.

The MoD has stated that if current exchange rates persist, the cost of the Plan will increase by approximately £5 billion.

Appendix Two – Staff and pay, 2016-17

Workforce composition (at 1 April 2017)

The MoD recognises its composition of civilian and military personnel does not represent UK society. It is seeking to create a more diverse workforce and is working towards military recruitment diversity targets for both gender and ethnicity (see [here](#)).

Workforce in Ministry of Defence 2016-17

Civilian staff¹

Gender



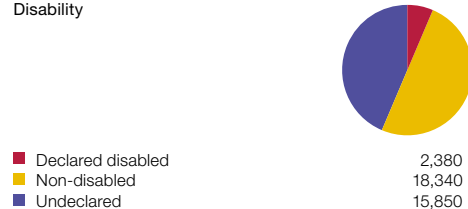
Ethnicity



Age



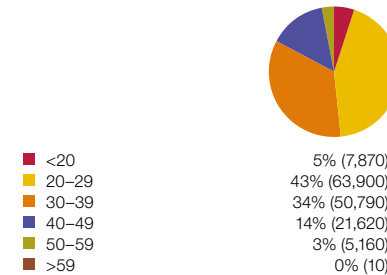
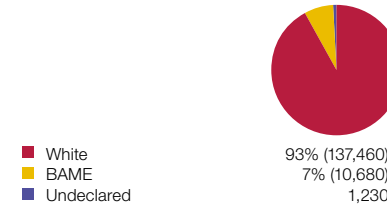
Disability



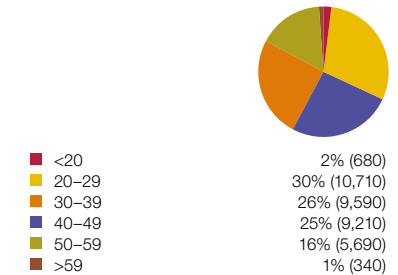
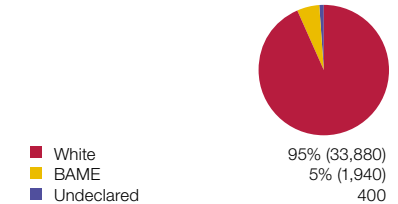
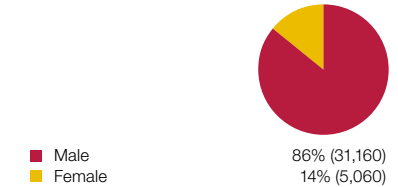
Regulars

Military staff

Reserves



Not available



Not available

1 Represents civilian headcount data consisting of 36,560 core MoD personnel. This includes the Top Level Budgets, but excludes Trading Funds, Defence Equipment & Support, Royal Fleet auxiliary and locally engaged civilians. Percentage representation rates have not been included in relation to disability as declaration rates are lower than 60%.

2 BAME = Black, Asian and minority ethnic.

Appendix Two – Staff and pay *continued*

As at 1 April 2017, the MoD employed a total 56,680 civilian and 197,040 military staff. This includes both regular and reserve military staff and those still in training.

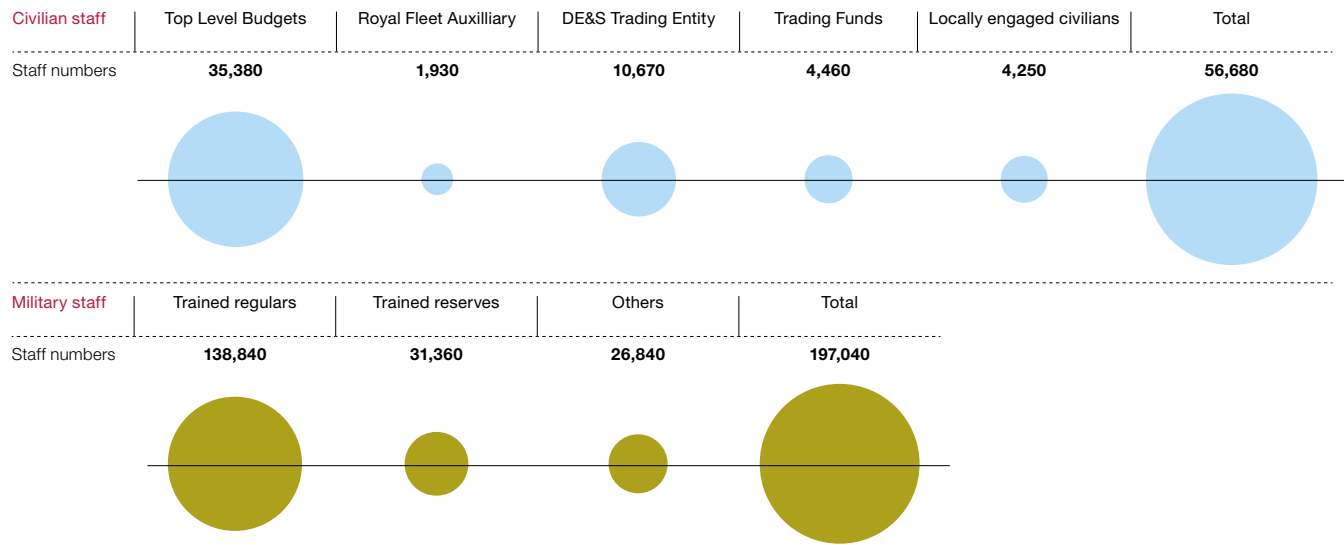
During 2016-17, the MoD spent £12.2 billion on its staff:

- £2.4 billion on civilian staff; and
- £9.8 billion on military staff.

There has been a reduction in the highest earner pay band mid-point from £347,500 in 2015-16 to £182,500 in 2016-17. This follows a change in the Board membership affecting the highest paid civilian Board member.

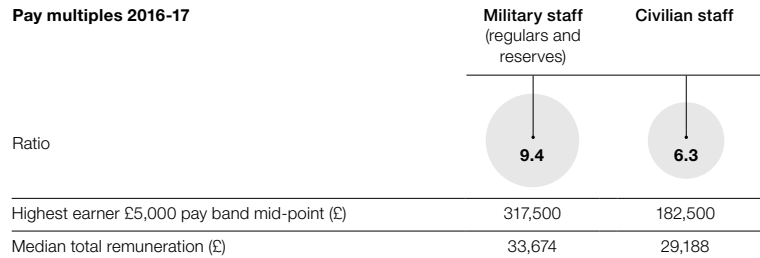
Workforce in Ministry of Defence 2016-17

Staff breakdown 2016-17 (FTE)



¹ Figures do not sum due to rounding.

Pay multiples 2016-17



Source: Ministry of Defence

Appendix Three – Staff attitudes and engagement

The government has conducted its Civil Service People Survey annually for the past eight years. The most recent survey was published in November 2016.

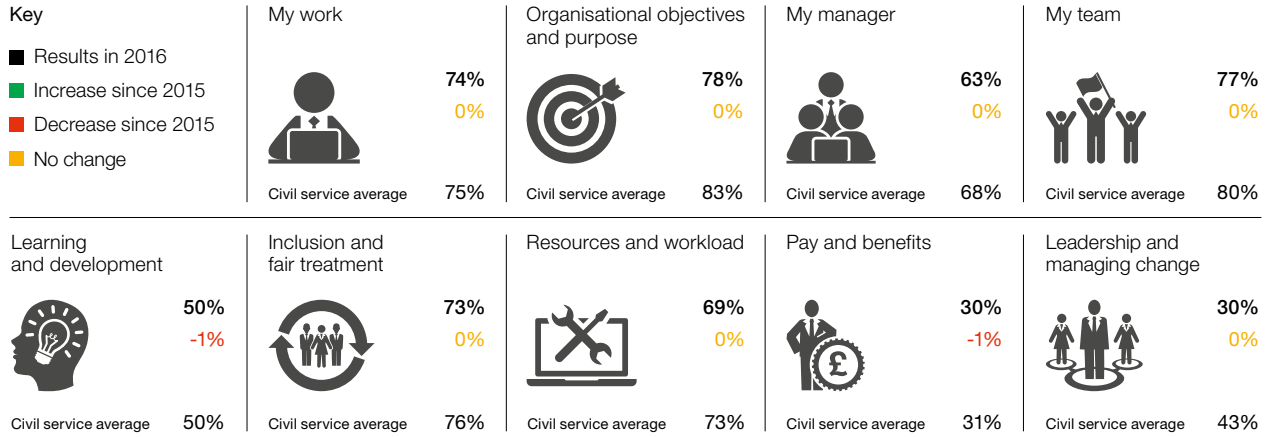
In summary:

- The MoD remains below the 2016 Civil Service average across all areas of the People survey.
- The highest score related to ‘organisational objectives and purpose’, 78%, although this remained below the civil service average of 83%.
- The lowest ratings relate to ‘pay and benefits’ and ‘leadership and managing change’.

Attitudes of staff in 2016 compared with 2015 – Ministry of Defence

Key

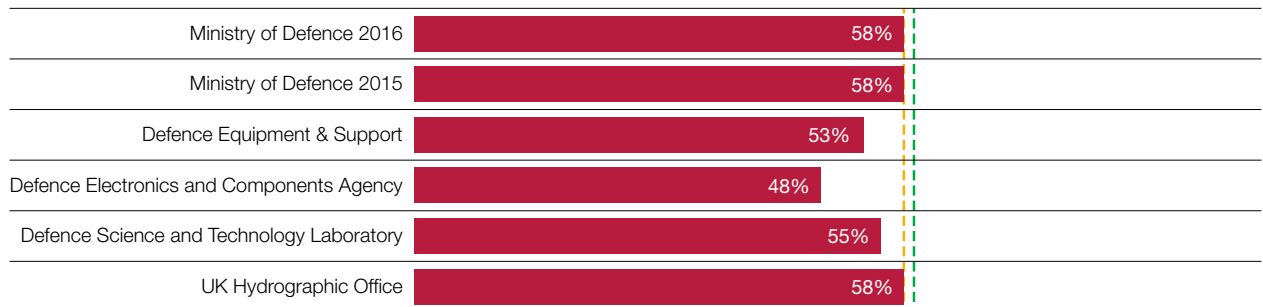
- Results in 2016
- Increase since 2015
- Decrease since 2015
- No change



MoD percentage shows the average number of respondents responding to a series of questions within each of the headline categories outlined above. For example, ‘my work’ includes questions asking respondent whether they feel interested in work, sufficiently challenged, a sense of personal accomplishment, involved in decisions impacting work and choices in how to do work. The Civil service average is the median (mid-point) score for all participating organisations.

Engagement index 2016¹

-- Civil service benchmark 2016 (59%) -- Civil service benchmark 2015 (58%)



Note

¹ The Index is calculated as a weighted average of the responses to five employee engagement questions and ranges from 0% to 100%. A score of 0% represents all respondents giving a rating of “strongly disagree” to all five questions. A score of 100% represents all respondents giving a rating of “strongly agree” to all five questions.

Sources: Civil Service People Survey 2016 and 2015

Appendix Four – Recent NAO reports

Title	Publication date	Description
Delivering Carrier Strike	16 March 2017	This report examines how the MoD is managing its programme to deliver an initial Carrier Strike operating capability by December 2020 and how it is handling the technical, cost and schedule risks since we last reported in 2013.
The Equipment Plan 2016–2026	27 January 2017	In this report we give an overview of the MoD's 2016 to 2026 Equipment Plan for procurement and support.
Delivering the defence estate	15 November 2016	This report assesses whether the MoD is now in a good position to manage its estate and whether it has addressed the barriers identified in previous reports.
Service Family Accommodation	8 June 2016	This memorandum focuses on accommodation provided to service families in the UK against a background of a fall in service personnel's satisfaction with service family accommodation.
Major Projects Report 2015 and the Equipment Plan 2015-16	22 October 2015	This report combines the Major Projects Report and the Equipment Plan to give a rounded view of the MoD's progress and maintenance of its equipment portfolio.
Strategic financial management in the Ministry of Defence	17 July 2015	This report examines the MoD's progress in improving its financial management since our last report on this subject in 2010.
Military flying training	12 June 2015	This report examines whether the MoD can achieve and measure the expected benefits of the new core flying training run by an external provider.
Reforming defence acquisition	26 February 2015	This report examined progress in tackling weaknesses within Defence Equipment & Support (DE&S), the MoD's progress in carrying out organisational change and the challenges that remain within DE&S.

Appendix Five – Sponsored public bodies

Executive agency

Defence Electronics and Components Agency¹

www.gov.uk/government/organisations/defence-electronics-and-components-agency

Defence Equipment & Support¹

www.gov.uk/government/organisations/defence-equipment-and-support

Defence Science and Technology Laboratory¹

www.gov.uk/government/organisations/defence-science-and-technology-laboratory

UK Hydrographic Office¹

www.gov.uk/government/organisations/uk-hydrographic-office

Executive non-departmental public body

National Army Museum¹

www.nam.ac.uk/

National Museum of the Royal Navy¹

www.nmrn.org.uk/

Royal Air Force Museum¹

www.rafmuseum.org.uk/

Single Source Regulations Office¹

www.gov.uk/government/organisations/single-source-regulations-office

Advisory non-departmental public bodies

Advisory Committee on Conscientious Objectors

www.gov.uk/government/organisations/advisory-committee-on-conscientious-objectors

Advisory Group on Military Medicine

www.gov.uk/government/organisations/advisory-group-on-military-medicine

Armed Forces' Pay Review Body

www.gov.uk/government/organisations/armed-forces-pay-review-body

Defence Nuclear Safety Committee

www.gov.uk/government/organisations/defence-nuclear-safety-committee

Independent Medical Expert Group

www.gov.uk/government/organisations/independent-medical-expert-group

National Employer Advisory Board

www.gov.uk/government/organisations/national-employer-advisory-board

Nuclear Research Advisory Council

www.gov.uk/government/organisations/nuclear-research-advisory-council

Scientific Advisory Committee on the Medical Implications of Less-Lethal Weapons

www.gov.uk/government/organisations/science-advisory-committee-on-the-medical-implications-of-less-lethal-weapons/about

Veterans Advisory and Pensions Committees

www.gov.uk/government/organisations/veterans-advisory-and-pensions-committees-x13

Public corporation

The Oil and Pipelines Agency¹

www.gov.uk/government/organisations/oil-and-pipelines-agency

Ad-hoc advisory group

Central Advisory Committee on Compensation

www.gov.uk/government/organisations/central-advisory-committee-on-compensation

Other

Commonwealth War Graves Commission

www.cwgc.org

Defence Academy of the United Kingdom

www.gov.uk/government/organisations/defence-academy

Defence Sixth Form College

www.gov.uk/government/organisations/defence-sixth-form-college

Defence and Security Media Advisory Committee

www.gov.uk/government/organisations/defence-and-security-media-advisory-committee

Fleet Air Arm Museum

www.gov.uk/government/organisations/fleet-air-arm-museum

Independent Monitoring Board for the Military Corrective Training Centre, Colchester

www.army.mod.uk/agc/provost/31946.aspx

Reserve Forces' and Cadets' Associations

www.gov.uk/government/organisations/reserve-forces-and-cadets-associations

Royal Hospital, Chelsea

www.Chelsea-pensioners.co.uk

Royal Marines Museum

www.gov.uk/government/organisations/royal-marines-museum

Royal Navy Submarine Museum

www.gov.uk/government/organisations/royal-navy-submarine-museum

Service Prosecuting Authority

www.gov.uk/government/organisations/service-prosecuting-authority

Territorial, Auxiliary and volunteer reserve associations established under section 110 of the Reserve Forces Act 1996

www.gov.uk/government/organisations/united-kingdom-reserve-forces-association

Note

¹ Bodies audited by the National Audit Office.