



Ministry
of Defence

Annual Report and Accounts

2023–24



FRONT COVER IMAGES:

Main: A Merlin helicopter from 820 Naval Air Squadron loaded and fired flares from HMS Prince of Wales, while embarked for Exercise Steadfast Defender.

Inset: Service Personnel from the Supreme Headquarters Allied Powers Europe (SHAPE) ready to march to the Menin Gate, Ypres in Belgium.

Ministry of Defence Annual Report and Accounts 2023–24

For the year ended 31 March 2024

Accounts presented to the House of Commons pursuant to section 6(4) of the Government Resources and Accounts Act 2000

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This is part of a series of departmental publications which, along with the Main Estimates 2024-25 and the document Public Expenditure: Statistical Analyses 2024, present the government's outturn for 2023-24 and planned expenditure for 2024-25.



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Performance Report

For the year ended 31 March 2024



Ground Support Force
from 661 Sqn, 1 Regt
AAC deployed to ranges
to conduct live flares
loading and firing.



A Combat Medical
Technician prepares
her kit for the day.
Ex IRON CYCLONE.

The Annual Report and Accounts provides a record of the Department's financial position and performance under the previous government.

It has been produced in line with guidance contained within the Government Financial Reporting Manual (FReM), which sets out core guidance for preparing government annual reports and accounts in the United Kingdom.

Introduction from the Permanent Secretary and Chief of the Defence Staff



We have seen a rapid change from a competitive world to a contested world, in which states like Russia and Iran and its proxies, are now openly combative. International order and stability are under strain, but the world is responding and the United Kingdom is at the heart of an extraordinary network of like-minded nations committed to security, stability, and the rule of law.

Over the past year, the Armed Forces have stepped up to meet all that has been asked of them, and more. In the Middle East, they have assisted the delivery of aid to Gaza by air and sea. Royal Air Force jets struck at Houthi targets in Yemen and Royal Navy ships have been protecting maritime trade in the Red Sea.

In Europe, the British Army has been participating in the largest NATO exercise in a generation. Ukraine has already achieved stunning success with British-supplied missiles and expertise, striking the Russian Fleet, holding Crimea at risk, and reopening the Black Sea for exports. Britain's military support to Kyiv has grown from £2.3 billion in 2022-23 to £3 billion in 2024-25 and we will continue to support Ukraine for as long as required.



Elsewhere British forces have contributed to peacekeeping missions in Kosovo and oil embargo operations off the Korean Peninsula, alongside a multitude of standing commitments, including the most important of all: the delivery of the Continuous at Sea Deterrent.

Our people are performing magnificently against a backdrop of multiple and competing demands. Schemes such as Forces Help to Buy and Wraparound Childcare are proving hugely popular, but we know we must do more to find, retain and support the people who keep us safe.

We are reforming the way that we work to remove organisational and bureaucratic layers and to simplify, standardise and automate our policies and processes. For all staff, military and civilian, we have initiated a programme of work called 'Reaffirming our Standards' which sets clear expectations of behaviour, together with swift and decisive actions if things go wrong. We want all our people to be proud of their role in Defence and to recommend it as a career to others.

David Williams CB

Permanent Secretary for the Ministry of Defence

Admiral Sir Tony Radakin KCB ADC

Chief of the Defence Staff Ministry of Defence
– Organisation and Purpose

Ministry of Defence – Organisation and Purpose

The **Ministry of Defence (MOD)** works to support a secure and prosperous United Kingdom with global reach and influence. We will protect our people, territories, values, and interests at home and overseas, through strong Armed Forces and in partnership with allies, to ensure our security, support our national interests and safeguard our prosperity.

Our purpose is to **protect the nation, and to help it prosper**. To deliver this we will:

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

Defence is led at the official level by the Permanent Secretary, who is the Secretary of State's principal civilian adviser on Defence, with primary responsibility for policy, finance and planning and is the Departmental Accounting Officer. Reporting to the Head of the Civil Service, the Permanent Secretary is a member of the Defence Council and Defence Board. The Second Permanent Secretary works closely with the Permanent Secretary on all aspects of the Department's leadership; specific responsibilities include digital, innovation and science & technology, safety, trade and economic security, and strategic relationships with industry.

The Chief of the Defence Staff is the professional head of the Armed Forces, the principal military adviser to the Prime Minister and Secretary of State for Defence, and the lead military voice on the Defence Board. The Vice Chief of the Defence Staff deputises for the Chief of the Defence Staff and has responsibility for running the Armed Forces aspects of defence business, principally through the central staff.

The Ministry of Defence is made up of 20 organisations including Head Office, four Military Commands, the Defence Nuclear Organisation, UK Space Command and 13 Enabling Organisations.¹

The Annual Report and Accounts exists to hold the Department to account before Parliament and the public. It is audited by the National Audit Office prior to publication. It consists of a Performance Report, an Accountability Report and the Annual Financial Statements, providing detail on Defence activity undertaken during financial year 2023–24.

Defence Risks

Our risk framework enables the risks to Departmental commitments and objectives to be managed appropriately and effectively and provides evidence-based assurance over the effectiveness of key controls. The Department's principal risks are overseen by the Defence Board and supported by risk management at all levels of the organisation. Principal risks that are currently monitored include:

- The capacity and skills of our workforce
- Transforming the Force through science, innovation and technology
- Our ability to keep people safe and secure
- Increasing our cyber and wider resilience
- Creating an alliance with industry and resilience in the supply chain
- Increasing the productivity of the Department
- Building and maintaining robust and effective relationships with our partners
- Adapting to the impacts of climate change

¹ How Defence Works: the defence operating model - GOV.UK (www.gov.uk)

Support to Ukraine

As Russia's unprovoked and illegal full-scale war in Ukraine moves into its third year, the UK remains resolute and a leader in the support offered to Ukraine in response. The Ministry of Defence works closely with allies and partners to ensure the provision of military support: enabling Ukraine to better defend itself; restoring its internationally recognised borders; and demonstrating Ukraine's right as a sovereign, independent and democratic state. The UK committed £2.3Bn in military spending to Ukraine in 2022 and 2023.

The UK continues to deliver a major training operation for Ukrainian forces under Operation INTERFLEX. Working with 12 partner nations, training of Ukrainian personnel is progressing well, with over 37,000 Ukrainian personnel trained in the UK since June 2022, and almost 60,000 Ukrainians trained since Russia's 2014 invasion. Ukrainian soldiers on this training programme, undertake courses based on the UK's basic soldier training which includes weapons training, battlefield first aid, fieldcraft, patrol tactics and training on the Law of Armed Conflict. We continue to learn from the Ukrainians about how tactics on the ground are evolving and adapt our training accordingly. Courses are complementary to the Armed Forces of Ukraine's (AFU) own training mechanisms, with leadership a key feature of the training over the last 12 months. The UK has committed to expand training for Ukrainian forces to sea and air, including pilots and marines, as part of long-term investment.

We have delivered a wide range of capabilities to help the Armed Forces of Ukraine defend their territory. In the past year this has included: anti-tank weapons, artillery ammunition, multiple launch rocket systems, Air Defence systems, with associated ammunition and missiles, armoured and protected vehicles, Storm Shadow, additional Brimstone missiles, uncrewed systems and components.

Through the International Fund for Ukraine (IFU), contracts worth over £350M have now been placed for a range of equipment including uncrewed air systems, electronic warfare, air defence radars and cannons, ammunition, maritime intelligence, surveillance and reconnaissance, mine clearance, plant vehicles, logistic support bridges, and tracks and engines for armoured fighting vehicles. Deliveries to Ukraine began in July 2023. Denmark, Iceland, Lithuania, Netherlands, Norway, Sweden and the UK have contributed to the IFU. Australia and New Zealand have also announced their intention to contribute to the Fund.

In December 2023, the UK announced that it would co-lead the 'Maritime Capability Coalition' with Norway and the 'Drone Coalition' with Latvia as well as contributing to all other Capability Coalitions. Capability Coalitions are focused groups of nations committed to building a Ukrainian force capable of deterring Russian aggression for the long term.

Task Force HIRST was established in December 2023 in collaboration with the Department for Business and Trade to develop closer government and defence industrial cooperation with Ukraine. HIRST has delivered a series of Trade Missions and a Framework Arrangement that allows the UK to contract on behalf of Ukraine for material, underpinned by UK Export Finance. Bringing together the agility of Task Force KINDRED funding, scale of UK Export Finance and the commitment of the Strategy for Munitions we are seeking to accelerate the 'always on' approach for key munition types and our ability to support and sustain Ukrainian land systems.

The Middle East

Israel suffered the worst terror attack in its history at the hands of Hamas on 7 October 2023, and Palestinian civilians in Gaza are experiencing a devastating and growing humanitarian crisis. The UK supports calls for an immediate ceasefire, the immediate release of all hostages, and protection of civilians.

The UK is clear on the importance of the rule of law and importance of international humanitarian law.

The Foreign Commonwealth and Development Office is coordinating the UK humanitarian response to ensure lifesaving assistance can reach the people who need it, delivering support through partners including the International Committee of the Red Cross. As part of a wider UK effort, Defence has worked collectively with allies, partners and international organisations to deliver desperately needed humanitarian aid to Gaza.

Despite repeated warnings from the international community, including United Nations Security Council Resolutions (UNSCR), 2722 (2023), the Houthis continue to conduct illegal, dangerous and destabilising incidents, such as hijackings, and drone and ballistic missile attacks on commercial and military vessels in the Red Sea. Defence has acted decisively to deter attacks on international shipping as part of the US-led Operation, Prosperity Guardian. Since January 2024, alongside the US, the UK has conducted five rounds of proportionate and necessary strikes against Houthi targets to degrade their capabilities.

Our activities have included:

- four humanitarian flights to Egypt, enabled by the RAF, to deliver a total of 74 tonnes of humanitarian aid to the people of Gaza, including tents, blankets and wound care packs, over 10 tonnes of food supplies including water, rice and baby formula;
- the delivery of equipment by the RAF in November 2023, including trucks and lighting towers, to support partners in the region in delivering aid into Gaza;
- the Royal Fleet Auxiliary Lyme Bay delivering 87 tonnes of UK and Cypriot aid from Cyprus to Egypt in January 2024 for onward distribution in Gaza;
- the UK providing planning support to the Jordanian Armed Forces for their humanitarian aid efforts and working with Jordan to deliver 4 tonnes of aid by air to Tal Al-Hawa Hospital in northern Gaza, in February 2024;
- providing around 500 parachutes at the request of Jordan and Bahrain, to enable more airdrops of aid to help people in Gaza.
- between 25 March and 9 May 2024, the RAF has undertaken 11 airdrops, delivering over 110 tonnes of humanitarian aid to the civilian population of Gaza. The aid contained pre-packaged halal meals, tinned food, rice, flour and sweets.

Financial Performance Summary



Aneen Blackmore
DG Finance
(From 1 June 2024)

Introduction

The Finance Function is well-established within Defence, with clear policies and procedures and accountabilities supported by effective and proportionate internal controls and assurance.

The Function has played a pivotal role in enabling the Department to meet the variety of challenges faced during 2023-24. These have included the continued support to the Armed Forces of Ukraine and increased Operations in the Middle East.

Financial Performance in 2023–24

Overview

The MOD receives authority from Parliament to commit resources to run the Department, both capital and cash, via the **Supply Estimates**. These are published twice in each financial year.

HM Treasury is responsible for the design of the budgeting system against which the Department is controlled. **Departmental Expenditure Limits (DELs)** are set as part of the **Spending Review** process and departments must not exceed these limits.

Resource Budgets control current expenditure such as pay, equipment support and infrastructure maintenance as well as asset depreciation.

Capital budgets exist to control new investment and allow spending on capital assets.

Within the Resource DEL there is a separate **Administration** budget, also set in the Spending Review, to cover expenditure on running central government bodies (excluding their frontline activities). In addition, some expenditure is specifically ringfenced and requests to switch expenditure to other budget areas will not be approved. For MOD, this includes depreciation and impairment costs and the Cost of Operations.

Annually Managed Expenditure (AME) budgets are demand led and volatile so cannot be absorbed within normal controls. The AME budget is set by HM Treasury and any expected increases require Treasury approval. There is also a non-budget section of the Statement of Outturn against Parliamentary Supply (SOPS), to cover any prior period adjustments that may be required within the current year's accounts.

Performance Against Estimates

The Department's financial outturn was delivered within all Parliamentary Control Totals and DELs. This was achieved through effective and regular scrutiny and challenge of our financial plans, forecasts and risks, with accountability for financial outcomes clearly defined.

As a result we have effectively balanced the Capital Departmental Expenditure Limit (DEL) to within less than 1% of the £19.197 billion budget.

The Non-Ringfenced Resource DEL was also delivered to within less than 1% of the £33.555 billion budget.

A breakdown of expenditure against the Parliamentary and Treasury Controls can be found in the following table:

Analysis of Departmental Expenditure

Comparison of Estimate to Outturn	Estimate £ billion	Outturn £ billion	Variance £ billion	Variance %
Resource DEL (non ringfenced); of which	33.555	33.406	0.149	0%
<i>Admin Costs</i>	2.002	1.928	0.074	4%
Resource DEL (ringfenced)	8.802	7.956	0.846	10%
Cost of Operations (ringfenced)	1.450	1.352	0.098	7%
Total Resource DEL	43.807	42.714	1.093	2%
Capital DEL (non ringfenced)	17.978	17.932	0.046	0%
Cost of Operations (ringfenced)	1.219	1.219	0.000	0%
Total Capital DEL	19.197	19.151	0.046	0%
AME (Resource)	1.928	(1.382)	3.310	172%

The majority of the Resource Departmental Expenditure Limit (RDEL) variance in core expenditure of £0.149 billion reflects reductions in spending on administration within the Department.

The Capital Departmental Expenditure Limit (CDEL) outturn variance was £0.046 billion and relates to small variances on a number of programmes.

Ringfenced Resource DEL relates to depreciation/impairment of the Department's assets. The variance to budget of £0.846 billion reflects a number of asset revaluations.

For Annually Managed Expenditure (AME) which by its nature is demand led and volatile, the outturn was £3.310 billion below the budget, reflecting the change to Treasury Discount Rates.

No non-budget expenditure has been reported as no prior period adjustments to financial statements have been necessary in 2023–24.

Further detail on the Reconciliation of Net Resource Outturn to Net Operating costs can be found in the Accountability Report SOPS Note 2.

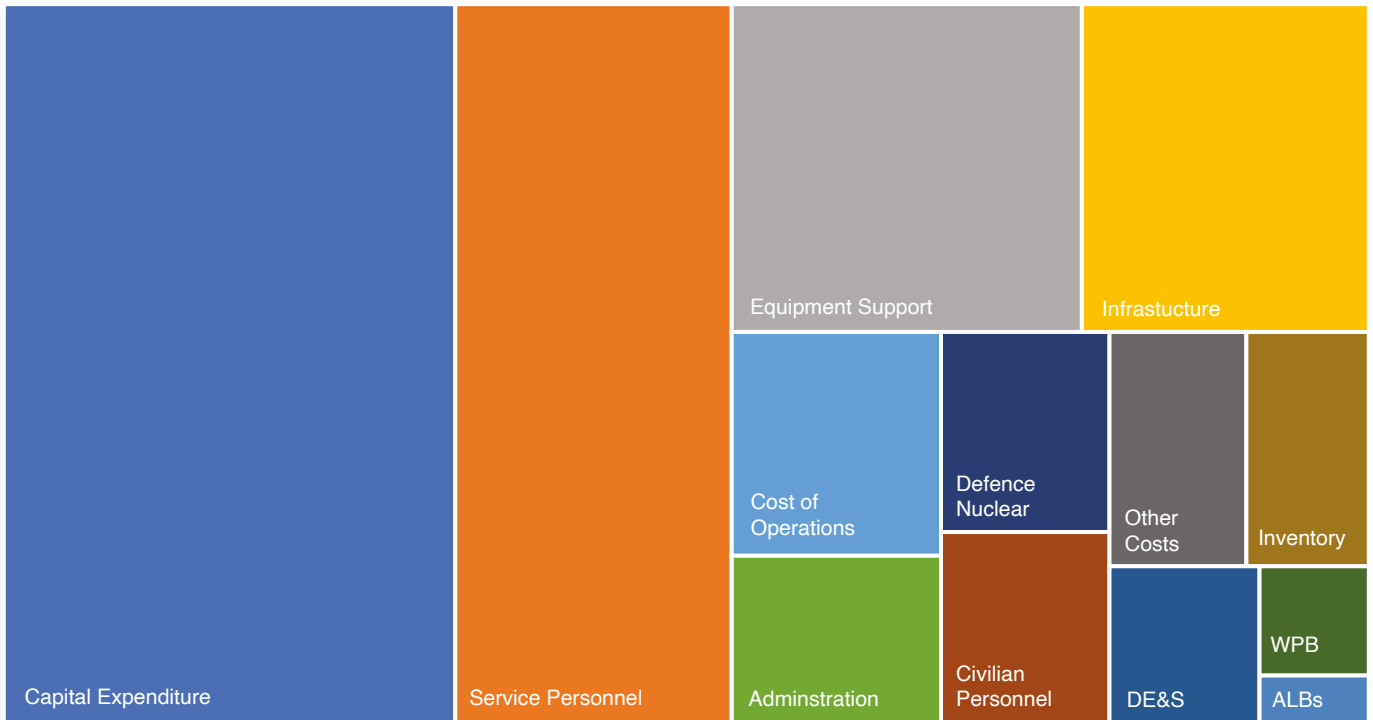
Where We Spent Our Money in 2023–24

The following chart provides a breakdown of all non-ringfenced expenditure and operational ringfenced expenditure

incurred by the Department in 2023–24. This expenditure is controlled by the Department through the In-Year Management forecasting process.

Where we spent Our Money 2023-24

Total Expenditure £53.908 billion



- Capital Expenditure £17.932 Bn
- Service Personnel £10.957 Bn
- Equipment Support £5.721 Bn
- Infrastructure £5.036 Bn
- Cost of Operations £2.571 Bn
- Administration £1.928 Bn
- Defence Nuclear £2.596 Bn
- Civilian Personnel £1.77 Bn
- Other Costs £1.74 Bn
- Inventory £1.503 Bn
- DE&S £1.285 Bn
- War Pension Benefits £0.651 Bn
- Arms Length Bodies £0.219 Bn

1 Defence Nuclear Enterprise (DNE) now appears as a separate item to reflect a change in reporting arrangements.
 2 The total spending shown in the chart includes total RDEL and CDEL, but excludes £7.956Bn ringfenced Resource DEL.

Operational Spend Achievements

Costs of Operations are described in terms of the net additional costs incurred. These are costs which the Department has only incurred because the Operation has been undertaken (such as additional materials, travel etc.).

In 2023-24, net additional costs were incurred against a variety of Operations, most significantly in our unwavering support to Ukraine. In addition to the figures shown in the graph, there is £0.12Bn of additional spend in the Core budget in relation to support to Ukraine. This takes our overall spend on support to Ukraine to £2.3Bn.

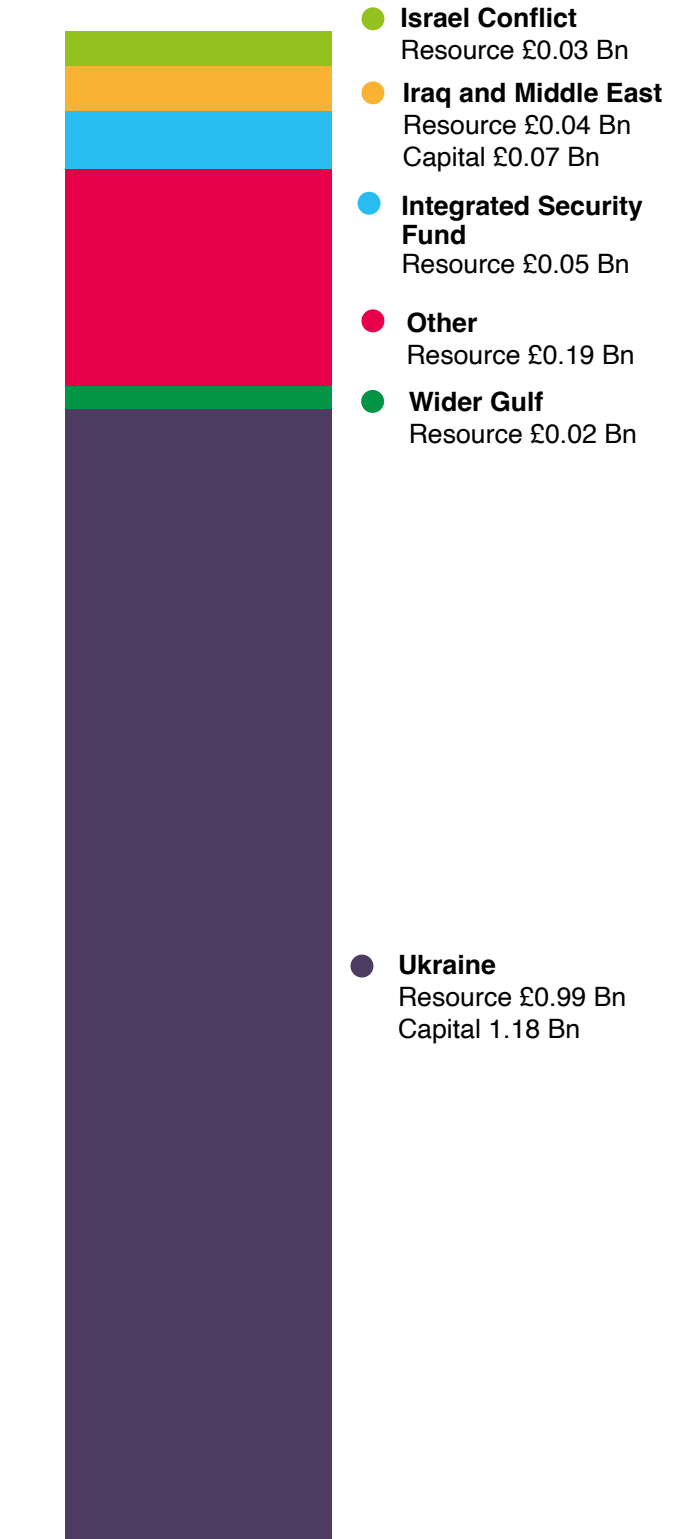
Costs were also incurred against a variety of other Operations including counter-terrorism.

The Deployed Military Activity Pool (DMAP) is a joint HM Treasury and MOD initiative to make resources available to fund the initial and short-term costs of any unforeseen military activity. Therefore, the first £0.1Bn of spend on Operations is funded from the Core programme. In 2023-24, MOD also received the annual allocation from the Integrated Security Fund (ISF), a cross-HM Government fund enabling funding for conflict prevention, stabilisation, security and peacekeeping activities, under direction of the National Security Council (NSC). Further details on military operations can be found within the Performance Analysis section.

Spend on Main Areas of Conflict 2023-24

Total Expenditure £2.571 billion

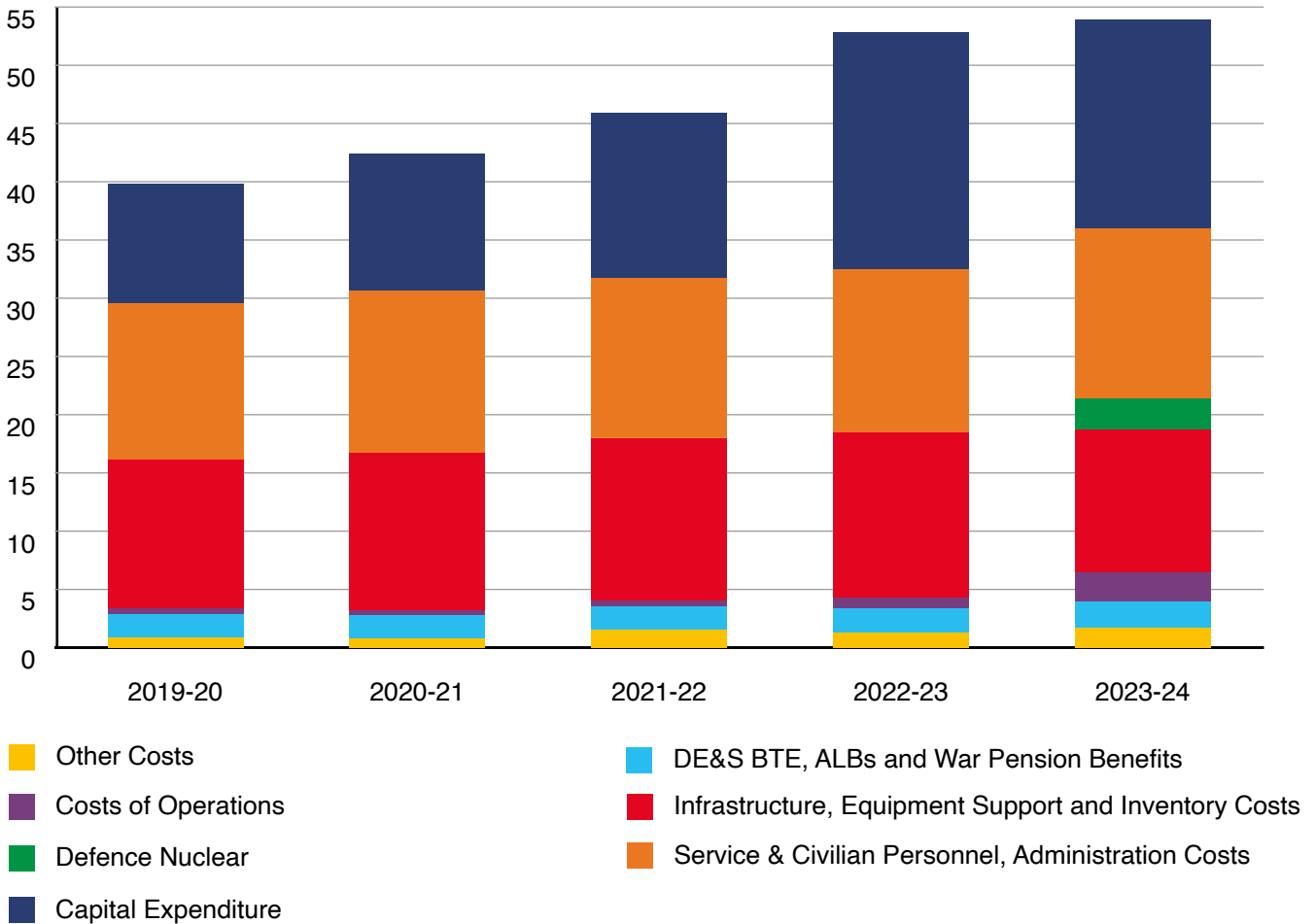
The following graph reflects the spend on the main areas of conflict in 2023–24:



Long Term Expenditure Trends

The graph below shows the long-term trend for Resource and Capital expenditure, excluding asset depreciation and impairment from 2019-20 to 2023-24.


Analysis of Capital DEL and Cash Resource Del by Type of Expenditure (£Billion)




Defence Nuclear Enterprise (DNE) now appears as a separate item to reflect a change in reporting arrangements.

Aneen Blackmore
 Director General Finance
 (From 1 June 2024)

Performance Analysis



Military personnel lead
a procession along
Edinburgh's Royal Mile



Hundreds of LGBTQIA+
Defence personnel
marched to celebrate
Pride in London.

Our People

Our people, regular, reservist or civil servant, are the most important asset we have.

As at 1 April 2024, the size of the Armed Forces, including reserves, was 183,230 (a reduction of 5,590 compared to April 2023 (188,820). Intake into the Regular Armed Forces has increased by 2% in the 12 months to 31 March 2024, compared to the 12 months to 31 March 2023.

As at 1 April 2024, the Civil Service was 61,616, compared to 60,640 on 1st April 2023.

We have a whole-force strategic workforce planning capability in which budget holders have the freedoms and incentives to design a whole-force workforce (civilian and military regular and reservists). This enables us to understand and manage the risks to ensure that we have the right people, at the right time, in the right location to deliver Defence outputs. This has improved our ability to focus on key whole-force workforce challenges, including increasing capability in critical areas e.g. Engineering, Digital, Cyber, Nuclear, Project Management and Property cadres. We have launched 'Recruit Now' initiatives to improve inflow into the Armed Forces and we are re-designing the Civil Workforce to be smaller, more productive and focused in the most appropriate areas of Defence activity.

Career Flexibility

The Haythornthwaite review was commissioned to look at the terms, conditions and incentivisation of service in our Armed Forces, the first full review since the 1990s.

The key programme activities undertaken in 2023-24, to respond to the Haythornthwaite review recommendations were:

- Total Reward Approach – Understanding the elements of reward and incentivisation that are of greatest value to our people so we can build a reward package that delivers for them whilst also supporting Defence's objectives. To build the

foundations for future reward programmes, we are running a pilot, working with engineers across the services, to develop the approach and explore which reward levers have the greatest impact when attracting, motivating and retaining talent.

- Spectrum of Service – We recognise that the way we employ our people has become too rigid and inflexible for today's society and will not provide the agility that Defence needs in the future to deliver our outputs. We are working to improve the way we use our current employment model to, for example, make it easier for personnel to join at a higher rank based on the skills they possess. We are also working towards a more agile workforce model which will inform a more responsive offer and give personnel the flexibility to move seamlessly between different personal commitments, career aspirations and employment types.
- Policy and Process Optimisation – This user-centric programme aims to simplify and optimise military people policies to reduce complexity and make them easier to use and understand. The current military people policies are being split between policy (legislation, rules) and procedure (how the policy is transacted). This will allow focused simplification of the policy content to remove duplication, provide greater standardisation and will allow digital enablement of our policies and provide our people with a commercial grade user experience.
- Digital transformation – Moving to a universally digitalised approach will give personnel the same commercial grade service and ease of access that they expect outside of work. The centrepiece of this is the Promotion Centralised Service that allows people to manage their careers at their convenience.

Skills for the future

We are working to address, over the next three years, our most critical skills shortfalls. At the end of March 2024, there were 116 whole-force skills pinch points assessed as significant or above.

Our Pan-Defence Skills Framework (PDSF) maps the skills needed for each and every role in the Defence enterprise. In 2024, we began a phased roll-out of the PDSF. The PDSF provides a whole-force approach to identifying, defining, and managing the skills of Defence's people and their associated roles, enabling teams to deploy personnel where they are needed most, helping Defence create the fighting force the nation needs for the future.

Apprenticeships are also an important part of our approach to enabling our people to deepen their specialisms and skills base. In 2023-24 over 24,000 personnel were employed on a nationally recognised apprenticeship programme. The British Army was named National Apprenticeship Employer of the year, with the Royal Navy 4th and the Royal Air Force 7th. Over 95% of our non-commissioned military recruits were offered an apprenticeship linked to their trade training.

Supporting our service personnel and veterans

Childcare

We continue to work with the single Services, local authorities, and the Department for Education (and their devolved equivalents) to enable access to childcare provision for Service personnel across the UK and overseas.

Wraparound Childcare was launched in September 2022 for children aged 4 – 11 of eligible Service families. As of 16 April 2024 6303 children of 4498 Service personnel, were registered on the scheme.

Armed Forces Covenant

The Armed Forces Covenant recognises the uniqueness of service and is a promise by the nation that those who serve or have served, and their families, will suffer no disadvantage in accessing public and commercial goods and services, in comparison with the general

population, and that special provision may be appropriate for those who have sacrificed the most. The Armed Forces Covenant and Veterans Annual report was published in December 2023 and showcases what work has been completed to date.²

The number of signatories to the Armed Forces Covenant stands at 11,779 at 31 March 2024, up from 10,646 at June 2023. Employer Recognition Scheme Gold Awards are awarded to those employers across the UK that provide the highest levels of support and advocacy for those who serve, veterans and their families. As at September 2023, 834 organisations across the UK now hold this award, providing paid time off for reservists to fulfil their military commitments and supportive HR policies for veterans, reserves, and cadet force adult volunteers, as well as spouses and partners of those serving in the Armed Forces. The Armed Forces Covenant Fund Trust (a Defence Non-Departmental Public Body and a charity) has awarded grants through the Covenant Fund to 148 recipients. Additionally, it has delivered further grants via the following funds: The Veterans' Mobility Fund; The Veterans' Career Development Fund; The Veterans' Capital Housing Fund; The Reducing Veteran Homelessness Programme; The LGBT Veterans' Support Fund; and The Armed Forces Families Fund.³

The Covenant legal duty, which came into force in November 2022, ensures that relevant public bodies give due regard to the principles of the Covenant in the areas of health, housing and education. The new duty promotes better understanding among those delivering these key services of the Armed Forces community and the impact of Service life, with the aim of promoting improved outcomes. Work is currently underway to scope out how we might strengthen the legal duty.

² Armed Forces Covenant and Veterans annual report 2023 – GOV.UK (www.gov.uk)

³ <https://covenantfund.org.uk/annual-report-2022-23/>



First Sea Lord, Admiral Sir Ben Key and Royal National Life Boat Institution Mr Mark Dowie signed the Armed Forces Covenant during the reception on board HMS Diamond.

Veterans

The Veteran Cards service was launched on 28 January 2024 for all veterans residing in the UK. As at 14 May 2024, over 80,000 cards have been issued to veterans and around 400 applications are being received each day. Most of our applications pass through our automated service with very limited human intervention and most applicants receive their card within 2 weeks of applying. Some cards take longer to process owing, usually, due to the information on the application not automatically matching with the data we hold, necessitating some manual intervention. Our ‘Apply for a Deceased Person’s Military Records’ digital service allows family members to obtain a copy of their relative’s service record. This service has achieved the “Great” standard for digital services as part of the Government’s commitment to getting 50 of the Top 75 digital services to a “Great” standard by 2025.

The Independent Review of UK Government Welfare Services for Veterans – an independent review into HMG-led veteran welfare services – was commissioned in March 2023 as a joint Ministry of Defence (MOD) / Office for Veterans’ Affairs (OVA) initiative. Its aim was to provide an independent review of the effectiveness and efficiency of government delivered (primarily

by Defence) veteran welfare services and make recommendations for improving these where necessary. The review was published in July 2023 and Defence alongside the OVA published a response in December 2023 where all of the recommendations in the review were accepted and work has commenced on how best to deliver the recommendations.⁴

Harnessing the Wholeforce

Defence is a modern and inclusive employer with people at its core. We value and harness the difference our people’s skills, experience and individual backgrounds bring to enhancing our operational capability. We will only meet security challenges and threats if everyone is confident their skills and experience are properly recognised, their individuality and background respected, and they are able to achieve their full potential. Focusing on diversity and inclusion contributes directly to operational effectiveness. It drives performance, innovation, increases creative thinking and reduces the risks of group think and lack of challenge.

Defence leadership have initiated a programme of work called ‘Reaffirming our Standards’ to ensure all staff know and show the standards of behaviour that we expect. We are building on the extensive work in response to the Wigston Review into inappropriate behaviours (July 2019)⁵, the Unacceptable behaviours progress review (December 2020)⁶, and the Women in the Armed Forces Report (July 2021), and we have sought external insight by engaging with leadership from across Government, external inclusion review leads, and teams making positive change across Government.

Reaffirming our Standards aims to improve the lived experience of personnel across Defence, be they military or civilian, through setting clear standards and expectations of behaviour; through ensuring we uphold these

4 The Independent Review of UK Government Welfare Services for Veterans – GOV.UK (www.gov.uk)

5 Wigston Review into inappropriate behaviours – GOV.UK (www.gov.uk)

6 Unacceptable behaviours-progress review 2020 (publishing.service.gov.uk)

standards; and through increasing people's confidence in our systems and processes that we will act swiftly and decisively if things go wrong. To help drive the cultural, behavioural, and procedural changes required, a new Director General People and Organisational Development, has been appointed.

We have also made progress in other areas of our Diversity & Inclusion (D&I) strategy. During 2023-24 we have:

- Announced restorative measures for those impacted by the historic LGBT ban in the Armed Forces, as part of our response to the Etherton Review. We have completed 24 of the 49 recommendations, working at pace to put in place a process for affected personnel to apply and register an interest in the 14 restorative measures recommended by the Review. These measures show our commitment to putting right the historic wrongs and hurt so that our veterans can once again take pride in their service.
- Continued to take action in response to the House of Commons Defence Committee Women in the Armed Forces report. We launched the Defence Serious Crime Command and a Victim and Witness Care Unit, provided improved female fit uniform and body armour, delivered greater career flexibility, provided better access to childcare through the Wraparound Childcare scheme, issued zero tolerance policies on sexual harassment, sexual offences, and sexual exploitation and abuse, issued women's health and wellbeing policies on menopause and breastfeeding, provided emergency sanitary provision, sports bras and a urinary support device, and set an ambition to increase the representation of women at all levels.
- Made progress as part of our commitment to improving the experience of Defence personnel from minority ethnic groups. This includes: a renewed focus on diversity and inclusion training; the Defence allyship programme; the Rise & Elevate talent scheme; an industry leadership scheme; mutual mentoring; challenge board representation; and diversity and inclusion statements in job adverts and candidate packs.
- Announced the introduction of Armed Forces Non-Religious Pastoral Officers to ensure pastoral support for all, regardless of faith or belief and further bolster the support given to our Armed Forces. This forms part of our Defence Faith and Belief Strategy. The faiths and beliefs held by our Service personnel are diverse, and this is reflected within our chaplaincies with Christian, Muslim, Sikh and Jewish chaplains serving. Recruitment of Non-Religious Pastoral Officers is in progress and the successful candidates will serve as members of our chaplaincy teams.
- Reviewed our Defence diversity and inclusion policies as part of our continuous improvement activity to assure that the Department is prioritising policies with maximum impact on increasing recruitment and retention, as well as ensuring fair treatment and respect.
- Implemented a Defence Staff Network policy to better support existing networks and provide more structure and governance around them. Pivotal to the new structure is the introduction of Defence Network Forums, led by diversity and inclusion champions, to increase collaboration between networks and improve distribution of funding to achieve increased impact.
- Published a Defence Guide to British Sign Language setting out our actions to achieve compliance with the British Sign Language Act 2022.⁷

⁷ Ministry of Defence Diversity Plan 2018 to 2030 (publishing.service.gov.uk)



The current sea-going crew configuration of HMS Spey, sees a full female Bridge Team.



Hundreds of LGBTQA+ Defence personnel marched to celebrate Pride in London.

Reserve Forces

Reserves are essential both on and off the battlefield. Defence Reserves Transformation (DRT), delivered through the Defence Reserve Campaign Plan (DRCP), will synergise Reserve Forces 30 and the Haythornthwaite review, and help Defence maximise the impact that can be achieved through our Reserves.

Current transformation activities include: A Defence Relationship Management and Employer Engagement review to scope the acceleration of Industry Partnerships to target pinch point talent and trial zigzag careers; support to the development of the Contingent National Defence Force concept; championing of a Strategic Reserves to grow a tracked body of Reserves to meet second and third echelon demand; Overseas Based Reserves trial by the global defence network;

and fluidity and process simplification for Reserves mobilisation.⁸



Reservists leave CAMP VIKING by Merlin helicopter to start tactical training.

Inspiring Youth and Cadets

The ongoing joint Department for Education/ Ministry of Defence Cadet Expansion Programme (CEP) is increasing the number of cadets in school-based cadet units. There are no specific targets, but we are working to encourage sustainable growth up to 60,000 cadets in 500 schools across the UK. As at 1 April 2024, there were 51,360 cadets in school units. (51,490 at 1 April 2023)

The Cadet Cyber First programme, underway since 2019, aims to equip over 2,000 cadets a year with the skills and expertise to become future leaders in this emerging industry. The number of cadets taking the courses has increased year on year (from a low base because of COVID restrictions). As at 1 April 2024, there were 2,467 cyber trained cadets. (1,612 as at 1 April 2023)

Transforming the Force through Science, Innovation and Technology

Defence invests in Research and Development (R&D) to maintain a technological edge against our adversaries to counter current and future challenges. Being able to deliver scientific, technological and innovative developments into warfighting capability at the right pace is particularly important given the increasing rate of geopolitical and technological change.

8 Reserve Forces Review 2030 – GOV.UK (www.gov.uk)

Investment in Research and Development

We have an R&D portfolio of programmes and projects which are addressing Defence capability priorities and challenges. Many of these programmes and projects are developed through the Defence Science and Technology Laboratory, with the remainder delivered through academia and industry. The portfolio includes research activities covering AI, Engineering Biology and Quantum Technologies, and activities providing support to Future Telecommunications and Semiconductors.

Innovation

Defence is focussed on delivering innovative solutions, enabled through investment vehicles such as the Defence Innovation Fund (DIF) and the Defence and Security Accelerator (DASA).

The Defence and Security Accelerator (DASA) launched 20 themed competitions and ran 5 cycles of the Open Call for Innovation, enabling suppliers to accelerate their ideas into defence and security. Since April 2023, DASA has allocated over £40M across 176 projects, of which 61% were with small and medium-sized enterprises (SMEs).

In partnership with Estonia, the UK hosts the Defence Innovation Accelerator for the North Atlantic (DIANA) headquarters. From the 1,300 applications submitted for the first round of challenges in 2023, 44 were selected to participate in pilot studies, with 7 companies included from the UK. The UK's participation in the NATO Rapid Adoption Service will ensure these technologies are exploited for defence and security applications.

Emerging Technologies

Engineering Biology is taking synthetic biology concepts and translating them into real-world solutions. It presents tremendous opportunities for Defence, including applications for future military capabilities. We are therefore making targeted investments, to ensure that Defence is an early adopter and investing across defence

innovation to develop scalable solutions, for example, turning waste into biofuel for potential future applications in self-sufficiency and military aviation.

Quantum Technologies offer the possibility of delivering capabilities that are impossible with classical physics. A full participant in the thriving national Quantum ecosystem, Defence is investing in becoming a first adopter of Quantum Sensing technologies and will be one of the first militaries to harness Quantum Computing.

Future Telecommunications technologies and capabilities are critical in building a secure future for the UK. Through the S&T portfolio, the Communications and Networks programme, will develop and advance options to enable multi-domain integration and deliver the Multi Domain C4 (Command, Control, Communications, Computers) priority capability challenge.

Semiconductors are a foundational technology, critical to our national prosperity and security. In line with the National Semiconductors Strategy, we are working closely with the Department for Science, Innovation and Technology (DSIT) to ensure that Defence supply chains are resilient to interference and our domestic supply of semiconductors maximised.

Exploitation of Digital and Data

The Digital Strategy Delivery Plan (DSDP) measures progress of the core activities required to deliver on the Department's 6 key digital strategic objectives:

- exploiting game-changers and data at pace and scale;
- delivering and adopting technology to support the concept of the Digital Backbone;
- resetting cyber defence to materially reduce risk;
- enabling a step-change in digital delivery;
- routinely developing and accessing leading edge digital talent;
- embedding a unified Function to improve pan-Defence cohesion.

The National Audit Office (NAO) has recognised the Digital Strategy for Defence as being consistent with good practice across government, providing clear direction across the Department.

We have operationalised our Digital Foundry and it is delivering user-facing digital services plus enabling tools and platforms for our people across Defence. As at May 2024, we have migrated 550 services/applications onto the Cloud environment; increased the provision of training through industry partnerships and novel sourcing arrangements; and increased coverage of deployed Defensive Cyber Capabilities. Digital Exploitation for Defence (DX4D) has further reinforced and driven digital accelerators ensuring the delivery of new digital services are focused on improvements to Defence outcomes. We have delivered several accelerators for key digital enabling elements such as: financial approvals, technology delivery through re-use, flexible resourcing, streamlined procurement, standardisation, and talent acquisition.

Digital services across Defence are being transformed through a £150M contract awarded to UK-based technology services provider, Computacenter. The four-year contract will support tens of thousands of laptops and desktop computers used by MOD personnel worldwide, from Head Office to the front line, as well as creating additional jobs at Computacenter's Hatfield and Nottingham sites. Reducing operating costs by around £84M, the new services will provide a high-quality, secure and sustainable service to defence personnel, enabling Defence to more rapidly respond to changing needs and market conditions. The contract represents a wider MOD move away from large, aggregated contracts to smaller, more measurable contracts that will improve organisational flexibility.

Digital skills are one of our critical pinch points. The Digital Skills for Defence (DS4D) programme will enable our people to deliver by enhancing the digital skills and mindset they need to succeed, now and tomorrow.

It will provide access to a range of certified and accredited courses, upskilling through a learning experience platform that will keep pace with the constantly evolving demand for digital skills. DS4D has started to implement targeted learning interventions to priority populations across Defence; 11,000 of the Defence workforce have already accessed specialist technical learning (including cyber, security, and cloud technology); and 22,000 staff are accessing digital learning through new enterprise licensing agreements. Defence has implemented Digital, Data and Technology (DDaT) pay allowances to critical digital and cyber roles to support increased attraction and retention for new and existing employees.

Defence AI Strategy

AI adoption plays a critical role in our digital transformation. Defence is making progress towards implementation of the Defence AI Strategy and transforming into an 'AI Ready' organisation by 2025.

The Defence AI Centre (DAIC) is supporting an increasing portfolio of AI projects to deliver both operational and business improvements, whilst putting in place the enablers to accelerate AI capabilities across Defence and drive coherence to get best value from all of our AI activities.

We have operationalised our 'Ambitious, Safe, & Responsible' approach to AI by directing Defence organisations to embed our AI Ethical Principles which will help cultivate trust in AI technologies and their application, realise the full potential of human-machine teaming, and mitigate the risks associated with its use, misuse or disuse and prevent unintended consequences. There are workstreams that unlock productivity through AI, generally centred around Large Language Models (LLMs) but may also extend to other projects (for example, predictive maintenance).

Our relationship with Industry

Our industrial base is an essential component of our national security. Integration between Defence and industry is fundamental to sustaining the fighting force, developing and exploiting new technologies and producing the equipment needed at the speed of relevance.

The Defence Growth Partnership (DGP), is a partnership between Government and industry that works to grow the UK's defence sector by strengthening its global competitiveness to achieve international success. The DGP's objectives focus on growing the UK's global market share, strengthening the UK's market knowledge, and recognising the value of the defence sector to the UK.

The Defence Suppliers Forum (DSF) remains the primary mechanism for engagement between Defence and industry. It continues to be a focal point for individual and cross-defence industry initiatives. Through its Capability Management Working Group, Defence and industry regularly discuss our strategic challenges and future requirements. This means industry have a better understanding of the issues we face, and Defence benefits from industry's knowledge and experience. To facilitate this, Defence and industry have this year signed a Capability Collaboration Charter.

Through the DSF SME Working Group we continue to take steps to make it easier for SMEs to access defence opportunities. We have delivered the 2022 SME Action Plan and are working on a refresh to be published in October 2024. We have relaunched the regional SME forum, at which the then Minister for Defence Procurement met SMEs from across the UK, and we have launched the Defence Supplier Capability Development Programme offering support to SMEs in the defence supply chain.

Sector Strategies

The National Shipbuilding Office drives the delivery of the refreshed National Shipbuilding Strategy. We are improving access to finance for UK shipbuilding projects to drive growth in the sector. In July 2023, the Department for Business and Trade launched the Shipbuilding Credit Guarantee Scheme⁹, helping vessel owners access finance to build or upgrade vessels in UK shipyards. In September 2023, the UK Shipbuilding Skills Taskforce published an independent report "A Step Change in UK Shipbuilding Skills"¹⁰ which provided recommendations on how to address the sector's long-term skills challenges. We have also launched the Shipbuilding Skills Delivery Group driving delivery of skills within the UK Shipbuilding enterprise.

The Maritime Sensor Enhancement Team (MSET) contract with Thales UK will aim to provide full availability of the equipment that is the eyes and ears of the Royal Navy. Utilising data technology, including AI and virtual reality to be more proactive and predictive maintenance systems, the contract will see the Royal Navy maximise the days they are ready to deploy. The contract will support sonar capability through delivery of masts, periscopes and also electronic warfare equipment that enable the Royal Navy to detect and target potential threats. Crucially, by increasing the longevity of our sensor and sonar capability, it will significantly increase equipment availability which is critical for the Continuous at Sea Deterrent and wider ship and submarine capabilities.¹¹

The Land Industrial Strategy (LIS) continued to drive deliberate shifts in the Army's business. In 2023-24, LIS objectives were built into the Army's key programmes for the first time and are now shaping investment choices. For example, in Summer 2023 the Army approved investment in sovereign munition capability through BAES, which has increased capacity to manufacture 155mm

⁹ <https://www.gov.uk/guidance/shipbuilding-credit-guarantee-scheme>

¹⁰ <https://www.cityofglasgowcollege.ac.uk/uk-shipbuilding-skills-taskforce-report>

¹¹ <https://www.gov.uk/government/news/smarter-maintenance-for-navy-fleet-under-185-billion-contract>

ammunition in the UK. The Army is also delivering key export campaigns and is building Defence partnerships with allies and partners. This has, in part, been the result of the efforts of the Land Capability Campaigns Office, which has managed export campaigns through a cross-governmental forum that works alongside industry partners. In addition, the Land Enterprise Working Group has enabled a closer working dialogue with industry partners to ensure greater transparency and thought leadership to support collective aims.

Acquisition Reform

In 2023-24 Defence continued to reform its acquisition system to drive increased pace into delivery of military capability to the front line. In February 2024, the Department launched its new Integrated Procurement Model, which sets out how Defence will put in place the necessary reforms to drive increase pace in the delivery military capabilities.

In 2023 we launched a new Programme Evidence and Assurance Tailoring (PEAT) tool, to enable tailored assurance proportional to the risk and complexity of each programme. We have continued to focus on the capacity and capability of Senior Responsible Owners of our major programmes; and to implement pan-Defence Category Management to deliver financial savings and capability and business benefits.

In 2023 the Department also accepted 15 of the 24 formal recommendations of Clive Sheldon KC's review of lessons from the Armoured Cavalry (Ajax) Programme and accepted in principle the remaining nine. Actions identified against the 24 recommendations have been completed and we continue to work to improve further. We are taking steps to improve psychological safety in our programme teams, a key lesson from the Sheldon review, and have established the Acquisition Safety Cell to ensure that safety is considered early in acquisition decision making.

Modernising our Capabilities

The Defence component of the Government Major Projects Portfolio represents the top 50 major programmes in Defence by monetary value on the Government Portfolio. They are categorised into Capability, Infrastructure, Digital and Business Change programmes with the majority of the costs in the capability category that are also contained in the Defence Equipment Plan.¹²

These programmes are subject to governance arrangements. This includes a Quarterly Portfolio Review as well as an independent assurance conducted by the Infrastructure and Projects Authority (IPA). The latter will assess risks to delivery at a specific moment in time and make recommendations to address them. Given the complexity of these programmes it is not unusual for delivery confidence assessment to fluctuate over time and adjustments to the plan to be made to ensure delivery of the agreed outcomes.

Nuclear

The Dreadnought ballistic missile submarine programme remains within its overall budget including contingency and is on track for the First of Class, HMS Dreadnought, to enter service in the early 2030s. In May 2022 the Department announced the next and most significant phase of the programme, known as Delivery Phase Three (DP3). Defence contracts worth over £2Bn were awarded to its Alliance Partners, BAE Systems and Rolls-Royce Submarines (RRS). This is the initial investment within a planned overall total of nearly £10Bn for the whole delivery phase. DP3 will see Dreadnought exit the Barrow-in-Furness shipyard to begin sea trials and will lay the foundations for the delivery of the remaining three Dreadnought Class boats to time and cost. All 12 missile tubes for Dreadnought have been successfully delivered to the BAE Systems Barrow shipyard; these have now been integrated with the relevant parts of the pressure hull to form the missile compartment unit, a significant milestone in the delivery of the programme.

¹² [The defence equipment plan 2023 – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/114444/Defence-Equipment-Plan-2023.pdf)

The programme to replace the UK's sovereign nuclear warhead has now entered its concept phase. The programme is subject to Government scrutiny, oversight, and approvals processes. The requirements, design, and manufacture of the warhead are sovereign to the UK and meet our obligations under the Treaty on the Non-Proliferation of Nuclear Weapons. The transition of the current warhead from Mark 4 to Mark 4A continues, addressing obsolescence to ensure that the UK has a safe, secure, and available stockpile until the UK Replacement Warhead is available in the 2030s. The Department is investing in the personnel, infrastructure, and capabilities at the Atomic Weapons Establishment (AWE) that are required to deliver the UK Replacement Warhead programme and sustain the current in-service warhead until it is withdrawn from service.

Maritime

The Type 26 Global Combat Ship Programme will procure eight Anti-Submarine Warfare ships and associated support. The ships will deliver an interoperable, survivable, available and adaptable capability, that is operable globally within the maritime battle space, to contribute to sea control for the Joint Force and contribute to maritime force projection and Joint Force command and control, with the flexibility to operate across and within the range and scale of Contingent and non-Contingent operations. This eight ship programme will deliver Anti-Submarine Warfare capability to protect strategic assets, sustain national shipbuilding capability and increase the resilience of the Naval Service.

From the mid-2020s, Type 31 general purpose frigate, will be at the heart of the Royal Navy's surface fleet, deterring aggression and maintaining the security of the UK's interests. The Type 31 programme is designed to deliver a general-purpose frigate capability. They will work alongside our Allies to deliver a credible UK-warship presence across the globe. Flexible and adaptable by design, Type 31 frigates will undertake missions such as interception and disruption of those using the sea for unlawful

purposes, collecting intelligence, conducting defence engagement and assisting those in need.

Land

The Ajax Programme is progressing towards the delivery of a new generation of armoured fighting vehicles that meets the Army's needs, against a revised delivery schedule that sets realistic and achievable milestones. The MOD continues to work closely with General Dynamics to deliver the 589 vehicles, of which there are six variants, all based upon a common base platform. Reliability and Growth Trials (RGT) are underway. AJAX, APOLLO, ATLAS and ARES variants have now driven more than 20,000 kilometres through different terrains, completing a variety of representative battlefield missions. RGT allows significantly more activity to be completed compared to regular unit training. Since June 2023, units of the Field Army have been training on the current Ajax variant (Capability Drop 1), focusing on individual and crew training. This training is enabling troops to learn how to operate the armoured vehicles and use the systems integrated into them. The training will also enable the crew to develop skills, experience and competence ahead of the delivery of the Capability Drop 3 vehicles, the upgraded fully deployable variant. Capability Drop 3 vehicle production continues at Merthyr Tydfil with all production lines operating and all six variants in progress, with delivery to the Field Army starting in 2024.



Ajax firing and moving in extreme weather conditions in Sweden.

Britain's heavy lift capability will be bolstered with the purchase of 14 extended-range Chinooks (CH47-ER), which will contribute an estimated £151M into the UK economy. The new Chinooks significantly enhance the UK's strategic mobility with its ability to operate in challenging environments. From the desert to the arctic, the helicopter has double the range of a standard Chinook and is capable of air-to-air refuelling, with the ability to carry up to 55 personnel or 10,000kg of cargo. Through successful negotiations between MOD's procurement arm – Defence Equipment & Support – and the US Government, the UK has reduced costs for elements of the programme, ensuring value for money whilst providing our Armed Forces with a cutting-edge heavy lift capability.



Chinook.

The next stage of the New Medium Helicopter (NMH) Programme was announced in February 2024. The NMH Programme is an initiative to acquire a modern medium-lift support helicopter, which will deliver up to five rotary wing requirements using a single aircraft-type. This means the platform will be able to undertake Defence tasks previously undertaken by up to five different aircraft types, streamlining our capabilities. This will improve efficiency and operational flexibility, positively impacting ongoing and future UK operational capability. It was announced at the International Military Helicopter conference in London in February 2024 that the Invitation to Negotiate has been released, meaning the three NMH candidate suppliers – Airbus Helicopters UK, Leonardo Helicopters UK and Lockheed Martin UK – will now compile their bids to be evaluated by the Ministry of Defence to determine the winning

bidder. The competition will be managed by Defence Equipment and Support (DE&S) and proposals will be evaluated through 2025 when, subject to Government approvals, a contract award is anticipated.

Air

In October 2023, the first of 16 remotely piloted Protector aircraft arrived at RAF Waddington in Lincolnshire to commence a series of rigorous trials and tests before entering the RAF fleet. Equipped with a suite of surveillance equipment, the Protector aircraft will bring a critical global surveillance capability for the UK, all while being remotely piloted from RAF Waddington. With a wingspan of 79 feet, the uncrewed aircraft can operate at heights up to 40,000 feet and has an endurance of more than 30 hours, enabling unparalleled surveillance and strike capability. The aircraft has been assembled by a newly reformed 31 Squadron who are preparing it for ground and air testing ahead of its anticipated in-service date later next year. The squadron has a long history stretching back to 1915 and have operated multiple aircraft types in the last century. They are now exclusively a Protector Squadron and have been reformed to operate Protector as it enters Service.

In July 2023, an £870M five-year contract was awarded to BAE Systems and Leonardo UK to upgrade radar capabilities on the RAF Typhoon, fitting the fighter jets with one of the world's most advanced radars – the European Common Radar System (ECRS) Mk2. Following the announcement at the 2022 Royal International Air Tattoo (RIAT), in which Defence committed to a £2.35Bn investment to several upgrades for Typhoon, this is the first contract allocated from that major and complex investment and will see the completion of the development and integration of the ECRS Mk2. The state-of-the-art radar will transform the Typhoon's control of the air, bringing a world-leading electronic warfare capability which will allow the aircraft to simultaneously detect, identify, and track multiple targets in the air and on the ground. ECRS Mk2 will be integrated onto

RAF Typhoon Tranche 3 aircraft and offered to other nations that operate the aircraft, boosting UK defence exports. Supporting the Government's priority to grow the economy, the £2.35Bn programme will sustain around 1,300 UK engineering jobs over the next 10 years. With the £870M contract making up more than 600 highly skilled jobs across the country, including 300 at Leonardo's site in Edinburgh, 100 electronic warfare specialists at the company's site in Luton, and 120 engineers at BAE Systems' site in Lancashire.



RAF Protector RG Mk1, a remotely piloted aircraft system.

Space

A new landmark radar initiative with the UK's closest partners will increase UK security by being able to better detect, track and identify objects in deep space. The Deep Space Advanced Radar Capability (DARC) programme, unveiled by the respective Defence Secretaries of Australia, the United Kingdom and the United States in December 2023, will provide 24/7, all-weather capabilities that will increase the nations' ability to characterise objects deep in space up to 22,000 miles (36,000 kilometres) away from earth. DARC will see a global network of three ground-based radars jointly operated that will assist in critical space-traffic management and contribute to the global surveillance of satellites in deep space. The unique geographic positioning of the three nations means that DARC can provide global coverage, including detecting potential threats to defence or civilian space systems. This landmark capability will benefit all three nations' land, air, and maritime forces, as well as protecting critical infrastructure and benefitting our domestic construction and space industries.



The United Kingdom Space Command Tactical Recognition Flash

Productivity

The need to compete effectively in a more contested world means we must deliver more at an accelerating pace through driving productivity across the Defence Enterprise.

We are reforming the way we work to remove organisational and bureaucratic layers that are no longer fit for purpose, and to drive us towards a more productive Department.

Organisational Culture

We have initiated a complete review of how we work as a Department, called Defence Design, seeking to ensure a coherent and productive enterprise and to create a Department that is strategy-led, threat-informed, outcome-focused and data-enabled. Defence Design involves every part of the Defence enterprise, with two key priorities: first, for Defence to operate as effectively and efficiently as possible; second, to successfully achieve our outcomes in an ever more volatile world. To achieve these priorities, we are driving forward cultural change across Defence as part of this initiative. This will ensure that we change behaviours across Defence to achieve improvements in the way we operate today and build our ability to continuously adapt in the future. As we design the future operating model, we will pilot improvements in priority areas across the system to drive change iteratively and quickly, aiming for significant early changes.

Our Corporate Services Modernisation Portfolio is transforming Defence's processes and systems across HR, Finance and Commercial. We are harnessing digital solutions and data to enable innovation crucial to better decision-making, improving productivity, improving our services, and empowering our people as an agile, solution-focused workforce giving time back to allow our people to focus on higher value functions.

More broadly across our back-office functions, we are seeking to simplify, standardise and automate our policies and processes through increasing automation of routine tasks and augmenting capabilities through Artificial Intelligence (AI) to improve our processes and decision-making timelines and improve user accessibility and experience.

Throughout 2023-24, teams across Defence have introduced a new internal policy and guidance portal, reviewed Defence Joint Service Publications (JSPs) to make them easier to understand, and in some cases, presented them in a new clearer format to improve the user experience. We are also reviewing our end-to-end process for recruitment to reduce time to hire, improving the overall user experience and increasing the diversity and quality of successful applicants.

Infrastructure

To ensure our estate is safe, compliant and fit for the future, more investment has been prioritised to improve the living conditions and lived experience for our Service Personnel. Alongside ongoing accommodation improvements, an additional £400M will have been invested by the end 2024-25 to improve the condition of Service Families Accommodation to address damp and mould issues and improve energy efficiency. Investment will be prioritised this year and next to improve and build new Single Living Accommodation. To further support the delivery of new and refurbished military accommodation, we have several long-term investment programmes which include unit

and personnel moves and construction activity, to release land and create modern sustainable facilities.

To date, the Defence Estate Optimisation (DEO) Programme has disposed of 26 sites, released 1,450 hectares of land which has resulted in circa 7,000 housing units and completed construction on 14 sites, with 4 sites under active construction or refurbishment. To ensure efficient delivery of around 80 projects, Defence has entered a new strategic Commercial arrangement with industry partners, drawing upon their best practice. Six projects are on contract with the design and build contractors with a further two working through the process. Having established new governance with the Contract Permissioning Group, there is now a reduction in approval timing, and this in turn has allowed projects to enter the strategic alliance commercial arrangements within 1-2 weeks, shortening procurement timelines by up to 18 months. In 2023-24, DEO disposed of 5 sites and completed construction or refurbishment on a further 5.¹³

In 2021-22 all four regions (South West, South East, Central, Scotland & Northern Ireland) of the Defence UK Built estate transitioned to the Future Defence Infrastructure Services (FDIS) contracts. Through continuous engagement with our delivery agents and industry partners, there have been progressive improvements in how it delivers core services. The UK Training Estate contract, the final FDIS contract went live on 1 April 2024.

¹³ <https://www.gov.uk/government/statistics/mod-land-holdings-bulletin-2024/mod-land-holdings-2000-to-2024>

Protect the UK, its Crown Dependencies and its Overseas Territories and contribute to the collective deterrence and defence of the Euro-Atlantic area

Defence's core business is to deter and defend against the threats to our security. The fundamental mission of Defence is the protection of the UK, our Overseas Territories, as well as our NATO Allies.

The UK is operating in a more dangerous world. State threats are increasing, whether Russian aggression or challenge from China; the spectre of terrorism and threats from non-state actors still haunts the civilised world; and the emergence of space and cyberspace bring new operational domains to defend. Hostile nations and non-state actors operate with deeper connections and more creative weapons. Together they are an ever increasing threat to the rules based international order, which has maintained peace since the Second World War.

But the UK does not face these threats alone. NATO remains the cornerstone of the UK's defence, and our commitment to the alliance remains ironclad. At the Vilnius Summit in July 2023, NATO allies agreed the most fundamental transformation to NATO's deterrence and defence posture since the Cold War, including a new generation of warfighting plans. These build on the new NATO Force Model (NFM), NATO's system for managing the forces available to NATO's top military commanders, designed to match forces to warfighting plans.

Our UK Armed Forces have a long-standing world class reputation and continue to defend and deter danger against the British people, our interests and our allies. We have personnel stationed around the world stopping terrorism, keeping sea lanes open and delivering humanitarian aid.



HMS Vanguard leaving HMNB Devonport

Continuous at Sea Deterrence

An independent, minimum, credible nuclear deterrent, declared to the defence of NATO, is essential to our security and that of our NATO allies. It is a critical part of our insurance against the risk and uncertainties of the future. The UK maintains a Continuous-At-Sea Deterrent (CASD), delivered by the Royal Navy, since April 1969 under Operation RELENTLESS. It consists of at least one nuclear-powered submarine on patrol at all times, armed with the Trident missile system and UK sovereign nuclear warheads. Our Vanguard Class SSBNs (Ship Submersible Ballistic Nuclear), which carry our nuclear weapons, are supported by a range of Royal Navy capabilities including our Astute Class SSNs (Ship Submersible Nuclear). These are

conventionally armed, nuclear powered attack submarines that protect CASD as well as being capable of undertaking multiple defence and intelligence tasks. The deterrent protects us every hour of every day. By providing a credible and effective response to extreme aggression, our nuclear deterrent reduces the likelihood of such an attack taking place. This deters the most extreme threats to our national security and way of life, helping to guarantee our security and that of our NATO allies. It ensures that potential adversaries are dissuaded from using their capabilities to threaten or coerce the UK or our NATO allies, or to deter us from taking the action required to maintain regional and global security and stability.

Quick Reaction Alert

Defence has continued to protect our skies from hostile state incursion and terrorist threats through the Royal Air Force (RAF) using high readiness Typhoon fighter jets supported by Voyager tankers and a network of surveillance and control facilities.

Typhoons based at RAF Coningsby in Lincolnshire and RAF Lossiemouth in Moray, supported by Voyagers at RAF Brize Norton in Oxfordshire, launched 11 times in 2023-24, including four times to track Russian aircraft approaching UK airspace and seven times to respond to potential terrorism incidents onboard civilian aircraft. Several of these launches involved the RAF working in close cooperation with the air forces of France and other NATO countries to track potential threats as they approached the UK from European airspace.



UK Typhoon conducting a sortie on a simulated Non-NATO military aircraft entering the UK Airspace.

Counter Terrorism

Defence holds specialist personnel and three Army battalions at permanent high readiness to support police in the event of a terrorist attack. This includes Operation TEMPERER – the contingency plan to surge military support to respond to terror threats within the UK. Operation TEMPERER was not activated in 2023-24.

At sea, the Armed Forces participated in a French-led maritime counter terrorism exercise. This followed the ratification of a bilateral treaty for cooperation in May 2024, in the event of a maritime terrorism incident in the English Channel and supports Home Office-led initiatives to mitigate the terrorist threat at sea. Defence will continue to work closely with French counterparts to develop maritime counter terrorism response mechanisms and to exercise them on a routine basis.

Operations overseas saw the Armed Forces continue to contribute to the global coalition against Daesh, with RAF aircraft conducting regular patrols over Syria and Iraq under Operation SHADER.

Defence has also continued to provide counter terrorism support to partner forces in priority nations, enabling them to better protect both themselves and visiting British nationals from the threat of terrorism. In 2023-24 our capacity building efforts delivered under Op MONOGRAM and coordinated with civilian activity by our forward network of counter terrorism regional coordinators, have enabled 30 projects across the globe including training to counter improvised explosive devices and to respond effectively to crises. This activity, focused on harnessing the unique skills of our Armed Forces, is undertaken in line with and in support of HM Government’s counter terrorism strategy CONTEST, enabling better protection for British nationals overseas.

Civil Contingencies

Defence continues to support other Government Departments to fulfil their civil contingencies responsibilities where required through the Military Aid to the Civil Authorities (MACA) process. This long-established process means that, where civil authorities lack the ability to respond to a disruptive challenge and alternative options have been exhausted, Defence's unique capabilities can be deployed in support, where we can do so whilst maintaining ongoing domestic and international security commitments.

In 2023-24 the UK Armed Forces delivered 78 MACA operations. In total, 1,926 personnel were deployed. This represented a reduction in the number of personnel deployed the previous year (6,716). This is largely because 2022-23 saw some 3,000 personnel deployed on MACA tasks in support of Operation LONDON BRIDGE, the Queen's funeral and a reduction this year in Defence's support to mitigate industrial action in critical sectors. Nevertheless, the total number of operations supported remained roughly the same, demonstrating the range and frequency of deployments on which personnel are required to support the civil authorities with capabilities which only the Armed Forces have. Notably:

- In February 2024, more than 100 personnel assisted with the operation to dispose of an unexploded Second World War bomb discovered in a residential area of Plymouth.
- During the coronation of His Majesty The King in May 2023, specialist counter-drone teams and around 500 personnel deployed to London supported with stewarding and crowd management.
- Specialist counter-drone support was also provided to the Police Service of Northern Ireland to enhance the security arrangements for President Biden's visit to Northern Ireland in April 2023.
- In September 2023, Defence accepted a MACA request from the Home Office to temporarily provide counter terrorism contingency support to the Metropolitan Police following the decision by a number

of police firearms officers to step back from armed duties.

HRH King Charles Coronation

The Coronation of His Majesty The King was a triumph for Defence and our ceremonial contribution. It was the largest state ceremonial event since 1953. Representatives from over 200 countries were invited, with over 100 Heads of State in attendance. The operation involved over 9,500 Service Personnel in or supporting ceremonial activity, and around 600 Service Personnel deployed on a MACA task.

The ceremony was packed with innovation. For example, the use of Click Track was a technical solution which, for the first time, enabled all the different bands and troops spread along the 1.5km ceremonial route to move as one. Click Track allowed us to condense, and then march, 5000 troops into a thirty-minute procession.



Members of the Household Division on a train to Waterloo Station in London, to take part in the King's Coronation.



The Irish Guards at Wellington Barracks in London, before taking part in the King's Coronation Procession.

Explosive Ordnance Disposal

Defence has a long-standing agreement in place with the Home Office to respond to and render safe explosive devices in the UK.

Explosive Ordnance Disposal (EOD) teams attended 2,320 incidents, similar to the previous year, comprising both conventional munitions, such as historic munitions from the Second World War, and suspected improvised explosive devices.

In February 2024, over a hundred Armed Forces personnel supported a police-led evacuation in Plymouth after the discovery of an unexploded Second World War munition in a densely populated area. Declared a major incident by Devon and Cornwall Police, the transportation of the unexploded bomb accounted for one of the largest evacuation operations in the UK since the Second World War. Around 30 military bomb-disposal experts from the Royal Navy and the Army carefully removed the device from the area and transported it by road in a military convoy for a controlled disposal at sea. In addition to disposal experts, more than 80 military personnel were employed to assist with public warning and evacuations following a MACA request from the Devon and Cornwall Police. With their support, around 10,000 people were evacuated from within a 400 metre cordon along the convoy's route.¹⁴

Defence continues to invest in its EOD capabilities and a total of 50 new GASKET 3 specialist bomb disposal vehicles have now been delivered. GASKET 3 and 4 will deliver a total of 120 vehicles and replace the previous WEDGEWOOD platforms based throughout Great Britain, Northern Ireland, Cyprus, and Gibraltar.

Protect Overseas Territories

The protection of the Overseas Territories (OTs) and their people is one of the UK Government's most important responsibilities. In the South Atlantic, the permanent presence of British Forces South Atlantic Islands (BFSAI) continued to safeguard UK sovereignty of the Falkland Islands and the Falkland Islanders' right to self-determination, as well as South Georgia and the South Sandwich Islands. The Royal Navy's Ice Patrol Ship, HMS PROTECTOR, completed her annual deployment to Antarctica to support the sovereignty of the British Antarctic Territory and our obligations to the Antarctic Treaty¹⁵.



HMS PROTECTOR off Brabant Island, the British Antarctic Territory.

In the Caribbean, the deployment of HMS DAUNTLESS ensured we were ready to provide immediate humanitarian assistance and disaster relief during the hurricane season and assist in the interdiction of illicit narcotics. This year the ship intercepted smugglers on four occasions, helping seize more than 2,000kg of cocaine¹⁶. We also continued to support building the resilience of the OTs through their Defence Regiments.

¹⁴ [Unexploded bomb in Plymouth safely removed during complex disposal operation and major evacuation – GOV.UK \(www.gov.uk\)](http://www.gov.uk)

¹⁵ [Royal Navy ice patrol ship completes Antarctic mission \(mod.uk\)](http://mod.uk)

¹⁶ [HMS Dauntless returns after foiling drugs smugglers in the Caribbean \(mod.uk\)](http://mod.uk)



Sub Lieutenant aboard HMS Dauntless. The ship is patrolling the Caribbean to counter illicit activities.

Defence is also supporting the ongoing negotiations between the UK and Mauritius on the exercise of sovereignty over the British Indian Ocean Territory (BIOT)/Chagos Archipelago. The UK's priority is to ensure the long term continued effective operation of the joint UK/US military base on Diego Garcia. Mauritius has also publicly committed to this goal.

Warfighting Capabilities

The contested security environment in which we exist requires us to embody a fully integrated approach to deterrence and defence. Our adversaries must have no doubt about our ability to fight and win. Our credibility in deterrence rests on threat of punishment as well as denial of opportunities to cause us harm at home and overseas. Our ability to deter is therefore balanced on credible capabilities, across sea, land, air, space and cyberspace, and a clearly communicated willingness to use them in the place and time of our choosing. We are therefore embarking on a wide-ranging modernisation programme to ensure that we have battle-winning capabilities in all environments.

Our lethality will be sustained through investment in our stockpiles and enablers. The war in Ukraine has demonstrated the need for sufficient stockpiles of munitions to sustain maritime, air and land operations; a requirement further heightened by the gifting of our own stocks to the Armed Forces of Ukraine.

In response to the war in Ukraine, we have taken steps to increase investment in munitions, and we continue to be a leading provider of military equipment to Ukraine, particularly artillery ammunition, strategic uncrewed air systems, and air defence missiles. We are ensuring the support we are providing now, and the planning for longer-term support, considers our potential role in any post-conflict scenario. We are also seeking to learn as much as possible from the experiences of our Ukrainian allies, ensuring that our future capability development and procurement is optimised for the fight of the future, and making sure we are ready for whatever comes next.

Space and Cyber

UK Space Command is responsible for the Defence Space Portfolio, which will deliver capabilities to meet the Defence Space Strategy objectives to protect and defend UK interests and enhance military operations. The initial two satellites were placed on contract, the first of these, TYCHE, is planned to be launched in summer 2024. Space Command, in conjunction with the UK Space Agency, are continuing with the plan for a National Space Operations Centre which will improve civil-military Space Command and Control. UK Space Command has continued to grow in capacity through upskilling the workforce. The UK Space Academy delivered its inaugural course to the UK space community, including military, civilian, industry and allied partners in September 2023.

The National Cyber Force, a partnership between defence and intelligence, is responsible for operating in and through cyberspace in order to counter threats, protect and promote UK interests in support of national goals, and is a central component of Defence's commitment to develop the UK's cyber capabilities.

The past year has seen a further increase in operational output, supporting the Armed Forces and wider UK foreign and domestic security objectives. The National Cyber

Force’s headquarters facility at Samlesbury is taking shape. This new headquarters will strengthen the region’s position as the cyber centre of the UK and will play a pivotal role in the development of Lancashire’s cyber ecosystem. Work continues towards its development and growth in order to meet the ambition sought by the UK National Cyber Strategy¹⁷.

NATO

NATO is the foundation of collective security in the Euro-Atlantic, and our commitment to Article 5 of the North Atlantic Treaty is our most powerful deterrent. The UK is a proud leading contributor to NATO’s operations, contributing to every NATO mission and operation.



IX (B) Squadron RAF Typhoon (followed by two USAF F-22 Raptors) for Operation AZOTIZE, NATO Baltic Air Policing mission.

The UK leads the enhanced Forward Presence (eFP) mission in Estonia – Op CABRIT – with a brigade of troops held at high readiness in the UK to reinforce Estonia and the wider Baltic at a time of crisis. Around 1,000 UK troops are persistently deployed to Estonia as part of the eFP mission. The UK also provides a Reconnaissance Squadron to a US-led NATO battlegroup in Poland, as well as a Ground-Based Air Defence system (Sky Sabre) to help protect Polish airspace.

The RAF regularly deploys Typhoon aircraft as part of NATO’s Air Enhanced Policing Missions, providing Quick Reaction Alert capability to protect NATO airspace, under Op AZOTIZE in the Baltic region and Op BILOXI in Romania.

In January 2024, the UK took leadership of the land component of NATO’s spearhead force, the Very-High Readiness Joint Task Force, and from July 2024, will lead the land

component of the inaugural Allied Reaction Force, NATO’s new multi-domain, multi-national response force capable of dealing with crises and conflict inside and outside NATO territory.

The UK is playing a leading role in NATO’s largest exercise in decades, STEADFAST DEFENDER 24. This exercise displays NATO’s ability to rapidly deploy forces to reinforce defence of Europe and is a demonstration of Alliance strength and unity. In total the exercise will involve 90,000 personnel drawn from all 31 allies plus Sweden; approximately 18,500 UK service personnel will participate during the exercise, showcasing our role as a leading ally within NATO. Our contribution to STEADFAST DEFENDER encompasses capabilities across domains, including our carrier strike group lead by HMS Prince of Wales.

The UK has also shaped NATO’s transformation in defence industry. Agreed at the Vilnius Summit, NATO’s Defence Production Action Plan aims to strengthen NATO’s deterrence and defence by increasing allies’ ability to deliver new capabilities and sustain existing equipment. The plan encourages allies to accelerate joint procurement, boost production capacity, and increase interoperability, interchangeability and standardisation of equipment. The UK is playing a leading role in its implementation, including through launching two multinational procurement initiatives for general munitions and missiles, working alongside 14 allies.



HMS Prince of Wales leads the fifteen-ship formation under Operation STEADFAST DEFENDER.

¹⁷ <https://www.gchq.gov.uk/news/ncf-responsible-cyber-power-in-practice>

Countering threats from state and non-state actors

We will always be required to operate across the world to safeguard our interests and those of our allies. Actors who challenge our interests in one region, invariably challenge us the world over. In light of the changing global situation, we have evolved from persistent engagement to a global campaigning approach.

We have demonstrated our global reach through activity on land, sea and air in the South Atlantic, Caribbean, High North, across Africa, the Middle East, the Caucasus and Central Asia and right across the Indo-Pacific. Globally, the UK has been at the forefront of the response to Russia's invasion of Ukraine and has been the loudest European advocate for Ukraine and a pioneer of lethal aid provision. This has been, and will remain, a top priority for Defence. The UK has assisted NATO partners affected by the conflict and has contributed to the high levels of unity and resolve that the alliance currently enjoys. The UK has committed almost all our Armed Forces and military capabilities to NATO under the new NATO Force Model – our strongest ever force commitment to the Alliance.

UK engagement in the Indo-Pacific has successfully expanded UK security and our economic interests, in turn providing a counterweight to hostile influence in the region. In particular, major agreements such as the Global Combat Air Programme and AUKUS, have increased our engagement in the region. In the Middle East, Defence has demonstrated its commitment to peace and security and has formed a substantial contribution to securing safe lines of shipping in the Red Sea.

Global Defence Network

The Global Defence Network (GDN) manages the global network of Defence Attachés (DAs), and their defence sections in UK embassies and high commissions. The GDN serves to sense, understand, inform and influence as a function for UK defence. There are seven regional teams, known as British Defence Staff (BDS), as well as enduring training and advisory missions known as Loan Service and Broader Missions.

The GDN maintains a robust network of interlocutors in over two-thirds of countries globally and is a critical part of cohering and delivering Defence objectives in support of the One HMG approach.

89

Defence Attachés and Defence Advisors

367

Defence Section Staff

182

Loan Service Support

Activity continues across the Global Hubs to increase our persistent presence. These hubs, and our other overseas bases and support facilities act as a springboard for Defence to project globally and provide vital access for our own forces.

We have dedicated naval facilities in Bahrain and are developing a defence strategic hub in Oman: these provide a platform from which we can project assets and increase training operations with regional partners with greater frequency. Our strategic hub in Kenya provides training and capacity-building across the region, underpinning our commitment to tackling collective threats such as terrorism in the Horn of Africa region.

Government partners and our allies are essential to our being able to combat current and future threats. Investment in our hubs will

enable Defence to support next-generation capabilities across all five domains. In 2023–24, our Hubs have been used by Army battlegroups to conduct training and validation for operational tasks at the Land Regional Hubs in Germany, Kenya, and Oman. NATO Forward Holding Base Sennelager has provided logistic support for Operation STEADFAST DEFENDER and Exercise CERBERUS 24 and short-term training team deployments to Oman, Kuwait, South Korea and Qatar have proved the strategic viability of Oman as a hub from which to launch activity.

Exports

Defence exports, and international capability collaboration more generally, contribute not only to income generation but to building a resilient UK defence industry and increasing burden-sharing and co-development with international partners.

We are working closely with the Department for Business and Trade to manage a portfolio of strategic export campaigns across all

domains. During 2023–24, we have supported several high value opportunities, working closely with industry to develop competitive offers for equipment and support arrangements. We continue to actively promote Type 26 and Type 31 maritime campaigns; Boxer, SupaCat, and Ajax in the Land domain; Eurofighter Typhoon (notably in Saudi Arabia, Türkiye, and Qatar), and Complex Weapons amongst many other opportunities. The bespoke arrangements created in 2022 to support exports to and collaboration with Poland have helped deliver export deals, and interest from other countries in creating similar mechanisms remains strong. To meet that demand, the Government to Government Defence Partnerships approach has been developed and the Partnership Office for Strategic Defence Exports was established. This work is now coordinated through the Inter-Ministerial Group on Defence Exports.

Promote our national interests globally, building influential relationships

The UK's global relationships provide opportunities to shape and influence the strategic environment. The UK is recognised for its role as a convening power and through our posture and our persistent presence around the world we have a deterrent effect.

Partnerships

USA

The United States is, and will remain, the UK's pre-eminent bilateral partner for security, defence, and foreign policy. The combined strength of our relationship is not only critical to the security of the UK, but also of the wider Euro-Atlantic, and the world.

In line with the Atlantic Declaration announced in June 2023, we maintain our cooperation with our most important ally so that it remains the deepest, broadest and most-advanced of any two countries in the world. This is based upon our shared values, our global reach and capabilities, the generations of UK and US defence professionals who have worked together on the greatest global challenges, and our common interest in maintaining international peace and security. Our intelligence relationship is more extensive than any comparable relationship. Our forces are designed to plug seamlessly into US-led coalitions, just as US units can subordinate into UK structures. We are closely integrated with US strategic forces, and our work to guarantee that the nuclear deterrent is safe, protected, effective and credible, is achieved with vital support from the US. We continue to deepen our partnerships across domains, on operations, through joint partnerships on research and development, and in next generation space and cyber capabilities.

We continue to host vital US Air Force capabilities on UK territory. There are over 20,000 US military personnel (including their families) in the United Kingdom.

Each of our single services have a diverse range of activities highlighting the strengths of our bilateral engagement:

The British Army deployed over 800 personnel to Project CONVERGENCE in California in February and March 2024; as the largest international contributor to this Capstone exercise, the UK confirmed its position as a key player in Land experimentation and capability development. The UK also participated in Exercise WARFIGHTER 2023 where the 3rd (UK) Warfighting Division in Texas Fort Hood was the hardest to kill and most lethal.

The Royal Navy aircraft carrier HMS Prince of Wales was deployed in Autumn 2023 to Florida and Virginia, advancing considerably US – UK platform interchangeability with successful F35B and V-22 Osprey trials. The First Sea Lord joined Chief of Naval Operations and the new Commandant of the US Marine Corps onboard HMS Prince of Wales to sign a refreshed Delivering Combined Seapower (DCS) charter articulating their combined strategic vision to evolve the tri-Service bilateral relationship to achieve true interoperability through to interchangeability.

Our Royal Air Force Typhoon and Voyager aircraft took part in Exercises RED FLAG and BAMBOO EAGLE to jointly train in realistic and challenging scenarios with AUKUS partners and implement dispersed Agile Combat Employment tactics. The RAF also completed several major joint training events (VIRTUAL FLAG – COALITION, RESOLUTE HUNTER and NORTHERN EDGE) across the US, exercising a broad spectrum of Air and Space Force Elements in a multilateral context.

Royal Marines from 45 Commando participated in Exercise GREEN DAGGER for high-altitude training at the US Marine Corp (USMC) Mountain Warfare Training Center in

California. The training included over 1500 troops, enabling the Royal Marines and USMC to develop and demonstrate interoperability, and testing areas such as logistical supply at reach and the tactical employment of small UAVs in mountainous terrain.

UK Strategic Command’s Joint Warfare Directorate provided the national lead for UK attendance on Exercise BOLD QUEST, a US Joint Staff J6 sponsored series of multinational experiment events in Sweden, Denmark and California. This year, all UK single-Services were involved in experiments focused on interoperability for Joint Fires, Cyber, Medical, and Command and Control capabilities. UK Strategic Command’s Defence Artificial Intelligence (AI) Centre established the first foreign liaison officer in the US Chief Digital and AI Office within the Pentagon. The aim is to align bilateral efforts to develop interoperable AI policies and capabilities to maintain competitive advantage.



US Air Force CV-22B Osprey based at RAF Mildenhall, Norfolk, practices take offs and landings.



HMS Prince of Wales, Britain’s biggest warship, departs Portsmouth for the Eastern Seaboard of the USA.

Europe

We recognise the significant role the EU plays in the peace and prosperity of Europe, working together to provide training and military equipment to Ukraine, maintain stability in the Western Balkans and pursuing deeper discussions on strengthening Europe’s defence industrial capacity.

France

The Lancaster House Agreement of 2010 between the UK and France established an enduring foundation for our cooperation, exemplified through the creation of the UK-France Combined Joint Expeditionary Force (CJEF). We have worked closely in promoting international security and tackling shared challenges by looking to harness the full potential to deliver effects through the CJEF. This has included extensive non-combatant evacuation operation (NEO) planning and a number of bilateral planning operations and exercises to develop the joint capability already achieved and adapt it to meet the operational challenges of the next decade. This has helped to cohere and consolidate our joint planning in response to the crisis in the Middle East.

Germany

We have continued to develop and strengthen our relationship with Germany as one of our closest like-minded European partners. We have held numerous high-level meetings at a strategic level with Germany to cohere our views on the global defence challenges we face and to support Germany through its increased investment in its military under the ‘Zeitenwende’ policy (the €100Bn fund to significantly increase German military spending). We have collaborated closely in aligning our enhanced Forward Presence (eFP) deployments to the Baltic in Estonia and Lithuania and have shared best practice on these, as well as joint Baltic Air Policing. We have conducted numerous successful land exercises with Germany, including Ex AUSTERE SHIELD and Ex WHITE HORSE ARENA, as one of our key NATO partners. We have also worked together both politically and

militarily to tackle the threat of Houthi attacks on shipping in the Red Sea, with each deploying assets in tandem through our respective operations.



RAF Typhoons in Estonia were scrambled to intercept a Russian Air Force IL-20 COOT A (top) flying close to NATO airspace.

Atlantic-Pacific Partnerships

Global Combat Air Programme (GCAP)

The Global Combat Air Programme (GCAP) is a trilateral partnership between the UK, Japan and Italy, to develop a next generation combat air capability. It is being designed to operate in contested environments through integration with air, land and sea forces, alongside interoperability with our F-35 fleet and allied aircraft to ensure control of the air. GCAP aims to harness advanced technologies, digital design and advanced manufacturing to deliver a cutting-edge air system equipped with advanced sensors, weapons, and data.

In December 2023, the UK, Japan, and Italy signed the GCAP Treaty, establishing the legal basis for the formation of the GCAP International Governmental Organisation (GIGO). The GIGO Headquarters will be located in the UK, and will be responsible for delivering vital military innovation, strengthening our tri-national industrial capacity, and enhancing our collaboration.

AUKUS

The UK's AUKUS partnership with Australia and the US, will help meet our shared commitment to supporting stability and security through a free and open Indo-Pacific by progressing towards more unified defence and industrial collaboration, better information and technology sharing, and greater resilience, helping develop joint capabilities. Pillar One of the partnership will see the UK and US assist Australia by developing a conventionally armed, nuclear powered submarine capability. The culmination of this will be a new SSN-AUKUS Class, based on the world-leading UK design currently under development. Progress has continued on AUKUS Pillar 2, focused on developing a range of advanced capabilities, reducing barriers to sharing technology and increasing interoperability between UK, US, and Australian armed forces. The Government has allocated an initial £4Bn to BAE Systems, Rolls-Royce Submarines Ltd and Babcock International for the design phase and procurement of long-lead items for the UK's fleet. Australia has also committed to make a significant investment into the UK's submarine industrial base. BAE Systems, working with Australia's ASC Pty Ltd, will build Australia's SSN-AUKUS fleet.

Middle East

The UK has a long history of defence cooperation with partners in the Middle East, promoting regional security including counter terrorism and tackling weapons proliferation. We have maintained a network of bases and assets in the region that remain critical for our ability to project force in the Middle East and Indian Ocean regions. All six Gulf states are members of the Combined Maritime Forces, based in Bahrain, which counters threats and ensures freedom of navigation in the Gulf. We continue to work closely with our allies across the Middle East, building stability and promoting prosperity in addition to partnering to enhance national capabilities to counter state threats and Violent Extremist Organisations (VEOs).

Iran continues to pose a threat to regional stability, sponsoring malign activity. Through its growing defence relationship with Russia, the impact of Iranian activity is even more apparent in Europe. Defence has supported cross government efforts to deter malign Iranian activity.

Following the October 2023 Hamas attack on Israel and subsequent Israeli offensive in Gaza, Defence worked with international partners to manage the crisis. At the outset humanitarian aid flights, enabled by the RAF, delivered a total of 74 tonnes of UK aid, including tents and blankets for Gaza. The RAF supported the delivery of equipment, including trucks and lighting towers to support partners in the region to deliver aid for Palestinians in Gaza, and Royal Fleet Auxiliary ship Lyme Bay delivered 87 tonnes of UK and Cypriot aid from Cyprus to Egypt in January 2024 for onward distribution in Gaza. The UK worked with other partners including the Jordanian led international mission, Bahrain and Qatar to deliver aid, whilst pressing Israel to open more crossings to Gaza. We also provided parachutes to enable more airdrops of assistance.

With the threat to freedom of navigation in the Red Sea, the UK were amongst the first countries to join Operation PROSPERITY GUARDIAN. In lockstep with international allies, we have also conducted limited military strikes to degrade Houthi capabilities to attack international shipping.



As Houthi attacks against commercial vessels continue, Royal Navy warship HMS Richmond (below) takes over from HMS Diamond (above) to ensure freedom of navigation in the Red Sea.

Rest of the World

India

During 2023-24, we conducted more senior engagements with India including hosting a visit by the Indian Defence Minister in January 2024, the first in 22 years, at which two agreements were signed, (a Youth Exchange Memorandum of Understanding and a Research and Development Letter of Arrangement). The UK's Littoral Response Group arrived in Chennai in March 2024 as the first engagement of its deployment to the Indian Pacific and we have announced plans for the Carrier Strike Group to interact with Indian forces in 2025. Six visits by Offshore Patrol Vessels (OPV) were made in 2023-24, during which we operationalised the UK-India agreement on logistics exchange.

The UK and India participated in Exercise AJEYA WARRIOR in April-May 2023 and the UK sent an observer to India's Exercise MILAN in February 2024. We have committed to several instructor exchanges between our Officer Training Colleges and specialist schools and hosted two Indian military study tours (in June 2023 and February 2024).

In support of UK-India defence industrial collaboration and the Indian Government's 'Make in India' initiative, Defence launched Defence Partnership-India in September 2023. Drawing resource from the Department for Business and Trade, FCDO and industry, we have progressed work on electric propulsion systems in support of India's aim to have its first electrically propelled ships in the water by 2030 and have continued to explore opportunities with complex weapons in the Maritime, Land and Air domains.

Japan

Defence has strengthened its defence relationship with Japan through three major announcements: the Hiroshima Accord, the Reciprocal Access Agreement (RAA) and the Global Combat Air Programme (GCAP) Treaty Signing.

In November 2023 we utilised the landmark RAA for the first time with Exercise VIGILANT ISLES to develop operational capabilities, the UK commitment was double the size of previous iterations.

The UK and Japan have agreed to consult each other on important regional and global security issues and will establish a new Permanent Secretary level defence dialogue. We have restated our commitment to closer partnerships on cyber, contingency planning and space.



Soldiers from the reconnaissance platoon, 1st Battalion, The Royal Gurkha Rifles, run off the back of a Japanese CH-47 Chinook as they deploy during Exercise Vigilant Isles.

Latin America and the Caribbean

In Latin America and the Caribbean we have strengthened partnerships in order to develop influence, build capacity of our regional partners and maintain access, basing and overflight.

We have engaged with a programme of training and exercising in the region including through HMS DAUNTLESS participating in Exercise UNITAS, a regional multilateral maritime exercise, and the Army through joint training with the Jamaican Defence Force (Exercise RED STRIPE and CALYPSO HOP).

Africa

We are continuing to work with partners across Africa to ensure that we can tackle collective threats such as violent extremism and terrorism, promote regional stability and collaborate on peace support operations. We delivered 46 training courses to nearly 800 personnel in the Somali National Army

and continued to provide advice and mentoring support to the Somali National Army and other Somali institutions.

In its final year, Operation TURUS facilitated 25 training courses to over 1000 personnel across the Nigerian Armed Forces, Navy and Air Force. This included continued development of single Service institutions, pre-deployment training for over 340 members of the Nigerian Armed Forces and joint Royal Navy/Nigerian Navy maritime security training.

The British Peace Support Team (Africa) trained over 2,800 trainees, delivering 77 courses, including the successful culmination of a four-year Counter Improvised Explosive Devices (C-IED) development programme to facilitate the Ghanaian C-IED pledge to UN operations, and we have supported regional capacity building activity with a range of international partners across East Africa.

HMS TRENT's deployment to the Gulf of Guinea in 2023 provided defence engagement opportunities in The Gambia, Cabo Verde, Sierra Leone, Nigeria, Cote d'Ivoire, Ghana, Nigeria and Senegal, and powerfully symbolised the UK's commitment to the G7++ Friends of the Gulf of Guinea. Over the course of the deployment, 500 VIPs attended formal engagements on HMS TRENT from 25 partner nations. HMS TRENT also took part in the French-led Exercise GRAND AFRICAN NEMO, visibly demonstrating the UK's ability to operate at reach with international and African partners.

Defence has also supported crisis response in Africa including:

- The longest and largest evacuation effort of any Western nation following the outbreak of hostilities in Sudan, with over 2,400 people evacuated on 28 military flights, around half of whom were foreign nationals from 25 different countries. The regional deployment of over 1,500 Defence personnel, spread over five locations, enabled this effort and saw the UK take an important coordination role in the wider international evacuation effort.

Performance Analysis

- Following the magnitude 6.8 earthquake in Morocco, Defence deployed 2 RAF A400M aircraft to transport teams of search and rescue specialists, search dogs and rescue equipment, as well as a medical assessment team.
- Defence supported the relief effort led by the FCDO in response to the devastating floods in Libya, including support to the delivery of critical relief items to Benghazi.



A Royal Air Force A400M delivered UK aid into Benghazi, Libya following devastating floods.

Climate and the Environment

Across the MOD, our Front-Line Commands and our Enabling Organisations, work is underway to meet the Department's Climate and the Environment ambitions. Crucially, this work seeks to preserve military capability and exploit emerging technological innovations to enhance operational advantage, all while improving environmental management and compliance.

Climate Adaptation and Mitigation

The Armed Forces have to be able to operate, fight and win in increasingly variable, dynamic and challenging environments. Adaptation of in-service Defence capabilities and making the right choices to ensure future resilience is therefore the focus for activity.

To aid Departmental climate adaptation activity, a Defence Climate Risk Assessment Methodology (DCRAM) is being rolled out across Defence, in line with National Audit Office guidance and risk taxonomy. The methodology enables the identification and subsequent management of climate related risks and opportunities, through suitable governance. This will form the basis of MOD's future climate reporting as aligned to the Task Force for Climate related Financial Disclosures (TCFD) and in the development of the Departmental Adaptation Plan.

We are disclosing against TCFD for the first time this year- this disclosure can be found at the end of this sustainability section.

A supportive element of this work has been the development of an evidence-based methodology for assessing the physical impact of climate change on operational capabilities. Drawing on complex and wide-ranging data from across the MOD and beyond, this work will inform our future capability equipment choices, to ensure we maintain our operational advantage and resilience. Complementing this approach, we are also working to stress test current

Defence planning and policy assumptions through wargaming. The first climate security wargame was run in February 2024 which tested extant assumptions and choices, providing insights for future policy making and force design.

Following on from the Royal Air Force's successful 100% sustainable aviation fuel (SAF) flight and blended air to air refuelling sorties, RAF Lossiemouth is furthering the use of SAF through the procurement and use of some additional blended fuel via its direct pipeline from Inverness. This fuel will be used across all platforms stationed at RAF Lossiemouth and will assist Defence's understanding of the commercial and acquisition disruption that SAF brings to the aviation fuel market together with supply chain logistics.

Sustainable Support

Implementation of the Sustainable Support Strategy¹⁸ progresses across the 6 underpinning Strategic Initiatives. We are focusing on investing in concepts, innovation, research and experimentation to develop UK Defence's self-sufficiency on operations to reduce vulnerabilities, enhance operational effectiveness and enhance our sustainability. Strategic Initiative 2, 'Maintaining Operational Energy through the energy transition', has been the key focus of this reporting period, with the inaugural Defence Operational Energy Strategy¹⁹ being published in December 2023. The strategy aims to galvanise all areas of Defence to think differently and beyond the sole use of traditional fuels. This new energy mindset is integral to maximising operational advantage as we head towards the global energy transition. Work has also continued to investigate how to effectively deepen the Defence Circular Economy both through better Defence behaviours and the development of more effective acquisition activity.

¹⁸ <https://www.gov.uk/government/publications/sustainable-support-strategy>

¹⁹ <https://www.gov.uk/government/publications/defence-operational-energy-strategy>

Digital/ICT

We have continued to support the 'Greening Government: ICT and Digital Services Strategy 2020-2025' and are progressing with the implementation of our own Strategic Framework for Sustainable Digital Technology and Services, published June 2021.

As part of the wider Defence Suppliers Forum, we have established a digital-specific CC&S Working Group. This will enable our Defence Digital Function to work in partnership with Industry to identify and overcome strategic digital CC&S challenges. Our digital capabilities are directly supporting our emission reduction aims and include:

- Transition from on-premises data centres to public cloud, which is ongoing;
- Virtual Desktop Services established in 2023 to contribute towards asset reduction goals;
- Managed Print Services is reducing device numbers, paper usage, energy consumption and waste;
- Digital Transformation Programmes across Defence continue to improve sustainability and efficiencies across the Defence estate.

The Defence Equipment Sales Authority (DESA), working with E-Cycle, continues to support our sustainable waste management practices including recycling and re-use. In 2023, DESA also partnered with the Royal Mint to recover gold and other precious metals from our electronic waste, converting redundant non-saleable Defence assets into a valuable resource.

Sustainable Construction

We have adopted industry leading best practice into built infrastructure policy, standards and guidance through the incorporation of challenging low embodied and operational energy targets for new builds and major refurbishments. Allied to this change we have also incorporated industry standard methodologies for the measurement and costing of carbon to track progress against Departmental commitments.

This package of policy, standards and guidance will ensure that across the enterprise we are developing portfolio and site decarbonisation plans that will be incrementally delivered through programmes and projects. Already, Defence is rolling out a 10-year programme of Single Living Accommodation built under Modern Methods of Construction (MMC) and incorporating low energy solutions. This is a £4.6Bn programme delivering 40,000 bed spaces. For example, at Imjin Barracks in Gloucestershire and Beacon Barracks in Staffordshire 150 Single Living Accommodation bedspaces have delivered a more sustainable and future-proofed estate that meets the operational needs of the Army while minimising its environmental impact.

Nature Recovery

In 2023-24 Defence continued to fund and deliver nature recovery projects across the estate with over £1.1M directly invested in over 118 projects to improve the condition of Sites of Special Scientific Interest (SSSI).

In addition, £0.5M has been invested in over 40 other biodiversity projects in the UK. This included projects as diverse as; a new wetland on Salisbury Plain Training Area to restore a chalk river SSSI, habitat management to benefit yellowhammers at Templeton Training Area and an oyster nursery at Whale Island to grow juvenile oysters that can be reintroduced to sites across the wider Solent. Through this direct investment, partnership projects with NGOs and support to farm tenants to access environmental stewardship schemes, Defence continues to make a significant contribution to the UK governments' nature recovery targets. This is highlighted by the fact the defence estate includes:

- 169 Sites of Special Scientific Interest covering 37% of the Defence estate.
- MOD SSSIs Total Area UK 81,671 ha Total Area England 70,476 ha with 97.2 % in Favourable or Recovering condition.
- 24,500 ha of woodland (11% of the Defence estate)
- 31,000 ha of land in 13 National Parks
- 19,000 ha of land in Protected Landscapes.

A further £0.45M was invested in biodiversity projects overseas, including Belize, Kenya, Germany and Cyprus.

MOD SSIs	2022-23	2023-24
Total Area UK	81,671 ha	81,671 ha
Total Area England	70,476 ha	70,476 ha
% in favourable condition- England only	49.8%	49.8%
% in favourable or recovering condition- England only	97.2%	97.2%

MOD Listed Buildings	2022-23	2023-24
Total Number	854	856
Good Condition	61%	61%
Moderate Condition	29%	29%
Poor Condition	8%	8%
Unassessed	2%	2%

Historic Environment (Heritage)

MOD inspects the condition of its Scheduled Monuments every five years and uses the results of these surveys to commission works to improve the level of these assets. MOD has committed to minimising the number of assets deemed to be 'Heritage At Risk' and thus concentrates efforts on these sites with the use of Heritage At Risk Action Plans (HARPS) and funding from the DIO Conservation Stewardship Fund (CSF).

MOD Scheduled Monuments	2022-23	2023-24
Total Number	772	773
Good Condition	40%	40%
Moderate Condition	42%	42%
Poor Condition	14%	16%
Unassessed	3%	2%

Sustainable Procurement

Procurement processes are being uplifted to ensure climate and environment factors are sufficiently incorporated, with training in place to embed these changes.

The Sustainable Procurement Commercial Policy Statement had a major update in June

2023. Sustainability guidance was also made more prominent in our Commercial Toolkit.

To aid the embedding of sustainability into acquisition and procurement the MOD has:

- Developed tools to support Senior Responsible Owners (SROs) to manage and monitor the risks and opportunities of climate change within their programmes. This includes further guidance on the application of the Green Book Supplementary Guide on Cost of Carbon.
- Reviewed key internal acquisition policies to ensure climate considerations are factored into business cases and amended governance models and Senior Responsible Owner Terms of Reference to underpin these changes.
- Implemented regular reviews of the supply chain to ensure we are working with the most influential and impactful companies.

The Department continues to apply the Social Value Model to its competitive procurements, with circa 84 contracts awarded in 2023-24 where Social Value formed part of the award criteria. This included a wide range of management services, technical support and capital works procurements.

Across the Defence Estate infrastructure, sustainability and social value have been embedded at all stages, from early industry engagement, through requirement-setting (including requirements around Government Buying Standards, Timber policy and minimising single use plastics), tendering, mobilisation of successful bidders and assurance of in-flight contracts.

Defence Greening Government Commitments (GGC's)

A key element in the delivery of the Strategic Approach is Defence's Greening Government Commitments (GGCs). The GGCs set out the actions UK government departments and their partner organisations will take to reduce their impacts on the environment. The Commitments currently in place cover the target period 2021 to 2025. Defence have been working closely with DEFRA

(Department for Environment, Food and Rural Affairs) to discuss the scoping and plans for the 2025-30 review. Defence's performance for 2023-24 against the GGC's is set out in

the table below. These commitments have been disaggregated across Defence to drive delivery through a sectoral approach to defence decarbonisation.

Defence 2023-24 Greening Government Commitment Performance

	Baseline			Current year	GGC 2025 Target
	2017-18	2022-23	2023-24	Performance against baseline (%)	
CO ₂ Emissions (Millions of tonnes) Estate	1.26	0.88	0.85	(33%)	(30%)
CO ₂ Emissions (Millions of tonnes) Direct Estate	0.57	0.53	0.53	(7%)	(10%)
CO ₂ Emissions (Millions of tonnes) Travel	0.08	0.03	0.06	–	(30%)
CO ₂ Emissions (Thousands of tonnes) Domestic Flights	6.53	4.07	6.36	(3%)	(30%)
Total Waste (Thousands of tonnes)	47.28	39.87	38.90	(18%)	(15%)
%Waste to Landfill	13%	3%	1%	–	Reducing waste to Landfill to 5% of total waste
%Waste to Recycle	42%	37%	35%	–	Increasing recycling to 70% of total waste
Water (millions cubic metres)	16.15	16.07	15.97	(1.10%)	(8%)
Paper (millions of A4 equivalent)	0.94	0.45	0.40	(57.45%)	(50%)
International Flight travel distance (millions of km)	–	653	723	–	GGC reporting requirement. No link to any GGC performance metric
Ultra Low Emission Vehicle (ULEV)	–	27.1%	–	–	By 31st Dec 2022, 25% car fleet to be ULEV (old target)
Zero emission vehicles	–	–	11.61%	–	100% Zero emission vehicles by 31st Dec 2027 (new target)

Notes:

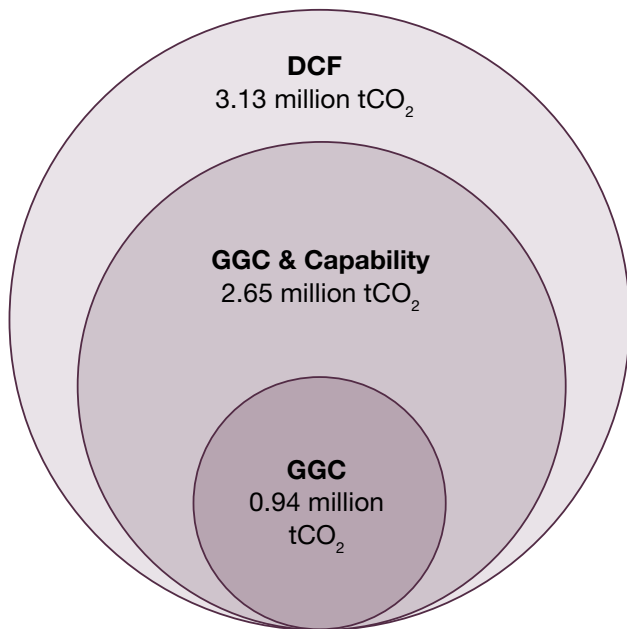
1. Water consumption represents the scope for GGC 2021-25 which includes ~2,400 Aquatrine PFI sites in GB. Northern Ireland is excluded. The scope also excludes distribution losses and service family accommodation.
2. Waste data follows the GGC 2021-2025 scope which includes all MOD UK estates waste generated. The scope excludes military end of life equipment, hazardous waste, waste generated from service family accommodation, sanitary and clinical waste.
3. Waste data for 2017-18 has been re-stated this year, using more accurate and complete data to provide estimates for known data gaps in the 2017-18 reporting.
4. The ULEV target has been replaced by the zero emission vehicles target. Hybrid vehicles are therefore no longer included in the totals reported.
5. Water consumption data has been restated in this year's accounts. This impacts on the baseline 2017-18 year as well as 2022-23. This is to reflect a more complete scope for water consumption, following a Reference Data Improvement Plan.

Defence Carbon Footprint

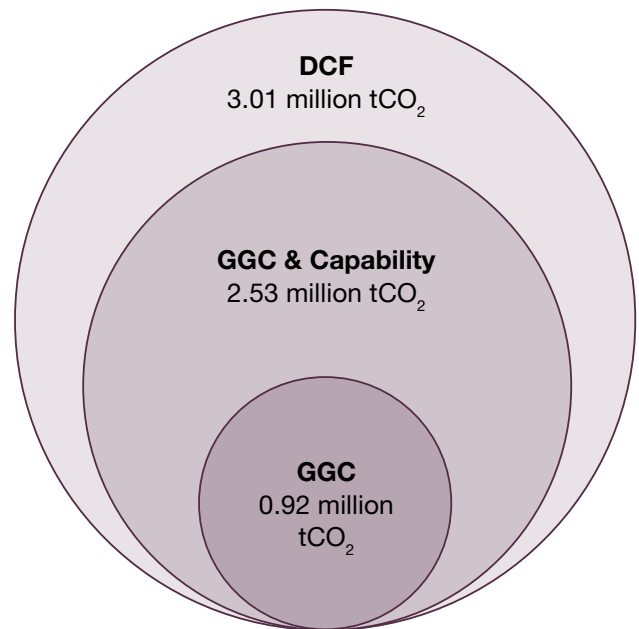
The Defence Carbon Footprint (DCF) covers direct estate emissions (UK and overseas), capability energy, fugitive emissions, emissions electricity and heat (UK and overseas), waste generated, employee commuting, service family accommodation, and duty travel. The Defence sustainability reporting boundary is based on the Defence Operating Model. This year the overall Defence Carbon Footprint has reduced.

The DCF is aligned to the Green House Gas Protocol and covers emissions that Defence can directly influence across Scope 1, 2 and 3. The visuals below illustrate the different components of the DCF and how they have changed over the past financial year.

MOD Carbon Emissions Reporting 2022-23 MOD Carbon Emissions reported



2023-24 MOD Carbon Emissions reported



Task force on climate-related financial disclosures

Introduction

In July 2023 HM Treasury issued Application Guidance for all Government Departments regarding compliance with Task Force Climate-Related Financial Disclosure (TCFD) recommendations. The recommendations are structured around 4 thematic areas:

Governance – encompassing the Department’s structure and arrangements for review and escalation of climate-related risks and opportunities.

Risk Management – the policy and processes applied by the Department for the identification, assessment and management of climate-related risks.

Metrics and Targets – the performance metrics and targets used by the Department to assess and manage climate-related objectives (e.g. Net Zero), risks and opportunities and assessing the effectiveness of mitigations.

Strategy – explanation of the actual and potential impacts of climate-related risks and opportunities on the Department’s business strategy, investment and financial planning decisions.

The requirement mandated by HM Treasury is for Departments to comply with TCFD incrementally over a 3-year period:

Annual Report and Accounts	TCFD Disclosure Requirement
2023-24	Governance
2024-25	Governance, Risk Management and Metrics and Targets
2025-26	Governance, Risk Management, Metrics and Targets and Strategy

The Department welcomes the TCFD initiative given the steps already taken and planned to address the impact of climate change on our operations and other activities. We have

established processes for identifying and reporting climate change related impacts against earlier initiatives such as the Greening Government Commitments and the implementation of a Defence Climate Risk Assessment Methodology (DCRAM) across the Department’s business units. For the Defence Estate, the Department has had a Climate Impacts Risk Assessment Methodology (CIRAM) in place for over 10 years. Output from this tool informs inputs to the DCRAM. These tools and associated policy and procedures will be further developed to support delivery of the expanded disclosures in future years.

Implementation of TCFD in the Department is a joint endeavour between the Director of Climate Change and Environment (DCCE) and the Director of Operational Finance given the impact of climate-related risks and opportunities on financial processes (investment decisions, planning and accounting).

This represents our first TCFD disclosure encompassing Governance which will be expanded incrementally to deliver full TCFD disclosure from 2025-26.

Compliance Statement

The MOD is reporting on climate-related financial disclosures consistent with HM Treasury’s TCFD aligned application guidance which interprets and adapts the framework for the UK public sector. The Department considers climate to be a principal risk, and has therefore complied with all the TCFD recommendations for Phase 1 disclosures around Governance either as part of this disclosure or elsewhere within the Annual Report and Accounts:

TCFD recommended disclosures – Governance	Additional information can be found in the Governance Report section of this Annual Report
<p>a) Describe the board’s oversight of climate -related risks and opportunities</p> <p>b) Describe management’s role in assessing and managing climate-related risks</p>	<p>Summary of discussions of the key Committees and Boards under DSEC and the section on Principal Risks.</p> <p>See below.</p>

Governance

The embedding of climate-change considerations in Departmental strategy can be demonstrated in the recent update of the Integrated Review Refresh and the subsequent Defence Command Paper Refresh (DCP23). The DCP23 sets future strategy and specifically recognised climate-change as a major factor in the increasingly complex and diverse threats that the Department faces.

The governance of climate-related risks follows the core framework for risk reporting within the Department which is described and illustrated in the Governance Report section of this Annual Report.

As detailed in the Accountability Report, the Department’s Chief Risk Officer has recently conducted an exercise to review the key risk themes impacting the Department. Climate Change and Environment (CCE) has been adopted as a principal risk theme for the Defence Board which in practical terms means that climate-change risk and opportunities are now subject to regular quarterly reporting and periodic deep dive by the Board.

CCE is endorsed as a principal risk theme by the Defence Board who will be conducting a deep dive of this risk during 2024 as part of a rolling programme of review. This will include an examination of controls, specific risks and adequacy of mitigations.

The 2nd Permanent Secretary as Chair of the Defence Safety and Environment Committee (DSEC) is the lead Board Member for climate related issues. DSEC approve the reporting of climate-related risks ahead of submission to the Chief Risk Officer and the Board. DSEC reviewed the CCE Principal and Strategic risks on 2 occasions during 2023-24.

Other committees support the management of climate change. The Defence Audit and Risk Assurance Committee periodically reviews progress with identification and mitigation of climate-related risk and provides useful assessment and challenge. The Finance Committee reviews and approves changes to financial policy and procedures necessary to ensure climate-change is fully embedded as part of investment, financial risk and financial planning decision making.

It is expected that all Top Level Budget (TLB) Holder areas and other business units will report climate-related risks and opportunities, including risks from Front Line Command operations, training and other activities.

Primary responsibility within the Department for coordinating climate-change responses resides with the Director of Climate Change and Environment (DCCE). This includes accountability to the 2nd Permanent Secretary for the management and reporting of climate related risk.

DCCE’s role includes defining and leading climate-change strategy and policy within the Department, reflecting the significant role that needs to be played by Defence in meeting wider government commitments to deliver greater sustainability and climate resilience including targets for Net Zero. The Directorate promotes embedding of climate-change considerations in the formation of strategy, investment and financial planning decisions and oversees the roll out of DCRAM, advising and cohering climate change and environment activity across Defence.

TLBs are required to report climate change risk and opportunities identified to DCCE who determines which items should be reported to the DSEC and where appropriate to the Defence Board.

Embedding consideration of climate change – overview by TCFD theme:

Key Progress Made to Date	Next Steps Planned
Governance	
Set up a framework to integrate climate risk into MOD's existing risk government structure establish a process for the defence safety and environment committee and defence board to be informed of climate related issues	Fully integrate climate risk Governance into MOD risk processes as business as usual through the structures, tools and processes described above
Strategy (for inclusion in the disclosure from 2025-26)	
Released the MOD Climate Change and Sustainability Strategic Approach within which the integration of climate risk was identified as a top five priority for epoch 1 (2020-2025). Began to identify the climate risks and opportunities for MOD.	Develop an understanding of the impact of climate related risks and opportunities to the MOD’s operations, our strategy and financial planning (to include MOD’s resilience, under different climate scenarios).
Risk Management (for inclusion in the disclosure from 2024-25)	
Identified Climate Change and the Environment as a Principal Risk to Defence, owned by the 2nd Permanent Secretary. Created a methodology for identifying and assessing climate related risks. Established a climate risk working group where learning and best practice is shared.	Establish a process for managing physical and transition risks to the MOD: To include a system for horizon scanning. Continue to mature our processes and data, and further develop our approach to quantifying climate related risks.
Metrics and Targets (for inclusion in the disclosure from 2024-25)	
Disclosed MOD Scope 1, 2 and a proportion of our scope 3 emissions. Established a sectoral based approach to decarbonisation, aligned to the Climate Change Committee 6th carbon budget.	Work with sector leads to develop more detailed targets, prioritised through the identification of climate related risks. Continue working with our supply chain to better understand our share of their emissions and how we can work together to set target reductions.

Sustainable Development Goals

Defence contributes to the UK delivery of United Nations Sustainable Development Goals (UN SDGs). The diagram below shows the linkage between defence activities and UN SDGs.

UN SDGs	Headline contributions
4 – Quality Education	Skills for the future programme and rollout of Pan-Defence Skills Framework: <ul style="list-style-type: none"> • over 24,000 civilian and military apprenticeships being undertaken • 54,360 cadets in schools with 2,467 trained in Cyber First Programme • Provision of wraparound childcare with 6,303 children from 4,498 service families enrolled.
7 – Affordable and Clean Energy	Continue to improve energy efficiency and increase use of clean energy: <ul style="list-style-type: none"> • Estate energy emissions reduced by 33% against 2017-18 • On-site generation of renewable energy (21.2GWh 2023-24) • Continued sustainable aviation fuel trials and blending
8 – Decent Work and Economic Growth	Support economic growth: <ul style="list-style-type: none"> • MOD supports a total of 406,000 jobs in the UK spread across all regions • Promote the Defence Employer Recognition Scheme and Armed Forces Covenant to support the Armed Forces community. The number of Signatories to the Armed Forces Covenant is 11,779.
9 – Industry, Innovation and Infrastructure	Innovation to improve defence and security of the UK: <ul style="list-style-type: none"> • Defence and Security Accelerator – £40M across 176 projects, 61% with SMEs • £100M defence innovation fund • Implementation of an Ethical Research Standard
10 – Reduce Inequalities	Delivering our Diversity and Inclusion Strategy: <ul style="list-style-type: none"> • representation of women and ethnic minority groups are on an upward trajectory. • 11.7% of the Regular Forces and 45.9% of civilian personnel are female. • Ethnic Minorities (incl white minority) represent 10.6% of regular forces and 6.7% of civilian personnel
11 – Sustainable Cities and Communities	Safeguarding cultural and natural heritage through management of: <ul style="list-style-type: none"> • 856 listed buildings • 773 Scheduled Monuments • National Royal Navy, Army and RAF Museums • Land holdings in National Parks and Areas of Natural Beauty
12 – Responsible Consumption and Production	Continue to buy more sustainable and efficient products and services: <ul style="list-style-type: none"> • Climate change and sustainability built into requirements setting and procurement processes. • Carbon Reduction Plans and Social Value taken account of in the award of contacts
13 – Climate Action	Continue to assess climate risk and strengthen resilience: <ul style="list-style-type: none"> • Rollout of Defence Climate Risk Assessment Methodology • First year of reporting in-line with Task Force for Climate-Related Financial Disclosure recommendations.

UN SDGs	Headline contributions
15 – Life on Land	<p>Continue to fund and deliver over nature recovery projects:</p> <ul style="list-style-type: none"> • Over 150 projects funded in 2023-24 • 97.20% of MOD SSSIs in England are in Favourable or Recovering condition
16 – Peace Justice and Strong Institutions	<p>National level</p> <ul style="list-style-type: none"> • UK Armed Forces domestically, delivered 78 Military Aid to Civilian Authorities operations. • Explosive Ordnance Disposal Teams attended 1,925 conventional munitions incidents and 395 improvised explosive incidents <p>International level</p> <ul style="list-style-type: none"> • Delivery of humanitarian aid and protection of international trade routes in the Middle East. • Crisis response in Africa (Sudan, Morocco and Libya) • Counter narcotics assistance in the Caribbean • Enhance global security through international partnerships – Euro Atlantic, Atlantic-Pacific, Middle East and Rest of World (India, Japan, Latin America, Caribbean and Africa). • Contribute to NATO collective deterrence and defence




David Williams CB
Accounting Officer


29 July 2024

Accountability Report

For the year ended 31 March 2024



Hundreds of LGBTQIA+ Defence personnel marched to celebrate Pride in London, to recognise the vital role they have in defending our nation.



RAF Cadet completes Modular Initial Officer Training (MIOT) Ultimate Challenge, flight against flight and will now become an officer.

The purpose of our Accountability Report is to meet key accountability requirements to Parliament. It is comprised of three key sections:

- Corporate Governance Report
- Remuneration and Staff Report
- Parliamentary Accountability and Audit Report

Corporate Governance Report

This Corporate Governance Report outlines the composition and organisation of the Ministry of Defence (MOD). It provides detail of Departmental governance structures and the way that they support an extensive range of defence objectives.

It includes three sections:

- Directors' Report
- Statement of Accounting Officer's Responsibilities
- Governance Statement

The Directors' Report

The Directors' Report includes several disclosures about those who have authority or responsibility for directing or controlling the MOD.

Who We Are

The following tables set out the ministers and members of the Defence Board, Executive Committee, People Committee (Non-Executive Members only) and Defence Audit and Risk Assurance Committee (DARAC) during 2023-24. They include detail on the number of meetings attended during the year.

Ministerial Members of the Defence Board		
Ministers	Role	Defence Board
The Rt Hon Ben Wallace MP (to 30 August 2023)	Secretary of State for Defence	0 of 1
The Rt Hon Grant Shapps MP (from 31 August 2023)	Secretary of State for Defence	3 of 3
The Rt Hon James Heapey MP (to 26 March 2024)	Minister of State for the Armed Forces	2 of 4
Leo Docherty MP (from 27 March 2024)	Minister of State for the Armed Forces	0 of 0
The Rt Hon Alex Chalk KC MP (to 20 April 2023)	Minister of State for Defence Procurement	0 of 0
James Cartlidge MP (from 21 April 2023)	Minister of State for Defence Procurement	4 of 4
The Rt Hon Dr Andrew Murrison MP	Minister for Defence People and Families ¹	4 of 4
The Baroness Goldie DL (to 14 November 2023)	Minister of State for Defence in the House of Lords	2 of 2
The Earl of Minto (from 15 November 2023)	Minister of State for Defence in the House of Lords	1 of 2

¹ Previously titled Minister for Defence People, Veterans and Service Families.

Non-Executive Members	Role	Defence Board	People Committee	Defence Audit and Risk Assurance Committee
Brian McBride	Non-Executive Board Member	4 of 4		
Robin Marshall	Non-Executive Board Member	3 of 4		
Kate Guthrie	Non-Executive Board Member	4 of 4	5 of 5	
Dr Brian Gilvary (from 1 May 2023)	Non-Executive Board Member	4 of 4		6 of 6
Prof Tracy Myhill	Non-Executive Member		4 of 5	
Paul Smith ¹	Non-Executive Member			7 of 7
Gurpreet Dehal (to 31 March 2024)	Non-Executive Member			7 of 7
Alison White	Non-Executive Member			6 of 7
Angela Henderson	Non-Executive Member			7 of 7
David Holt	Non-Executive Member			7 of 7

¹ Paul Smith was interim DARAC Chair until the appointment of Dr Brian Gilvary on 1 May 2023.

Executive Members of the Defence Board, Executive Committee and DARAC	Role	Defence Board	Executive Committee (ExCo)⁴	Defence Audit and Risk Assurance Committee¹
David Williams CB	Permanent Secretary	4 of 4	15 of 17	4 of 7
Admiral Sir Tony Radakin KCB ADC	Chief of Defence Staff	3 of 4	9 of 17	
Paul Lincoln CB OBE VR (from 9 May 2023)	Second Permanent Secretary	2 of 4	11 of 14	0 of 6
Laurence Lee (to 8 May 23)	Second Permanent Secretary	0 of 0	2 of 3	
General Gwyn Jenkins CB OBE ADC	Vice Chief of Defence Staff	3 of 4	13 of 17	
Tom Wipperman (from 29 March 2024)	Director General Finance (Interim)	0 of 0	0 of 0	0 of 0
Kate Harrison (from 14 August 23 to 31 March 2024)	Director General Finance (Interim)	3 of 3	8 of 8	3 of 3
Charlie Pate (to 31 August 23)	Director General Finance	1 of 1	7 of 9	4 of 4
Andy Start ²	Chief Executive Officer Defence Equipment & Support	2 of 2	1 of 2	
Adrian Baguley CB ⁵	Defence Equipment & Support, Strategic Enablers		1 of 2	
Alison Stevenson (from 6 September 23)	Director General Delivery & Strategy		7 of 8	
Damian Parmenter (to 5 September 23)	Director General Delivery & Strategy		6 of 9	
Nina Cope ³	Chief Operating Officer		10 of 14	
Mike Green ⁴	Chief Executive Defence Infrastructure Organisation		2 of 2	
Andrew Forzani ⁴	Director General Commercial		1 of 2	

Executive Members of the Defence Board, Executive Committee and DARAC (continued)	Role	Defence Board	Executive Committee (ExCo) ⁴	Defence Audit and Risk Assurance Committee ¹
Andrew King ⁴ (from 29 February 2024)	Chief Executive Officer Defence Business Services (Interim)		1 of 1	
Richard Cornish ⁴ (to 29 February 2024)	Chief Executive Officer Defence Business Services		1 of 1	
Charlie Forte ⁴	Chief Information Officer		1 of 2	
Prof Vernon Gibson ⁴	Chief Scientific Advisor		0 of 2	
Lieutenant General Rob Magowan KCB CBE ⁴	Deputy Chief of Defence Staff Military Capability		0 of 2	
Vice Admiral Phil Hally ⁴ CB MBE	Chief of Defence People		0 of 2	
Vicky Smith ⁴	Director Civilian Human Resources		2 of 2	
Jennifer Morrish ⁴	Ministry of Defence Legal Advisor		2 of 2	
Claire Pimm ⁴	Director Defence Communications		2 of 2	

1 For DARAC, either PUS, 2PUS or DG Fin will attend the meeting. PUS/2PUS's attendance is based on agenda items and their portfolios, they will not attend meetings together.

2 Andy Start appointed as member of the Defence Board on 31 October 2023

3 Nina Cope appointed as member to the Executive Committee on 27 April 2023.

4 ExCo membership was temporarily expanded on 22 Feb 2024 to include key DGs and Directors from Head Office and the main TLBs.

5 Adrian Baguley to deputise for Andy Start at ExCo as required.

Directorships and Significant Interests

Details of directorships and other significant interests held by ministers are set out in the List of Ministers' Interests which are available on GOV.UK²⁰ and the Register of Members' Financial Interests held on the UK Parliament Website²¹.

Details of directorships and other significant interests held by members of the Defence Board can be found on GOV.UK²².

The Department provides guidance and instructions to individuals who hold appointments in outside organisations, where a conflict of interest might arise or might be perceived.

Related Party Transactions & Conflicts of Interest²³

The names and titles of all ministers and related parties who had responsibility for the Department during the year, are provided via the web pages referred to in the section on Directorships and Significant Interests.

All potential conflicts of interest for non-executive board members are considered on a case by case basis. Where necessary, measures are put in place to manage or resolve potential conflicts.

The Defence Board has agreed and documented an appropriate system to record and manage conflicts and potential conflicts of interest of board members. Where applicable, the board will publish in this Governance Statement, all relevant interests of individual board members and how any

20 <https://www.gov.uk/government/publications/list-of-ministers-interests>

21 <https://publications.parliament.uk/pa/cm/cmregmem/contents2324.htm>

22 <https://www.gov.uk/government/collections/ministry-of-defence-register-of-board-members-interests>

23 Section relates to IAS24 – Related party transactions.

identified conflicts and potential conflicts of interest of board members, have been managed.

Any significant Related Party Transactions associated with the interests of ministers or Defence Board members, are shown in Note 19 to the Financial Statements – Related Party Transactions.

No minister, board member, key manager or other related party has undertaken any material transactions with the Ministry of Defence during the year.

Personal Data Related Incidents

An incident is defined as a loss, unauthorised disclosure or insecure disposal of personal

data. Protected personal data is information that links an identifiable living person with information about them which if released, could put the individual at risk of harm or distress. The definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Department. Those incidents reported to the Information Commissioner’s Office (ICO) are all notified via the MOD Security Incident Reporting Scheme (MSIRS).

The following tables provide details of the Department’s personal data related incidents during the year to 31 March 2024.

Summary of Protected Personal Data Related Incidents Formally Reported to the Information Commissioners Office (ICO)

Month of Incident	Nature of Incident	Nature of Data Involved	Number of People Affected
July	Emails containing personal data of MOD personnel sent to an e-mail address linked to another government.	Names, e-mail addresses, ranks, contact details.	33
Total number of incidents is 1			

Incidents deemed by the Data Controller not to fall within the criteria for reporting to the ICO but recorded centrally within the Department, are set out in the table below.

Summary of Other Protected Personal Data Related Incidents

Category	Nature of Incident	2023-24	2022-23
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises.	40	27
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises.	32	9
III	Insecure disposal of inadequately protected paper documents.	1	1
IV	Unauthorised disclosure.	411	464
V	Other.	85	49
Total		569	550

The MOD takes the security of its personnel, data and establishment seriously. Every data incident reported, including near misses, is investigated to determine the root cause and the MOD data protection officer’s team works with business areas to reduce the likelihood of re-occurrence. As most of the incidents relate to human error, training and awareness activities are regularly undertaken to

continuously improve staff knowledge and understanding of the data protection principles and the processes and procedures that must be followed to secure data.

Through its Cyber Defence and Risk Directorate, MOD is working to drive down cyber risk on a number of fronts.

Examples of what is done to reduce risk are annotated below:

- Cyber security policies have been updated and re-written to make them clearer and more usable.
- The Secure by Design approach is now live, reinforcing the accountability of project managers and system owners for cyber security.
- The awareness, behaviours and culture campaign continues to promote good cyber security behaviours across the whole of Defence, including campaigns focused on classification and marking, and personal data.
- A document labelling tool has been rolled out which forces users to correctly label emails and documents. Additionally, we have begun implementation of some automated data loss prevention activities to prevent inappropriate sharing through emails. This should reduce the number of unauthorised disclosures.
- This approach enables a culture of proactive risk management and appropriate security consideration in all aspects of our work, connecting cyber security principles, roles, processes, tools and techniques to achieve secure systems.

During 2023, MOD undertook a review of incident management. The incident reporting methodology was examined and a change was made to the way that incidents are captured on the Incident Management System. This change was accompanied by revised and refreshed data protection training, which staff undertake annually; the promotion of data protection awareness; and ongoing technology developments. It is reasonable to infer that these measures have resulted in a higher number of incidents being identified, so that the department can learn and mitigate the likelihood of serious incidents occurring.

The Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Ministry of Defence to prepare for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of and the use of these resources, during the year. These accounts are inclusive of the Department's Executive Agencies and its sponsored Non-Departmental Public Bodies (NDPBs) and other Arm's Length Bodies (ALBs), designated by order made under the GRAA by Statutory Instrument 2023 No.1360 (together known as the 'Departmental Group', consisting of the Department and sponsored bodies listed at Note 20 to the accounts). They also include financial support made to third parties using statutory powers through the issue of grants for specific purposes and grants in aid. The accounts are prepared on an accruals basis and must give a true and fair view of the state-of-affairs of the Department and the Departmental Group and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer of the Department must comply with the requirements of the Government Financial Reporting Manual (the 'FRoM') and in particular to:

- Observe the Accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Ensure that MOD has appropriate and reliable systems and procedures in place to carry out the consolidation process.
- Make judgements and estimates on a reasonable basis, including those involved in consolidating the accounting information provided by NDPBs and other ALBs.

- State whether applicable accounting standards as set out in the FReM have been followed and disclose and explain any material departures in the accounts.
- Prepare the accounts on a going concern basis.

David Williams CB was appointed as Permanent Secretary of the Ministry of Defence by the Prime Minister and appointed as its Accounting Officer by the Permanent Secretary of HM Treasury, on 6 April 2021.

As Accounting Officer for the Department, the Permanent Secretary has appointed the Chief Executives of the Department's Agencies and sponsored NDPBs and other ALBs as Accounting Officers. The details of the accountability relationships and, processes within the Department are set out in the MOD Accounting Officer System Statement (AOSS).

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department or NDPBs and other ALBs for which the Accounting Officer is responsible, are set out in *Managing Public Money* published by HM Treasury.

The MOD Head Office has been strengthened with the appointment of a Second Permanent Secretary. The Second Permanent Secretary works closely with the Permanent Secretary on all aspects of the Department's leadership and deputises for the Permanent Secretary as required. The Second Permanent Secretary has specific Accounting Officer responsibilities for Digital, Innovation and Science & Technology, including oversight of Defence's transformation work and the Secretary of State's Office for Net Assessment and Challenge (SONAC)²⁴.

The Chief of Defence Nuclear supports the Permanent Secretary with nuclear deterrent aspects of national security and works closely with the First Sea Lord (responsible for

submarines in-service and operations that include the Continuous-At-Sea Deterrent, (CASD)). The Defence Nuclear Enterprise (DNE) describes the federation of organisations and arrangements that supports our strategic nuclear deterrent capability and CASD. To aid in the effective management of this, the Chief of Defence Nuclear is an Additional Accounting Officer (AAO).

Accounting Officer Confirmation

I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information. As far as I am aware, there is no relevant audit information of which the Department's auditors are unaware.

The Annual Report and Accounts in its entirety is fair, balanced and understandable. I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Governance Statement

Introduction

The Department is required to prepare an annual Governance Statement to describe the organisation's system of internal control, record the assurances received and provide an assessment of the organisation's risk profile and effectiveness in managing those risks.

I am supported in preparing the Governance Statement by:

- Insight into the Department's performance from Internal Audit, including an audit opinion on the quality of the systems of governance, management and risk control.

²⁴ [Announcement of new Director appointed to the Secretary of State's Office for Net Assessment and Challenge \(SONAC\) – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/announcement-of-new-director-appointed-to-the-secretary-of-state-s-office-for-net-assessment-and-challenge-sonac)

- Feedback from those senior individuals appointed as Function Leads and Top-Level Budget (TLB) Holders, each of whom is required to provide me with an Annual Assurance Report capturing key risks and outlining how relevant controls have operated during the year. These reports are distilled, and an overall independent assessment is provided by Defence Risk and Assurance (DRA).
- Information from the Department’s ALBs on the performance of these organisations and their relevant boards.
- Independent challenge and scrutiny from the Defence Audit and Risk Assurance Committee as to the effectiveness of the policies and processes in use in the Department.

This Governance Statement represents my assurance to Parliament that as Accounting

Officer, I am satisfied that the Department’s aggregated system of internal control is effective. My personal judgement is that over the last year we have continued to deliver improvements to the way Defence is managed and operates. There remain some areas where we have extant control weaknesses, which are detailed in the sections that follow, along with the actions we are taking.

Principal Risks

The Department has developed a series of themes within which the principal risks that MOD faces can be identified. The principal and strategic risks are identified and monitored through the Quarterly Performance and Risk Reporting (QPRR) and Annual Assurance Reporting (AAR) processes. Excluding operational risks, the most notable areas of risk identified this year are as follows:

Principal Risk Theme	Our Response
Nuclear Deterrent	The response isn’t declared for reasons of national security.
Warfighting Capability	The response isn’t declared for reasons of national security.
Global Campaigning	The MOD is a campaigning Department, deploying globally and supporting our allies. The Department is engaged in mitigations to ensure we maintain a detailed understanding of the threat picture and our ability to respond and ensure regional and global security.
Strategic Alliances	Building and maintaining robust alliances is key to the UK’s position in the world and the ability of the MOD to deliver its outputs. We continue to play a leading role in the NATO alliance, providing vital support to Ukraine and protecting global security. The Department continues to resource and develop these global partnerships and develop our work with allies.
People Capability	The MOD is committed to maintaining an agile, adaptable, and sustainable workforce through exploiting emerging workforce technologies and innovations to deliver Defence outputs. Following the Haythornthwaite Review into Armed Forces Incentivisation, findings have been actioned to reduce complexity and bureaucracy in both policy and procedures. Challenges in recruitment and retention remain and continue to particularly impact on the levels of specialist skills in the Department. Several initiatives are in place to mitigate this risk, including the Recruit Now initiatives to increase inflow into the Armed Forces prior to the implementation of the Armed Forces Recruitment Programme in 2027 and action to reaffirm our standards within the Department.
Climate Change & Environment	Climate Change will impact on how and where we can effectively operate. This affects activity overseas and the whole of the Defence estate. MOD is integrating its approach to climate risk, through a specifically design risk management framework which seeks to identify and manage both direct and indirect risks of climate change.
Safety, Health and Wellbeing	MOD has a suite of mature policies and controls aligned to legislative requirements and is committed to providing safe and suitable places to live, work and train.

Principal Risk Theme	Our Response
Cyber	We continue to proactively deter cyber threats by implementing technical controls, hardening existing systems and driving greater resilience. Underpinning metrics provide Departmental understanding of the cyber risk position, including data loss prevention or cyber resilience of the supply chain. The volatile international environment where state threats are increasing and diversifying, means that addressing the Cyber risk remains one of the Department's top priorities and is underpinned by a robust risk management approach that has been embedded across Defence. The recent compromise of the Armed Forces Payment Network has shown that the Department and its suppliers need to be secure and resilient against cyber-attacks. The investigation into the compromise has already delivered an initial report and further work is underway with the Cabinet Office and across the Department to improve the cyber security risk position.
Security and Resilience	The MOD continues to mitigate security and resilience risks through comprehensively reviewing vetting structures and processes; as well as undertaking a strategic and holistic review of policing and guarding on MOD sites. Vetting performance has improved, but challenges remain to Defence this year to balance the demand and supply for policing and guarding. Our incident reporting and analysis has improved and we look forward to implementing an improved reporting system next year.
Relationship with Industry	Maintaining a dynamic engagement with industry is vital to the MOD's ability to deliver. A collaboration charter will enhance information sharing between Defence and industry, develop existing processes to enable delivery at pace and facilitate a joint response to operational challenges – all of which aid the continued resilience and effectiveness of MOD's supply chains. We closely monitor the impacts of the conflicts in Ukraine and the Middle East and the extent of Russian and Chinese content in our critical programmes and the supply chains that support them.
Science, Innovation and Technology and Modernisation	Understanding the impact of Artificial Intelligence, how to harness the benefits and combat our adversaries' use of it, is a key challenge. To ensure we are a global leader in the field of science and technology, the MOD is allocating resources and building relationships with the research base. Additionally, the Department is committed to being a modern, effective and dynamic organisation and is investing in activity to understand how it evolves to deliver this ambition.

The MOD also contributes to the UK Government Resilience Framework through mapping of its own Critical National Infrastructure (CNI) against criticalities guidance issued by the Cabinet Office. We are working with the Cabinet Office on the development and strengthening of resilience standards and assurance regimes for CNI. Defence has been engaged in the new dynamic process of managing national risks through the National Security Risk Assessment (NSRA) and is currently updating its assessment of a small number of Defence owned risks.

National Audit Office (NAO) Management Letter

NAO reported a clean audit opinion in 2022-23, the first time in 13 years. The previous Lease Accounting qualification was lifted following successful implementation of

IFRS16. It is noted that the NAO have downgraded Lease Accounting from a significant to a low risk.

The Management Letter (ML) raised 8 individual points: the Department has reviewed these and has put in place several measures to address each of the points raised.

In Financial year 2022-23 there was only one significant ML point which related to losses and special payment disclosures. It was noted that there was some misalignment between categories of losses and special payments between the extant Joint Service Publication (JSP462) Financial Management and Managing Public Money. This has been corrected and the Department has made improvements to the data capture tool and guidance covering classification of losses. The Department does however recognise that

there still needs to be a greater level of management review on losses that are reported by individual business units. There is also a requirement to ensure that Delegated Authority Limits issued by HMT are appropriately scrutinised to ensure alignment to Departmental and HMT issued policy.

This was highlighted by the fact that the the Department had to obtain a revised letter from HM Treasury and also that retrospective approval had to be obtained from HM Treasury for several losses and special payments, where the Department did not have delegated authority in accordance with the issued DAL letter.

Governance Framework

Defence is a complex enterprise involving multiple organisations with a legitimate requirement to be consulted and involved in decision making. Its governance architecture is therefore more complicated than some other departments, but necessarily so.

The diagram that follows details the MOD Board structure and its committees. Following a governance review of the senior board structure during 2023-24, I have made amendments to the function and membership of the Executive Committee (ExCo) and the Defence Delivery Group. The ExCo is focused on the day-to-day management of the Department, focusing on the effectiveness of functions and professions. A core function of the ExCo now includes scrutiny of corporate performance. I have expanded the membership of the Committee to include key Director Generals and Directors from across Head Office and main TLB areas.

The Defence Delivery Group (DDG), which I co-chair with the Chief of Defence Staff, brings together the senior system leaders in defence. It engages the relevant stakeholders and develops a mutual understanding of Defence priorities and planning, to help drive forward the Department's transformation portfolio and provide an opportunity to discuss collective issues arising from the Performance and Risk Review discussions. The DDG shapes and builds understanding of Defence plans and priorities, discusses and agrees the contributions members will have to make to deliver Defence plans and transformation, and holds members collectively to account for their contributions. The membership of this group has been amended to include the main TLB Holders and will be the mechanism through which members are to be held to account. To manage this portfolio the DDG cadence has been extended to occur fortnightly.

Defence Board Sub-Committees and the Executive Committee

Defence Council
(Chair: Secretary of State)
Frequency:
Only at request of SofS

Defence Board
(Chair: Secretary of State)
Frequency: at least 4 times
a year

<p>Defence Nuclear Board (Chair: Minister for Defence Procurement) Frequency: bi-monthly</p>	<p>Defence Audit and Risk Assurance Committee (Chair: Defence Board Non-Executive Director) Frequency: 7 times a year</p>	<p>Executive Committee (Chair: Permanent Secretary) Frequency: fortnightly</p>	<p>People Committee (Chair: Defence Board Non-Executive Director) Frequency: quarterly</p>	<p>Investment Approvals Committee (Chair: DG Finance) Frequency: monthly</p>	<p>Defence Safety and Environment Committee (Chair: 2nd Permanent Secretary) Frequency: quarterly</p>
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Strategy Development Group
(Chair: 2nd Permanent Secretary)

Frequency: monthly

Finance Committee
(Chair: DG Finance)

Frequency: monthly

Defence Delivery Group
(Co-chairs: Permanent Secretary & Chief of the Defence Staff)

Frequency: fortnightly

Chiefs of Staff Committee
(Chair: Chief of Defence Staff)

Frequency: fortnightly



Standalone advisory bodies



Formal Committees of the Defence Board

Not all other committees are shown, but all will escalate their business to and formally report to the Executive Committee.

A separate Investment Approvals Committee for Defence Nuclear is chaired by DG Finance.

Summary of discussions of the Key Committees and Boards

Defence Board	During 2023-24 the Defence Board were focused on providing oversight of Defence Command Paper Refresh (DCP23). In addition, the Board discussed the Defence Strategy and Plan and maintained oversight of Defence Board risks and received regular updates from its sub-committees.
Defence Council	The Defence Council provides the formal legal basis for the conduct of Defence in the UK through a range of powers vested in it by law. Defence business is managed through the Defence Board and Single Service Boards, although the Defence Council can be called at any time at the request of the SofS. The Defence Council did not meet during 2023-24.
Defence Nuclear Board (DNB)	The DNB is a subgroup of the Defence Board. It is the most senior group within the MOD that deals exclusively with nuclear related matters. It advises and assists the Minister for Defence Procurement in overseeing and assuring delivery of the UK's strategic nuclear deterrent and the Defence Nuclear Enterprise (DNE) that sustains it.
Defence Audit and Risk Assurance Committee (DARAC)	The Committee undertook a review of the Department's Annual Assurance reports which included Finance, Commercial, Project Delivery and Security & Resilience. Updates were provided on the department's risk framework, any impact from MOD internal audit's move to the Government Internal Audit Agency (GIAA) and regular updates on the department's accounts. Deep dives on Infrastructure, Defence Safety, Defence Digital and Fraud took place. The DARAC reviewed the Departmental Annual Report and Accounts including the Governance Statement.
Executive Committee (ExCo)	Key areas of discussion by ExCo included the Annual Budget Cycle, the Defence Command Paper Refresh (DCPR), Defence Design, Ethics and Behaviours and corporate performance.
People Committee (PC)	The PC focused its attention on the Department's People Strategy, Modernised Accommodation Offer (MAO), the Armed Forces Recruiting Programme (AFRP) and strategic workforce planning. Behaviours, Culture and Diversity and Inclusion have taken a prominent position over the year.
Investment Approval Committee and Investment Approval Committee Nuclear (IAC and IACN)	During 2023-24 the IAC and IACN considered a broad range of projects, including: Type 31 Frigate In-Service Support Solution, Project NJORD (Windfarm Mitigation), Naval Support Integrated Global Network, Protector, Complex Weapons Strategy, Future Defence Support Services, Hypersonics, Mobile Fires Platform, Rotary Wing Enterprise, Additional Fleet Time Docking, Astute and Future Commando Force.
Defence Safety and Environment Committee (DSEC)	During 2023-2024 DSEC discussed TLB safety risks, the Safety and Environment Protection (HS&EP) Operating Model and a linked programme of improvement work, risk assessments, assurance and audit reporting. Additionally, DSEC's remit has expanded to include climate change as part of the Department's implementation of the change in accounting standards, brought about by the Task Force for Climate related financial disclosures.

Report on Board Performance by the Lead Non-Executive Defence Board Member

Over the past year, the Ministry of Defence has operated in an increasingly complex international environment. The Department has continued its support to Ukraine following Russia's illegal invasion in 2022, combined with delivering deterrence in the Middle East and humanitarian aid into Gaza. The Department is working to deliver on the Defence Strategy through implementation of the Defence Command Plan 23 (DCP23).

The Defence Board has met routinely over the last year and there have been several changes to the Ministerial team, including welcoming a new Defence Secretary as chair. With these changes combined with a full cadre of Non-Executives, the Defence Board has been well placed to provide oversight of the core priorities for the Department, including the development of Defence Design, implementation of DCP23 and regular scrutiny of performance and risk data through a new reporting system. The Board has continued to receive written updates from sub-committee chairs and held dedicated time to discuss key findings at meetings. I am pleased that we have undertaken a Board Effectiveness Review and colleagues view that the Board is continuing to improve and operate more effectively.

I have used Defence Board NED sessions as opportunities for discussion and updates with members of the Senior Leadership Team. Most recently I have been updated on the critical work of the Department to identify and implement cultural and behavioural changes across Defence, through Reaffirming our Standards programme. I have received updates on the Modernised Accommodation Offer, on which my Non-Executive colleague Kate Guthrie has been supporting the Department through her role as Chair of the People Committee. This year, I and NED colleagues, have also visited several Defence sites including RAF Lossiemouth, Faslane and HMNB Portsmouth, to better understand the lived experience in Defence and how MOD delivers on its mission to protect the United

Kingdom. It has been fantastic to meet so many of our exceptional personnel and to bring their experiences to life with the Board.

In addition to our role as Non-Executive Board Members, NEDs support sub-committees on Nuclear, Digital, People, Audit and Risk. These provide us with an opportunity to constructively scrutinise plans, provide assurance that the Department has robust processes in place to deliver on its objectives, and inform our challenge at the Defence Board level. I have led the second annual NED event across Defence with attendance from over 70 Non-Executives from our Commands, Enabling Organisations and Arm's-Length Bodies. These events are crucial to improving awareness and understanding of the context in which Defence is operating and the input and challenge the Department needs from its Non-Executive Directors.

I will continue to support the Department's focus on delivery through MOD Stocktakes with our partners in Cabinet Office. I am confident through my engagement with Ministers and the Senior Leadership Team that MOD is well placed to meet its objectives.

Brian McBride

Review and Challenge

There is a cross-government requirement to conduct an Annual Board Effectiveness Review (BER). Towards the latter half of the calendar year 2023, we conducted a BER which was presented to the Defence Board in September. While an independent BER was due to be undertaken, due to Ministerial team changes and a 2024 election, it was agreed that an independent BER would be postponed.

To prevent group-think and to ensure challenge is embedded in the heart of the business, a number of senior Boards and Committees within Defence, including the ExCo, Defence Delivery Group, People Committee and some of the Service Command Boards, operate a shadow or Challenge Board system. This is where more junior members of staff review board papers

and submit comments to two Challenge Board members who are invited to attend the board in person to reflect the views and opinions raised.

The Defence Delivery Group (DDG) is our primary Board for managing delivery and performance. The DDG is chaired by the Permanent Secretary and Chief of Defence Staff and attended by the Service Chiefs and the CEOs of our key Enabling Organisations as well as relevant Head Office Directors General/3 Star Military Officers. The cadence for the DDG has been extended to fortnightly allowing for more frequent discussions on delivery, risk and performance.

Arm's Length Bodies (ALBs)

The Defence Equipment and Support (DE&S), Defence Science and Technology Laboratory (Dstl) and Submarine Delivery Agency (SDA) were executive agencies, within the Departmental accounting boundary for the financial year 2023-24.

On 1 April 2023 the Defence Electronics and Components Agency (DECA) ceased to be an Agency and was transferred into DE&S. MOD has one Trading Fund, an executive agency, the UK Hydrographic Office (UKHO), which is outside the Departmental accounting boundary.

The Department's Non-Departmental Public Bodies (NDPBs) with Executive Functions; the National Museum of the Royal Navy (NMRN), the National Army Museum (NAM), the Royal Air Force Museum (RAFM), the Single Source Regulations Office (SSRO), the Armed Forces Covenant Fund Trust Ltd (AFCFT), and AWE plc, the company that runs the Atomic Weapons Establishment, are sponsored by the Department and fall within the Departmental accounting boundary. International Military Services Limited (IMS) is a Designated Body of the MOD and I am the Accounting Officer (AO).

Each of the Executive Agencies (except the UKHO) and the Executive NDPBs have a Chief Executive appointed by me and produce their own annual report and

accounts, which includes a Governance Statement, and are audited by the National Audit Office (NAO). The UKHO's Chief Executive is appointed as an Accounting Officer (AO) by HM Treasury's Permanent Secretary. Within AWE plc, the Chief Executive is appointed by the Secretary of State and granted AO status by me.

In addition, there are a number of NDPBs with Advisory Functions. Full details of the accountability relationships within the MOD are included in the Accounting Officer Systems Statement (AOSS) which is published separately to the Annual Report and Accounts.

Functional Leadership

Functions are activities that need to be carried out in a coherent way across all the organisations in Defence; enabling MOD business to be done smoothly and efficiently. Functional Leadership is the mechanism for doing this and is consistent with wider government best practice. Functional Leadership in Defence is fully consistent with the principles of delegated delivery. Each Function is led by a 3* Director General level Functional Owner, responsible for setting consistent standards, processes, and ways of working across Defence through the deployment of Functional Strategies and Operating Models. There are eleven Functions based in Head Office and four in UK Strategic Command. Functional Owners can be supported in the day to day running of the Function by a 2* Functional Leader.

The Functions play a fundamentally important role in delivering cross-cutting coherence, specialist services and business improvement. A common approach has been developed for all Functions to set and agree their remit and authority in order to set Defence wide standards, and the necessary assurance processes to check they are effective. The Chief Operating Officer oversees the implementation of Functional Leadership across Defence.

All Functions have a Functional Accountability Body, which operates on behalf of the Executive Committee and oversees the work of the Functional Owner in directing and cohering the planning, delivery, and strategic improvement of the Function. Moreover, the Functional Accountability Body acts as a point of appeal/escalation in the event issues are raised between the Functions, Military Commands, Enabling Organisations and Defence Nuclear Organisation. The Functional Owner is held to account for the performance of the Function and reviewing the Functional Owner's Annual Assurance Report, capturing risks, and outlining the controls that have operated during the year.

Functional Leadership provides a platform for Defence transformation. Further, work is underway to improve the interfaces between the Functions and the delivery areas, which will be examined as part of the Defence Design work.

Work continues to maintain full engagement with the Government's Functional agenda and ensuring that, individually and collectively, Functions can best deliver pan-Defence business improvement.

Our Approach to Risk Management and Assurance

Risk management is an integral part of everything we do. The MOD faces a wide range of risks to the effective achievement of Departmental priorities.

The Departmental risk management framework is set out in an internal Joint Service Publication (JSP), which defines the mandatory requirements for risk and assurance activities across the Department. The Departmental risk management framework sets out the principles, concepts and accountabilities which underpin how we manage risk and is compliant with the standards and requirements of Government Departments outlined in the HM Treasury Orange Book.

The Department continues to be an active member of the Heads of Risk Network and Government Risk Profession, led by HM Treasury. The MOD has undertaken a reset of its principal risks and of its risk management framework to ensure it reflects these changes, remains compliant with government policies and best practice and informs Departmental decision-making effectively. The reset will establish better oversight of risk and assurance through appropriate risk governance and by providing clear authority and accountability to risk owners.

The risk management framework sets out the governance arrangements and roles and responsibilities for those involved, with risk themes and principal risks agreed and managed by the Defence Board (DB). Each principal risk is assigned a Risk Owner who is responsible for ensuring that effective governance, processes and activities are in place to manage the risk. Risk owners across the MOD are responsible for regularly assessing risks and reporting changes through the Quarterly Performance and Risk Reporting (QPRR) process. The framework enables the cascade of risk through the Department so that risk can be managed at the appropriate level.

Risk Overview

The MOD faces a range of risks which affect the delivery of priority outcomes and outputs across the Department. The issues and risks faced are diverse in nature and severity, and often determined by external forces over which the Department may have influence but no control.

The Department's principal risks, those held by the Defence Board, and wider strategic risks held across Defence are reviewed quarterly by the DDG and the DARAC, with frequent senior deep dives. These risks have escalation routes through the Executive Committee (ExCo) and the Defence Board. This helps the Department better understand how risks are changing, and at what pace, and enables senior leadership to oversee the delivery of priorities.

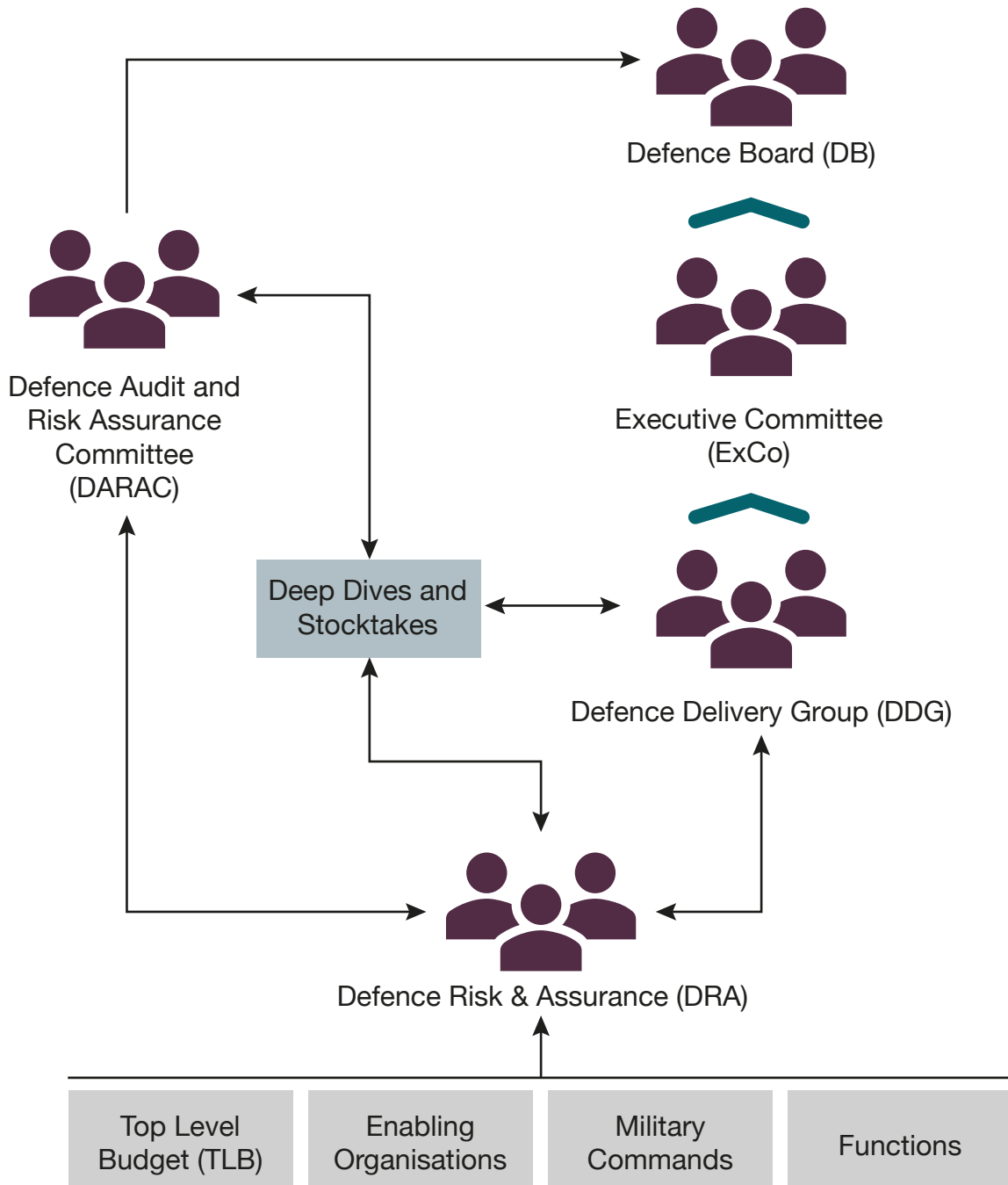
Delivery risks are aggregated within TLBs, Front Line Commands, Enabling Organisations and Functions, who are responsible for identifying strategic risks that could impact on their ability to deliver against key Departmental priorities as set out in Command and Business Plans and in the Defence Command Paper, Defence Strategy and Defence Plan. Alongside Head Office strategic risks, when collated these form the principal risks which are reported to senior Departmental decision-making bodies. This approach enables leaders at all levels of the Department to make risk informed decisions, with an awareness of Departmental risk appetite.

The following diagrams set out the MOD risk management reporting structure and the associated key responsibilities.

Risk Management Responsibilities

Risk is managed within the Department at all levels. Delivery risks are held across our Top-Level Budgets (TLBs), Front Line Commands (FLCs), Enabling Organisations (EOs) and Functions. At the programme level, risks are identified and managed to support Senior Responsible Owners (SROs) to help deliver programmes and project outcomes effectively. Governance arrangements ensure risk has the proper senior oversight allowing appropriate levels of authority to intervene to take risk management decisions.

Risk management reporting structure



Role	Responsibility
Defence Board	The Defence Board is accountable for risk management, challenge, review and sponsorship, and monitors the Department's top risks.
Defence Audit and Risk Assurance Committee	Defence Audit and Assurance Committee (DARAC) supports the Defence Board and the Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.
Executive Committee	The Executive Committee (ExCo) acts as the primary day-to-day authority of the Defence Board, uses the risk information to interrogate areas of concern and direct action as appropriate.
Defence Delivery Group	Defence Delivery Group (DDG) reviews current risk assessments on Principal Risks, FLC and TLB risks, allowing for impacts to be considered and decisions to be made across the Department, and where necessary will escalate them to Defence Board.
Chief Risk Officer	The Chief Risk Officer (CRO) leads risk management in Defence and advises the Defence Board on risk management and assurance. The CRO is responsible for setting the Department's policies on risk management, aligning them with Government policy and best practice.
Top Level Budgets/ Enabling Organisations/ Military Commands/ Functions	Responsible for the effective implementation of Departmental policy on risk management in their areas, ensuring that appropriate risk management governance structures, processes and activities are in place.

Assurance and Controls

The Department relies on assurance from multiple sources, consistent with good practice. Risk and assurance activity is structured around the Three Lines of Defence model, ranging from operational assurance (First Line of Defence) to independent assurance such as Internal Audit and NAO (Third Line of Defence):

- The First Line: closest to delivery and operations. Responsible for implementing policies and controls and ensuring they are applied correctly and adhered to. Provide evidence to demonstrate compliance.
- The Second Line: responsible for setting cross Department policies and controls and measuring compliance against these. Agree improvement plans with the business where there are gaps or issues and includes the Department's Functions.

- The Third Line: independent assurance responsible for evaluating the effectiveness of the first and second Line of Defence (LoD) to ensure governance, risk management and control is operating as intended. Independent assurance is provided by Government Internal Audit Agency (GIAA), and other independent sources including the Infrastructure and Projects Authority and other independent regulators.

The Department operates an Annual Assurance Report (AAR) process with submissions provided by business areas. As part of this process, business areas are asked to set out key controls, critical policies and processes and the level of assurance in determining their effectiveness.

Top Level Budget holders and Enabling Organisations are each supported by an Audit Committee or equivalent, which is chaired by Non-Executive Members and at which representatives of the internal and external auditors are present. The Audit Committees provide advice on wider business risk, control, and assurance processes. The DARAC meets the Chairs of the Audit Committees twice a year. All AARs are subject to independent scrutiny by these bodies. DRA provide the outcome and a holistic analysis to the Defence

Audit & Risk Assurance Committee (DARAC) and Accounting Officer.

The DARAC reviews the Department's approach to internal control and provides independent advice both to the Defence Board and the Accounting Officer on the effectiveness of the Department's policies and processes. The Department obtains third line assurance through the GIAA, the NAO and other independent sources.

Considering this assurance process, the DRA assessment is that the Department carries an overall level of 'Limited assurance' over the operation of its internal control environment for 2023-24. The opinion remains unchanged from 2022-23. The 2023-2024 AAR process demonstrated that good progress has been made towards strengthening the control environment. Notably, there have been improvements in commercial capability and supply chain assurance, the strengthening of digital controls, standards and policies and the streamlining of delivery models for technology projects. However, broader analysis of assurance activities has shown varying levels of maturity across the Second Line of Defence and functions.

The Department will continue to strengthen the control environment across the Three Lines of Defence through a number of improvement activities. This includes maturing the assurance process, refreshing the risk management framework for the Department and developing a risk-based assurance map. The Government Risk Profession in partnership with the Government Internal Audit Agency (GIAA) has launched a Risk and Control Framework (RCF) to be implemented across government departments from 2023-24. The RCF will provide structure to existing assurance requirements across Government Departments. MOD will carry out a review of the existing control environment in line with the updated Orange Book to ensure best practice and the implementation of the RCF across the Department.

Opinion of the Government Internal Audit Agency (GIAA)

The overall internal audit opinion is one of Limited Assurance. Selected functional areas and processes had implemented effective oversight, monitoring and assurance arrangements. We noted continued effective controls for a range of Finance processes and improvement in the control frameworks developed in areas such as Digital, Commercial and Project Delivery. However, despite improvements, we continue to identify weaknesses in the consistent implementation of selected controls across parts of the Department.

Selected people, security and infrastructure processes required more robust control frameworks, to provide increased assurance that key processes and risks are being effectively managed.

Risk management arrangements continue to mature within individual MOD entities. However, there is a need to enhance the identification and monitoring of assurance activity and ensure local risk management information is suitably coordinated with corporate departmental risks. We note plans to update the current operating model, governance and risk assurance landscape in Defence. However, these are not yet fully developed and implemented.

Quality Assurance of Analytical Models

Quality assurance in MOD is delegated to individual TLBs and ALBs. Accordingly, TLBs and ALBs are responsible for managing their own models and MOD helps to cohere this, provide guidance and share best practice through our Quality Assurance Working Group (QAWG). We will be publishing MOD's list of Business Critical Models mid 2024.²⁵

We have increased our engagement with representatives from across the Department as well as those supporting ALBs and Enabling Organisations such as DE&S, Dstl,

²⁵ <https://www.gov.uk/government/collections/business-critical-models-ministry-of-defence>

DIO and SDA. In particular, in 2023 we have gained support from the DARAC and Finance Committees to further embed analytical assurance across the Department. We will now work more closely with Finance Directors and Directors of Resources in the TLBs to identify models through their local risk and assurance processes. This will ensure we are aware of all Business Critical Models and further promote Quality Assurance across Defence.

Compliance with the Corporate Governance Code

The Department's compliance with the HM Treasury Corporate Governance in Central government departments – Code of Good Practice, issued in April 2017 has been reviewed and confirm that the Department complies with all the requirements, with three exceptions:

Section 5.9 of the code requires that at least one Non-Executive Defence Board Member should sit on the Audit Committee, in addition to the Chair. Since November 2022, I have chosen to have five Non-Executive members attend the DARAC. The Non-Executive Members provide independent support to a range of governance meetings. The Non-Executive Members on the DARAC bring experience from the Commands, Enabling Organisations and from the private sector, providing independent challenge from the wider organisation and externally to the Head Office views of risk, assurance and governance. I believe that the current mix of Non-Executive support to the DARAC membership provides a broad perspective of the Department's business, whilst maintaining the necessary independence of Audit Committee members.

Section 5.2 requires the Board to take the lead on and oversee the preparation of the Department's Governance Statement. The Governance Statement has been reviewed by members of the Executive Committee. In addition, the DARAC reviews the Governance

Statement and provides advice to me, as the Accounting Officer. Given the expertise of the members of the DARAC and their on-going involvement in matters of governance, risk and internal control through the year, I believe these arrangements provide the right level of review and scrutiny.

Section 4.1 of the code requires that "a formal and rigorous annual evaluation of the Board's performance and that of its committees, and of individual board members" is conducted. A review was conducted towards the latter half of 2023 and presented to the Defence Board in September 23. An independent review was postponed due to a change in Ministerial team. With elections due to take place in 2024, the next independent review will be undertaken in 2025.

Management of Interests

As noted in the Director's report, all Board members (both executive and non-executive) are obliged to report all potential conflicts of interests as set out in the Cabinet Office code of good practice (para 4.15)²⁶. A central register of interests is maintained by the Department and [no such conflicts] have been identified requiring disclosure.

In line with declaration requirements for special advisers, all special advisers have been asked to declare any relevant interests or to confirm they do not consider they have any relevant interests.

Departmental policy requires all military and civilian personnel to make a full declaration of interests where there is a real or perceived conflict of interest between their official duties and their outside interests. The requirement to consider potential conflicts is enduring and must specifically be reconsidered on taking up a new role or outside interest. Relevant interests include private commercial activities including investments, consultancy and advisory work as well as holding office for professional organisations. Corporate Governance teams in delegated budget

²⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/609668/PU2076_corporate_governance_guidance.pdf

holder areas are responsible for overseeing adherence to the policy and maintaining records for their business areas. Assurance on policies and record keeping is provided periodically by budget holders.

Transparency

The Department recognises the requirement to report details of any remuneration reported by Senior Civil Servants (SCS) associated with outside interest and has separately published these details on GOV.UK²⁷.

Business Appointments

Departmental policy requires that anyone leaving the MOD must check whether they are required to obtain clearance before taking up a new appointment, including consultancy work. The policy fully aligns with the Cabinet Office Rules on Business Appointments as contained in Section 4.3 Annex A of the Civil Service Management Code. The policy makes clear the circumstances in which individuals will be required to apply for clearance before taking up an appointment outside the Department. Applications from those below SCS (and their military equivalents) are signed off at second reporting officer level (with right of appeal to TLB Directors of Resources), from SCS Band 1 and 2 (and their military equivalents) at TLB Director of Resources level (with right of appeal to the MOD Business Appointments Panel), and from SCS Band 3 (and military equivalent) and above at Ministerial level on advice from the MOD Business Appointments Panel, Permanent Secretary and the Advisory Committee on Business Appointments (ACOBA).

In compliance with Business Appointment rules, the Department is transparent in the advice given to individual appointment applications for senior staff including special advisers. Advice regarding specific appointments is routinely published on GOV.UK.²⁸ The following table provides information relating to the applications under these rules for 2023-24. The numbers refer to

applications completed during 2023-2024. The data covers at SCS Band 2 and below (and their military equivalents) as information on applicants from those of rank SCS Band 3 and 4 (and their military equivalents) is published by ACOBA²⁹.

While the Business Appointments Rules require all SCS Band 3 and 4 (and their military equivalents) to apply for clearance for any appointment they take up within two years of Crown Service, for SCS Band 1 and 2 (and their military equivalents) they only require clearance to be applied for if the appointment meets one or more of certain criteria as set out in the Business Appointment Rules. This explains why the number of applications assessed is much lower than the number of exits.

Some leavers took up more than one role requiring clearance under the business appointments rules and therefore needed to submit multiple applications for clearance. Actual numbers of leavers requiring clearance under the business appointments rules were therefore lower than the total number of applications for clearance.

Business appointment rules only require leavers to make an application for clearance if their appointment meets criteria as set out in the Business Appointment Rules. In the MOD we do not routinely collect numbers on those cases where an application for clearance was made but it subsequently emerged that the appointment did not meet any of these criteria, and so did not require clearance (we have updated our reporting in this year's ARAC to better reflect this).

In the MOD any appointment meeting the criteria for which clearance is required will attract, at a minimum, a set of standard conditions. The date taken for applications assessed is the date on which the approving authority decision was made.

27 <https://www.gov.uk/government/collections/ministry-of-defence-senior-civil-service-secondary-paid-employment>

28 <https://www.gov.uk/government/collections/mod-business-appointment-rules-index>

29 <https://www.gov.uk/government/organisations/advisory-committee-on-business-appointments>

Business Appointment Rules (BAR) Applications 2023-24

Number of exits from the Civil Service and Military (SCS /1-star and above)	124
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Details of BAR applications for Civil Service and Military (SCS/ 1 star and above)	SCS 1/ 1-Star	SCS 2/ 2-Star	Special Adviser
Number of BAR applications assessed by the department	11	6	2
Number of BAR applications where conditions were set	11	6	2
Number of applications that were found to be unsuitable	–	–	–

Number of breaches of the business appointment rules in 2022-23 (SCS2/2 star and below and special advisors of equivalent standing was 0)

Tackling Fraud and Corruption

Fraud Defence leads the MOD’s counter fraud function. The Defence counter fraud strategy and action plan meet the Government Functional Standard for Counter Fraud (GovS13), set by the Public Sector Fraud Authority (PSFA).

Analysis & Strategic Intelligence

Fraud Defence conducts analysis of financial and commercial transactions, and Military and Civilian pay, allowances and expenses data, to determine whether transactions are irregular or out of policy.

In collaboration with Fraud Defence’s strategic partner, a bulk data analytics initiative focusing on procurement fraud has been concluded. The results of the analysis will inform risk and procurement process.

Fraud detection analysis is being conducted across both Military and Civilian expenses to identify potentially irregular claims, with appropriate action being taken which can include being referred for criminal and/or misconduct investigation.

The MOD participated in the 2022-23 National Fraud Initiative, an exercise that matches data within and between public and private sector bodies, to prevent and detect fraud.

Engagement has been conducted with those organisations where a payroll match has been identified as being high risk and Finance Directors are awaiting validation of those matches.

Fraud Risk

The Defence Counter Fraud Strategy encourages those owning fraud risks to identify where the threats and vulnerabilities are the greatest, and whether an adequate control environment is currently in place, resulting in the MOD recognising that fraud risk management is a core feature of effective decision making.

Fraud Defence have led a programme to improve the Department’s approach to fraud risk management by working with TLBs to support them through a fraud risk maturity assessment and improvement programme. This has seen the majority of TLBs meet or surpass the minimum required level set by the Fraud, Ethics and Propriety Board. Continual support is provided to those TLBs with the highest fraud exposure and those who are still working towards meeting the minimum level.

Through the continual improvement of the TLBs approach to managing their fraud risks, the Department is able to understand their fraud risks and prepare strategies to mitigate against their occurrence or reduce the impact of a fraud event.

Engagement, Training & Awareness

In 2023-24, to add to the Fraud Bribery & Corruption training packages further online training has been delivered on awareness of procurement fraud red flags and performing fraud risk assessment.

Fraud Bribery & Corruption face to face presentations have also been delivered to targeted groups such as Apprentices, new SCS entrants to Defence and Defence Attaches.

Investigations

Fraud Defence investigates a wide range of cases involving allegations of bribery, corruption, fraud and misconduct, the majority of which are assessed as serious and/or complex. The team prioritises cases concerning contractual or procurement irregularities.

Confidential Hotline/Operational Intelligence

The MOD Raising a Concern policy has been updated in line with the Cabinet Office model policy for Government and applies across Defence for all Crown Servants. The 2nd Permanent Secretary is the appointed Departmental Speak Up Champion, to assure the effective operation of the whistleblowing process across the Department and act as a focal point for the Nominated Officers, helping to strengthen their prominence across Defence.

All Defence personnel (and the public) are encouraged to report suspected fraud and other irregularities to the Confidential Hotline, including through an annual Speak Up campaign. The Hotline delivers our duty of care to whistleblowers, triages and refers cases for investigation, and gathers information. We have launched a programme to upgrade the Hotline in line with national law enforcement standards.

The MOD reports to the Cabinet Office on whistleblowing cases and other related activity occurring in the Department every year. In all the resolved cases, the whistleblower receives an update that their concern has been addressed and where appropriate, what action was taken and details of any organisational learning.

Ethics Propriety & Standards Policy & Assurance

Assurance of the effectiveness of, and compliance with, the policies within the Defence Ethics, Propriety and Standards guidance commenced in 2023, with Deep Dives into Gifts, Rewards and Hospitality and Business Appointments. Recommendations include simplification of policies, consistent application across the Department, and aligning

Business Appointments rules with the reforms set out in the Strengthening Ethics and Integrity in Central Government report of July 2023.

Ministerial Directions

There were no Ministerial Directions to David Williams CB as Accounting Officer, during 2023-24.

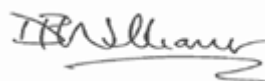
Conclusion

The 2021 Integrated review (IR2021) and Defence Command paper were refreshed in 2023 to recognise a period of heightened risk and volatility that is likely to last beyond the 2030s. As such, the UK's priorities and core tasks have been reviewed to reflect the resulting changes in the global context. The Department's budget increased to over £50Bn a year in 2023-24 in response to increasing global security threats.

The operating environment remains volatile. The Department continues to support Ukraine whilst delivering deterrence and humanitarian aid in the Middle East. I continue to be proud of the resilience and commitment shown by the Department to delivering Defence outputs in these challenging circumstances.

We actively monitor significant control risks and across the Department several mitigation activities are in train to address the risks identified in this report.

The review of the Defence Operating Model is progressing. One of the key outcomes will be a single area within the Department that will set the strategy and direction for all Defence activity. This will ensure that Programmes remain affordable, timely and represent good value for money. Our resources and capabilities will be aligned to support key Defence outputs and improvements in systems and processes will ensure the quality of the information accessible to aid good decision making.



David Williams CB
Accounting Officer

29 July 2024

The Remuneration and Staff Report

The Remuneration and Staff Report summarises our policy on ministerial, Defence Board Member, Non-Executive Directors (NEDs) and staff pay. It also provides details of actual costs incurred and contractual arrangements in place.

Remuneration Report

Remuneration Policy

Pay for Senior Civil Servants (SCS) and senior officers of the Armed Forces, is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB).

The SSRB also advises the Prime Minister from time to time on the pay, pensions and allowances of members of parliament; on peers' allowances; and on the pay, pensions and allowances of ministers and others, whose pay is determined by the Ministerial and Other Salaries Act 1975 (as amended).

In reaching its recommendations, the SSRB has regard to the following considerations:

- The need to recruit, retain, motivate and where relevant, promote suitably able and qualified people to exercise their different responsibilities;
- Regional / local variations in labour markets and their effects on the recruitment, retention and where relevant, promotion of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- The funds available to departments as set out in the government's Departmental Expenditure Limits (DELs); and
- The government's inflation target.

The SSRB takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the SSRB can be found on the review body website.

There is an established Departmental procedure for the appointment of Non-Executive Directors (NEDs) which

requires a transparent recruitment and selection process (including due diligence checks), with appointment on merit, thus following the Governance Code on Public Appointments. NEDs receive a letter of appointment setting out, amongst other things, details of the agreed remuneration which is in accordance with the Corporate Governance in Central Government Departments: Code of Good Practice. NEDs have the option to waive their remuneration.

Performance and Reward

Salary and reward for Permanent Secretaries is considered annually by the Permanent Secretaries' Remuneration Committee, within the Cabinet Office.

For the SCS below Permanent Secretary level, MOD implements its own pay and non-consolidated award arrangements through an agreed pay strategy. Any non-consolidated award is based on a judgement of how well an individual has performed and awards are made to individuals judged to have made the highest contribution to MOD's business objectives. There is no restriction on the nature of the contribution; the only requirement is that it benefits the Department or Defence more widely. Recommendations for awards must be linked to demonstrable evidence of delivery.

The Department also employs a number of members of the SCS on fixed term appointments. These individuals are externally recruited to fill specific roles where the Department does not already have the necessary skills in-house. They are employed on individual contracts which allow them a

base salary and the opportunity to earn performance related awards, specifically linked to business and corporate objectives. They are expected to deliver substantial benefits to the Department both in terms of outputs, delivering change programmes and skills transfer. As with the rest of the SCS the awards paid to those on fixed term appointments are non-consolidated and non-pensionable and are subject to rigorous scrutiny.

Senior (2-star and above) military officers' pay is dependent on their performance, time in rank and position on the pay scale. Individuals can be awarded a single increment on the anniversary of their appointment (subject to a satisfactory performance appraisal) and progress accordingly up the incremental pay scale for their rank to the top increment. Should an Officer receive an unsatisfactory appraisal they will not receive an annual increment until achieving a satisfactory level of performance. The average value of one incremental rise was 3.6% of salary in 2023-24 (2022-23: 3.2%). Exceptions to this are the Chief of the Defence Staff (CDS) who automatically receives an annual increment on the anniversary of promotion to the role until the maximum pay for the rank is obtained, and senior medical and dental officers who are paid from spot rates of pay for their rank.

Whilst non-executive remuneration is not directly linked to performance, in part to avoid any suggestion that an employee / employer relationship exists, NEDs performance is kept under review on at least an annual basis. The aim of the reviews which are informal, is to consider the impact of individuals on the performance of the board, recognise the contribution of NEDs and identify ways this could be improved and provide feedback.

Senior Manager Contracts

The Governance Code on Public Appointments requires public appointees to be made on merit on the basis of fair and open competition. The Constitutional Reform and Governance Act 2010 requires civil

service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, civilian officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme³⁰.

The current Lead Departmental NED was appointed in June 2020 by the then Prime Minister for an initial 3-year period. An additional 1-year extension was approved in 2023. To maintain continuity following recent ministerial changes, a request for an 18-month reappointment of the Lead Departmental NED, has been approved by the then Secretary of State.

As of 15 November 2023, non-executive members of Departmental Boards, including Lead Departmental NEDs have been listed on the Public Appointments Order in Council. This means the appointments are governed by the 2016 Governance Code for Public Appointment and regulated by the Commissioner for Public Appointments.

NEDs/Public Appointees are not employees and therefore do not have a contractual relationship with the Department; they are appointees who receive a letter of appointment setting out their role, period of appointment, standards and details of remuneration.

CDS and Vice Chief of the Defence Staff (VCDS) are appointments made by His Majesty the King on the recommendation of the Prime Minister and Secretary of State respectively. Once selected the intention is that appointees hold these posts for between 3 and 5 years.

³⁰ <https://civilservicecommission.independent.gov.uk/>

Remuneration and Pension Entitlements

The following sections provide details of the remuneration and pension interests of ministers and members of the Defence Board during the financial year. The disclosures cover only the periods individuals were ministers or Board Members in the MOD i.e., if an individual moves department during the year the disclosure covers only remuneration earned to that date.

Ministerial Salaries, Allowances and Taxable Benefits-in-Kind

(This section has been subject to audit)

The salaries, allowances and taxable benefits-in-kind for the ministers who had responsibility for the Department during the year are set out below.

Ministerial Salary, Benefits-in-Kind Pensions Benefits

	2023-24				2022-23			
	Salary £	Benefits- in-kind £ (to the nearest £100)	Pension Benefits £ (to the nearest £1,000) ¹	Total £ (to nearest £1,000)	Salary £	Benefits- in-kind £ (to the nearest £100)	Pension Benefits £ (to the nearest £1,000)	Total £ (to nearest £1,000)
Secretary of State for Defence								
The Rt Hon Ben Wallace MP (to 30 August 2023) <i>Full year equivalent salary</i>	28,127 67,505	Nil	7,000	35,000	67,505	Nil	19,000	86,000
Secretary of State for Defence								
The Rt Hon Grant Shapps MP (From 31 August 2023) <i>Full year equivalent salary</i>	39,378 67,505	Nil	10,000	49,000	Nil	Nil	Nil	Nil
Minister of State for Defence in The House of Lords								
Baroness Goldie DL ² (to 14 November 2023) <i>Full year equivalent salary</i>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Minister of State for Defence in The House of Lords								
The Earl of Minto ³ (from 15 November 2023) <i>Full year equivalent salary</i>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Minister of State for Defence Procurement								
The Rt Hon Jeremy Quin MP (to 7 September 2022) <i>Full year equivalent salary</i>	Nil	Nil	Nil	Nil	15,840 31,680	Nil	3,000	19,000
Minister of State for Defence Procurement								
The Rt Hon Alec Shelbrooke MP (from 6 September 2022 to 26 October 2022) <i>Full year equivalent salary</i>	Nil	Nil	Nil	Nil	4,241 31,680	Nil	1,000	6,000
Minister of State for Defence Procurement								
The Rt Hon Alex Chalk KC MP (to 20 April 2023) <i>Full year equivalent salary</i>	2,640 31,680	Nil	1,000	4,000	13,711 31,680	Nil	3,000	17,000

	2023-24				2022-23			
	Salary £	Benefits- in-kind £ (to the nearest £100)	Pension Benefits £ (to the nearest £1,000) ¹	Total £ (to nearest £1,000)	Salary £	Benefits- in-kind £ (to the nearest £100)	Pension Benefits £ (to the nearest £1,000)	Total £ (to nearest £1,000)
Minister of State for Defence Procurement								
James Cartlidge MP (from 21 April 2023)	29,920	Nil	8,000	38,000	Nil	Nil	Nil	Nil
<i>Full year equivalent salary</i>	31,680							
Minister of State for the Armed Forces								
The Rt Hon James Heappey MP (to 26 March 2024)	31,680	Nil	9,000	41,000	29,204	Nil	8,000	37,000
<i>Full year equivalent salary</i>								
Minister of State for the Armed Forces								
Leo Docherty MP (from 27 March 2024)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<i>Full year equivalent salary</i>	31,680							
Minister of State for Defence People and Families								
Leo Docherty MP (to 6 September 2022)	Nil	Nil	Nil	Nil	11,187	Nil	2,000	14,000
<i>Full year equivalent salary</i>					22,375			
Minister of State for Defence People and Families								
Sarah Atherton MP (from 20 September 2022 to 27 October 2022)	Nil	Nil	Nil	Nil	2,248	Nil	Nil	3,000
<i>Full year equivalent salary</i>					22,375			
Minister of State for Defence People and Families								
The Rt Hon Dr Andrew Murrison MP (from 30 October 2022)	22,375	Nil	6,000	28,000	9,443	Nil	2,000	12,000
<i>Full year equivalent salary</i>					22,375			

- 1 The value of pension benefits accrued during the year is calculated as the real pension multiplied by 20, plus the real increase in any lump sum, less the contributions made by the individual. The real increase exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.
- 2 Baroness Goldie has waived her rights to remuneration.
- 3 The Earl of Minto has waived his rights to remuneration.

Compensation for Loss of Office

(This section has been subject to audit)

Ministers who on leaving office have not attained the age of 65 and are not appointed to a relevant ministerial or other paid office within three weeks, are eligible for payment of a tax-free severance payment of three months of their annual equivalent salary. One severance payment has been made during 2023-24 in accordance with the Ministerial and Other Pensions and Salaries Act 1991. The Rt Hon Ben Wallace MP received £16,876.25.

Ministerial Salary

‘Salary’ includes gross salary; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; ex-gratia payments and any other allowance to the extent that it is subject to UK taxation.

In respect of ministers in the House of Commons, the Department bears only the cost of the additional ministerial remuneration; the salary for their services as an MP – £86,584 with effect from 1 April 2023 (change from the £84,144 pa with effect from 1 April 2022) and various allowances to which they are entitled, are borne centrally. The arrangements for ministers in the House of Lords are different in that they do not receive a salary, but rather an additional remuneration which cannot be quantified separately from their ministerial salaries. This as well as the allowances to which they are entitled, is paid by the Department and if applicable, would be shown in full in the tables that follow.

Ministers Benefits-in-Kind

The monetary value of benefits-in-kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument.

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a point in time. The pension figures shown for individuals relate to benefits accrued based on cumulative membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2024.

HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Real Increase in CETV

This reflects the increase in CETV funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee and uses common market valuation factors for the start and end of the period.

Ministerial Pensions

(This section has been subject to audit)

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). Ministers who are members of parliament may also accrue an MP’s pension under the PCPF; this pension is not included in the following table.

The real increase in the value of the accrued pension compared to the 2023-24 value, is shown in italics (in bands of £2,500) in the first column of the following table:

Ministerial Accrued Pension and Cash Equivalent Transfer Value (CETV)

	Total Accrued Pension at Retirement as at 31 March 24 £000	CETV at 31 March 23 or date of Appointment if Later £000	CETV at 31 March 24 or on Cessation of Appointment if Earlier £000	Real Increase in CETV £000
Secretary of State for Defence				
The Rt Hon Ben Wallace MP (to 30 August 2023)	5-10 0-2.5	129	143	5
The Rt Hon Grant Shapps MP (from 31 August 2023)	5-10 0-2.5	147	166	7
Minister of State for Defence in The House of Lords				
Baroness Goldie DL (to 14 November 2023)	Nil	Nil	Nil	Nil
The Earl Of Minto (from 15 November 2023)	Nil	Nil	Nil	Nil
Minister of State for Defence Procurement				
The Rt Hon Alex Chalk KC MP (to 20 April 2023)	0-5 0-2.5	24	25	0
James Cartlidge MP (from 21 April 2023)	0-5 0-2.5	7	16	5
Minister of State for the Armed Forces				
The Rt Hon James Heappey MP (to 26 March 2024)	0-5 0-2.5	21	31	4
Leo Docherty (from 27 March 2024)	0-5 0-2.5	29	29	0
Minister of State for Defence People and Families				
The Rt Hon Dr Andrew Murrison MP	0-5 0-2.5	55	67	5

Defence Board Salaries, Allowances and Taxable Benefits-in-Kind

(This section has been subject to audit)

The Defence Board is the main corporate board of the MOD and is chaired by the Secretary of State. During the year, the following people served as members of the Defence Board (disclosures cover the periods individuals were members of the board).

	2023-2024					2022-2023				
	Annual Salary	Annual Performance Award	Benefits- in-kind	Pension Benefits ¹	Total	Annual Salary	Annual Performance Award	Benefits- in-kind ²	Pension Benefits	Total
			£ (to the nearest £100)	£ (to the nearest £1,000)	£000	£000	£000	£ (to the nearest £100)	£ (to the nearest £1,000) ⁵	£000
	£000	£000	£100)	£1,000)	£000	£000	£000	£100)	£1,000) ⁵	£000
Secretary of State for Defence	See Minister's Salary Table									
The Rt Hon Ben Wallace MP (to 30 August 2023)										
The Rt Hon Grant Shapps MP (from 31 August 2023)										
Minister of State for Defence in the House of Lords										
Baroness Goldie DL (to 14 November 2023)										
The Earl of Minto (from 15 November 2023)										
Minister of State for Defence Procurement										
The Rt Hon Jeremy Quin MP (to 7 September 2022)										
The Rt Hon Alec Shelbrooke MP (from 7 September to 26 October 2022)										
The Rt Hon Alex Chalk KC MP (to 20 April 2023)										
James Cartlidge MP (from 21 April 2023)										
Minister of State for the Armed Forces										
The Rt Hon James Heapey MP (to 26 March 2024)										
Leo Docherty (from 27 March 2024)										
Minister of State for Defence People and Families										
Leo Docherty MP (to 7 September 2022)										
Sarah Atherton MP (from 7 September 2022 to 27 October 2022)										
The Rt Hon Dr Andrew Murrison MP										

	2023-2024					2022-2023								
	Salary	Annual Performance Award	Benefits-in-kind	Pension Benefits ¹	Total	Salary	Annual Performance Award	Benefits-in-kind ²	Pension Benefits	Total				
											£	£	£	£
											(to the nearest £100)	(to the nearest £1,000)	(to the nearest £100)	(to the nearest £1,000) ⁵
£000	£000	£100	£1,000	£000	£000	£000	£100	£1,000	£000					
Permanent Under Secretary of State														
David Williams CB (from 6 April 2021)	190-195	5-10	Nil	52,000	250-255	180-185	Nil	Nil	12,000	195-200				
2nd Permanent Under Secretary of State														
Laurence Lee ³ (to 9 May 2023) full year equivalent salary	15-20 165-170	Nil	Nil	Nil	15-20	165-170	Nil	Nil	Nil	165-170				
Paul Lincoln CB OBE VR (from 1 May 2023) full year equivalent salary	135-140 150-155	Nil	Nil	-40,000	95-100	Nil	Nil	Nil	Nil	Nil				
Chief of the Defence Staff														
Admiral Sir Tony Radakin KCB ADC	295-300	Nil	114,500	49,000	460-465	275-280	Nil	94,900+	740,000	1,110-1,115				
Vice Chief of the Defence Staff														
Admiral Sir Tim Fraser CB ADC (to 26 May 2022) full year equivalent salary	Nil	Nil	Nil	Nil	Nil	30-35 200-205	Nil	8,500	(24,000)	15-20				
General Gwyn Jenkins CB OBE ADC full year equivalent salary	200-205	Nil	52,800	332,000	585-590	110-115 190-195	Nil	33,700+	373,000	515-520+				
Director General Finance														
Charlie Pate (to 31 Aug 2023) full year equivalent salary	65-70 155-160	5-10	Nil	115,000	190-195	145-150	5-10	Nil	9,000	165-170				
Kate Harrison (from 14 Aug 2023 to 31 March 2024) full year equivalent salary	105-110 155-160	Nil	Nil	10,000	115-120	Nil	Nil	Nil	Nil	Nil				
Chief Executive Officer Defence Equipment & Support⁷														
Andy Start (from 31 October 2023) full year equivalent salary	115-120 280-285	165-170	13,500	Nil	300-305	Nil	Nil	Nil	Nil	Nil				
Non-Executive Board Members⁶														
Brian McBride	10-15	Nil	Nil	Nil	10-15	5-10	Nil	Nil	Nil	5-10				
Robin Marshall ⁴	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil				
Kate Guthrie	15-20	Nil	Nil	Nil	15-20	10-15	Nil	Nil	Nil	10-15				
Dr Brian Gilvary (from 1 May 2023)	10-15	Nil	Nil	Nil	10-15	Nil	Nil	Nil	Nil	Nil				

- 1 The value of pension benefits accrued during the year is calculated as the real pension multiplied by 20, plus the real increase in any lump sum, less the contributions made by the individual. The real increase exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.
- 2 Where the current year's benefit in kind includes an element for the private use of official cars the figures are estimated. The agreement process with HMRC concludes after publication of the accounts and any necessary restatement of the amounts is published in the following year's accounts, with changes indicated by a +
- 3 Laurence Lee's pension costs were borne by his home department. This amounted to £4,000 rounded to the nearest thousand for 2023-24.
- 4 Robin Marshall has elected to waive the fee of between £15K-£20K to which he is entitled.
- 5 Pension benefits can be a positive and negative. There are a number of factors that will impact on the value of a pension benefit in a particular year. These include change in salary, time in service in that year and the prevailing economic climate.
- 6 Fees are paid on a daily rate claimable for up to 28 days per year and include an estimate for boards attended but not yet claimed.
7. Andy Start's performance award relates to his performance in year 2023-24. This is due to timing differences in the approval of awards.

Defence Board Salary

Salary includes gross salary, taxable allowances and payment in lieu of untaken leave (if applicable). Any annual performance award paid is shown separately and is in respect of amounts paid in 2023-24 but based on performance in an assessment period prior to the start of the financial year. The payment of business expenses e.g., travel costs incurred on duty, is not part of salary and is not disclosed in the table.

Defence Board Pensions

(This section is subject to audit)

Pension benefits for individuals who served on the Defence Board are set out in this section. NEDs are not employees and are therefore not enrolled in an employee related pension scheme. The real increase in the pension from 2023-24 and where applicable the real increase in the lump sum payment, are shown in italics and in bands of £2,500 in the first column of the following table.

Defence Board Benefits-in-Kind

For military board members, the figures disclosed as benefits-in-kind combine the taxable value in respect of their occupation of official residences and the value attributed to individuals for their private use of official cars. For the disclosed benefits-in-kind, the Department pays the tax liability that would normally be paid by the individual, this liability is included in the figures.

Defence Board Accrued Pension and Cash Equivalent Transfer Value (CETV)

	Total Accrued Pension at Retirement as at 31 Mar 24		CETV at 31 Mar 23 or date of Appointment if Later	CETV at 31 Mar 24 or on Cessation of Appointment if Earlier	Real Increase in CETV
	£000	£000	£000	£000	£000
Secretary of State for Defence	See Minister's Pensions Table				
The Rt Hon Ben Wallace MP (to 30 August 2023)					
The Rt Hon Grant Shapps MP (from 31 August 2023)					
Minister of State for Defence in the House of Lords					
Baroness Goldie DL (to 14 November 2023)					
The Earl of Minto (from 15 November 2023)					
Minister of State for Defence Procurement					
The Rt Hon Alex Chalk KC MP (to 20 April 2023)					
James Cartlidge MP (from 21 April 2023)					
Minister of State for the Armed Forces					
James Heapey MP (to 26 March 2024)					
Leo Docherty MP (from 27 March 2024)					
Minister of State for Defence People and Families					
The Rt Hon Dr Andrew Murrison MP					
Permanent Under Secretary of State	Pension	Lump Sum			
David Williams CB (from 6 April 2021)	80-85 2.5-5	220-225 0-2.5	1,743	1,930	27
2nd Permanent Under Secretary of State					
Laurence Lee ¹ (to 9 May 2023)	Nil	Nil	Nil	Nil	Nil
Paul Lincoln CB OBE VR (from 1 May 2023)	65-70 0-2.5	25-30 0-2.5	1,274	1,320	(48)
Chief of the Defence Staff					
Admiral Sir Tony Radakin KCB ADC	195-200 2.5-5	465-470 (10-12.5)	4,198	4,544	(78)
Vice Chief of the Defence Staff					
General Gwyn Jenkins CB OBE ADC	100-105 12.5-15	285-290 30-32.5	2,403	2,987	344
Director General Finance					
Charlie Pate (to 31 August 2023)	60-65 5-7.5	15-20 0-2.5	982	1,099	93
Kate Harrison (from 14 August 2023 to 31 March 2024)	20-25 0-2.5	Nil	298	312	6
Chief Executive Office Defence Equipment & Support					
Andy Start (from 31 October 2023) ²	Nil	Nil	Nil	Nil	Nil

1 Laurence Lee's pension costs were borne by his home department. This amounted to £4,000 rounded to the nearest thousand for 2023-24

2. Andy Start does not received a pension benefit

Pension benefits for Senior Civil Service are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member’s State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS)³¹.

As a result of the McCloud judgement, members of the PCSPS were moved to the alpha scheme from April 2022.

Pension benefits for Military members of the Board are provided by Armed Forces Pension Schemes, details of which can be found on GOV.UK³²

NEDs are not employees and are therefore not enrolled in an employee related pension scheme.

Further details of other pension schemes available to Armed Forces personnel and MOD employees can be found at Note 13 of the accounts – Retirement Benefit Schemes.

Fair Pay Disclosure

(This section has been subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation’s workforce.

Remuneration of the highest paid Defence Board Members is based on annual equivalents which include salary, performance related pay and benefits-in-kind. It does not include severance payments, employer pension contributions or the cash equivalent transfer value of pensions.

A separate multiple has been calculated for the Armed Forces – comparing the CDS to the military pay lower, median and upper quartile remuneration. The civilian disclosure is based on Civil Service pay i.e. it excludes staff who are paid under arrangements outside the Department’s control, for example: medical personnel, fire fighters, police and teachers; it also excludes locally employed civilians overseas and agency staff covering permanent posts.

The mid-point of the banded remuneration of the highest paid military director during 2023-24 was £412,500. This was 10.3 (2022-23 10.1) times the median remuneration of the military workforce, which was £39,962 (2022-23 £36,913).

Changes to the Defence Board during 2023-24 increased membership and resulted in a change to the individual identified as the highest paid board member. This has resulted in notable changes in the fair pay disclosures that follow.

The mid-point of the banded remuneration of the highest paid civilian director during 2023-24 was £467,500. This was 12.4 (2022-23 5.2) times the median remuneration of the civilian workforce, which was £37,826 (2022-23 £34,983).

Benefits-in-kind are now included across all calculations. Comparative numbers for 2022-23 have therefore been adjusted to include benefits-in-kind.

31 <https://www.civilservicepensionscheme.org.uk/>

32 <https://www.gov.uk/guidance/pensions-and-compensation-for-veterans>

Salary ranges of Military and Civilian Staff

Salary Ranges	Military		Civilian	
	2023-24	2022-23	2023-24	2022-23
Mid-point of Banded remuneration of highest paid board member	£412,500	£372,500	£467,500	£182,500
Number of employees in receipt of remuneration above the highest paid board member	0	1	0	6
Salary range for all employees	£16,848 £383,627	£16,847 £417,200	£21,464 £283,938	£18,898 £276,081

Percentage change from previous year in total salary & allowances and performance pay & bonuses for the highest paid director and the staff average.

Salary & Allowances	2023-24		2022-23	
	Military	Civilian	Military	Civilian
Highest paid director	10.74%	63.01%	5.67%	2.82%
Staff average	8.50%	7.71%	4.12%	7.01%
Performance Pay & Bonuses ¹				
Highest paid director	–	+100%		
Staff average	–	28.49%		2.47%

1. Military Salaries do not attract performance pay.

2. No performance pay or bonuses were paid to the civilian highest paid director in 2022-23. It is therefore not possible to calculate the percentage increase in bonus since 2022-23.

Ratio between the highest paid directors' total remuneration and the lower quartile, median and upper quartile for staff remuneration.

	Military			Civilian		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
2023-24	13.6:1	10.3:1	8.1:1	15.7:1	12.4:1	9.7:1
2022-23	13.4:1	10.1:1	7.9:1	6.6:1	5.2:1	4.0:1

Comparative numbers for 2022-23 have been adjusted to include benefits-in-kind.

Lower quartile, median and upper quartile for staff pay for salaries and total remuneration.

	Lower Quartile		Median		Upper Quartile	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Military						
Salary	30,111	27,512	39,701	36,656	50,431	46,659
Total Remuneration	30,358	27,769	39,962	36,913	50,708	46,916
Civilian						
Salary	29,455	27,361	39,914	34,330	46,689	44,044
Total Remuneration	29,850	27,557	37,826	34,983	47,971	45,092

Comparative numbers for 2022-23 have been adjusted to include benefits-in-kind.

Staff Report

Staff Numbers

(This section has been subject to audit)

Senior Civil Service (SCS)

The figures in the table below are for average Full Time Equivalent (FTE) staff for the Core Department and Agencies. Locally Engaged Civilians (LECs) are excluded. UK Hydrographic Office (UKHO) is also excluded as it is a trading fund.

Average Numbers of Senior Civil Service (SCS) 1 April 2023 to 31 March 2024

SCS PAY BAND	2023-24	2022-23
Band 1	273	247
Band 2	69	62
Band 3	12	12
Band 4	2	2

1 2022-23 SCS numbers restated due to incomplete dataset from previous year

DE&S and SDA Senior Leadership Group (SLG)

Defence Equipment and Support (DE&S) and Submarine Delivery Agency (SDA) operate their own grading structure which is not comparable with MOD Main and so are excluded from the above table. The number of employees which DE&S and SDA designate within their Senior Leadership Group (SLG) is as follows:

Number of DE&S Senior Leadership Group (SLG) Staff as at 31 March 2024

SLG PAY BAND	2023-24	2022-23
Band 1	90	87
Band 2	18	16
Band 3	3	3
Band 4	1	1

Number of SDA Senior Leadership Group (SLG) Staff as at 31 March 2024

SLG PAY BAND	2023-24	2022-23
Band 1	29	25
Band 2	8	7
Band 3	1	1

Staff Composition

The following table provides an analysis of the male and female employees who were Directors, Senior Civil Servants / Senior Military Officers and Military / Civilian MOD employees as at the start of the financial year. The analysis only includes UK regular military personnel and those designated as permanent civilian staff, therefore a comparison with those contained in the Average Number of Full-Time Equivalent (FTE) Persons Employed table is not possible. UKHO is excluded as it is a trading fund. SCS and equivalent includes Senior Civil Servants, Senior Military Officers (1* & above), Dstl, DE&S and SDA Senior Leadership Groups.

Of the Defence Board Members, 3 of the male directors and 1 of the female directors are NEDs (2022-23: Male 2 Female 1). In 2023-24, the staff composition of DE&S SLG was: Male 83 Female 29 (2022-23: Male 76 Female 31). For SDA SLG the staff composition was Male 28 Female 10 (2022-23: Male 24 Female 9).

Male and Female Employees¹

Gender ¹	2023-24			2022-23		
	Defence Board Members	SCS and equivalent	Military/Civilian Employees	Defence Board Members	SCS and equivalent	Military/Civilian Employees
Male	13	757	153,355	11	716	158,048
Female	2	218	39,054	2	200	39,711

¹ This information is obtained from individuals on joining the Department.

Analysis of Staff Numbers

The average number of full-time equivalent persons employed are set out in the table below.

Analysis of the Number of Full-time Equivalent Persons Employed

	2023-24		2022-23	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Civilian Staff	54,942	64,859	55,330	64,571
Other Staff ¹	5,758	6,022	6,009	6,268
Ministers	5	5	5	5
Special Advisors	5	5	3	3
Armed Forces	151,905	151,905	155,857	155,857
Totals	212,615	222,796	217,204	226,704

¹ Other is defined as those who are engaged on the objectives of the Department, but are not permanent civilian staff. Includes short term contract staff, agency & temporary staff, locally engaged staff overseas.

In order to align with the total pay costs incurred during the year, the number of FTE civilian staff for the Core Department & Agencies (shown above) is based on a weighted average for the financial year and is used to compensate for organisational and structural changes during the 12 month period. The figures reflect the number of personnel in organisations within the Departmental Boundary for the Annual Accounts and therefore exclude those in UKHO. These figures are not comparable with the workforce size disclosed in the Protect Our People “People” section of the Performance Report as that figure is Full Time Equivalent Strength as at 1 April 2024.

The number of FTE staff in the Departmental Group is the sum of the weighted average figures for the Core Department and Agencies plus the number of FTE staff at year end for

the other organisations within the Departmental Group.

The Armed Forces figure in the table above is made up of the yearly average of UK Regular Forces. It also includes other trained and untrained full-time service personnel namely, Nursing Services, Full Time Reserve Service Personnel, Gurkhas and Locally Engaged Personnel, Mobilised Reservists, Military Provost Guard Service and Non-Regular Permanent Staff. This figure is not comparable with the workforce size disclosed in the Protect Our People “People” section of the Performance Report as that figure is Full Time Trained Strength as at 1 April 2024.

More information on the Department’s staff numbers, and the statistical calculations used, is available on GOV.UK³³.

³³ <https://www.gov.uk/government/organisations/ministry-of-defence/about/statistics>

Staff Turnover

Departmental Staff turnover percentages

	2023-24			2022-23 ¹
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Civilian Staff Turnover	10.2%	10.2%	10.7%	10.7%

1 The Department has been unable to identify staff turnover information for its ALBs. The Departmental Group numbers above therefore exclude this information.

	2023-24	2022-23 ¹
	UK Regular Forces Trained Outflow rate in the 12 Months ending 31 Mar 24	UK Regular Forces Trained Outflow rate in the 12 Months ending 31 Mar 23
Military	10.5%	10.3%

- Figures show outflow from the Trained (RN/RM and RAF) and Trade Trained (Army) UK Regular Forces, including personnel leaving the Services, deaths and recalled Reservists on release. They do not include promotion from Ranks to Officers or flows between Services.
- Rates are the number of people who leave per 100 of the mean average trained strength.
- UK Regulars Full time Service personnel, including Nursing Services, but excluding Full Time Reserve Service (FTRS) personnel, Gurkhas, mobilised Reservists, Military Provost Guard Service (MPGS), Locally Engaged Personnel (LEP), Non Regular Permanent Staff (NRPS), High Readiness Reserve (HRR) and Expeditionary Forces Institute (EFI) personnel. Unless otherwise stated, includes trained and untrained personnel.
- Outflow figures here comprise all Regular personnel who completed their Phase 2 training, i.e. Trained (RN/RM & RAF) and Trade Trained (Army).

Staff Costs

(This section has been subject to audit)

The aggregate staff costs including grants and allowances, were as follows:

Analysis of Staff Costs

	2023-24 ¹					2022-23
	Civilian Staff	Armed Forces	Other staff ²	Ministers	Departmental Group Total	Departmental Group Total
	£M	£M	£M	£M	£M	£M
Salaries and Wages	2,939.8	7,201.4	461.1	0.2	10,602.5	9,826.2
Social Security Costs	312.8	688.0	–	–	1,000.8	951.5
Pension Costs	683.2	4,239.3	1.2	–	4,923.7	4,652.1
Sub Total	3,935.8	12,128.7	462.3	0.2	16,527.0	15,429.8
Less capitalised staff costs	(82.4)	(19.2)	(21.0)	–	(122.6)	(77.2)
Less Recoveries in Respect of Outward Secondments	(18.0)	(24.7)	–	–	(42.7)	(52.0)
Total net costs	3,835.4	12,084.8	441.3	0.2	16,361.7	15,300.6

- Staff costs are also disclosed in Note 4.1 to the accounts.
- Other staff is defined as personnel who are engaged on the objectives of the Department but do not fall under the definition of civilian staff. This includes short term contract staff, agency and temporary staff, locally engaged staff overseas.

For the year to 31 March 2024, of the total pension contributions for the Departmental Group in the table above, £684.4 million (2022-23: £584.7 million) were payable in respect of the various schemes in which civilian staff were members. This is made up of the contributions to the Principal Civil Service Pension Scheme (PCSPS) in the same period of £601.9 million (2022-23: £529.7 million); the movement on non-PCSPS pension provision of £14.0 million (2022-23: £-6.9 million); and contributions to non-PCSPS of £68.6 million (2022-23: £61.9 million).

Where employees have opened a stakeholder pension with an employer contribution, the Department has made contributions of £4.74 million (2022-23 £4.66 million) to the pension providers; contributions range from 8% to 14.75% depending on the age of the member. MOD also matches any employee contributions up to 3% of pensionable pay and in addition made contributions of £0.86 million (2022-23 £0.82 million) representing 0.5% of pensionable pay to the PCSPS to cover the cost of provision of lump sum benefits on death in service and ill health retirement of these employees.

The Armed Forces Pension Schemes are unfunded, non-contributory, defined benefit, salary related, occupational pension schemes. For the year to 31 March 2024 total employer's pension contributions (including an estimate in respect of IAS 19 – Employee Benefits) payable to the AFPS were £4,239.3 million (2022-23 £4,067.4 million) based on employer's contribution rates determined by the Government Actuary.

Further details of pension schemes covering Departmental personnel can be found at Note 13 – Retirement Benefits, in the Annual Accounts section.

As a result of the McCloud judgement, the Government has been working to address the discrimination identified by the Court of Appeal with the transitional protection arrangements that were put in place when

public service pension schemes were reformed between 2014 and 2016.

Legislation for the 2015 pension remedy (McCloud Remedy) came into force on 1st October 2023 and administrators are currently in the process of implementing this remedy.

The Government has announced that due to interactions with wider pension policies, completion of the 2016 valuation process and the review of the cost control mechanism, any changes to employer contribution rates resulting from the 2020 valuations will be delayed from April 2023 to April 2024.

Special Advisors Costs and Severance Payments

From August 2019, all special advisors have been paid by the Cabinet Office and therefore no Special Advisors costs fell to the Department in 2023-24.

Civil Service and Other Compensation Schemes – Exit Packages

(This section has been subject to audit)

The figures in the following table include redundancy and other departure costs paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. For ill health retirements, where there is a cost to the Department, these individuals are included in the table that follows; 109 individuals retired early on ill-health grounds during 2023-24 (2022-23 110); their total accrued pension liabilities for the year were £0.4 million (2022-23 £0.3 million).

Where the Department has agreed early retirements, the costs are met by the MOD and not by the CSCS. For staff leaving under voluntary exit or voluntary redundancy terms, the cost includes any top-up to compensation provided by the Department to buy out the actuarial reduction on an individual's pension as well as the compensation payment.

Armed forces redundancies are normally made on a compulsory basis only, in order to retain the right balance of skills and experience across the rank structures. Occasionally, personnel may apply for consideration for redundancy and where successful, applicants are included in the table as ‘Other Departures Agreed’.

The following table shows both 2023-24 and for comparison 2022-23 numbers and resource costs in £million.

In addition to these, the Department may occasionally make use of early release schemes to reduce the number of civilian staff who are not members of the CSCS, for example locally employed staff in Germany and Cyprus, teachers and nursing staff.

Number of Exit Packages and Resource Costs

Exit Package Cost Band	2023-24 (2022-23)					
	Core Department & Agencies			Departmental Group		
	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band
<£10,000	–	122 (22)	122 (22)	5 (1)	132 (32)	137 (33)
£10,000 – £25,000	–	101 (22)	101 (22)	5 (0)	111 (29)	116 (29)
£25,000 – £50,000	4 (0)	170 (38)	174 (38)	4 (1)	172 (40)	176 (41)
£50,000 – £100,000	–	158 (23)	158 (23)	1 (1)	165 (23)	166 (24)
£100,000 – £150,000	–	7 (1)	7 (1)	–	8 (1)	8(1)
£150,000 – £200,000	–	1 (1)	1 (1)	–	1 (1)	1 (1)
£200,000 – £250,000	–	–	–	–	–	–
£250,000 – £300,000	–	–	–	–	1 (0)	1 (0)
£300,000 – £350,000	–	–	–	–	–	–
£350,000 – £400,000	–	–	–	–	1 (0)	1 (0)
Total Number of Exit Packages	4 (0)	559 (107)	563 (107)	15 (3)	591 (126)	606 (129)
Total Resource Cost £million	£0.153 (£0)	£21.047 (£3.713)	£21.200 (£3.713)	£0.302 (£0.116)	£22.624 (£3.953)	£22.927 (£4.068)

Prior year numbers are shown in brackets

The increase in Exit packages this year compared to previous years is due to 3 bulk Civilian exit campaigns run under the Departments Strategic Workforce Planning Programme.

Staff Sickness

Levels of sickness absence for MOD civil servants excluding UKHO. The average working days lost per person for the 12 months ending 31 March 2024 was 6.69 (6.58 days for the 12 months ending 31 March 2023). Mental and behavioural disorders continue to be the highest cause of sickness absence at 28% of all absences (2022-23: 25%). The percentage of staff with no sick absence for the 12 months ending 31 March 2023 was 51% (2022-23: 51%).

Reducing sickness absence is identified by the Health and Wellbeing Leadership Team (HWLT) as a priority and is included in the action plan to support the delivery of the Defence People Health and Wellbeing Strategy 2021 – 2026.

Health and Safety

Health and Safety is a key priority at MOD and we maintain a number of policies which are brought together in our ‘Management of Health and Safety in Defence’ guidance. Official Statistics are published annually showing injury and ill health incidents among

UK Armed Forces personnel, MOD Civilian employees, Other Civilians and Cadet Forces that were reported through our Health and Safety systems. The statistics show the most recent available information as well as a five year period trend. Our latest report was published in July 2023.³⁴

Civilian Staff Policies Applied During the Financial Year

The MOD continues to be dedicated to achieving a more diverse and inclusive civilian workforce and is committed to recruiting the best people from as broad a range of backgrounds as possible. MOD continues with the responsibility of delivering the Access to Work (AtW). The service is available through the DBS HR Advice and Casework Service Team.

The Civil Service as a whole does not discriminate against disabled people and Defence positively encourages disabled candidates to apply for jobs within the organisation, participating in the Disability Confident Scheme. The MOD has been an accredited 'Disability Confident Leader, Level 3' since September 2017. Our aims are that disabled staff should feel valued and supported; that line managers of disabled staff should have access to consistent advice and expertise; and that reasonable adjustments will be made in a timely manner. We monitor progress against these aims through qualitative and quantitative data and evidence.

To encourage and support applications from a more diverse applicant pool, we do not require minimum educational qualifications for entry roles to the Civil Service. Managers may use, if appropriate, selection tests including the Civil Service Verbal, Numerical and Situational Judgement tests, which have all been independently audited for accessibility, to assess particular skills / behaviours required for a role. Since 2018 MOD has used Civil Service Success Profiles for recruitment, enabling managers to assess candidate's suitability for the role using a range of selection methods (including personal statements, CVs, online tests etc). We have

improved our guidance to managers on selection panels including emphasising the importance of having diverse panels. We have introduced bitesize learning videos including how to write a better job advert (to ensure it's inclusive and does not discriminate). We have implemented the use of Textio, an augmented writing software tool to ensure job adverts are inclusive, using gender neutral language and avoiding jargon. We have improved guidance on how to sift, ensuring where the Disability Confident Scheme (DCS) is used that people are offered a guaranteed interview if they meet the minimum criteria. We have developed and published new guidance for managers on supporting reasonable adjustments during recruitment. Recruiting managers are required to complete Equality and Diversity training prior to recruiting to help minimise the possibility of unconscious bias within the selection process.

For recruitment into the Senior Civil Service (SCS), all selection panels must be gender balanced and at least one panel member must be from an ethnic minority and/or have a disability (this could be a hidden disability).

The DBS HR Advice & Casework Service provides HR functions, advice and support to all MOD main employees.

MOD adopted the Redeployment Interview Scheme (RIS) in April 2022, which gives Civil Service employees at risk of redundancy more support in securing alternative employment both within the Department and the wider Civil Service. It operates similarly to the Disability Confident Scheme (DCS) and Great Place to Work for Veterans Scheme (GPTW) where applicants self-identify on the Civil Service Jobs website by ticking a box when completing their application form that they want to apply for the vacancy using RIS. All MOD Civil Service employees, including the Senior Civil Service (SCS), who are at risk of redundancy, are eligible to use RIS to apply for vacancies on level move and downgrade. RIS applies to all internal, across government and external vacancies.

³⁴ [Defence health and safety statistics: index – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/defence-health-and-safety-statistics)

After MOD successfully adopted MyHR Oracle Fusion Cloud (software as a service) as the new HR system underpinning our civilian people services in Feb 2022, the focus has been on optimizing the system by further exploiting the Oracle technology and applying quarterly updates. Both support improving the employee experience, together with simplifying HR policies and procedures, to enable a more agile approach to deliver HR policy effectively. Work is also underway to create a whole force Defence HR Taxonomy (which is based on the CS HR Taxonomy), as another enabler to drive a coherent 'people' approach across Defence and this will be used as the basis for structuring the simplified HR policies to further improve employee experiences.

Civil Service Talent

Our aim is to ensure we are developing the potential of all staff; acknowledging individual aspiration and recognising that we require a mixture of talent, skills and experience to deliver Defence outputs now and in the future. We want to maximise the potential of all employees, whether that be growing in their current role, getting a breadth of experience at their current grade, or reaching promotion. We provide access to a range of opportunities for staff to learn and develop, provide line managers with frameworks to hold effective career conversations, utilise tools to identify those showing the highest potential and support these individuals to accelerate their development through corporate talent schemes.

Defence actively takes part in government talent schemes as well as providing an internal talent offer and development is available to staff at all levels of the organisation, from delegated grades to SCS. The in-house Rise and Elevate talent programmes as well as the newly piloted Aspire programme (launched in early 2024) are aimed at nurturing our junior talent for more demanding senior roles in the future. During 2023-24, over 380 people in MOD were on talent schemes such as Fast Stream, Future Leaders Scheme, Rise, Elevate and Aspire.

We are continuing to grow our apprenticeship programme at levels 3-7 of the qualifications framework and ensuring inclusivity of access regardless of where our workforce is based. This includes attracting a broad range of participants to the schemes so that we can build a more diverse talent pipeline for the future. We are working to ensure that our apprenticeships are better linked to the skills requirements of the future and, as one of the most economical methods of upskilling the workforce, we are increasingly ensuring the apprenticeships are used as the predominant method of both re-skilling and developing our workforce. There were 785 new apprentices enrolled during 2022-23 and nearly 2,000 currently on programme.

Civil Service Reform

On 15 June 2021 HM Government published the Declaration on Government Reform, setting an ambitious programme to ensure we serve the whole country better and improve the clarity, quality, and speed of prioritisation and decision-making within government. A Modern Civil Service: Government Reform, Phase 2 was published in July 2023, setting out five missions (Capability, Place, Delivery, Digital & Data, and Innovation) to enable the vision for reform.

Developing and supporting our people is a core priority to ensure we have the appropriately skilled individuals at the right place and at the right time within a modern, flexible and sustainable working environment. This ambition encompasses activity that falls within both the Place and Capability missions, and includes major initiatives such as Defence Design, People Transformation and Defence Estate Optimisation. Defence continues to deliver on its commitments to relocate roles out of Whitehall, as part of the Places for Growth programme, whilst also increasing office attendance, aligned to the announcement on 19 January 2022.

Defence is undergoing operating model reform in order to both harness the power of data across the breadth of the services the department performs and embed multi-

disciplinary teams to improve delivery of our priorities and productivity. The Civil Service Reform Delivery mission is captured within this theme, and a suite of initiatives which target productivity and corporate service and functional transformation are embedded within this.

Harnessing digital solutions and data and enabling innovation are crucial to inform better decision-making, improve our services, and empower our people as an agile, solution-focused workforce. We are working closely with central government and Other Government Departments (OGDs) on the convergence of corporate functions designed to improve user experience, data capture, efficiency and performance. Better information management and the introduction of cloud-based enterprise resource planning (ERP) solutions are priorities for Defence Digital, and we are actively embracing initiatives such as One Big Thing to enhance digital and data skills for all in Defence. In addition, we are augmenting AI and automation capabilities across the department to allow our people to focus on higher value functions.

Strategic Workforce Planning (SWP)

Defence's approach to SWP provides the ability to understand our current and future capability requirements and respond to persistent and future workforce challenges to mitigate risk. Our SWP process provides Top Level Budget (TLB) holders the freedom and incentives to design their whole force workforce, within a workforce cost envelope, to maximise outcomes while driving value for money and productivity. This approach has been updated to reflect the Chancellor's intent to cap headcount in the Civil Service.

The Civil Service Workforce Capability Strategy (CSWCS) sets out what we need to do to create an adaptable and sustainable civil service workforce and provides the opportunity to respond to wider government reform agenda through initiatives such as Places for Growth. This is complemented by the Pan-Defence Skills Framework which is a

new whole force approach to identifying, defining, and managing the skills of Defence's people and their associated roles and sets a standard for our staff to develop their careers within Defence.

Our work to incentivise Armed Forces personnel looks at our People practices to help retain and grow the capabilities we need. We have recognised that engineering is a key capability and have designed initiatives to improve recruitment and retention in this priority area across all our workforces.

We are also investing in whole force people data analytics solutions to assure our understanding of workforce risk and we are developing modern software tools to provide better and more agile insight to Defence people. This critical work ensures Defence has the right people, at the right time, in the right location to deliver Defence outputs in the most effective way.

Our ongoing workforce planning exercises allow us to identify risks, opportunities and strategic implications which impact the size and shape of our workforce, with the department using SWP to signal across the people function what needs to change and improve to deliver Defence outcomes.

Workforce planning has identified workforce challenges in priority areas including nuclear, digital, and cyber, commercial, engineering/STEM, medical and health, programme and project delivery. We recognise the need to attract and retain these key skills in a challenging external employment market and will do so by developing a pan-Defence whole force skills picture over 5 and 10 years, drawing on TLB Plans and major people transformation programmes. We have already piloted a pan-Defence recruitment approach, focused on Project Delivery roles across the organisation. This has delivered efficiencies in terms of process and provided an opportunity to promote the breadth of roles and scale of professional development available in the Department. This work will be developed further as part of recruitment transformation, enabling us to create a flow of talent to key capability areas, whilst also focusing on the

employee experience, improving the diversity of our workforce and optimising opportunities for further automation and process streamlining.

Other Employee Matters

Defence remains a large and diverse employer that offers a broad range of career opportunities to all colleagues, irrespective of background or protected characteristic. Our activities in respect of 'other employee matters' cover a range of themes.

Underpinning our approach is our drive to deliver against our Diversity and Inclusion Strategy³⁵. This sets out our vision to build an organisation that is inclusive and welcoming to all that seek the opportunity to serve, namely that Defence harnesses the power of difference to deliver capability that safeguards our nation's security and stability. Focusing on diversity and inclusion contributes directly to operational effectiveness. It drives performance, innovation, increases creative thinking and reduces the risks of group think and lack of challenge, as highlighted in the Chilcot Review. All of which are mission critical to meeting today's security challenges and threats. A key element of our approach is to use the Public Sector Equality Duty to embed our vision into our business-as-usual activity. This ensures that inclusivity becomes a fundamental element of our policies, procedures and procurement from the outset.

We will only meet security challenges and threats if everyone is confident their skills and experience are properly recognised, their individuality and background respected, and they are able to achieve their full potential. Our focus is on recruiting and retaining the most capable and motivated people that appropriately represent the breadth of the society we exist to defend, ensuring our entire population feels proud of our commitment to

defence of the nation. A broad range of interventions has been implemented to support the significant work of the MOD's array of employee networks in ensuring all of our people are heard and championed. Our diversity statistics are included in the Performance Report and we continue to implement a number of people strategies including the Armed Forces People Programme, to strengthen the Defence People function, delivering the workforce of the future while meeting the evolving requirements of MOD.

We are committed to delivering improvements in the culture and standards across Defence, addressing the feedback we have received from our people. Defence leadership have initiated a programme of work called 'Reaffirming our Standards' to ensure that all staff know and show the standards of behaviour that we expect. We are building on the extensive work in response to the Wigston Review into inappropriate behaviours³⁶, the unacceptable behaviours progress review 2020³⁷ and the Women in the Armed Forces Report³⁸, and we have sought external insight by engaging with leadership from across Government, external inclusion review leads, and teams making positive change across Government.

MOD continues to undertake consultation with our people on an ongoing basis, and through two key annual surveys (the AFCAS³⁹ and MOD People Survey⁴⁰). MOD recognises several trade unions and has a structure of regular engagement with them, enabling union representatives to share members' views with our management. Representatives are given paid time off (i.e., facility time) so they may undertake union duties alongside their role with the Department.

35 https://assets.publishing.service.gov.uk/media/5f2d68ee8fa8f57ad042910f/20180806-MOD_DI_Plan_A4_v14_Final-U.pdf

36 https://assets.publishing.service.gov.uk/media/5d2ef0fce5274a14e68ed651/20190607_Defence_Report_Inappropriate_Behaviours_Final_ZKL.pdf

37 https://assets.publishing.service.gov.uk/media/5fce9181d3bf7f5d09db26ec/20201204-Unacceptable_behaviours-progress_review_2020_Public_for_DDC.pdf

38 <https://committees.parliament.uk/publications/6959/documents/72771/default/>

39 <https://www.gov.uk/government/statistics/armed-forces-continuous-attitude-survey-2024>

40 <https://www.gov.uk/government/publications/civil-service-people-survey-2023-results>

The Armed Forces Covenant is enshrined in law and exists to ensure that those who serve, or have served, and their families are treated fairly and are at the forefront of our policymaking and delivery. Furthermore, MOD continues to focus heavily on the health and wellbeing of its people. We have introduced several initiatives aimed at increasing the health and wellbeing of our people, and work continues to improve and enhance health and wellbeing.

Expenditure on Consultancy and Temporary Staff

It does not make economic sense for the MOD to permanently maintain in-house, all of the specialist skills needed, so access to

some level of private-sector expertise is consequently of enduring value to the Department. Over the past few years as the Department has been going through a period of fundamental change in the way defence business is conducted, there has been an increased need for consultancy and temporary staff. We have needed to contract on a short term basis, both for independent advice and for specialist skills which cannot currently be found among the permanent workforce.

The MOD, including On Vote Agencies and ALBs, spent the following on consultancy and temporary staff (also known as Contingent Labour) in 2023-24.

Analysis of Consultancy and Temporary Staff

Body	2023-24		2022-23	
	Consultancy £M	Temporary Staff ² £M	Consultancy £M	Temporary Staff ² £M
Ministry of Defence Main	80.933	200.649	126.061	205.787
On Vote Agencies				
Defence Equipment & Support Bespoke Trading Entity	3.616	120.467	5.184	129.208
Defence Science & Technology Laboratory			–	–
Submarine Delivery Agency	0.279	14.639	0.198	15.286
Executive Non-Departmental Public Bodies				
National Museum of the Royal Navy	–	–	0.342	–
National Army Museum	–	–	0.020	–
Royal Air Force Museum	–	–	0.085	0.015
Single Source Regulations Office	–	–	0.049	–
Atomic Weapons Establishment ³	1.448	37.263	16.020	24.390
Armed Forces Covenant Fund Trust	–	–	–	–
Other Bodies¹	–	–	1.146	1.227
Total Expenditure	86.276	373.018	149.105	375.913

1 Other Bodies comprises Commonwealth War Graves Commission, Royal Hospital Chelsea, Reserve Forces and Cadet Associations and International Military Services Ltd.

2 Cabinet Office definitions show Contingent Labour as Temporary Staff.

3. The movement in AWE spend on Consultancy in FY23/24, compared to FY22/23, is as a result of the conclusion of a substantive change programme within the organisation, and continued focus on the reduction in reliance on external assistance.

Consultancy is the provision to management of objective advice relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives. Such advice will be time limited and will be provided outside of the ‘business-as-usual’ environment when in-house skills are not available. Consultancy support may include the identification of options along with recommendations, or assistance with the implementation (but not the delivery) of solutions. Temporary staff describes the provision of workers to cover business-as-usual or service delivery activities within an organisation. Temporary staff are also often referred to as “Contingent Labour”.

The reduction in reported in Temporary Staff expenditure is the result of savings measures implemented across the Department.

Off-Payroll Engagements

HM Treasury (HMT) requires departments to publish information on their high paid and/or senior off-payroll engagements. HMT requires all engagements irrespective of length to be reported.

At 31 March 2024 there were 1,935 existing off-payroll engagements. This is a 14% reduction over the previous year; 2,235 reported on 31 March 2023.

Off-Payroll Engagements Earning More than £245 Per Day as at 31 March 2024

	Core Department	ALBs	Departmental Group
Number of existing engagements as of 31 March 2024	1,691	244	1,935
Of which...			
Number that have existed for less than one year ¹	826	148	974
Number that have existed for between one & two years ¹	535	43	578
Number that have existed for between two and three years ¹	187	20	207
Number that have existed for between three and four years ¹	63	6	69
Number that have existed for four or more years ¹	80	27	107

¹ All figures relating to Off-Payroll engagements are as at time of reporting.

The use of workforce substitutes enables the MOD to supplement its capability and capacity more quickly than building a core workforce. This route offers more flexibility and better value for money overall than trying to build a permanent workforce with the spare capacity to cover every potential addition to our programmes of work. The Department retains several long-standing arrangements, particularly in circumstances where specialist skills or experience are critical in providing input to projects/programmes.

Additional analysis

Although many of our off-payroll engagements are short term in nature, we retain a number of long -standing arrangements, particularly in circumstances where specialist skills or experience are critical in providing input to projects/programmes.

Further analysis of these engagements is shown in the following table:

Analysis of Off – Payroll engagements lasting over 3 years

	Between 3 and 4 Years	Over 4 years
Submarine Delivery Agency	3	2
Defence Science & Technology Laboratory	15	36
UK Strategic Command	21	23
Navy	1	
Defence Equipment and Support	17	18
Defence Business Services	2	
Defence Nuclear Organisation	1	
Atomic Weapons Establishment	6	27
Defence People Team		1
Defence Infrastructure Organisation	1	
Ministry of Defence Police	1	
DG Commercial	1	
Total	69	107

The number of longer-term engagements has decreased by 5% overall (10 engagements) compared to 2022-23. Engagements between 3 and 4 years has decreased by 40% (45 engagements), and engagements of 4 years or more increased by 47% (34 engagements). This reflects the movement of the previous year's 3 and 4 year engagement cohort into the 4 years or more category.

The majority of long term engagements are in Defence Science and Technology Laboratory,

Atomic Weapons Establishment and Defence Digital (which is part of UK Strategic Command) and represent specialist contractors holding niche skill sets, which are incredibly hard to resource against within the permanent job market. Having this specialist contractor continuity is a determining factor within project teams, especially when working with our counterparts in the US Department of Defense.

All temporary Off-Payroll workers engaged at any point during the year ended 31 March 2024, paid more than £245 Per Day

	Core Department	ALBs	Departmental Group
No. of off-payroll workers engaged during the year ended 31 March 2024	3,204	259	3,463
Of which:			
Off-payroll legislation does not apply	2,781	165	2,946
Off-payroll legislation does apply and determined as in-scope of IR35	293	2	295
Off-payroll legislation applies but determined as out-of-scope of IR35	130	92	222
No. of engagements reassessed for compliance or assurance purposes during the year	1,940	4	1,944
Of which: No. of engagements that saw a change to IR35 status following review	16	0	16

Off-payroll legislation does not apply to sole traders or workers that are employed by and on the payroll of an umbrella company, agency, or other organisation in the supply chain. The total above, 3,463 (3,304 in 2022-23) includes a large number of workers, 2,946, (3,082 in 2022-23) who fall into the category for which the IR35 legislation does not apply.

Of the total engagements of 3,463 a breakdown of the route to market by number and percentage is listed below:

- Crown Commercial Services (CCS) Public Sector Resourcing or Temporary Healthcare Worker frameworks account for 38% (1,341 in number) of the total engagements; 40% (1,329 in number) in 2022-23

- DE&S delivery partner arrangements placed 43% (1,489 in number) of engagements with specialist recruiters; 51% (1,674 in number) in 2022-23.
- Fee earners, such as guest speakers, lecturers, piano tuners, musicians, represent 6% (207 in number) of engagements; 8% (249 in number) in 2022-23.
- G-Cloud and DOS frameworks account for 9% (308 in number) <1% (12 in number) in 2022-23.
- Bespoke contracts and other frameworks account for the remaining 4% (145 in number) of engagements; 2% (52 in number) in 2022-23.

Note: 24% (836 in number) of our off-payroll engagements are short term, less than 6 months in nature, 29% (943 in number) in 2022-23.

On-Payroll Engagements of Board Members and/or Senior Officials with Significant Financial Responsibility between 1 April 2023 and 31 March 2024

	Core Department	ALBs	Departmental Group
Number of off-payroll engagements of board members and/or senior officials, with significant financial responsibility during the financial year.	0	0	0
Total number of individuals, on payroll and off-payroll, that have been deemed “board members and/or senior officials with significant financial responsibility” during the financial year.	27	15	42

In determining those with ‘significant financial responsibility’ within the Department and its Arm’s Length Bodies, the Department has considered the individual’s level of authority over the organisation’s budget and wider public sector spending.

Trade Union Facility Time

The following is a summary of trade union officials and facility time incurred during 2023-24.

Number of Trade Union Officials

Relevant union officials	
Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
97	93

Percentage of Time Spent on TU Facility Time

Percentage of time	Number of employees
0%	26
1-50%	71
51%-99%	0
100%	0

Percentage of Pay Bill Spent on TU Facility Time

Percentage of pay bill spent on facility time	
Total cost of facility time	£234,872
Total pay bill	£3,935,800,000
Percentage of the total pay bill spent on facility time.	0.01%

Time Spent on Trade Union Activities

Paid trade union activities	
Time spent on paid trade union activities as a percentage of total paid facility time hours	0.00%

No paid time is given for union activities. Staff conduct TU activities through facility time rather than being paid TU employees.

The Parliamentary Accountability and Audit Report

The Parliamentary Accountability and Audit Report describes how we have been financed through the Supply Estimates process and includes a number of other ‘accountability’ disclosures which are required by Parliament. Details are also provided regarding the regularity of our expenditure, meaning that Parliament can be assured that funds have been spent in the manner intended. The report concludes with the Certificate and Report of the Comptroller and Auditor General. Further details of the Department’s estimate and outturn are included in the DG Finance Financial Performance Summary within the Performance Report.

Statement of Outturn against Parliamentary Supply (SOPS)

(This section has been subject to audit)

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FReM) requires us to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons. The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted by Parliament at the start of the financial year. Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn. The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn does not exactly tie to cash spent) and administration. The supporting

notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SoCNE, to tie the SOPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and an analysis of income payable to the Consolidated Fund (note 4).

The figures in the summary tables below cover outturn against the Parliamentary Control Totals. The SOPS and Estimates are compiled against the budgeting framework as described in the Performance Report – Financial Performance Summary.

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual available on GOV.UK, for detail on the control limits voted by Parliament.

Summary of Resource and Capital Outturn 2023-24

		2023-24			2022-23
SOPS	Total Voted Outturn	Total Voted Estimate	Outturn compared to Estimate: Savings/(Excess)	Outturn	
Note	£000	£000	£000	£000	
Departmental Expenditure Limit (DEL)					
Resource	1.1	42,714,094	43,807,394	1,093,300	39,847,790
Capital	1.2	19,150,212	19,196,726	46,514	20,304,031
Total		61,864,306	63,004,120	1,139,814	60,151,821
Annually Managed Expenditure (AME)					
Resource AME	1.1	(1,382,396)	1,928,088	3,310,484	(13,855,977)
Total Budget					
Resource	1.1	41,331,698	45,735,482	4,403,784	25,991,813
Capital	1.2	19,150,212	19,196,726	46,514	20,304,031
Total		60,481,910	64,932,208	4,450,298	46,295,844

The majority of the Resource Departmental Expenditure Limit (RDEL) variance (£1.093 billion) relates to lower than expected Depreciation and Impairment charges (£0.846 billion) on non-current assets and inventory. The biggest factor in respect to the remainder of the variance (£0.075 billion) represents a reduction in the Department's administration costs.

The Capital Departmental Expenditure Limit (CDEL) outturn variance was £0.047 billion

and represents a 0.24% underspend of the total budget, relating to minor movements in several programmes.

For Annually Managed Expenditure (AME), which by its nature is demand led and volatile, the outturn was substantially below budget reflecting the significant change to Treasury Discount Rates used in the valuation of long-term nuclear decommissioning provisions which was reported late in the financial year.

Net Cash Requirement 2023-24

		2023-24			2022-23
SOPS	Outturn	Estimate	Outturn compared to Estimate: Savings/(Excess)	Outturn	
Note	£000	£000	£000	£000	
Net Cash Requirement	3	54,113,183	55,397,938	1,284,755	48,565,081

Administration Costs 2023-24

		2023-24			2022-23
SOPS	Outturn	Estimate	Outturn compared to Estimate: Savings/(Excess)	Outturn	
Note	£000	£000	£000	£000	
Administration Costs	1.1	1,927,549	2,002,271	74,722	1,757,739

Although not a separate voted limit, any breach of the administration budget will also be deemed an excess vote.

SOPS Note 1 Outturn detailed by Estimate Line

SOPS Note 1.1 – Analysis of Net Resource Outturn by Estimate Line

Resource Outturn in Departmental Expenditure Limits (DEL) – Voted Expenditure	2023-24							2022-23	
	Administration Expenditure	Programme Expenditure	Programme Income	Total Net Resource Outturn	Total Net Resource Estimate	Virements	Total Net Resource Estimate Including Virements	Total Net Resource Outturn Compared to Estimate	Total Net Resource Outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
A. Provision of Defence Capability – Service Personnel Costs	–	10,956,573	–	10,956,573	10,935,870	20,703	10,956,573	–	10,623,288
B. Provision of Defence Capability – Civilian Personnel Costs	–	1,770,414	–	1,770,414	2,126,521	(356,107)	1,770,414	–	1,642,062
C. Provision of Defence Capability – Infrastructure Costs	–	5,036,397	–	5,036,397	5,296,836	(228,165)	5,068,671	32,274	4,816,706
D. Provision of Defence Capability – Inventory Consumption	–	1,502,929	–	1,502,929	1,440,165	62,764	1,502,929	–	1,607,774
E. Provision of Defence Capability – Equipment Support Costs	–	5,720,533	–	5,720,533	6,635,533	(915,000)	5,720,533	–	7,818,594
F. Provision of Defence Capability – Other Costs and Services	–	2,685,810	–	2,685,810	1,413,960	1,271,850	2,685,810	–	2,114,922
G. Provision of Defence Capability – Receipts and Other Income	–	–	(1,337,264)	(1,337,264)	(1,370,000)	32,736	(1,337,264)	–	(1,367,549)
H. Provision of Defence Capability – Depreciation and Impairment Costs	–	7,956,289	–	7,956,289	8,802,482	–	8,802,482	846,193	7,351,151
I. Provision of Defence Capability – Cash Release of Provisions	–	218,070	–	218,070	260,691	–	260,691	42,621	376,475
M. Provision of Defence Capability – Research and Development Costs	–	173,047	–	173,047	153,473	19,574	173,047	–	202,193
P. Operations – Service Personnel Staff Costs	–	145,305	–	145,305	149,833	–	149,833	4,528	28,412

Resource Outturn in Departmental Expenditure Limits (DEL) – Voted Expenditure	2023-24								2022-23
	Administration Expenditure	Programme Expenditure	Programme Income	Total Net Resource Outturn	Total Net Resource Estimate	Virements	Total Net Resource Estimate Including Virements	Total Net Resource Outturn Compared to Estimate	Total Net Resource Outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Q. Operations and Peacekeeping – Civilian Personnel Staff Costs	–	15,543	–	15,543	17,574	–	17,574	2,031	1,623
R. Operations – Infrastructure Costs	–	248,246	–	248,246	203,661	44,585	248,246	–	158,523
S. Operations – Inventory Consumption	–	228,708	–	228,708	318,787	(77,849)	240,938	12,230	164,426
T. Operations – Equipment Support Costs	–	523,814	–	523,814	490,550	33,264	523,814	–	417,130
U. Operations – Other Costs and Services	–	145,551	–	145,551	219,475	–	219,475	73,924	7,563
V. Operations – Receipts and Other Income	–	–	(9,882)	(9,882)	(7,500)	–	(7,500)	2,382	(6,513)
Y. Arm’s Length Bodies (net)	–	219,003	–	219,003	215,048	3,955	219,003	–	234,987
AA. Defence Capability DE&S DEL Costs	–	1,285,372	–	1,285,372	1,271,960	13,412	1,285,372	–	1,216,547
AB. War Pensions Benefits	–	651,414	–	651,414	636,887	14,527	651,414	–	606,730
AC. Conflict, Stability and Security Fund	–	54,942	–	54,942	57,337	–	57,337	2,395	75,007
AE. Defence Capability Defence Nuclear Enterprise DEL Cost	–	2,595,731	–	2,595,731	2,535,980	59,751	2,595,731	–	–

Resource Outturn in Departmental Expenditure Limits (DEL) – Voted Expenditure	2023-24							2022-23	
	Administration Expenditure	Programme Expenditure	Programme Income	Total Net Resource Outturn	Total Net Resource Estimate	Virements	Total Net Resource Estimate Including Virements	Total Net Resource Outturn Compared to Estimate	Total Net Resource Outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Administration Costs¹									
N. Provision of Defence Capability Administration – Civilian Personnel Costs	595,786	–	–	595,786	588,939	6,847	595,786	–	663,464
O. Provision of Defence Capability Administration – Other Costs and Services	268,828	–	–	268,828	315,182	(6,847)	308,335	39,507	291,964
Z. Provision of Defence Capability Administration – Service Personnel Costs	815,912	–	–	815,912	817,130	–	817,130	1,218	797,079
AD. Administration – Cash Release of Provisions	3,641	–	–	3,641	5,000	–	5,000	1,359	5,232
AF. Defence Capability Defence Nuclear Enterprise Admin DEL Costs	243,382	–	–	243,382	276,020	–	276,020	32,638	–
Total Spending in Resource DEL	1,927,549	42,133,691	(1,347,146)	42,714,094	43,807,394	–	43,807,394	1,093,300	39,847,790

1. The Department does not record any income as Administrative.

Resource Outturn in Annually Managed Expenditure (AME) – Voted Expenditure	2023-24							2022-23	
	Administration Expenditure	Programme Expenditure	Programme Income	Total Net Resource Outturn	Total Net Resource Estimate	Virements	Total Net Resource Estimate Including Virements	Total Net Resource Outturn Compared to Estimate	Total Net Resource Outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
AG. Provision of Defence Capability – Depreciation and Impairment Costs	–	461,628	–	461,628	202,198	259,430	461,628	–	(95,076)
AH. Provision of Defence Capability – Provisions Costs	–	(1,644,014)	–	(1,644,014)	1,951,078	(284,608)	1,666,470	3,310,484	(13,371,447)
AI. Provision of Defence Capability – Cash Release of Provisions Costs	–	(458,740)	–	(458,740)	(473,178)	14,438	(458,740)	–	(381,707)
AJ. Movement on the Fair Value of Financial Instruments	–	258,730	–	258,730	247,990	10,740	258,730	–	(7,747)
Total Spending in Resource AME	–	(1,382,396)	–	(1,382,396)	1,928,088	–	1,928,088	3,310,484	(13,855,977)
Total Resource Outturn	1,927,549	40,751,295	(1,347,146)	41,331,698	45,735,482	–	45,735,482	4,403,784	25,991,813

SOPS Note 1.2 – Analysis of Net Capital Outturn by Estimate Line

Capital Outturn in Departmental Expenditure Limits (DEL) – Voted Expenditure	2023-24							2022-23	
	Administration Expenditure	Programme Expenditure	Programme Income	Total Net Capital Outturn	Total Net Capital Estimate	Virements	Total Net Capital Estimate Including Virements	Total Net Capital Outturn Compared to Estimate	Total Net Capital Outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
J. Provision of Defence Capability – Capital – Single Use Military Equipment	–	4,913,700	–	4,913,700	6,624,530	(1,679,224)	4,945,306	31,606	8,487,084
K. Provision of Defence Capability – Other Capital (Fiscal)	–	4,134,666	–	4,134,666	2,529,907	1,604,759	4,134,666	–	7,666,258
L. Provision of Defence Capability – Fiscal Assets / Estate Disposal	–	–	(258,889)	(258,889)	(270,000)	11,111	(258,889)	–	(74,580)
M. Provision of Defence Capability – Research and Development Costs	–	2,265,757	–	2,265,757	2,232,285	33,472	2,265,757	–	2,050,462
W. Operations Capital Single Use Military Equipment	–	857,775	–	857,775	783,062	74,713	857,775	–	733,643
X. Operations Other Capital (Fiscal)	–	360,927	–	360,927	435,938	(74,713)	361,225	298	1,291,888
Y. Arm's Length Bodies (net)	–	30,576	–	30,576	2,500	28,076	30,576	–	7,675
AA. Defence Capability DE&S DEL Costs	–	251,310	–	251,310	249,504	1,806	251,310	–	141,601
AE. Defence Capability Defence Nuclear Enterprise DEL Cost	–	6,594,390	–	6,594,390	6,609,000	–	6,609,000	14,610	–
Total Capital Outturn	–	19,409,101	(258,889)	19,150,212	19,196,726	–	19,196,726	46,514	20,304,031

The total Estimate columns include virements. Virements are the reallocation of provisions made in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail; it delegates to HM Treasury). Further information on virements are provided in the Supply Estimates Manual, available on GOV.UK. The Outturn Compared to Estimate column is based on the total including virements. The estimate total before virements are included so that users can tie the estimate back to the Estimates laid before Parliament.

SOPS Note 2 Reconciliation of Net Resource Outturn to Net Expenditure

		2023-24	2022-23
		Outturn	Outturn
	Note	£000	£000
Total Net Resource Outturn	SOPS 1.1	41,331,698	25,991,813
Adjustment for changes in discount rates not passing through net expenditure		44,673	246,814
Adjustment for Service Concession Arrangements treated as on-SoFP for Accounts but treated as off-SoFP for Estimates and Budgets and therefore excluded from net resource outturn but included in net expenditure		190,322	317,543
Income in respect of donated assets and asset disposals, treated as capital income		(16,040)	–
Loss / (gain) on foreign exchange in respect of Capital purchases and other adjustments to net resource outturn		(23,756)	(133,535)
Movements on capitalised and other provisions included in resource or capital outturn but not passing through net expenditure		113,297	2,772,922
Adjust for the net effect of capital: grants, income and grants-in-kind included in net expenditure but excluded from net resource outturn		935,203	1,438,209
Add capitalised research and development costs included in net expenditure but excluded from net resource outturn		2,611,041	1,968,119
Net expenditure for the year in the Statements of Comprehensive Net Expenditure	SoCNE	45,186,438	32,601,885

As noted in the introduction to the SOPS above, Outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from IFRS. This reconciliation explains the difference between resource outturn (see SOPS 1.1) and the net operating expenditure reported in the Statement of Comprehensive Net Expenditure (SOCNE).

SOPS Note 3 Reconciliation of Net Outturn to Net Cash Requirement

		2023-24 Outturn	2023-24 Estimate	2023-24 Outturn compared to Estimate: Savings/ (Excess)
	Note	£000	£000	£000
Total Resource Outturn	SOPS 1.1	41,331,698	45,735,482	4,403,784
Total Capital Outturn	SOPS 1.2	19,150,212	19,196,726	46,514
Adjustments for Arm's Length Bodies (ALBs):				
Remove voted outturn (Resource and Capital)		(249,579)	(217,548)	32,031
Add cash Grant in Aid and other Departmental expenditure on behalf of ALBs		260,615	213,848	(46,767)
Adjustments to remove non-cash items:				
Depreciation and impairment		(8,417,917)	(9,252,670)	(834,753)
New provisions and adjustments to previous provisions		1,644,014	(1,951,078)	(3,595,092)
Other non-cash items		565,240	–	(565,240)
Adjustment to reflect movements in working capital:				
Increase / (Decrease) in Inventory		494,100	–	(494,100)
Increase / (Decrease) in Receivables		315,200	–	(315,200)
(Increase) / Decrease in Payables		(1,450,100)	1,407,487	2,857,587
Use of provisions and unfunded pensions		469,700	265,691	(204,009)
Net cash requirement		54,113,183	55,397,938	1,284,755

As noted in the introduction to the SOPS above, Outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

The variation between estimate and outturn reflects judgements and assumptions made over the timing of payments/accruals in forecast outturns. The Department is implementing improved management information to drive greater accuracy in cash forecasting.

SOPS Note 4 Analysis of Income Payable to the Consolidated Fund

No income received by the Department in 2023-24 needed to be surrendered to the Consolidated Fund.

Parliamentary Accountability Disclosures

Fees and Charges

(This section has been subject to audit)

Where we have irreducible spare capacity, we provide a range of services to external organisations. The majority of these services are in the form of military support to foreign governments and other government departments. Costs are recovered in accordance with Managing Public Money. Where a chargeable activity produces a tangible benefit to Defence, we may reduce any charges levied below the full costs of the activity. The volume and value of such instances remain immaterial to Defence and are therefore not shown separately. Details are held within the Department.

Remote Contingent Liabilities and Financial Guarantees

(This section has been subject to audit)

Quantifiable

In addition to IAS 37 liabilities disclosed within the Notes to the Accounts, we disclose for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which are reported to Parliament in accordance with the requirements of Managing Public Money.

Remote liabilities are uncertain and recognise the fact that further expenditure may arise if one or more uncertain future events occur that are not wholly within our control.

Although we consider that they are unlikely to occur, we have disclosed these liabilities as they relate to possible obligations triggered by our involvement in enduring companies, products, projects, equipment, technologies and property. The details and value of quantifiable remote liabilities as at 31 March 2024 are shown in the following table:

Quantified Remote Contingent Liabilities and Financial Guarantees	£M
Sensitive	
Not disclosed due to the reasons of commercial and / or national security. There are also some sensitive items where the liability is unquantifiable.	1,481.0
Special and Generic Risk Indemnities	
HM Treasury have delegated to MOD approval for a range of Special and Generic Risks which can be used when conducting normal business. In addition there are remote unquantifiable liabilities classed as Generic and Special Risks.	221.1
Contract Terms	
Limits or indemnities have been provided in relation to Babcock Group, Lockheed Martin, Agusta Westland, NavBlue and Leonardo for non-nuclear risks resulting from claims for damage to property or death and personal injury to a third party. Elements of these liabilities are also unquantifiable.	664.4
People – Liability for redundancy	
Uncertainties in calculating this liability include life expectancy, age, length of service, salary and number of dependants.	19.9
Environmental	
The Government Pipeline and Storage System (GPSS) – compensation to landowners where GPSS is laid outside deviation limits or where the SofS' rights in respect of GPSS are lost.	5.6
Some clean-up costs have been identified, but it is not practicable or cost effective to identify all possible requirements and any possible liability is therefore not fully quantified. Other liabilities exist for possible site remediation exposure which are treated as unquantifiable contingent liabilities.	2.0
Other Remote Contingent Liabilities	
Insurance risk of exhibits on loan to the museums.	2.9
Foreign Military Sales activity	3.3
Financial Guarantees	
Crown Guarantee for Pension Schemes	150.0
Total	2,550.2

Unquantifiable Contingent Liabilities

Several remote contingent liabilities are considered unquantifiable. Liabilities may involve multiple improbable scenarios and permutations (often involving complex and changing technology) and the uncertainty surrounding those events that may lead to any obligations crystallising means that it is not feasible to estimate values. Furthermore, objective evidence to support valuations of

these liabilities is not available and hence we cannot measure them with sufficient reliability. The Department routinely reviews the status of remote unquantified liabilities to determine whether circumstances or evidence has arisen that would support quantification. In addition to those mentioned in the table of quantified liabilities, details of other unquantifiable remote contingent liabilities are shown in the following table:

Unquantified Remote Contingent Liabilities
Contract Terms
Indemnities have been provided in relation to Strategic Weapons System Activities Future Delivery Project, an overall cap on contractor liability within the future submarine design phase contract with Devonport Royal Dockyard Limited and residual employee disease liability and residual public liability arising from the disbanding of Defence Evaluation and Research Agency (DERA)
Environmental
Indemnity for environmental losses incurred by QinetiQ arising from certain defined materials at specific properties before the formation of QinetiQ on 1 July 2001
An indemnity given in relation to the disposal of Gruinard Island in the event of claims arising from the outbreak of specific strains of anthrax on the Island.
Nuclear
Indemnities have been provided to several companies relating to the handling of fissile materials, nuclear risk and risks under the Nuclear Installations Act 1965. These liabilities are unquantifiable. These companies include Rolls-Royce, BAE Systems and Babcock Group.
An unquantifiable indemnity has been issued to Rolls-Royce Submarines for the non insurance of the Rolls-Royce Core Manufacturing Facility and the Neptune Test Reactor facility for death and personal injury to a third party.
Private Finance Initiative (PFI)
Potential liabilities from the use of PFI standard terms and conditions in schemes in relation to circumstances such as qualifying changes in law. These liabilities cannot be accurately estimated due to their uncertainty as they cover a wide variety of events including qualifying changes in law, environmental damage, latent defects and uninsurable events, therefore, are unquantified.

Unquantifiable Financial Guarantees

The Department has entered one financial guarantee contract, which is not a contingent liability within the meaning of IAS 37 since the likelihood of transfer of economic benefit in settlement is too remote. The probability of payments under these guarantees is very low and the likely liability (fair value) as at year end is assessed as nil. MOD provides an indemnity to towage companies who are contracted to tow foreign warships into UK ports, should the foreign nation default on payment of the invoice.

Accountability to Parliament

Ministers have accounted to Parliament during the financial year 2023-24 on all aspects of the Ministry of Defence's business. Defence Ministers participated in 28 debates on Defence issues in Parliament. Ministers responded to 8 debates in the House of Commons and 6 debates in Westminster Hall. There were 6 debates on Defence in the House of Lords. In addition, there were 8 debates on legislation in both Houses. Details are published in Hansard.

Ministers made 10 oral statements to the House of Commons and 9 to the House of Lords. Details are published in Hansard.

A total of 4,626 oral and written Parliamentary Questions were answered. Ministers also made 42 Written Ministerial Statements to the House of Commons and the House of Lords. Details are published on the Parliamentary written questions and answers system⁴¹.

Accounting Officer Assessments

The MOD has published two Accounting Officer Assessments of Major Projects. Details of these assessments can be found on GOV.UK⁴²

Ministerial Correspondence

From 1 April 2023 to 31 March 2024, Defence Ministers responded to 2,938 items of correspondence from Members of Parliament, Peers and members of the public where a Ministerial response was appropriate.

Parliamentary Session 2023-24: MOD responses to reports published in previous Parliamentary Session

Report	Title	Publication Date
HC 1316	Withdrawal from Afghanistan	28 April 2023
HC 1533	Special Relationships? US, UK and NATO	22 June 2023

Financial Year 2023-24: Defence Select Committee Reports (Government responses, if published, are listed in brackets after the report to which they relate)

Report	Title	Publication Date
HC 792 (HC 1778)	Defence Diplomacy: A softer side of UK Defence (Sub-Committee)	23 May 2023
HC 1099 (HC 1854)	It is broke – and it is time to fix it: The UK’s defence procurement system (Sub-Committee)	16 July 2023
HC 179 (HC 32)	Defence and Climate Change	18 August 2023
HC 178 (HC 187)	Aviation Procurement: Winging it?	10 September 2023
HC 183 (HC 465)	UK Defence and the Indo-Pacific	24 October 2023
HC 26	Ready for War?	4 February 2024

Financial Year 2023-24: Evidence to Defence Committee Inquiries without Reports

Select Committee	Inquiry
Defence Select Committee	ARAC 2023-24
Defence Select Committee	Future Aviation Capabilities
Defence Select Committee	Service Accommodation
Defence Select Committee	Women in the Armed Forces
Defence Sub-Committee	Developing AI capacity and expertise in UK Defence

Of these, 2,165 (74%) were answered within the target of 20 working days.

Evidence to the Defence Select Committee

Since 1 April 2023, the Ministry of Defence has given evidence to the Defence Select Committee on a number of occasions, covering a wide range of issues and the Government has responded to a number of the Committee’s reports. All Committee publications, including published evidence given to the Committee, are available on the Parliament Website⁴³.

Government responses submitted by the Ministry of Defence to Committee reports published during this reporting period are listed in the table that follows.

41 <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statements/>.

42 <https://www.gov.uk/government/publications/government-major-projects-portfolio-accounting-officer-assessments-mod>

43 <https://committees.parliament.uk/committee/24/defence-committee/publications/>

Financial Year 2023-24: Visits by the Defence Committee to UK Armed Forces

Date of Visit	Establishment	Inquiry
12 June 2023	Hereford	N/A
19 June 2023	HMNB Portsmouth	N/A
26 October 2023	RAF Lossiemouth	Future Aviation Capabilities

Evidence to other Select Committees of the House of Commons and House of Lords

Since 1 April 2023, the Ministry of Defence has also given written and oral evidence on various issues to the following Select Committees of the House of Commons:

Financial Year 2023-24: Other Select Committee Reports

Committee	Subject	Publication Date
Scottish Affairs Committee	HC 1576 – Defence in Scotland: the North Atlantic and the High North (HC 1878)	21 July 2023
Lords AI in weapon systems Committee	HL Paper 16 – AI in weapon systems (CP 1023)	1 December 2023

(Government responses, if published, are listed in brackets after the report to which they relate)

Financial Year 2023-24: Evidence to Other Select Committee Inquiries without Reports

Select Committee	Inquiry
European Scrutiny Committee	PESCO and UK-EU Defence Cooperation

Financial Year 2023-24: Visits by Other Select Committees to UK Armed Forces

Select Committee	Date of Visit	Establishment	Related Inquiry
Lords AI in weapon systems Committee	19 September 2023	Strategic Command HQ, Northwood	AI in weapon systems

Public Accounts Committee

The Permanent Secretary as the MOD’s Accounting Officer is accountable to Parliament. All Committee publications, including published evidence given to the Committees, are available on the Parliament website⁴⁴.

Report	Title	Report Reference	Hearing Date	Publication Date
8th	Improving Defence Inventory Management	HC 66	13-Nov-23	19-Jan-24
19th	The MOD Equipment Plan 2023-2033	HC 451	22-Jan-24	08-Mar-24

Performance in Responding to Correspondence from the Public

Each government department has a publication scheme, which makes information available to the public about how it operates and how it spends its budget. There are a variety of ways members of the public can obtain information from the Ministry of

Defence. Some information is released proactively and can be accessed at GOV.UK. Other categories of information are only available on request.

Freedom of Information

MOD performance under the Freedom of Information (FOI) Act is published as part of the Cabinet Office FOI statistics⁴⁵.

⁴⁴ <https://committees.parliament.uk/committee/127/public-accounts-committee>

⁴⁵ <https://www.gov.uk/government/collections/government-foi-statistics>

Complaints to the Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman (PHSO) investigate complaints from individuals who feel they have been treated unfairly, improperly or have received a poor service from government departments or their agencies.

In 2023-24, the PHSO received 49 complaints about the MOD (including Veterans UK). The following information applies to these complaints.

Description	Information	Values
The number of complaints accepted for investigation by the Parliamentary Ombudsman in the year		6
The number of investigations reported on by the Parliamentary Ombudsman in the year		0
Of those reports where the complaint was	upheld in full	0%
	upheld in part	0%
	not upheld	0%
The number of Ombudsman recommendations	complied with	0%
	not complied with	0%

Regularity of Expenditure

(This section has been subject to audit)

Losses, Special Payments and Gifts

Further information on the categories of losses and special payments can be found in HM Treasury's Managing Public Money.⁴⁶

The Department discloses Losses, Special Payments and Gifts when the associated value can be reliably estimated. In accordance with Managing Public Money, losses are reported on an accrual's basis at the point they occur. Disclosure is based on cases that are transacted through the accounts (including where an accrual or provision has been expensed). The distinction between Advance Notifications and Closed Cases reported in previous years has been removed.

46 <https://www.gov.uk/government/publications/managing-public-money>

Losses

Cases	2023-24		2022-23	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Total Number of Losses	13,848	13,848	15,062	15,062
Total Value of Losses (£000)	662,896	662,896	805,652	805,652
Details of Losses over £300,000	£000	£000	£000	£000
Cash and Overpayment Losses				
Total Cash and Overpayment Losses	–	–	2,786	2,786
Constructive Losses				
Typhoon Tranche 1 fleet	388,699	388,699		
Type 23 Out of Service Date Change	86,697	86,697		
Defence Targeting Toolset Project closed	28,764	28,764		
Project Handbolt Termination	26,615	26,615		
OSD brought forward on Defender aircraft	25,054	25,054		
TacSys Morpheus Battlefield Applications	24,750	24,750		
Warrior CSP Cannons	22,306	22,306		
MOD 5 Integration	2,161	2,161		
Napier Lines	2,053	2,053		
Defence Targeting Toolset Software Development	2,019	2,019		
Protector Technical	1,819	1,819		
Training Ammunition	1,723	1,723		
Catterick Service Family Accommodation	1,339	1,339		
Cancellation of Automatic Identification for Shipping contract	1,117	1,117		
Palace Barracks Single Living Accommodation	922	922		
Leconfield Single Living Accommodation	621	621		
Brize Norton Service Family Accommodation	598	598		
Cancellation of work for PUMA capability	547	547		
CAMUS Project	399	399		
Victoria Barracks Single Living Accommodation	388	388		
LOC Project	344	344		
Longmoor Project	315	315		
Total Constructive Losses	619,250	619,250	622,594	622,594
Stores losses				
Loss of Unmanned Air Vehicle and associated payloads, as a result of impact at sea. (Watchkeeper)	5,249	5,249		
Loss of payloads associated with previously reported Air Vehicle losses (Watchkeeper).	5,181	5,181		

Cases	2023-24		2022-23	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Repair and replacement of 4 Submerged Magnetic & Electric Measurement Range buoys and cables.	3,883	3,883		
Fire Damages to Stores	1,321	1,321		
Loss of Reaper Air Vehicle due to loss of control during sortie.	418	418		
Vehicle Fire Damage	378	378		
Total Stores Losses	16,430	16,430	94,943	94,943
Fruitless Payments				
The MOD's Budget for 2024-25 will be reduced as a result of the Departments cash forecasting performance during 2023-24	1,555	1,555		
HMRC Overpayment	933	933		
The Information Commissioner's Office (ICO) has fined the Ministry of Defence (MoD) £350,000 for disclosing personal information	350	350		
Payment was made for costs incurred by the contractor for a planned transportation move that had to be cancelled at short notice	346	346		
Total Fruitless Payments	3,184	3,184	5,574	5,574
Claims Abandoned or Waived				
Foxhill Retention Payment	2,400	2,400		
Un-claimed VAT reclaim relating to purchases on behalf of USA Government	326	326		
Repayments due from HMRC	310	310		
Total Claims Abandoned or Waived	3,036	3,036	1,419	1,419
TOTAL CASES OVER £300,000	641,900	641,900	727,316	727,316

Special Payments

	2023-24		2022-23	
	Core Departments and Agencies	Departmental Group	Core Departments and Agencies	Departmental Group
Total Number of Special Payments	5,736	5,736	4,609	4,609
Total Value of Special Payments £000	142,105	142,105	114,530	114,530
Details of Special Payments over £300,000	£000	£000	£000	£000
Settlement of Other Personal Injury	25,997	25,997		
Special Payments made under the War Widow Ex Gratia Payment Scheme	16,800	16,800		
Settlements for Non-freezing cold injuries	5,208	5,208		
Settlements relating to Northern Ireland Legacy	3,255	3,255		
Settlements for Noise-induced hearing loss	2,544	2,544		
Settlement for Asbestos-related disease	2,331	2,331		
Settlements due to Bullying, harassment and discrimination	1,749	1,749		
Settlements of Clinical Negligence	1,706	1,706		
Common Law Structured Settlements	1,602	1,602		
Settlements of Vehicle accidents	1,066	1,066		
Extra contractual payments for termination of a sub-contractor – DSST	973	973		
TOTAL CASES OVER £300,000	63,231	63,231	45,513	45,513

Special Severance Payments

During 2023-24, 13 Special Severance Payments totalling £1,074,000 were approved. Further details (to the nearest £1,000) are:

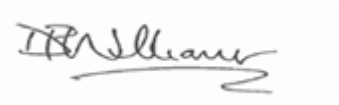
Analysis of Special Severance Payments

	(to the nearest £1,000)
Maximum Payment	316,000
Median Payment	54,000
Minimum Payment	6,000

Gifts

During 2023-24, 427 Gifts with a total value of £3,653,000 (to the nearest £1,000) were made. There has been one individual gift with a value of £300,000 or more identified during the year, but is yet to be handed to the recipient. Further details (to the nearest £1,000) are:

Details of Gift	£000
Camp Bagnold was the UK base in Mali. Use of the base ended in mid 2023 and with the UK having no further requirement for the camp, it was handed over to the United Nations Multidimensional Integrated Stabilization Mission in Mali.	3,522
TOTAL GIFTS	3,522



David Williams CB
Accounting Officer

29 July 2024

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Ministry of Defence and of its departmental group for the year ended 31 March 2024 under the Government Resources and Accounts Act 2000. The department comprises the core department and its agencies. The departmental group consists of the department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2023. The financial statements comprise: the department's and the departmental group's:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the department and the departmental group's affairs as at 31 March 2024 and their net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2024 and shows that those totals have not been exceeded;
- the Votes A statement presented in Annex A properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2024 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements has been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*.

My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the department and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

Framework of authorities

Authorising legislation	Government Resources and Accounts Act 2000
Parliamentary authorities	Supply and Appropriations Acts
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the department and its group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the department or its group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the department and its group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed audit risk of management override of controls, an area where my work has not identified any matters to report. Similarly I do not include information relating to the audit work undertaken in respect of Property, Plant & Equipment and Intangible Assets as these did not have the greatest effect on my overall audit strategy, the allocation of resources and my direction of the efforts of the audit team.

The key audit matters were discussed with the Defence Audit and Risk Assurance Committee; their report on matters that they considered to be significant to the financial statements is set out on page 62.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

- Implementation of IFRS 16: leases; in 2022-23 the department implemented the new leasing standard with effect from 1 April 2022. The department successfully implemented a comprehensive programme to identify all leases and arrangements containing a lease, including those not previously identified. I did not consider this a key audit matter for 2023-24.

Valuation of nuclear decommissioning provisions

Description of risk

The department's nuclear programme involves the use of radioactive materials. The department is responsible for the ultimate safe disposal of these materials along with the facilities and equipment that have been exposed to them, this is known as decommissioning. In accordance with the requirements of accounting standards the department is required to recognise provisions for these obligations. This is an accounting estimate based on the anticipated future costs of decommissioning activities, discounted to their net present value. The nuclear decommissioning provisions are material to the department's Statement of Financial Position, valued at £9,051 million as at 31 March 2024 (£11,319 million as at 31 March 2023).

The valuation of the provisions relies on cost estimates, assumptions in respect of the timing of those costs and assumptions in respect of both future inflation and discount rates. The forecast cashflows to fulfil the current obligations are expected to occur over a period over 100 years and as such the changes in the discount rate assumption have had the most significant impact on the valuation this year. The department uses the inflation and discounts rates provided by HM Treasury.

Nuclear decommissioning is a technologically evolving field with advances being made which can fundamentally change the cost and timeline, as well as influence how the facilities and equipment are used and subsequently decommissioned. Therefore, the cost estimates used in the calculations are susceptible to estimation uncertainty and judgement. The valuations are prepared using a series of models which are susceptible to methodological errors when adjustments and adaptations are implemented.

Key judgements, estimation uncertainties and sensitivities are disclosed in note 12.3 -12.30.

How the scope of my audit responded to the risk

My response to addressing the risk of material misstatement in this area included:

- Assessing the design and implementation of controls relevant to the cost estimates and judgments applied in the valuation of the provision.
- Assessing the design and implementation of controls relevant to the development and maintenance of the models.
- For a sample of the individual models – obtaining evidence to support and challenge the assumptions related to the value and timing of anticipated cashflows, confirming that appropriate inflation rates and discount rates have been used and confirming the integrity of the model methodology by reperforming the calculations.
- Where management have used experts to provide cost estimates, I have evaluated the competence, capabilities and experience of those experts. This has included confirming that the scope of their work is appropriate and sufficient for the purposes relied upon by management.
- Reviewing disclosures within the Notes to the financial statements to confirm that management has included appropriate analysis and explanation of the sensitivity of the provisions particularly to changes in the cost estimates and cashflow assumptions.
- For a sample of the individual models – obtaining evidence to support and challenge
- Where management have used experts to provide cost estimates, I have evaluated the competence, capabilities and experience of those experts. This has included confirming that the scope of their work is appropriate and sufficient for the purposes relied upon by management.
- Reviewing disclosures within the financial statements to confirm that management has included appropriate analysis and explanation of the sensitivity of the provisions particularly to changes in the cost estimates and cashflow assumptions.
- Consideration of any events after the reporting date that may impact on the valuation and related disclosures.

Key observations

I found the data inputs, judgements, and assumptions to be reasonable and based on appropriate reliable evidence sufficient to support materially appropriate valuations. By reperforming the model calculation, I am content that the mathematical integrity of the models was sufficiently robust to provide reliable valuations and to enable sensitivity analysis to be performed.

Approval and Disclosure of losses and special payments

Description of risk

The government Financial Reporting Manual (FReM) requires the department to report losses and special payments in its Parliamentary Accountability Report in accordance with Managing Public Money (MPM). MPM provides definitions of the different categories of loss and special payments and requires that they are brought to parliament's attention at the earliest opportunity, normally by disclosure in the department's annual accounts.

As parliament does not approve advance provision for potential future losses the department operates under a scheme of delegation from HM Treasury. Where the department does not have delegated authority to approve a specific loss or special payment it is required to obtain this from HM Treasury in order to regularise the associated expenditure. Losses and special payments which do not have the required approvals are irregular and can lead to a qualification of my regularity opinion.

My 2022-23 financial statements audit identified issues in the department's processes for identifying and reporting losses and special payments on a timely basis. Further, some losses had been incorrectly classified due to inconsistency between its internal guidance and that of MPM. This led to the department requiring retrospective approval from HM Treasury for certain losses.

I included recommendations to improve the reporting and classification of losses and special payments in my Management Letter following the 2022-23 audit as explained in the Governance Statement on pages 59-60. As a consequence this was an area of focus for my audit this year.

My response to this matter included:

- Assessing whether the revisions to the department's internal guidance aligned it with Managing Public Money.
- Assessing whether the delegation regime being operated by the department was in line with the extant scheme of delegation provided by HM Treasury.
- Testing of losses and special payments over £300k to ensure they had been correctly classified by the department and that appropriate authority had been obtained for any that the department did not have delegated authority to approve.
- Procedures to evaluate the completeness of the department's disclosures.

How the scope of my audit responded to this matter

Key observations

The delegation regime operated by the department was not in accordance with the scheme of delegation communicated to them in their Delegated Authority Letter (DAL) from HM Treasury, issued in October 2023. The October 2023 DAL provided less delegated authority than previously, which was not identified by the department meaning that a significant number of the losses were not approved.

As a result of my audit enquiries, the department obtained a revised DAL from HM Treasury.

My procedures to evaluate the completeness of the department's disclosures identified a number of losses which had been inappropriately excluded from the draft disclosures. These have now been included.

A number of losses for the year remained outside of the revised delegations and retrospective approval was obtained for them.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial

statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department and its group's financial statements as a whole as follows:

	Departmental group	Department
Materiality	£1.47 billion	£1.4 billion
Basis for determining materiality	Approximately 1% of net assets of £159 billion (1% of net assets of £148 billion in 2022-23)	Approximately 1% of net assets of £158 billion (1% of net assets of £147 billion in 2022-23)
Rationale for the benchmark applied	The department's large asset base is fundamental to its activities. Alongside its personnel, the assets enable the department to fulfil its objective of defending the nation. I have elected to use net assets due to the large nuclear decommissioning provisions which are intrinsically linked to the department's nuclear assets. The materiality for the department and departmental group are similar in value because the core department contains over 99% of the group's net assets.	

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2023-24 audit (2022-23: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

Error Reporting Threshold

I agreed with the Defence Audit and Risk Assurance Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Defence Audit and Risk Assurance Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Defence Audit and Risk Assurance Committee have increased net expenditure by £328.1m and decreased net assets by £304.8m.

Audit scope

The scope of my group audit was determined by obtaining an understanding of the department, the departmental group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

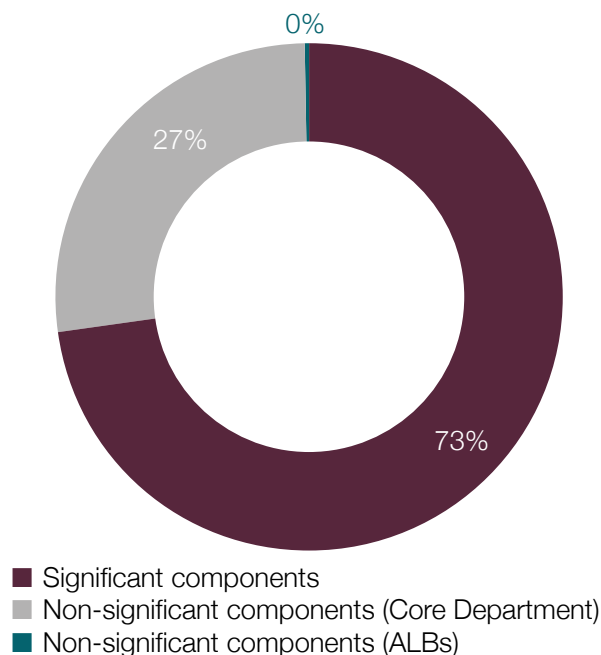
The core department operates on a devolved model with a well-established formal governance structure in place for each operating division, known as Top Level Budgets (TLBs). Each TLB has its own finance function, including financial controller and Chief Finance Officer, their own Chief Executive Officer (Civilian) or Head of Service (Military), Audit & Risk Assurance Committees and Boards. In addition to the TLBs there are a number of key central and enabling organisations which support the financial reporting of the TLBs, most significantly cash and payroll.

The core department prepares its financial statements through the consolidation of workbooks prepared by the TLBs, therefore in my audit approach I have considered the core department to be a group under ISA600. I have performed analysis on TLB level financial information and identified the following as significant components: Defence Equipment and Support (DE&S), Defence Infrastructure Organisation (DIO), Defence Nuclear Organisation (DNO), cash and payroll. I have performed a full audit of the financial information of these components. For non-significant components in the core department, I have performed analytical procedures, risk assessment procedures and other targeted testing based on risk. This work was undertaken by one group audit team carrying out work on all components.

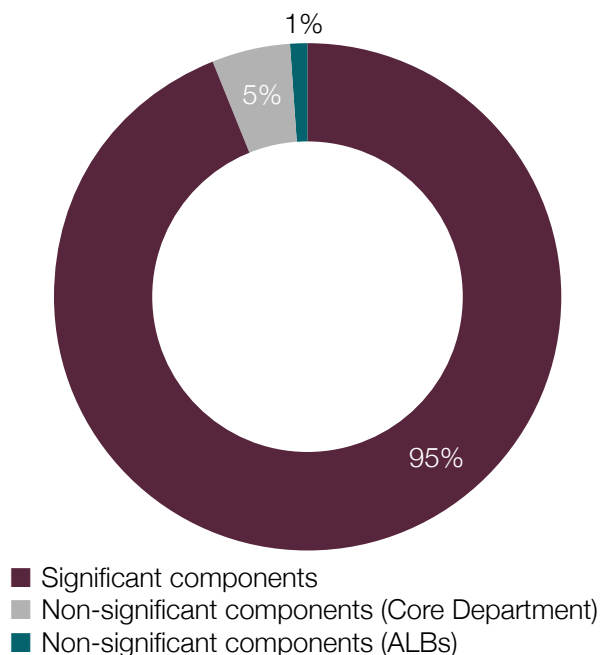
The departmental group is comprised of the core department and arm's length bodies (ALBs), I have performed a financial analysis of the wider departmental group and have not identified any further significant components. I have performed analytical procedures on all ALBs and performed risk assessment procedures, identifying areas where testing may be required. This led to detailed testing of the significant defined benefit pension scheme at AWE plc.

This work covered substantially all of the group's assets and net expenditure, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

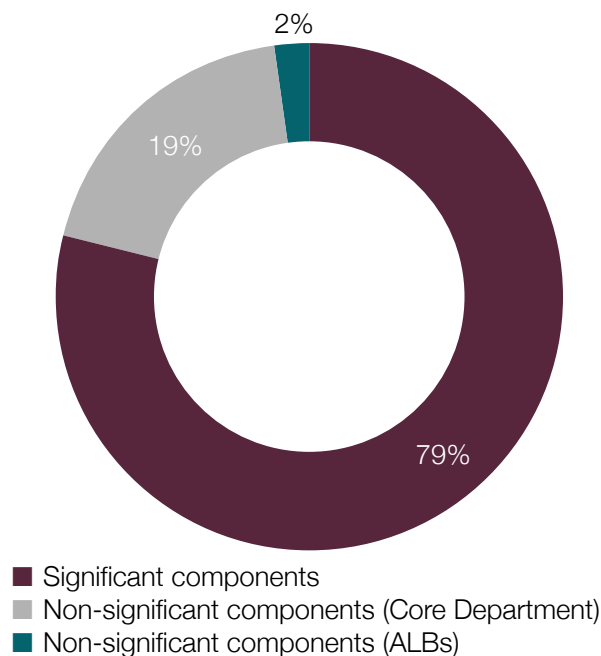
Gross expenditure of components of the Ministry of Defence group (as at 31 March 2024)



Gross assets of components of the Ministry of Defence group (as at 31 March 2024)



Gross liabilities of components of the Ministry of Defence group (as at 31 March 2024)



Other Information

The other information comprises the information included in the Annual Report but does not include the financial statements and my auditor’s certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the department and its group and their environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the department and its group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the department and its group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;

- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing the department and its group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the department and its group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-

compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the department and its group’s accounting policies;
- inquired of management, the department’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the department and its group’s policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - other internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the department and its group’s controls relating to the department’s compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;
- inquired of management, the department’s head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the group engagement team and the relevant internal specialists, including IT audit regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the department and its group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the department and group’s framework of authority and other legal and regulatory frameworks in which the department and group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the department and its group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2023, health and safety legislation and relevant employment and pension law and tax legislation.

I performed specific risk assessments relating to fraud, non-compliance with laws and regulations and regularity, including considering knowledge gained through enquiries of Fraud Defence and the Defence Safety Authority to understand the governance and control processes relating to compliance with laws and regulations and key investigations undertaken during the year.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Defence Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;

- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I reviewed the Defence Safety Authority's annual assurance report and key reports prepared in the year;
- I confirmed that the department and its group has complied with the Parliamentary control totals set out in the Supply and Appropriations (Main Estimates) Act 2023 by confirming that the outturn is within the limits approved by Parliament, that the allocation of amounts to those control totals is appropriate and that management have not vired amounts inappropriately between control totals; and
- I confirmed that relevant approvals required under Managing Public Money have been obtained by management, and that the disclosures required by Managing Public Money are complete and have been appropriately included within the financial statements.

I also communicated relevant identified laws and regulations and potential risks of fraud to all group engagement team members including internal IT audit specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website⁴⁷. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Date 29 July 2024

⁴⁷ www.frc.org.uk/auditorsresponsibilities.

Financial Statements



F-35B Lightning Jet creating a vapor crene as it flew past the Queen Elizabeth during flight deck operations.



A soldier from the Ranger Regiment poses with the new Alternative Individual Weapons (AIW) system.

Financial Statements

Consolidated Statements of Comprehensive Net Expenditure (SoCNE)

for the year ended 31 March 2024

	Note	2023-24		2022-23	
		Core Departmental Group ¹ £M	Core Departmental Group ¹ £M	Core Departmental Group ¹ £M	Core Departmental Group ¹ £M
Income from provision of supplies and services	3.1	(1,008.2)	(981.6)	(1,035.7)	(1,035.4)
Other income	3.1	(792.1)	(941.1)	(585.2)	(744.9)
Operating income		(1,800.3)	(1,922.7)	(1,620.9)	(1,780.3)
Staff costs	4.1	15,760.0	16,361.7	14,849.6	15,300.6
Purchase of goods and services	4.2	20,309.2	19,907.9	18,759.0	18,481.8
Depreciation, amortisation, impairment, write-(ons)/offs and disposals	4.3	9,122.1	9,174.7	8,065.4	8,081.8
Provision expense	4.4	771.4	771.4	2,310.6	2,310.6
War pensions/benefits		651.0	651.0	606.5	606.5
Other expenditure	4.5	1,872.6	1,755.8	2,292.5	2,253.0
Operating expenditure		48,486.3	48,622.5	46,883.6	47,034.3
Net operating expenditure		46,686.0	46,699.8	45,262.7	45,254.0
Finance income	3.2	(2,783.4)	(2,783.4)	(13,629.4)	(13,629.4)
Finance expense	4.6	1,269.6	1,270.0	976.7	977.3
Net expenditure for the year		45,172.2	45,186.4	32,610.0	32,601.9
Other Comprehensive Expenditure					
Net (gain) or loss on:					
revaluation of property, plant and equipment	SoCiTE	(2,498.1)	(2,509.8)	(4,149.9)	(4,102.6)
revaluation of intangible assets	SoCiTE	(277.6)	(277.6)	(1,510.7)	(1,510.9)
revaluation of assets held for sale	SoCiTE	25.8	25.8	15.6	15.6
revaluation of right-of-use assets	SoCiTE	45.3	45.3	2,359.6	2,360.1
revaluation of service concession arrangements	SoCiTE	563.4	563.4	-	-
revaluation of pensions	SoCiTE	(42.0)	(77.0)	(291.2)	(128.7)
revaluation of capitalised decommissioning liabilities	SoCiTE	(76.6)	(76.6)	(2,930.3)	(2,930.3)
assets written-off or written-on or transferred in	SoCiTE	0.6	(75.1)	-	0.9
Comprehensive net expenditure for the year		42,913.0	42,804.8	26,103.1	26,306.0

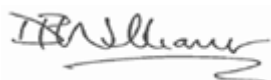
1. The Departmental Group includes the income and expenditure of Arm's Length Bodies; further details are at Annex F.

Consolidated Statements of Financial Position (SoFP)

as at 31 March 2024

	Note	31 March 2024		31 March 2023	
		Core Department & Agencies £M	Departmental Group £M	Core Department & Agencies £M	Departmental Group £M
Non-current assets					
Intangible assets	5	35,786.5	35,787.2	33,822.3	33,823.1
Property, plant and equipment	6	135,714.7	136,364.2	128,533.4	129,164.9
Right-of-use assets	16	10,809.9	10,855.0	11,015.0	11,064.3
Retirement benefit scheme assets	13	–	17.4	–	17.4
Financial assets	7	251.0	251.0	123.8	123.8
Receivables due after more than one year	9	943.5	1,019.7	910.2	986.0
Total non-current assets		183,505.6	184,294.5	174,404.7	175,179.5
Current assets					
Non-current assets held for sale		6.1	6.1	6.4	6.4
Inventories	8	4,639.5	4,641.1	4,141.3	4,149.4
Receivables due within one year	9	3,494.3	3,610.0	3,212.4	3,246.3
Financial assets	7	72.9	127.6	259.3	306.5
Cash at bank and in hand	10	1,995.2	2,249.1	1,045.1	1,347.6
Total current assets		10,208.0	10,633.9	8,664.5	9,056.2
Total assets		193,713.6	194,928.4	183,069.2	184,235.7
Current liabilities					
Payables due within one year ¹	11	(15,460.9)	(15,752.3)	(14,385.9)	(14,631.7)
Provisions due within one year	12	(691.9)	(692.2)	(558.6)	(559.2)
Financial liabilities	7	(162.5)	(162.5)	(105.4)	(105.4)
Total current liabilities		(16,315.3)	(16,607.0)	(15,049.9)	(15,296.3)
Total assets less current liabilities		177,398.3	178,321.4	168,019.3	168,939.4
Non-current liabilities					
Provisions due after one year	12	(9,611.8)	(9,617.1)	(11,778.5)	(11,784.0)
Retirement benefit scheme liabilities	13	(391.2)	(618.5)	(424.0)	(686.3)
Payables due after more than one year ¹	11	(9,137.2)	(9,189.5)	(8,762.1)	(8,884.4)
Total non-current liabilities		(19,140.2)	(19,425.1)	(20,964.6)	(21,354.7)
Total assets less total liabilities		158,258.1	158,896.3	147,054.7	147,584.7
Taxpayers' equity and other reserves					
General fund	SoCiTE	122,870.5	122,870.5	111,551.2	111,551.2
Revaluation reserve	SoCiTE	35,387.6	35,387.6	35,503.5	35,503.5
Arm's Length Bodies' reserves		–	638.2	–	530.0
Total equity		158,258.1	158,896.3	147,054.7	147,584.7

1. IFRS16 lease liabilities are included in 'Payables due within one year' and 'Payables due after more than one year'.



David Williams CB
Accounting Officer

29 July 2024

Consolidated Statements of Cash Flows (SoCF)

for the year ended 31 March 2024

		2023-24		Reclassified Core Department & Agencies ¹	2022-23 Reclassified Departmental Group ¹
	Note	Core Department & Agencies £M	Departmental Group £M	£M	£M
Cash flows from operating activities					
Net operating expenditure for the year ¹	SoCNE	46,686.0	46,699.8	45,262.7	45,254.0
Adjustments for non-cash transactions ²		(10,198.2)	(10,336.8)	3,147.2	3,189.8
Movement in trade and other receivables	SoFP	308.4	390.6	(85.8)	(26.0)
Adjustment for movements on receivables relating to items not passing through operating costs		6.8	6.8	17.3	(54.9)
Movement in net inventories and financial assets held for sale		494.1	487.6	372.1	372.1
Movement in trade payables	SoFP	(1,450.1)	(1,425.7)	(5,425.7)	(5,574.1)
Adjustment for movements in payables relating to items not passing through operating costs		2,429.5	2,446.0	3,710.6	3,776.7
Dividends and equity repayments		-	-	12.5	12.5
Realised (gain) or loss on derivatives		-	-	(137.3)	(137.3)
Use of provisions and unfunded pensions		469.7	469.7	383.9	383.9
Net cash outflow from operating activities		38,746.2	38,738.0	47,257.5	47,196.7
Cash flows from investing activities					
Purchase of property, plant and equipment	6	12,388.6	12,441.0	12,078.1	12,101.1
Purchase of intangible assets	5	3,044.9	3,045.2	2,396.1	2,396.5
Adjustment for non-cash movements relating to PPE and intangibles		(1,057.5)	(1,057.5)	(985.5)	(985.5)
Proceeds on disposal of property, plant and equipment		(275.8)	(275.8)	(177.7)	(177.7)
Dividends, equity repayments and other income from investments		(12.5)	(12.5)	(12.5)	(12.5)
Financing income ¹		(5.8)	(5.8)	(13,629.4)	(13,629.4)
Other investments		127.5	127.5	54.9	54.9
Net cash outflow from investing activities		14,209.4	14,262.1	(276.0)	(252.6)
Cash flows from financing activities					
Consolidated Fund (Supply) – current year	SoCiTE	(54,150.6)	(54,150.6)	(48,572.0)	(48,572.0)
Draw down from the Contingency Fund		3,217.0	3,217.0	-	-
Repaid to the Contingency Fund		(3,217.0)	(3,217.0)	-	-
Repayment of loans from the National Loans Fund		2.5	2.5	2.5	2.5
Capital element of payments in respect of leases and Service Concession Arrangements		542.5	546.2	604.4	607.4
Movement on collaborative projects		(912.7)	(912.7)	(63.3)	(63.3)
Financing expenditure ¹		612.6	613.0	976.7	977.3
Net financing		(53,905.7)	(53,901.6)	(47,051.7)	(47,048.1)
Net increase or (decrease) in cash and cash equivalents in the period		950.1	901.5	70.2	104.0
Cash and cash equivalents at the beginning of the period	10	1,045.1	1,347.6	974.9	1,243.6
Cash and cash equivalents at the end of the period	10	1,995.2	2,249.1	1,045.1	1,347.6

- The Statements of Cash Flow have been reorganised to show the first line item as the net operating expenditure for the year and to include new lines of net financing income in the cash flows from investing activities and net financing expenditure in the cash flows from financing activities. The prior year comparators have been reclassified.
- The main reason for the adjustment for non-cash transactions in 2023-24 is depreciation, amortisation and impairment of non-current assets of -£9.2 billion (note 4.3) and a £1.6 billion change in provisions (note 12.1). In 2022-23 the main reasons were depreciation, amortisation and impairment on non-current assets of -£8.0 billion; and a £10.6 billion change in provisions.

Consolidated Statements of Changes in Taxpayers' Equity (SoCiTE)

for the year ended 31 March 2024

	Note	Core Department and Agencies			Departmental Group	
		General Fund ¹ £M	Revaluation Reserve ¹ £M	Taxpayers Equity £M	ALBs' Reserves ¹ £M	Total Reserves £M
Balance at 1 April 2022		93,559.3	31,030.2	124,589.5	732.9	125,322.4
Parliamentary Funding – drawn down in-year	SoCF	48,572.0	-	48,572.0	-	48,572.0
Parliamentary Funding – deemed funding		385.3	-	385.3	-	385.3
Parliamentary Funding – Supply payable	11	(392.2)	-	(392.2)	-	(392.2)
Non-cash charge – auditors remuneration	4.5	3.2	-	3.2	-	3.2
Net expenditure for the year	SoCNE	(32,610.0)	-	(32,610.0)	8.1	(32,601.9)
Other net comprehensive expenditure						
Net gain or (loss) on:						
revaluation of property, plant and equipment	SoCNE	-	4,149.9	4,149.9	(47.3)	4,102.6
revaluation of intangible assets	SoCNE	-	1,510.7	1,510.7	0.2	1,510.9
revaluation of assets held for sale		-	(15.6)	(15.6)	-	(15.6)
revaluation of right-of-use assets	SoCNE	-	(2,359.6)	(2,359.6)	(0.5)	(2,360.1)
revaluation of pensions	SoCNE	291.2	-	291.2	(162.5)	128.7
revaluation of capitalised decommissioning liabilities	SoCNE	-	2,930.3	2,930.3	-	2,930.3
assets written-off or written-on or transferred in	SoCNE	-	-	-	(0.9)	(0.9)
Transfers between reserves		1,742.4	(1,742.4)	-	-	-
Balance at 31 March 2023		111,551.2	35,503.5	147,054.7	530.0	147,584.7
Parliamentary Funding – drawn down in-year	SoCF	54,150.6	-	54,150.6	-	54,150.6
Parliamentary Funding – deemed funding		392.2	-	392.2	-	392.2
Parliamentary Funding – Supply payable	11	(429.6)	-	(429.6)	-	(429.6)
Non-cash charge – auditors remuneration	4.5	3.2	-	3.2	-	3.2
Net expenditure for the year	SoCNE	(45,172.2)	-	(45,172.2)	(14.2)	(45,186.4)
Other net comprehensive expenditure						
Net gain or (loss) on:						
revaluation of property, plant and equipment	SoCNE	-	2,498.1	2,498.1	11.7	2,509.8
revaluation of intangible assets	SoCNE	-	277.6	277.6	-	277.6
revaluation of assets held for sale	SoCNE	-	(25.8)	(25.8)	-	(25.8)
revaluation of right-of-use assets	SoCNE	-	(45.3)	(45.3)	-	(45.3)
revaluation of service concession arrangements	SoCNE	-	(563.4)	(563.4)	-	(563.4)
revaluation of pensions		42.0	-	42.0	35.0	77.0

	Note	Core Department and Agencies			Departmental Group	
		General Fund ¹ £M	Revaluation Reserve ¹ £M	Taxpayers Equity £M	ALBs' Reserves ¹ £M	Total Reserves £M
revaluation of capitalised decommissioning liabilities	SoCNE	-	76.6	76.6	-	76.6
assets written-off or written-on or transferred in	SoCNE	(0.7)	0.1	(0.6)	75.7	75.1
Transfers between reserves		2,333.8	(2,333.8)	-	-	-
Balance at 31 March 2024		122,870.5	35,387.6	158,258.1	638.2	158,896.3

1. The General Fund represents the total assets less liabilities of the Department, to the extent that the total is not represented by other reserves and financing items. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The total of the Arm's Length Bodies' reserves includes general fund and revalued items, but these are not shown separately as the detail is not considered material.

Notes 1 to 21 which follow the Statements of Changes in Taxpayers' Equity form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

Basis of Preparation

1.1 These Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adapted and interpreted by the Government Financial Reporting Manual (FReM) 2023-24 issued by HM Treasury.

1.2 Where the FReM permits a choice, the accounting policy which has been judged to be the most appropriate to the circumstances of the Department for the purpose of giving a true and fair view was selected.

1.3 Accounting policies have been applied consistently in dealing with items that are considered material and to comply with the requirements of the FReM.

Accounting Convention

1.4 These financial statements have been prepared on an accruals basis under the historic cost convention, modified by the revaluation of intangible assets, property, plant and equipment assets and some financial instruments such as foreign currency forward purchase contracts and fuel fixed price swap contracts.

Going Concern

1.5 The future financing of the Department's liabilities is through the receipt of Supply finance and future income which are both approved annually by Parliament by the passing of the Supply and Appropriation (Main Estimates) Act and the Supply and Appropriation (Anticipation and Adjustments) Act. The Defence Board considers there is no reason to believe that future approvals will not be forthcoming and therefore it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.6 The Department has also specifically considered the financial position of the

entities within its accounting boundary (listed at Note 20) and has concluded that, other than for one entity (International Military Services Ltd (IMS)), the going concern remains a valid assumption for these organisations given ongoing Supply funding for on vote agencies and support for other bodies where appropriate. IMS will be liquidated following the settlement of any remaining liability; work is underway to dissolve the company. The latest assessment of IMS assets and liabilities are reflected in the consolidated accounts and subsequent liquidation is not considered material to these Accounts.

Basis of Consolidation

1.7 The financial statements comprise the consolidation of the Department (including its Agencies); its Non-Departmental Public Bodies (NDPBs) and other Arm's Length Bodies (ALBs).

1.8 The operating and finance expenditure of the ALBs are included in the Group Accounts. ALBs operate a lower capitalisation threshold for property, plant and equipment than the Department, no adjustments have been made and all ALB property, plant and equipment balances are consolidated into the accounts. Further details of income and expenditure by ALBs are at Annex F.

1.9 The Department assessed that it holds an interest in a joint operation. This has been accounted for in line with IFRS 11: Joint Arrangements and, as such, the assets, liabilities, revenues and expenses relating to the interest in the joint operation are accounted for in accordance with the applicable IFRS as applied by the FReM.

Changes in Accounting Policies and Disclosures

1.10 The one significant change to the 2023-24 FReM is the application of IFRS 16

to the measurement of the liabilities under Public Private Partnership (PPP) arrangements.

1.11 For PPP including Private Finance Initiative (PFI) arrangements that fall within the definition of a Service Concession Arrangement (SCA) in IFRIC 12: *Service Concession Arrangements*, the infrastructure assets and liabilities are reported on the Department's SoFP. As a result of the application of IFRS 16, as mandated by the FReM from 1 April 2023, subsequent measurement of these infrastructure liabilities follows the guidance in IFRS 16, as applied by the FReM. The change impacts PPP/PFI liabilities that have index linked payments to the capital/infrastructure element.

1.12 For the PPP/PFI arrangements impacted, the future PPP/PFI liabilities have been remeasured at 1 April 2023 to include the actual indexation-linked changes to payments for the capital/infrastructure element which has taken effect in the cash flows since the PPP/PFI agreement commenced. This used the cumulative catch-up approach, where the cumulative effect is recognised as an adjustment to the opening balance of taxpayers' equity. Hence, there is no impact on prior periods. The liabilities have been discounted using the rate determined at the inception of the arrangement.

1.13 The Department has reviewed all its PPP/PFI arrangements and determined that three PPP/PFI arrangements are impacted. The financial impact is an increase to the PPP/PFI liabilities of £563M. The impact in future periods for the subsequent measurement of these PPP/PFI liabilities for index linked payments on the capital/infrastructure element is not considered material.

Changes Impacting the Preparation of Future Annual Accounts

IFRS 17 – Insurance Contracts

1.14 IFRS 17: *Insurance Contracts* replaces IFRS 4: *Insurance Contracts* and is to be included in the FReM for mandatory

implementation from 2025-26. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this Standard.

1.15. In July 2023, HM Treasury published its IFRS 17 Application Guidance. The Department is continuing to develop its implementation plan and has commenced work in assessing the impact of the Standard on the Department. While good progress has been made, the financial impact of applying IFRS 17 is not yet known.

Property, Plant and Equipment Non-Current Assets

Recognition

1.16 The Department classifies and measures its Property, Plant and Equipment in accordance with IAS 16: *Property, Plant and Equipment* as adapted by the FReM. The Department's capitalisation threshold is £25,000. However, individual non-current assets that are less than £25,000 are capitalised as part of a group where the items are generically similar and due to their total value, are grouped and capitalised. Assets are recognised initially at cost, which comprises purchase price, construction costs (after deducting any discounts or rebates) and any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended.

1.17 Assets under construction are capitalised during the period of construction and on completion (either of the whole project, or at defined milestones where the contract has separate deliverables) balances are transferred to the appropriate asset category. On completion of the project or on delivery of an asset with phased deliveries the costs are transferred to the asset register.

1.18 The capitalisation threshold is not applied to individual capital spares (defined in paragraph 1.26) and assembled Guided Weapons Missiles and Bombs (GWMB). Instead, these items are grouped together

and accounted for under IAS 16, as applied by the FReM.

Valuation

1.19 All tangible non-current assets are carried at fair value at the reporting date. This is undertaken via full revaluation or indexation. To ensure accurate values for assets under construction, the Department, at the end of each reporting period, considers whether there is any indication that assets may be impaired and if necessary, adjusts the carrying value. Fair value reviews are conducted and documented on reclassification of these assets into use. There is a £5 million threshold over which these fair value reviews are performed. Assets under construction are not subject to indexation where the cost of the work done as specified in the underlying contract price is deemed to reflect fair value. This is because the contract costs already include price inflation.

1.20 For both property (including land) and non-property assets, prospective indices appropriate for the category of asset are forecast and applied annually in the month of May each financial year. The carrying values of the assets are revised at the year-end via an accrual to reflect the difference between the forecast indices applied in May and revised indices at the year-end (based on actual movements for the first three quarters with a forecast movement for the final quarter of the financial year). The value of the overseas property estate assets is also adjusted to take account of the year-end exchange rates and movements in the country's GDP, except for the Falklands, Ascension Islands or Gibraltar because GDP deflators are not readily available – also see paragraph 1.110.

1.21 Land and property assets are also subject to a Quinquennial Revaluation (QQR) by internal and external valuers in accordance with IAS 16: *Property, Plant and Equipment* as interpreted by the FReM. Assets which are held for their service potential (i.e. operational assets) and are in use, are measured at current value in existing use. For non-

specialised assets current value in existing use is interpreted as market value for existing use, defined as Existing Use Value. For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential, i.e. depreciated replacement cost method. Land is valued considering geographical region and type i.e. land use. Where applicable, key assumptions were made by the valuer regarding the maintenance programme and residual economic lives. Property assets are valued as at November 2023 and adjustment made to closing balances if material differences are identified. QQR is further explained in Note 6 – Property, Plant and Equipment.

1.22 Assets available for immediate sale in their present condition, which is highly probable, are valued in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*. This is at the lower of their carrying amount before classification and fair value less cost to sell. Assets held to earn rentals or for capital appreciation or both are valued in accordance with IAS 40: *Investment Property*. They are measured at fair value.

1.23 Surplus assets no longer in use are valued at fair value using IFRS 13: *Fair Value*. However, they are measured at current value in existing use if there are restrictions on the Department or the asset which would prevent access to the market at the reporting date. The Department interprets surplus to mean that the assets are no longer required and there is no clear plan to bring them back into service.

Depreciation

1.24 All assets are depreciated on a straight-line basis other than some capital spares which use the diminishing balance depreciation method (see paragraph 1.26). The useful life of an equipment asset is based on the estimated out of service date, and for other assets the estimated period of use. The

useful lives of property, plant and equipment are reviewed annually and revised where necessary to reflect changing circumstances such as decisions taken in the latest finalised Annual Budget Cycle or other strategic reviews. On addition to the Non-Current Asset Register, assets are within range of the useful lives outlined in paragraph 1.25 below, although over time assets may cease to be within this range following changes such as

extensions or impairments. There is an exception whereby additions may not adhere to the accounting policy, for example, if the asset lives are being aligned to have the same out of service date as the corresponding parent asset/major platform.

1.25 The principal asset categories, together with their expected useful lives, are set out in the table below:

Main Category	Sub-Category	Useful Life (Years)
Land and Buildings	Land	Not depreciated unless held under agreement with The Federal Republic of Germany or as part of a lease
	Buildings (dwellings and non-dwellings):	
	– permanent	40 – 50
	– temporary	5 – 20
	Leasehold	Shorter of expected life and lease period
Single Use Military Equipment (including GWMB)		10 – 50
Plant and Machinery	Equipment	10 – 40
	Plant and Machinery	5 – 30
Transport		3 – 35
IT and Communications Equipment	Office Machinery	3 – 10
	Communications Equipment	3 – 30

1.26 Capital spares are predominantly items of repairable material retained for the purpose of replacing parts of an asset undergoing repair or maintenance. It also includes equipment that is expected to be returned after use for subsequent re-issue. Non-embodied capital spares are generally included in the Single Use Military Equipment category whilst embodied capital spares are included within the asset category of the prime equipment they support and are depreciated over their useful life, which is consistent with the useful life of this prime equipment. Some capital spares which have ‘rolling’ out of service dates (i.e. their out of service dates are reviewed and extended each year) use the diminishing balance depreciation method as this more closely reflects the expected pattern of consumption of the future economic benefits embodied in the capital spares.

1.27 Capitalised provisions are those that are capitalised in the cost of the asset to which the provision relates. They are included in the asset category of the associated asset and depreciated over its useful life. Further details are at paragraph 1.82.

Componentisation and Subsequent Expenditure

1.28 The Department’s policy on componentisation (the recognition of the cost of replacing part of an asset) is as follows:

- newly built property assets, except for specialist assets, are not subject to componentisation at the point of initial capitalisation as the cost of any potential component is not significant to the total cost of the asset. Specialist assets such as runways are considered for componentisation;

- where a property asset is refurbished or part of it replaced, the expenditure is recognised within the carrying amount of the overall asset. Where only part of the asset is refurbished, the replaced element should be derecognised if the asset's carrying amount exceeds £500,000. For properties with a carrying value of less than £500,000 (where only part of the asset is refurbished), no replaced elements are derecognised. The QQR is used to adjust any short-term valuation differences;
- where there is a programme of subsequent expenditure to refurbish Service Family Accommodation (SFA), a £5,000 threshold applies to subsequent expenditure on SFAs (i.e. the subsequent expenditure programme must be £5,000 or above);
- material expenditure, defined as costs which are £1M or 10% of an asset's gross carrying amount (whichever is the higher), on major refits and overhauls in the sea environment and to complex weapons that display similar characteristics to those assets in the sea environment are accounted for separately, as appropriate, when their value is consumed by the Department over a different period from the life of the corresponding core asset.

Impairment

1.29 Impairment refers to the permanent reduction in value of the Department's assets below their carrying value as shown in the financial statements. Impairment charges reduce the carrying amount of intangible and property, plant and equipment assets to their recoverable amount.

1.30 When an asset's carrying value decreases due to a clear consumption of economic benefit or service potential, the decrease is charged directly to the SoCNE, with any remaining revaluation reserve balance released to the General Fund. Any reversal of such impairment losses is recognised in the SoCNE to the extent that the original charge was previously recognised, with any remaining amount recognised in the revaluation reserve. Other impairments are charged directly to the revaluation reserve,

to the extent that there is one for the asset, with any remaining impairment charged to the SoCNE.

1.31 Capitalised development costs that are directly linked to a class of asset are impaired if the whole class of the associated tangible non-current asset is impaired. The magnitude of the impairment applied is in the same proportion as that applied to the underlying asset class.

1.32 The FReM has interpreted IAS 36 to state that where the asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential.

1.33 The Department considers that the assets in paragraph 1.32 continue to be held to meet Departmental objectives and they are still expected to generate their intended future economic benefits.

Disposal

1.34 Disposal of assets is handled principally by two specialist internal organisations: the Defence Infrastructure Organisation for property assets and the Defence Equipment Sales Authority for non-property assets.

1.35 Non-current assets are reclassified as held for sale if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. The asset must be available for immediate sale, subject only to terms that are usual and customary for the sale of such assets, the sale must be highly probable and expected to complete within one year.

1.36 When assets are classified as held for sale, they are re-classified as current assets and valued at the lower of their carrying amount and their fair value less costs to sell. No further depreciation is applied.

Leased Assets

1.37 The Department's main leases are for properties used for Service Family Accommodation and for administrative purposes. It also leases equipment assets and vehicles. This is done to maximise efficiency, flexibility and value for money. This is achieved, for example, through leasing assets for a shorter period than their entire life, when compared to purchasing an asset, and/or where there is an established leasing market. The Department also benefits from property leases under arrangements which are peppercorn (i.e. nominal or nil consideration). While not extensive, the Department does make use of extension and termination options in some lease contracts where there is a requirement for increased flexibility.

1.38 The Department also leases assets owned by contractors where the leased assets are embedded in other contracts, such as a contract for the construction of equipment assets. Examples are leases of construction and refit/maintenance facilities, such as a shipyard where the Department has the right to substantially all of the economic output. The lease payments represent the component of the contract payments that relate to the use of the asset. Where existing contracts are extended or new contracts placed that require the use of the asset, the Department remeasures the lease liability and corresponding right-of-use asset to reflect the revised lease payments. Note 16 contains further details on the Department's most significant leases.

1.39 The Department accounts for its leases in accordance with IFRS 16: *Leases* (as adapted in the FReM). This includes right-of-use assets implicitly specified in a contract, for example, a shipyard used to fulfil a contract to construct ships. The Department manages the liquidity risk inherent in these contracts through the receipt of Supply finance and future income which are both approved annually by Parliament (see paragraph 1.5).

1.40 From 1 April 2023 to 31 December 2023, the Department has not applied IFRS 16 to contracts which have a value of less than £25,000 (unless the contract meets the definition of a peppercorn lease), or where the cost of the underlying asset (when new) is less than £25,000, unless there are groups of leases of similar items where application of the threshold would have a material impact, such as car leases. As a result of evidence gathered on the immaterial impact of leases in lower value contracts, from 1 January 2024, the Department has not applied IFRS 16 to contracts where the contract value is less than £2,000,000 unless the contract contains an obvious (i.e. explicit) lease that is a vehicle lease within the Phoenix contracts or a lease recorded on the Infrastructure Management System, where the £25,000 materiality threshold still applies. Where there are right-of-use assets from leases embedded in other contracts, and these right-of-use assets have been fully charged to the Department (either in the current or in previous contracts), then these right-of-use assets have been excluded as the Department has no further liability.

1.41 Where the leases are short-term, i.e. a lease term of 12 months or less and do not contain a purchase option, the Department does not recognise a right-of-use asset or liability. Instead, the lease payments are expensed as shown in Note 16.7. The Department's portfolio of short-term leases committed to at the end of the reporting period is not dissimilar to the portfolio of leases for which comprises the short-term lease expense in Note 16.3.

1.42 The lease liability and right-of-use asset exclude VAT payments. Irrecoverable VAT on lease payments is charged to the SoCNE when the VAT liability is recognised in accordance with IFRIC 21: *Levies*.

1.43 Lease payments are discounted using the interest rate implicit in the lease. When this cannot be readily determined, the discount rate mandated by HM Treasury is used.

1.44. The FReM requires that the subsequent measurement basis of all right-of-use assets should be consistent with the subsequent measurement of owned assets. Hence, right-of-use assets should be measured at either fair value or current value in existing use (i.e. the revaluation model should be used rather than the cost model).

1.45. In most cases, however, the FReM recognises that the cost measurement model in IFRS 16 will be an appropriate proxy for current value in existing use or fair value. This is because leases will often have terms that require lease payments to be updated for market conditions, which will be captured in the IFRS 16 cost model provisions. In addition, right-of-use assets generally have shorter useful lives and lower values than their respective underlying assets.

1.46. For some right-of-use assets, the cost model will not be an appropriate proxy for current value in existing use or fair value. This is likely to be the case where:

- a longer-term lease has no terms that require lease payments to be updated for market conditions (such as rent reviews), or there is a significant period of time between those updates; and
- the fair value or current value in existing use of the underlying asset is likely to fluctuate significantly due to changes in market prices. This is more likely to be the case with property assets.

1.47 The revaluation model has been applied to the Department's contract for the leasing of accommodation for Service Personnel and for peppercorn leases. The revaluation is undertaken as part of the Department's revaluation of its owned land and buildings under the QQR process. Details of this are given in Notes 6.1 and 6.2. As the right-of-use assets for the leasing of accommodation for Service Personnel are revalued as part of the QQR process, when there are lease rent reviews, the lease liability is remeasured with the corresponding entry charged to the revaluation reserve.

1.48 Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the asset. However, if the lease transfers ownership of the underlying asset to the Department by the end of the lease term or the right-of-use asset cost reflects the exercise of a purchase option, the period of expected use and depreciation period is the useful life of the asset.

1.49 The depreciation charge for a right-of-use asset will usually be recognised in the SoCNE. However, if the right-of-use asset's benefits are absorbed in producing other assets, then it will be a directly attributable cost of producing the other asset and should be included in its carrying amount.

1.50 For contractor owned sites/assets where leased asset(s) have been identified from contracts, the overhead costs charged to the Department for the use of the contractor owned site/assets are the basis on which the right-of-use asset and lease liability have been costed. Depreciation on these right-of-use assets may also be capitalised into other asset(s) where appropriate, for example, the Non-Current Assets being constructed at the contractor owned site.

1.51 Peppercorn leases are defined as leases for which the consideration paid is nil or nominal (i.e. significantly below market value). Peppercorn leases are in the scope of IFRS 16 as applied by the FReM. The Department measures its peppercorn right-of-use assets at current value in existing use or fair value and the difference to the lease liability is recognised as income.

1.52 The Department's policy of the subsequent measurement of peppercorn right-of-use assets is to maintain them at their initial valuation where the impact is not judged material. The threshold is £1 million for the right-of-use asset valuation (at initial valuation). No further revaluation of peppercorn lease right-of-use assets will be undertaken where their initial valuation is less than that. Peppercorn lease right-of-use assets of an initial value of £1 million and above will be subsequently revalued.

Intangible Non-Current Assets

1.53 Research costs are charged to the SoCNE in the period in which they are incurred.

1.54 Development costs and other intangible assets are capitalised in accordance with IAS 38: *Intangible Assets* (as adapted in the FReM). Capitalised development costs are amortised, on a straight-line basis, over the planned life of the resultant asset class, e.g. class of ship or aircraft (the table at paragraph 1.25 states the useful lives for principal tangible non-current asset categories). Amortisation commences when the asset type first enters operational service. Other intangible assets are amortised over their estimated useful life, which ranges from over one year to 60 years.

1.55 The Department's capitalisation threshold is £25,000. After initial recognition, intangible non-current assets are revalued, at each reporting date, to current value in existing use, using a market value where an active market exists. Where no market exists, indices are used to revalue the intangible asset to Depreciated Replacement Cost (DRC) or, if the asset is income generating, to value in use if lower than DRC. This is a key estimation uncertainty as described in paragraph 1.112.

1.56 Intangible assets under construction are not subject to indexation where the cost of the work done as specified in the underlying contract price is deemed to reflect fair value. To ensure accurate values for assets under construction, the Department, at the end of each reporting period, considers whether there is any indication that assets may be impaired and if necessary, adjusts the carrying value.

Workforce Capitalisation

1.57 The Department capitalises the costs of its workforce into intangible and tangible Non-Current Assets where the criteria for capitalisation are met. Capitalisation applies where the relevant workforce directly contributes to the delivery of the programmes

in scope of workforce capitalisation. The Department applies workforce capitalisation to its programmes with a value of over £20M. The programmes must be in a Capital Investment Phase (i.e. when costs are capitalised as either intangible or tangible Non-Current Assets). For Equipment Programmes this would ordinarily be programmes in the Demonstration and Manufacture phases. Infrastructure programme life cycles operate on a slightly different basis but all in-scope programmes need to be in a capital investment phase.

1.58 The relevant workforce for capitalisation is defined as follows:

- military and civilian directly employed staff working on and directly contributing to the delivery of in-scope programmes;
- temporary staff employed on and directly contributing to the delivery of in-scope programmes;
- Equipment Programme – individuals must spend at least 50% of their time in supporting delivery of an in-scope programme to qualify for capitalisation (no adjustment is made for annual leave or other non-working time) and individuals meeting that threshold capitalise 100% of their time;
- Infrastructure Programme – individuals must spend at least 25% of their time in supporting delivery of an in-scope programme to qualify for capitalisation (no adjustment is made for annual leave or other non-working time) and if an individual meets the 25% threshold, then the actual percentage of their time spent on that programme is capitalised; and
- all functions are in-scope provided the thresholds for inclusion are met.

1.59 The workforce costs capitalised are the average pay, employer's national insurance contributions and employer's pension contributions for the particular grade of the military or civilian staff.

Public Private Partnerships (PPP) Including Private Finance Initiative (PFI) Arrangements

1.60 Where PPP including PFI arrangements fall within the definition of a Service Concession Arrangement (SCA) in IFRIC 12: *Service Concession Arrangements*, the infrastructure assets and liabilities are reported on the Department's SoFP. This occurs when the Department controls the use of the infrastructure assets and any significant residual interest in the infrastructure at the end of the arrangement (or there is no residual interest).

1.61 Any new assets and liabilities are initially measured following the guidance in IFRS 16 and all new and existing assets and liabilities are subsequently measured in alignment with relevant standards, such as IFRS 16 and IAS 16 as applied by the FReM, in the same way as other assets of that type. The Department has three PPP/PFI arrangements where the liabilities for the capital/infrastructure element is index linked. For these arrangements, the liability is remeasured to reflect the revised lease payments for the capital/infrastructure element. The increase is charged to finance costs in the SoCNE.

1.62 Unitary charges are apportioned between reduction in the capital obligation and charges to the SoCNE for service performance and finance costs. Where the contract is not separable into these elements, this apportionment is estimated by reference to factors such as the contract, the fair value of the asset and the interest rate implicit in the contract or, where this is not practicable to determine, the HM Treasury's discount rate for investment appraisals.

1.63 Where PPP including PFI arrangements are outside the scope of IFRIC 12, the arrangement should be assessed to establish whether it contains a lease under IFRS 16. If it does contain a lease, the lease is initially accounted for in accordance with IFRS 16. Where the arrangement does not contain a

lease, the expenditure will be recognised as it falls due.

Financial Instruments

1.64 The Department classifies and measures its financial assets in accordance with IFRS 9: *Financial Instruments* as adapted by the FReM. Financial assets are classified according to the business model for holding them and the contractual cash flow characteristics of the financial asset. The treatment of the Department's material receivables is to measure them at amortised cost. This is because they are being held to collect the cash flows and the cash flows are solely for the payments of principal and interest (if chargeable). Where financial assets do not meet the measurement categories of amortised cost or fair value through other comprehensive income, they are measured at fair value through profit or loss.

1.65 Almost all of the Department's financial assets, including trade receivables, staff loans and advances, are initially measured at amortised cost. Discounting is relevant to those receivables and loans which carry no rate of interest or a subsidised rate. This is because the FReM requires the discount rate to be the higher of the rate intrinsic to the financial instrument and the real discount rate set by HM Treasury as applied to cash flows expressed in current prices.

1.66 The Department has foreign currency forward purchase contracts, denominated in US dollars and Euros, and fuel fixed price swap contracts denominated in US dollars which are accounted for as derivatives and measured at fair value through profit or loss. The fuel fixed price swap contracts completed in March 2024 and no further contracts have been placed. Development of the MOD's future fuel hedging trading strategy is currently underway, to be implemented in 2025. In accordance with the FReM, public dividend capital is reported at historic cost less any impairment and the Department's investments in special or 'golden' shares are not recognised on the SoFP. The entities in which the Department holds special shares

are listed at Note 7 – Financial Instruments and Investments.

1.67 Loss allowances are made for expected credit losses for those financial assets not already held at fair value. The Department uses the practical expedient in IFRS 9 and applies a provisions matrix to determine percentages to estimate expected credit losses for different classes of receivables, such as trade receivables, staff receivables and bespoke receivables for asset sales.

1.68 The expected credit loss percentages are based on the actual bad debts incurred previously adjusted for future uncertainties. This adjustment is a multiplier factor based on the Department's judgement of the potential impact of events on future economic conditions. Sensitivity analysis was undertaken to test the significance of changes to this judgement and the impact was not material (see paragraph 1.71).

1.69 In accordance with the FReM, the balances with core central government departments (including their executive agencies), the Government's Exchequer Funds, and the Bank of England are excluded from recognising Stage 1 and Stage 2 impairments.

1.70 Expected credit loss provisions are also made against specific receivables.

1.71 The Department has reviewed its assumptions used in its expected credit loss provisions matrix and has also undertaken further sensitivity analysis on the expected credit losses to assess the potential impact of differing assumptions and the impact was not viewed as material.

1.72 Liabilities covering trade payables and accruals are initially measured at fair value and subsequently at amortised cost. This applies to those liabilities carrying a nil or a subsidised rate of interest due to the FReM requirement for the discount rate referred to in paragraph 1.65.

Inventories

1.73 Raw Material and Consumables (RMC) inventory are recognised in accordance with IAS 2: *Inventories* as interpreted by the FReM and are valued at the lower of weighted average cost (the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period) and net realisable value (estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale).

1.74 Capital Spares (CS) and Guided Weapons Missiles and Bombs (GWMB) are recognised in accordance with IAS 16: *Property, Plant and Equipment* as adapted by the FReM and are valued at fair value as at the financial year-end.

1.75 Inventories are recognised on the Department's SoFP from the point of acquisition to the point of issue for consumption, sale, write-off or disposal.

1.76 Where inventories have become surplus, unserviceable, defective or obsolete, an estimated financial provision is applied to their carrying value to reduce it to net realisable value. Details of inventories balances are given in Note 8 – Inventories.

1.77 Some items of inventory, for example munitions, have a limited shelf life and are written down on a straight-line basis, on the gross cost of these items, throughout the life of these items.

Cash and Cash Equivalents

1.78 Cash balances are held by the Government Banking Service, commercial banks and cash in hand. Cash in hand includes deposits denominated in foreign currencies held in foreign bank accounts.

1.79 The Department holds US Dollar and Euro denominated bank accounts and uses foreign currency forward purchase contracts, denominated in US Dollars and Euros, to reduce the risk of changes in exchange rates

for the use of its two most significant foreign currencies.

Provisions for Liabilities and Charges

1.80 Provisions for liabilities and charges are recognised in line with IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* and are based on reliable estimates of the expenditure required to settle legal or constructive obligations.

1.81 Contingent liabilities are disclosed where it is not probable that expenditure will be required to settle the obligation, see Note 18. Disclosures are not required under IAS 37 where there is only a remote likelihood that expenditure will be required. However, disclosures are made in the Accountability Report for such remote contingent liabilities in accordance with *Managing Public Money*. Annex G contains a reconciliation between contingent liabilities reported in the Supply Estimates and those reported in this Annual Report and Accounts.

1.82 On initial recognition, provisions are charged to the SoCNE unless the provision results from an obligation to dismantle and decommission a specific item of property, plant and equipment, in which case a capitalised asset provision is created. Changes to the capitalised asset provision are accounted for in accordance with IFRIC 1: *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, following the approach for where the related asset is measured using the revaluation model, see Note 12 – Provisions for Liabilities and Charges for further information. The carrying amount of any capitalised asset provision is depreciated and charged to the SoCNE over the remaining estimated useful life of the underlying asset. The capitalised asset provision is valued using the Depreciated Replacement Cost (DRC) methodology.

1.83 Provisions are discounted at the nominal rates advised by HM Treasury. There is a rebuttable presumption that departments will use the inflation rates in the latest Public Expenditure System paper, obtained from the Office for Budget Responsibility (OBR)

Consumer Price Index (CPI) forecasts, when inflating provision cash flows. The Department applies the CPI (recommended by HM Treasury) and any deviation from this (as per the rebuttable presumption) is detailed on a provision-by-provision basis. The pensions discount rate advised by HM Treasury is used for provisions relating to employee benefits. The discount is unwound over the remaining life of the provision and shown as an interest charge in the SoCNE. Details are given in Note 12 – Provisions for Liabilities and Charges.

1.84 Provisions and other liabilities were valued using appropriate mechanisms and discount rates at 31 March 2024. For nuclear provisions that utilise indices provided by Defence Analysis-Economics, no material changes to the underlying indices have been identified.

1.85 An onerous contract (as defined by IAS 37) provision is accounted for in the period in which the contract is identified as onerous. At 31 March 2024, the Department had not identified any contracts as onerous and expects to recover all value reported.

Foreign Currency

1.86 All transactions denominated in a foreign currency are translated into sterling using the General Accounting Rate (GAR) at the date of each transaction. For each currency, the GAR is updated monthly based on spot rates. Exchange differences arise when a transaction is settled at a GAR which differs from the rate used when the transaction was initially recorded. Where material, monetary assets and liabilities are re-translated at the mid-market closing rate at the reporting period date and any exchange differences from their initially recognised value are reported in the SoCNE.

1.87 As noted in paragraph 1.79, the Department holds US Dollar and Euro denominated bank accounts and uses foreign currency forward purchase contracts, denominated in US Dollars and Euros, to reduce the risk of changes in exchange

rates for the use of its two most significant foreign currencies.

Income

1.88 Income principally comprises revenue from the provision of supplies and services; receipts from foreign governments; sale of non-current assets; and investment or dividend income. It is included within operating income, net of related VAT, where applicable.

1.89 Income from contracts with customers is recognised in accordance with IFRS 15: *Revenue from Contracts with Customers* which has been applied, as adapted by the FReM, in full. The Department follows the five-step model in IFRS 15, by applying the following steps:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise the revenue when (or as) the entity satisfies a performance obligation.

1.90 The bulk of what the Department provides to external customers is the provision of services on a rolling basis such as repair and maintenance services. The performance obligations in these contracts are satisfied over time using output methods to recognise revenue on the basis of direct measurement of value to the customer using items such as milestones and time elapsed. In some instances, MOD is providing goods and services where the performance obligations are satisfied at a point in time, such as training courses, or fitting of security systems. In these cases, the performance obligations are deemed to be met when the customer assumes control of the relevant asset.

1.91 The FReM adapts IFRS 15 to expand the definition of a contract and so arrangements covered by Memoranda of Understanding (MoU) are included, even if these are not legally enforceable. MoUs are

assessed on a case-by-case basis against the five-step model set out in IFRS 15. Income from sales of non-current assets is not included within the scope of IFRS 15 as, in accordance with IAS 16, such gains shall not be classed as revenue. Rental income is included under IFRS 15 to the extent that it is not within the scope of leasing. The Department has invoked the practical expedient in IFRS 15 and does not discount the promised consideration when it expects, at contract inception, that the period between the transfer of a promised good or service to a customer and the date the customer pays for it will be for one year or less.

1.92 The amounts recognised under IFRS 15 are not significant in the context of the Department's accounts. The Department considers that the amounts recognised are appropriate and not materially mis-stated.

1.93 In accordance with IAS 10: *Events after the Reporting Period*, as interpreted by the FReM, trading fund dividends are recognised as operating income on an accruals basis, whilst other dividends are recognised in the year in which they are declared.

Expenditure

1.94 Expenditure includes a number of costs as listed in the SoCNE, of which the key areas include depreciation and amortisation; impairments; staff costs; equipment support; property management; and IT and telecommunication costs. Costs are charged to the SoCNE in the period in which they are incurred and matched to any related income. Unless software licences meet the capitalisation criteria in IAS 38: *Intangible Assets* (as adapted in the FReM) and the Department's capitalisation threshold, their costs are expensed. Where software licences are expensed, there is a £10,000 threshold for prepayments of software licences. As such, prepayments are recognised for licences greater than £10,000 and those costs less than £10,000 are expensed to the SoCNE. Costs of contracted-out services are included net of recoverable VAT.

Salaries, Wages and Employment-Related Payments

1.95 Short-term benefits, i.e. salaries, wages and employment-related payments, are recognised in the period in which the service is received from employees. Where material, performance pay and annual leave earned but not taken by the financial year end are recognised on an accruals basis in the financial statements. Further details are given in the Accountability Report.

War Pensions/Benefits

1.96 The War Pension Scheme (WPS) compensates for any injury, illness or death which was caused by service in the Armed Forces before 6 April 2005. Claims can only be made under the WPS after the claimant has left service.

1.97 There are 2 main types of WPS awards, which are dependent on the level of disablement:

- a gratuity lump sum payment for disablement less than 20%;
- an ongoing payment paid weekly or monthly for disablement more than 20%.

1.98 The rules of the WPS and the value of the payments awarded are set by Parliament. The value of the payments increase each year in line with the CPI. WPS is accounted for on an accruals basis.

1.99 The Government's commitment to provide for those injured, and the families of those killed as a result of service, is in part met by awards made under the War Pension Scheme. The awards are statutory entitlements payable to ex-service members or their dependants and can fluctuate depending on circumstances and can be ended/withdrawn if conditions subsequently improve. The Departmental accounts do not include a liability for future WPS payments. This is because payments are only recognised when they fall due and therefore accounted for as expenditure in the SoCNE in the period to which they relate. The two main payment categories are ongoing payments for disablement and ongoing payments to widows.

Retirement Benefit Costs

1.100 The main pension schemes to which staff belong are not consolidated in the Department's accounts (the schemes prepare separate accounts). The main schemes are either defined contribution, defined benefit or multi-employer defined benefit schemes where the Department's shares of assets and liabilities cannot be identified. In accordance with IAS 19: *Employee Benefits*, these are treated as defined contribution schemes. Examples of the two largest of the main schemes are: the Principal Civil Service Pension Scheme; and the Armed Forces Pension Scheme. All other Departmental schemes, detailed in Note 13 – Retirement Benefit Schemes, are consolidated into the financial statements as defined benefit schemes and IAS 19 has been adopted to account for them. As a result of the McCloud judgement, the Government has been working to address the judgement of the Court of Appeal on the transition from legacy pension schemes. The Government has announced that due to interactions with wider pension policies, completion of the 2016 valuation process and the review of the cost control mechanism, any changes to employer contribution rates resulting from the 2020 valuations will be delayed from April 2023 to April 2024.

1.101 For funded defined benefit schemes the Department recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that the Department has a legal or constructive obligation to make good the deficit in the scheme. The Department's share of pension scheme surplus (to the extent that it is considered recoverable) or deficit is recognised in full on the face of the SoFP.

1.102 For unfunded defined benefit schemes the Department recognises a liability in respect of any deficit to the extent that the Department has a legal or constructive obligation to make good the deficit in the schemes. Actuarial gains/losses from schemes are recognised in reserves.

1.103 The Department additionally makes contributions to several other pension schemes which are not consolidated in the financial statements. These contributions are recognised in the SoCNE.

Value Added Tax (VAT)

1.104 The Department is registered for VAT. Costs of contracted-out services are included net of recoverable VAT. In other cases where VAT is recoverable, the related expenditure is shown net of VAT.

1.105 Income from services provided to third parties is included within operating income, net of related VAT. Where it arises, irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

1.106 The preparation of these accounts requires the Department to make judgements, estimates and assumptions in respect of a range of activities that affect the application of policies and reported amounts of assets and liabilities, income and expenditure.

1.107 Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1.108 The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Valuation of Non-Current Intangible and Property, Plant and Equipment Assets

1.109 Non-current intangible and property, plant and equipment assets are expressed at their fair value, such as Depreciated Replacement Cost (DRC). Specialist land and property assets are valued at DRC and this is

a critical estimation uncertainty. It relies on key judgements (e.g. on modern equivalent replacements) and estimates for current land values as well as construction costs.

1.110 UK and Overseas Land and property assets are professionally revalued every 5 years through the rolling QQR programme in accordance with FReM requirements. Between professional valuations, the Department updates UK and Overseas land and property values through the application of Modified Historical Cost Accounting (MHCA) indices, with the UK indices provided by the Valuation Office Agency and the Overseas indices calculated internally based on exchange rate movements at the year-end and individual countries GDPs. The GDP figures are provided by Defence Analysis-Economics within the Department who source the GDP Deflators from Oxford Economics.

1.111 Non property assets are revalued using indices provided by Defence Analysis-Economics. To determine the indices, historic inflation figures for Departmental assets are taken directly from industry and labour specific indices that are produced by the Office for National Statistics (ONS). Where no appropriate index is available, the GDP Deflator is used as a general measure of inflation. The indices are output based to reflect the cost of the manufacture of the particular category, the coverage of each index being defined under the corresponding Standard Industrial Classification (SIC) system for categorising economy output. Forecasts for these indices are either directly based on those produced by the Office for Budgetary Responsibility (OBR) or calculated by Defence Analysis-Economics – Price Indices team using data for key economic indicators taken from the OBR and Oxford Economics.

1.112 The selection and application of indices represents a key judgement, and there is a risk that this could result in different values in the intervening years compared to a full valuation if these had been undertaken each year.

1.113 The indices used for both property and non-property assets are considered to remain

valid and the best available information. The Department's valuers were consulted on the potential impact on property valuations. In line with the Royal Institution of Chartered Surveyors guidance and direction, the valuers subsequently confirmed that, based on latest market information, there is no evidence that the indices and the values provided as part of the QQR as at 31 March 2024 have materially changed.

1.114 There is uncertainty in the valuation of land in the scope of the Defence Estate Optimisation Programme. The sales values have been estimated and are therefore subject to variation. There are also uncertainties in respect of planning permission, costs to prepare sites for sale and the forecast disposal date.

1.115 The useful lives of assets are based on an estimated out of service date or the estimated period of use. The out of service date is subject to change depending on factors such as strategic Defence policy and predicted obsolescence. The useful lives are reviewed annually.

Discount Rates

1.116 The change in discount rate is treated as a change in estimate (processed in-year) under IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*. HM Treasury specifies nominal rates (applied to cash flows which include inflation) to discount general provisions. The impact is that the Department forecasts and applies inflation assumptions to calculate inflationary adjusted cash flows for its general provisions. HM Treasury sets a rebuttable presumption that CPI will be used to calculate inflation. This has been followed by the Department unless stated in Note 12 – Provisions for Liabilities and Charges. The Department has discounted lease liabilities using the discounted rates mandated by HM Treasury. The exception is for the leased housing for Service Personnel under a contract with Annington Homes. The rate used to remeasure the lease liability was 6%, which is the same as the discount rate used to measure the finance lease liability under IAS 17.

Impairments

1.117. In addition to considering the valuation of non-current intangible and property, plant and equipment assets, the Department considers more broadly whether there are any indications of impairments to the carrying amounts of the Department's assets. Impairment reviews through the Asset Verification Exercise look at assets with a Net Book Value greater than £100,000 or initial costs greater than £10 million. Where such an indication exists, the Department makes a judgement as to the impairment required to bring the asset to fair value.

Accruals

1.118 The Department recognises a large number of accruals. Whilst some accruals are straightforward to identify and quantify, others involve a greater element of judgement, requiring management to make an estimate of the liability accruing to the Department based on the information they hold at that point in time – for example, accruing for the value of work completed but not yet invoiced on the Department's projects. Details are given in Note 11 – Trade Payables and Other Liabilities. The Department only recognises manual accruals above £10,000.

Provisions

1.119 Provisions have been made for the cost of decommissioning facilities and for the treatment, storage, and disposal of nuclear waste arising from operations at Rosyth and Devonport dockyards and at AWE sites. Provisions are also included for the future cost of decommissioning operational nuclear submarines and likewise for the cost of decommissioning those which have reached their out of service date.

1.120 In calculating the provisions, an estimate has been made of the cash flows required to settle the obligations. As there is uncertainty surrounding the cash flows required, key assumptions made in this estimate are: the time period over which the provisions are estimated; the costs for future storage and decommissioning; the VAT rate; the inflation

rate; and the discount rate used. While the discount rate applied to the future cash flows is subject to assumptions, the Department has used the discount rate mandated by HM Treasury. Details of how nuclear decommissioning provisions have been calculated, together with the assumptions and sensitivity analysis, are included in Note 12 – Provisions for Liabilities and Charges.

1.121 The Department holds a number of other provisions. Judgement is used to recognise the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.

2. Segmental Analysis

2.1 The Department's organisational structure is set out in the Performance Report and is the key factor in determining the reporting segments disclosed below. Further information on how Defence is structured is available in the publication *How Defence Works*⁴⁸.

2.2 The Department's Head Office supports the Secretary of State, Ministers, the Permanent Secretary and the Chief of the Defence Staff in the delivery of their responsibilities, directing the relevant parts of Defence as necessary by undertaking: Policy, Strategy, Planning and Governance activities.

2.3 Head Office is made up of several Director-General, or 3-star, led business areas and enabling organisations providing strategic leadership and direction to the whole of MOD in two related ways:

- as the top-level decision-making body for MOD as a government department; and
- as the Military Strategic Headquarters for the UK's Armed Forces, providing military advice to the government and directing the generation of forces.

2.4 Strategic Command (UKStratCom) provides Multi-Domain Integration to ensure that the Royal Navy, the Army and the Royal Air Force can respond to threats across all five domains (Air, Land, Sea, Cyber and Space); it also manages overseas joint operations.

2.5 Defence Nuclear Organisation (DNO) was created for the purpose of delivering all the UK's submarines, from procurement, through to disposing of them safely when they reach the end of their life. It is also responsible for nuclear warheads, nuclear skills and related infrastructure, and day-to-day nuclear policy.

2.6 Defence Equipment and Support (DE&S) is responsible for procurement and support to equipment, excluding submarines.

2.7 The Defence Infrastructure Organisation (DIO) is responsible for managing the Defence Estate.

2.8 Transactions allocating income and costs to and between segments take two main forms:

- Costs such as payroll, equipment support, centralised contract costs, estate management, inventory consumption etc. are allocated to segments by the main accounting systems e.g. accounts payable, accounts receivable, civilian payroll, military payroll, inventory systems and non-current asset registers.
- Costs incurred by one segment on behalf of another are subject to agreement and their recording and transfer is centrally managed to ensure the net effect on the Department's consolidated accounts remains correct.

2.9 Forecasts of expenditure against budgets are regularly reviewed by the Defence Board when considering performance and resource allocation. The following tables set out the detail of this net expenditure, by segment (where the Board consider the net expenditure at that level of detail).

⁴⁸ <https://www.gov.uk/government/publications/how-defence-works-the-defence-operating-model>

	2023-24	2022-23
Resource and Capital Outturn Reviewed by the Board (Departmental Group)	£M	£M
Royal Navy	8,736.5	8,431.8
Army	12,643.3	11,845.8
Royal Air Force	7,622.7	7,885.0
Strategic Command	6,635.6	6,743.9
Defence Equipment & Support	1,503.1	1,366.5
Defence Infrastructure Organisation	1,671.3	3,570.4
Head Office and Enabling Organisations ¹	2,700.8	2,312.5
Defence Nuclear Organisation	7,430.0	5,944.3
Strategic Programme	1,841.8	1,551.7
Unallocated Equipment Plan ²	(8.2)	(14.5)
War Pension Benefits	651.4	606.7
Sub total of Resource and Capital reviewed by the Board during the financial year³	51,428.3	50,244.1
Outturn (Resource and Capital) for Cost of Operations (excluding depreciation, impairments, provisions)	2,570.9	2,871.7
Balance of Resource and Capital Outturn (depreciation, impairment, provisions, Annually Managed Expenditure (AME) and Arm's Length Bodies' expenditure)	6,482.7	(6,820.0)
Total Resource and Capital Outturn (See Statement of Outturn against Parliamentary Supply (SOPS))	60,481.9	46,295.8
Reconciliation to Net Expenditure:		
Adjustment for items included in Resource Outturn but not included in Net Expenditure	3,854.7	6,610.1
Adjustment for capital expenditure not included in Net Expenditure ⁴	(19,150.2)	(20,304.0)
Total Net Expenditure (See Statement of Comprehensive Net Expenditure)	45,186.4	32,601.9

1. Includes: Dstl and organisations delivering services such as HR, payroll, and policing.
2. Includes a share of receipts from contractors, for products sold to third parties, that have been developed using MOD funding.
3. The Defence Board also review outturn against separate Resource and Capital ring fenced amounts, within the overall total above, as part of control of the Defence Nuclear Enterprise (DNE). Details of Estimates and Outturn for DNE are in the SOPS.
4. Capital expenditure is broken down into Equipment Plan, managed by DE&S, DNO and UKStratCom and Infrastructure Plan, managed by DIO (see below). In addition, segments also manage an element of capital spend which makes up the difference.

Equipment Plan Outturn

	2023-24	2022-23
	£M	£M
Equipment Plan – Resource Outturn		
Royal Navy	1,536.3	1,490.3
Army	1,122.5	1,132.2
Royal Air Force	2,108.8	2,278.8
Strategic Command	2,184.0	2,281.6
Defence Equipment & Support ¹	(8.2)	(14.5)
Defence Nuclear Organisation	1,380.9	1,188.2
Strategic Programme	324.6	361.7
Equipment Plan – Total Resource Outturn	8,648.9	8,718.3
Equipment Plan – Capital Outturn		
Royal Navy	2,720.7	2,631.3
Army	2,036.2	1,873.4
Royal Air Force	1,526.0	1,957.0
Strategic Command	906.4	996.9
Defence Equipment & Support	4.7	8.3
Defence Nuclear Organisation	5,497.0	4,340.4
Strategic Programme	1,517.2	1,190.0
Equipment Plan – Total Capital Outturn	14,208.2	12,997.3

1. Includes a share of receipts from contractors, for products sold to third parties, that have been developed using MOD funding.

Infrastructure Plan Outturn

	2023-24	2022-23 ³
	£M	£M
Infrastructure Plan – Resource Outturn		
Royal Navy	226.4	187.0
Army	1,226.9	1,144.5
Royal Air Force	356.1	305.2
Strategic Command	389.3	352.8
Defence Equipment & Support	110.9	93.0
Defence Infrastructure Organisation	696.6	495.8
Head Office and Enabling Organisations ¹	121.0	113.1
Defence Nuclear Organisation	5.9	4.0
Infrastructure Plan – Capital Outturn	3,133.1	2,695.4
Royal Navy	143.2	140.2
Army	464.5	319.5
Royal Air Force	245.2	140.2
Strategic Command	211.4	127.3
Defence Equipment & Support	27.5	33.5
Defence Infrastructure Organisation ²	467	2,617.5
Head Office and Enabling Organisations ^{1,3}	10.4	0.8
Infrastructure Plan – Total Capital Outturn	1,569.2	3,379.0

1. Includes: Dstl and organisations delivering services such as HR, payroll, and policing.

2. The 2022-23 Capital Outturn for DIO includes the impact of the implementation of IFRS 16 (wef 1 April 2022) for the Annington Homes contract (for the supply of Service families' housing). The increase in liability was purely an accounting adjustment but scored to Capital Outturn (and not initial recognition as for the other effects of the first time adoption of IFRS 16) because the Annington Homes contract was already a Finance Lease in the accounts.

3. The 2022-23 figures have been updated.

3. Income

3.1 Operating income

	2023-24		2022-23 ¹	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Receipts – supplies and services	524.5	497.9	590.8	590.5
Receipts – NATO/UN/US Forces/Foreign Governments	416.0	416.0	378.6	378.6
Rental income – property	67.7	67.7	66.3	66.3
Sub total – Income from provision of supplies and services	1,008.2	981.6	1,035.7	1,035.4
Income Other – receipts personnel	294.1	294.1	287.4	287.4
Income Other – proceeds from the sale of property, plant, equipment and intangible assets	408.3	408.3	216.1	216.1
Income Other – including: dividends, donated assets, ALBs' income, commercial exploitation levies and sundry sales	89.7	238.7	81.7	241.4
Total Income	1,800.3	1,922.7	1,620.9	1,780.3

1. The above table has been restructured for FY23-24 and the prior year comparators restated.

3.2 Finance income

	2023-24		2022-23	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Dividends and interest received	18.3	18.3	14.9	14.9
Notional interest on discounted provisions, receivables and liabilities ^{1,2}	2,672.2	2,672.2	12,957.5	12,957.5
Foreign currency gains	83.9	83.9	158.0	158.0
Movement on derivatives (forward purchase foreign exchange rate contracts and fuel swaps)	9.0	9.0	499.0	499.0
Total	2,783.4	2,783.4	13,629.4	13,629.4

1. The movement in provisions, receivables and payables that results from changes in the interest rates used for discounting is now shown separately; above at Note 3.2 – Finance Income for decreases or at Note 4.6 – Finance Expense for increases.
2. Long term receivables, provisions and other liabilities are discounted, using HM Treasury interest rates, to convert future cash flows to current values. The increases in these interest rates in recent years has reduced the overall value of the cash flows; with the reduction in nuclear decommissioning liabilities being the most significant change and the main reason for the values shown. Further information on nuclear decommissioning is at Note 12.

4. Expenditure

4.1 Staff costs

	2023-24		2022-23	
	Core Department & Agencies £M	Departmental Group £M	Core Department & Agencies £M	Departmental Group £M
Staff costs comprise ¹ :				
Salaries and wages	9,973.8	10,465.9	9,345.5	9,697.0
Social security costs	939.1	993.3	900.7	951.5
Pension costs	4,847.1	4,902.5	4,603.4	4,652.1
Total	15,760.0	16,361.7	14,849.6	15,300.6
Paid to:				
Armed Forces	12,084.8	12,084.8	11,580.6	11,580.6
Civilian	3,675.2	4,276.9	3,269.0	3,720.0
Total	15,760.0	16,361.7	14,849.6	15,300.6

1. Information on staff numbers, exit packages and other relevant disclosures (including relating to Ministers) is included in the Remuneration and Staff Report in the Accountability Report.

4.2 Purchase of goods and services

	2023-24		2022-23	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Equipment management:				
Equipment support	6,445.4	5,876.1	6,179.7	5,730.4
Contractor logistic and operational equipment support contracts	908.6	919.4	1,074.4	1,074.4
Plant and equipment under Service Concession Arrangements	311.9	311.9	388.9	388.9
Estate management:				
Property management	1,994.8	2,170.1	1,611.0	1,888.5
Property management under Service Concession Arrangements	729.1	729.1	693.5	693.5
Utilities	510.0	560.8	455.0	455.0
Accommodation charges	303.1	303.1	280.0	280.0
Inventory:				
Inventory consumption	1,066.0	1,071.4	1,183.4	1,183.4
Fuel consumption	445.3	445.3	346.3	346.3
Information Technology and communications:				
IT and telecommunications	1,985.2	2,016.6	1,831.8	1,831.8
IT and telecommunications under Service Concession Arrangements	79.1	79.1	183.1	183.1
Transport and Travel:				
Cost of travel, subsistence, relocation, and movement of stores and equipment	943.6	949.0	863.5	863.5
Transport under Service Concession Arrangements	0.2	0.2	40.2	40.2
Other costs:				
Research and development	2,281.0	2,161.8	1,701.6	1,596.2
Professional fees	1,527.8	1,532.3	1,281.5	1,281.5
Training, safety and welfare	778.1	781.7	645.1	645.1
Total	20,309.2	19,907.9	18,759.0	18,481.8

4.3 Depreciation, amortisation, impairment, write-(ons)/offs and disposals

	2023-24		2022-23	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Depreciation of property, plant and equipment	6,261.4	6,274.1	5,726.0	5,737.8
Depreciation of right-of-use assets	466.2	469.5	419.3	423.1
Amortisation of intangible assets	1,404.6	1,405.0	1,379.4	1,379.7
Impairments – intangible assets, property, plant and equipment, right-of-use assets and assets held for sale	908.9	908.9	479.8	479.8
Impairment reversals – intangible assets, property, plant and equipment, right-of-use assets and assets held for sale	(616.1)	(616.1)	(485.5)	(485.5)
Adjustments to inventory, capital projects, and bad debts ¹	(429.8)	(429.8)	(1,005.1)	(1,005.1)
Non-cash cost of disposal of property, plant and equipment and intangible assets	392.1	392.1	112.9	112.9
Net movement in intangible, property, plant and equipment, and right-of-use assets – written-on and written-off	734.8	771.0	1,438.6	1,439.1
Total	9,122.1	9,174.7	8,065.4	8,081.8

1. Further details of inventory adjustments are at Note 8.3.

4.4 Provision expense

	2023-24		2022-23	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Increase or (decrease) in:				
Nuclear and non-nuclear decommissioning provisions ¹	373.5	373.5	2,107.0	2,107.0
Other provisions	397.9	397.9	203.6	203.6
Total	771.4	771.4	2,310.6	2,310.6

1. The increase/(decrease) in nuclear provisions does not include all movements on capitalised provisions; some pass through Other Comprehensive Expenditure. More information on nuclear provisions can be found at Note 12.

4.5 Other expenditure

	2023-24		2022-23	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Other costs – including recruitment, insurance, public relations, funeral expenses, and cadet forces pay	648.3	763.1	570.3	759.4
Grants-in-Aid and Grants-in-Kind (including to bodies within the accounting boundary) ¹	1,201.9	988.7	1,703.1	1,489.6
Other grants to bodies within the accounting boundary	19.2	–	15.9	–
Auditors' remuneration (for audit work only) – notional (non-cash) cost in respect of the Core Department and Agencies	3.2	3.2	3.2	3.2
Auditors' remuneration (for audit work only) – in respect of Arm's Length Bodies	–	0.8	–	0.8
Total	1,872.6	1,755.8	2,292.5	2,253.0

1. Grant-in-Kind includes support to Ukraine. Further information regarding this support is shown in the Performance Report.

4.6 Finance expense

	2023-24		2022-23	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Interest payable including bank interest, and interest on lease contracts, PFI contracts, loans and commercial debt	612.6	613.0	462.8	463.4
Notional interest on the unwinding of discounted provisions, receivables and payables	409.0	409.0	256.5	256.5
Movement on derivatives (forward purchase foreign exchange rate contracts and fuel swaps) and foreign currency losses	248.0	248.0	257.4	257.4
Total	1,269.6	1,270.0	976.7	977.3

5. Consolidated Departmental Group – Intangible Assets

Intangible assets include development expenditure in respect of non-current assets in use and assets under construction (AUC).

	Single Use Military Equipment £M	Transport £M	AUC £M	Others £M	Total £M
Cost or Valuation					
Balance at 1 April 2022	26,217.4	7,110.3	13,927.9	2,421.1	49,676.7
Additions ¹	–	–	2,373.7	22.8	2,396.5
Write-ons/(offs)	(662.5)	(23.3)	(14.4)	(242.7)	(942.9)
Impairments ²	–	–	(3.9)	(4.2)	(8.1)
Impairment reversals ²	85.4	38.8	–	6.6	130.8
Revaluations ³	2,481.5	496.6	(0.7)	172.4	3,149.8
Reclassifications ⁴	214.8	72.3	(343.1)	307.2	251.2
Balance at 31 March 2023	28,336.6	7,694.7	15,939.5	2,683.2	54,654.0
Additions ¹	0.5	–	3,025.9	18.8	3,045.2
Write-ons/(offs)	(653.1)	(91.5)	(32.2)	(229.2)	(1,006.0)
Impairments ²	–	–	(2.7)	(7.5)	(10.2)
Impairment reversals ²	2.7	0.8	–	2.7	6.2
Revaluations ³	405.2	34.4	1.5	95.2	536.3
Reclassifications ⁴	610.1	31.0	(712.2)	185.0	113.9
Balance at 31 March 2024	28,702.0	7,669.4	18,219.8	2,748.2	57,339.4
Amortisation					
Balance at 1 April 2022	(12,948.6)	(4,057.6)	–	(1,664.8)	(18,671.0)
Charged in Year	(929.9)	(231.0)	–	(218.8)	(1,379.7)
Write-(ons)/offs	662.4	23.1	–	240.9	926.4
Impairments ²	–	–	–	0.2	0.2
Impairment reversals ²	(42.0)	(25.2)	–	(0.7)	(67.9)
Revaluations ³	(1,226.2)	(294.1)	–	(118.6)	(1,638.9)
Reclassifications ⁴	–	–	–	–	–
Balance at 31 March 2023	(14,484.3)	(4,584.8)	–	(1,761.8)	(20,830.9)
Charged in Year	(960.6)	(194.1)	–	(250.3)	(1,405.0)
Write-(ons) /offs	624.0	91.2	–	228.1	943.3
Impairments ²	0.3	–	–	3.1	3.4
Impairment reversals ²	(2.2)	(0.8)	–	(1.3)	(4.3)
Revaluations ³	(189.5)	(17.7)	–	(51.5)	(258.7)
Reclassifications ⁴	6.2	–	–	(6.2)	–
Balance at 31 March 2024	(15,006.1)	(4,706.2)	–	(1,839.9)	(21,552.2)
Net Book Value					
Balance at 1 April 2022	13,268.8	3,052.7	13,927.9	756.3	31,005.7
Balance at 31 March 2023	13,852.3	3,109.9	15,939.5	921.4	33,823.1
Balance at 31 March 2024	13,695.9	2,963.2	18,219.8	908.3	35,787.2
Of the total					
Core Department and Agencies	13,695.9	2,963.2	18,219.8	907.6	35,786.5
Arm's Length Bodies	–	–	–	0.7	0.7
Total	13,695.9	2,963.2	18,219.8	908.3	35,787.2

1. Additions include accruals of £1,360.4 million (2022-23: £1,114.5 million). Information on Frascati compliant R&D expenditure can be found on the website: <https://www.gov.uk/government/organisations/ministry-of-defence/about/statistics>

2. Capitalised development costs directly linked to a class of asset are only impaired if the whole class of the associated non-current asset is impaired e.g. when a whole class of asset is withdrawn from service. Reversals of prior year impairments are shown separately. The net impact of impairments and impairment reversals has been taken to the SoCNE.

3. Revaluations include changes due to Modified Historic Cost Accounting through indexation. For AUC the price inflation embedded within contracts provides for a reasonable estimate of value and therefore the additional annual application of indexation is not required for this category of asset. To ensure accurate values for AUC, MOD conducts annual reviews on its AUC and on its reclassification to assets in use.

4. Reclassifications include assets classified from property, plant and equipment of £107.4 million (2022-23: from property, plant and equipment of £250.5 million).

5.1 Movement in the revaluation reserve relating to intangible assets

	2023-24	2022-23
	£M	£M
Balance at 1 April	3,413.4	2,150.8
Revaluation	277.6	1,510.9
Realised reserve transferred to the General Fund	(322.9)	(248.3)
Balance at 31 March	3,368.1	3,413.4

5.2 Intangible assets with a net book value greater than £500 million

Development costs and other intangible assets associated with the following platforms and equipment: ¹	Net Book Value 31 March 2023 £M	Remaining Useful Economic Life (to the nearest year)
Typhoon	4,732.0	17 years
Lightning II	1,610.5	46 years
Merlin Helicopter	1,191.9	17 years
Type 45 destroyer	1,073.0	16 years
AJAX armoured vehicles	859.6	Under Construction
Type 26 global combat ship	828.4	Under Construction
Airbus A400M Atlas	763.5	27 years
SPEAR 3 air-to-surface missile	729.7	Under Construction
Typhoon Radar Mk2	649.9	Under Construction
Lynx Wildcat helicopter	599.7	22 years
Protector -remotely piloted aircraft	533.2	Under Construction
Development costs and other intangible assets associated with the following platforms and equipment: ¹	Net Book Value 31 March 2024 £M	Remaining Useful Economic Life (to the nearest year)
Typhoon	4,599.1	16 years
Lightning II	1,612.3	45 years
Merlin Helicopter	1,119.4	16 years
Type 45 destroyer	1,078.7	15 years
AJAX armoured vehicles	887.4	Under Construction
SPEAR 3 air-to-surface missile	868.1	Under Construction
Typhoon Radar Mk2	879.4	Under Construction
Type 26 global combat ship	827.9	Under Construction
Airbus A400M Atlas	797.4	27 years
Lynx Wildcat helicopter	601.0	21 years
Protector – remotely piloted aircraft	588.1	Under Construction
SPEARFISH	575.0	25 years
E-7 Wedgetail Early Warning & Control Capability Aircraft	541.3	Under Construction

1. In the interests of national security, details of other platforms with intangible assets valued in excess of £500 million (net book value) are not disclosed.

6. Consolidated Departmental Group – Property, Plant and Equipment

	Land Dwellings £M	Land Other Buildings £M	Dwellings £M	Other Buildings £M	Single Use Military Equipment (SUME) £M	Plant and Machinery £M	Transport £M	IT and Communications Equipment £M	AUC (SUME) £M	AUC (Other) £M	Total £M
Cost or Valuation											
Balance at 1 April 2022	895.9	7,581.9	13,183.7	39,565.9	89,815.9	4,423.2	18,423.1	4,664.8	22,700.0	8,864.1	210,118.5
Additions ¹	3.6	0.1	202.2	12.3	711.9	889.2	27.1	51.0	6,562.9	3,640.8	12,101.1
Write-ons/(offs)	5.3	(25.3)	(42.2)	(60.0)	(2,540.5)	(1,020.2)	(995.6)	(188.9)	(82.9)	(96.4)	(5,046.7)
Impairments ²	(4.3)	–	(92.1)	(302.1)	–	(3.5)	–	(9.7)	(90.1)	(8.6)	(510.4)
Impairment reversals ²	4.6	62.7	27.0	194.8	328.9	27.8	132.2	14.6	–	–	792.6
Reclassifications ³	(32.0)	41.2	129.3	676.8	2,028.3	164.2	260.4	10.9	(1,616.4)	(1,707.6)	(44.9)
Revaluations ⁴	93.7	303.3	330.7	2,851.8	4,276.3	433.7	1,222.7	249.5	19.8	10.5	9,792.0
Balance at 31 March 2023	966.8	7,963.9	13,738.6	42,939.5	94,620.8	4,914.4	19,069.9	4,792.2	27,493.3	10,702.8	227,202.2
Additions ¹	–	–	63.8	10.1	502.3	73.4	5.9	92.2	6,545.3	5,148.0	12,441.0
Write-ons/(offs)	9.1	(4.8)	23.1	(557.6)	(3,413.0)	(175.1)	(186.7)	(233.6)	(371.9)	(184.9)	(5,095.4)
Impairments ²	(10.4)	(28.6)	(118.9)	(630.8)	(219.5)	(1.0)	(15.7)	(7.0)	–	(10.4)	(1,042.3)
Impairment reversals ²	3.7	10.8	95.4	202.2	303.9	4.4	3.0	11.1	2.7	–	637.2
Reclassifications ³	63.0	(169.7)	(1.8)	434.1	3,227.5	242.1	155.5	349.1	(4,015.3)	(1,568.6)	(1,284.1)
Revaluations ⁴	(1.2)	(122.3)	591.2	3,305.8	2,085.0	253.8	81.2	128.2	(84.9)	(2.8)	6,234.0
Balance at 31 March 2024	1,031.0	7,649.3	14,391.4	45,703.3	97,107.0	5,312.0	19,113.1	5,132.2	29,569.2	14,084.1	239,092.6
Depreciation											
Balance at 1 April 2022	(120.3)	(2.3)	(6,235.1)	(23,071.6)	(45,840.9)	(2,257.0)	(9,125.0)	(3,208.1)	–	–	(89,860.3)
Charged in Year	(13.1)	(0.4)	(289.1)	(923.9)	(3,092.0)	(197.4)	(910.7)	(311.2)	–	–	(5,737.8)
Write-ons/(offs)	(3.3)	–	8.9	67.3	2,397.5	198.3	933.0	178.7	–	–	3,780.4
Impairments ²	–	–	46.2	50.7	–	0.3	2.1	4.0	–	–	103.3
Impairment reversals ²	–	–	(4.5)	–	(263.0)	(26.1)	(107.1)	(9.6)	–	–	(410.3)
Reclassifications ³	–	–	44.2	69.6	(393.0)	(10.3)	63.7	2.6	–	–	(223.2)
Revaluations ⁴	(54.0)	–	(152.4)	(1,887.7)	(2,552.9)	(245.2)	(614.1)	(183.1)	–	–	(5,689.4)
Balance at 31 March 2023	(190.7)	(2.7)	(6,581.8)	(25,695.6)	(49,744.3)	(2,537.4)	(9,758.1)	(3,526.7)	–	–	(98,037.3)
Charged in Year	(13.1)	(0.3)	(280.4)	(960.8)	(3,605.6)	(230.3)	(795.5)	(388.1)	–	–	(6,274.1)
Write-ons/(offs)	–	0.3	28.8	708.7	3,243.6	152.2	178.7	230.1	–	–	4,542.4
Impairments ²	–	–	79.2	181.5	25.4	0.2	7.4	2.0	–	–	295.7
Impairment reversals ²	–	–	(15.5)	(59.0)	(11.4)	(3.4)	(2.7)	(8.0)	–	–	(100.0)
Reclassifications ³	–	–	19.8	156.0	258.7	(11.9)	170.6	(24.1)	–	–	569.1
Revaluations ⁴	(12.7)	–	(392.5)	(2,300.1)	(772.2)	(129.4)	(30.3)	(87.0)	–	–	(3,724.2)
Balance at 31 March 2024	(216.5)	(2.7)	(7,142.4)	(27,969.3)	(50,605.8)	(2,760.0)	(10,229.9)	(3,801.8)	–	–	(102,728.4)

	Land Dwellings £M	Land Other Buildings £M	Dwellings £M	Other Buildings £M	Single Use Military Equipment (SUME) £M	Plant and Machinery £M	Transport £M	IT and Communications Equipment £M	AUC (SUME) £M	AUC (Other) £M	Total £M
Net Book Value											
Balance at 1 April 2022	775.6	7,579.6	6,948.6	16,494.3	43,975.0	2,166.2	9,298.1	1,456.7	22,700.0	8,864.1	120,258.2
Balance at 31 March 2023	776.1	7,961.2	7,156.8	17,243.9	44,876.5	2,377.0	9,311.8	1,265.5	27,493.3	10,702.8	129,164.9
Balance at 31 March 2024⁵	814.5	7,646.6	7,249.0	17,734.0	46,501.2	2,552.0	8,883.2	1,330.4	29,569.2	14,084.1	136,364.2

- Additions include accruals of £4,132 million (2022-23: £3,156 million).
- Assets are impaired for a variety of reasons e.g. loss, damage, obsolescence, abandonment of AUC, and as part of the disposal process and have been charged or credited (impairment reversals) to operating costs.
- Reclassifications do not net to zero because they include assets reclassified in and out of PPE. In 2023-24 these movements include reclassifications: to inventory of £155.4 million, to intangible assets of £107.4 million, to assets held for sale of £237.9 million and to right-of-use assets of £134.1 million. In 2022-23 these movements included reclassifications: to inventory of £160.5 million, to intangible assets of £250.5 million, to assets held for sale of £55.0 million, for Grant-in-Kind of £209.5 million and to receivables of £81.5 million.
- Revaluations include changes due to indexation. For AUC the price inflation embedded within contracts provides for a reasonable estimate of value therefore the additional annual application of indexation is not required for this category of asset. MOD conducts reviews, including impairment reviews, at least annually on its AUC and on reclassification of AUC to assets in use.
- Property, plant and equipment as at 31 March 2024 include capitalised provisions (net cost) of £1,600 million (31 March 2023: £1,754 million).

	Land Dwellings £M	Land Other Buildings £M	Dwellings £M	Other Buildings £M	Single Use Military Equipment (SUME) £M	Plant and Machinery £M	Transport £M	IT and Communications Equipment £M	AUC (SUME) £M	AUC (Other) £M	Total £M
Asset Financing											
Owned	748.4	7,544.0	6,254.3	16,277.6	46,501.2	2,307.0	7,380.7	1,258.1	29,569.2	14,084.1	131,924.6
Service Concession Arrangements	66.1	102.6	994.7	1,456.4	–	245.0	1,502.5	72.3	–	–	4,439.6
Balance at 31 March 2024	814.5	7,646.6	7,249.0	17,734.0	46,501.2	2,552.0	8,883.2	1,330.4	29,569.2	14,084.1	136,364.2
Of the total											
Core Department and Agencies	797.4	7,580.0	7,173.8	17,536.8	46,501.2	2,289.2	8,870.2	1,329.5	29,569.2	14,067.4	135,714.7
Arm's Length Bodies	17.1	66.6	75.2	197.2	–	262.8	13.0	0.9	–	16.7	649.5
Total	814.5	7,646.6	7,249.0	17,734.0	46,501.2	2,552.0	8,883.2	1,330.4	29,569.2	14,084.1	136,364.2

6.1 Land and Buildings, except for AUC, are subject to Quinquennial Revaluation (QQR). 2023-24 represents the first year of a new 5-year QQR cycle (QQR6) in which approximately 20% of the estate will be valued each year, including review of new / refurbished assets where a valuation is required, and not due during that year.

6.2 Valuations for the UK estate were performed by the Valuation Office Agency (VOA). The overseas estate was valued in-house by Defence Infrastructure Organisation (DIO) personnel and reviewed by VOA. All valuations are carried out by Royal Institution of Chartered Surveyors (RICS) qualified surveyors in accordance with RICS Valuation – Global Standards. Non-specialist properties are valued at fair value, interpreted as market value for existing use; specialist properties, for which there is no external market, are valued at depreciated replacement cost.

6.3 Further information on the methods of valuation, including the valuation of plant and equipment, can be found at Note 1 – Accounting Policies.

6.4 Assets held by the Department for disposal are excluded from valuation; defined as those assets which have been formally transferred to DIO for disposal and those identified for disposal within 2 years of a relevant Valuation Date. If disposal does not occur within the 2-year period, the Department may elect to include the asset in the valuation programme for the following year. Assets are also excluded from valuation where their value (at depreciated replacement cost or equivalent use value) falls below the Department's £50,000 threshold, however, they are indexed at year-end in line with applicable indexation policy.

6.5 Data from the 2023-24 QQR resulted in a £101.1 million decrease in the value of Land and a £580.1 million increase in the value of Buildings at Net Book Value. Valuations received during the year were dated 1 November 2023 and were applied retrospectively from 1 April 2023; depreciation charged to the SoCNE includes the in-year catch-up depreciation from 1 April 2023.

6.6 The net charge to the SoCNE in respect of impairments arising from the movement in values against Land and Buildings assets is a £404.5 million impairment loss. This is made up of: Land, £15.1 million net impairment loss; Buildings, £389.4 million net impairment loss. The figures include all Land and Building assets professionally valued during 2023-24, including donated, service concession and leased assets.

7. Financial Instruments and Investments

7.1 The cash requirements of the Department are met mainly through the Supply funding process. Financial instruments therefore play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. Most financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

7.2 The Department is subject to some exchange rate risk and enters into forward purchase contracts for euros and US dollars to mitigate against the risk that cash inflows and outflows will be affected by changes in exchange rates. These foreign currency forward contracts are not in hedging relationships.

7.3 The Department is subject to some fuel price risk and has fuel fixed price swap contracts to manage exposure to fluctuations in the market prices of aviation, marine and other fuels. The fuel fixed price swap contracts completed in March 2024. This process is currently under review, to be implemented in 2025, and no further contracts have been placed.

7.4 The net gains and losses from the currency forward purchase contracts and fuel fixed price swap contracts are disclosed in the SoCNE as either Finance Income or Finance Expense.

7.5 The total financial assets held by the Departmental Group is £4,609.2 million (31 March 2023: £3,822.3 million). The Departmental Group's financial liabilities total £14,036.3 million (31 March 2023: £13,197.1 million).

7.6 Details of investments and derivative financial instruments classified as financial assets and liabilities in the SoFP are set out below:

	31 March 2024		31 March 2023	
	Core Department & Agencies £M	Departmental Group £M	Core Department & Agencies £M	Departmental Group £M
Financial Assets				
Non-current – investments				
Sheffield Forgemasters International Limited (SFIL)	227.6	227.6	104.3	104.3
UK Hydrographic Office	13.3	13.3	13.3	13.3
NATO Innovation Fund	8.6	8.6	4.5	4.5
Ploughshare Innovations Limited	1.4	1.4	1.6	1.6
Other investments	0.1	0.1	0.1	0.1
Total	251.0	251.0	123.8	123.8
Current – investments and derivative financial assets				
Foreign currency forward purchase contracts	71.7	71.7	220.4	220.4
Fuel fixed swap contracts	1.2	1.2	38.9	38.9
Deposits and other investments held by Arm's Length Bodies	–	54.7	–	47.2
Total	72.9	127.6	259.3	306.5
Derivative financial liabilities				
Current				
Foreign currency forward purchase contracts	162.5	162.5	105.4	105.4
Total	162.5	162.5	105.4	105.4

7.7 Ownership of Investments

Investments held by the Core Department and Agencies are:

Organisation	Details of investments
Sheffield Forgemasters International Limited (SFIL)	Wholly owned by MOD
UK Hydrographic Office	100% of the Public Dividend Capital owned by MOD
Ploughshare Innovations Limited	Wholly owned by MOD
International Military Services Limited ¹	Wholly owned by MOD
Defence Infrastructure Holdings Limited	Wholly owned by MOD
AWE plc	Wholly owned by MOD

1. International Military Services Limited (IMS) will be liquidated following the settlement of any remaining liability; work is underway to dissolve the company. The latest assessment of IMS assets and liabilities are reflected in the consolidated accounts, and subsequent liquidation is not considered material to these Accounts.

Investments held by Arm's Length Bodies are a mixture of government and fixed interest securities, bonds, equities and portfolio funds.

7.8 Special Shares confer on the Secretary of State for Defence special rights protecting defence interests in the companies concerned. The Special Share rights are varied and concern issues such as ownership, influence and control, and the officers of the Company voting rights are available only in limited circumstances. The Special Shares are described in the Articles of Association of the companies in which the shares are held. Further detailed information can be obtained from the companies' respective annual reports and accounts. As at 31 March 2024 the Department held a Preferential Special Share valued at £1 in each of the following companies:

Company	Registration Number
Devonport Royal Dockyard Limited	02077752
Rosyth Royal Dockyard Limited	SC101959
QinetiQ Group plc	04586941
QinetiQ Holdings Limited	04154556
QinetiQ Limited	03796233
BAE Systems Marine (Holdings) Limited	01957765
Exolum Pipeline System Ltd	09497223

7.9 As at 31 March 2024, 7.5% non-cumulative irredeemable preference shares at £1 each were held in the following companies:

Company	Registration Number	Number of shares
The Chamber of Shipping Limited	02107383	688
The British Shipping Federation Limited	02107375	55,040

The shares were valued at 1p each reflecting the value at which they would be recovered by the two companies should membership by the Department be ceded, as laid down in the Articles of Association of the respective companies.

8. Departmental Group – Inventories

8.1 To conduct its activities across the world, on operations and standing commitments, the armed forces require a wide range of supplies and spares for immediate and potential use. A large part of these supplies and spares are recorded on the inventory accounting systems. Items accounted for include Guided Weapons, Missiles and Bombs (GWMB) and significant equipment spares (e.g. engines) some of which are reported in the accounts at Note 6 – Property Plant and Equipment (as part of the Single Use Military Equipment figures). Also recorded on the inventory systems are Raw Materials and Consumables (RMC), details of which are at Note 8.3. Raw materials are purchased for conversion and incorporation into Property, Plant and Equipment assets. Consumables are not repairable and consist of items such as ammunition, fuel and support items.

8.2 The approximate total gross value of all the different items is £30.6 billion, of which £25.1 billion is included in Note 6 and £5.5 billion in inventory (31 March 2023: £30.4 billion with £25.5 billion in Note 6 and £4.9 billion in inventory).

8.3 After adjusting for depreciation and other costs to reflect net realisable value (e.g. when items become surplus, unserviceable, defective, obsolescent or when values increase e.g. as a result of reviews of the useful life of munitions or inventory write-ons) the value of all the categories is £12.1 billion, of which £7.5 billion is included in Note 6 and £4.6 billion in the following table (31 March 2023: £11.8 billion with £7.7 billion in Note 6 and £4.1 billion in the table).

	31 March 2024	31 March 2023
	£M	£M
Munitions	1,368.4	1,021.6
Clothing & textiles	199.6	180.3
Engineering & technical	2,485.5	2,367.2
General	163.1	150.8
Medical, dental & veterinary	58.2	69.5
Oil, fuel & lubricants	364.4	351.9
Work in progress	0.3	–
Total Core Department and Agencies	4,639.5	4,141.3
Inventory held by ALBs	1.6	8.1
Total Departmental Group	4,641.1	4,149.4

8.4 Where the Department has a Memorandum of Understanding with another country, inventory (including major components such as gas turbines and other supporting inventory) belonging to and held on behalf of that country is included in MOD's inventory systems. The assets may physically be at the contractors' premises, in stores or both. The value of these items is not included in the figures in Note 8.3.

9. Trade Receivables and Other Assets

	31 March 2024		31 March 2023	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Amounts falling due within one year:				
Trade receivables	539.2	539.2	532.6	532.6
Value Added Tax	787.1	787.1	717.8	717.8
Other receivables	755.7	698.4	749.0	645.8
Prepayments and accrued income ¹	1,409.6	1,582.6	1,211.9	1,349.0
Service Concession Arrangement prepayment	2.7	2.7	1.1	1.1
Subtotal	3,494.3	3,610.0	3,212.4	3,246.3
Amounts falling due after one year:				
Trade receivables	61.0	61.0	48.2	48.2
Other receivables	109.8	186.0	200.4	276.2
Prepayments and accrued income ¹	772.7	772.7	661.6	661.6
Subtotal	943.5	1,019.7	910.2	986.0
Total Receivables	4,437.8	4,629.7	4,122.6	4,232.3

1. The Department deposits cash in accounts with foreign governments due to contractual requirements to trade with defence contractors through Foreign Military Sales; these amounts have been included as prepayments.

10. Cash and Cash Equivalents

	2023-24		2022-23	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Balance at 1 April	1,045.1	1,347.6	974.9	1,243.6
Net change in cash and cash equivalents	950.1	901.5	70.2	104.0
Balance at 31 March	1,995.2	2,249.1	1,045.1	1,347.6

10.1 The commercial banks and cash in hand figure at 31 March 2024 includes £799.3 million (31 March 2023: £652.9 million) advanced by foreign governments on various collaborative projects where the United Kingdom is the host nation. Advances made by foreign governments for the procurement

of defence equipment on their behalf are also included in this amount. The cash balance also contains £459.0 million representing the international partners' contributions in support to the Ukraine. The corresponding liability for these advances is shown under payables due within one year.

	31 March 2024		31 March 2023	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
The following balances were held at:				
Government Banking Service	896.8	1,026.3	121.2	258.1
Commercial banks and cash in hand	1,098.4	1,222.8	923.9	1,089.5
Totals	1,995.2	2,249.1	1,045.1	1,347.6

11. Trade Payables and Other Liabilities

	31 March 2024		31 March 2023	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Amounts falling due within one year:				
VAT	63.0	63.0	77.5	77.5
Other taxation and social security	259.5	259.5	238.6	238.6
Trade payables	796.7	765.7	925.8	901.4
Other payables ¹	2,246.9	2,344.0	1,183.1	1,299.5
Accruals and deferred income	11,016.5	11,238.5	10,975.3	11,126.1
Lease liabilities	386.1	389.4	354.0	357.0
Imputed lease element of Service Concession Arrangements	260.1	260.1	236.9	236.9
National Loans Fund loans ²	2.5	2.5	2.5	2.5
Supply payable ³	429.6	429.6	392.2	392.2
Subtotal	15,460.9	15,752.3	14,385.9	14,631.7
Amounts falling due after one year:				
Other payables	17.1	26.0	21.6	76.9
Accruals and deferred income	8.6	10.1	6.3	23.6
Lease liabilities	5,730.3	5,772.2	5,731.0	5,780.7
Imputed lease element of Service Concession Arrangements	3,376.7	3,376.7	2,996.0	2,996.0
National Loans Fund loans ²	4.5	4.5	7.2	7.2
Subtotal	9,137.2	9,189.5	8,762.1	8,884.4
Total Payables	24,598.1	24,941.8	23,148.0	23,516.1

- 1 Other payables for the Group includes: amounts advanced by foreign governments in respect of various collaborative projects where the United Kingdom is the host nation of £799.3 million (2022-23: £652.9 million), plus £459.0 million representing the international partners' contributions in support to the Ukraine.
- 2 Under the Armed Forces (Housing Loans) Acts 1949, 1958 and 1965, £94 million was borrowed from the National Loans Fund for the construction of families accommodation over the period 1950-51 to 1967-68. These loans are fully repayable between 2012 and 2028, with the last instalment due on 20 February 2028. Interest on the loans is payable at rates ranging from 4% to 7% per annum.
- 3 Amounts received from the Consolidated Fund for Supply but not spent as at 31 March.

12. Provisions for Liabilities and Charges

12.1. Departmental Group – Provisions for Liabilities and Charges

	Decommissioning		Early Retirement	Legal	Other ¹	Total ²
	Nuclear	Other				
	£M	£M	£M	£M	£M	£M
Balance at 1 April 2022	24,985.8	–	58.1	713.2	129.2	25,886.3
Increase in provisions in-year	3,099.2	27.1	13.8	205.8	8.7	3,354.6
Provisions written back and reclassifications	(1,016.9)	(20.7)	(0.1)	(8.7)	(9.8)	(1,056.2)
Provisions utilised in-year	(190.4)	0.3	(5.9)	(164.3)	(6.3)	(366.6)
Unwinding of, and changes in, discount rates	(15,700.7)	–	(1.8)	78.4	(7.0)	(15,631.1)
Capitalised provisions	142.3	13.4	–	–	0.5	156.2
Balance at 31 March 2023	11,319.3	20.1	64.1	824.4	115.3	12,343.2
Increase in provisions in-year	1,136.0	–	3.7	418.9	6.3	1,564.9
Provisions written back and reclassifications	(462.1)	(0.2)	(7.0)	(3.6)	(12.9)	(485.8)
Provisions utilised in-year	(237.0)	–	(3.7)	(195.8)	(7.0)	(443.5)
Unwinding of, and changes in, discount rates	(3,143.3)	(0.9)	1.2	40.1	(5.1)	(3,108.0)
Capitalised provisions	438.4	0.1	–	–	–	438.5
Balance at 31 March 2024	9,051.3	19.1	58.3	1,084.0	96.6	10,309.3

1. Other includes £70.9 million (2022-23: £85.5 million) for future payments under the Enhanced Learning Credit Scheme which helps qualifying Service Personnel or Service Leavers with the cost of learning.
2. Movements in provisions pass through provision expense (see Note 4.4) and finance income/expense (see Note 4.6 and Note 3.2) or, for some changes in capitalised decommissioning liabilities, through Other Comprehensive Expenditure.

12.2 Analysis of Expected Timing of Discounted Cash Flows

	Decommissioning		Early Retirement	Legal and Other	Total
	Nuclear	Other			
	£M	£M	£M	£M	£M
Due within 1 year	321.2	–	14.3	223.7	559.2
Due over 1 year and less than 5 years	1,346.7	2.5	23.4	654.8	2,027.4
Due over 5 years	9,324.9	17.6	26.4	61.2	9,430.1
Assets held solely for decommissioning	326.5	–	–	–	326.5
Balance at 31 March 2023	11,319.3	20.1	64.1	939.7	12,343.2
Due within 1 year	470.3	–	5.9	216.0	692.2
Due over 1 year and less than 5 years	1,559.6	7.0	17.4	844.3	2,428.3
Due over 5 years	7,021.4	12.1	35.0	120.3	7,188.8
Balance at 31 March 2024	9,051.3	19.1	58.3	1,180.6	10,309.3

Nuclear Decommissioning

Critical accounting judgements and key sources of estimation uncertainty

12.3 Provisions have been made for the cost of the treatment, storage and disposal of the nuclear materials, irradiated fuel and radioactive waste arising from the Defence Nuclear Programme as well as for the decommissioning of sites, facilities and 32 out of service and operational submarines for which the MOD is ultimately responsible.

12.4 The totality of nuclear provisions addresses a programme of work which is currently expected to extend over the next 114 years for the MOD's existing obligations. In estimating the value of the provision required to settle the Department's obligations, there remains a significant degree of inherent uncertainty in the future cost estimates and the assumptions that underpin them. Should outcomes differ from assumptions in any of the following areas this may result in material movements in the value of the nuclear decommissioning provisions and related assets and liabilities:

- The phasing of decommissioning activities, including the construction and availability of supporting infrastructure. The programme of work currently extends well into the next century;
- Interdependencies between programmes of work. For example, a Geological Disposal Facility (GDF) is assumed to be the end point for MOD's higher activity waste. The GDF is managed by the Nuclear Decommissioning Authority (NDA) through Nuclear Waste Services on behalf of the UK, and therefore sits outside of MOD control. If the assumptions underpinning a GDF were to change, for example the date it can start to take waste, this would have a direct impact on the provisions held by the Department;
- Uncertainty over future Government policy positions and potential regulatory changes;
- Possible technological advances which could impact the work to be undertaken to decommission and clean up the sites.

12.5 The discounted nuclear provision at the end of 2022-23 was £11,319.3 million. Since then, the movements have been:

- Changes in accounting estimates £1,112.3 million, primarily driven by updated cashflow and inflationary assumptions;
- Effect of unwinding and changes to existing discount rates applied to the provision every year £3,143.3 million; and
- Utilisation, being the decommissioning costs incurred during the period, of £237.0 million.

These movements bring the 2023-24 MOD estimate for nuclear decommissioning at the reporting date to £9,051.3 million discounted.

Economic Assumptions

12.6 The provisions are formed of future estimated costings which are subject to inflation and discounted in accordance with rates issued by HM Treasury. This discount rate is a key assumption that impacts the value of the nuclear decommissioning provisions. The provisions balance expressed prior to the impact of discounting is £42,662.1 million at the reporting date of 31 March 2024; the application of discounting decreases the provision to £9,051.3 million at the reporting date.

12.7 From 2018-19 onwards, HM Treasury introduced a very long-term discount rate and changed the methodology for calculating the discount rates to be applied to provisions. Instead of real rates, HM Treasury has issued nominal rates based on the yield curves of Bank of England conventional gilts, as a proxy for a risk-free rate, which does not include an inflationary factor. Recent rates are:

	Short Term (0-5 years)	Medium Term (6-10 years)	Long Term (11-40 years)	Very Long Term (>40 years)	Impact of the change £ Million
2021-22	0.47%	0.70%	0.95%	0.66%	10,194.0
2022-23	3.27%	3.20%	3.51%	3.00%	(15,701)
2023-24	4.26%	4.03%	4.72%	4.40%	(3,143)

12.8 HM Treasury has issued a rebuttable presumption that when inflating provision cash flows the Office of Budget Responsibility (OBR)'s CPI forecasts will be used. These rates are generally deemed the most statistically reliable measure of inflation and are commonly used across the Public Sector. Recent CPI inflation rates are:

	Year 1	Year 2	Year 3+
2021-22	1.20%	1.60%	2.00%
2022-23	4.00%	2.60%	2.00%
2023-24	3.60%	1.80%	2.00%

12.9 The Department has carried out an assessment on whether it meets the criteria set out by HM Treasury to rebut the presumption that OBR CPI rates will be used. Unless there are contractual obligations, or an alternative rate has been recommended by independent experts as being more applicable than CPI, the Department has used the inflation rates listed above. Where the inflation assumption has been rebutted, the inflation rates used in the provisions range from 2.0% to 3.0%.

12.10 Provisions are sensitive to changes in discount rates and inflation:

- Discount rates – a reduction of 0.5% would result in a £1,041.8 million increase in the nuclear decommissioning provisions. Conversely, an increase of 0.5% would result in a £860.2 million decrease in the value.
- Inflation rate – a variation in the OBR CPI of +/-0.25% would result in the value of inflation in the provision changing by £389.4 million for an increase or £364.5 million for a decrease.

12.11 Provisions are also sensitive to movements in underlying programme costs (i.e. specific programme related sensitivities):

- Construction of the GDF – the cost of constructing and operating a repository in the long term which, dependent on the location and construction requirements, range from a reduction of £317.5 million to an increase of £1,270.2 million to the provision value.
- Delay to the availability of the GDF – a delay of 10 years, assuming the emplacement date remains in line with current assumptions, would increase the estimated programme costs by £2.2 million.
- Delay to the emplacement of waste in the GDF – a 10-year delay to the date the GDF becomes available for MOD waste would reduce the estimated GDF programme costs by £27.4 million. The reduction is caused by the impact of HM Treasury discount rates on very long-term costings. A 10-year delay to the emplacement date also increases the estimated storage and maintenance costs for irradiated fuel by £19.6 million and increases the estimated costs for the Submarine Dismantling Programme for the interim storage of waste by £4.5 million. Additionally, AWE costs would increase by £4.7 million and the Special Nuclear Materials provision would increase by £2.7 million.
- Volume of High Heat Generating Waste to be stored in the GDF – a 5% change in the volume of this type of waste would increase the estimated costs for GDF storage by £13.8 million.

- Maintenance and storage of nuclear submarines prior to disposal (see 'Afloat' provisions) – 1% movement in costs after the current contractual period (2025) would change the estimated liability by £27.5 million.
- Construction of nuclear fuel conditioning facility – 1% movement in costs for construction, operation, post operational clean out and decommissioning would change the estimated liability by £8.4 million.
- Submarine Dismantling Programme – 1% movement in costs would change the estimated liability by £8.4 million.

Capitalised Asset Provisions

12.12 Under IAS 16: *Property Plant and Equipment*, decommissioning provisions relating to operational assets are capitalised as part of the cost of that asset. The Department applies the revaluation model approach detailed in IFRIC 1: *Changes in Existing Decommissioning, Restoration and Similar Liabilities* to the capitalised provision asset, consistent with the revaluation model used for Property, Plant and Equipment.

12.13 Under this method, the Department uses the movements in the provision to revalue the respective asset gross value. The Department assessed that the provision provides the best estimate of fair value of the asset in accordance with IFRIC 1: *Changes in Existing Decommissioning, Restoration and Similar Liabilities* and IAS 16: *Property, Plant and Equipment*, as the liability reflects the latest decommissioning assumptions and their associated costs, and the latest estimate of future economic conditions within which the decommissioning activities will take place.

12.14 The value of the capitalised asset provisions included in property, plant and equipment is disclosed in note 6.

Significant Provisions

12.15 Nuclear decommissioning provisions are managed based on distinct activities being undertaken as part of the nuclear submarine and warhead decommissioning

programmes, including supporting infrastructure and its decommissioning where relevant. The significant decommissioning activities are set out in more detail below.

12.16 The 'Afloat' provision £2,749.6 million – 30.4% of the value of the total provision (2022-23: £2,621.7 million, 23.2%)

Once a nuclear submarine leaves service the MOD incurs costs for its maintenance and safe storage prior to disposal. The Afloat provision provides an estimate of these costs which include removal of fuels and an allocation of overhead costs incurred. The provision covers all nuclear submarines up to and including five Astute Class vessels.

12.17 As the provision is primarily driven by fixed costs, the overall length of the programme is a key assumption. The provision is therefore routinely updated to reflect the impact of any changes to the submarine programme (specifically in respect to vessel out of service dates and the knock-on impact these have on the timing of platforms entering the dismantling phase). The Future Maritime Support Programme contract is scheduled to end during 2026 and cash flow estimates have been established using the new contract.

12.18 **The Nuclear Fuel Management provision £1,495.2 million – 16.5% of the total provision (2022-23: £2,144.4 million, 18.9%)** estimates the costs of storing the nuclear fuel removed during the Afloat stage. Since 1968, irradiated fuel from the defueling of submarines has been stored at the Nuclear Decommissioning Authority's Sellafield site. The current policy is to consolidate all the Department's irradiated fuel at Sellafield in the Wet Inlet Facility (WIF). The value of this element of the provision assumes that the costs of storage will continue at a broadly constant level, with a reduction when all material is consolidated in the WIF.

12.19 The Submarine Dismantling Project (SDP) provision £841.0 million – 9.3% of the value of the total provision (2022-23: £980.9 million, 8.7%)

Following the maintenance and storage period, and the removal of irradiated fuel, the submarine moves into the dismantlement programme. The provision for this programme estimates the costs of delivering safe, environmentally responsible and cost-effective dismantling of the UK's nuclear-powered submarines. The Department is yet to fully dismantle any of its nuclear-powered submarines and, as such, the estimates of the time and cost of dismantling are inherently uncertain. The SDP provision cashflows are predicated on the assumption that 5 submarines will undergo initial dismantling in two stages and the remaining submarines will then be dismantled in a single stage; with both the 2 stage and single stage approach taking approximately 18 months for each submarine.

12.20 A demonstrator submarine is being used to define and refine the process, and whilst it and a second submarine have now completed initial dismantling the Department does not expect to have a fully developed process for steady state disposal until 2026. As the demonstrator programme progresses, the outcomes will provide more certainty in the future costings within the SDP provision.

12.21 During 2023-24 the method of disclosing the value of provisions relating to the five Astute class vessels was changed. Previously the costs required to safely decommission these submarines were accounted for as separate provisions. In 2023-24 the costs have, instead, been included in the relevant activity areas e.g. Afloat and SDP. This change in the disclosure of provision costs has no impact on the overall cost of decommissioning but has resulted in transfers from the Astute class vessel provisions to the Afloat and SDP provisions for £251.2 million and £122.8 million, respectively.

12.22 The Atomic Weapons Establishment (AWE) provision £1,428.1 million – 15.8% of the value of the total provision (2022-23: £1,796.4 million – 15.9%)

AWE is responsible for the design, manufacture, and support of warheads for the United Kingdom's strategic nuclear deterrent. The AWE provision estimates the costs of: decommissioning facilities, decontamination and the storage of materials relating to the warhead programme; the largest of which is for the decommissioning of AWE's sites at Aldermaston and Burghfield.

12.23 The AWE provision is based upon the cost of decommissioning current and redundant facilities, and other ancillary activities to support this i.e. waste management activities. The provision does not consider any facilities that have yet to be built or are not contaminated. The provision assumes decommissioning timeframes as set out in the AWE annual liabilities report as agreed by the Office of Nuclear Regulation. AWE provide cost information at Minimum/ Most Likely/Maximum estimate levels which consider programme risk and timescale uncertainty. The Department ordinarily uses the Most Likely estimate level as the basis for investment decisions, as it reflects the risk adjusted Most Likely estimate of programme costs. This rationale has also been applied in the costing of provisions as it reflects the best estimate available on the cost of decommissioning activities. To place this in some context, the Most Likely estimate is £2,292 million (expressed in current economic conditions and excluding management fees), the difference between the Most Likely estimate for AWE and the Minimum estimate is circa –£199 million, and between the Most Likely and Maximum estimate is circa +£530 million.

12.24 The AWE provision currently assumes a GDF is the end point for any higher activity waste.

12.25 The **Special Nuclear Materials Provision £233.9 million – 2.6% of the value of the total provision (2022-23: £357.1 million, 3.2%)** is for the cost of storing materials that are identified as of no further strategic use. The materials are held on an enduring basis unless identified as being consigned to the GDF.

12.26 The provision became less significant in 2022-23 due to the changes in CPI and HMT Discount rates, and changes in the underlying cashflows.

12.27 The provision is estimated using a range of sources including fixed prices in contracts which are extrapolated. The amount of additional material, currently not in long term storage, is estimated using planning assumptions for similar materials and quantities.

12.28 The Special Nuclear Materials provision assumes the GDF is the end point for any higher activity waste.

12.29 **Geological Disposal Facility, £635.1 million – 7.0% of the value of the total provision (2022-23: £1,287.0 million, 11.4%)**

The long-term storage solution for the Department's nuclear waste is the GDF. This provision estimates the MOD's share of the construction and emplacement costs of the facility. One of the key assumptions that underpin several of the individual provisions is the availability of a GDF as an end point for MOD's higher activity waste. The construction of a GDF is managed by the NDA and the value of the Department's nuclear decommissioning provision currently includes a share of the forecast project costs provided by the NDA based on the total inventory to be held within the facility. The current planned date for the facility to receive waste is 2050-51.

Other Decommissioning and Restoration

12.30 Other decommissioning and restoration provisions relate primarily to contaminated sites where the Department has a constructive or a legal obligation to restore the sites for normal use. The estimated payments are discounted using the Treasury discount rates listed at paragraph 12.7.

Early Retirement

12.31 Prior to December 2010, for those employees covered by the Civil Service Compensation Scheme who retired early, the Department met the additional costs of benefits beyond the normal civil service pension scheme benefits by paying the required amounts annually to the pension schemes over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate applicable to such provisions: 2.45% with effect from 31 March 2024 (1.7%⁴⁹ from 31 March 2023). Employees who retire early now do so on a 'clean break' basis, so no provision is required as there are no costs in future years. During 2023-24 increases of £3.3 million were made to existing schemes and early retirement / redundancy costs paid during the period amounted to £3.7 million.

Legal

12.32 Legal liabilities include amounts payable under guarantees, litigation and contractual arrangements; some legal liabilities (where the probability of settlement against the Department is less certain) have been reported as contingent liabilities.

Other

12.33 Other provisions include provisions for costs on disposal of non-current assets and redundancy and relocation costs associated with restructuring.

⁴⁹ The 2022-23 figure has been restated.

13. Retirement Benefit Schemes

13.1 The transactions and balances of the Armed Forces Pension Scheme (AFPS) (including the Gurkha Pension Scheme, the Non-Regular Permanent Staff Pension Scheme, the Reserve Forces Pension Scheme and other minor pension schemes covering locally employed personnel) and the Armed Forces Compensation Scheme are not consolidated in the financial statements. The funding for the benefits provided by these schemes is voted separately by Parliament and accounted for in the AFPS Accounts. The staff costs and other expenses, of ensuring that pension and compensation payments due are made in a timely and accurate manner, as well as the employer contributions, falls to and is included in the Department's accounts. Separate accounts are prepared for the AFPS and can be found on their website⁵⁰.

13.2 The Department's share of the transactions and balances of other unfunded multi-employer defined benefit pension schemes to which employees belong (e.g. under Civil Service Pension (CSP) arrangements, the NHS Superannuation Scheme and the Teachers' Pension Scheme) cannot be separately identified. The schemes are therefore accounted for as defined contribution schemes in accordance with IAS 19. Separate accounts are prepared for the schemes and details can be found on the relevant websites⁵¹.

13.3 Other employees are members of smaller unfunded pension schemes e.g. schemes for Locally Employed Civilians overseas. The liabilities for these schemes are included as 'Retirement benefit scheme liabilities' as part of the non-current liabilities on the Department's SoFP. There are also funded pension schemes within the accounting boundary: the Commonwealth

War Graves Commission Superannuation Scheme, the Council of Reserve Forces and Cadets Associations Pension Scheme and the AWE Pension Scheme; estimates of the 'Retirement benefit scheme net assets and liabilities' of these schemes are included as part of the non-current assets and non-current liabilities on the Group SoFP.

13.4 The Department's three unfunded, defined benefit pension schemes are:

- the British Forces Cyprus (BFC) pension scheme – a pension scheme for locally engaged fire fighters employed by the MOD in Cyprus;
- the Sovereign Bases Administration Areas (SBAA) pension scheme – a pension scheme for locally engaged police and civilian grades in Cyprus; and
- the United Kingdom Departments Gibraltar (UKDG) pension scheme – for locally employed staff in Gibraltar.

13.5 The Government Actuary's Department (GAD) completes a full valuation of each of the three schemes every four years and for the intervening years produces actuarial reports using the full valuations as a basis. Full valuations were completed: for the UKDG as at 31 March 2023 and for BFC and SBAA as at 31 March 2022; the result of each full valuation is reflected in the accounting period following the review. Details of the liabilities and other information used by GAD in their calculations are shown in the following table.

50 <https://www.gov.uk/government/collections/armed-forces-pension-scheme-annual-accounts>

51 https://www.civilservicepensionscheme.org.uk/NHS_Pensions|NHSBSA;
<https://www.gov.uk/government/collections/teachers-pension-scheme>

	British Forces Cyprus (BFC)	Sovereign Bases Administration Areas (SBAA)	United Kingdom Departments Gibraltar (UKDG)	Total
	£M	£M	£M	£M
Balance at 1 April 2022	82.0	207.6	436.1	725.7
Current Service Cost	2.1	5.6	13.2	20.9
Interest Charges	1.3	3.2	6.8	11.3
Changes in assumptions	(31.5)	(84.1)	(175.6)	(291.2)
Benefits Paid	(1.9)	(4.1)	(11.4)	(17.4)
Exchange Rate (gain)/loss	4.6	12.0	–	16.6
Experience (gain)/loss	(10.2)	(23.9)	(7.8)	(41.9)
Balance at 31 March 2023	46.4	116.3	261.3	424.0
Current Service Cost	3.0	4.2	8.8	16.0
Interest Charges	(2.9)	(7.6)	(14.0)	(24.5)
Changes in assumptions	–	–	–	–
Benefits Paid	(2.0)	(3.0)	(13.0)	(18.0)
Exchange Rate (gain)/loss	(1.6)	(4.7)	–	(6.3)
Experience (gain)/loss	(0.3)	0.3	–	–
Balance at 31 March 2024	42.6	105.5	243.1	391.2

13.6 GAD's sensitivity analysis on the key assumptions underlying the valuation of the unfunded schemes' liabilities found the liability to be very sensitive to the assumed discount rate but this is primarily because changing the discount rate in isolation also

changes the rate net of pension increases and earnings. If pension increases and the earnings assumption were increased at the same time, then the impact on the liability would be small. The principal actuarial assumptions as at 31 March are below:

	2023-24	2022-23 ¹
Discount Rate	5.10%	4.15%
Future Salary Increases	3.55%	3.65%
Future Pension Increases	2.55%	2.40%

1. The 2022-23 figures have been updated.

13.7 The numbers of members used in the calculations for each scheme were:

	Number of Members ¹		
	Active	Pensioners	Deferred Pensioners
British Forces Cyprus (BFC) (valuation date: 31 March 2022)	101	56	1
Sovereign Bases Administration Areas (SBAA) (valuation date: 31 March 2022)	261	144	3
United Kingdom Departments Gibraltar (UKDG) (valuation date: 31 March 2022)	449	1,063	226

1. In accordance with the FReM, actuarial valuations of the schemes are carried out every 4 years. The membership data above reflects the information used at the time of these valuations.

13.8 The Group Accounts also include three funded defined benefit schemes. Funding for the schemes is provided by ‘the employers’: the Commonwealth War Graves Commission, the Council of Reserve Forces and Cadets Associations and AWE plc. Funding is in accordance with calculations advised by the schemes’ actuaries and the disclosures assume each organisation has a right to refunds from the scheme for which it is, or was, the employer. The retirement and death benefits provided by the schemes are based on final pensionable pay and length of service and increase in line with inflation. The schemes are:

- the Council of Reserve Forces and Cadets Associations Pension Scheme – the governance of the Scheme is set out in the scheme’s consolidated trust deed and in rules which require the trustees to perform all duties imposed on them by statute or subordinate legislation concerning administration and management of the scheme;
- the Commonwealth War Graves Commission Superannuation Scheme – the assets of the Superannuation Scheme are held separately from those of the Commission and are administered by the Scheme’s trustees. This scheme was closed to future benefit accrual from 31 March 2016; and
- the AWE Pension Scheme – the Scheme is managed, in accordance with its trust deeds, by a separate company, AWE Pension Trustees Limited. The Scheme was closed to future benefit accrual for all members apart from Coughport members on 1 February 2017.

13.9 Details of the assets, liabilities, funding, assumptions, and number of members (set out in the following tables) are reviewed by the schemes’ actuaries. There have been no gains or losses from settlement or curtailment events, e.g. scheme closure, bulk transfers of members or benefit reductions, during the year. Funding for the schemes is not expected to vary significantly in the next financial year compared to the figures in the table below and funding for the schemes has no significant impact on MOD’s cashflow. Contributions to the schemes are set out in schedules of contributions and are liable to change when reviewed as part of the schemes’ full valuations.

	Reserve Forces and Cadets Association Pension Scheme¹	Commonwealth War Graves Commission Superannuation Scheme²	AWE Pension Scheme³	Total
	£M	£M	£M	£M
Scheme Assets				
Balances at 1 April 2022	128.3	93.8	1,991.0	2,213.1
Interest on Scheme Assets	0.9	2.4	53.0	56.3
Benefits and Scheme Expenses Paid	(1.5)	(4.3)	(65.0)	(70.8)
Contribution by Employers	2.5	0.9	2.0	5.4
Other returns on assets and actuarial gain/(loss)	17.8	(19.7)	(700.0)	(701.9)
Asset Balances at 31 March 2023	148.0	73.1	1,281.0	1,502.1
Interest on Scheme Assets	–	3.4	59.0	62.4
Benefits and Scheme Expenses Paid	–	(4.4)	(67.0)	(71.4)
Contribution by Employers	–	0.8	30.0	30.8
Other returns on assets and actuarial gain/(loss)	–	(2.4)	(8.0)	(10.4)
Asset balances at 31 March 2024	148.0	70.5	1,295.0	1,513.5
Scheme Liabilities				
Balances at 1 April 2022	(119.4)	(128.1)	(2,048.0)	(2,295.5)
Current Service Cost	–	–	(4.0)	(4.0)
Interest Cost	–	(3.2)	(55.0)	(58.2)
Benefits and Scheme Expenses Paid	(7.9)	4.3	65.0	61.4
Actuarial gain/(loss)	(3.3)	40.6	512.0	549.3
Liability balances at 31 March 2023	(130.6)	(86.4)	(1,530.0)	(1,747.0)
Current Service Cost	–	–	(4.0)	(4.0)
Interest Cost	–	(4.0)	(70.0)	(74.0)
Benefits and Scheme Expenses Paid	–	4.4	67.0	71.4
Actuarial gain/(loss)	–	(2.8)	33.0	30.2
Liability balances at 31 March 2024	(130.6)	(88.8)	(1,504.0)	(1,723.4)
Net Scheme Assets / (Liabilities) at 31 March 2023	17.4	(13.3)	(249.0)	(244.9)
Net Scheme Assets / (Liabilities) at 31 March 2024	17.4	(18.3)	(209.0)	(209.9)

1. The 2023-24 and 2022-23 valuation of the Reserve Forces and Cadets Association Pension Scheme is as at 1 August 2021.

2. The Commonwealth War Graves Commission Superannuation Scheme valuations are as at 31 March 2024 and as at 31 March 2023.

3. The AWE Pension Scheme valuations are as at 31 March 2024 and as at 31 March 2023.

13.10 The valuation of the schemes' assets is inherently volatile as it depends on market conditions and the market values of assets which change from day to day. As an example, the details of the assets held by the AWE pension scheme were:

Category of Investment	Value as at 31 March 2024 £M	Value as at 31 March 2023 £M
Equities	337	322
Property	118	100
Private Markets	–	77
Infrastructure	48	–
Hedge Funds	293	325
Bonds	360	394
Liability Driven Investments	104	24
Cash & other	35	39
Total	1,295	1,281

The pension liabilities are a calculation of the current value of future benefit payments. These cashflows are due to be paid over a considerable period of time, for example the average duration of the AWE scheme liabilities is 15 years. Liabilities are therefore uncertain and can only be estimated. The risk represented by the uncertainty in the asset and liability valuations is not considered significant to the MOD.

13.11 The principal actuarial assumptions used in the liability calculations were:

	2022-23		
	Reserve Forces and Cadets Association Pension Scheme	Commonwealth War Graves Commission Superannuation Scheme	AWE Pension Scheme
Discount Rate	3.30%	4.85%	4.70%
Inflation – Retail Price Index (RPI)	3.40%	N/A	3.20%
Inflation – Consumer Price Index (CPI)	2.70%	3.05%	2.80%
Pension Increases	2.70%	3.05%	2.80%
	2023-24		
	Reserve Forces and Cadets Association Pension Scheme	Commonwealth War Graves Commission Superannuation Scheme	AWE Pension Scheme
Discount Rate	3.30%	4.80%	4.80%
Inflation – Retail Price Index (RPI)	3.40%	N/A	3.20%
Inflation – Consumer Price Index (CPI)	2.70%	2.80%	2.80%
Pension Increases	2.70%	2.80%	2.80%

The value of the liability is sensitive to changes in these assumptions. For example, for the AWE Pension Scheme, the actuary estimates the effect of a +/- 0.5% change in

the discount rate as 8% or £116 million, and for a +/- 0.5% change in inflation the effect was estimated as 7% or £101 million change.

13.12 The numbers of members used in the calculations for each scheme were:

	Current Number of Members		
	Active	Pensioners	Deferred Pensioners
Reserve Forces and Cadets Association Pension Scheme (full scheme valuation date: 1 August 2021)	860	1,201	420
Commonwealth War Graves Commission Superannuation Scheme (full scheme valuation date: 31 March 2020)	–	416	265
AWE Pension Scheme (full scheme valuation 31 March 2021)	25	4,742	6,214

14. Departmental Group – Capital Commitments

14.1 In addition to the liabilities listed in the Statement of Financial Position and as part of its ongoing work, the Department enters undertakings for substantial future capital expenditure which, when the liability is incurred, will be recorded in future financial statements. The following future capital commitments are not yet accounted for in the financial statements:

	31 March 2024	31 March 2023
	£M	£M
Intangible assets	6,371.8	4,202.6
Property, plant and equipment	27,814.4	27,233.4
Total	34,186.2	31,436.0

15. Departmental Group – Other Financial Commitments

15.1 The Department's commitments arise from two areas: Memorandum of Understanding (MoUs) with other governments; and through contracts with suppliers. While MoUs may have cancellation rights within them, it is considered that these will not be exercised due to their nature and the strategic and political importance of these agreements. They represent collaborative arrangements with other governments for the development and manufacture of equipment and associated services. The table shows the total amount the Department would be committed to by not exercising the

cancellation clauses in MoU agreements. The most significant commitment relates to a MoU for the development of the RC-135W Rivet Joint electronic surveillance aircraft £1,101 million (2022-23: £1,200 million).

Memorandum Of Understanding

	31 March 2024	31 March 2023 ¹
	£M	£M
Not later than 1 year	570.9	500.6
Later than 1 year but not later than 5 years	1,210.9	1,345.7
Later than 5 years	702.2	801.5
Total	2,484.0	2,647.8

1. The 2022-23 figures have been restated to disclose only non-cancellable contracts, and separately the comparative value of MOUs following a realignment in the interpretation of the FReM guidance.

15.2 Other Non-Cancellable Commitments are non-cancellable contracts with suppliers, not already included on the SoFP, which are not leases, PFIs or other service concession arrangements:

Other Financial Commitments

	31 March 2024	31 March 2023 ¹
	£M	£M
Not later than 1 year	56.6	38.1
Later than 1 year but not later than 5 years	1.4	0.7
Later than 5 years	–	–
Total	58.0	38.8

1. The 2022-23 figures have been restated to disclose only non-cancellable contracts, and separately the comparative value of MOUs following a realignment in the interpretation of the FReM guidance.

16. Departmental Group – Leases

16.1 The Group's significant lease contracts are for property, including leased housing for Service Personnel under a contract with Annington Homes; the liability for this contract is the Department's most significant lease and as at 31 March 2024 was £4,172 million (31 March 2023: £3,853 million).

16.2 The Department also leases equipment and vehicles, in addition to leased assets owned by contractors where the assets are embedded in other contracts; examples are leases of construction and refit / maintenance facilities, such as shipyards where the Department has the right to substantially all of the economic output. These leases for equipment, vehicles and embedded assets are not considered significant enough for separate disclosure.

16.3 Right-of-use Assets

	Land Dwellings £M	Other Land Dwellings £M	Other Buildings £M	Plant and Machinery £M	Transport £M	IT and Communications Equipment £M	Total £M	
Cost or valuation								
Balance at 1 April 2022	2,526.2	135.5	10,126.9	1,251.3	141.3	397.4	28.6	14,607.2
Additions – New Leases	0.2	4.2	48.7	478.3	16.1	89.6	19.2	656.3
Write-(on)/offs	(18.9)	(0.2)	(192.6)	3.8	–	–	(0.2)	(208.1)
Revaluations ¹	17.4	(0.3)	(2,398.1)	23.7	–	–	–	(2,357.3)
Impairment/impairment reversals	9.4	–	(8.6)	–	–	–	–	0.8
Derecognition – Disposals	–	–	(1.7)	(0.3)	–	(7.0)	–	(9.0)
Remeasurement – existing Leases ¹	–	–	2,407.3	0.1	–	–	–	2,407.4
Reclassifications	–	–	7.2	(0.1)	(1.1)	9.5	–	15.5
Balance at 31 March 2023	2,534.3	139.2	9,989.1	1,756.8	156.3	489.5	47.6	15,112.8
Additions – New Leases	–	34.2	342.2	37.6	12.8	25.4	89.5	541.7
Write-(on)/offs	(30.3)	–	(198.4)	–	–	(2.6)	–	(231.3)
Revaluations	(13.3)	–	181.7	2.8	–	2.7	–	173.9
(Impairments)/Impairment reversals	(36.8)	–	(1.4)	(3.4)	–	–	–	(41.6)
Derecognition – Disposals	–	(0.6)	(366.6)	(18.7)	(0.3)	(15.7)	(18.8)	(420.7)
Remeasurement – existing Leases	–	–	356.3	(64.5)	(11.8)	2.3	0.1	282.4
Reclassifications	–	(0.4)	136.3	(6.0)	–	0.5	3.1	133.5
Balance at 31 March 2024	2,453.9	172.4	10,439.2	1,704.6	157.0	502.1	121.5	15,550.7

	Land Dwellings £M	Other Land Dwellings £M	Dwellings £M	Other Buildings £M	Plant and Machinery £M	Transport £M	IT and Communications Equipment £M	Total £M
Depreciation								
Balance at 1 April 2022	(186.8)	(0.6)	(3,262.0)	(8.6)	–	(118.1)	(0.6)	(3,576.7)
Depreciation charged in year	(13.9)	(7.2)	(182.9)	(189.0)	(22.3)	(80.2)	(12.4)	(507.9)
Write-on/(offs)	1.5	–	50.3	–	–	–	–	51.8
Backlog Depreciation	(1.2)	–	1.1	(2.2)	–	(0.5)	–	(2.8)
Impairment/ (Impairment Reversal)	(0.5)	–	1.2	–	–	–	–	0.7
Derecognition -Disposals	–	–	1.7	0.1	–	1.6	–	3.4
Reclassifications	–	–	–	–	–	(17.0)	–	(17.0)
Balance at 31 March 2023	(200.9)	(7.8)	(3,390.6)	(199.7)	(22.3)	(214.2)	(13.0)	(4,048.5)
Depreciation charged in year	(12.7)	(10.0)	(180.8)	(203.8)	(23.5)	(99.8)	(43.2)	(573.8)
Write-on/(offs)	2.5	(2.0)	74.8	–	–	3.5	–	78.8
Backlog Depreciation	0.8	0.5	(217.2)	(0.9)	–	(2.4)	–	(219.2)
Impairments/ (Impairment reversals)	2.7	0.9	(0.5)	0.3	–	–	–	3.4
Derecognition – Disposals	–	0.6	10.1	18.3	1.7	14.2	18.7	63.6
Reclassifications	–	2.0	–	0.1	–	(0.4)	(1.7)	–
Balance at 31 March 2024	(207.6)	(15.8)	(3,704.2)	(385.7)	(44.1)	(299.1)	(39.2)	(4,695.7)

	Land Dwellings £M	Other Land Dwellings £M	Dwellings £M	Other Buildings £M	Plant and Machinery £M	Transport £M	IT and Communications Equipment £M	Total £M
Net Book Value								
Balance at 1 April 2022	2,339.4	134.9	6,864.9	1,242.7	141.3	279.3	28.0	11,030.5
Balance at 31 March 2023 ²	2,333.4	131.4	6,598.5	1,557.1	134.0	275.3	34.6	11,064.3
Balance at 31 March 2024	2,246.3	156.6	6,735.0	1,318.9	112.9	203.0	82.3	10,855.0

1. In 2022-23 the increase in Dwellings right-of-use assets on remeasurement (£2,407.3 million) includes a reassessment of the lease liability for Annington Homes. As the assets are already held at fair value, the Dwellings column also includes an off-setting downward revaluation movement.
2. The value of right-of-use assets at 31 March 2023 was £11,064.3 million, this included £9,077.3 million (£12,654.0 million at cost or valuation less £3,576.7 million of accumulated depreciation) of assets previously recognised under finance leases in addition to the £1,953.2 million of assets recognised on transition to IFRS 16.

16.4 Capitalised depreciation, for example depreciation charged on the leased right-of-use assets of production and maintenance facilities, is included as part of the cost of the asset being constructed. The amount as at 31 March 2024 is £104.3 million (31 March 2023: £84.9 million).

16.5 The Department sub leases some properties, but the amounts where the Department is the lessor are not considered material.

16.6 Lease Liabilities – Maturity analysis

	31 March 2024 £M	31 March 2023 £M
Land		
Not later than 1 year	11.1	8.0
Later than 1 year but not later than 5 years	42.0	31.4
Later than 5 years	356.4	141.5
Less interest element	(261.6)	(54.3)
Present value of liabilities	147.9	126.6
Buildings		
Not later than 1 year	492.9	437.2
Later than 1 year but not later than 5 years	1,715.6	1,794.6
Later than 5 years	41,577.0	37,930.7
Less interest element	(38,174.6)	(34,603.3)
Present value of liabilities	5,610.9	5,559.2
Other		
Not later than 1 year	158.3	143.1
Later than 1 year but not later than 5 years	227.2	278.8
Later than 5 years	37.8	50.9
Less interest element	(20.5)	(20.8)
Present value of liabilities	402.8	452.0
Total present value of liabilities		
Current lease liabilities	384.9	334.0
Non-current lease liabilities	5,776.7	5,803.8
Total of discounted lease liabilities	6,161.6	6,137.8

16.7 Leases – amounts recognised in the Statement of Comprehensive Net Expenditure

	2023-24 £M	2022-23 ¹ £M
Depreciation	469.5	423.1
Interest expense	266.4	241.5
Short term leases	9.3	50.7
Total	745.2	715.3

1. The 2022-23 figures have been updated.

16.8 Leases – amounts recognised in the Statement of Cash Flows

	2023-24 £M	2022-23 £M
Interest expense	266.4	241.5
Repayment of Principal on Leases	386.7	287.1
Total	653.1	528.6

17. Departmental Group – Commitments under Service Concession Arrangements

17.1 The following arrangements that fulfilled the criteria for IFRIC 12, including those that ended during the reporting period, have been accounted for as assets of the Department during 2023-24; details of the assets financed under these arrangements are included at Note 6 – Property Plant and Equipment:

Project Description	Contract Start¹	Contract End
Defence Fixed Telecommunications System: Integration of 50 fixed telecommunications networks used by the Armed Forces and MOD, including the delivery of voice, data, LAN interconnect and other WAN services.	Jul-97	Jul-23
Medium Support Helicopter Aircrew Training Facility: Provision of 6 flight simulator training facilities, covering three different types of helicopter, at RAF Benson.	Oct-97	Oct-37
Joint Services Command and Staff College (JSCSC): Design and delivery of a new tri-Service Command and Staff Training College infrastructure and supporting services, including single residential accommodation and families accommodation.	Jun-98	Aug-28
Family Accommodation Yeovilton: Provision of family accommodation for 88 Service families at RNAS Yeovilton	Jul-98	Jul-28
Lyneham Sewage Treatment: Refurbishment of existing sewage treatment facilities at Lyneham.	Aug-98	Mar-24
RAF Fylingdales: Provision of guaranteed power supply.	Dec-98	Mar-24
RAF Cosford / RAF Shawbury Family Accommodation: Provision of accommodation for 145 Service families at RAF Cosford and RAF Shawbury	Mar-99	Jun-25
Army Foundation College: Provision of teaching and training facilities for the further vocational education and military training of high-quality school leavers.	Feb-00	Dec-29
Main Building Refurbishment: Redevelopment and management services for MOD Main Building.	May-00	Sep-30
Family accommodation at Wattisham: Provision of accommodation for 250 Service families	May-01	May-28
Training: Provision of a training environment for crewmen and maintainers to support submarines.	Sep-01	Sep-37
Family accommodation at Bristol/Bath/Portsmouth: Provision of accommodation for 317 Service families	Nov-01	Oct-28
Heavy Equipment Transporters: provision of vehicles to replace existing fleet and meet future requirements	Dec-01	Jul-24
Aquatrine Project A: Provision of water and waste water services.	Apr-03	Nov-28
Naval Communications: Submarine fleet communications service.	Jun-03	Dec-30
Colchester Garrison: Redevelopment, rebuilding and refurbishment to provide accommodation and associated services (messing, education, storage, workshops).	Feb-04	Feb-39
Devonport Armada Single Living Accommodation: Provision of Support Services and Fleet Accommodation Centre services at Devonport Naval Base.	Jul-04	Mar-29
Aquatrine Project B: Provision of water and waste water services.	Sep-04	Mar-30
Aquatrine Project C: Provision of water and waste water services.	Oct-04	Mar-30
Portsmouth 2 Housing: Provision of accommodation for 148 Service families in Portsmouth.	Oct-05	Jun-32
Project Allenby/Connaught: Rebuild, refurbishment, management and operation of facilities for Service accommodation at Aldershot, Tidworth, Bulford, Warminster, Larkhill and Perham Down.	Mar-06	Apr-41
Northwood: Rebuild, refurbishment, management and operation of facilities for the Permanent Joint Headquarters.	Jul-06	Oct-31

Project Description	Contract Start ¹	Contract End
Combined Aerial Targets (CATS): Provision of aerial targets and associated ground equipment and support services.	Dec-06	Mar-28
Future Strategic Tanker Aircraft (FSTA): FSTA is an innovative PFI programme that will provide modern air-to-air refuelling and passenger air transport capabilities.	Mar-08	Mar-35
UK Military Flying Training System: Advanced Jet Trainer, Ground Based Training Equipment Element: Management and provision of Fast Jet Phase IV training and Fixed Wing Training.	May-08	May-33
Corsham Development Project: Rebuild, refurbishment, management and operation of facilities at the Basil Hill site.	Aug-08	Jul-33

1. Date when the contract was signed.

17.2 The substance of an arrangement accounted for under IFRIC 12 is that the Department has a lease with the provider, with payments comprising an imputed lease charge (interest), a repayment of capital and a service charge. Service and interest charges are accounted for within the SoCNE. Service charges for 2023-24 were £1.1 billion (2022-23: £1.3 billion) and interest charges for 2023-24 were £0.3 billion (2022-23: £0.2 billion). Total obligations under Service Concession Arrangements (consisting of the minimum lease payments, interest and any minimum service charges) analysed by time periods are shown in the table:

	31 March 2024 £M	31 March 2023 £M
Details of the imputed lease charges		
Not later than one year	478.8	426.4
Later than one year and not later than five years	1,887.0	1,550.9
Later than five years	2,686.8	2,507.5
Total	5,052.6	4,484.8
Less interest element	(1,415.9)	(1,251.9)
Present value of obligations	3,636.7	3,232.9
Details of the minimum service charge		
Not later than one year	898.6	1,064.0
Later than one year and not later than five years	3,171.3	3,366.1
Later than five years	4,660.4	5,432.3
Total	8,730.3	9,862.4

17.3 The Service Concession Arrangements with obligations over £100 million are:

- Future Strategic Tanker Aircraft (FSTA) – providing air to air refuelling and passenger air transport capabilities £1,355 million (2022-23: £1,706 million).
- Colchester Garrison – redevelopment, rebuilding and refurbishment to provide accommodation and associated services £406 million (2022-23: £425 million).
- Project Allenby Connaught – a project for the rebuild, refurbishment, management and operation of facilities for Service accommodation at: Aldershot, Tidworth, Bulford, Warminster, Larkhill and Perham Down £338 million (2022-23: £351 million).
- Main Building refurbishment £197 million (2022-23: £216 million).

18. Departmental Group – Contingent Liabilities and Contingent Assets Disclosed under IAS 37

Contingent Liabilities

18.1 The following liabilities are either: possible obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Department's control; or present obligations where it is not probable that an outflow of economic resources will be required to settle

the obligation. There are some liabilities (both quantified and unquantified) where details, other than the estimated amounts are not given due to reasons of commercial confidentiality and/or national security. Due to the nature of the liabilities disclosed below it is not considered possible for any reimbursement to occur. A reconciliation between contingent liabilities reported in the Supply Estimate and those reported in this Annual Report and Accounts is at Annex G.

18.2 The following quantifiable contingent liabilities have been identified and the estimates shown are based on the most likely value:

Quantifiable Contingent Liabilities under IAS 37

Description and Key Uncertainties	31 March 2023 £M	Increase/ (Decrease) in year £M	Liabilities crystallised in year £M	Obligation expired in year £M	31 March 2024 £M
Sensitive					
Not disclosed due to reasons of commercial confidentiality and/or national security.	996.6	90.3	–	(23.0)	1,063.9
Special Risk Indemnity					
HM Treasury have delegated, to MOD, approval for a range of special and generic risks which can be used when conducting normal business.	0.2	0.1	–	–	0.3
Contract Terms – contractor claims as result of contract termination					
Several costs are associated with closure of a production line, including reimbursement of site and workforce rationalisation costs. The final cost is dependent on future export opportunities.	212.3	–	–	–	212.3
People – liability for redundancy					
Uncertainties in calculating this liability include: life expectancy, age, length of service, salary and number of dependants.	2.5	–	–	(0.4)	2.1
People – pension arrangements for staff transferred from Central Government					
Uncertainties include: the number of eligible personnel, the value of accrued pension benefits and the relative value of private and public pension schemes.	10.7	–	–	(0.2)	10.5
Legal claims					
This estimate, of the liability created by legal claims that have been made against the Department, is based on data provided by the Company managing those claims.	56.2	11.1	–	(19.0)	48.3

Description and Key Uncertainties	31 March 2023 £M	Increase/ (Decrease) in year £M	Liabilities crystallised in year £M	Obligation expired in year £M	31 March 2024 £M
Environmental clean-up costs Uncertainties include the effectiveness of mitigation action and the possibility of unidentified hazards and damage.	15.7	(4.7)	–	–	11.0
Potential liability arising from the Colchester Garrison PFI There is uncertainty surrounding the timing, likelihood and impact of a change in the law.	20.0	–	–	–	20.0
Indemnity related to potential damage to items in storage or transit and to cables The likelihood and cost of any damage is uncertain.	1.4	(0.3)	–	–	1.1
Indemnity for utilities and services following the sale of Service housing Uncertainty in the timing of sales and changes to related utilities and services' agreements are included in this estimated liability.	1.0	–	–	(1.0)	–
Total quantifiable contingent liabilities	1,316.6	96.5	–	(43.6)	1,369.5

18.3 The Department has the following unquantifiable liabilities in accordance with IAS 37. These arise for a variety of reasons including the possibility of multiple scenarios and permutations (often involving complex and changing technology); and the variety and the uncertainty surrounding the events that may lead to crystallisation of any obligation. Objective evidence to support valuations of these liabilities is not always available so they cannot be measured with sufficient reliability. The liabilities will remain for the foreseeable future because they relate to possible obligations in respect of enduring companies, products, projects, equipment, technologies and property. The liabilities are:

- Limit of contractor liability provided to Serco Ltd in respect of damage to Government property. This includes consequential and indirect loss under the Brize Services Contract, to supply services at RAF Brize Norton.

- Under the Defence Marine Services contract losses or claims which relate to towing are handled according to the terms of the International Ocean Towage Agreement (TOWCON). Under TOWCON the contractor is indemnified by the MOD for injury to persons on towed vessels, loss or damage caused to towed vessels, and loss or damage caused to 3rd parties by towed vessels. The likelihood, cost and scale of incidents that might lead to a claim are uncertain.
- The Department has several sites where it may be necessary to carry out decontamination work and environmental clean-up operations. It is not practicable or cost effective to identify all contamination at these sites. Any possible liability is therefore not quantified.
- The Department has environmental and safety responsibility for many shipwrecks both in UK waters and globally. The timing, scope and value of any necessary interventions remains uncertain.

19. Related Party Transactions

19.1 The Department is the parent of the agencies and other bodies, and sponsor of the non-departmental public bodies (shown in note 20). These bodies are regarded as related parties with which the Department has had various material transactions during the year.

19.2 In addition, the Department had a number of transactions with other government departments and other central government bodies.

19.3 Details of individuals who served as Ministers and Board Members during the year are listed in the Remuneration Report. No minister, board member, key manager or other related parties has undertaken any material transactions with the Department during the year.

20. Entities within the Departmental Boundary


20.1 The entities within the boundary during 2023-24 were as follows:

On-Vote Defence Agencies
Defence Equipment and Support
Defence Science and Technology Laboratory
Submarine Delivery Agency
Non-Departmental Public Bodies
Armed Forces Covenant Fund Trustee Limited
AWE plc
National Museum of the Royal Navy
National Army Museum
Royal Air Force Museum
Single Source Regulations Office
Advisory Non-Departmental Public Bodies
Advisory Committee on Conscientious Objectors
Armed Forces Pay Review Body
Defence Nuclear Safety Committee
Independent Medical Expert Group
Nuclear Research Advisory Council
Science Advisory Committee on the Medical Implications of Less-Lethal Weapons
Veterans Advisory and Pensions Committees
Other Bodies
Advisory Group on Military Medicine
Central Advisory Committee on Compensation
Commonwealth War Graves Commission
Defence Science Expert Committee
Independent Monitoring Board for the Military Corrective Training Centre, Colchester
International Military Services Limited
Royal Hospital Chelsea
Service Complaints Ombudsman
Service Prosecuting Authority
Territorial, auxiliary and volunteer reserve associations established under section 110 of the Reserve Forces Act 1996 c14


21. Events After the Reporting Date

21.1 These accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate.

Annexes



The King's mounted
bodyguard parade in
Hyde Park.



A member of the Royal Horse
Artillery, pours water into
her hand for her horse whilst
at Hyde Park in London.

Annex A: Statement of Approved Maximum Armed Forces Numbers

Maximum Numbers of Personnel to be Maintained for Services with the Armed Forces

		Numbers Voted by the House of Commons	Maximum Numbers Maintained ¹	Peak Dates
Naval Service				
Royal Navy	Officers	7,000	6,250	February 2024
	Men and Women	24,350	20,190	April 2023
	Aggregate	31,350	26,330	April 2023
Royal Marines	Officers	1,000	880	February 2024
	Men and Women	7,200	5,650	April 2023
	Aggregate	8,200	6,510	April 2023
Army Service				
Army (other than Services below)	Officers	15,130	13,080	June 2023
	Men and Women	82,000	67,120	April 2023
	Aggregate	97,130	80,110	April 2023
Commonwealth, Colonial, &c., troops abroad and Gurkhas	Officers	220	180	October 2023
	Men and Women	4,900	4,290	March 2024
	Aggregate	5,120	4,460	March 2024
Air Force Service				
Royal Air Force	Officers	8,700	7,960	April 2023
	Men and Women	27,800	24,220	April 2023
	Aggregate	36,500	32,180	April 2023

Maximum Numbers of Personnel to be Maintained for Service with the Reserve Armed Forces:

		Numbers Voted by the House of Commons	Maximum Numbers Maintained ¹	Peak Dates
Reserve Naval and Marine Services				
Royal Fleet Reserve (Naval Officers and Ratings)	Officers	4,960	2,050	September 2023
	Men and Women	9,000	2,840	March 2024
	Aggregate	13,960	4,860	February 2024
Royal Fleet Reserve (Marine Officers and Marines)	Officers	470	210	March 2024
	Men and Women	2,610	680	February 2024
	Aggregate	3,080	890	February 2024
Royal Naval Reserve	Officers	1,500	1,170	May 2023
	Men and Women	2,300	1,440	April 2023
	Aggregate	3,800	2,610	April 2023
Royal Marine Reserve	Officers	120	100	March 2024
	Men and Women	1,250	770	April 2023
	Aggregate	1,370	870	March 2024
Royal Naval Reserve (List 7)	Officers	1,210	1,030	November 2023
Reserve Land Forces				
Army Regular Reserve	Officers	8,080	6,640	February 2024
	Men and Women	20,050	16,170	March 2024
	Aggregate	28,130	22,800	March 2024
Army Reserve	Officers	9,280	6,170	August 2023
	Men and Women	32,930	24,420	April 2023
	Aggregate	42,210	30,570	April 2023
Reserve Air Forces				
Royal Air Force Reserve	Officers	4,500	4,100	January 2024
	Men and Women	9,000	6,930	March 2024
	Aggregate	13,500	10,970	March 2024
Royal Auxiliary Air Force	Officers	950	820	April 2023
	Men and Women	3,850	2,380	April 2023
	Aggregate	4,800	3,200	May 2023

Maximum Numbers of Personnel to be Maintained for Service as Special Members of the Reserve Forces:

		Numbers Voted by the House of Commons	Maximum Numbers Maintained¹	Peak Dates
Special Members of The Reserve Naval Forces				
Royal Naval Reserve	Officers	850	650	April 2023
	Men and Women	1,620	1,040	May 2023
	Aggregate	2,470	1,680	May 2023
Special Members of The Reserve Land Forces				
Army Regular Reserve	Officers	20	0	²
	Men and Women	130	0	²
	Aggregate	150	0	²
Army Reserve	Officers	20	0	²
	Men and Women	650	160	December 2023
	Aggregate	670	160	December 2023
Special Members of The Reserve Air Forces				
Royal Air Force Reserve	Officers	100	50	January 2024
	Men and Women	180	100	August 2023
	Aggregate	280	140	September 2023

¹ The figures for Maximum Numbers Maintained have been rounded to the nearest 10, with numbers ending in 5 being rounded to the nearest multiple of 20 to prevent systematic bias.

² Strength has been zero for the whole time period.

Note – Totals and sub-totals have been rounded separately and so may not equal the sum of their rounded parts.

Annex B: Sponsorship Arrangements over £5,000

Activity	Name of Sponsor	Sponsor Contribution £ excluding VAT
Air Warfare Symposium	AQ Ltd	666
	BAES	25,000
	Breitling UK Ltd	7,000
	IN2 Publishing	28,889
	Inzpire	666
	KX	666
	Leonardo	666
	Lincoln Tea & Coffee Company	2,894
	MBDA	666
	RED6	666
	Revolution Race	13,398
	Rolls Royce	11,250
	SRC	666
		93,093
Atlantic Campaigns Pacific Challenge 2023	Asteer Planning	2,000
	Edgar Bros	5,000
	SAAB UK Ltd	2,000
	Team Army	2,000
		11,000
Defence and Security Equipment International (DSEI) Evening Reception	Babcock International Group Plc	3,500
	Capita PLC	3,500
	General Dynamics UK Ltd	3,500
	MBDA	3,500
	Northrop Grumman	3,500
	NP Aerospace	3,500
	Pearson Engineering Ltd	3,500
	RHEINMETALL BAE SYSTEMS LAND	3,500
	Supacat	3,500
	Thales	3,500
		35,000
Ex Atlantic Quest	Team Forces	33,333
		33,333
Oarsome Educators	Absolute Military	1,000
	CDS	5,000
	Notebook Assessment Services	1,000
	Optimo Property Services	1,000
	Reds10(UK) Limited	1,000
	RINA	15,000
	SAS	15,000
	Sword Training Solutions	1,000
		40,000

Activity	Name of Sponsor	Sponsor Contribution £ excluding VAT
Red Devils Army Parachute Display Team	5.11 Tactical	10,000
	Hive Communications (BlueBee)	17,000
	Wescom Defence	32,500
		59,500
Unit Boxing Night	Unit Boxing Night	5,000
		5,000
Defence and Security Equipment International (DSEI)	Atlas Elektronik UK Ltd	15,000
	Thales UK Ltd	13,044
	BAE Systems Surface Ships Limited	20,000
		48,044
Naval Servicewomen's Network 10th Anniversary Celebration Dinner	Atlas Elektronik Limited	5,000
		5,000
Defence and Security Equipment International (DSEI)	Capita PLC	20,000
	Airbus Defence and Space Limited	20,000
	MBDA UK Limited	15,000
	Rolls Royce PLC	20,000
		75,000
Reception Defence and Security Equipment International (DSEI)	L3 Harris	15,000
		15,000
Grand Total		419,970

Annex C: Core Tables

Organisation (All)

Total departmental spending 2019-20 to 2024-25

£000	2019-20 OUTTURN	2020-21 OUTTURN	2021-22 OUTTURN	2022-23 OUTTURN	2023-24 OUTTURN	2024-25 PLANS
Resource DEL						
Provision of Defence Capability Service Personnel Costs	9,949,068	10,511,526	10,390,528	10,623,288	10,956,573	11,661,469
Provision of Defence Capability Civilian Personnel Costs	1,535,636	1,605,760	1,612,148	1,642,062	1,770,414	2,182,992
Provision of Defence Capability Infrastructure costs	4,643,384	4,914,951	5,063,419	4,816,706	5,036,397	5,324,000
Provision of Defence Capability Inventory Consumption	1,225,847	1,191,875	1,360,704	1,607,774	1,502,929	1,301,000
Provision of Defence Capability Equipment Support Costs	6,927,405	7,364,559	7,537,696	7,818,594	5,720,533	5,835,479
Provision of Defence Capability Other Costs and Services	1,347,553	1,447,813	2,187,387	2,114,922	2,685,810	637,896
Provision of Defence Capability Receipts and other Income	-1,264,898	-1,265,160	-1,218,848	-1,367,549	-1,337,264	-1,439,600
Provision of Defence Capability Depreciation and Impairments Costs	7,185,671	9,519,392	7,987,529	7,351,151	7,956,289	8,781,677
Provision of Defence Capability Cash Release of Provisions Costs	522,739	315,162	383,636	376,475	218,070	284,500
Provision of Defence Capability Research and Development Costs ¹	265,316	265,835	224,828	202,193	173,047	235,000
Provision of Defence Capability Administration Civilian Personnel Costs	550,640	578,380	636,425	663,464	595,786	560,000
Provision of Defence Capability Administration Other Costs and Services	642,365	540,020	345,877	291,964	268,828	304,106
Operations Service Personnel Staff Cost	39,494	29,744	25,630	28,412	145,305	150,000
Operations and Peacekeeping Civilian Personnel Staff Costs	1,623	1,830	3,269	1,623	15,543	20,000
Operations Infrastructure Costs	55,749	81,514	107,081	158,523	248,246	160,000
Operations Inventory Consumption	110,914	92,763	69,433	164,426	228,708	300,000
Operations Equipment Support Costs	122,189	131,769	235,490	417,130	523,814	500,000
Operations Other Costs and Services	41,408	33,802	-3,770	7,563	145,551	589,000
Operations Receipts and other Income	-4,932	-2,018	-4,271	-6,513	-9,882	-
Operations Depreciation and Impairment Costs	1,613	-	-	-	-	-
Operations Cash Release of Provisions Costs	-	-	-	-	-	-
Conflict Pools Resource Costs	-	-	-	-	-	-
Non Departmental Public Bodies Costs	228,215	228,984	226,707	234,987	219,003	218,518
Defence Capability Admin Service Pers Costs	702,906	727,290	767,735	797,079	815,912	892,940
Defence Capability DE&S DEL Costs	1,099,653	1,125,092	1,095,298	1,216,547	1,285,372	1,301,145
War Pension Benefits Programme Costs	681,025	652,263	622,575	606,730	651,414	653,666
Conflict, Stability and Security Fund	84,521	82,056	77,985	75,007	54,942	42,619
Cash Release of Provisions Admin Costs	11,934	2,550	3,025	5,232	3,641	5,000
Defence Capability Defence Nuclear Enterprise					2,595,731	2,629,000
Defence Capability Defence Nuclear Enterprise Administration DEL Cost					243,382	280,000
Total Resource DEL	36,707,038	40,177,752	39,737,516	39,847,790	42,714,094	43,410,407

£000	2019-20 OUTTURN	2020-21 OUTTURN	2021-22 OUTTURN	2022-23 OUTTURN	2023-24 OUTTURN	2024-25 PLANS
Resource AME						
Provision of Defence Capability Depreciation and Impairment Costs	-46,372	-146,748	129,504	-95,076	461,628	202,197
Provision of Defence Capability Provisions Costs	521,986	1,978,369	11,737,047	-13,371,447	-1,644,014	1,649,640
Provision of Defence Cash Release of Provisions Costs	-534,673	-317,712	-386,661	-381,707	-458,740	-171,740
Movement On Fair Value of Financial Instruments	118,890	548,254	-693,246	-7,747	258,730	247,990
Total Resource AME	59,831	2,062,163	10,786,644	-13,855,977	-1,382,396	1,928,087
Total Resource Budget	36,766,869	42,239,915	50,524,160	25,991,813	41,331,698	45,338,494
Capital DEL						
Provision of Defence Capability Capital Single Use Military Equipment	6,848,790	7,679,950	8,462,664	8,487,084	4,913,700	5,238,000
Provision of Defence Capability Other Capital (Fiscal)	2,441,692	2,921,672	3,878,886	7,666,258	4,134,666	4,006,444
Provision of Defence Capability Fiscal Assets / Estate Disposal	-39,933	-61,162	-79,453	-74,580	-258,889	-160,000
Provision of Defence Capability New Loans and Loan Repayment	-	-	-	-	-	-
Provision of Defence Capability Research and Development Costs ¹	967,940	1,051,694	1,836,383	2,050,462	2,265,757	3,032,000
Operations Capital Single Use Military Equipment	1,938	-	7,229	733,643	857,775	-
Operations Other Capital (Fiscal)	22,684	28,970	-16,284	1,291,888	360,927	1,540,000
Non Departmental Public Bodies Costs	2,796	3,099	2,575	7,675	30,576	2,500
Defence Capability DE&S DEL Costs	67,950	75,898	87,994	141,601	251,310	226,962
Conflict, Stability and Security Fund	-	6,600	-	-	-	-
Defence Nuclear Enterprise					6,594,390	7,868,000
Total Capital DEL	10,313,857	11,706,721	14,179,994	20,304,031	19,150,212	21,753,906
Capital AME						
Provision of Defence Capability Provisions Costs		-	-	-	-	-
Total Capital AME		-	-	-	-	-
Total Capital Budget	10,313,857	11,706,721	14,179,994	20,304,031	19,150,212	21,753,906
Total departmental spending²	39,820,924	44,025,738	57,280,367	39,047,516	51,805,263	57,860,536

1 The R&D costs have been restated to comply with European System of Accounts (ESA 10) as per HMT directive.

2 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Administration budget , 2019-20 to 2024-25

£000	2019-20 OUTTURN	2020-21 OUTTURN	2021-22 OUTTURN	2022-23 OUTTURN	2023-24 OUTTURN	2024-25 PLANS
Resource DEL						
Provision of Defence Capability Administration Civilian Personnel Costs	550,640	578,380	636,425	663,464	595,786	560,000
Provision of Defence Capability Administration Other Costs and Services	642,365	540,020	345,877	291,964	268,828	304,106
Defence Capability Admin Service Pers Costs	702,906	727,290	767,735	797,079	815,912	892,940
Cash Release of Provisions Admin Costs	11,934	2,550	3,025	5,232	3,641	5,000
Defence Capability Defence Nuclear Enterprise Administration DEL Cost					243,382	280,000
Total administration budget	1,907,845	1,848,240	1,753,062	1,757,739	1,927,549	2,042,046

Annex D: Greenhouse Gas Emissions

	Emission Sources	Ref.	2020-21	2021-22	2022-23	2023-24
Non-Financial Indicators tCO ₂ e 000s	Defence Carbon Footprint (Scopes 1,2 and 3)		2,889	3,341	3,135	3,012
	Estate Emission and Business Travel UK only (covered by GGC 2025) and Capability Energy (b+d+f+k)		2,527	2,901	2,650	2,531
	Estate Emission and Business Travel UK only (covered by GGC 2025) (b+f+k)		1,043	956	935	921
	Scope 1		2,152	2,538	2,308	2,225
	Estate Direct Emission (UK and overseas)	a	633	558	562	602
	<i>of which GGC (UK only)</i>	b	597	522	525	527
	Capability Energy	c	1,485	1,945	1,715	1,610
	Fugitive emissions	d	34	35	31	13
	Scope 2		421	399	376	363
	Estate electricity and heat (UK and overseas)	e	421	399	376	363
	<i>of which GGC (UK only)</i>	f	395	375	354	338
	Scope 3		316	403	451	424
	Waste Generated	g	3	3	3	2
	Employee commuting	h	41	50	40	47
	Service Family Accommodation (SFA)	i	184	183	180	148
Duty Travel (UK and overseas)	j	87	168	228	227	
<i>of which GGC (UK only)</i>	k	51	58	56	56	
Related Energy Consumption KWh 000s	Electricity: Non-renewable		1,661,414	1,726,487	1,774,915	1,607,565
	Electricity: Renewable		21,401	20,261	21,245	22,162
	Natural Gas		2,740,139	2,471,064	2,545,912	2,505,092
	LPG		91,811	82,106	83,043	89,470
	Other		428,035	343,735	308,552	483,152
Related Equipment Energy Consumption Litres 000s	Aviation fuel		384,998	424,391	428,825	361,054
	Ground Fuel		21,654	32,999	34,384	25,198
	Maritime Fuel		141,458	245,307	166,788	180,263
	Other Fuel		190	287	161	144
Financial Indicators £000s	Expenditure on energy		317,890	336,155	460,027	523,473
	Expenditure on official business travel		80,651	78,647	159,127	176,086
	Expenditure on equipment energy (fuel)		289,702	278,592	346,295	445,294

Notes/Caveats:

- Greenhouse Gas Emission measurement aligns to the Greenhouse Gas Protocols.
- Duty Travel covers both overseas and domestic travel including non-operational travel, compassionate travel, resettlement travel. Whereas GGC only focus on domestic business travel and excluded compassionate travels and resettlement.
- Capability Energy includes emission from military aviation, maritime, green fleet, white fleet and charter fuel emissions.
- Other fuel in equipment energy consumption includes kerosene.
- Related Energy consumption (KWH) reflects the Defence Carbon Footprint total.
- Scope 1 Direct emissions now include Wood Chip and Wood Pellet.
- Fugitive emissions have reduced significantly due to platforms going out of service.
- Scope 2 Emissions Electricity and Heat includes other Biogas which is data sourced from RAF Marham Anaerobic Digestion Energy.
- Renewable energy includes Biogas, Wood Pellet, Woodchip and SV power.

Annex E: Water and Waste Data

Water Data		2020-21	2021-22	2022-23	2023-24
Non-Financial Indicators 000s m ³	Water consumption ¹	16,220	16,130	16,070	15,970
Financial Indicators £000s	Water and Wastewater supply costs (GB estate within GGC scope)	63,839	65,374	68,287	74,087

Waste Data ²		2020-21	2021-22	2022-23	2023-24
Non-Financial Indicators tonnes 000s	Total waste	37	41	40	39
	Landfill	2	1	1	0
	Recycled	7	9	8	8
	Reused	0	0	0	0
	Composted	5	5	6	5
	Incinerated with energy recovery	23	26	25	23
	Incinerated without energy recovery	0	0	0	3

1. Water consumption represents the scope for GGC 2021-25 which includes ~2,400 Aquatrine PFI sites in GB. Northern Ireland is excluded. The scope also excludes distribution losses and service family accommodation.
2. Waste data follows the GGC 2021-2025 scope which includes all MOD UK estates waste generated. The scope excludes military end of life equipment, hazardous waste, waste generated from service family accommodation, sanitary and clinical waste.
3. Waste data for 17/18 has been re-stated this year, using more accurate and complete data to provide estimates for known data gaps in the 17/18 reporting.
4. Water financial costs are based on consumption and not GWV (Gross Water Volume). The exclusion of service family accommodation reduces the total figures to approximately 67% total aquatrine costs.
5. Water consumption data has been restated in this year's accounts. This impacts on the baseline 2017/18 year as well as all previous financial years. This is to reflect a more complete scope for water consumption, following a Reference Data Improvement Plan.

Annex F: Arm's Length Bodies – Additional Information

Arm's Length Body	Total Operating income £M	Total Operating expenditure £M	Net expenditure for the year (including financing) £M	Permanently employed staff		Other Staff	
				Number of employees	Staff Costs £M	Number of employees	Staff Costs £M
Armed Forces Covenant Fund Trustee Limited	(8.2)	26.8	18.6	22	1.1	0	–
National Museum of the Royal Navy	(12.7)	20.9	8.2	207	8.7	14	–
National Army Museum	(1.9)	9.9	8	87	4.3	0	–
Royal Air Force Museum	(7.9)	17.3	9.4	173	7	0	–
Single Source Regulations Office	–	6.2	6.2	35	4.5	2	0.2
Commonwealth War Graves Commission	(27.0)	82.8	55.8	1,280	46.9	24	0.2
International Military Services Limited	–	–	–	0	–	0	–
Royal Hospital Chelsea	(12.8)	27.4	14.6	258	12.9	6	0.2
Territorial, auxillary and volunteer reserve associations established under section 110 of the Reserve Forces Act 1996 c14	(22.2)	166.9	144.7	972	36.9	0	0.3
AWE PLC	(30.6)	737.9	707.3	6,890	450.7	212	27.8
Total	(123.3)	1,096.1	972.8	9,924.0	573.0	258.0	28.7

Note: All tabled information was materially correct and accurate as at the approval date of the accompanying annual report.

Annex G: Reconciliation of Contingent Liabilities included in the Supply Estimate to the Accounts

Quantifiable CLs				
Estimate Reference Number and Description of CL		Supply Estimate £000	Amount Disclosed in ARAc £000	Variance (Estimate- Amount disclosed in ARAc £000)
2	Quantified Liabilities arising from offering guarantees, limitations of contractors' liability, indemnities or by giving letters of comfort which cannot be disclosed due to reasons of commercial confidentiality and / or national security.	2,423,437	2,544,907	(121,470)
3	Liabilities arising from the use of Special Risk Indemnities in MOD contracts.	383,680	221,400	162,280
7	Indemnity for contractors' liability relating to explosion or ignition of Authority owned ammunition or explosives.	2,000	2,000	–
8	Indemnity for possible damage caused by contractors on Government property.	662,200	662,200	–
15	Third-party claims for injury/death and/or damage to property resulting from loss of a UK RJ aircraft.	200	200	–
19	Liability for redundancy.	216,871	216,505	366
20	New Fair Deal Arrangements for staff Pensions: staff transfers from Central Government.	10,610	10,540	70
21	Potential redundancy costs for employees at the Defence College of Technical Training.	4,742	4,742	–
22	Potential redundancy liability for employees at several sites due to USVF re-basing as part of US European Infrastructure Consolidation (EIC).	4,000	4,000	–
24	The Guarantee would not guarantee payment to the NAAFI Pension Scheme of NAAFI's obligations, as that would require the maintenance of NAAFI as an on-going entity. Rather, the Guarantee would operate as a "pay-as-you-go" guarantee, and guarantee the Trustees' ability to pay full benefits to members.	8,000	9,000	(1,000)
25	Legal Claims.	37,155	48,300	(11,145)
26	Quantified Liabilities arising from offering guarantees, limitations of contractors' liability, indemnities or by giving letters of comfort, which cannot be disclosed due to reasons of commercial confidentiality and / or national security.	19,000	–	19,000
27	Environmental clean-up costs.	13,000	13,000	–
28	Government Pipeline and Storage System (GPSS) - compensation to landowners where GPSS is laid outside deviation limits or where the SofS' rights in respect of GPSS are lost.	5,606	5,606	–
36	Liability arising from the Colchester Garrison PFI.	20,000	20,000	–
38	Indemnity for Clinicians working in General Practice for Clinical Negligence claims. This is due to a change in the market conditions which had previously put MOD at a disadvantage.	240	–	240

Quantifiable CLs				
Estimate Reference Number and Description of CL		Supply Estimate £000	Amount Disclosed in ARAc £000	Variance (Estimate- Amount disclosed in ARAc £000)
39	Indemnity for utilities and services following the sale of Service housing.	1,000	–	1,000
40	Indemnity related to work to relocate cables, in support of the dredging necessary for the QE Class Carriers.	1,360	1,080	280
41	Liabilities arising from Foreign Military Sales activity.	3,300	3,300	–
42	Liabilities arising from insurance risk of exhibits on loan to the museums of the Royal Navy, Army and Royal Air Force.	2,949	2,949	–
43	Crown Guarantee - re. AWE Pension Scheme.	150,000	150,000	–
		3,969,350	3,919,729	49,621

Unquantifiable CLs				
Description of CL		Included in the Supply Estimate (Yes/ No)	Disclosed in the ARAc (Yes/ No)	Explanation of difference
1	Unquantified liabilities arising from offering guarantees, limitations of contractors' liability, indemnities or by giving letters of comfort which cannot disclosed due to reasons of commercial confidentiality and / or national security.	Yes	Yes	-
4	Unquantified Liabilities arising from the use of Special Risk Indemnities in MOD contracts.	Yes	Yes	-
5	Environmental and safety responsibility for a large number of shipwrecks both in UK waters and globally.	Yes	Yes	-
6	Indemnities to the Babcock Group in respect of non-nuclear risks resulting from claims for damage to property or death and personal injury to a third party.	Yes	Yes	-
9	Indemnity for residual employee disease liability arising from the disbanding of Defence Evaluation and Research Agency (DERA) as a MOD Trading Fund and the formation of QinetiQ on 1 July 2001.	Yes	Yes	-
10	Indemnity for residual public liability arising from the disbanding of Defence Evaluation and Research Agency (DERA) as a MOD Trading Fund and the formation of QinetiQ on 1 July 2001.	Yes	Yes	-
11	Indemnity to Rolls-Royce Power for the non-insurance of the Rolls-Royce Core Factory and the Neptune Test Reactor facility for death and personal injury to a third party.	Yes	Yes	-
12	Indemnity to SERCO under the Marine Services contract for losses and costs incurred due to the unintended detonation of explosives while being handled in performance of the contract.	Yes	Yes	-
13	Overall cap on contractor liability within the future submarine design phase contract with Devonport Royal Dockyard Limited.	Yes	Yes	-
14	Strategic Weapons System Activities Future Delivery Project – outsourced contract includes an indemnity for non-nuclear events and unintended detonation of explosives.	Yes	Yes	-
16	Under the Defence Marine Services contract losses or claims which relate to towing are handled according to the terms of the International Ocean Towing Agreement (TOWCON). Under TOWCON the contractor is indemnified by the MOD for injury to persons on towed vessels, loss or damage caused to towed vessels, and loss or caused to 3rd parties by towed vessels.	Yes	Yes	-
17	Indemnities and limits of liability to contractors in respect of consequential and indirect losses.	Yes	Yes	-
18	Guarantee to NAAFI that the Department will reimburse 90% of their additional costs arising from any changes in MOD's service requirements.	Yes	Yes	-

Unquantifiable CLs				
Description of CL		Included in the Supply Estimate (Yes/ No)	Disclosed in the ARAc (Yes/ No)	Explanation of difference
23	Service Life Insurance is a life insurance scheme for Service personnel which aims to guarantee access to life insurance cover throughout their Service. The insurer undertakes to cover the risk for all deaths regardless of cause within a contracted mortality rate of 75 deaths per 100,000 members. Above this mortality rate MOD would be liable.	Yes	No	CL Expired
29	Indemnity for environmental losses incurred by QinetiQ arising from certain defined materials at specific properties before the formation of QinetiQ on 1 July 2001.	Yes	Yes	–
30	Indemnity given in relation to the disposal of Gruinard Island in the event of claims arising from the outbreak of specific strains of anthrax on the Island.	Yes	Yes	–
31	The Department has a number of sites where it may be necessary to carry out decontamination work. It is not practicable or cost effective to identify all contamination at these sites, any possible liability is therefore not quantified and possible site remediation exposure is recognised as an unquantifiable contingent liability.	Yes	Yes	–
32	Indemnities to AWE Management Ltd for nuclear risks.	Yes	Yes	–
33	Indemnities to Rolls-Royce and BAE Systems for risks associated with the handling of fissile materials.	Yes	Yes	–
34	Standard shipbuilding indemnity in respect of Astute class submarines.	Yes	Yes	–
35	Indemnity to SERCO under the Marine Services contract for losses and costs incurred due to the unintended detonation of explosives while being handled in performance of the contract.	Yes	Yes	CL Expired
37	Potential liability from the use of standard terms and conditions in Public Finance Initiative (PFI) schemes.	Yes	Yes	–
44	Financial Guarantee under the terms of the contract with Restore plc for the Government Records Management and Archive Service to pay the operator should any other government department fail to settle its outstanding invoices.	Yes	Yes	–
45	Financial Guarantee to Towage Companies hired to tow foreign warships in UK ports against the possibility of non-payment for any claims or debts.	Yes	Yes	
New	Environmental clean-up costs.	No	Yes	New CL

