



Ministry
of Defence

Annual Report and Accounts 2024–25



FRONT COVER IMAGE:

UK national commemorative 80th Anniversary of D-Day event on 5th June 2024.
Representatives from the Royal Marines, the Army, and the Royal Air Force.

Ministry of Defence Annual Report and Accounts 2024–25

For the year ended 31 March 2025

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

Annual Report presented to the House of Commons by Command of His Majesty.

Ordered by the House of Commons to be printed on 4th November 2025.

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 2024-25 and planned expenditure for 2025-26.



© Crown copyright 2025

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at <https://www.gov.uk/official-documents>

Any enquiries regarding this publication should be sent to us at:
OperationalFin-FMPA-ATMARAcGp@mod.gov.uk

ISBN 978-1-5286-5657-3

E03343966 11/25

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the HH Associates Ltd on behalf of the Controller of His Majesty's Stationery Office.

Contents

Performance Report	1
Foreword by Secretary of State for Defence.....	2
Introduction from the Permanent Secretary.....	4
Defence Operating Model	6
Defence Reform	7
Summary of Principal Risks	9
The Strategic Defence Review	10
Support to Ukraine	12
Financial Performance Summary	14
Performance Analysis	21
A more lethal, integrated force ready and able to deter, fight and win today and in the future, and a resilient nuclear deterrent	22
An organisation that takes a NATO first approach by stepping up our commitments for European security, and extends our influence beyond the ability to fight through diplomacy and development of other nations' capacity to defend themselves	30
A thriving UK defence industry that is resilient and scalable – an engine for growth, jobs and innovation across every region and nation of the UK	41
An organisation that delivers value for money for the UK taxpayer, delivers capabilities faster and is adaptable to future change	46
A highly engaged organisation that recognises people are fundamental to UK Defence, enables everyone to fulfil their potential and takes a whole of society approach to the security and defence of the nation.....	49
The Climate and Environment	57
Task Force on Climate-related Financial Disclosures (TCFD).....	62
Accountability Report	71
Corporate Governance Report	72
The Remuneration and Staff Report	96
The Parliamentary Accountability and Audit Report	123
The Certificate of the Comptroller and Auditor General to the House of Commons	142
The Report of the Comptroller and Auditor General to the House of Commons	157
Financial Statements	159
Financial Statements.....	160
Notes to the Accounts	166
Annexes.....	231

Performance Report

For the year ended 31 March 2025



HMS Sultan Guard present arms at the Remembrance Service in Gosport.

Foreword by Secretary of State for Defence



The threats that we now face are more serious and less predictable than at any time since the Cold War, including war in Europe, growing Russian aggression, new nuclear risks, and daily cyber-attacks at home. Our adversaries are working more in alliance with one another, while technology is changing how war is fought. The UK and our European allies have been challenged to step up on European security.

We are in a new era of threat, which demands a new era for UK defence.

This annual report covers the period of the end of the last government and the first 8 months of this one.

This report includes details of an Afghan data incident affecting applicants to the ARAP scheme, and its predecessor the Afghanistan Locally Employed Staff Ex-Gratia Scheme. While this took place under the previous Government in February 2022 and was discovered in August 2023, the incident and response were subject to a super-injunction until I asked for this to be lifted in July 2025. This decision followed the Rimmer review I commissioned in January 2025. We are now able to report the details of this incident and to invite full scrutiny of the response, which included the relocation of some individuals on the list considered to be at highest risk.

Since the General Election, we have demonstrated that we are a Government dedicated to delivering for Defence. On 25 February 2025, the Prime Minister announced the largest sustained increase to defence spending since the end of the Cold War—rising to 2.6% of GDP by 2027, and the ambition to 3% in the next Parliament. We have already boosted the defence budget by £5Bn this year.

We have stepped up support for Ukraine as Russia's unprovoked and illegal full-scale war in Ukraine moves into its fourth year. We have awarded our Service personnel the biggest pay rise in over 20 years. We have signed the historic Trinity House Agreement with Germany, establishing an enduring foundation for our defence co-operation. We have bought back thousands of military homes into public ownership to improve housing for forces families and save UK taxpayers billions. We have set new targets to tackle the recruitment crisis and introduced Defence's first ever Tri-Service recruitment contract. We have made it easier for veterans to access essential care and support under the new VALOUR system and passed through Parliament the Armed Forces Commissioner Act 2025 to improve service life.

We have also delivered a first-of-its-kind Strategic Defence Review (SDR), which was launched by the Prime Minister within two weeks of the General Election. It was externally led working with the Ministry of Defence, to harness the best expertise from inside and outside Government to produce the first root-and-branch review of UK Defence in 25 years.

The SDR signifies a landmark shift in our deterrence and defence: moving to warfighting readiness to deter threats and strengthen security in the Euro-Atlantic. This will be achieved by the UK leading within NATO and taking on more responsibility for European security. Our defence policy is 'NATO First' but not 'NATO only'—and we

remain committed to our allies and partners across the world, as our security is closely connected. The SDR is the Plan for Change for Defence and sets the strategic vision for UK Defence through to 2035 and beyond.

On Day 1 in Government, we also launched the Defence Reform programme—the deepest defence reforms for 50 years. The SDR strongly endorses this programme of change and recognises that one cannot succeed without the other. From 1 April 2025, we established a new Military Strategic Headquarters (MSHQ), set up a new National Armaments Director (NAD) to drive our defence industrial strategy, and gave new powers to the Chief of the Defence Staff (CDS) to command the Service Chiefs for the first time. We have also ended the Levene Reforms and have replaced ten budget holders with four new budget areas for tighter budget control. These changes will strengthen Defence with stronger leadership, clearer accountability, faster delivery, less waste, and better value for money.

Defence is now central to both our national security and our economic growth. At the heart of this investment lies our total commitment to operate, sustain, and renew our nuclear deterrent, which is deployed every minute of every day to protect our people, nation, and way of life and sends the ultimate warning to anyone who seeks to do us harm.

This focus on delivery could not have been possible without the amazing people who work in UK defence – civilian and military alike so I wanted to say a huge ‘thank you’ to everyone for all their hard work over the past year.

Introduction from the Permanent Secretary



On 4 July 2024 our country transitioned to a new government, and we welcomed a new ministerial team to the Ministry of Defence. The Secretary of State subsequently made clear the Government's mission for Defence: **to make Britain secure at home and strong abroad.**

We have supported the externally-led Strategic Defence Review (SDR), which was published on 2 June 2025 and sets out a vision that by 2035 the United Kingdom will be a leading tech-enabled power, with an Integrated Force that deters, fights and wins through constant innovation at wartime pace.

To deliver the intentions of the SDR, the Secretary of State has challenged Defence to speed up decision making, focus on outcomes and rapidly deliver cutting edge capabilities to the Armed Forces while achieving the best value for taxpayers. On 1 April 2025, the Secretary of State announced a significant step in these reforms: establishing a new Military Strategic Headquarters and National Armaments Director Group; and strengthening the Department of State and Defence Nuclear Enterprise. We will work to fully establish the new structures and ways of working through 2025-26.

Defence has managed the Spending Review 2025 settlement and various difficult in-year savings measures. The Spring Budget 2025 provided a £2.2 billion increase for the Department for 2025-26 and a settlement to increase NATO qualifying defence spending to 2.6% of GDP by April 2027.

This is welcomed, as we continue to commit £3 billion in military support to Ukraine each year. We have delivered a wide range of capabilities including anti-tank weapons, artillery ammunition, multiple launch rocket systems, air defence systems with associated ammunition and missiles, armoured and protected vehicles, Storm Shadow and additional Brimstone missiles, uncrewed systems and components. More than 60,000 Ukrainian troops have been trained by the British Army and its 13 partner nations through Operation INTERFLEX.

Front and centre of the SDR was a commitment to NATO First, which remains the most important commitment for the British Armed Forces, beginning with the delivery of the Nuclear Deterrent and encompassing Royal Navy anti-submarine operations in the North Atlantic, Royal Air Force policing missions, and the British Army's commitment to Europe's eastern flank.

Britain and our allies have taken a broad range of actions in response to conflict and instability in the Middle East, including providing support to the counter-Da'esh coalition, assisting the development of the Lebanese Armed Forces, and participating in the Combined Maritime Force in Bahrain. Working closely with the Kingdom of Jordan, the Royal Air Force undertook eleven airdrops to deliver more than 100 tonnes of aid to the people of Gaza while a Royal Fleet Auxiliary vessel provided afloat support to the US floating pier.

We have acted decisively to uphold Freedom of Navigation and respond to attacks on international shipping in the Red Sea, including participation in the US-led Operation Prosperity Guardian. Since January 2024, the Armed Forces have conducted six rounds of proportionate strikes against Houthi targets to degrade their capabilities.

All these activities are possible due to the talent and skills of our military and civilian personnel throughout Defence, with the support of our families and in conjunction with the defence industry. As part of the Flexible Workforce Programme, we are introducing zig-zag career structures to provide more choice and flexibility for our people and to better plan and manage workforce needs.

Through the Raising our Standards work, we will ensure all staff know and demonstrate expected behaviours and maintain the highest professional standards within Defence, which is key to a One Defence culture.

Finally, for veterans, VALOUR is a new £50 million commitment to establish the first-ever country-wide approach to support, fostering the entrepreneurial spirit of military charities to better connect local and national services.

David Williams CB

Permanent Secretary for the Ministry of Defence

Defence Operating Model

The Ministry of Defence (MOD) works to support a secure and prosperous United Kingdom. We 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.

In the period since the election, Defence has focused on delivering:¹

- A more lethal, integrated force ready and able to deter, fight and win today and in the future, and a resilient nuclear deterrent.
- An organisation that takes a NATO first approach, by stepping up our commitments for European security, and extends our influence beyond the ability to fight through diplomacy and development of other nations' capacity to defend themselves.
- A thriving UK defence industry that is resilient and scalable – an engine for growth, jobs and innovation across every region and nation of the UK.
- An organisation that delivers value for money for the UK taxpayer, delivers capabilities faster, and is adaptable to future change.
- A highly engaged organisation that recognises people are fundamental to UK Defence, enables everyone to fulfil their potential and takes a whole of society approach to the security and defence of the nation.

In 2024-25, Defence was 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 worked closely with the Permanent Secretary on all aspects of the Department's leadership. This post was removed as part of Defence Reform with effect from 1 April 2025. Further information about changes under Defence Reform, made since the reporting date, are set out in the next section.

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.

¹ Adjusted to reflect the terminology of the Strategic Defence Review (SDR).
<https://www.gov.uk/government/publications/how-defence-works-the-defence-operating-model>

Defence Reform

Following the election in July 2024, the Secretary of State for Defence, the Right Honourable John Healey MP, launched reforms to enable UK Defence to match increasing threats, tackle waste and strengthen the Armed Forces. Signalled as ‘a new era for Defence’ and the deepest reforms for 50 years, “Defence Reform” is fundamentally changing the way Defence operates, speeding up decision making, focusing on outcomes, rapidly delivering cutting edge capabilities to UK Armed Forces while achieving the best value for taxpayers. It will change the way Defence operates. It will ensure that we are ready for the challenges ahead, including delivering the Strategic Defence Review, ensuring value for money from the budget settlements and setting Defence at the heart of future security and success of the UK.

On 1 April 2025, the Secretary of State announced a significant step in reforms: establishing a new Military Strategic Headquarters and new National Armaments Director Group; and strengthening the Department of State and Defence Nuclear Enterprise.

Since 1 April 2025, the Permanent Secretary leads a more agile Department of State. This area is responsible for providing policy advice and clear strategic direction to ensure that Defence is focused on outcomes and delivery. It contains a streamlined set of Director Generals, reporting to the Permanent Secretary, focused on: strategy and transformation; people; policy; finance; science and safety. In line with wider Civil Service Reform, this area will be lean and highly skilled, unleashing the exceptional capabilities within Defence by making the systems and processes more efficient and empowering. As part of this phase of changes, the post of the Second Permanent Secretary was removed.

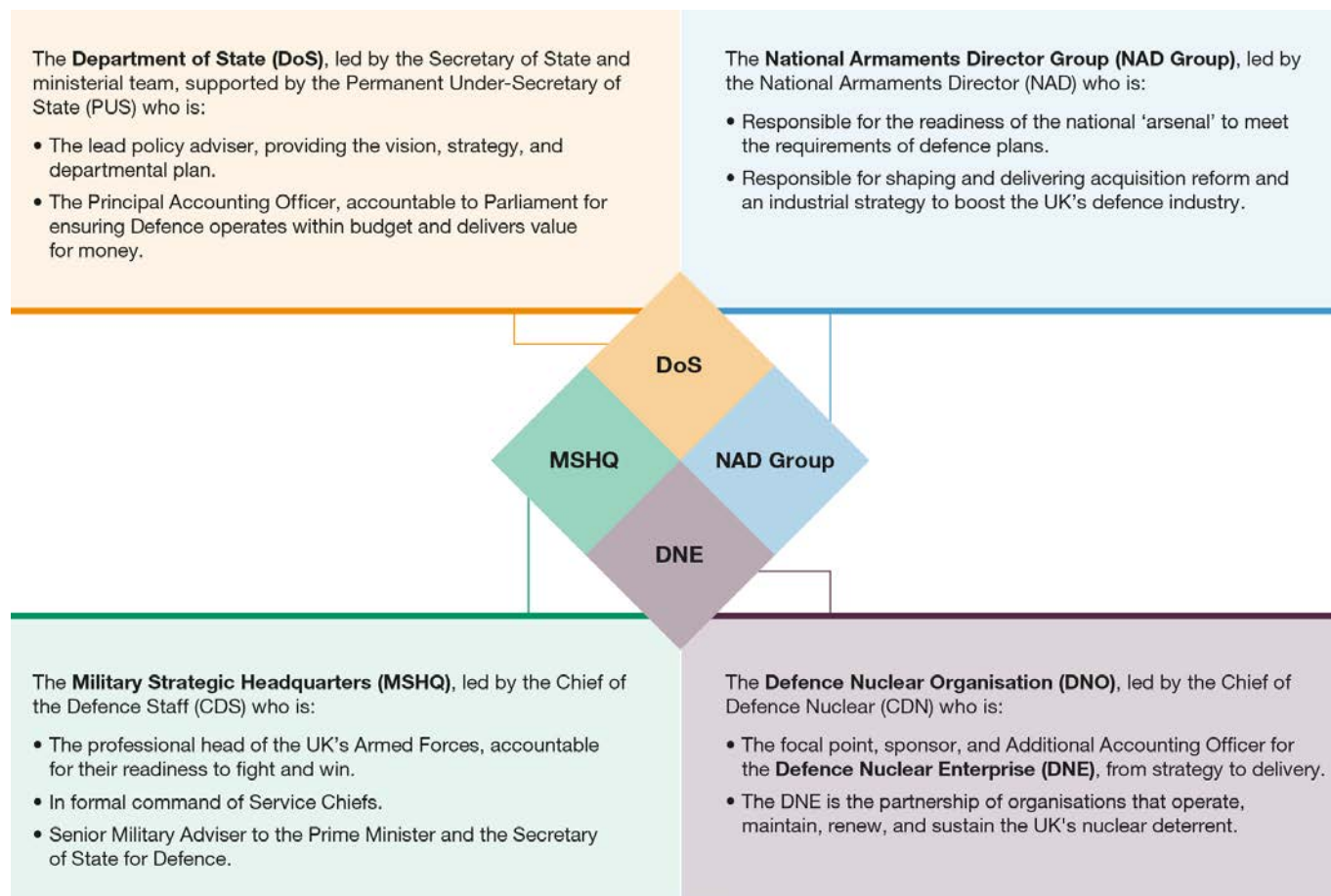
The Chief of the Defence Staff commands both the Military Strategic Headquarters and the Service Chiefs. The Military Strategic Headquarters acts as the focal point for the design of the integrated force, to improve

warfighting readiness and lethality, and coordinates the strategic planning of UK Defence activity worldwide. The Military Strategic Headquarters will support the journey from a ‘joint’ to an ‘integrated’ force that better harnesses the five warfighting domains of maritime, air, land, cyber, and space.

The National Armaments Director will deliver cutting-edge capability to UK Armed Forces, swiftly and to cost. To do so, the National Armaments Director will lead a reformed end-to-end defence procurement system and make Defence an engine for economic growth in every corner of the UK. The new structure will enable collaboration between teams delivering the national ‘arsenal’ and the Government’s Defence Industrial Strategy into a single group. It will enable collaboration by bringing together: Defence Equipment & Support, Defence Infrastructure Organisation, Defence Science and Technology Laboratory, Defence Digital, and Defence Support, along with roles focused on international collaboration and exports, supporting UK Defence Industry. These roles and organisations will work together, alongside industry, academia, international allies and partners to develop, deliver and support innovative, world-beating military capabilities.

The Chief of Defence Nuclear (CDN) is responsible for cohering across the Defence Nuclear Enterprise (DNE), which comprises the organisations that operate, maintain, renew and sustain the UK’s nuclear deterrent and brings together the core organisations of the Defence Nuclear Organisation (DNO), the Royal Navy, UK Strategic Command, the Submarine Delivery Agency (SDA), and AWE Nuclear Security Technologies (“AWE”). The financial nuclear ringfence ensures nuclear spending is prioritised and allows a strong focus on delivery and outcomes. Under Defence Reform, the Chief of Defence Nuclear will act as the clear point of accountability for the ringfence, working closely with industry and the Military Strategic Headquarters finance teams to ensure effective management.

Responsibilities of senior officials and military personnel under Defence Reform



The Principal Accounting Officer remains accountable to parliament for Defence Spending. In 2025-26, he will delegate multi-year budgets to each Area, in line with HM Treasury's departmental spending settlement, with four new budget holders, one for each of the areas. Funding and spend will be categorised into Invest, Readiness and Operate, with the National Armament Director holding the Invest budget and the Military Strategic Headquarters responsible for the Operate budget and the Readiness budget.

Work continues to fully establish the new structures and ways of working to improve the efficiency of Defence. 2025-26 will be a transitional year for Defence, with quarterly reform programme milestones. New processes will be tested and refined, simplifying and removing duplication wherever possible. Defence Reform is a Parliament long programme.

Summary of Principal Risks

Defence implements a risk framework that enables risk to be managed at all levels of the organisation ranging from Defence Board held risks (principal risks) through to risks supporting the procurement and in service support to the Armed Forces. At the strategic level, Defence identifies its principal risks against core ministerial commitments and Defence Outcomes, ensuring that the risks that could directly affect the delivery of Defence strategic objectives can be effectively managed through appropriate governance and investment.

The Department's principal risks are overseen by the Defence Board and supported by risk management at all levels of the organisation. Risk detail is withheld for matters of national security but 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
- Building and maintaining robust and effective relationships with our partners
- Adapting to the impacts of climate change

The Defence Board, Executive Committee and Defence Nuclear Board are the key components of the enterprise governance that ensures that strategic risks are mitigated and that the Department's strategy is effectively implemented. The Governance Statement contains more information on our internal controls and risk management approach, including the activities delivered through the year to reduce risk in our key areas.

The Strategic Defence Review

In July 2024, the Prime Minister launched a 'root and branch' Strategic Defence Review (SDR)² to ensure the United Kingdom is both secure at home and strong abroad, now and in the years to come.

The purpose of the SDR was to determine the roles, capabilities and reforms required by UK Defence to meet the challenges, threats and opportunities of the twenty-first century, deliverable and affordable within the resources available to Defence.

The SDR was led by three external reviewers, who selected a small Defence Review Team (DRT) to support their work. The DRT comprised senior experts from inside and outside Defence, working closely with other Government Departments, including HM Treasury.

The SDR involved and received inputs from other Government Departments and agencies, in areas where they support UK Defence. It consulted widely, 1,700 individuals, political parties and organisations submitted over 8,000 responses, 200 companies provided written contributions, over 150 senior experts took part in the review and challenge panels and nearly 50 meetings took place between the reviewers and our senior military figures.

Aligned to the Government's clear plans to spend 2.6% of GDP on defence by 2027, and with an ambition to spend 3% in the next parliament subject to fiscal and economic conditions, the SDR sets a vision that **by 2035 UK Defence will be a leading tech-enabled defence power, with an Integrated Force that deters, fights and wins through constant innovation at wartime pace**. The enduring and mutually reinforcing roles that Defence must fulfil to deliver the outcomes within the resources available are:

- Defend, protect and enhance the resilience of the UK, its Overseas Territories, and Crown Dependencies.

- Deter and Defence in the Euro-Atlantic.
- Shape the global security environment.

The two further enabling roles that are fundamental to delivery of the core roles are:

- Develop a thriving, resilient defence innovation and industrial base.
- Contribute to national cohesion and preparedness.

In support of these roles and to achieve this 2035 vision the SDR sets out the following new ambitions for Defence:

- 'NATO first' – stepping up on European security by leading in NATO, with strengthened nuclear, new tech and updated conventional capabilities.
- Move to warfighting readiness – establishing a more lethal 'integrated force' equipped for the future and strengthened homeland defence.
- Engine for growth – driving jobs and prosperity through a new partnership with industry, radical procurement reforms, and backing UK businesses.
- UK innovation driven by lessons from Ukraine – harnessing drones, data and digital warfare to make our Armed Forces stronger and safer.
- Whole-of-society approach – widening participation in national resilience and renewing the Nation's contract with those who serve.

The SDR was published on 2 June 2025 with the Government endorsing the vision and accepting all 62 recommendations in the report.

The Defence Investment Plan

To deliver the SDR vision we will develop a new Defence Investment Plan. The Defence Investment Plan, which supersedes the Defence Equipment Plan, will be completed by Autumn 2025.

² <https://www.gov.uk/government/publications/the-strategic-defence-review-2025-making-britain-safer-secure-at-home-strong-abroad>

The plan will cover the scope of the defence programme over the next decade, from people and operations to equipment and infrastructure. The plan will be deliverable, affordable and will ensure our frontline forces get what they need when they need it. The plan will enable flexibility to seize new technology opportunities and maximise the benefits of defence spending to grow the UK economy.

We will unlock nearly £6Bn of new savings over the course of this Parliament through efficiency and productivity savings, civilian workforce changes, and structural simplification. We will publish a Defence Reform and Efficiency plan alongside the Defence Investment Plan, which will provide further detail of these efficiencies and savings.



Ministry of Defence

Strategic Defence Review 2025

The world has changed.
The threats we now face are more serious and less predictable than at any time since the end of the Cold War. This Review sets out a vision to **make Britain safer, secure at home and strong abroad.**

Contributions to the Review

- 8000 responses
- 1700 contributions from individuals, political parties, and other organisations
- 200 industry contributions
- 150 experts in their fields

A landmark shift in our deterrence and defence:

- Move to warfighting readiness**
With a more lethal 'integrated force' equipped for the future and strengthened homeland defence.
- Engine for growth**
Driving jobs and prosperity through a new partnership with industry, radical procurement reforms, and backing UK businesses.
- 'NATO first'**
Stepping up on European security by leading in NATO, with strengthened nuclear, new tech, and updated conventional capabilities.
- UK innovation driven by lessons from Ukraine**
Harnessing drones, data, and digital warfare to make our Armed Forces stronger and safer.
- Whole-of-society approach**
Wider participation in national resilience and renewing the Nation's contract with those who serve.

Support to Ukraine

As Russia's unprovoked and illegal full-scale war in Ukraine moves into its fourth 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; and demonstrating Ukraine's right as a sovereign, independent and democratic state.

UK support to Ukraine since Russia's full-scale invasion in 2022



The UK committed £3Bn in military spending to Ukraine in 2024-25.

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.

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.

A Framework Agreement on Defence Material Cooperation between UK Defence, Ukraine's Defence and the Ministry of Strategic Industries was signed on 12 April 2024 allowing the UK and Ukraine to develop projects together, and for the UK to procure direct from UK defence industry on Ukraine's behalf. The UK/Ukraine Defence Credit Support Treaty, signed on 19 July 2024, allows Ukraine access to £3.5Bn of export finance guarantees to secure those contracts.

Since its establishment, Task Force HIRST has delivered:

- a contract with BAE Systems to produce 105mm and 155mm gun barrels for Ukraine. Sheffield Forgemasters is a key sub-contractor producing initial forgings in the UK, re-establishing a long-dormant UK industrial capability. The barrels will be finished by an industrial partner in Ukraine.
- A £1.6Bn deal with Thales UK to supply Ukraine with more than 5,000 advanced air defence missiles.³ Thales will work with a Ukrainian partner in the production of a launcher and command and control vehicles in Ukraine, representing an ever-increasing level of collaboration between our respective industrial bases.
- A series of contracts with UK industry to provide maintenance, repair and overhaul of UK-provided land equipment and some of the former Soviet Union equipment still operated by Ukraine. The maintenance, repair and overhaul of vehicles and equipment in Ukraine ensures that kit can be returned to operational use on the Front Line as quickly as possible. These commercial frameworks are open to international collaboration through the International Fund for Ukraine (IFU), for example, Sweden has used them to fund the maintenance of the Archer artillery systems they have provided to Ukraine, thereby scaling up the repair and maintenance facilities in-country.

Task Force HIRST has also delivered a series of trade missions to Kyiv to initiate, develop and deepen UK/Ukrainian defence industry relationships. By the end of 2024-25 the UK had led the international trade mission, together with the Netherlands and Norway. Trade Missions support the UK's economy and jobs, build Ukraine's own industrial resilience and are a demonstration of the UK's 100-year partnership with Ukraine.

Through the IFU, contracts worth over £1.5Bn have now been placed for a range of equipment including: uncrewed air systems, electronic warfare, air defence systems, artillery ammunition, maritime intelligence, surveillance and reconnaissance, mine clearance, plant vehicles, logistic support bridges, and tracks and engines for armoured fighting vehicles.

The UK will also provide Ukraine with £2.26Bn of military support through the Extraordinary Revenue Acceleration (ERA) loan, as part of the G7's \$50Bn ERA loan scheme.⁴ This funding will be used to provide Ukraine with artillery, long-range effectors, air defence and maintenance repair and overhaul equipment.

The UK continues to deliver a major training operation for Ukrainian forces under Operation INTERFLEX, which has been extended to 2026. Working with 13 other partner nations, training of Ukrainian personnel is progressing well, with over 55,000 Ukrainian personnel trained in the UK since June 2022. 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. As such, Operation INTERFLEX now also delivers leadership and basic training instructor courses. 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 a long-lasting history of training AFU personnel in different domains, such as specialist training, marines, pilots and doctors.

³ <https://www.gov.uk/government/news/historic-16bn-deal-provides-thousands-of-air-defence-missiles-for-ukraine-and-boosts-uk-jobs-and-growth>

⁴ <https://www.gov.uk/government/news/uk-reinforces-support-for-ukraine-with-226-billion-loan-to-bolster-ukrainian-defence-capabilities>

Financial Performance Summary



Aneen Blackmore
DG Finance

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.

It is disappointing that MOD has received an audit qualification due to a “Material Limit of Scope” and a “Regularity Qualification” due to a breach in the non-budget parliamentary control total which has resulted from a prior period restatement.

The material limit of scope audit opinion is in relation to Assets Under Construction balances acquired through the Atomic Weapons Establishment (AWE). AWE is a public limited company owned by the MOD which came back into the MOD’s boundary in July 2021. A complex set of legacy record keeping and structural differences between the AWE and the Department have contributed to the NAO’s limitation of scope finding. Significant work has been undertaken since 2021 to bring AWE into MOD’s boundary and strengthen financial processes. This further work identified by the NAO will be a priority to address during 2025-26.

The regularity qualification relates to complex legal cases and accounting for resettlement schemes where insufficient provision existed to settle the obligation in 2023-24. In part this relates to a change in accounting treatment. In prior years the MOD accounted for resettlement schemes under an expensed approach where costs were recognised when they were

incurred. In discussion with the NAO this year we have agreed to hold a provision where we can accurately estimate the relevant schemes.

Nevertheless, the Function has played a pivotal role in enabling the Department to reform and strengthen. During 2024-25 we delivered a successful Spending Review 25 settlement and actively supported the Defence Strategic Review. Through the Defence Reform programme, we are accelerating functional reform to support the Department’s ambitions and as part of this, the Corporate Services Modernisation programme will improve both the effectiveness and efficiency of our operating model.

The Spring Budget 2025 provided a £2.2 billion increase for the Department for 2025-26 and a settlement to increase NATO qualifying defence spending to 2.6% of GDP by April 2027. This increase was confirmed in the publication of the Strategic Defence Review in June 2025 and is welcomed. The review outlined several commitments, with a key one being the £15Bn to enhance the UK’s sovereign warhead programme, with investment in up to twelve new attack submarines. There was also a commitment to spend 10% of MOD’s procurement budget on novel technologies, enabling MOD to become a tech enabled Defence power.

Defence Reform gives us an opportunity to streamline core finance processes in 2025-26 across the new structures established from 1 April 2025. Having consistent, efficient ways of working is critical to us delivering our purpose of managing public money responsibly and transparently. We are ensuring that the new accountabilities are clear and the mechanisms are in place from a control, assurance and governance perspective, with simplified and better informed approvals processes. Our people are critical to achieving our purpose and we continue to focus on career development and opportunities, as we continue to support Defence Reform.

Financial Performance in 2024-25

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 (HMT) 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.

Analysis of Departmental Expenditure 2024-25

Comparison of Estimate to Outturn	Estimate £ billion	Outturn £ billion	Variance £ billion	Variance %
Resource DEL (non-ringfenced); of which	35.788	35.719	0.069	0%
Resource DEL (non-ringfenced, administration element)	2.017	2.015	0.002	0%
Resource DEL (ringfenced)	8.782	8.295	0.487	6%
Cost of operations (ringfenced)	1.824	1.809	0.015	1%
Total Resource DEL	46.394	45.823	0.570¹	1%
Capital DEL (non-ringfenced)	21.107	21.103	0.004	0%
Cost of operations (ringfenced)	1.597	1.594	0.003	0%
Total Capital DEL	22.704	22.697	0.006¹	0%
Voted Resource AME	8.584	5.024	3.560	41%
Voted Capital AME	0.005	0.004	0.001	22% ¹
Total Voted AME	8.589	5.028	3.561	41%
Non Budget	–	2.565	(2.565)	(100%)
Total Non Budget	–	2.565	(2.565)	(100%)

1. Category totals reflect separate rounded values in SOPS Note 1. This creates a minor anomaly whereby the total sum of these rounded values does not match the actual total spending.

Annually Managed Expenditure (AME)

budgets are demand led and volatile so cannot be absorbed within normal controls. The AME budget is set by HMT 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

Except for the excess incurred against the Non Budget total, 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 (CDEL) to within less than 0.1% of the £22.704 billion budget.

The Non-Ringfenced Resource DEL was also delivered to within less than 0.2% of the £35.788 billion budget.

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

The majority of the Resource Departmental Expenditure Limit (RDEL) variance in core expenditure of £0.069 billion reflects reductions in spending on administration within the Department.

The core Capital Departmental Expenditure Limit (CDEL) outturn variance was £0.004 billion which 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 £0.487 billion which relates to asset revaluation and depreciation.

For Annually Managed Resource Expenditure (AME) which by its nature is demand lead and volatile, the outturn was £3.560 billion below budget which reflects the change to Treasury Discount Rates and revaluation of provisions.

For non-budget expenditure, the outturn was £2.565 billion, due to the reporting of prior period adjustments to the financial statements in 2024–25. The Department had underestimated its provisions on legal claims and other liabilities for 2023–24. These prior period adjustments were made after Supplementary Supply Estimates for 2024–25 and will require an excess vote.

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

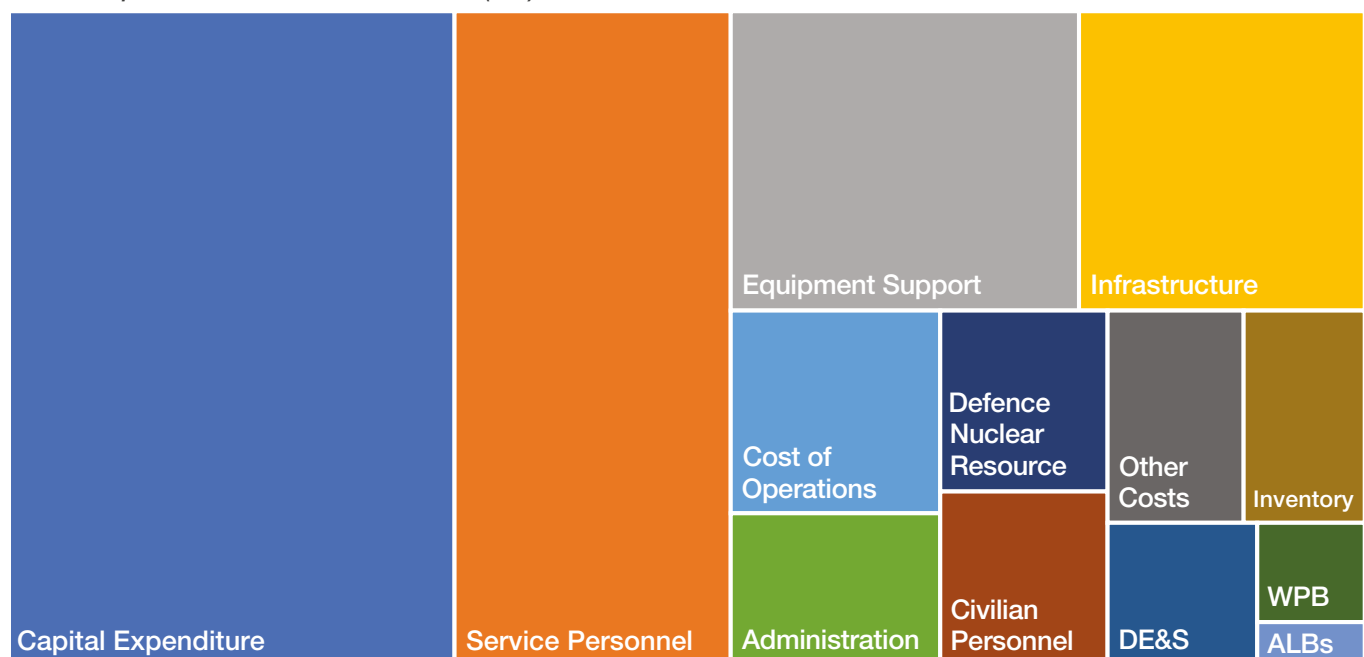
Where We Spent Our Money in 2024–25

The following chart provides a breakdown of all non-ringfenced expenditure and operational ringfenced expenditure incurred by the Department in 2024–25.

This expenditure is controlled by the Department through the In-Year Management forecasting process.

Where we spent Our Money 2024-25

Total Expenditure £60.225 billion (Bn)



■ Capital Expenditure £21.103 Bn
 ■ Service Personnel £11.999 Bn
 ■ Equipment Support £6.159 Bn
 ■ Infrastructure £5.209 Bn
 ■ Cost of Operations £3.403 Bn

■ Defence Nuclear Resource £2.834 Bn
 ■ Other Costs £2.130 Bn
 ■ Administration £2.015 Bn
 ■ Civilian Personnel £1.793 Bn
 ■ Inventory £1.424 Bn

■ DE&S £1.264 Bn
 ■ War Pensions Benefits £0.654 Bn
 ■ Arm's Length Bodies £0.239 Bn

Defence Nuclear Enterprise (DNE) has been shown as a separate item since 2023–24, to reflect a change in reporting arrangements.

Operational Spend Achievements

The Cost of Operations category of spend covers the net additional costs incurred by the Department in support of military operations. Net additional costs are costs that materialise directly, and solely, as a result of an operation, such as additional material, deployment costs, and weapons, expenditure.

In 2024-25, the Department incurred net additional costs against a variety of Operations, most significantly in its unwavering support to Ukraine. In addition to the figures shown in the graph, there is £0.14 billion of additional spend in the Department’s Core budget in relation to support to Ukraine. This takes our overall spend on support to Ukraine to £3.02 billion.

The Department also incurred costs against a variety of other Operations, including counter-terrorism and operational activity across the broader Middle East.

The Deployed Military Activity Pool (DMAP) is a joint HMT and MOD initiative to make resources available to fund the initial and short-term costs of any unforeseen military activity. The first £0.1 billion of spend on Operations is funded from the Department’s Core programme.

In 2024-25, 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 2024-25

Total Expenditure £3.403 billion (Bn)

The following graph reflects the spend on the main areas of conflict in 2024–25:

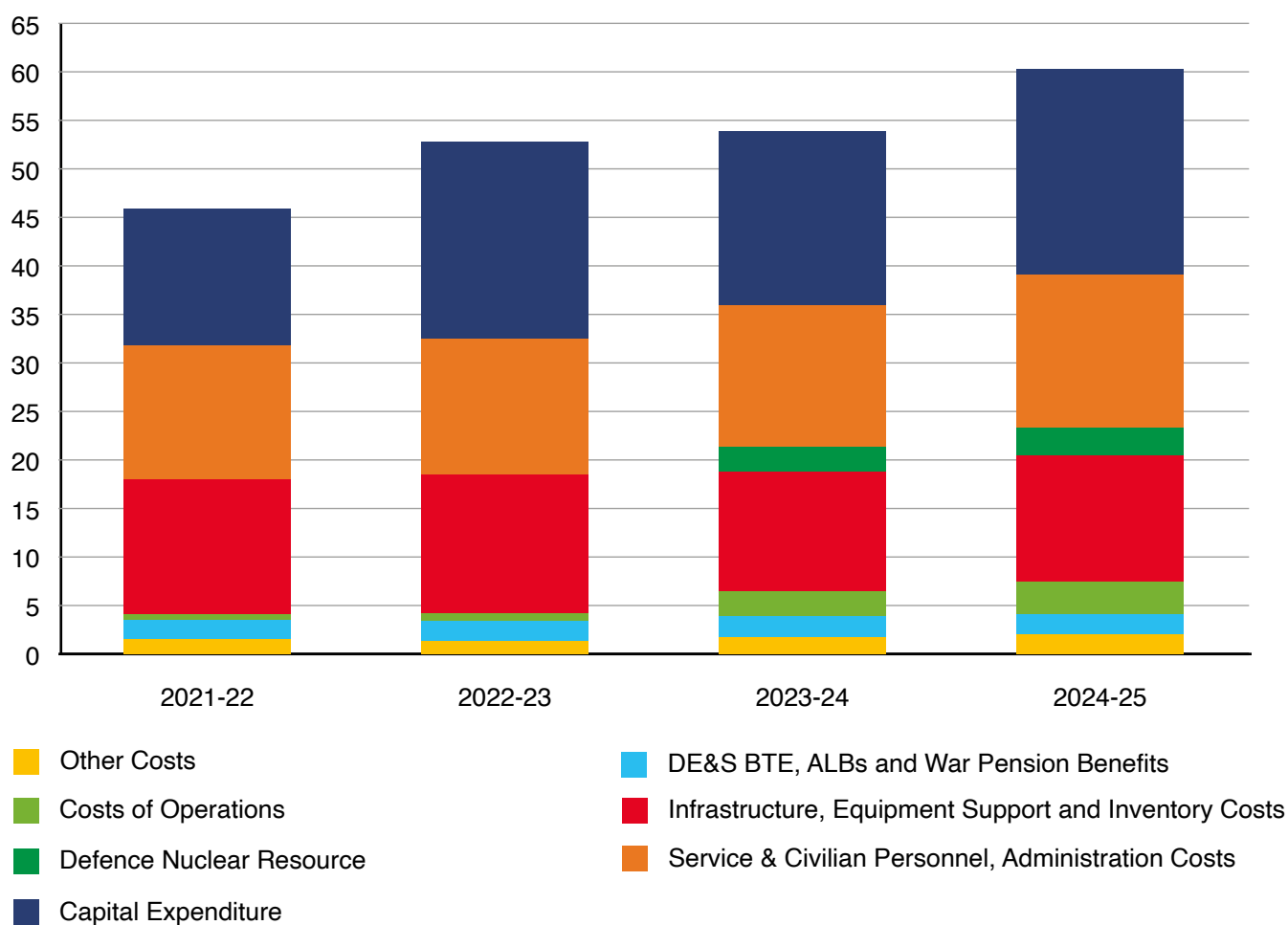


Long Term Expenditure Trends

The graph below shows the long-term trend for Resource and Capital expenditure,

excluding asset depreciation and impairment, from 2020-21 to 2024-25.

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



Defence Nuclear Enterprise (DNE) has been shown as a separate item since 2023-24, to reflect a change in reporting arrangements.

Financial Assurance & Audit Activities

The Department has continued to focus on improving the quality and consistency of the Statement of Financial Position. Initiatives were overseen by a senior level board, with targeted activity undertaken to improve known areas of weakness (including asset verification, decommissioning provisions and lease accounting). This activity was informed by the findings of internal and external audits. Financial Accounting issues and risks are regularly reviewed by the Financial Management Executive and my Finance Committee.

I have a robust system in place to assess how my Function aligns with the government functional standard. The Finance Continual Improvement Assessments Framework (CIAF) has been developed by the Government Finance Function and is led by HMT. The first set of returns were submitted for the year ended 31 March 2025.

The CIAF has been designed to be as comprehensive as possible, covering the full breadth of financial management as laid out in the Finance Standard. Going forwards, the Finance CIAF will be linked to the new cross government Finance Foundation Board (previously the Risk Control and Assurance Board) which stood up in March 2025 and will be discussed at the Finance Committee.

Transformation & Modernisation Defence Reform

From the beginning of his time in office, the Secretary of State has talked about his ambition for Defence Reform, which will address our challenges and enable us to better deliver our purpose and have greater effect across the world, keeping us secure at home and strong abroad. The Finance Function plays a critical role in supporting this ambition.

Since 1st April the four key leadership roles have been established with clear accountabilities and the rapid formation of the

Department of State, Military Strategic Headquarters, National Armaments Director Group alongside the existing Defence Nuclear Organisation and wider Defence Nuclear Enterprise.

To support these new structures, the financial flows have been categorised into Invest, Readiness and Operate. Top-level corporate governance is being streamlined and control frameworks revised, to give assurance under the new structures and ways of working. Finance teams are continuing to work in an agile way to ensure that processes are simplified and efficient, accountabilities are clear, and we support better decision making and delivery within an effective Defence system, underpinned by a One Defence Culture.

Modernisation

It is fundamental that the Finance Function continues to transform and modernise to provide an effective and efficient service to the Department. The Corporate Services Modernisation (CSM) Portfolio covering Finance, HR and Commercial, is part of the Department response to the Shared Services & Corporate Services Transformation.

Within the CSM Portfolio, the Journey to the Cloud (J2C) programme will move our current Finance systems to Oracle Fusion Cloud.

The J2C focus is on transforming our business processes to deliver benefits to our users and enable us to add more value across Defence through improved financial analysis and business insight.

We will adopt best practice enabled by the software, including exploiting automation and artificial intelligence, drive standardisation and commonality with other government departments to improve interoperability, embrace a process of continuous updates to ensure we are meeting new accounting standards and practices, and most importantly build people capability.

The key benefits for Finance are:

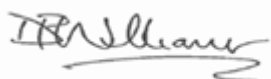
- Increasing the value of Function professionals.
- Greater focus on the numbers and enabling more insights.
- Adoption of industry best practice and processes.

Conclusion and Future Plans

It has been a busy year for the function, we have delivered within a tight fiscal environment, supporting the department to deliver our priorities. As a function we have and will continue to provide critical services and assurance. Looking ahead, we are focused on publishing the Defence Investment Plan (DIP) and Defence Reform and Efficiency Plan (DREP). These plans will help set out how we will deliver the SDR over the SR period and beyond whilst continuing our support to drive transformation.

Aneen Blackmore

Director General Finance



David Williams CB

Accounting Officer

29 October 2025

Performance Analysis



Junior Soldiers are rising to the challenge of one of the Army's toughest promotion courses. Fusilier Emslie was the first female Infantry soldier for 2 SCOTS.

A more lethal, integrated force ready and able to deter, fight and win today and in the future, and a resilient nuclear deterrent

The UK is operating in a more dangerous and complex world. State threats are increasing, terrorism and non-state actors continue to threaten and space and cyberspace disruptors are advancing. To reflect this, the Prime Minister announced an increase of Defence spending to 2.6% of GDP by April 2027, and set an ambition to raise this to 3% in the next parliament when fiscal and economic conditions allow. This increased investment has already begun, with the Chancellor confirming an additional £5Bn increase in the Defence budget for 2025-26. This investment will strengthen the Armed Forces, modernise equipment, and improve the lives of personnel and their families.

Defence is moving to warfighting readiness, establishing a more lethal force, equipped for the future. We are fundamentally changing how we fight and how we support that fight. Three fundamental changes in our approach are set out in the SDR. We will be integrated by design; innovation led and industry backed.

Homeland Defence

Continuous At-Sea nuclear deterrent

The UK's Continuous At-Sea Nuclear Deterrent (CASD) remains the bedrock of our national security; with at least one nuclear-powered, nuclear-armed Vanguard Class submarine on patrol at all times, armed with Trident missiles and the UK's nuclear warhead.

The Defence Nuclear Enterprise (DNE) continues to cohere the public sector, military and industry to deliver this critical capability across a complex portfolio of major government programmes. These cover the maintenance of in-service capabilities, the design and build of our next generation fleets and the UK's replacement warhead, delivery

of the Nuclear Fuels Programme for defence purposes and the decommissioning of legacy assets.

In the face of a new security environment, the UK's nuclear deterrent and our programmes to sustain and renew our capabilities ensure the UK remains able to deter the most extreme threats to our nation and our allies.

The Dreadnought ballistic missile submarine programme is on track for the First of Class, HMS Dreadnought, to enter service in the early 2030s. Five of the seven Astute Class attack submarines have now been delivered to the Royal Navy, with Boat 5, HMS Anson, having completed sea trials in April 2024. Boat 6 was launched in October 2024 in preparation for the final stages of build and commissioning, and construction on Boat 7 continues.

The DNE is recapitalising critical elements of our infrastructure across the UK to modernise our naval bases and manufacturing and decommissioning capabilities. A Nuclear Fuels Programme was announced in November 2024. The programme will explore options to re-establish a nuclear fuel cycle for reactor fuel for defence purposes.

Delivering and sustaining our deterrent now and in the future involves bringing together partners from across government and industry as a national endeavour. This means implementing coordinated cross-government initiatives that support our deterrent, revitalising Barrow-in-Furness, the home of UK submarine building, and taking practical measures to attract and retain the nuclear skills we need in the UK to grow the pipeline for the future. To reinforce CASD, through the AUKUS partnership with the US and Australia, we will grow our nuclear powered attack submarine fleet to up to 12.



UK Prime Minister, Sir Keir Starmer and the Secretary of State for Defence John Healey, joined a Vanguard Class nuclear deterrent submarine for the final return home from an at-sea patrol

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 and RAF Lossiemouth, supported by Voyagers at RAF Brize Norton, launched four times in 2024-25, including three times to track Russian aircraft approaching UK airspace. These launches involved the RAF working in close cooperation with the air forces of other NATO countries to track potential threats as they approached the UK from European airspace.

Royal Navy vessels routinely patrol our waters to protect UK interests, contribute to domestic maritime security and act as a deterrent against potential malign activities. In January 2025, HMS Somerset and HMS TYNE shadowed the YANTAR, a vessel believed to be used by the Russian Navy for intelligence gathering, when it transited UK waters. This follows the Royal Navy shadowing the same vessel in the Irish Sea in November 2024.



HMS Somerset (foreground) tracks the movements of a suspected Russian spy ship (Yantar).

Counter Terrorism

Defence holds personnel 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 2024-25.

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 2024-25 our capacity building efforts have enabled 16 projects across the globe including training to counter improvised explosive devices and uncrewed aerial systems, and to respond effectively to crises.

Military Aid to the Civil Authorities

Alongside defending the nation, Defence continues to support other government departments to bolster national resilience 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, the Armed Forces unique capabilities can be requested to support.

In 2024-25 the Armed Forces delivered 67 MACA operations, involving some 700 personnel. This represents a reduction from the 78 MACA operations involving 1,900 personnel in 2023-24.

Explosive Ordnance

Under longstanding arrangements with the Home Office, military explosive ordnance disposal and search (EOD&S) teams are held at extremely high readiness to support the UK's emergency services. In 2024-25 financial year, they supported 2,135 callouts (2,320 incidents in 2023-24), including 1,811 incidents of conventional munitions (such as unexploded ordnance from the Second World War) and 324 incidents of improvised explosive devices.

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. In the Caribbean, the deployment of HMS TRENT and HMS MEDWAY ensured we were ready to provide immediate humanitarian assistance and disaster relief during the hurricane season and assist in the interdiction of illicit narcotics. We also continued to support building the resilience of the OTs, including through their Defence Regiments.

UK Government negotiations over the British Indian Ocean Territory Chagos Archipelago have now resulted in a political agreement, signed on 22 May 2025 and presented to Parliament by the Secretary of State for Foreign, Commonwealth and Development Affairs. The UK's priority is to ensure the long-term, effective operation of the joint UK/US military base on Diego Garcia, which is vital to national security.

In Europe, Gibraltar and the Sovereign Base Areas (SBAs) of Akrotiri and Dhekelia continue to act as the sites of strategically critical Overseas Bases at either end of the Mediterranean. Investment and development in the SBA have been crucial to the UK's response to the Israel/Gaza crisis and in

facilitating the UK's action against Houthi rebels to protect freedom of navigation in the Red Sea.

Warfighting Readiness

Integrated Air Missile Defence

Air and missile threats are deepening and proliferating globally. Collectively, the ballistic missile threat, together with crewed and uncrewed air threats, make Integrated Air and Missile Defence (IAMD) increasingly important to Defence. Delivery of IAMD involves capabilities from all three services and UK Strategic Command, making it one of the broadest areas of Defence effort over the last 12 months. As set out in the SDR, Defence will invest up to £1Bn of new funding in homeland air and missile defence.

The Department has deployed Royal Navy ships on several occasions to maintain freedom of navigation through the major Red Sea shipping routes on which much of our trade relies. As part of this mission, HMS DIAMOND successfully engaged multiple Houthi attack drones; this was the first Anti-Aircraft engagements by the Royal Navy since 1991.

The British Army Mounted Short Range Air Defence capability has been deployed to Saudi Arabia as part of Operation CROSSWAYS, which sees air defence troops deployed to help Saudi Arabia defend itself from aerial threats to its territorial integrity. In December 2024, our Sky Sabre Medium Range Air Defence completed a two-year operational commitment providing air defence in Poland. Members of 7 Air Defence Group had been deployed to Poland protecting Polish airspace throughout.

As well as the Royal Air Force Quick Reaction Alert capabilities to defend UK airspace, Typhoons also deployed to Romania in April 2024 and Poland under Operation CHESSMAN in late March 2025, to help counter Russian aggression in the air. Four F-35Bs also deployed to Iceland in August 2024 to support NATO air policing activity. RAF Typhoons deployed on Operation

SHADER were involved in protecting Israel from the Iranian attack in April 2024, through successful engagement of several Iranian drones. Exercise AGILE SHIELD tested the Royal Air Force's ability to disperse aircraft for combat operations alongside United States Air Force aircraft and crews.

In the UK, the RAF's No. 2 Counter-Uncrewed Air Systems Wing was deployed to detect and track unauthorised drone incursions at a number of Defence and United States Visiting Forces bases in November 2024. The Wing also supported the 2024 Paris Olympics in France, deploying members of the RAF Regiment forward to support French efforts in countering small uncrewed air system threats. Space Command has delivered their UK-US Ballistic Missile Early Warning Detection mission throughout, operating Royal Air Force Fylingdales to provide early warning of ballistic missile attack.

UK Integrated Air and Missile Defence capability has continued to improve to meet the growing threat. European Common Radar Standard 2, the future radar for our Typhoon combat aircraft, was flown for the first time in September 2024, with UK E7 Wedgetail making its maiden flight in the same month. The Common Anti-Air Modular Missile, in use by the Royal Navy and Army, has been returned to contract and achieved capability milestones ahead of target, reaching full scale production capacity.



Typhoon FGR4 during take off on QRA practice scramble on OP CHESSMAN

Munitions

Munitions underpin our ability to engage in combat, with the resilience of the industrial base crucial for sustaining this capability. It is imperative that we maintain sufficient inventories of munitions. As set out in the SDR we will be investing £6Bn in munitions in this Parliament, including £1.5Bn in an 'always on' pipeline for munitions. We are ensuring the UK maintains the industrial capacity to supply and replenish munitions stockpiles for current operations and future capabilities. We will be building at least six new energetics and munitions factories in the UK, generating over 1,000 jobs and boosting export potential. Collaboration with allies and partners in munitions development has been a key focus, particularly in enhancing interoperability, standardisation, and industrial capacity to bolster deterrence against aggression and strengthen NATO collective security.

The Directed Energy Weapons (DEW) Programme is advancing novel laser and radiofrequency systems to address evolving threats like uncrewed aerial systems (UAS), offering Defence valuable capabilities with cost efficiency and speed-of-light target engagement. Successful trials of these systems, which includes the cutting-edge DragonFire laser, have provided valuable insights for the programme. Efforts are underway to enhance long-term capabilities, improve technologies, and expedite the deployment of DEW to frontline personnel within five years, reshaping delivery methods and informing future developments.

In October 2024, the Royal Navy achieved a significant milestone with the successful guided firing of the anti-ship Sea Venom missile, enhancing the defensive capabilities of Royal Navy warships. Orders for Aster munitions and Common Anti-air Modular Missiles (CAMM) aim to bolster stockpiles following operational engagements in countering Houthi aggression. MBDA's delivery of CAMM ahead of schedule, was utilised by the British Army on Exercise

FORMIDABLE SHIELD 25, showcasing the missile's operational readiness.

In February 2025, test flights of the Meteor Beyond Visual Range Air-to-Air missile on F-35B aircraft marked progress in the campaign to integrate UK weapons. Meteor is the UK's primary air-to-air missile and is carried on operations by Typhoon, progressing towards Meteor's capability on F-35. In November 2024, a joint UK Defence and industry team successfully conducted the first guided firing of the MBDA-designed SPEAR Capability 3 missile, from a BAE systems-operated Typhoon aircraft. SPEAR, which is a next generation turbojet-powered miniature cruise missile, can hit targets from 100km away and is designed to be used against a range of targets, including air defences, ships, tanks, defended structures and fast-moving vehicles. Once in service it will be fitted to Britain's F-35B fighter jets and will allow the military to strike targets both from land and Queen Elizabeth-class aircraft carriers. SPEAR autonomously navigated to the target via customisable routes before using its advanced all-weather radar seeker to map the target area and using radio frequency imagery to successfully engage it.

The Storm Shadow cruise missile remains integral to the UK's precision strike capability, with ongoing efforts to increase availability and stockpiles. Demonstrated performance and effectiveness by Partner Nations underscore the importance of maintaining and enhancing this key munition.

Cyber

The cyber and electromagnetic domain is at the heart of modern warfare. The Armed Forces' ability to fight is highly dependent on access to the electromagnetic spectrum and resilience to digital loss, including as a result of a cyber attack.

To protect its ability to communicate and operate in the face of a persistent and highly dynamic threat, the integrated force must be able to fuse the disparate CyberEM activity of a small number of expert organisations and retain the initiative in pursuit of campaign

objectives, including as part of NATO operations. As set out in the SDR, this requires a single point of authority - a new CyberEM Command with responsibility for integrating capabilities and defending from daily attacks in the grey zone.

The National Cyber Force (NCF), now in its 6th year, is a partnership between defence and intelligence. NCF 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 the central component of Defence's commitment to develop the UK's cyber capabilities. The past year has seen NCF further mature its approach to its national role. Its new strategy and force outcomes outline NCF's intent to grow its delivery of high-end cyber effects operations.

The NCF's headquarters in Samlesbury continue to take shape, with transformation work ongoing to move NCF's centre of gravity to its new location. In anticipation of this, the NCF has been working as part of the Lancashire Cyber Partnership (LCP) to develop the cyber ecosystem in the northwest. This has included supporting the LCP Education Week initiative, reaching over 12,000 primary, secondary, further and higher education students across the country with the message that a career in cyber is desirable, tangible, local and attainable. The 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.

Defensive Cyber Programmes aim to bring in new technologies, processes, and ways of working to reduce cyber risk exposure across UK Defence. The types of defensive cyber capabilities that are being developed include the integration of cyber-attack detection and monitoring solutions; supply chain security that supports reciprocity with the US; cyber vulnerability and asset management; securing our networks and the assurance of our future projects and programmes.

Counter Chemical, Biological, Radiological, and Nuclear

State chemical, biological, radiological and nuclear (CBRN) weapons capabilities are almost certainly increasing, creating greater risk for the UK and allies' national security and challenging global norms. With clear and tangible evidence that hostile states and non-state actors are willing to use these weapons on UK soil and the battlefield, there is a focused and enduring threat to the United Kingdom, its deployed forces and its Allies.

It is imperative that Defence responds to this accordingly. Defence's existing policy is to 'fight and prevail' in a contested CBRN environment, matching NATO's policy ambition. Given this common challenge across NATO, the UK will and must continue to show leadership in the run-up to the UK hosting NATO's first C-CBRN Conference in October 2025.

The UK has a strong track record in countering the CBRN threat. The Defence Science and Technology Laboratory (dstl) is critical to ensuring that the UK, and Allies, are prepared to respond to a chemical or biological attack, with world leading capabilities. In 2025, dstl celebrates 25 years of Organisation for the Prohibition of Chemical Weapons (OPCW) Designated Laboratory status.

As part of Defence's broader support to Ukraine, we have provided further funding for joint-procurement of respirators, alongside substantial training of Ukrainians through Op INTERFLEX, to support them in tackling Russian use of riot-control-agents on the battlefield. Broader threat reduction efforts include delivery of the International Biological Security Programme (IBSP), which this year has funded projects which develop and uphold international conventions, enhance biosecurity in vulnerable places and upskill practitioners globally in biosecurity and biosafety standards. A strategic dialogue with industry is taking place, to ensure they can deliver as Defence gains investment into this critical capability.

Space capabilities

UK Space Command has continued to operate at pace in what is still, for Defence, a relatively new, congested, and competitive domain. In August 2024 it launched the first ever UK Military dedicated Earth-imaging satellite (TYCHE) enhancing Defence's capability to identify battlefield troop positions and vehicles and awarding contracts for additional space capabilities. As set out in the SDR, Defence will continue to invest in the resilience of UK Military space systems.

Relations with the command, both home and abroad, have expanded exponentially, with multiple engagements as part of the UK's commitment to the Combined Space Operations initiative (Australia, Canada, France, Germany, Italy, Japan, New Zealand, Norway, and the US). In addition, exercises such as OPERATION OLYMPIC DEFENDER (a multinational coalition exercise to deter hostile actors in space and reduce debris in orbit) as well as the inauguration of the UK Space Command wargaming exercise SPACE WARRIOR, further demonstrated successful UK Military collaboration with its allies and partners, thus enabling a safe, secure, and sustainable domain.

Through the UK Space Academy, based at the UK Defence Academy, the Command has continued with the upskilling of personnel across Defence. It delivers courses ranging from a basic understanding of the Space domain to more advanced awareness at an executive level, as well as Ballistic Missile Early Warning Systems courses.

Investing in new capabilities

Defence remains focused on ensuring we deliver the best kit and technology into the hands of our front-line forces at speed. A new £11Bn 'invest' budget has been established under the National Armaments Director to fund kit for our front-line forces.

We will develop a new Defence Investment Plan to deliver the SDR's vision. We will ensure the Plan is deliverable and affordable, considers infrastructure alongside

capabilities, enables flexibility to seize new technology opportunities, and maximises the benefits of defence spending to grow the UK economy. This will supersede the old-style Defence Equipment Plan. This will deliver the best kit and technology into the hands of our front-line forces at speed and, importantly, invest in and grow the UK economy. The Defence Investment Plan will be completed in Autumn 2025.

Many of our current largest and most complex equipment programmes are part of the Government Major Projects Portfolio (GMPP) including complex military equipment programmes. These programmes are subject to governance arrangements, including a Quarterly Portfolio Review as well as an independent assurance, conducted by the Infrastructure and Projects Authority (IPA). The latter assesses risks to delivery at a specific moment in time and makes recommendations to address them. As at March 2024, 8 Defence GMPP programmes had a Red delivery confidence rating, 36 were rated Amber and 2 were rated Green.⁵

In 2024-25:

Royal Navy Warship Type 26

Construction began on HMS Sheffield, a new warfare ship for the Royal Navy, and will be one of the world's most advanced anti-submarine warships.⁶

Nearly 2,000 jobs and apprenticeships will be supported through the production of Type 26 frigates, providing valuable employment opportunities for skilled workers and apprentices in Scotland. Around 4,000 jobs will be supported throughout the UK supply chain, in a boost to the economy.

HMS Sheffield is the fifth of eight Type 26 frigates being built in Scotland, marking another significant step forward in the City Class frigate programme, designed for a service life of at least 25 years, serving into the 2060s.

Royal Navy Warship Type 31

At a ceremony in the Rosyth shipyard, steel was cut on HMS Formidable, the third of the Royal Navy's new Type 31 warships, reinforcing the Ministry of Defence's commitment to shipbuilding in Scotland.⁷

All five frigates will be built in Rosyth, sustaining over 2,500 jobs in Scotland and across the wider supply chain. The work will also create an additional 400 apprenticeship roles, driving economic growth.

The Type 31 frigates will support future maritime operations, including interception and disruption of those using the sea for unlawful purposes, intelligence gathering, defence engagement and humanitarian support. They will also be able to shoot down missiles and enemy air targets using a Sea Ceptor missile system, keeping Britain secure at home and strong abroad.

Royal Navy nuclear submarine support facility

UK submarines will be able to go through maintenance work faster and therefore redeploy more quickly, following major upgrade works at a key naval base facility

The biggest submarine dry dock in Devonport, reopened in September 2024 following a major refurbishment project worth £200M, completed under a contract with Babcock International Group.⁸

1,250 people were employed during upgrades through the project team and the supply chain. More than 900 people were local with 25 apprentices employed during the project.

The upgrades included the installation of the Alternative Mechanical Handling package that will help reduce maintenance durations, driving up productivity. This major refurbishment allows the continuation of the upkeep of ballistic missile Vanguard Class submarines.

5 MOD Government Major Projects Portfolio data, 2024 – GOV.UK: <https://www.gov.uk/government/publications/mod-government-major-projects-portfolio-data-2024>

6 Steel dawn: Work begins on new frigate, the fourth HMS Sheffield

7 Formidable beginning: Work starts on Navy's latest Type 31 frigate

8 Royal Navy's nuclear submarine support facility upgraded – GOV.UK

In addition to the Devonport upgrades, a new Submarine Training Facility (SMTF) based in HMNB Clyde opened in March 2025, providing Royal Navy personnel with a modern, high-fidelity environment designed to develop the specialist skills required for safe and effective submarine operations.

It is the third training facility delivered at HMNB Clyde under the Clyde Infrastructure Programme (CIP) of wider transformation. The SMTF supports long-term capability development, resilience in training delivery, and Defence priorities for operational readiness and strategic deterrence.

New Air Defence Laser

RAF pilots are one step closer to being equipped with a cutting-edge laser self-protection system, following successful live-fire trials, in October 2024.⁹

The laser is being designed to be fitted to a range of RAF aircraft including the intelligence gathering Shadow R2 and A400M transporter, ready to rapidly detect and defeat threats such as missiles.

During the trial the operational system defeated 100% of the infrared heat-seeking missiles being fired simultaneously, using a laser with pinpoint accuracy, which has been designed and developed by the Team Pellonia partnership between Leonardo UK, Thales UK, and the Defence Science and Technology Laboratory (dstl).

RAF Wedgetail E7 Airborne Early Warning Mk1 aircraft

In September 2024, the Wedgetail took its maiden flight test in the UK for the first time.¹⁰ The Wedgetail is the most technologically advanced Airborne Early Warning (AEW) and Control capability system available and will provide UK Defence with eyes in the sky, to see far beyond ground-based systems and fighter aircraft sensors. Already in service and proven with the Royal Australian, Republic of South Korean and Turkish Air Forces, the

platform has recently been selected by the United States Air Force and NATO as their next command and control aircraft.

Capable of generating a 360-degree view of the airspace and as a force multiplier, it will provide advanced warning of approaching threats to enable commanders to fight effectively in complex environments.



The Royal Air Force's (RAF) first E7 AEW&C (Airborne Early Warning and Control) aircraft

⁹ New air defence laser engages multiple missiles at once – GOV.UK

¹⁰ RAF's Wedgetail flies in the UK for the first time | Royal Air Force

An organisation that takes a NATO first approach by stepping up our commitments for European security, and extends our influence beyond the ability to fight through diplomacy and development of other nations' capacity to defend themselves

Alliances and partnerships are the bedrock of global stability and are even more important to the UK in the context of growing risk and uncertainty. NATO is the bedrock of UK and European security. We have adopted a 'NATO first' approach – ensuring that NATO is foremost in how Defence plans, the foundation for how Defence thinks and embedded in how Defence acts. NATO is the starting point for how the Armed Forces are developed, organised, equipped and trained.

As set out in the SDR, our core roles prioritise the Homeland and Euro-Atlantic, including maintaining our steadfast support for Ukraine. We have used the opportunity of a European reset to re-invigorate the relationship with the EU to build a more collective and credible contribution to European peace and security. We have strengthened our partnership with European nations, including signing the Trinity House agreement with Germany; the Joint Expeditionary Force (JEF), and UK-France Combined Joint Expeditionary Force (CJEF) to secure Europe's Northern and Eastern flanks, patrol and protect undersea infrastructure and freedom of navigation. We have continued to deepen our partnership with the US, across next-generation capabilities, R&D, operations, nuclear issues, global security, and industrial collaboration; seeking to work together to meet the challenges of this volatile competitive environment.

Contribution to and leadership in NATO

The UK offers almost all of its armed forces to NATO, across the full spectrum of defence capability. This is part of its contribution to

NATO's warfighting plans, ensuring the Alliance can collectively deter and defend every inch of Allied territory. This includes offering our independent nuclear deterrent to NATO; the only European ally to do so. The UK's contribution reflects the UK's steadfast commitment to NATO and to Euro-Atlantic security.

NATO's Regional Plans aim to synchronise military operations, deter potential adversaries, and strengthen collective defence. The plans cover the whole of the Euro-Atlantic area, are integrated with national defence plans and can be executed simultaneously, enabling us to fight seamlessly across domains.

The UK's multi-domain offer to the Alliance includes the Carrier Strike Group; a range of agile air packages covering Control of the Air, strike, intelligence, surveillance and reconnaissance, and transport; and a Strategic Reserve Corps (through the Allied Rapid Reaction Corps). The UK remains proud to contribute to every NATO operation and mission, contributing to NATO's 360-degree approach, across all domains, and against all threats and challenges.

The UK led the land component of NATO's highest readiness force, the Allied Reaction Force (ARF) until July 2025, and currently provides the Strategic Reserve Force Infantry Battalion for Kosovo.

The UK is also the framework nation for NATO's Forward Land Force (FLF) in Estonia. As part of the UK's FLF contribution, a battlegroup is forward based at Tapa, Estonia. A unique and valuable part of the UK's FLF offer is that the battlegroup is integrated into

the Estonian 1st Brigade and would remain so during conflict.

The most notable UK contributions to NATO during the past year include:

- The ARF's deployment on Exercise STEADFAST DART in Jan-Feb 25, not only demonstrated UK leadership within NATO, but also the Alliance's resolve and its ability to deploy at range, strengthening our deterrence. The UK contributed over 2,600 personnel and 730 vehicles.
- Nearly 2,000 British Service personnel participated in Exercise HEDGEHOG in Estonia in May 2025, in addition to those already permanently deployed. HEDGEHOG was the largest annual multinational military exercise in Northern Europe, demonstrating our ability to rapidly reinforce the Forward Land Force in Estonia. The exercise was an opportunity to test elements of Project ASGARD, the British Army's transformative, AI-driven initiative to enhance connectivity and boost lethality.
- The Carrier Strike Group, deployed under Op HIGHMAST, has been under NATO command in the Mediterranean and participated in NATO exercises, such as Neptune Strike. On its return, it will offer SACEUR an unrivalled 5th-generation capability.
- The UK has continued to contribute to NATO's Enhanced Air Policing in Europe, with RAF Typhoons currently deployed to Poland under Op CHESSMAN. The RAF has also deployed Rivet Joint and P-8 Poseidon aircraft to support BALTIC SENTRY – the NATO maritime activity to detect and understand sabotage against undersea infrastructure.
- The UK has continued to make a significant contribution to NATO's Command Structure, offering some 1,000 UK personnel, including the post of the Deputy Supreme Allied Commander Europe (DSACEUR) and the Maritime Component Commander in Northwood.

As a demonstration of the UK's support to Ukraine and NATO, the UK significantly contributes to NATO's Security Assistance and Training for Ukraine (NSATU), which coordinates military support and training for Ukraine. In summer 2026 the UK will assume the 2* Deputy Commander post.

The principle of national resilience is rooted in Article 3 of the NATO Treaty. This is both a national responsibility and a collective commitment that NATO members will maintain and develop individual and collective capacity to resist armed attack. The NATO Washington Summit reinforced NATO and member state commitments to resilience.



Section commander from a rifle platoon, 4th Battalion, The Royal Regiment of Scotland on Exercise STEADFAST DART

NATO Test

This Government made a manifesto commitment to apply a NATO test to major defence programmes to ensure it meets its obligations in full. This was conducted within 100 days of the government.

The NATO '100 Day Test' assessed how well the UK was performing against its NATO commitments. It looked across our force offer, operational activity, long-term capability planning and workforce. The report made recommendations on how Defence can improve its contribution to NATO even further, many of which were taken forward through the SDR. It also made recommendations on short-term changes Defence could make in

advance of the SDR, to embed a NATO first approach in Defence. These included putting NATO at the heart of defence's planning and decision making. These were implemented at pace, with delivery overseen by the Permanent Secretary and Vice Chief of the Defence Staff on behalf of the Secretary of State.

NATO Targets for Defence Spending

On 25 June 2025, the UK and all other NATO Allies made a historic commitment to spend 5% of GDP on defence and national security by 2035. This is a generational increase in defence and security spending, underlining the UK's commitment to national security and honouring our commitment to be a leader in NATO.

The NATO commitment builds on the steps the Government has already taken to deliver an increase to defence spending. Furthermore, NATO has collectively recognised that to continue to outpace evolving threats we face, we must take a whole of government and society approach. As a result, for the first time NATO's definition of defence and security related expenditure includes areas such as strengthening the defence industrial base and our energy security, enhancing civil preparedness and resilience, and countering hybrid threats.

Strengthened UK-EU Defence Cooperation

In support of the UK's NATO first approach, bilateral agreements with Allies in Europe strengthen the Alliance and drive stability in the Euro-Atlantic. Greater political and military leadership by European Allies within NATO is the best way to meet the challenge posed by Russia.

A new landmark UK-EU Security & Defence Partnership was agreed on 19 May 2025, fulfilling that manifesto pledge and filling a gap in the UK-EU relationship. The ambitious partnership creates a strong basis to further strengthen our dialogue and co-operation and strengthens our national security. This

Partnership reflects our shared geography, history, interests and values, and the fact that the UK and the EU are both significant international actors with strong defence and security capabilities and expertise. It supports UK defence industry, paving the way for British defence firms to possibly access the EU's €150 billion defence fund.

The Partnership will enable the UK to upgrade our co-operation on the major shared challenges to European security – for example, through increasing support for Ukraine with joint work to tackle Russia's illegal shadow fleet and strengthening our co-operation on sanctions, to maximise economic pressure on Russia's war machine.

It will also mean we can explore closer co-operation and joint investment in our defence industrial base, in a way which can support economic growth and jobs on both sides and help to prevent fragmentation.

Since the partnership was agreed, Defence has been focused on implementation, including exploring potential defence industrial collaboration through the mutual commitment to consider UK participation in the EU's Security Action For Europe (SAFE) initiative

France – Lancaster House

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 with France to reboot the Lancaster House Treaties to meet the updated threats we face and to seize the opportunities presented by new domains and technologies, such as Space and Cyber. This work culminated at the UK France Summit in July 2025, where we renewed treaties to meet our ambition and operational challenges for years to come.

Germany – Trinity House

The landmark Trinity House Agreement between the UK and Germany was signed on 23 October 2024, fulfilling the manifesto pledge. It established an enduring foundation for our co-operation, exemplified through the creation of the four 'Lighthouse projects'. These are: deep precision strike; unmanned aerial vehicles and future connectivity; a new land strategic partnership; and undersea cable cooperation in the Northern Seas. Trinity House established effective and responsible governance for our defence relationship, through the new Defence Ministerial Council, and subordinate bodies. Through this agreement, we have brought focus, resource, and ambition to our previously stated objectives: strengthening defence industries, reinforcing Euro-Atlantic Security, enhancing interoperability, addressing emerging threats, supporting Ukraine, and Deep Precision Strike capabilities. Through our agreed mechanisms, enhanced dialogue and increased political leadership, we will drive co-operation for decades to come. We will consistently raise our ambitions to meet tomorrow's threats wherever they come from, irrespective of whether these threats are caused by hostile actors or are a result of natural disasters; on land, at sea, in the air, in space or in the cyber domain.



The Secretary of State for Defence John Healey (L) with his German counterpart Boris Pistorius, Federal Minister of Defence of Germany (R) where they signed the UK-Germany Trinity House Agreement on Defence

Joint Expeditionary Force

The 10-nation strong Joint Expeditionary Force, of which the UK is the framework nation, stands as a powerful political and military tool, demonstrating unity and readiness while complementing NATO's rapid-response and expeditionary capabilities. As set out in the SDR, Defence will continue to work with its Allies to develop the JEF as a capable and willing coalition committed to improving NATO's deterrence posture in Northern Europe and the High North.

The JEF has continued to expand its political and military ties with our European partners over the past year. It has held JEF Leader, Defence Minister, and Chief of Defence Staff level governance meetings. These have provided decision-making and operationalisation on security issues including addressing a range of security threats and challenges in the Baltic Sea region, the North Atlantic, and the High North as well as ongoing support to Ukraine.

Over the past year, the JEF nations have continued to provide material, political, and technical support to Ukraine, and will continue to accelerate this support for as long as it is required. We were delighted to welcome the Ukrainian Armed Forces to observe JEF's signature exercise, JOINT PROTECTOR 2024. JEF nations and other Allies have been supporting the training of Ukrainian troops since 2022 under Op INTERFLEX in the UK

There has never been a more crucial time for the JEF to step up and contribute to NATO's deterrence posture. In January 2025 JEF delivered Operation NORDIC WARDEN, a JEF Response Operation (JRO), which saw JEF nations effectively monitor shipping and threats to critical undersea infrastructure in the North and Baltic seas, deterring would-be hostile actors, protecting communication lines and supporting NATO's BALTIC SENTRY activity¹¹.

¹¹ Joint Expeditionary Force activates UK-led reaction system to track threats to undersea infrastructure and monitor Russian shadow fleet – GOV.UK



Soldiers from The Queens Gurkha Signals Regiment on parade for their Commanding officer whilst deployed to Denmark as part of the Joint Expeditionary Force (JEF).

Relationships with Allies

United States of America

As the SDR states, the United States is the UK's closest defence and security ally, and 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. The strength of the partnership is borne of generations of UK and US defence personnel tackling global challenges together. Our forces are designed to plug seamlessly into US-led coalitions, just as US units can subordinate into UK structures. We are integrated closely 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. However, it is the speed and willingness to act when collective security interests are threatened that has cemented this relationship. Our intelligence relationship is more extensive than any comparable relationship. 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. As set out in the SDR we will maximise our relationship with the US as a force multiplier in renewing deterrence.

We enjoy a broad and deep relationship across industrial collaboration, and science and technology, with 2025 marking our 85th anniversary of the technical relationship. We have made great strides in our continued campaign to tackle barriers to collaboration for both our governments and industrial bases. This included securing the AUKUS Nations exemption from the US' International Traffic in Arms Regulations (ITAR) and the UK and Australia's reciprocal arrangements on 1 September 2024, which will enable far more streamlined defence trade under AUKUS and bilaterally.

During 2024-25, as part of the unrivalled US-UK bilateral defence relationship, there was a regular drumbeat of Ministerial engagement with the US Secretary of Defense and his team, both with the Biden and Trump Administrations. We continue to host vital US Air Force capabilities on UK territory. At the invitation of the UK Government, the United States Visiting Forces (USVF) have upwards of 24,000 military personnel, contractors, government employees and dependents residing in the UK. This number is likely to grow as key projects mature, such as the placement of two F-35 squadrons at Lakenheath which are due to reach full operating capacity by Autumn 2025 and will provide military capability vital to the UK, US and NATO.

Each of our single Services has a diverse range of activities highlighting the strengths of our bilateral engagement:

In October – November 2024 the Royal Navy integrated into the US Carrier Strike Group's certification training in Virginia for the first time. This has enhanced our interoperability ahead of the UK Carrier Strike Group deploying this year. 2024 also saw the re-signing of the bilateral Delivering Combined Seapower Charter between UK and US maritime forces to advance long-standing interoperability through to interchangeability.

The British Army deployed over 600 personnel to Project Convergence in Fort Irwin, California. This Capstone exercise demonstrated the UK and other allies' commitment to transformation and innovation. Putting a spotlight on trans-Atlantic army collaboration, learning and transformation, the UK and US hosted reciprocal lecture series events this year at RUSI and 3rd (UK) Division in Wiltshire.

The Royal Air Force and the United States Air Force have completed several major joint training opportunities together. These have included deploying our Rivet Joint aircraft to Exercise RESOLUTE HUNTER at Fallon Naval Air Station for the second year running, exercising our Air capabilities in a multilateral context. In the UK, the RAF has run joint training courses including the Command-and-Control Warrior Advanced Course at RAF Waddington. The RAF has also continued to support US-led operations in the Red Sea.

UK Strategic Command's engagement as 'Defence's Integrators' continues to resonate with the US Department of Defense's focus on Joint Warfighter education, training, capability development and readiness. The Command continues to drive operations and the capabilities that lead Defence's contribution to the UK's Integrated Force, forging strong UK-US cooperation in developing, commanding and controlling coherent forces ready to project globally and across all five domains. Development towards the 2025 Op HIGHMAST Carrier Strike Group deployment with the US is a prominent example of these continuous efforts, enabled by our unique Intelligence and Special Forces relationship with the US and support provided from our Overseas Bases.

AUKUS

The AUKUS trilateral partnership between Australia, the UK and the US is one of the most strategically important capability collaborations in decades. It is a flagship example of capability partnerships that strengthen allies and collective security in both the Euro-Atlantic and Indo-Pacific and is a powerful signal of the UK's ambition to bring partners from different geographic regions closer together. AUKUS is supporting more unified defence and industrial collaboration, better information and technology sharing and greater resilience. It will develop conventionally armed, nuclear-powered submarines that are interchangeable, including the SSN-AUKUS submarines to be deployed by the UK and Australia. Through the AUKUS programme we will grow our nuclear-powered attack submarine fleet to up to 12 to reinforce our Continuous at Sea Deterrent. The partnership will develop Australia's industrial base, engineering expertise and at-sea capability. It also represents a multi-billion-pound investment into UK industry as well as enhancements to the US SSN industrial base.

Pillar 1 of AUKUS, the delivery of Australia's conventionally armed, nuclear-powered submarine capability, while setting the highest non-proliferation standard, saw a series of developments in 2024, including the signing of a new treaty-level agreement which will enable AUKUS partners to continue sharing submarine naval nuclear propulsion information, and allow the UK and US to transfer material and equipment to Australia for use in nuclear-powered submarines. In September 2024, the Defence Secretary hosted the first AUKUS Defence Ministerial Meeting in the UK, where he announced the start of negotiations on a new treaty between the UK and Australia. On 26 July 2025, the Defence Secretary and Australian Deputy Prime Minister, signed the AUKUS Pillar 1 treaty, which sets out how the UK and Australia will work together to deliver the SSN-AUKUS programme.

On Pillar Two, the UK continues to work with our AUKUS partners on delivering advanced capabilities into the hands of the warfighter. 2024-25 saw activity across multiple capabilities, including enhancing interoperability in the maritime domain, deployment of AI-enabled uncrewed aerial vehicles, and trialling Remotely Operated Vehicles and Autonomous Underwater Vehicles.

AUKUS Pillar Two is also revolutionising how the UK, US and Australian industrial bases work together. The US Government's International Traffic in Arms Regulation (ITAR) exemption came into effect from September 2024. This new licence-free defence trade environment between AUKUS nations will enhance broader industrial collaboration well beyond AUKUS projects.

AUKUS partners are working to identify opportunities for collaboration with additional partners on discrete advanced capabilities on a project-by-project approach under AUKUS Pillar Two. Consultations with Japan, Canada, New Zealand, and the Republic of Korea are ongoing.



Press conference between representatives for the UK, USA and Australia.

Global Combat Air Programme

The Global Combat Air Programme is a collaboration with Italy and Japan to develop sixth generation combat aircraft – another flagship example of capability partnerships that strengthen collective security. These partnerships send strong deterrent messages to adversaries by delivering transformative

technology for modern high-intensity warfighting. The aircraft will be the central capability of the UK's Future Combat Air System, which will replace the Royal Air Force's Typhoon aircraft from 2035 onwards. The programme launched formally in December 2022 and is in the concept and assessment phase.

2024-25 saw the programme make several fundamental steps forward. The International Treaty formalising the programme was ratified by the parliaments of all three Nations. The engineering design work share between prime industry suppliers in the Nations was agreed, allowing those companies in December 2024 to agree the terms of an industrial joint venture to deliver the Development Phase of the programme. Broad system requirements for the aircraft capability were agreed, and the Nations established an international office in Reading, UK, to manage the programme on their behalf. UK civil service and military staff have started to deploy into the international programme office, alongside Japanese and Italian colleagues. Over 3,500 people are now employed in the UK on the programme, including a growing team of more than 200 government staff. Industry hubs are located in the north-west of England, Edinburgh, Bristol and across the country.

Defence Diplomacy

Defence Diplomacy is a key pillar of UK foreign and defence policy. Defence's activities at home and overseas can project UK influence, promote our values, drive prosperity and growth, and prevent crises. Underpinning this is our global defence and diplomatic network, working to build influence around the world to keep Britain and our interests secure. As set out in the SDR, a new Defence Diplomacy Strategy, to be completed by December 2025, will establish a strategic framework, aligned to UK defence, foreign policy and broader government policy, in which Defence will use all available levers to further the Government's strategic objectives and strengthen co-operation with our Allies and Partners and increase UK influence across the world.

Integrated Global Defence Network

The formation of the Integrated Global Defence Network (IGDN) has merged the overseas operations of the Global Defence Network (GDN) and the Directorate of Overseas Bases (DirOB), thereby maximising Defence assets in support of pre-crisis activity and address constant and sub-threshold

competition against adversaries in this current era of warfare. To support the development of the IGDN we will complete a review of its principal elements by April 2026 to optimise Defence's overseas footprint and develop a military and civilian career stream for international defence engagement, creating a deep understanding of regions of interest to the UK.

Defence Overseas Footprint	Number
British Defence Staffs Locations: Gulf – Riyadh; West Africa – Abuja; East Africa – Nairobi; Asia Pacific – Singapore; Eastern Europe – Kyiv; Oceania – Canberra; France – Paris; US – Washington, DC	8
Army training estates Locations: BATUS (Suffield, Canada); BATUB (Belize); Global Hub Germany; BATUK (Kenya); Brunei; Duqm, Oman	6
Hubs Locations: Sovereign Base Areas: Cyprus, Gibraltar, Germany, Oman, Kenya, Singapore	6
MOD military and civilian personnel deployed overseas	8,500
Defence Section Staff (incl. Deputy Military Attaches)	239
Countries with Defence Attaches and Advisers	91
Countries with non-resident Attaches	81

Our overseas bases have continued to deliver enabling activity to numerous operational demands from around the globe, particularly to our Allied and NATO partners. The seven overseas bases have provided strategic assets such as airfields; ports; fuel depots; ship to shore fuelling systems; training estates; explosive storage areas; and nuclear berths to support global operation.

Going forward into 2025-26, we have a wider ambition, including: increasing our leverage of the strategic geographic position of our footprint overseas; unifying our network, with far greater agility, reach and impact than has previously existed; and exploiting our strategic advantage for economic growth.

Some areas of the overseas footprint already generate significant financial benefits, such as Senoko Oil Fuel Depot in Singapore; others showcase the UK's defence and security technologies.

Middle East

The Middle East is significant to UK security and prosperity due to its position as an artery of global trade and its role in global energy supplies. The UK's footprint in the region and increased investment in strategic defence partnerships supports the Government's economic growth agenda.

The status quo in the Middle East has fundamentally changed following Hamas' attack on Israel and Israel's response. The UK undertakes frequent high level international engagement, via Ministers, senior military, and officials, to progress defence cooperation, build enduring international relationships, and to promote our national interests in the region. This has included events such as Ministerial visits to Qatar in July 2024 and Saudi Arabia in November 2024, the hosting of an inward State visit from Qatar in December 2024, and CDS attending the Dragon Group in Saudi Arabia in April 2025. The UK continues to undertake a broad

range of military activity including providing support to the counter-Da'esh coalition, supporting the development of the Lebanese Armed Forces, as well as participating in the Combined Maritime Force in Bahrain.

The death and destruction in Gaza is intolerable. The UK is clear on the importance of international humanitarian law. In support of wider UK humanitarian efforts, RFA Cardigan Bay provided afloat support to the US floating pier to help deliver humanitarian aid to Gaza between May and July 2024. Working closely with the Kingdom of Jordan, the RAF also undertook 11 airdrops to deliver over 100 tonnes of aid for Gaza civilians.

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. We have acted decisively to uphold Freedom of Navigation, and deter attacks on international shipping, including as part of the US-led Operation Prosperity Guardian. Since January 2024, UK Armed Forces have conducted six rounds of proportionate and necessary strikes against Houthi targets to degrade their capabilities, alongside the US. We continue to monitor the situation closely and work with partners and allies to de-escalate tensions in the Middle East.



Royal Navy destroyer HMS Diamond returns to Portsmouth after Middle East deployment that saw her shoot down nine drones and a ballistic missile.

Indo Pacific

The Indo-Pacific is strategically important to the UK. The UK's relationships with Australia, Japan, the Republic of Korea and New Zealand are vital to regional and global security. As set out in the SDR, Defence will contribute to wider Government efforts to defend and shape international rules and norms in the region through strengthening regional partners and protecting freedom of navigation. The UK has upgraded its long-standing commitment to the Five Power Defence Arrangements (FPDA) with Australia, New Zealand, Singapore and Malaysia. We are increasing our engagement with Association of Southeast Asian Nations (ASEAN) and investing in strategic bilateral relationships.

HMS SPEY and HMS TAMAR exercised with FPDA partners and Indonesia, conducting freedom of navigation assertions in the South China Sea, and joint patrols with the Philippines to uphold the rules based international system and the Republic of Korea Navy to enforce the UN sanctions regime against the Democratic People's Republic of Korea. Humanitarian Aid and Disaster relief exercises with Pacific Island nations and France, and illegal, unreported and unregulated fishing with New Zealand and Fiji were countered. The Littoral Response Group visited India, Singapore, Brunei, the Maldives and participated in the Australian led Exercise PREDATORS RUN.

HMS PRINCE OF WALES led the UK Carrier Strike Group in April 2025, to begin an eight-month mission to demonstrate UK and allied collective resolve and determination to maintain security and freedom from the Atlantic to the Pacific and will take part in multinational and bilateral exercises, visiting Australia, Japan, India, and Singapore.

The Army, through the Brunei Garrison and additional UK land elements contributed to the FPDA, the Indonesian Exercise GARUDA SHIELD, Jungle Warfare training in Fiji, Japan's Exercise VIGILANT ISLES and a broad programme of capacity building across the region.

The RAF contributed 6 Typhoons and 1 Voyager aircraft to Australian Exercise PITCH BLACK; RAF Poseidon P-8 Maritime Patrol Aircraft took part in US Exercise RIMPAC for the first time; the RAF also took part in the first Indian multilateral air exercise TARANG SHAKTI.

Our defence relationship with Japan is closer than ever. Exercise VIGILANT ISLES saw more than 100 UK troops deployed to the island of Kyushu in Japan to train with Japanese Ground Self Defence Forces. We are deepening defence cooperation with the Republic of Korea and Singapore, seeking deeper ties in defence, digital, cyber and information domains.

We have continued to work with India to enhance our military cooperation, including the UK's Littoral Response Group (South) exercising with the Indian Navy. Lord Coaker (Minister for the House of Lords) visited Bengaluru in February 2025 for Aero India, during which he launched Defence Partnership-India to help boost defence capability collaboration.



Commandos from the Littoral Response Group South during exercise PREDATORS RUN



Paratrooper from Guardsman Parachute Platoon, B Company, 3rd Battalion, The Parachute Regiment, and a paratrooper from the 1st Airborne Brigade, Japanese Ground Self Defence Forces' working together during Exercise Vigilant Isles in Japan

Africa

We are continuing to work with partners across Africa to tackle collective threats, including terrorism, malign state influence and serious organised crime, and to promote regional peace and stability.

The British Peace Support Team (Africa) delivered 100 activities, training over 2,500 military, police and civilian personnel in preparation to support peace support operations in Africa. Training was delivered to personnel from Ghana, Kenya, Malawi, Uganda, and Zambia to support a range of African Union (AU) and UN strategic priorities including Counter-Improvised Explosive Device (C-IED) and Women Peace and Security.

In Somalia, Operation TANGHAM delivered 37 training courses to over 700 personnel in the Somali National Army. The operation focused on mentoring, advising, and training the Somali National Army (SNA) to build their capacity and capability to counter Al Shabab, constraining their activities and protecting UK interests in the region. Key tasks involved providing advisory support, developing training systems, and enhancing interoperability between the SNA and other security forces, while also coordinating efforts with international partners including the AU and UN.

In Nigeria, UK Defence delivered 15 training courses focusing on areas requested by the Armed Forces of Nigeria (AFN) and delivered C-IED equipment, supporting their efforts to combat the Islamic State and Boko Haram insurgencies in the Lake Chad Basin. We also provided technical support to the AFN's plans to set up a Joint Doctrine Centre of Excellence.

The return of Littoral Response Group (South) round the Cape of Good Hope contributed to our efforts to improve maritime security and provided defence engagement opportunities with Southern and West African nations. RFA ARGUS conducted a port call to South Africa in September 2024, opening opportunities for engagement with the Republic of South Africa Navy. RFA LYME BAY followed in November 2024, visiting South Africa, Ghana, Nigeria, Sierra Leone and Senegal, and also participated in the French-led multilateral maritime security exercise GRAND AFRICAN NEMO. This activity complemented wider regional maritime security capacity building including: providing radars and patrol boats to enhance Maritime Domain Awareness; training of partner maritime security forces in Vessel Board Search and Seizure and maritime law; and support to regional multilateral maritime security conferences. This has enhanced partner nations' abilities to effectively detect, deter and disrupt illicit activities in their waters, enhancing peace and prosperity, and mitigating threats to the UK and our interests.

A thriving UK defence industry that is resilient and scalable – an engine for growth, jobs and innovation across every region and nation of the UK

Defence is delivering a UK defence industry that is resilient, scalable, internationally competitive, supports warfighting, drives UK growth and jobs, and fosters science, technology, and innovation.

As the SDR states, innovation and industrial power are central to deterrence and decisive factors of war. Through the UK's support to Ukraine we have seen what effective joint working between Defence and Industry looks like. Processes designed for peacetime have been revolutionised to enable delivery at speed. Defence will now mainstream these practices, transforming acquisition processes. We will engage industry early in the procurement process, ensuring suppliers are rewarded for their productivity and removing barriers to collaboration.

Aligned to the UK's economic strategy, Defence is an engine for growth. Increasing defence spending creates the stable and secure environment which allows businesses to thrive, driving innovation, opening market access to Small and Medium Enterprises (SMEs), improving the UK skills base and supporting high quality jobs across all nations and regions.

Defence Industrial Strategy

Defence Industrial Strategy 2025

Defence launched the Defence Industrial Strategy Statement of Intent public consultation in December 2024. The Statement of Intent outlined the need to boost our sovereign defence industrial capacity, enhance supply chain resilience and create sustainable, high skilled and well-paid jobs

across the UK that drives growth and strengthens our ability to protect the Nation.

The public consultation closed on 28 February and Defence received 200 responses with over 192 policy recommendations. During the consultation period Defence officials and Ministers held over 40 engagements ranging from meetings with individual stakeholders to industry roundtables, across the full breadth of the defence sector and related stakeholders. The consultation reinforced that industry and government share an understanding of the barriers holding the defence sector back and provided a strong evidence base and forum to develop and refine the policies included within the Strategy. The Defence Industrial Strategy was published on 8 September 2025¹².

New partnership with Industry and Trade Unions

A top priority of the Defence Industrial Strategy is long-term, trusting partnerships between the sector and government. The Defence Industrial Joint Council (DIJC) has replaced the Defence Suppliers Forum as the strategic mechanism for Defence to engage with the defence sector. The DIJC will convene the breadth of the defence sector to drive implementation of the Defence Industrial Strategy (DIS), with representatives from across Defence, industry, Trade Unions and the wider sector developing recommendations that will shape how the outcomes in the DIS are to be delivered. The supporting structures of the DIJC are being designed to align closely with the key priorities of the DIS and will be finalised after the inaugural top-level council meeting which was on 9 June 2025¹³ and DIS publication. These substructures will

¹² Defence Industrial Strategy: Making Defence an Engine for Growth https://assets.publishing.service.gov.uk/media/68bea3fc223d92d088f01d69/Defence_Industrial_Strategy_2025_-_Making_Defence_an_Engine_for_Growth.pdf

¹³ <https://www.gov.uk/government/news/first-meeting-of-defence-industry-body-to-forge-new-partnership-and-industry-mobilisation>

include dedicated DIJC Task Groups to deliver on specific priorities.

Defence is working ever more closely with Industry to understand the solutions to enhance scalability and resilience in the defence industrial base and will develop more coherent relationships with key stakeholders and stakeholder groups in the sector through initiatives such as the SME support hub. Trade unions are a critical stakeholder, and we will partner with them at the strategic level to shape the iteration and implementation of the strategy. Defence is working with a new group of stakeholders to shape the defence industry of the future. Defence has engaged heavily with the financial sector and investor community during the development of the Defence Industrial Strategy and will deepen this collaboration during the development of the forthcoming Defence Financial Services Sector Strategy.

Acquisition Reform and National Armaments Director

Under the Defence Reform Programme, teams delivering the national 'arsenal', the defence industrial strategy and end to end acquisition have been brought together under one leader, the National Armaments Director, to enable better ways of working and empower greater collaboration across Defence.

Our acquisition reforms are integrating insights and learning from previous initiatives and will go further. A 'One Defence' culture will ensure clear accountabilities, a common understanding of risk appetite and improved prioritisation of our investments.

As part of Defence Reform, Portfolio-driven acquisition will be more adaptable, more accountable, more market aligned and less wasteful. We will optimise delivery through portfolios that bring together projects, programmes and services with a clearly defined purpose and measures of success that are linked to our strategic objectives. Defence Reform also provides the opportunity to streamline investment approvals, reducing

bureaucracy in the system and increasing pace, whilst keeping affordability in balance.

As set out in the Spring Statement and SDR a new segmented approach to procurement will enable tailoring of our acquisition processes to the type of capability, supplier and risk involved, with associated timescale targets. The segmented approach will be enabled by work conducted in 2024-25 on accelerated commercial pathways and in time digital systems that improve our ability to exploit the full range of commercial approaches, to drive pace and innovation into procurements. We have issued guidance on the use of Spiral Acquisition to drive pace by setting initial requirements that enable us to leverage what is readily available from the market to deliver an operationally useful capability into service in the shortest possible timeframe.

We have seized the opportunities introduced through the Procurement Act 23, which went live on 24 February 2025. In 2024-25, Defence Commercial have implemented an extensive programme which includes the development of simplified policy and process; development for commercial staff and aligning our digital systems with the Cabinet Office Central Digital Platform. As recommended in the SDR we will scope further improvements to reduce barriers and encourage collaboration, including within the Single Source Contract Regulations (SSCRs), improving pace, productivity and driving innovation.

Having the right skills and culture to deliver is critical to our success. From a baseline of 83 in March 2024, now over 1,050 of Defence's Project Delivery professionals have achieved accreditation to the Government's Project Delivery Accreditation Scheme standards. In addition, we have launched a Psychological Safety service to understand and improve the environment and team performance within our major projects, and we have launched an AI-based Schedule Analytics Tool to provide confidence in major programme schedules and drive pace into delivery.

Bolstering Exports

Defence exports and capability partnerships contribute not only to income generation but to driving the UK's market share, boosting capabilities and strengthening growth. As set out in the SDR, we will be creating a new Defence Exports Office in the Ministry of Defence to drive exports to our allies and growth at home.

Defence has continued to see export success, particularly in the complex weapon domain. Ukraine signed a £1.6Bn deal for Lightweight Multirole Missile (LMM) in March 2025, supporting not just growth but an ally defending itself from Russian aggression.¹⁴ In late 2024 MBDA UK contracted with the Republic of Korea to provide Meteor missiles for Korea's KF-21 combat aircraft. The deal should lead to future supply contracts, as Korea increases the size of its KF-21 fleet. And in our biggest ever warship export deal by value, we will supply Norway with Type 26 frigates designed for anti-submarine warfare in a deal worth £10Bn. Defence continues to actively pursue other significant multi-billion export opportunities in Turkey (Typhoon), Kingdom of Saudi Arabia (Typhoon) and Qatar (Typhoon and Boxer), as well as other opportunities particularly in the Government to Government and disposals areas.

On 3 June 2025, the Prime Minister announced that responsibility for defence exports promotion (comprising the majority of UK Defence and Security Exports) would move from the Department for Business and Trade to the Ministry of Defence, which took effect on 31 July 2025. In line with the Defence Industrial Strategy, this will enable the Government to develop a single defence export offer driving a significant and sustained improvement to performance while giving stronger backing to our world-class defence industry. It will directly connect exports with the MOD's wider procurement and international activity.

Growth

The SDR sets out our ambition to be an engine for growth. A Defence Growth Board (DGB) has been established to maximise Defence's contribution to the Government's first priority, the Growth Mission. The Board will be chaired jointly by the Chancellor of the Exchequer and the Defence Secretary. It will provide a mechanism for Ministers to drive the integration of economic growth considerations into Defence and ensure that growth is at the heart of decision-making, focusing on boosting the supply-side capacity of the UK economy. The Board will ensure the join-up of wider Government Growth Mission work that intersects with Defence, including Investment, Infrastructure and Planning (including the Land Taskforce), Place & Regional Growth, People, Skills & Workforce, Innovation and Clean Energy. The DGB will also direct the development and delivery of the Defence Industrial Strategy, ensuring that it reflects supply-side growth outcomes and acts as the Sector Plan for Defence within the wider HM Government Industrial Strategy.

Use of MOD land

We are engaging and working collaboratively with the Ministry of Housing, Communities and Local Government and Homes England to accelerate disposals of Defence land and to remove any barriers. The Defence Estate Optimisation (DEO) Portfolio, has disposed of 29 sites, released 1,516 hectares of land resulting in circa 7,600 housing units and completed or in active construction/ refurbishment on 20 sites. The new strategic commercial design and build Strategic Alliance commercial framework implemented in 2023, has now placed 11 projects on contract with a further five working through the process, ensuring the efficient delivery of construction projects. The Contract Permissioning Group is reducing the procurement timelines by up to 18 months. In 2024-25, DEO fully disposed of two sites and finalised the disposal of a further three.

¹⁴ <https://www.gov.uk/government/news/historic-16bn-deal-provides-thousands-of-air-defence-missiles-for-ukraine-and-boosts-uk-jobs-and-growth>

Driving innovation

Innovation

Defence is focussed on exploiting new and innovative ideas and technologies to secure a competitive edge for our Armed Forces. This innovation has continued to be enabled in 2024-25 through investment vehicles such as the Defence Innovation Fund (DIF), the newly established Exploitation Fund (ExF) and the Defence and Security Accelerator (DASA).

On 1 July 2025 we established UK Defence Innovation (UKDI). UKDI represents a transformative step in consolidating our defence innovation ecosystem under a single, coherent operating model enhancing collaboration between Ministry of Defence and Security departments. This new organisation will accelerate the delivery of cutting-edge capabilities ensuring the UK remains secure at home and strong abroad and drive economic growth. UKDI brings together previously separate innovation including Defence and Security Accelerator (DASA), Defence Innovation Unit (DIU), Command Innovation Hubs, and Defence Equipment & Support (DE&S) Future Capability Innovation (FCI). Working with a wider network across defence and security, to create a streamlined system that enhances collaboration across defence, security, academia, industry, and international partners. With a ringfenced annual budget of at least £400M, UKDI will serve as an engine for growth in the defence, security, and dual-use technology sectors. The organisation will strengthen whole-of-government coordination on innovation between MOD, DBT, DSIT, UKRI, UKIC and wider security departments, reducing duplication while supporting the Government's growth mission, National Security modernisation agenda, and the Defence Industrial Strategy.

UKDI will provide the critical mechanism for defence and security to rapidly identify and procure innovative commercial products and services from the UK and allied countries, creating seamless pathways from innovation to procurement that support our national security foundations and economic growth objectives. This will achieve its primary objective of rapidly exploiting internal and commercially available technology to enhance military capability and deliver battle-winning operational advantage.

Since April 2024, Defence has invested in defence innovation projects through the DIF and the ExF. This combined investment encompasses ongoing support for the Department's Spearhead Programmes, facilitating rapid advancements in innovation and Research and Development (R&D) within critical capability domains. Moreover, it includes sustained funding to bolster Defence Innovation hubs throughout the defence sector, aiding in the provision of inventive solutions to Defence challenges. Notably, the Innovation Gamechangers focusing on Directed Energy Weapons, Integrated Space, and Multi-Domain Integrated Systems have significantly contributed to the R&D portfolio.

The Defence and Security Accelerator (DASA) launched 12 themed competitions and ran 5 cycles of the Open Call for Innovation, enabling suppliers to accelerate their ideas into defence and security. Helping businesses to grow, DASA also runs the Defence Technology Exploitation Programme (DTEP) and the Defence Innovation Loan (DIL) scheme. Since April 2024, DASA has allocated funding across 123 projects, of which 73% were with small and medium-sized enterprises (SMEs).

The UK hosts the Defence Innovation Accelerator for the North Atlantic (DIANA) European Regional Office, co-located with the UK Accelerator at the Innovation Hub (I-Hub) in London. DASA operates the Accelerator in partnership with an external delivery partner, the Janus Consortium. Over 2,600 applications were submitted into the 2025 five Challenge areas and 74 companies were

selected to participate in the Acceleration programmes across 20 Allied nation sites. The UK is supporting five companies specialising in sensing and surveillance from both the UK and other Allied nations, a further nine UK companies were selected by NATO DIANA. The UK's participation in the NATO Rapid Adoption Service aims to support these technologies being exploited for defence and security applications.

Science and Technology

The Senior Strategic Scientist (SSS) has provided Science and Technology (S&T) strategic leadership in 2024-25 covering key elements of the Chief Scientific Advisor (CSA) role. They direct the core research budget into a suite of capability research programmes largely delivered via the Defence Science and Technology Laboratory (dstl). On 24 June 2025, the appointment of Professor Tim Dafforn as the new Chief Scientific Adviser was announced, and he took up his post on 8 July 2025.

Dstl comprises 5,000 Civil Servants made up of professional support staff, scientists, engineers and analysts, and is HMG's major defence and security S&T delivery arm. More than 50% of funding received by dstl is spent with industry and academia, providing critical finance to support the generation of novel, disruptive technology. Dstl also sponsors 135 PhDs at 35 universities bolstering the UK's skills base as it strives to meet defence's increasingly complex technological challenges.

An organisation that delivers value for money for the UK taxpayer, delivers capabilities faster and is adaptable to future change

We are fundamentally changing the way Defence operates with stronger leadership, clearer accountability, faster delivery, less waste and better value for money. Through the Defence Reform programme we created a strengthened Department of State led by the Permanent Secretary, established a new Military Strategic Headquarters led by the Chief of the Defence Staff, created a new National Armaments Director Group, and strengthened the Defence Nuclear Enterprise cohered by the Chief of Defence Nuclear. Each of these Area Leads have greater accountability for delivery and responsibility for four new Area budgets which will drive tighter budget control. The Areas have the authority to balance their investment and to respond to changing priorities enabling Defence to balance demand with supply, driving greater alignment of ambition and resource and the ability to adapt to generate greater value for money. These changes will also help unlock savings over the course of the parliament through efficiency and productivity savings, workforce changes and structural simplification.

Joint Support Enablers

Infrastructure

The estate is where Defence lives, works, trains and operates in the UK and bases overseas. Recent efforts to address longstanding problems are a good start but the profound nature of the challenge means these will not be enough to ensure Defence infrastructure is fit for purpose. We are creating a single recapitalisation plan that establishes a holistic assessment of Defence infrastructure over the next decade and a

Defence Housing Strategy which will set out how we will improve the overall standard of accommodation.

The landmark deal with Annington Homes in December 2024, to return military homes to public ownership, provides new opportunities for forces homeownership. It has provided the ideal opportunity to embark upon a major modernisation of the Defence estate to fundamentally improve the lived experience for Service families, and we have committed to over £1.5Bn in new investment for rapid work to fix the poor state of forces family housing.¹⁵ It will be a boost for both housebuilding and economic growth as options to sell, redevelop and refurbish the Defence estate will be created, ensuring better exploitation of the potential for Defence land to support wider housing demands. It is expected to deliver significant financial benefit in terms of reduced rent charges. The associated Defence Housing Strategy, that has been developed and will be published later this year, will inform the next steps and make the case for continuing to prioritise investment.

All four regions (South West, South East, Central, Scotland & Northern Ireland) of the Defence UK Built estate have entered their third year of Future Defence Infrastructure Services (FDIS) contracts. The delivery of core services contracts has seen an increase in core services (planned preventative maintenance and care of historic buildings) as well as non-core services that has allowed a greater degree of flexibility for changing customer needs. A year 3 review is currently underway to realise further FDIS benefits and innovation.

¹⁵ <https://www.gov.uk/government/news/homes-fit-for-heroes-with-extra-15-billion-for-forces-housing-through-upcoming-strategic-defence-review>

<https://researchbriefings.files.parliament.uk/documents/CBP-9441/CBP-9441.pdf>

The UK Training Estate contract went live on 1 April 2024. Suppliers are required to deliver a broad range of contract activity against their respective Acceptable Level of Performance (ALP) and Target Level of Performance (TLP).

Digital

Data and digital systems are the fundamental underpinnings of all modern military capabilities, making them more capable, resilient, and lethal. They are integral to developing a force dominated by AI, uncrewed, and autonomous systems, and in preparing the ground for the profound potential impact of Artificial General Intelligence. As set out in the SDR, we will be investing more than £1Bn to integrate our Armed Forces through a new Digital Targeting Web (delivered in 2027). This creates choice and speed in deciding how to degrade or destroy an identified target across domains and in a contested cyber and electromagnetic domain.

Operational support to programmes like OP SCORPIUS have supplied crucial infrastructure including 500 military radios, an International Donor Coordination Centre, medical platforms and support to Ukraine's training systems. Services like Information Exploitation and Saudi Arabian National Guard Communications Project have contributed to intelligence network safety and modern Command, Control, Communications, Computers, and Intelligence (C4i) capabilities for military engagements.

To streamline processes and enhance overall efficiency for those engaging with Defence systems, various advancements have been made. Notable achievements include the introduction of video conferencing in the Falklands, expanding accessibility with Virtual Desktop Services for over 5,000 individuals using non-MOD devices, and bolstering cybersecurity defences with Multi-Factor Authentication.

Defensive Cyber Operations and cybersecurity enhancements have been crucial in mitigating risks posed by cyber threats and ensuring the integrity of digital

systems and networks. The establishment of the Joint Industry and Interagency Task Force EVERSHIELD aims to redefine the approach to cybersecurity, ensuring rapid improvements in baseline security measures across Defence's digitally enabled capabilities. The elevation of the Cyber threat profile underscores the growing importance of cybersecurity in safeguarding digital assets and infrastructure.

The Digital Skills for Defence programme has successfully launched the My Digital Skills Digital skills platform to 240,000 users across Defence. The platform provides access to a range of certified and accredited courses from industry leaders driving upskilling through a learning experience that will keep pace with the constantly evolving demand for digital skills.

Productivity

Productivity and Efficiency are key parts of the Government's mission to kickstart economic growth, as set out in the Plan for Change.

As set out in the SDR, we are focusing on reshaping the Civil Service workforce with an emphasis on performance, productivity, and skills, reducing costs by at least 10% by 2030, releasing military personnel in back-office functions to front-line roles, and automating 20% of HR, Finance, and Commercial functions by July 2028.

Defence is committed to increasing productivity and as outlined in the Public Spending Audit 2024-25, has established a central Productivity Portfolio. This will deliver a coordinated and systematic approach to capturing both cashable and non-cashable benefit and break down the barriers to productive working including through system modernisation and consolidation, process simplification, and automation across a range of transactional and delivery areas.

Through the Productivity Portfolio, Defence has implemented initiatives that follow best practices from both the private and public sector. The Corporate Services Modernisation (CSM) programme, a Pan-Defence portfolio, is reforming our HR, Finance and Commercial services by redesigning processes and implementing Oracle Fusion technology. The Defence Supply Chain Capability Programme (DSCCP) is enhancing efficiency, agility and speed in capability acquisition by enhancing supply chain risk management, advancing supply chain design, and improving collaboration with industry.

The Increasing Defence Outputs (IDO) programme has run for two years, concluding in March 2025. During that time IDO conducted 14 interventions across Defence, which targeted military force elements in order to identify and remove the barriers to readiness. Beyond the direct benefits to individual force elements, IDO also built an evidence base to address the systematic challenges to managing readiness across the Defence enterprise. A new Defence Readiness System has been designed, which will be operated by the Military Strategic Headquarters.

Defence seeks to utilise advances in technology and AI to drive benefits across the business and operational space. We are exploring the use of informational chatbots, machine learning applications and generative AI to automate and accelerate routine business operations and policy work to save time on specific and generic tasks. Work is underway to understand how time savings can be realised or reinvested across Defence. We work closely with partners across government to identify and apply best practice and understand where these tools can support workforce efficiencies.

We continue to prioritise affordability and value for money within our workforce plans, to ensure we maximise capability and resource available to front-line delivery of Defence's priorities. We are committed to having an agile and sustainable workforce with the right skills, whilst maximising value for the taxpayer. The focus on value for money allows Defence to be more strategic in how it resources work across its four workforce types (Military, Civilian, Contractors and Reservists) on a whole force basis.

Going forward, we will continue to build our efficiency and productivity work, focusing on key areas which will deliver maximum savings and impact, supported by the new Defence Reform and Efficiency Plan.

A highly engaged organisation that recognises people are fundamental to UK Defence, enables everyone to fulfil their potential and takes a whole of society approach to the security and defence of the nation

People are fundamental to UK Defence and are at the heart of Defence plans. They are the critical component of Defence capability and remain our most important asset. World events have forced us to re-evaluate our strategic approach and adapt our people system so that we are able to attract and retain the talent we need to protect the nation.

Defence needs a dynamic blend of Regulars, Reserves and Civil Servants to give us the mix of skills, experience and strategic depth required for the threats of this new era. We have reformed our approach to recruitment across the whole force and have made fundamental improvements to workforce planning across Defence.

The SDR sets out that we must take a whole of society approach and renew our contract with those who serve. Through the Armed Forces Commissioner Act 2025 we will create an Armed Forces Commissioner who will provide an independent voice to improve service life, and through VALOUR we are making it easier for veterans to access essential care and support.

We are taking an agile approach to skills development. Through the development of the Pan-Defence Skills Framework (PDSF) we are mapping out the skills needed for every role in the Defence Enterprise. We are also investing in foundational skills including leadership, cyber and digital skills.

Renewing the nations' contract with those who serve

We must renew the nations' contract with those who serve and create an environment in which all people can develop and deliver.

Armed Forces Commissioner

During 2024-2025, Defence has introduced legislation to create an Armed Forces Commissioner who will provide a strong, independent voice to improve service life, with powers to launch investigations into Defence matters and make recommendations to the Defence Secretary via annual thematic reports laid before Parliament. The Armed Forces Commissioner is a brand-new post, unprecedented for the UK Armed Forces. The Commissioner will serve as an independent advocate and direct contact for service personnel and their families, addressing welfare concerns, enhancing parliamentary oversight, holding the Government accountable, and raising awareness of the challenges they face. The Commissioner will be added to the list of public bodies captured by the Public Sector Equality Duty and have a duty under the Equality Act 2010 to achieve equality objectives in the exercise of their functions.

Armed Forces Covenant

This Government made a manifesto commitment to strengthen support for our Armed Forces communities by putting the Armed Forces Covenant fully into law. Work is now underway to deliver this commitment and extend the current Covenant Legal Duty. The proposed extension will further ensure that relevant policymakers and decision-makers in

central government, local authorities and devolved administrations take into the account the unique needs of the Armed Forces community.

The 13th Armed Forces Covenant Annual Report¹⁶ was published in December 2024, the first under a Labour Government. It demonstrates all of the work that goes into supporting the Armed Forces community.

Signatories for the Armed Forces Covenant continue to grow. July 2024 saw a significant milestone with the 12,000th signing of the Covenant, a number which has since grown to 13,003 as at 31 March 2025 (11,779 as at 31 March 2024). The Covenant is complemented by the follow-on Defence Employer Recognition Scheme (ERS) which now has over 1,000 members at the top ‘gold’ standard; demonstrating the importance on attracting members of the Armed Forces community. The ERS fosters positive action with employers to promote Reservist friendly workplaces whilst generating support for the wider Defence community and further advocacy for Defence within society.

Improve Service Life

Over the past year, Defence has delivered a wide-ranging programme of reform to enhance the lived experience of Armed Forces personnel and improve recruitment and retention across all three Services. This collective effort has resulted in some of the most significant changes in a generation, including the largest Armed Forces pay increase in 20 years, the introduction of Defence’s first ever Tri-service recruitment contract, and the launch of a fast-track cyber direct entry scheme. Improvements to personal and professional development, such as greater flexibility in using Standard Learning Credits, and enhancements to everyday experiences, including a new dining offer, reflect a broader commitment to recognising and rewarding service. Defence is also investing in the long-term wellbeing of its people through a generational renewal of

military accommodation, guided by a new Consumer Charter and the forthcoming Defence Housing Strategy. While there is more to do, this joined-up approach is laying the foundation for a more modern, inclusive, and resilient Armed Forces with these initiatives are already having an impact.

Service Accommodation

Defence manages around 47,600 Service Family Accommodation (SFA) properties in the UK. By the end of 2024-25, £458M was spent on maintaining and improving SFA. The SDR has committed an additional £1.5Bn for rapid work to fix the poor state of SFA. In addition, at least £7Bn has been agreed for a renewal of military accommodation, this parliament.

As of 12 March 2025, the number of active complaints raised by those living in SFA had reduced to 330 from the peak of 4,190 in November 2022. Tackling damp and mould in SFA remains a key priority for Defence.

Number of Mould & Damp cases raised

Financial Year	Number of Mould & Damp cases raised	Percentage Reduction
2022-2023	5,841	
2023-2024	4,673	20%
2024-2025	4,310	26%

Five Accommodation contracts deliver housing services to Service Personnel and their families. The Defence Infrastructure Organisation (DIO) agreed a range of activities with the Accommodation contractors, including local, regional and national plans to respond to business as usual and severe and extreme weather events, learning lessons from previous years to ensure that all are as prepared as possible for adverse weather scenarios.

16 Armed Forces Covenant annual report 2024 – GOV.UK

Workforce Overview

Our Workforce

As at 1 April 2025, the size of the Armed Forces, including reserves, was 181,890.¹⁷

As at 1 April 2025, the Civil Service FTE was 55,802.^{18,19}

Recruitment and Retention

The SDR sets out that Defence is facing a longstanding recruitment and retention crisis.

Over the last 12 months (1 April 2024 – 31 March 2025) people joining the UK Regular Armed Forces has increased by 19% (2,150) compared to the previous 12 months and people who have left the UK Regular Armed Forces has decreased by 7% (1,140) during the same period. However, in the last 12 months (1 April 2024 – 31 March 2025) a net 1,140 more people left the UK Regular Armed Forces than joined.²⁰

Since July 2024, Defence has delivered initiatives to improve retention as well as recruitment. New Financial Retention Incentives were announced in November 2024 for specific cohorts of Air Engineers across all three Services worth £30,000, and we are removing recruitment barriers, such as outdated medical policies, and introducing initiatives to improve the offer for Service personnel and their families, such as the expansion of wraparound childcare.²¹

On 6 February 2025 a contract for the Armed Forces Recruiting Programme was announced and a tri-Service recruiting Headquarters was established on 1 April 2025, With the Armed Forces Recruitment Service (AFRS) due to launch in 2027, replacing the individual schemes run by the Royal Navy, British Army, and Royal Air Force. The new contract will ensure better

value for taxpayer money and improved recruitment for the Armed Forces.²²

The first-ever tri-service recruitment service will provide a streamlined, single-entry point for prospective recruits, with the aim of attracting the best talent from across the country into the Armed Forces to strengthen national security as the foundation of the Government's Plan for Change. This will make joining the Armed Forces quicker and easier under a new first-of-its kind recruitment service that cuts red tape and transforms the way people sign up to serve.

In September 2024 the Secretary of State announced an accelerated path into military cyber roles. This new 'attract and recruit' initiative, called Cyber Direct Entry, aims to enhance the UK's cyber resilience and improve our ability to conduct operations in cyberspace. It offers a streamlined training pathway, guaranteed service in specialist cyber roles and a competitive starting salary to high aptitude candidates who would have otherwise not considered a career in the military. The scheme was launched in February 2025 and the first cohort of direct entry Cyber Operators are in their final stages of training ahead of assignment to front line units by the end of 2025. Their subsequent cyber careers will be based at various locations across the UK, including the Defence Digital HQ at MOD Corsham in Wiltshire, and the future National Cyber Force HQ in Samlesbury, Lancashire. This scheme is an example of Defence adopting a drastically different approach to securing the specialist skills it needs. While the pilot scheme is focused on Cyber, Defence is considering which other areas could use a similar model to address skills shortages.

¹⁷ Quarterly service personnel statistics: 1 April 2025 – GOV.UK

¹⁸ MOD biannual civilian personnel report – April 2025 (revised 16 May 2025) – GOV.UK

¹⁹ Figure includes UKHO.

²⁰ Quarterly service personnel statistics: 1 April 2025 – GOV.UK

²¹ <https://www.gov.uk/government/news/new-retention-payments-announced-for-thousands-of-armed-forces-personnel>

²² Armed Forces to cut red tape and deliver quicker and easier recruitment service – GOV.UK

Zig-zag/portfolio careers

Zig-zag Careers represents a first key step in Defence's ambition to move towards a new more flexible workforce model that provides easier access to skills and mass. It is part of a wider, multi-year Flexible Workforce Programme that is being prioritised as a key lever for both operational output and to address the recruitment and retention challenge. The future vision for the workforce will see a more fluid system that allows movement between regular and reserve.

As part of this integrated initiative, zig-zag Careers will unlock barriers to accelerate and amplify the movement of talent and skills throughout Defence and will mitigate the current capability skills gaps that cannot be filled in the short-term through base-fed recruiting where Service personnel are recruited at the most junior rank and at low pay and then promoted through the rank structure

Aligned to the Pan-Defence Skills Framework, new, flexible employment types will be established, based around skills, which will allow us to manage, resource and plan our workforce more effectively. It will consider new ways to access key, but often niche skills such as cyber, in greater mass and with greater flexibility. By reducing bureaucratic barriers to lateral entry, experienced hires and specialists, this will support greater utility of talent across the Defence People system, improving our ability to attract and retain skilled personnel more effectively. A zig-zag pilot was soft launched in July 2025.

As stated in the SDR, Civil Servants are central to Defence outcomes and are captured in the zig-zag Ecosystem work as part of the newly formed Flexible Workforce Programme. However, Defence must invest with purpose in the Civil Service it needs, reshaping the workforce with a focus on performance, productivity, and skills. As the Government has committed all departments to reducing their administrative budgets by 15% by the end of the decade, the opportunity and need to improve productivity

and efficiency cannot be ignored. Defence Civil Service costs will be reduced by at least 10% by 2030.

Reserves

Reserves provide the UK with the ability to meet the threats we face at home and overseas, with the scale, skills, agility and connection to society that it needs, in a cost-effective way. As set out in the Strategic Defence Review, reinvigorating the strategic reserve – comprising ex-Regular personnel with enduring legal obligations – and mobilisation of reserves are important factors as we move to warfighting readiness. The Minister for Veterans and People (MinVP) chairs the Ministerial Reserves Board to review and enhance the role of Reserves and simplify processes to recruit, retain and utilise Reservists.

During 2024-25, our priorities and transformation activities for Reserves have included: initiation of a new operating model to better scope industry partnerships to support a zigzag careers pilot; improving our access to better quality data on Reserves; introducing legislative, policy and process changes to help re-establish the Strategic Reserves to provide strength in depth; planning Reserves' contribution to UK home Defence plans; applying relevant lessons learned by our NATO allies in managing their Reserve Forces; and improving and simplifying our Reserves mobilisation processes.

Skills

Pan Defence Skills Framework

Through the Pan-Defence Skills Framework (PDSF), we are taking an agile, enterprise-wide approach to Defence skills development. The PDSF identifies, defines and manages the skills of Defence's people and roles, enabling teams to deploy personnel with the right skills, at the right time, and in the right place. On 22 April 2025 the Pan-Defence Skills Framework successfully enabled the launch of the Engineering Skills-Based Supplement Trial, incorporating 61 PDSF skills across the Royal Navy, Royal Air Force, and Army.

The benefit is twofold: for individuals – it enables clearer recognition of their skills and contribution, aligning with their responsibilities and enabling potential access to targeted supplements or rewards; for Defence – it ensures that skills requiring scarce or high-impact capability gaps are filled, maintained, and supported appropriately – boosting operational readiness and retention.

Through a collective effort, Defence aims to have most people onboard, with a skills profile, by the end of 2025. In addition, the programme is scoping activities to use the Pan-Defence Skills Framework data to support a more integrated and future-proofed approach to people management. This is a long-term initiative that will shape how Defence develops and manages its people well into the 2030s.

Apprenticeships

Apprenticeships are an important part of our approach to enabling our people to deepen their specialisms and skills base. The Armed Forces is the single-largest apprenticeship provider in the UK. As at 1 April 2025 Defence had 25,076 apprentices across 170 courses, with 5,000 opportunities available in the defence industry. 12,841 apprentices were in the Army, which came top in the Department of Education's apprenticeship rankings in August 2024. The Royal Navy came third and the Royal Air Force fourth, employing 6,629 and 3,603 apprentices respectively.

Capability Gaps

Capability gaps identify deficiencies within the Armed Forces and Civil Service workforce. Shortages impact Defence outputs either currently or potentially in the future. The primary functional areas with the most pronounced gaps are Engineering, Digital and Healthcare and Medical. We are utilising various measures to address these capability gaps, including financial incentives, targeted recruitment campaigns and retention strategies.

Cadets

Building society's understanding of what the Armed Forces do can be achieved in part by expanding the Cadet Forces. The ongoing joint Department for Education/ Ministry of Defence Cadet Expansion Programme (CEP) aims to expand in-school and community-based Cadet Forces across the country by 30% by 2030, with an ambition to reach 250,000 in the longer term. Cadet Forces provide skills and qualifications to young people, inform and inspire future Defence personnel, and support economic growth. We are putting greater focus within the Cadets on developing STEM (science, technology, engineering, mathematics) skills and exploring modern technology.

The Cadet CyberFirst Programme aims to equip over 2,000 cadets a year with the skills and expertise to become future leaders in this emerging industry. In 2024-25 more than 2,000 cadets received cyber training.

Veterans Support

VALOUR

As part of the VE day celebrations, the Secretary of State and Minister for Veterans and People announced VALOUR. VALOUR is a new £50M commitment to establish the first-ever UK-wide approach to veteran support. VALOUR will foster the enterprising spirit of veteran charities, better connect local and national services and ensure veterans' support is data driven. A new VALOUR HQ within Defence, a network of field officers, regional VALOUR-recognised support centres, and development funding to support local delivery will be established, overseen by the Office for Veterans' Affairs.²³

The Prime Minister announced on 24 July 2024 that the Office for Veterans Affairs (OVA) would move from the Cabinet Office to the Ministry of Defence. This change is to enable the Minister for Veterans and People to have complete oversight for the entirety of service life; from training to veterans, working with all

²³ <https://www.gov.uk/government/news/thousands-of-veterans-to-benefit-from-new-uk-wide-support-network>

government departments to deliver for our service personnel.

HM Armed Forces Veteran Cards

Since the HM Armed Forces Veteran Card was introduced over 300,000 physical veteran cards have been issued as at May 2025. Veteran Cards help veterans easily identify themselves as a veteran to access government and charity support, discounts and concessions, and as proof of identity in some scenarios. From May 2025, they can also be used as photographic ID to vote in elections.

This year, we will launch the new Digital Veteran Card, the first verified credential in the GOV.UK Wallet, giving veterans more options in how they access and use their Veteran Card. This also places veterans at the forefront of government innovation.

Veterans Housing and Employment

We are working across government to deliver the Prime Minister's promise of homes for heroes. In November 2024, the Prime Minister committed an additional £3.5M to continue the Reducing Veterans Homelessness Programme²⁴ and Op FORTITUDE, a single referral pathway to connect veterans at risk of or experiencing homelessness with help and support. This funding ensures veterans have access to specialist support for employment and independent living until March 2026. As of 30 March 2025, Op FORTITUDE had taken 3,348 referrals and supported 904 individuals into housing.

Under the Capital Housing Programme we have awarded funding to assist 14 organisations in providing support to veterans with housing needs by developing new build projects or refurbishing existing social and affordable rented accommodation for veterans. Veterans in England are also being exempt from requirements of the Local Connection Test, which removes a potential blocker for accessing social housing.

Op ASCEND was launched on 24 February 2025. This service provides free employment advice from specialist-trained advisors. Through one-to-one support, they can connect veterans and their families to their network of veteran-friendly employers based in high-demand sectors. Op ASCEND has already successfully engaged over 300 employers and supported 3,000 veterans and family members.

One Defence – delivering an inclusive and empowering culture, driven by the highest standards

Raising our Standards

Defence has initiated a cultural change programme, 'Raising our Standards' (RoS), to ensure all staff know and show the standards of behaviour we expect. Our aim, to maintain the highest professional standards and behaviours within Defence, is key to operational delivery, recruitment and retention and having a One Defence culture – a fundamental component of Defence Reform. RoS is focused on delivering change through five key areas: tackling unacceptable behaviours with 100% action (including improvements to Service Justice System and Defence Civil Service complaints processes and setting up the Violence Against Women and Girls Taskforce); Influencing Behaviours through effective communications, Leadership and Careers; Training and education; and assurance through improving data, analysis and insights.

To inform the RoS programme, Defence has sought external challenge, expertise and insight through establishing an External Challenge Panel. The panel has met seven times in 2024-25. Comprised of experts from across government and the private sector it provides independent challenge to Defence, introduces new thinking, advises senior leadership, and makes recommendations to shape improvements throughout Defence.

²⁴ Government boosts support for veterans ahead of Remembrance – GOV.UK

In addition, the Vice Chief of Defence Staff has established a People Affairs Committee. This ensures a systemically consistent approach across Civil and Military Services to Unacceptable Behaviour complaints, calibrated to an adjusted legal risk appetite that prioritises 100% action, ensuring duty of care is paramount.

As part of a series of changes to eradicate unacceptable behaviours in the military, and step-up support for women across Defence, we have announced the launch of a new Tri-Service complaints unit for the most serious complaints in the Armed Forces. The new team will be independent of the single Service chain of command to provide individuals with greater confidence and help ensure that the most serious complaints are dealt with quickly, fairly and in a standardised way across the Armed Forces.

To further help drive cultural change, during 2024-25, Defence launched an improved process to deal with workplace grievances and disputes of Civil Servants, which includes complaints about bullying, harassment, discrimination or victimisation. A new complaints app and a new casework structure and model aims to remove administration, to support decision makers, improve consistency of outcomes and ensure a quicker turnaround in investigation time-lines. This follows on from the complete review and reform of the Service Complaints system.

Through the RoS Programme Training and Education Pillar, Defence intends to embed the Leadership Edge model in new and existing Defence training interventions, alongside a refresh of the Active Bystander training intervention toolkit and Senior Leadership in Action programme. Defence is also taking forward actions to ensure compliance with the new duty under the Equality Act 2010 introduced in October 2024 to prevent sexual harassment in the workplace.

Workforce Diversity, Conduct, Equality and Justice

We want UK Defence to be a place where all talents can thrive.

As of 1 April 2025, the representation of women and ethnic minority groups continues to improve.

Gender Representation:

- Regular Forces: 11.9% were female, a rise of 0.2 percentage points compared with 1 April 2024 (11.7%).²⁵
- Civilian Personnel: 46.3% were female, a rise of 0.4 percentage points compared with 1 April 2024 (45.9%).

Ethnic Minority Representation:

- Regular Forces: 12.2% were ethnic minorities (excluding white minorities), a rise of 1.0 percentage point compared with 1 April 2024 (11.2%).
- Civilian Personnel: 6.9% were ethnic minorities (excluding white minorities), a rise of 0.2 percentage points compared with 1 April 2024 (6.7%).

In the last 3 years, Defence has made sustained progress in making Defence more inclusive for all our people. We continue to take action in response to the House of Commons Defence Committee Women in the Armed Forces report. We have: launched the Defence Serious Crime Command and 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; implemented zero tolerance policies on unacceptable sexual behaviour, sexual offences, and sexual exploitation and abuse; issued women's health and wellbeing policies on menopause and breastfeeding; and provided emergency sanitary provision, sports bras and a urinary support device.

²⁵ <https://www.gov.uk/government/statistics/uk-armed-forces-biannual-diversity-statistics-april-2025/uk-armed-forces-biannual-diversity-statistics-april-2025>

As part of our response to the Etherton Review, we have launched the LGBT Financial Recognition Scheme (FRS) for those impacted by the historic LGBT ban in the Armed Forces. Defence has completed 42 of the 49 review recommendations, with the final 7 due to be delivered by the end of 2025. We remain committed to addressing the historic wrongs so that our veterans can once again take pride in their service.

In 2024 Defence published its first Domestic Abuse Action Plan, setting out its plans to strengthen its support for victims-survivors, hold perpetrators to account, and work closely with other organisations, experts and agencies to tackle domestic abuse.

The Climate and Environment

The direct impacts of climate change: rising sea levels, extreme weather and environmental degradation are challenging our operational capability overseas and at home. The impacts damage critical infrastructure, disrupt supply chains, impair force readiness and escalate the risk of conflict driven by resource competition and scarcity.

At the same time new threats to UK energy security have been amplified by the global energy transition and Russia's war in Ukraine. Yet, this is also an opportunity for Defence to adapt to the impact of climate change by unlocking the potential for self-sustainment, agility, lethality, resilience and cost advantage.

Climate Adaptation:

Defence continues to be an international leader on the security implications of climate change and the Energy Transition. The UK is a leading sponsor nation of NATO's Climate Change and Security Centre of Excellence and has an embedded senior staff member at the centre's home in Canada. In 2024-25, Defence held a wargame exploring the nexus between great power competition and climate change convening experts from across Defence, Government and international partners. The wargame provided an understanding of the implications for the UK and Allies across areas including defence, development and diplomacy. The wargame's outcome will be used to shape strategy, develop doctrine and ensure the preservation of operational effectiveness, resilience and interoperability.

Internal Departmental climate adaptation and resilience activity is supported by the Defence Climate Risk Assessment Methodology (DCRAM) which has been developed in line with National Audit Office guidance and risk taxonomy. The methodology enables the

identification, assessment and subsequent management of climate related risks and opportunities, which is pulled through the Department's corporate governance into the Principal Risk process. Further details can be found in our Task Force for Climate related Financial Disclosures.

Sustainable support:

Implementation of the Sustainable Support Strategy²⁶ is ongoing and is focusing on exploiting innovation, research, and experimentation to: develop UK Defence's self-sufficiency; reduce vulnerabilities; enhance operational effectiveness; and enhance supply chain resilience. The last year has seen the development of a 'Towards Self-Sufficiency' model that quantifies added days of self-sufficiency that come from the use of sustainable technologies for Food, Water, Waste, Material and Energy. A Sustainable Circular Economics for Defence concept note²⁷ has been published on gov.uk. It explores how the adoption of circular economy principles can improve the resilience of supply chains by reducing reliance on raw materials across the globe through the harvesting of resources held within our inventory.

The Defence Operational Energy Strategy (DOES) sets out how Defence will respond to the global energy transition. Defence will adopt a new approach to managing fuel and energy, leading to a cultural shift in how Defence makes its operational energy decisions. The DOES describes how Defence will maximise operational advantage through its energy choices. Operational advantage will be achieved through three strategic outcomes; advantage through energy, coherence and organisational agility.

To provide strategic oversight and coordination of the Energy Transition, the Defence Energy Steering Group was

²⁶ <https://www.gov.uk/government/publications/sustainable-support-strategy>

²⁷ <https://www.gov.uk/government/publications/sustainable-circular-economics-for-defence-concept-note>

established in 2024-25 chaired by DCDS Military Capability as the Senior Energy Sponsor for Defence. An Energy Insights Function is also being stood up to gather insights on diverse energy supplies and utility. These insights will help Defence lead the energy transition away from fossil fuels towards more sustainable alternatives, and will work to put Defence in the best position to exploit opportunities.

Digital/ICT:

While continuing to deliver against the 'Greening Government: ICT and Digital Services Strategy 2020-2025', we are developing the updated 2025-2030 version. We are actively partnering with our cross-Government counterparts and Industry to ensure that UK Government has a coherent approach to Digital Sustainability. We continue to progress with the implementation of our delivery plan for the Strategic Framework for Sustainable Digital Technology and Services.

Our digital capabilities are directly supporting our departmental emission reduction aims; our Managed Print Service is reducing device numbers, paper usage, energy consumption and waste; and Digital Transformation Programmes continue to improve sustainability and deliver linked efficiencies. The Defence Equipment Sales Authority (DESA) continues to support our sustainable waste management practices and has a partnership with the Royal Mint to recover gold and other precious metals from electronic waste. This partnership converts redundant non-saleable Defence assets into a valuable resource.

Sustainable Construction:

Defence continues to lead on best practice in built infrastructure policy, standards, and guidance through the continuous improvement of the infrastructure and estates policy. This includes a new tool; 'Whole Life Cost intervention calculator'. The calculator enables users to review what materials and sustainable interventions could be made to lower the emissions throughout a building's life cycle (from construction to demolition) to

bring down operating costs. In addition, we are incorporating within Defence 'Building Performance Standards', robust energy performance targets which apply to all new build and major refurbishment work undertaken across the Defence Estate.

Following the successful introduction of the ten-year programme for Single Living Accommodation to be built utilising Modern Methods of Construction (MMC) the 'Off-site Construction Solutions' framework is being called on for additional projects across Defence, further increasing the use of MMC or offsite construction across the estate. MMC supports the journey to Net Zero with faster construction times, reduction of waste to minimise environmental impacts and optimising material usage.

Nature Recovery:

In 2024-25 Defence continued to fund and deliver nature recovery projects across the estate with over £1M directly invested in 119 projects to improve the condition of Sites of Special Scientific Interest (SSSI). The Defence estate remains one of the most important landholdings for nature in a UK context as highlighted by the fact the defence estate includes:

- 168 Sites of Special Scientific Interest (SSSI)
- Total area of the UK is 81,667 hectares (ha) covering 37% of the Defence estate (table below)
- 24,500 ha of woodland (11% of the Defence estate)
- 31,000 ha of land in 13 National Parks
- 19,400 ha of land in Protected Landscapes excluding National Parks (Protected Landscapes excluding National Parks are England National Landscapes, Northern Ireland and Wales Areas of Outstanding Natural Beauty, and Scotland National Scenic Areas).

Sites of Special Scientific Interest Overview

MOD SSSIs	2023-24	2024-25
Total Area UK	81,671 ha	81,667 ha
Total Area England	70,476 ha	70,472 ha
% Favourable England	49.80%	34.4%
% Favourable or Recovering England	97.2 %	76.1%

The main driver for the reduction in the extent of the area of SSSI in Favourable condition in England is largely due to the change in the condition of Foulness SSSI at MOD Shoeburyness. This requires further investigation by DIO and Natural England.

Historic Environment (Heritage):

Defence inspects the condition of its 'Scheduled Monuments' every five years and uses the results of these surveys to commission works to improve the condition of these assets. Defence has also 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).

MOD Scheduled Monuments	2022-23	2023-24	2024-25
Total Number	772	773	773
Good Condition	40%	40%	40%
Moderate Condition	42%	42%	42%
Poor Condition	14%	16%	16%
Unassessed	3%	2%	2%

MOD Listed Buildings	2022-23	2023-24	2024-25
Total Number	854	856	856
Good Condition	61%	61%	61%
Moderate Condition	29%	29%	29%
Poor Condition	8%	8%	8%
Unassessed	2%	2%	2%

Environmental Protection

Defence continued to achieve positive Environmental Protection (EP) outcomes during the 2024-25 reporting period, reflecting progress in areas such as policy development, compliance and mitigation of issues such as Persistent Organic Pollutants (POPs) and Per- and Polyfluoroalkyl Substances (PFAS). This activity reflects a growing awareness of the importance of EP and the potential for Defence to contribute positively to environmental goals.

Greening Government Commitments (GGC's)

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's performance for 2024-25 against the GGC's is set out in the table below.

Defence 2024-25 Greening Government Commitment Performance

	Baseline				Current year	GGC 2025 Target
	2017-18	2022-23	2023-24	2024-25	Performance against baseline (%)	
MOD Committed Target						
CO ₂ Emissions (Millions of tonnes) Estate	1.34	0.88	0.86	0.88	(34%)	(30%)
CO ₂ Emissions (Millions of tonnes) Direct Estate	0.61	0.53	0.51	0.52	(15%)	(10%)
CO ₂ Emissions (Millions of tonnes) Travel	0.08	0.06	0.06	0.04	(63%)	(30%)
CO ₂ Emissions (Thousands of tonnes) Domestic Flights	6.53	4.07	6.36	5.89	(10%)	(30%)
Contribution to Wider Government Targets						
Total Waste (Thousands of tonnes)	47.28	39.03	39.11	40.43	(14%)	(15%)
% Waste to Landfill	13%	1%	1%	1%	–	Reducing waste to Landfill to 5% of total waste
%Waste to Recycle	42%	37%	33%	41%	–	Increasing recycling to 70% of total waste
Water (millions cubic metres)	16.15	16.07	15.97	15.81	(2%)	(8%)
Paper (millions of A4 equivalent)	0.94	0.45	0.40	0.35	(63%)	(50%)
New Stream under GGC 2021-2025 framework						
International Flight travel distance (millions of km)	–	653	723	743	–	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
Zero emission vehicles	–		11.61%	24.28%	–	100% Zero emission vehicles by 2027

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 suppliers have restated their data due to an error reported in previous years. Data has been corrected as a result. This impacts on 2022-23 and 2023-24 but does not impact on the baseline year of 2017-18.
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. The % zero emission vehicles is due to increase substantially based on current orders for future deliveries.
6. Estate energy consumption data and the associated emissions reported have been restated across all previous years. This is due to reconciliations and access to better data during 2024-25.
7. See Annex E for further breakdown of water, waste and flight data.

Defence Carbon Footprint

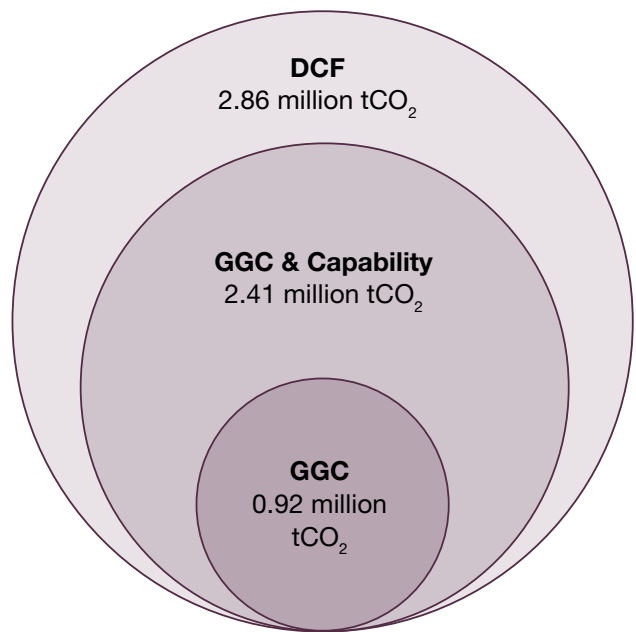
The Defence Carbon Footprint (DCF) covers direct estate emissions (UK and overseas), capability energy, fugitive emissions, emissions electricity and heat (UK and overseas), waste generated, employee commuting, service family accommodation, and duty travel. The Defence sustainability reporting boundary was based on the Defence Operating Model for 2024-25 and will

be redefined for 2025-26 alongside the Deference Reform model and sub-areas. This year the overall Defence Carbon Footprint has reduced.

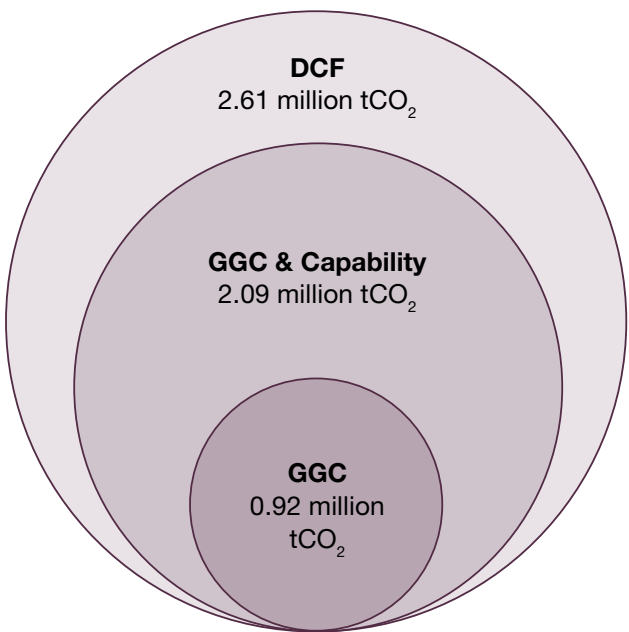
The DCF is aligned to the Green House Gas Protocol and covers emissions that Defence can directly influence across Scope 1, 2 and 3. The visuals below illustrate the different components of the DCF and how they have changed over the past financial year.

MOD Carbon Emissions Reporting

2023-24 MOD Carbon Emissions reported



2024-25 MOD Carbon Emissions reported



Task Force on Climate-related Financial Disclosures (TCFD)

Government departments are required to disclose their climate-related financial information in accordance with the TCFD framework through a phased implementation approach.

The TCFD recommendations are organised around four key thematic areas, which reflect the core operational elements of organisations:

Governance: The organisation's approach to managing climate-related risks and opportunities.

Strategy: The actual and potential impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.

Risk Management: The processes the organisation employs to identify, assess, and manage climate-related risks.

Metrics and Targets: The metrics and targets the organisation uses to assess and manage relevant climate-related risks and opportunities.

Compliance Statement

Defence has provided climate-related financial disclosures in line with HM Treasury's TCFD-aligned disclosure application guidance, which adapts the framework to the UK public sector. Defence has complied with the TCFD recommendations, specifically with regard to the following disclosures:

Governance

- Describe the Board's oversight of climate-related risks and opportunities
- Describe management's role in assessing and managing climate-related risks and opportunities.

Risk Management

- Describe the organisation's processes for identifying and assessing climate-related risks.
- Describe the organisation's processes for managing climate-related risks.
- Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management.

Metrics and Targets

- Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

This disclosure aligns with the central government's TCFD-aligned implementation timetable for Phase 2.

Governance

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.

Board Oversight of Climate-related Risks

Defence Board: The Defence Board, has identified Climate Change & Environment (CCE) as a principal risk. In 2024, the Board conducted an in-depth review of this risk as part of its ongoing risk evaluation program, including an examination of controls and related sub-risks.

Defence Executive Committee (ExCo):

The ExCo acts as the primary body for day-to-day governance, using risk data to examine areas of concern and direct appropriate action. An organogram of this structure is provided in the Defence Board Sub-Committees and the Executive Committee diagram set out in the Governance Report.

Defence Safety and Environment

Committee (DSEC): During 2024-25, chaired by the Second Permanent Secretary of Defence, the DSEC had oversight of climate-related issues. The DSEC was responsible for the oversight and management of the CCE Principal and Strategic risks during 2024-25.

Climate Change and Sustainability Steering

Group: This group comprises senior leaders from across the Defence, ensuring that climate change awareness is integrated at all levels of the organisation.

Management's Role in Assessing & Managing Climate Risk

The Defence risk management framework sets out the governance arrangements and roles and responsibilities for those involved in risk management. 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 Defence 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.

All Top Level Budget (TLB) holders within Defence are required to report climate change risks to the Directorate of Climate Change and Environment (DCCE), which determines which risks should be reported to the DSEC and, where appropriate, to the Defence Board.

Climate risks are assessed and managed through various committees and structures, ensuring integration into policy and assurance processes:

Defence Audit and Risk Assurance Committee (DARAC):

The DARAC periodically reviews the progress made in identifying and mitigating climate-related risks, providing valuable assessment and oversight.

Finance Committee: This committee plays a key role in approving financial policies and procedures, ensuring that climate change considerations are fully integrated into investment, financial risk management, and financial planning processes.

Directorate of Climate Change and Environment (DCCE):

The DCCE was accountable to the Second Permanent Secretary during 2024-25 for the management and reporting of climate-related risks. Its remit includes defining and leading climate change strategy and policy, ensuring Defence's alignment with wider government sustainability and climate resilience commitments, including the net-zero target. It also oversees the roll-out of the Defence Climate Risk Assessment Methodology (DCRAM), advising on and coordinating climate and environment activities across the Defence sector.

Risk Management

Climate change presents both physical risks, such as flooding and extreme weather events, and transition risks, related to the shift towards a low-carbon economy, such as regulatory changes and market adjustments.

Defence's risk management framework aligns with the principles set out in HM Treasury's Orange Book and the Cabinet Office's Management of Risk in Government, ensuring appropriateness for the defence sector.

Processes for Identifying and Assessing Risk

In line with TCFD recommendations and the National Audit Office's Climate Change Risk Good Practice Guide, Defence uses the DCRM to assess climate-related risks both in the UK and abroad. Physical and transition risk causes are identified as part of the risk generation process.

Identifying Physical and Transition Risks

Defence's risk identification processes follow the guidance in JSP892: Risk Management, with regular updates incorporated into the corporate reporting system. Multi-disciplinary teams categorise climate risks (physical or transition) and map them to principal risks.

Physical Risks: The Climate Impact Risk Associated Methodology (CIRAM) is employed to assess risks at Defence estate sites, including critical infrastructure. The identified climate risks are integrated into broader risk management processes and escalated through governance structures.

Transition Risks: These are related to socio-economic shifts that impact strategy, operations, infrastructure, and reputation. Examples include:

- Fuel Use: The phasing out of fossil fuels across diesel fleets and investments in electric vehicles and alternative fuels.
- Procurement: Ensuring contracts meet environmental standards.
- Infrastructure: Retrofitting bases to comply with low-carbon building standards.

Physical and transition risks can combine to have an integrated impact. In this scenario, the subsequent mitigation takes into consideration all causes and possible events.

Assessing Risks

Defence continuously reviews climate-related risks, recognising that the global landscape is dynamic. The risk assessment process incorporates impact and likelihood evaluations, informed by data and expert judgment across disciplines.

Processes for Managing Climate-related Risk

Ownership of individual climate risks lies with capability or policy owners, with reports on priority climate risks submitted to DCCE. As necessary, risks are aggregated to create a consolidated risk profile for Defence. Priority, material risks were managed by the Second Permanent Secretary during 2024-25 and

cascaded through the leadership structure, with accountability assigned to senior leaders.

Integration into Overall Risk Management

Defence's principal climate change risk is fully integrated into existing risk management processes, with DCRAM aligned to JSP 892. The policy in JSP 892 sets out the principles and standards for risk management in Defence. It provides a framework, ensuring that risk is understood and managed robustly to a consistent level of rigour. CCE risk deep dives are conducted at various levels throughout the governance structure, with increasing maturity in the incorporation of climate risks across Defence functions.

Work is ongoing to further integrate climate risk awareness into finance and commercial functions, enhancing the consideration of these risks in future investment and spending decisions.

Case Study – Risk Management at Defence Munitions (DM) Gosport and DM Crombie

As part of Defence's climate risk management strategy, climate modelling is being conducted at sites such as DM Gosport and DM Crombie. This work aims to maintain the resilience of critical infrastructure and operations amidst escalating environmental threats.

The work modelled 5 building types at DM Gosport to examine their vulnerability to predicted flood and wind conditions, and solar gains on the building fabric. This modelling was replicated for DM Crombie to identify which storage locations are most vulnerable to rising sea levels and weather conditions.

This activity will support the prioritisation of infrastructure development at both sites, as well as contingency planning within the Defence supply chain to offset climate related emergent risks.

Case Study – Royal Navy Maritime Transition

The Royal Navy (RN) acknowledges the risks associated with the maritime energy transition, which will be influenced by commercial maritime trends leading to a global mix of low carbon fuels.

The demand for feedstocks and green energy across sectors poses challenges for sustainable fuel production capacity. Commercial Maritime's consideration of low flashpoint fuels (LFF) raises implications around safety concerns, ship design and operational capabilities.

The RN has assessed future energy options for its surface platforms, highlighting challenges and opportunities in the global energy transition.

A wargame conducted by the RN Climate Change and Sustainability Team in 2024-25 simulated operating vessels on F76/methanol, revealing operational implications of a mixed fuel fleet. New programmes are establishing

Key User Requirements for vessels to adapt to potential future fuels.

Metrics and Targets

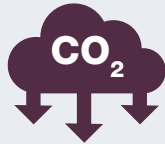
Metrics Used to Assess Climate Risks & Opportunities

Key metrics used to assess climate risks and opportunities align with the HMT 2024-25 Sustainability Reporting Guidance²⁸. These include Defence's Greening Government Commitments (GGCs) and greenhouse gas (GHG) emissions reporting. These metrics are disclosed in the sustainability section above.

Defence tracks various quantitative metrics, such as energy consumption, GHG emissions, waste, and water usage. Metrics are likely to be expanded in the future as work matures around climate risk.

The visuals below provide examples of some of the wider metrics currently used by Defence to support the assessment of climate related risks and opportunities:

²⁸ https://assets.publishing.service.gov.uk/media/66a2235afc8e12ac3edb048d/2024-25_Sustainability_Reporting_Guidance.pdf



461,653 tonnes/CO₂e
Overall estate emissions reduction (UK)
since 2017-18



8,230
BMS (Building Management System) Assets
5,771
Built Assets with a BMS Asset



87,991 tonnes/CO₂e
Direct estate emissions reduction (UK)
since 2017-18



495 Posts
733 Sockets
EV charging points installed to date



51.04% of Core Establishments with completed CIRAMs
(Climate Impact Risk Assessment Methodology) (of these, 60.16% in date)

Disclosure of Scope 1, 2, and 3 Emissions

Defence is committed to disclosing Scope 1 and 2 GHG emissions (see Annex D). The Defence Carbon Footprint Methodology follows the GHG Protocol and includes an assessment of Defence emissions within its direct control, extending to cover some Scope 3 emissions, such as business travel.

Supply chain emissions represent a significant portion of Defence's Scope 3 emissions. Defence is collaborating with suppliers to understand emission reduction opportunities and challenges within the defence industrial base, contributing to policy development, such as the Procurement Policy Note (PPN) 016: Carbon Reduction Contract Schedule.

Targets Used to Manage Climate-related Risks and Opportunities

Defence follows DEFRA's GGCs, with targets set for 2020-2025. Progress against these targets is detailed within the sustainability section above.

As part of the GGC targets, Defence is also developing a departmental adaptation plan. Additionally, each Defence establishment must conduct a climate impact risk assessment every 5 years. The assessments are used to inform the Estate Climate Resilience Plan.

Climate Change Plans for 2025-2026 and Beyond

Defence will continue to build upon its existing efforts to ensure TCFD compliance, with plans in place to support Phase 3 Strategy requirements in the next financial year.

It is recognised that climate change poses a significant strategic risk due to its potential to disrupt operational effectiveness and the resilience of critical infrastructure. This recognition is reflected in the CCE strategies and objectives set within the command plans of Defence and the Front-Line Commands (FLCs)/TLBs.

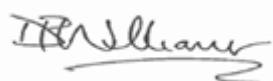
Moreover, Defence acknowledges that climate change is amplified to other estate risks and is investing in a holistic way on improving the estate. The Estate Climate Resilience Plan outlines actions to improve climate risk management over the next five years, including a roadmap to identify key areas of risk and prioritise investment.

Defence has begun applying scenario analysis to some of its priority risks. This analysis will be expanded in 2025 to assess and quantify the potential impacts of climate-related risks on Defence operations and infrastructure. Future work around scenario analysis will enable Defence to better understand threats to aid in the development of strategies and longer-term plans. An updated CCE Strategic Approach will be published, focusing on leveraging emerging technologies in energy and the circular economy to mitigate risks and enhance operational resilience.

Sustainable Development goals UN 2024:

UN SDGs	Headline contributions
4 – Quality of education. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Through apprenticeship schemes and school cadet programmes Defence creates awareness, extends equal opportunities and builds skill-sets in young people of all backgrounds with over 24,000 civilian and military apprenticeships being undertaken. - Defence has been highlighted in the ‘Top Apprenticeship Employers’ for 2024, published in August. The Army came top, followed by the Navy in third and RAF fourth. - Defence has over 50,000 cadets in schools with an excess of 7,000 trained in the Cyber First Programme.
7 – Affordable and Clean Energy. Ensure access to affordable, reliable, sustainable and modern energy for all.	Defence’s total estate energy emissions has reduced by 34% against the 2017-18 GGC baseline. Defence continues to improve energy efficiency and increase its use of clean energy: - On-site generation of renewable energy e.g. project Prometheus. - Defence is continuing to trial sustainable drop-in fuels.
8 – Decent Work and Economic Growth. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work. for all.	Support economic growth: - Defence supports a total of 463,000 jobs in the UK, spread across all regions. - Defence has implemented an Employer Recognition Scheme and Armed Forces Covenant to support the Armed Forces community. The number of Signatories to the Armed Forces Covenant is 13,003.
9 – Industry, Innovation and Infrastructure. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Defence continues to improve the infrastructure and estates policy and released a new tool; ‘Whole Life Cost intervention calculator’ to review what materials and sustainable interventions could be used to lower the resultant emissions of construction activity.
10 – Reduce inequality within and among countries	Delivering our Diversity and Inclusion Strategy: - Representation of women and ethnic minority groups are on an upward trajectory. 11.9% of the Regular Forces and 46.3% of civilian personnel are female. - Ethnic Minorities (including white minority) represent 12.2% of regular forces and 6.9% of civilian personnel.

11 – Sustainable Cities and Communities. Make cities and human settlements inclusive, safe, resilient and sustainable.	Defence is taking steps to strengthen, protect and safeguard cultural and natural heritage through management of Defence's 856 listed buildings and 773 scheduled monuments.
12 – Responsible Consumption and Production. Ensure sustainable consumption and production patterns.	Continue to buy more sustainable and efficient products and services: • Energy and sustainability built into requirements setting and procurement processes. • Carbon Reduction Plans and Social Value are taken account of in the award of contacts through PPN 16.
13 – Climate Action. Take urgent action to combat climate change and its impacts.	Continue to assess climate risk and strengthen resilience: • Through risk assessment and adaptation strategies, Defence is enhancing its ability to respond to climate related crisis, thereby aligning with climate action objectives. • Internal Departmental climate adaptation and resilience activity is supported by the Defence Climate Risk Assessment Methodology (DCRAM) and across the Estate by the Climate Impact Risk Assessment Methodology which enables the identification, assessment and subsequent management of climate related risks and opportunities
15 – Life on Land . Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	In 2024-25 Defence funded and delivered nature recovery projects across the estate with over £1M directly invested in 119 projects to improve the condition of Sites of Special Scientific Interest (SSSI). Over 76.1% of Defence SSSIs in England are in a Favourable or Recovering condition.
16 –Peace, Justice and Strong Institutions. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	National level • Defence has delivered humanitarian aid and protected international trade routes in the Middle East. • Defence has carried out counter narcotics assistance in the Caribbean • Defence has enhanced global security through international partnerships – Euro Atlantic, Atlantic-Pacific, Middle East and the Rest of World. • Contributed to NATO collective deterrence and defence



David Williams CB
Accounting Officer

29 October 2025

Accountability Report

For the year ended 31 March 2025



Royal Air Force 6 Squadron
Typhoon during Exercise
Red Flag 25.

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 2024-25. 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 Grant Shapps MP (to 4 July 2024)	Secretary of State for Defence	0 of 0
The Rt Hon John Healey MP (from 5 July 2024)	Secretary of State for Defence	2 of 2
Leo Docherty MP (to 4 July 2024)	Minister of State for the Armed Forces	0 of 0
Luke Pollard MP (from 9 July 2024)	Minister of State for the Armed Forces	2 of 2
James Cartlidge MP (to 4 July 2024)	Minister of State for Defence Procurement	0 of 0
The Rt Hon Maria Eagle MP (from 8 July 2024)	Minister of State for Defence Procurement and Industry	1 of 2
The Rt Hon Dr Andrew Murrison MP (to 4 July 2024)	Minister for Defence People and Families	0 of 0
Alistair Carns MP (from 9 July 2024)	Minister for Veterans and People	1 of 2
The Earl of Minto (to 4 July 2024)	Minister of State for Defence in the House of Lords	0 of 0
Lord Coaker (from 8 July 2024)	Minister for the House of Lords	1 of 2

Non-Executive Members	Role	Defence Board	People Committee	Defence Audit and Risk Assurance Committee
				Committee
Brian McBride	Non-Executive Board Member	2 of 2		
Robin Marshall	Non-Executive Board Member	2 of 2		
Kate Guthrie	Non-Executive Board Member	2 of 2	3 of 3	
Dr Brian Gilvary	Non-Executive Board Member	2 of 2		6 of 6
Prof Tracy Myhill	Non-Executive Member		3 of 3	
Paul Smith (to 30 Nov 2024)	Non-Executive Member			5 of 5
Alison White	Non-Executive Member			6 of 6
Angela Henderson	Non-Executive Member			5 of 6
David Holt	Non-Executive Member			5 of 6

Executive Members of the Defence Board, Executive Committee and DARAC	Role	Defence Board	Executive Committee (ExCo) ¹	Defence Audit and Risk Assurance Committee
				Committee
David Williams CB	Permanent Secretary	2 of 2	14 of 16	1 of 6
Admiral Sir Tony Radakin KCB ADC ²	Chief of the Defence Staff	2 of 2	12 of 16	
Paul Lincoln CB OBE VR (to 31 March 2025)	Second Permanent Secretary	2 of 2	13 of 16	1 of 6
General Gwyn Jenkins CBE OBE ADC (to 7 June 2024)	Vice Chief of the Defence Staff	0 of 0	0 of 3	
General Dame Sharon Nesmith DCB ADC (from 9 June 2024)	Vice Chief of the Defence Staff	2 of 2	13 of 13	
Tom Wipperman (to 14 June 2024)	Director General Finance (Interim)	0 of 0	1 of 2	1 of 1
Aneen Blackmore (from 3 June 2024)	Director General Finance	2 of 2	13 of 14	4 of 5
Andy Start ²	Chief Executive Officer Defence Equipment & Support	2 of 2	13 of 16	
Madelaine McTernan CB (DB from 27 Nov 2024 and joined ExCo from 1 Oct 2024)	Chief of Defence Nuclear	1 of 1	8 of 12	
Andrew King (to 30 June 2024)	Chief Executive Officer Defence Business Services (Interim)		1 of 3	
Charlie Forte (to 30 June 2024)	Chief Information Officer		3 of 3	
Prof Vernon Gibson (to 30 April 2024)	Chief Scientific Advisor		0 of 1	
Lt Gen Sir Rob Magowan KCB CBE (to 30 June 2024)	Deputy Chief of Defence Staff Military Capability		2 of 3	
Vice Admiral Phil Hally CB MBE (to 30 June 2024)	Chief of Defence People		0 of 3	
Vicky Smith (to 30 June 2024)	Director Civilian Human Resources		1 of 3	
Jennifer Morrish (to 30 June 2024)	Ministry of Defence Legal Advisor		2 of 3	

Executive Members of the Defence Board, Executive Committee and DARAC	Role	Defence Board	Executive Committee (ExCo) ¹	Defence Audit and Risk Assurance Committee
Claire Pimm (to 17 May 2024)	Director Defence Communications		1 of 2	
Simon Enright (from 7 May 2024 to 30 June 2024)	Director Defence Communications		0 of 1	
Alison Stevenson (to 30 June 2024)	Director General Delivery & Strategy		2 of 3	
Nina Cope (to 30 June 2024)	Chief Operating Officer		1 of 3	
Mike Green (to 30 June 2024)	Chief Executive Defence Infrastructure Organisation		1 of 3	
Andrew Forzani (to 30 June 2024)	Director General Commercial		2 of 3	
Esther Wallington (from 1 May 2024 to 30 June 2024)	Director General People & Organisational Development		2 of 2	

- 1 On 30th June 2024, following an internal governance review, it was determined that the ExCo membership would be reduced to core executive team.
- 2 Since the reporting date: Chief Marshal Sir Rich Knighton, KCB, ADC, FREng replaced Admiral Sir Tony Radakin KCB ADC as CDS from 2 September 2025 and Rupert Pearce replaced Andy Start as CEO of DE&S and National Armaments Director on 14 October 2025.

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.UK²⁹ and the Register of Members' Financial Interests held on the UK Parliament Website³⁰.

Details of directorships and other significant interests held by members of the Defence Board can be found on GOV.UK³¹.

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 Interest³²

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 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.

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

30 <https://members.parliament.uk/members/commons/interests/publications>

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

32 Section relates to IAS24 – 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. All personal data incidents reported through the MOD Security Incident Reporting Scheme (MSIRS) are assessed by the MOD Data Protection Officer’s team (DPOT) to determine if they meet the criteria for notification to Information Commissioners Office (ICO). The MOD DPOT will then directly notify the ICO through an established ICO process for notification.

The following tables provide details of the Department’s personal data related incidents during the year to 31 March 2025.

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
February 2022 ¹	A caseworking spreadsheet used for the Afghan Relocations & Assistance Policy (ARAP) scheme and its predecessor, the Ex-Gratia Scheme, was emailed outside of official government systems. This included names of applicants and details of family members, as well as other personal information provided as part of the casework process.	Personal and other classified information	Personal information linked to 18,700 applications
April 2024	A cyber security incident was detected on a third-party managed payment system	Cyber security	0 ²
Total number of incidents is 2			

1 The spreadsheet was emailed out of official government systems in February 2022, and a very small section of it appeared online on 14th August 2023, which is when the previous Government first became aware of the incident. In the days after it discovered the data incident, the MOD conducted an internal investigation and reported the incident to the Metropolitan Police and the Information Commissioner’s Office (ICO). The police decided that no criminal investigation was necessary.

2 The number of people affected is reported as zero as there is no evidence that any personal data has been impacted.

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	2024-25	2023-24
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises.	19	40
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises.	32	32
III	Insecure disposal of inadequately protected paper documents.	0	1
IV	Unauthorised disclosure.	499	411
V	Other.	101	85
Total		651	569

Background on the Afghan Data Incident

On 25 August 2023, the then Defence Secretary agreed to seek an injunction for this incident. A super-injunction concerning the incident was granted by the Court on 1 September 2023 in order to prevent widespread knowledge of the incident. The 2023–24 Annual Report and Accounts therefore excluded details of the incident.

Throughout Autumn 2023, analysis was conducted on the compromised dataset, which culminated in the decision by the previous Government to relocate a cohort who were not eligible for the ARAP scheme but judged to be at the highest risk of reprisals by the Taleban. The scheme which became known as the Afghanistan Response Route (ARR) was initially established to resettle a target cohort of around 200 principals but in early 2024, a combination of the Minister's decisions on the scheme's policy design and the court's views had broadened this category to nearly 3,000 principals. The ARR was launched in April 2024. The ARR resettlement offer mirrored the ARAP offer. As such, and given the continued pipeline of ARAP eligible persons, this meant that the ARR did not impact in-year costs but ultimately extended the life of the programme. There were, however, additional costs associated with maintaining the super-injunction itself and the closed legal proceedings in individual litigation cases.

The super-injunction was lifted as of 15 July 2025 following the Secretary of State applying for the injunction to be lifted and we can now disclose details of the incident and the response. The ARR is now closed, with no further new offers of resettlement in the UK being made.

At the beginning of this year, the Secretary of State commissioned an independent review led by retired senior civil servant Paul Rimmer. This review, which concluded in June, sought to examine the overall policy context in Spring 2025, 3 years since the data incident. It concludes, there is little evidence of the Taleban conducting a campaign of retribution. It also concludes that the dataset is unlikely to substantially change an individual's existing exposure given the volume of data already available to the Taleban and the fact that links to the former Government are widely known. The review states that it appears "highly unlikely" that merely being on the dataset would be grounds for targeting. As such and given this context, the review concludes that current ARR policy appears an "extremely significant intervention" to address the potentially limited net additional risk the incident likely presents.

The Ministry of Defence treats all breaches of security (including data protection incidents) very seriously and requires all suspected breaches to be reported regardless of severity. All incidents are subjected to an initial security risk assessment, with further action taken on a proportionate basis.

A security penalty can be given to personnel found culpable for a security breach. In the most serious of cases this may lead to prosecution.

MOD commissioned a review of departmental data protection, conducted by Neil McIvor (then Chief Data Officer at the Department for Education), which was completed in early 2024. The report's recommendations cover a wide range of areas to improve data protection compliance within MOD. These recommendations are in the process of being implemented and are tracked on an ongoing basis.

As most of the incidents relate to human error, training and awareness activities are regularly undertaken to 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 are regularly reviewed and updated to ensure they are clear and usable.
- The Secure by Design approach continues to reinforce 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 with regular pan-Defence messaging.
- Implementation of automated data loss prevention activities is now preventing emails being sent inadvertently to certain domains or addresses, and work is continuing on developing further controls to 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.

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 2024 No.1323 (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 'FReM') 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 MOD 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.

During 2024-25, the Second Permanent Secretary worked closely with the Permanent Secretary on all aspects of the Department's leadership and deputised for the Permanent Secretary as required. The Second Permanent Secretary had 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).³³ The post was removed as part of Defence Reform work with effect from 1 April 2025.

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.

I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that the information presented 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.

³³ <https://www.gov.uk/government/news/announcement-of-new-director-appointed-to-the-secretary-of-states-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 adequate. 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 principal and strategic risks within the Department are categorised into ten risk themes, which have been agreed by the Defence Board.

The scope of the risks managed by the Department includes the following:

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.
Strategic Alliances	The Spring Budget 2025 provided an extra £2.2 billion increase for Defence for 2025-26 and will increase Defence spending to 2.6% of GDP by April 2027. In line with the Strategic Defence Review and our NATO first defence policy, our integrated force will be NATO by design, and we will continue to strengthen our bilateral relationships with allies to strengthen the Alliance and underpin European stability. It has reaffirmed its commitment to supporting Ukraine, including leading the creation of the Coalition of the Willing. Additionally, the UK is strengthening relationships with allies through enhanced collaboration and the export of defence equipment.
People Capability	The MOD is committed to developing an agile, adaptable, and sustainable workforce. The Haythornthwaite Review into Armed Forces Incentivisation (HRAFI) has enabled Defence to streamline its policies and procedures, paving the way for meaningful reforms. By implementing HRAFI's recommendations, the MOD aims to increase recruitment into the Armed Forces, address retention challenges, and strengthen specialist capabilities ahead of the Armed Forces Recruitment Programme in 2027.
Climate Change & Environment	The impacts of climate change, increasing environmental legislation, and energy challenges are redefining how Defence operates and manages its infrastructure. The MOD is leading NATO's energy transition, enhancing resilience through the estate energy transformation programme, and implementing a climate risk management framework to ensure compliance with environmental legislation.
Safety, Health and Wellbeing	The MOD is committed to ensuring safe, healthy, and supportive environments for living, working, and training. This is achieved through robust policies and controls aligned with legislative requirements, which are regularly reviewed and enhanced as part of the ongoing development of the Department's safety management system.
Cyber	The MOD remains proactive in deterring cyber threats by implementing technical controls, strengthening cyber security awareness and culture, hardening systems, and enhancing resilience. Defence takes a risk-led, data-driven approach to managing cyber risks. The adoption of the National Cyber Security Centre's Enhanced Cyber Assessment Framework ensures Defence provides oversight and demonstrates robust cyber security and resilience. Additionally, the establishment of a new Joint Industry, Inter-Agency Task Force will accelerate the delivery of key activities aimed at reducing cyber risk.
Security and Resilience	The MOD operates in a complex and challenging environment, addressing security and resilience risks through robust controls and risk management. The Department has undertaken a strategic review of policing and guarding, and a review of vetting structures and processes is underway, with improvements achieved in vetting. Incident reporting has also improved, with the December 2024 publication of the Security Incident Reporting Form (SIRF) on GOV.UK, enabling anyone in the Defence enterprise to securely report incidents from any device, enhancing timely reporting beyond internal systems. The Strategic Defence Review identified defence sites as needing further investment. Defence is looking at options to utilise technology and further enhance physical infrastructure to afford greater protection to its sites.
Relationship with Industry	Dynamic engagement with industry is essential to the MOD's ability to deliver. The Defence Industrial Joint Council (DIJC) has been established to enhance collaboration, improve information sharing, and enable faster, joint responses to operational challenges, strengthening the resilience and effectiveness of supply chains. The Defence Supply Chain Capability Programme (DSCCP) is driving a transformation in how Defence and industry work together as One Defence to build a resilient, adaptive, and collaborative supply chain aligned with the Government's priorities. The Defence Industrial Strategy was published on 8 September 2025.
Science, Innovation and Technology and Modernisation	The MOD is broadening its understanding of Artificial Intelligence to maintain a global leadership position in AI technologies. To achieve this, the Department is building relationships with key stakeholders across industry and academia and investing in the development and scaling of AI-enabled solutions.

National Audit Office (NAO) Management Letter

NAO reported a clean audit opinion in 2023-24.

The Management Letter (ML) raised several individual points: the Department has reviewed these and ensured each ML point was attributed a senior owner to ensure timely resolution. Several measures have been put in place to address the points raised.

Losses and special payment disclosures were flagged once more as significant. Additional audit findings identified misalignment with the Departments Departmental Authority Letter (DAL) issued by Treasury, Losses not being recognised on an accruals basis and misalignment between Managing Public Money and the Departments JSP 462 on loss categories. The Department has undertaken a review of its internal policy to ensure alignment, issued a note to TLBs to ensure losses are reported on an accruals basis and updated the loss reporting template. No new DAL letter has been received from Treasury for 2024-25, but we continue to liaise directly with them to ensure when changes are made, the policy is updated to reflect any changes.

Governance Framework

During the 2024-2025 reporting period, and the introduction of a new government, the Department established the Defence Reform Programme. This programme was initiated to address the evolving needs of Defence and to ensure that the organisation is better equipped to deliver its strategic objectives. The Defence Reform Programme creates single points of accountability, streamlines governance processes, and will enhance the effectiveness, readiness, deployability, and sustainability of our armed forces.

While the Defence Reform Programme is being conducted, the existing governance structure remained in place. The main departmental boards continued to cover essential functions, ensuring that the Department's operations are not disrupted during the transition.

Accounts Qualification

Material Limitation of Scope – Assets Under Construction

The Department received a qualified true and fair opinion on its group financial statements because of issues with how it has accounted for and reported “Assets Under Construction” (AUC) at the Atomic Weapons Establishment (AWE). These assets, such as buildings, infrastructure, and equipment are owned by the Ministry of Defence (MOD) and are still being built and not yet in use. The Department did not follow the required accounting rules (IAS 16 and IAS 36), which states assets should be subject to routine impairment reviews, properly recorded in the financial statements, and assets that no longer provide future economic benefits written off.

From the accounting records that were available, and their enquiries, the NAO identified a potentially material overstatement in respect of the £6.13Bn valuation of the AUC. This suggests there may have been accounting errors and/or a loss in value such that it is not appropriate for the value of assets under construction balances held in MOD's books to include them. During the audit, the Department could not give the auditors sufficient evidence to support the reported balances in the time available.

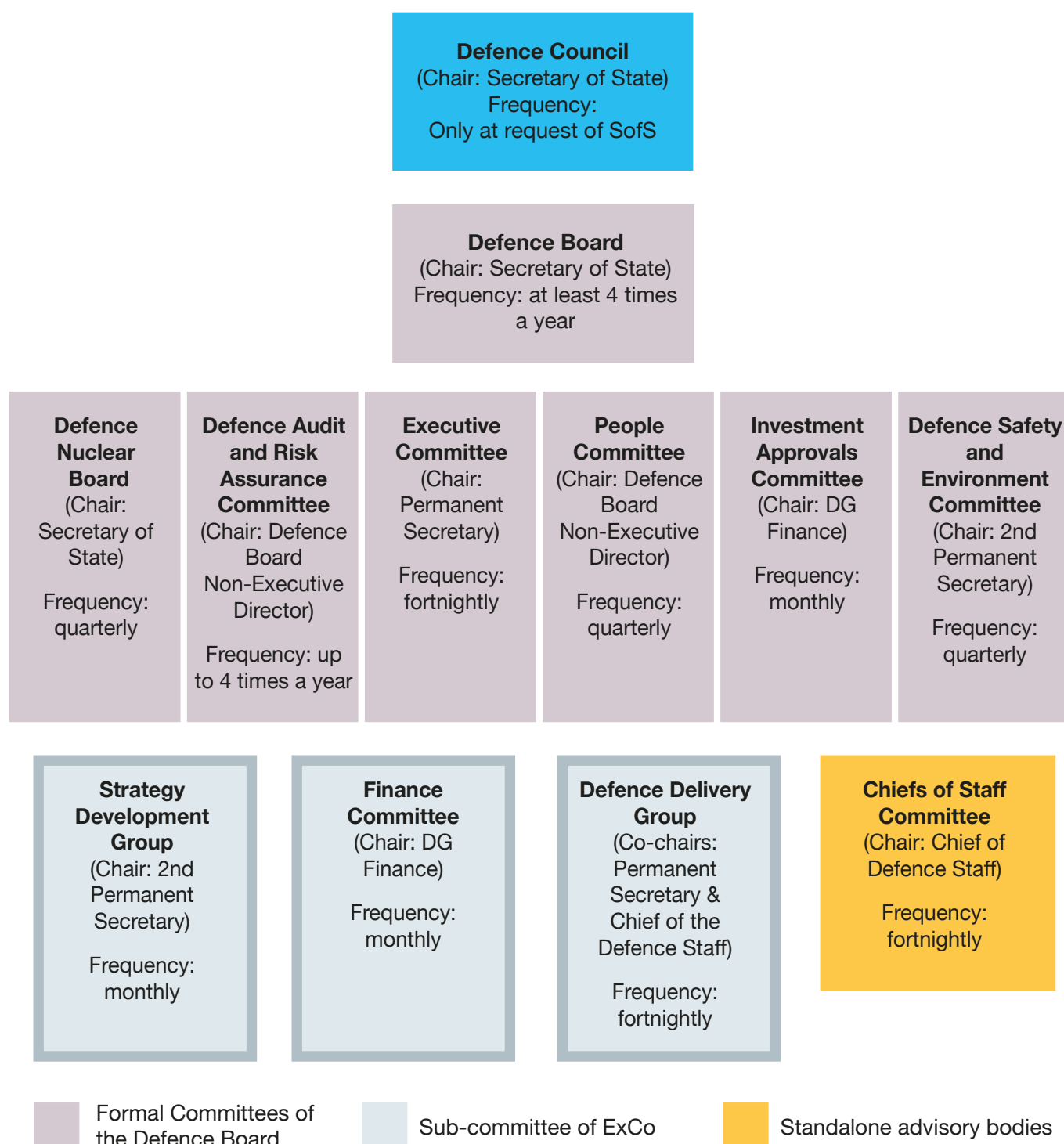
AWE returned into MOD's boundary in July 2021. Work to align a complex set of legacy record keeping and structural differences between AWE and the Department is ongoing. A review of the AUC balances is underway, processes are being enhanced to manage data flows between AWE and MOD to support the accounting within the departmental financial statements. Any necessary corrections will be made in the 2025-26 financial year, and evidence will be provided to the auditors during the 2025-26 audit.

Breach of Budgetary Envelope – Provisions for Legal Claims and Resettlement Scheme Costs as at 31 March 2024

The regularity qualification arises following identification that provisions for obligations relating to complex legal claims and for resettlement schemes in 2023-24 were insufficient. In prior years the MOD assessed that the appropriate accounting treatment for resettlement schemes would be on an expensed basis as costs were incurred. This accounting treatment has not previously been challenged. In discussion with NAO this year, we have agreed that we should recognise a provision for resettlement scheme costs in 2023-24 where we can accurately estimate the relevant future costs. Following discussion with the NAO on the completeness of the legal claims provision, we concluded the provision held for settlement of legal claims was incomplete in 2023-24. Taken together, the required adjustment is material to our financial statements and has therefore necessitated a prior period restatement. As the MOD lacks budgetary cover for this, it has resulted in a regulatory qualification and will be subject to an excess vote.

No further information on the nature of these legal claims can be provided to avoid prejudicing the Department in upcoming legal proceedings. Additional disclosures will be limited in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, paragraph 92.

Defence Board Sub-Committees and the Executive Committee



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 (IACN) is chaired by DG Finance.

Due to ministerial and structural changes during 2024-25, a number of Board and Committees met less frequently than shown in the diagram. This included the Defence Board.

As part of the new governance arrangements, the DDG and PC ceased operating in their current form from 1 January 2025 in preparation for the new governance structure, which officially commenced on 1 April 2025.

Summary of discussions of the Key Committees and Boards

Defence Board	During 2024-25, Defence Board meetings focused on establishing new Ministerial priorities, emphasising a consistent approach to departmental delivery, change, leadership, and reform. Key discussions included progress towards Ministerial priorities, a 'NATO first' posture and the Armed Forces Commissioner Bill. Updates were provided on in-year finances, the Armed Forces Recruitment Programme, and critical national infrastructure vulnerabilities. The Board also discussed the Strategic Defence Review implementation, Defence Reform, and the development of a Defence Outcomes Dashboard to enhance decision-making and prioritisation.
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 Secretary of State. The Defence Council did not meet during 2024-25.
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 Secretary of State 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)	Key topics of discussion included security and resilience, financial assurance, cyber risk, nuclear enterprise, climate change, productivity, and internal audit progress. Discussions emphasised the need for cultural change, improved governance, and additional resources to address challenges such as security incidents, financial forecasting, skilled personnel recruitment, and climate risks. The committee reviewed various Annual Assurance Reports (AARs), highlighting issues in security, finance, safety, and climate change, and discussed plans for functional improvements and compliance with statutory obligations. The DARAC reviewed the Department's Annual Report and Accounts including the Governance Statement.
Executive Committee (ExCo)	A key area of focus for ExCo during 2024-25 has been Defence Reform. This has included discussions on financial flows, governance structures, and the organisation of the National Armament Group (NAG), Military Strategic Headquarters (MSHQ), and the Department of State (DoS). Key functions such as digital capabilities, people, and infrastructure were also addressed. Other topics included Strategic Defence Review (SDR), workforce strategy, industry engagement, health and safety issues, and security incidents.

People Committee (PC)	Discussions focused on key topics such as reaffirming standards within Defence, updates on the Civilian Bullying, Harassment, Discrimination and Victimisation (BHDV) complaints process, and the Speak Up Review. The committee also discussed the Defence Diversity and Inclusion (D&I) Review, strategic workforce planning, the Modernised Accommodation Offer (MAO), and the progress of the Armed Forces Recruiting Programme (AFRP) and the Defence Reserves Campaign Plan.
Investment Approval Committee and Investment Approval Committee Nuclear (IAC and IACN)	During 2024-25 the IAC and IACN considered a broad range of projects, including: Complex Weapons Capability Portfolio Management, Joint Crypt Key Programme, Future Defence Support Services, Wedgetail Airborne Early Warning Mk1 Programme, MODNET Evolve End User Services Secret, Future Air Dominance System, Future Maritime Support Programme, Corporate Services Modernisation, Armed Forces Recruitment Programme, Future Combat Air Systems, Future ISTAR Rear Crew Training System, Annington Homes Reacquisition, Dreadnought Programme, Nuclear Fuels Programme, Unity Programme, Submarine Disposal Capability Project, MENSA, Dreadnought Equipment Support Programme, Naval Support Integrated Global Network and CLYDE 2070.
Defence Safety and Environment Committee (DSEC)	During 2024-2025 DSEC discussed the Safety Function Annual Assurance Report, noise-induced hearing loss (NIHL), workforce planning, the Defence Safety Authority (DSA) Annual Assurance Report, Crown censures, the Defence Approach to Sustainable Infrastructure (DASI), non-freezing cold injury (NFCI), and the recognition of safety standards from other nations. It also monitored the Department's performance against its commitment against Government Greening Commitments (GGCs) and management of primary risk on Climate and the Environment.

As of 1 April 2025, Defence has implemented a revised governance structure, replacing the previous framework. This updated structure introduces four new areas aimed at enhancing organisational focus and operational efficiency. These Areas are:

- 1. Department of State (DOS):** Plays a crucial role in leading Defence in support of Ministers. It provides the vision, strategy, and departmental plans necessary to guide the organisation. The DOS supports me as the Head of the Defence Civil Service and works effectively with other pillars to operate a 'One Defence' mindset.
- 2. Military Strategic Headquarters (MSHQ):** Maximises the UK's strategic military advantage by setting military priorities and directing the delivery and development of integrated military activity and capabilities. It supports the Chief of the Defence Staff in leading the UK Armed Forces.

- 3. National Armaments Director (NAD) Group:** Manages the effective provision and sustainment of the national arsenal to deliver Defence outcomes. It delivered the industrial strategy, contributes to a thriving UK Defence industry, and ensures a secure, resilient, and adaptable supply chain.
- 4. Defence Nuclear Enterprise (DNE):** Focuses on delivering nuclear capabilities, deterring threats, and protecting the nation. It operates as an integrated team, prioritising objectives and ensuring the safety and security of nuclear capabilities.

The revised governance framework aligns with HM Treasury and the Cabinet Office's *Corporate Governance in Central Government Departments: Code of Good Practice (2017)*. It establishes the minimum corporate-level governance necessary to support the implementation of the new Defence Reform operating model.

Report on Board Performance by the Lead Non-Executive Defence Board Member³⁴

The Ministry of Defence has operated through a complex international environment during 2024-25. The Department's support to Ukraine has continued, combined with delivering deterrence and humanitarian aid into Gaza. Following the election of a new Government, the Department has collaborated with three independent reviewers to deliver a Strategic Defence Review (SDR), launched by the Prime Minister. In parallel, the Defence Reform programme was initiated, focusing on restructuring the Department to provide clearer accountabilities, faster delivery, and better value for money. Both the SDR and Defence Reform have been key focal points for the Defence Board this year.

The Defence Board has convened on three occasions since the Ministerial team joined the Department in July 2024. Alongside new Ministerial leadership, the Board has formally welcomed Madelaine McTernan (Chief of Defence Nuclear) as a member.

The Secretary of State as Chair, has provided clear leadership and direction to the Defence Board, aligning its priorities with his strategic goals. This includes a strong emphasis on the SDR and its implementation, the Defence Reform programme, NATO policy, and people. A refined Management Information pack has been developed for the Defence Board, enabling the monitoring of key performance data on strategic priorities. Over the coming months, this will be expanded to capture pertinent risk data, and a risk appetite deep dive was held in May to support this process. Additionally, dedicated time has continued to be held for sub-committee chairs to present key findings to the Board, supplemented by written updates for each meeting.

I have used Defence Board Non-Executive Director (NED) Sessions to meet routinely with the Senior Leadership Team ahead of Board meetings. Additionally, briefings have been provided by leads across the Department on topics such as Defence Reform, NATO, Future Combat Air System, Defence Intelligence, and the SDR. Non-Executives have also met with the Ministerial team prior to each Defence Board meeting, offering an opportunity to build working relationships and share insights and views on key aspects of the Department's activities.

In addition to the Defence Board, NEDs have been closely involved in several high-profile programmes and priorities. Contributing to the SDR, Non-Executives have supported and chaired many of the 24 challenge panels. Non-Executive Board Member Robin Marshall is also a member of the external Defence Review Team, which comprises experts from industry, technology, and policy. On Defence Reform, NEDs have provided feedback on the governance pillar of the programme, which includes the Defence Board and its sub-committees. Crucially, Defence Board NEBM Kate Guthrie has been appointed Chair of the External Challenge Panel for the Raising our Standards programme, providing external scrutiny and challenge on changes to improve behaviours and culture. On risk, Brian Gilvary as Chair of the Defence Audit and Risk Assurance Committee has been closely consulted on the revision of the organisation's principal risks in response to renewed threats.

As I step down as the Lead Non-Executive Board Member at the end of 2024-25, I am confident that the Department will be well-positioned to fulfil its mission of protecting the UK and its interests, contributing to global security efforts, and continuing to drive efficiency and reform.

It has been a privilege, and an honour to have served in this role, contributing to keeping our country safe.

Brian McBride
31 March 2025

³⁴ Brian McBride ended his term as Lead Non-Executive on 31 March 2025. The Secretary of State for Defence appointed Robin Marshall as Interim Lead Non-Executive Board Member while an open competition was launched for the position.

Review and Challenge

There is a cross-government requirement to conduct an Annual Board Effectiveness Review (BER). Due to Ministerial team changes and the 2024 election, it has been agreed that the BER will be postponed until Autumn 2025.

Over the previous reporting year, several senior Boards and Committees within Defence, including the ExCo and some of the Service Command Boards, have operated a shadow or Challenge Board system. This system involves more junior members of staff reviewing board papers and submitting comments to two Challenge Board members who are invited to attend the board in person to reflect the views and opinions raised.

Through Defence Reform activities, areas will be required to embed challenge and scrutiny processes within their governance framework. This initiative will ensure that challenge is systematically integrated across all areas of the Department, fostering a culture of continuous improvement and accountability. By embedding these processes, the Department will benefit from enhanced decision-making, increased transparency, and a more inclusive approach to governance. This will ultimately lead to more effective and resilient operations, aligning with the overarching goals of Defence Reform.

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 2024-25.

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 Ltd) was a Designated Body of the MOD and I am the Accounting Officer. IMS Ltd was dissolved on 11 February 2025.

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

The Functional Leadership model oversees the activities that need to be carried out coherently across all Defence organisations, enabling MOD to manage its corporate risks so that processes and activities are carried out smoothly and efficiently. The MOD's application of Functional Leadership is consistent with wider government best practice and fully consistent with the principles of delegated delivery. Each Function is led by a Director General (DG) level (or military equivalent) Functional Owner, responsible for setting consistent standards, processes, and ways of working across Defence through the deployment of functional strategies and associated operating models. During 2024-25, Defence was supported by 15 Functions. Over the past year 11 Functions

have been led by DGs in Head Office, for example, Commercial, Project Delivery and Finance, and four have been led from Strategic Command specifically Military Capability Management, Medical, Support and Intelligence.

The Functions play an important role in delivering cross-cutting coherence, specialist services and business improvement. Defence is one of the clusters of government's Shared Services approach, which we are delivering through Corporate Services Modernisation with an immediate focus on HR, Commercial and Finance functions. 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. In line with the departmental accountabilities, the Chief Operating Officer has overseen the overall Functional Model on behalf of the Permanent Secretary. Defence Reform, which commenced following the election in July 2024, is reviewing the overall Functional Model and this will be updated and implemented in 2025-26.

Functions are currently supported through governance provided by 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.

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

Defence Reform

Defence is undergoing significant reforms to enhance its governance and operational efficiency. Under the Secretary of State and Ministers, Defence is now being led by a strengthened Department of State, a Military Strategic Headquarters, a new National Armaments Director Group, and the Defence Nuclear Enterprise. The new leadership team consisting of the Permanent Secretary, Chief of the Defence Staff, National Armaments Director, and Chief of Defence Nuclear will drive a Defence focused on strengthening warfighting readiness and deterrence.

This shift aims to transform the organisation to be more outcome-focused, ensuring clear individual accountabilities and swift information flow. These changes are designed to cut waste, boost British growth and jobs, and fast-track future technologies into the hands of frontline forces. Work continues to fully establish the new structures and ways of working to improve the efficiency of Defence.

Our Approach to Risk Management

Risk management is fundamental to our operations. The Ministry of Defence (MOD) faces a number of risks that could impact the delivery of strategic priorities.

The Departmental risk management framework is outlined in an internal Joint Service Publication (JSP), which sets out roles and responsibilities, how risk reporting and governance operate, and the risk escalation process.

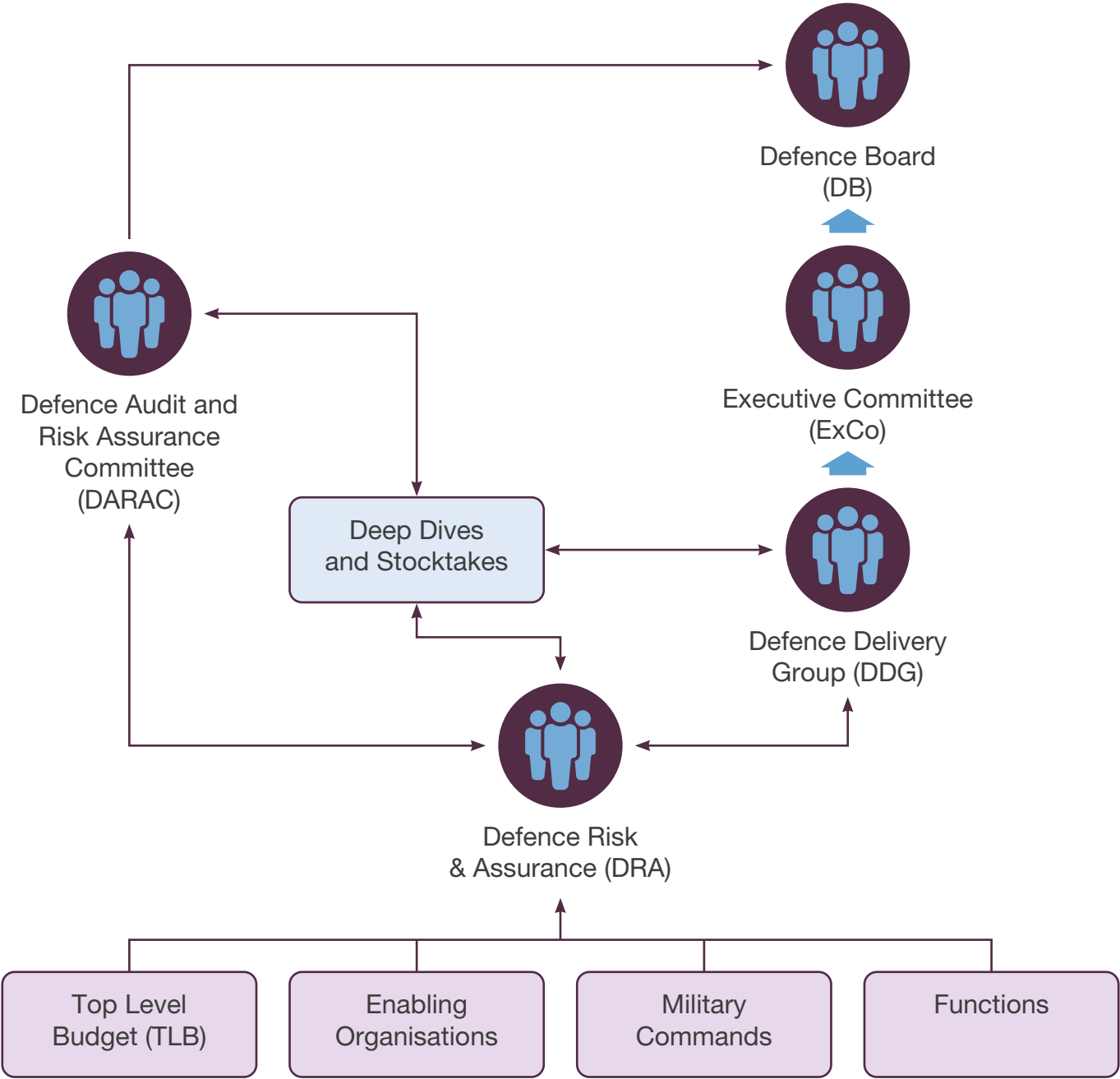
Risk themes and principal risks are agreed and owned by the Defence Board (DB). Each principal risk has a Risk Owner responsible for ensuring appropriate governance, processes, and assurance activities are in place. They are responsible for regularly assessing risks and providing updates through the Quarterly Performance and Risk Reporting (QPRR) process. An annual assurance assessment reviews the effectiveness of the systems of internal control.

The MOD regularly reviews its risks and its risk management framework to ensure compliance with government policies outlined in the HM Treasury Orange Book and best practice. The Department continues to be an active member of the Heads of Risk Network and Government Risk Profession, led by HM Treasury.

Orange Book Comply or Explain Statement 2024-25

We have assessed our risk management approach against HMT’s Orange Book and have confirmed alignment with the five key principles.

The following diagram sets out the MOD risk management reporting structure and the associated key responsibilities.



Note that following Defence Reform, a new layer of governance has been in effect since April 2025. Led by ExCo members, Defence will be governed through four established Areas overseeing responsibility for the Nuclear Enterprise, National Armaments, Department of State and Military Strategic Headquarters.

Role	Responsibility
Defence Board	The Defence Board is accountable for risk management, sets the risk culture, monitors the Department's top risks and sets risk appetite. Due to classification, Nuclear risks are governed within the Defence Nuclear Enterprise, with the Defence Nuclear Board, overseeing any relevant Nuclear principal risks.
Defence Audit and Risk Assurance Committee	Defence Audit and Risk Assurance Committee (DARAC) provides independent advice to the Defence Board and the Accounting Officer on the integrity and reliability of the Department's risk and assurance frameworks.
Executive Committee	The Executive Committee (ExCo) acts as the primary day-to-day authority of the Defence Board, uses the risk information to manage the portfolio of principal risks and reviews effectiveness of mitigation plans ³⁵ . Since October 2024, the ExCo reviews current risk assessments on Principal Risks, and where necessary will escalate them to the Defence Board. Prior to October 2024, this role was facilitated by the Defence Delivery Group.
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

Assurance is an essential function of effective risk management for Defence and provides a foundation of transparency, accountability and support to decision making within the organisation.

Understanding what assurance is in place, and the ability to evaluate the robustness of key controls and processes enables the prioritisation of budget, time and resources.

The Department relies on assurance from multiple sources, consistent with best practice. Risk and assurance activity is structured around the Orange Book Three Lines model and the core standards of the HM Treasury Risk Control Framework (RCF).

Governance over assurance arrangements is provided through the Defence Audit and Risk Assurance Committee (DARAC). In wider Defence, governance is also achieved through additional Audit Committees or equivalent internal governance forums. All Audit Committees are Chaired by Non-Executive

Members and representatives from the Government Internal Audit Agency (GIAA) and National Audit Office (NAO) are present. The Audit Committees provide advice on wider business risk, control, and assurance processes.

The DARAC receives regular updates on risk and assurance, supported by detailed analysis. The Department works closely with the DARAC to provide assurance and gather feedback on the effectiveness of its risk management approach. As part of this, the DARAC has undertaken regular deep dives into the management of risks and has reviewed progress on improvement plans.

The Department carries out an Annual Assurance Assessment (AAA) of the key controls, policies and processes in place to manage risks and meet statutory obligations for the Accounting Officer and DARAC. The AAA provides a holistic analysis of the outcome of assurance activities and is informed by:

³⁵ In 2024-25, the Defence Delivery Group (DDG) met on a quarterly basis to review the principal risks and ensure adequate mitigation strategies were in place to address them. The DDG was jointly chaired by the Permanent Secretary and Chief of Defence Staff. It was 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. As part of Defence Reform, the DDG was dissolved, and risk management oversight transferred to the Executive Committee in October 2024.

- A Defence Assurance Map outlining key controls, policies, and assurance activities across the three lines model for principal risks and core processes.
- An assessment of the wider defence control environment including compliance against the core standards of the HM Treasury Risk Control Framework (RCF) and governance processes.

The 2024-25 AAA report indicates that the Department maintains a 'Limited assurance' rating for its internal control environment. Insights from the three lines of defence form the control environment, highlighting where controls are effective and where they need improvement. Analysis of assurance activities has shown a need to rebalance and refocus assurance activities across the three lines and strengthen the second line and functions.

Defence carried out a review of the core standards for an effective control environment, defined by the HM Treasury Risk Centre of Excellence (CoE). Defence is broadly compliant with some improvements required to strengthen strategic risk registers, evaluation and reporting of control weaknesses and the integration of assurance with risk management.

The Department will continue to mature and use the assurance map to identify gaps and weaknesses in controls, and leverage data to focus assurance activities. The newly established operating model under Defence Reform and changes to the functional framework will provide consistency in the approach to assurance and the required standards.

Opinion of the Government Internal Audit Agency (GIAA)

In accordance with the requirements of the UK Public Sector Internal Audit Standards, I am required to provide the Accounting Officer and the Audit and Risk Committee with my annual opinion on the adequacy and effectiveness of the organisation's risk management, control and governance arrangements.

I am providing an overall Limited opinion on the framework of governance, risk management and control within the Ministry of Defence for the year ended March 2025.

During 2024-25 there has been an increase in the proportion of individual audit engagements concluding with a Limited opinion overall. In addition, the delivery of selected planned audit reviews had to be restricted in scope, due to a lack of progress in implementing control processes.

There was a robust process to set and communicate policy and good practice. Key functional areas such as Finance, Digital and Project Delivery have maintained adequate and effective controls overall and have more robust assurance arrangements in place. However, audit work across MOD continued to identify areas where good practice and functional requirements were not implemented or evidenced effectively.

Second-line assurance capacity and oversight, especially within functions, had not matured significantly and, in some cases, had become weaker. Management often responded that resource constraints have impacted the ability to adequately assure compliance. In some cases, we also noted that unreliable or inaccurate management information impacted on the ability to monitor and identify compliance issues.

The implementation of MOD Principal Risks and the development of a supporting assurance map during 2024-25, provides an opportunity to prioritise and evaluate assurance activity. Further work is planned to embed this process, which should provide improvement in the overall assurance framework.

Within individual entities, alignment of local strategic risks to the Principal Risks is in progress. However, we continue to see more focus on risk articulation than active risk management in entities.

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 routinely publish a list of Defence's Business Critical Models (BCMs)³⁶ and will do so again in mid-2025.

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, DIO and SDA. Collation of information on BCMs is co-ordinated through this group and we will work with teams across Defence to ensure that all models are identified and managed through their local risk and assurance processes. This will ensure we are aware of all BCMs 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. It has been confirmed 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. Instead, since November 2022, I have chosen to have three 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. Members of the Executive Committee have reviewed the Governance Statement. 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. Due to changes within the Ministerial team and the 2024 election, it has been agreed that the Annual BER will be postponed until Autumn 2025. This will allow the board to fully integrate allowing the Ministerial team time to settle in and align their strategic priorities with the board's objectives. This will ensure a more thorough and effective review process.

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)³⁷. A central register of interests is maintained by the Department and no actual conflicts have been identified for disclosure.

In line with declaration requirements for special advisers, all special advisers have been asked to declare any relevant interests

³⁶ <https://www.gov.uk/government/collections/business-critical-models-ministry-of-defence>

³⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/609668/PU2076_corporate_governance_guidance.pdf

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 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.UK³⁸.

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 Resource/Finance Directors), from SCS Band 1 and 2 (and their military equivalents), at TLB Resource/

Finance Director 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 (ACOPA).

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.³⁹ The following table provides information relating to the applications under these rules for Financial Year 2024-25. The numbers refer to applications completed during Financial Year 2024-25. The data covers 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 ACOPA.⁴⁰

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, SCS Band 1 and 2 (and their military equivalents) 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 submitted multiple applications, resulting in the actual numbers of leavers requiring clearance being lower than the total number of applications for clearance.

The MOD does not routinely collect numbers on those cases where an application for clearance was considered but did not meet

38 <https://www.gov.uk/government/publications/ministry-of-defence-senior-civil-service-secondary-paid-employment-2024-to-2025>

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

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

the criteria to require clearance. In the MOD any appointment meeting the criteria for which clearance is required will attract, as a minimum, a set of standard conditions. The

date taken for applications assessed is the date on which the approving authority decision was made.

Business Appointment Rules (BAR) Applications 2024-25

Number of exits from the Civil Service and Military (SCS /1-star and above)	130
---	-----

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	21	16	2
Number of BAR applications where conditions were set	21	16	2
Number of applications that were found to be unsuitable	0	0	0

Number of breaches of the Business Appointment rules in Financial Year 2023-24 (SCS2/2 star and below and Special Advisors of equivalent standing) was 0.

Tackling Fraud and Corruption Fraud

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

Analysis & Strategic Intelligence

Fraud Defence has conducted analysis of financial and commercial transactions, as well as Military and Civilian pay, allowances, and expenses data, to determine whether transactions are irregular or outside of policy. Subject matter expertise has been provided to the Commercial and Finance functions to assist in implementing fraud detection analysis systems. Detailed work has been carried out in the electronic procurement card process to incorporate fraud analytics and identify irregular spending.

The Counter Fraud Function is using knowledge gained from previous procurement fraud detection proofs of concept to integrate regular detection analytics into Finance and Commercial processes.

Fraud Risk

MOD is enhancing its understanding of fraud risks and improving responses. Risk assessment workshops help address threats affecting operations and decision-making. By developing fraud risk registers, business areas can map risks and mitigation efforts. Attitudes and behaviours towards fraud have improved, with a clear commitment to reducing overall exposure. An enterprise fraud risk register has also been developed.

Engagement, Training & Awareness

The PREVENT⁴¹ strand of the Defence Counter Fraud Strategy is focused on deterring fraudulent activity, reducing opportunities for fraud and fostering a culture of integrity and ethical behaviour to safeguard resources and maintain trust.

Defence-specific Fraud, Bribery & Corruption Awareness training is mandatory for all Defence personnel. This training raises awareness of fraud threats, emphasises individual responsibility in tackling fraud, promotes ethical behaviour and provides clear reporting mechanisms, including the Confidential Hotline.

41 PREVENT is used in the context of the "4Ps" framework (Prevent, Prepare, Pursue, Protect) which is widely used across government agencies and departments.

Fraud Defence also delivers face-to-face training, particularly for key groups such as Commercial apprentices, embedding fraud awareness early in their careers. Additionally, International Fraud Awareness Week serves as an opportunity for targeted communications and messaging across MOD.

Confidential Hotline/Operational Intelligence

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 the Department's 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. 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 to advise that their concern has been addressed and where appropriate, what action was taken and details of any organisational learning.

Investigations

Fraud Defence investigates complex misconduct cases which occasionally exhibit criminality including fraud, bribery and corruption. The team works closely with line management and Human Resources to investigate conduct cases and Defence Policing partners to investigate suspected criminality. Over 2025 the team will increasingly pivot towards pursuing and recovering financial losses resulting from both conduct and crime cases.

Ministerial Directions

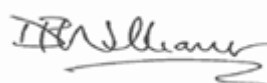
There were no Ministerial Directions to David Williams CB as Accounting Officer, during 2024-25.

Conclusion

In July 2024, this Government launched the Strategic Defence Review. This review reset the UK's Defence priorities which are now based around five core principal themes. These themes will allow the Department to respond to the increasing threats we face, by improving our warfighting readiness and lethality. The Department received a £5Bn increase in its budget for 2025-26 and the Government has made a commitment to increase Defence spending to 2.6% of GDP by 2027.

The Department continues to operate in a complex international environment. Support to Ukraine continues, along with delivering deterrence and humanitarian aid into Gaza. This support is in addition to delivering our core Defence outputs, so I remain proud of the resilience and commitment shown by the Department.

Defence Reform has and will continue to be key to transforming how the Department operates. Key changes to MOD structures through the new four areas aim to speed up decision making, whilst shifting our focus to being more outcome driven. These changes will also support rapid delivery of cutting edge capabilities, whilst ensuring value for money for taxpayers.



David Williams CB
Accounting Officer

29 October 2025

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 5.1% of salary in 2024-25 (2023-24: 3.6%). 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

Both of The Governance Code on Public Appointments and The Constitutional Reform and Governance Act 2010 require 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 Scheme⁴².

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 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.

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

⁴² <https://civilservicecommission.independent.gov.uk/>

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

	2024-25				2023-24			
	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>	Nil	Nil	Nil	Nil	28,127 67,505	Nil	7,000	35,000
Secretary of State for Defence								
The Rt Hon Grant Shapps MP (to 4 July 2024) <i>Full year equivalent salary</i>	17,784 67,505	Nil	4,000	22,000	39,378 67,505	Nil	10,000	49,000
Secretary of State for Defence								
the Rt Hon John Healey MP (from 5 July 2024) <i>Full year equivalent salary</i>	49,903 67,505	Nil	14,000	64,000	Nil	Nil	Nil	Nil
Minister of State for Defence in The House of Lords								
The Earl of Minto (to 4 July 2024) <i>Full year equivalent salary</i>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Minister of State for Defence in The House of Lords								
Lord Coaker (from 8 July 2024) <i>Full year equivalent salary</i>	86,171 117,851	Nil	16,000	102,000	Nil	Nil	Nil	Nil
Minister of State for Defence Procurement								
Alex Chalk KC MP (to 30 April 2023) <i>Full year equivalent salary</i>	Nil	Nil	Nil	Nil	2,640 31,680	Nil	1,000	4,000
Minister of State for Defence Procurement								
James Cartlidge MP (to 4 July 2024) <i>Full year equivalent salary</i>	8,346 31,680	Nil	2,000	10,000	29,920 31,680	Nil	8,000	38,000
Minister of State for Defence Procurement and Industry²								
The Rt Hon Maria Eagle MP (from 8 July 2024) <i>Full year equivalent salary</i>	23,164 31,680	Nil	6,000	29,000	Nil	Nil	Nil	Nil

2024-25					2023-24			
	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 the Armed Forces								
The Rt Hon James Heappey MP (to 25 March 2024) <i>Full year equivalent salary</i>	Nil	Nil	Nil	Nil	31,680	Nil	9,000	41,000
Minister of State for the Armed Forces								
Leo Docherty MP (to 4 July 2024) <i>Full year equivalent salary</i>	8,346 31,680	Nil	2,000	10,000	Nil 31,680	Nil	Nil	Nil
Minister of State for the Armed Forces								
Luke Pollard MP (from 9 July 2024) <i>Full year equivalent salary</i>	16,300 22,375	Nil	4,000	21,000	Nil	Nil	Nil	Nil
Minister of State for Defence People and Families								
The Rt Hon Dr Andrew Murrison MP (to 4 July 2024) <i>Full year equivalent salary</i>	5,894 22,375	Nil	1,000	7,000	22,375	Nil	6,000	28,000
Minister for Veterans and People²								
Alistair Carns MP (from 9 July 2024) <i>Full year equivalent salary</i>	16,300 22,375	Nil	4,000	21,000	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 Change of title on election of new government.
- 3 Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

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. Four severance payments have been made during 2024-25 in accordance with the Ministerial and Other Pensions and Salaries Act 1991. The Rt Hon Grant Shapps MP received £16,876; James Cartlidge MP received £7,920; Leo Docherty received £7,920 and The Rt Hon Dr Andrew Murrison MP received £5,593. The removal of the post of Second Permanent Secretary as part of Defence Reform, resulted in a payment of £12,023.28 to Paul Lincoln in lieu of notice.

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 – £91,346 pa with effect from 1 April 2024 (change from the £86,584 pa with effect from 1 April 2023) 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 2024-25 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 2024-25 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 25 £000	CETV at 31 March 24 or date of Appointment if Later £000	CETV at 31 March 25 or on Cessation of Appointment if Earlier £000	Real Increase in CETV £000
Secretary of State for Defence				
The Rt Hon Grant Shapps MP (to 4 July 2024)	10-15 0-2.5	166	172	3
The Rt Hon John Healey MP (from 5 July 2024)	10-15 0-2.5	265	286	14
Minister of State for Defence in The House of Lords				
Earl of Minto (to 4 July 2024)	Nil Nil	Nil	Nil	Nil
Lord Coaker (from 8 July 2024)	0-5 0-2.5	Nil	19	12
Minister of State for Defence Procurement and Industry¹				
James Cartlidge MP (to 4 July 2024)	0-5 0-2.5	16	18	1
The Rt Hon Maria Eagle (from 8 July 2024)	10-15 0-2.5	229	244	5
Minister of State for the Armed Forces				
Leo Docherty MP (to 4 July 2024)	0-5 0-2.5	29	32	1
Luke Pollard MP (from 9 July 2024)	0-5 0-2.5	Nil	4	2
Minister for Veterans and People¹				
The Rt Hon Dr Andrew Murrison MP (to 4 July 2024)	0-5 0-2.5	67	70	1
Alistair Carns MP (from 9 July 2024)	0-5 0-2.5	Nil	4	2

¹ Change of title on election of new Government.

² Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

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).

Defence Board salaries, awards, benefits-in-kind and pensions benefits

2024-2025						2023-2024				
	Salary	Annual Performance Award	Benefits-in-kind	Pension Benefits ¹	Total	Salary	Annual Performance Award	Benefits-in-kind ²	Pension Benefits ⁸	Total
			£ (to the nearest £100)	£ (to the nearest £1,000)				£ (to the nearest £100)	£ (to the nearest £1,000) ⁵	
	£000	£000			£000	£000	£000			£000
Secretary of State for Defence	See Minister's Salary Table									
The Rt Hon Grant Shapps MP (to 4 July 2024)										
The Rt Hon John Healey MP (from 5 July 2024)										
Minister of State for Defence in the House of Lords										
Earl of Minto (to 4 July 2024)										
Lord Coaker (from 8 July 2024)										
Minister of State for Defence Procurement and Industry ³										
James Cartlidge MP (to 4 July 2024)										
The Rt Hon Maria Eagle (from 8 July 2024)										
Minister of State for the Armed Forces										
Leo Docherty MP (to 4 July 2024)										
Luke Pollard MP (from 9 July 2024)										
Minister for Veterans and People ³										
The Rt Hon Dr Andrew Murrison MP (to 4 July 2024)										
Alistair Carns MP (from 9 July 2024)										
Permanent Under Secretary of State										
David Williams CB (from 6 April 2021)	200-205	0-5	Nil	152,000	350-355	190-195	5-10	Nil	52,000	250-255
2nd Permanent Under Secretary of State										
Laurence Lee (to 9 May 2023) full year equivalent salary	Nil	Nil	Nil	Nil	Nil	15-20 165-170	Nil	Nil	Nil	15-20
Paul Lincoln CB OBE VR (to 31 March 2025) full year equivalent salary	160-165	Nil	Nil	16,000	175-180	135-140 150-155	Nil	Nil	-40,000	95-100

	2024-2025					2023-2024				
	Salary	Annual Performance Award	Benefits- in-kind	Pension Benefits ¹	Total	Salary	Annual Performance Award	Benefits- in-kind ²	Pension Benefits ⁸	Total
			£ (to the nearest £100)	£ (to the nearest £1,000)				£ (to the nearest £100)	£ (to the nearest £1,000) ⁵	
	£000	£000			£000	£000	£000			£000
Chief of the Defence Staff										
Admiral Sir Tony Radakin KCB ADC (from 30 November 2021)	315-320	Nil	117,200	140,000	575-580	295-300	Nil	114,500	49,000	460-465
Vice Chief of the Defence Staff										
General Gwyn Jenkins (to 7 June 2024) full year equivalent salary	35-40 220-225	Nil	9,900	-27,000	20-25	200-205	Nil	52,800	332,000	585-590
Gen Dame Sharon Nesmith DCB ADC (from 9 June 2024) full year equivalent salary	170-175 210-215	Nil	44,500	-133,000	80-85	Nil	Nil	Nil	Nil	Nil
Director General Finance										
Charlie Pate (to 31 Aug 2023) full year equivalent salary	Nil	Nil	Nil	Nil	Nil	65-70 155-160	5-10	Nil	115,000	190-195
Kate Harrison (from 14 Aug 2023 to 31 March 2024) full year equivalent salary	Nil	Nil	Nil	Nil	Nil	105-110 155-160	Nil	Nil	10,000	115-120
Tom Wipperman (to 14 June 2024) full year equivalent salary	25-30 125-130	0-5	Nil	45,000	70-75	Nil	Nil	Nil	Nil	Nil
Aneen Blackmore (from 3 June 2024) full year equivalent salary	130-135 155-160	Nil	Nil	52,000	180-185	Nil	Nil	Nil	Nil	Nil
Chief Executive Officer Defence Equipment & Support										
Andy Start (from 31 October 2023) ⁴ full year equivalent salary	290-295	160-165	15,100	Nil	470-475	115-120 280-285	165-170	13,500	Nil	300-305
Chief Defence Nuclear										
Madelaine McTernan CB (from 27 November 2024) full year equivalent salary	65-70 200-205	35-40	Nil	30,000	135-140	Nil	Nil	Nil	Nil	Nil
Non-Executive Board Members⁵										
Brian McBride	20-25	Nil	Nil	Nil	20-25	10-15	Nil	Nil	Nil	10-15
Robin Marshall ⁶	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Kate Guthrie	20-25	Nil	Nil	Nil	20-25	15-20	Nil	Nil	Nil	15-20
Dr Brian Gilvary (from 1 May 2023)	20-25	Nil	Nil	Nil	20-25	15-20	Nil	Nil	Nil	15-20 ⁷

- 1 The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum less the contributions made by the individual. The real increase excludes increases due to inflation or any increases or decreases due to 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 Change of title upon election of a new Government.
- 4 Andy Start does not received a pension benefit
- 5 NEBMs moved from a fee based pay arrangement to a monthly salary in April 2024-25
- 6 Robin Marshall has elected to waive the fee of between £20K - £25K to which he is entitled.
- 7 Figure restated due to increase of £2,250 due to late payment of invoice from financial year 2023-24.
- 8 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.
- 9 Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

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 2024-25 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 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 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 2024-25 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 Accrued Pension and Cash Equivalent Transfer Value (CETV)

	Total Accrued Pension at Retirement as at 31 Mar 25		CETV at 31 Mar 24 or date of Appointment if Later	CETV at 31 Mar 25 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 Grant Shapps MP (to 4 July 2024)					
The Rt Hon John Healey MP (from 5 July 2024)					
Minister of State for Defence in the House of Lords					
Earl of Minto (to 4 July 2024)					
Lord Coaker (from 8 July 2024)					
Minister of State for Defence Procurement and Industry¹					
James Cartlidge MP (to 4 July 2024)					
The Rt Hon Maria Eagle (from 8 July 2024)					
Minister of State for the Armed Forces					
Leo Docherty MP (to 4 July 2024)					
Luke Pollard MP (from 8 July 2024)					
Minister for Veterans and People¹					
The Rt Hon Dr Andrew Murrison MP (to 4 July 2024)					
Alistair Carns MP (from 9 July 2024)					
Permanent Under Secretary of State	Pension	Lump Sum			
David Williams CB (from 6 April 2021)	90-95 7.5-10	235-240 5-7.5	1,927	2,135	129
2nd Permanent Under Secretary of State					
Paul Lincoln CB OBE VR (to 31 March 2025)	65-70 0-2.5	25-30 Nil	1,269	1,283	9
Chief of the Defence Staff					
Admiral Sir Tony Radakin KCB ADC	190-195 5-7.5	510-515 0-2.5	4,647	4,985	27
Vice Chief of the Defence Staff					
General Gwyn Jenkins (to 7 June 2024)	105-110 0-(2.5)	300-305 (2.5-5)	2,988	3,157	(31)
Dame General Nesmith DCB ADC 2024) (from 9 June	85-90 (5-7.5)	235-240 (15-17.5)	2,462	2,462	(165)
Director General Finance					
Tom Wipperman (to 14 June 2024)	25-30 0-2.5	Nil Nil	328	358	28
Aneen Blackmore (from 3 June 2024)	0-5 2.5-5	Nil Nil	Nil	38	29
Chief Executive Office Defence Equipment & Support					
Andy Start (from 31 October 2023) ²	Nil	Nil	Nil	Nil	Nil
Chief Defence Nuclear					
Madelaine McTernan CB (from 27 Nov 2024)	10-15 0-2.5	Nil Nil	129	158	19

¹ Change of title upon election of new Government

² Andy Start does not receive a pension benefit

³ Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy

period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

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)⁴³.

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.UK⁴⁴

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 remuneration Chief of the Defence Staff (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 2024-25 was £437,500. This was 10.2 (2023-24 10.3) times the median remuneration of the military workforce, which was £43,022 (2023-24 £39,962).

The mid-point of the banded remuneration of the highest paid civilian director during 2024-25 was £472,500. This was 12.2 (2023-24 12.4) times the median remuneration of the civilian workforce, which was £38,888 (2023-24 £37,826).

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

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

Salary ranges of Military and Civilian Staff

Salary Ranges	Military		Civilian	
	2024-25	2023-24	2024-25	2023-24
Mid-point of Banded remuneration of highest paid board member	£437,500	£412,500	£472,500	£467,500
Number of employees in receipt of remuneration above the highest paid board member	0	0	0	0
Salary range for all employees	£22,572 – £415,795	£16,848 – £383,627	£20,461 – £293,166	£17,804 – £283,938

1. Military pay rates were increased with effect from 1 April 2024 in line with the Armed Forces Pay Review Body 2024 Report. <https://www.gov.uk/government/publications/armed-forces-pay-review-body-fifty-fourth-report-2025>
2. The lower limit for civilian salaries for 2024-25 represents an entry level position in the Royal Fleet Auxiliary. The 2023-24 salary has been updated to align.

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

Salary & Allowances	2024-25		2023-24	
	Military	Civilian	Military	Civilian
Highest paid director	6.06 %	3.36%	10.74%	63.01%
Staff average	8.63 %	3.48%	8.50%	7.71%
Performance Pay & Bonuses ¹				
Highest paid director ²	–	-3.70%	–	+100%
Staff average	–	10.64%	–	28.49%

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 was 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
2024-25	12.8:1	10.2:1	8.0:1	15.4:1	12.2:1	9.6:1
2023-24	13.6:1	10.3:1	8.1:1	15.7:1	12.4:1	9.7:1

Comparative numbers for 2023-24 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	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Military						
Salary	34,040	30,111	42,749	39,701	54,301	50,431
Total Remuneration	34,302	30,358	43,022	39,962	54,600	50,708
Civilian						
Salary	30,125	29,455	37,972	36,914 ³	47,732	46,689
Total Remuneration	30,752	29,850	38,888	37,826	49,256	47,971

3. 2023-24 comparative figure has been restated.

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	2024-25	2023-24
Band 1	285	273
Band 2	69	69
Band 3	12	12
Band 4	2	2

1 2023-24 SCS numbers restated due to missing numbers from original dataset

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	2024-25	2023-24
Band 1	82	90
Band 2	19	18
Band 3	2	3
Band 4	1	1

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

SLG PAY BAND	2024-25	2023-24
Band 1	29	29
Band 2	6	8
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 (2023-24: Male 3, Female 1). In 2024-25, the staff composition of DE&S SLG was: Male 72 Female 32 (2023-24: Male 83, Female 29). For SDA SLG the staff composition was Male 24 Female 12 (2023-24: Male 28, Female 10).

Male and Female Employees¹

Gender ¹	2024-25			2023-24		
	Defence Board Members	SCS and equivalent	Military/Civilian Employees	Defence Board Members	SCS and equivalent	Military/Civilian Employees
Male	10	749	150,791	13	757	153,355
Female	4	238	38,450	2	218	39,054

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

	2024-25		2023-24	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Civilian Staff	54,240	65,051	54,942	64,859
Other Staff ^{1 2}	7,661	7,993	5,758	6,022
Ministers	5	5	5	5
Special Advisors	4	4	5	5
Armed Forces	150,177	150,177	151,905	151,905
Totals	212,087	223,230	212,615	222,796

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.

² The increase in Other Staff in 2024-25 comes from the inclusion of Royal Fleet Auxiliary (RFA) numbers.

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. This calculation 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 Workforce Overview section of the Performance Report as that figure is Full Time Equivalent Strength as at 1 April 2025.

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 Workforce Overview 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.UK⁴⁵.

⁴⁵ <https://www.gov.uk/government/organisations/ministry-of-defence/about/statistics>

Staff Turnover

Departmental Staff turnover percentages

	2024-25			2023-24 ¹
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Civilian Staff Turnover ²	9.0%	10.7%	10.2%	10.2%

1 Departmental Group staff turnover numbers for 2024-25 includes data relating to ALBs which the Department could not identify for 2023-24.

2. Turnover rates are delivered from the calculation of outflow for 2024-25.

	2024-25	2023-24 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	9.6%	10.5%

1 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.

2 Rates are the number of people who leave per 100 of the mean average trained strength.

3 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.

4 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

	2024-25 ¹					2023-24
	Civilian Staff	Armed Forces	Other staff ²	Ministers	Departmental Group Total	Departmental Group Total
	£M	£M	£M	£M	£M	£M
Salaries and Wages	3,058.5	7,642.6	413.6	0.2	11,114.9	10,602.5
Social Security Costs	327.1	740.4	–	–	1,067.5	1,000.8
Pension Costs	750.7	4,997.7	1.5	–	5,749.9	4,923.7
Sub Total	4,136.3	13,380.7	415.1	0.2	17,932.3	16,527.0
Less capitalised staff costs	(95.9)	(22.9)	(16.2)	–	(135.0)	(122.6)
Less Recoveries in Respect of Outward Secondments	(16.1)	(28.2)	–	–	(44.3)	(42.7)
Total net costs	4,024.3	13,329.6	398.9	0.2	17,753.0	16,361.7

1. Staff costs are also disclosed in Note 4.1 to the accounts.

2. Other staff is defined as personnel who are engaged on the objectives of the Department but do not fall under the definition of permanent civilian staff. This includes short term contract staff, agency, temporary staff and locally engaged staff overseas.

For the year to 31 March 2025, of the total pension contributions for the Departmental Group in the table above, £752.2 million (2023-24: £684.5 million) were payable in respect of the various schemes of 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 £730.0 million (2023-24: £601.9 million); the movement on non-PCSPS pension provision of £2.3 million (2023-24: £14.0 million); and contributions to non-PCSPS of £19.9 million (2023-24: £68.6 million).

Where employees have opened a stakeholder pension with an employer contribution, the Department has made contributions of £4.67 million (2023-24 £4.74 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 £0.94 million (2023-24 £0.86 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 2025 total employer's pension contributions (including an estimate in respect of IAS 19 – Employee Benefits) payable to the AFPS were £4,997.7 million (2023-24 £4,239.3 million) based on employer's pension contributions 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 1 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 2024-25.

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; 111 individuals retired early on ill-health grounds during 2024-25 (2023-24 109); their total accrued pension liabilities for the year were £0.5 million (2023-24 £0.4 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 2024-25 and for comparison 2023-24 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	2024-25 (2023-24)					
	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	–	219 (122)	219 (122)	14 (5)	251 (132)	265 (137)
£10,000 – £25,000	1 (0)	36 (101)	37 (101)	7 (5)	55 (111)	62 (116)
£25,000 – £50,000	0 (4)	39 (170)	39 (174)	0 (4)	61 (172)	61 (176)
£50,000 – £100,000	1 (0)	40 (158)	41 (158)	2 (1)	48 (165)	50 (166)
£100,000 – £150,000	–	14 (7)	14 (7)	–	14 (8)	14 (8)
£150,000 – £200,000	–	3 (1)	3 (1)	–	3 (1)	3 (1)
£200,000 – £250,000	–	1 (0)	1 (0)	–	1 (0)	1 (0)
£250,000 – £300,000	–	–	–	–	0 (1)	0 (1)
£300,000 – £350,000	–	–	–	–	–	–
£350,000 – £400,000	–	–	–	–	0 (1)	0 (1)
Total Number of Exit Packages	2 (4)	352 (559)	354 (563)	23 (15)	433 (591)	456 (606)
Total Resource Cost £million	£0.072 (£0.153)	£7.696 (£21.047)	£7.768 (£21.200)	£0.295 (£0.302)	£9.423 (£22.624)	£9.718 (£22.927)

1. Prior year numbers are shown in brackets.
2. Package costs are rounded for reporting purposes. This creates a minor anomaly whereby the total sum of these rounded values, does not equal the rounded sum of the total.
3. The decrease in Exit Packages this year is because there were 3 bulk Civilian exit campaigns run in 2023-24 under the Department's Strategic Workforce Planning Programme.
4. This table excludes Special Severance Payments which are reported separately in the Special Payments table.

Staff Sickness

Levels of sickness absence for MOD civil servants excluding UKHO, have increased slightly. The average working days lost per person for the 12 months ending 31 March 2025 was 6.73 (6.69 days for the 12 months ending 31 March 2024). Mental and behavioural disorders continue to be the highest cause of sickness absence at 27% of all absences (2023-24: 28%). The percentage of staff with

no sick absence for the 12 months ending 31 March 2023 was 49% (2023-24: 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 2022-2027.

Health and Safety

Health and safety is a key priority for MOD and we maintain a number of internal policies which are brought together in our directive and guidance: JSP 375 – Management of Health and Safety in Defence. 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 & safety systems. The statistics show the most recent available information as well as a five year period trend. Our latest report was published in January 2025⁴⁶.

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) scheme. The service is available through the DBS HR Advice and Casework Service Team.

The Civil Service 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 updated our departmental resourcing policies as part of an overarching policy simplification exercise and introduced a new Internal Moves policy to support organisational agility. Our policies contain improved guidance on sifting, utilisation of life chance schemes such as the Disability Confident Scheme (DCS) and the Great Place to Work for Veterans Scheme (GPTW) and 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).

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 DCS and 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.

⁴⁶ [Defence health and safety statistics: index – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/defence-health-and-safety-statistics)

The Defence Business Services HR Advice and Casework Service provides HR functions, policy and process advice and support to all MOD Main employees and managers.

Working alongside Civilian HR Policy Leads and Trade Unions, and having conducted an extensive review, they introduced an enhanced service in February 2025 to improve the employee experience of HR Casework, featuring improved policies, processes, support, and aftercare. A new 'My Complaints App', which enables civilian employees to make a complaint on any device, including anonymously, or to report an incident and not make a complaint about it, was also launched in February 2025.

In Feb 2022, MOD successfully adopted MyHR Oracle Fusion Cloud (software as a service) as the HR system underpinning our civilian people services. Since then, the focus has been on further exploiting the Oracle technology, updating and improving the system interface, and applying quarterly updates; all of which support improving the employee experience by enabling a more agile and effective approach to delivering civilian HR policy. A whole force Defence HR Taxonomy has been created (based on the CS HR Taxonomy which provides a common HR language) and is another enabler driving a coherent 'people' approach across Defence; it has been used as the basis for structuring simplified HR policies. In support of Defence Reform, which in part aims to create operating efficiencies, the simplification of the majority of civilian HR policies and procedures has been achieved (reducing the overall number of policies from c.130 to 35, reducing the volume of material by 80% thereby creating a 60% reduction in time taken to find information) and these are hosted in a new and intuitive HR People Portal. Policy simplification has improved the employee experience, created efficiencies and achieved an improved civilian HR 'offer'. It has also enabled civilian HR to be well positioned to shape the forthcoming introduction of a whole force HR platform which will exploit Oracle technology and utilise the Defence HR Taxonomy as a basis for its structure, while its

configuration will utilise the simplified civilian HR policies and procedures, bringing it together with the military HR 'offer'.

Civil Service Talent

Our aim is to ensure we provide stretching development for all our civil servants, 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, be that growing in their role, broadening their experience or attaining a promotion. We provide access to a range of opportunities for our people to learn and develop, provide line managers with frameworks to hold effective career conversations. We provide tools to assess whether people would benefit from accelerated or steady development opportunities and schemes, and provide them.

Defence actively takes part in government talent schemes, complimented by an internal offer. The in-house Rise and Elevate talent programmes are aimed at nurturing our junior talent for more demanding senior roles in the future. During 2024-25, over 340 people in Defence were on talent schemes such as the Fast Stream, Future Leaders Scheme, Rise and Elevate.

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.

We continue to increase our apprenticeship uptake, ensuring inclusivity of access regardless of workforce location. In 2024, we improved our apprenticeship uptake, attracting a broad range of participants to the schemes so that we can build a more diverse talent pipeline for the future. We delivered improvements to our enrolment approach, establishing greater partnerships with strategic workforce planning representatives, targeting identified specialist areas such as project delivery, nuclear, science and engineering job roles, and reducing critical skills gaps. Since the start of 2024, we have enrolled 628 new apprentices. Our total Civil Servant

apprentices on an active apprenticeship scheme has reached over 1,600.

Modernisation and Reform

The Prime Minister has set modernisation and reform as a departmental priority for Defence, through the creation of a strengthened Department of State and Defence Nuclear Enterprise, and the establishment of a Military Strategic Headquarters and a National Armaments Director alongside the Chief of Defence Nuclear. Defence Reform will ensure the MOD is ready for the challenges ahead, including delivering the SDR, ensuring value for money from the budget settlements and setting defence at the heart of future security and success of the UK.

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 Reform, People Transformation and Defence Estate Optimisation.

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, corporate service modernisation 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 and address our current and future capability challenges. It is a whole-force approach to our people and supports our ability to modernise and, increase the use of technology and innovation to transform and manage Defence.

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 ensure our workforce is targeted at delivering Defence's priorities whilst prioritising affordability and delivering value for money. This approach has been updated as set out in the Autumn Budget⁴⁷ 2024 to deliver Government efficiency and productivity objectives; including supporting in the development of a Civil Service workforce plan for a more efficient and effective Civil Service, whilst investing in the skills needed for the future and driving better outcomes for public services.

Our work to incentivise Armed Forces personnel looks at our People practices helping retain and grow the capabilities we need. For key capabilities we have designed initiatives based around a skills-based organisation to improve recruitment and retention in priority areas 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

47 https://assets.publishing.service.gov.uk/media/672b9695fbd69e1861921c63/Autumn_Budget_2024_Accessible.pdf

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. The latest workforce capability gap review showed that gaps within the Defence workforce remain stable with no material change in volume or distribution across the department. We recognise the need to attract and retain these key skills in a challenging external employment market and are seeking to establish a strategic resourcing service through a recruitment transformation project. This service will introduce a new approach to recruitment which will enable greater cohesion and impact in recruitment to Defence's critical resource areas and support the departmental workforce planning agenda.

Other Employee Matters

Defence offers an unparalleled range of career opportunities in the Armed Forces and the Civil Service. In an increasingly competitive age our operational advantage derives from the talent and skills of our people, so we must attract, recruit, and retain the best talent, drawn from the broadest range of thought, skills, and background. This is mission critical as it is our people who guarantee we continue to meet the threats we face, and in so doing ensure that Britain remains secure at home and strong abroad.

As a government department we remain committed to recognising the contribution of all. Building an organisation that is inclusive, ensuring Defence harnesses the power of difference to drive performance and innovation, increase creative thinking, and reduce the risk of group think are fundamental, and we remain committed to

developing a culture that values everyone. We have zero tolerance for any abuse in the military, and the civil service.

Key to our approach is the use of the Public Sector Equality Duty to embed our vision into all activity. The Duty ensures that inclusivity is central to our policies, procedures, and procurement from the outset, enabling everyone to contribute fully to the mission. It also ensures we reduce the risk and cost of litigation, and the need to carry out retrospective activity to support a workforce that is increasingly reflective of society. We will be best positioned to meet the security challenges and threats that we face, both now and in the future, 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 performance statistics are included elsewhere in this Report, and we continue to implement workstreams that will drive further growth; our Defence Reform Programme, our work to attract a workforce that reflects the population we serve, ensuring those from under-represented groups are better supported, and our cultural change programme, Raising our Standards, that makes clear our intention to maintain the highest professional standards and behaviours within Defence. At their core these initiatives seek to attract and retain the very best, strengthening Defence's culture whilst delivering the workforce of the future.

Whilst we are committed to delivering a better future, we remain focused on ensuring those serving today are properly supported. The MOD continues to undertake formal consultation with our people through three annual surveys (the Armed Forces Continuous Attitude Survey, the Reserve Forces Continuous Attitude Survey and the MOD People Survey). The Armed Forces Bill will deliver a new and independent Armed Forces Commissioner, supporting the Government's aim of renewing the nation's contract with those who serve. More routinely the MOD continues to regularly engage with the

trade unions, enabling their representatives to share members' views with Defence senior leaders. Representatives are given paid time off (i.e., facility time) to undertake union duties alongside their role within the Department. Our many staff networks also continue to offer a rich source of information on their personal experiences that help to shape both policy and procedure.

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 2024-25.

Analysis of Consultancy and Temporary Staff

Body	2024-25		2023-24 ³	
	Consultancy £M	Temporary Staff ² £M	Consultancy £M	Temporary Staff ² £M
Ministry of Defence Main	62.957	158.466	80.265	170.724
On Vote Agencies				
Defence Equipment & Support Bespoke Trading Entity	4.812	74.503	3.616	120.467
Defence Science & Technology Laboratory	0.207	23.310	0.668	29.925
Submarine Delivery Agency	2.799	12.108	0.279	14.639
Executive Non-Departmental Public Bodies				
National Museum of the Royal Navy	–	–	–	–
National Army Museum	–	–	–	–
Royal Air Force Museum	0.108	–	–	–
Single Source Regulations Office	–	–	–	–
Atomic Weapons Establishment ³	11.020	20.068	1.448	37.263
Armed Forces Covenant Fund Trust	–	–	–	–
Other Bodies¹	–	–	–	–
Total Expenditure	81.903	288.455	86.276	373.018

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 2023-24 figures for DSTL and Ministry of Defence Main restated. No change to Total Expenditure.

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 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 to be reported, irrespective of length.

On 31st March 2025 there were 2,679 existing off-payroll engagements; this is an increase of 39% (744 engagements) compared with that reported as at 31 March 2024 (1,935 in number).

This increase reflects a drive to improve regulatory compliance. Better records help the MOD comply with regulations more effectively, while accurate documentation ensures that all workers are classified correctly according to legal standards, leading to a more accurate count of off-payroll workers.

Off-Payroll Engagements Earning More than £245 Per Day as at 31 March 2024¹

	Core Department	ALBs	Departmental Group
Number of existing engagements as of 31 March 2024	2,384	295	2,679
Of which:			
Number that have existed for less than one year at time of reporting	1,410	176	1,586
Number that have existed for between one & two years at time of reporting	503	79	582
Number that have existed for between two and three years at time of reporting	266	14	280
Number that have existed for between three and four years at time of reporting	96	10	106
Number that have existed for four or more years at time of reporting	109	16	125

¹ The rate of £245 per day has not changed since inception, almost a decade ago, hence fiscal drag captures more off-payroll workers in this category without an actual increase in the workforce.

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, MOD retains 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
Air	1	1
Army	2	4
Atomic Weapons Establishment	10	16
Defence Electronics and Components Agency	–	4
Defence Equipment and Support	44	18
Defence Infrastructure Organisation	–	1
Defence Nuclear Organisation	1	–
Defence Science and Technology Laboratory	19	37
Head Office	2	12
Navy	1	2
Submarine Delivery Agency	2	1
UK Strategic Command	24	29
Total	106	125

The table above shows the overall number of long-term engagements has increased by 55 (31%) compared with 2023-24. Engagements for between 3 and 4 years have increased by 37 (54%), and engagements of 4 years or more increased by 18 (17%). This increase is attributed to seeking opportunities to continually improve regulatory compliance.

The majority of long-term engagements are in Defence Equipment & Support (62), Defence

Science and Technology Laboratory (56), and Defence Digital (which is part of UK Strategic Command (53)), 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 2025, paid more than £245 Per Day¹

	Core Department	ALBs	Departmental Group
No. of off-payroll workers engaged during the year ended 31 March 2025	4,425	452	4,877
Of which:			
Off-payroll legislation does not apply	4,015	320	4,335
Off-payroll legislation does apply and determined as in-scope of IR35	177	17	194
Off-payroll legislation applies but determined as out-of-scope of IR35	233	115	348
No. of engagements reassessed for compliance or assurance purposes during the year	2,523	150	2,673
Of which: No. of engagements that saw a change to IR35 status following review	123	24	147

1 27% (1,337 in number) of our off-payroll engagements are short term, 6 months or less, 24% (836) in 2023-24.

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; 4,877 (3,463 in 2023-24) includes a large number of workers; 4,335, (2,946 in 2023-24) who fall into the category for which the IR35 legislation does not apply.

Of the total engagements of 4,877 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 37% (1,790 in number) of the total engagements; 38% (1,314 in number) in 2023-24
- DE&S Delivery Partner arrangements placed 24% (1,193 in number) of engagements with specialist recruiters; 43% (1,489 in number) in 2023-24
- Fee Earners, such as guest speakers, lecturers, piano tuners, musicians, represent 8% (371 in number) of engagements; 6% (207) in 2023-24
- G-Cloud, DSP, DIPs and DOS frameworks account for 18% (905 in number); 9% (308 in number) in 2023-24.
- Bespoke contracts and other frameworks account for the remaining 13% (618 in number) of engagements; 4% (145 in number) in 2023-24.

Off-Payroll Engagements of Board Members and/or Senior Officials with Significant Financial Responsibility between 1 April 2024 and 31 March 2025

	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.	26	12	38

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 2024-25.

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
130	124

Percentage of Pay Bill Spent on TU Facility Time

Percentage of pay bill spent on facility time	
Total cost of facility time	£296,227
Total pay bill	£4,136,300,000
Percentage of the total pay bill spent on facility time.	0.01%

Percentage of Time Spent on TU Facility Time

Percentage of time	Number of employees
0%	35
1-50%	94
51%-99%	1
100%	0

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 2024-25

		2024-25			2023-24
	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	45,823,378	46,393,686	570,308	42,714,094
Capital	1.2	22,697,220	22,703,647	6,427	19,150,212
Total		68,520,598	69,097,333	576,735	61,864,306
Annually Managed Expenditure (AME)					
Resource AME	1.1	5,024,486	8,584,087	3,559,601	(1,382,396)
Capital AME	1.2	3,899	5,000	1,101	-
Total		5,028,385	8,589,087	3,560,702	(1,382,396)
Total Budget					
Resource	1.1	50,847,864	54,977,773	4,129,909	41,331,698
Capital	1.2	22,701,119	22,708,647	7,528	19,150,212
Total		73,548,983	77,686,420	4,137,437	60,481,910
Non Budget					
Non budget Resource AME	1.1	2,564,517	-	(2,564,517)	-
Total		2,564,517	-	(2,564,517)	-
Total Budget and Non Budget					
Total Resource	1.1	53,412,381	54,977,773	1,565,392	41,331,698
Total Capital	1.2	22,701,119	22,708,647	7,528	19,150,212
Total		76,113,500	77,686,420	1,572,920	60,481,910

The majority of the Resource Departmental Expenditure Limit (RDEL) variance (£0.570 billion) relates to asset revaluation and depreciation.

The Capital Departmental Expenditure Limit (CDEL) outturn variance was £0.006 billion and relates to small variances on a number of programmes.

For Annually Managed Resource Expenditure (AME), which by its nature is demand led and volatile, the outturn was £3.560 billion below budget which reflects the change to the Treasury Discount Rates and revaluation of provisions.

Net Cash Requirement 2024-25

		2024-25			2023-24
	SOPS	Outturn	Estimate	Outturn compared to Estimate: Savings/(Excess)	Outturn
	Note	£000	£000	£000	£000
Net Cash Requirement	3	64,068,238	65,103,184	1,034,946	54,113,183

Administration Costs 2024-25

	2024-25				2023-24
	SOPS Note	Outturn £000	Estimate £000	Outturn compared to Estimate: Savings/(Excess)	Outturn £000
				£000	
Administration Costs	1.1	2,014,863	2,017,301	2,438	1,927,549

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

Prior Period Adjustments

The Department has Prior Period Adjustments (PPAs) resulting from having underestimated its provisions for legal claims in 2023-24. It is proper for the department to seek parliamentary authority for the provision that should have been sought previously. In 2024-25, the following such PPAs have been made, which have been included within the voted Supply in the Estimate.

The Department has incurred an Excess of £2.565 billion because of prior period adjustments made after Supplementary Supply Estimates for 2024-25. The Department will seek parliamentary authority by way of an Excess Vote in the next Supply and Appropriation Act.

Description of Prior Period Adjustment	Resource/ Capital	DEL/AME	£000
Provisions for Legal claims	Resource	AME	2,564,517

SOPS Note 1 Outturn detailed by Estimate Line

SOPS Note 1.1 - Analysis of Resource Outturn by Estimate Line

Resource Outturn in Departmental Expenditure Limits (DEL) – Voted Expenditure	2024-25								2023-24
	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	–	11,998,846	–	11,998,846	11,995,897	2,949	11,998,846	–	10,956,573
B. Provision of Defence Capability – Civilian Personnel Costs	–	1,792,960	–	1,792,960	2,160,792	(367,832)	1,792,960	–	1,770,414
C. Provision of Defence Capability – Infrastructure Costs	–	5,209,027	–	5,209,027	4,780,552	428,475	5,209,027	–	5,036,397
D. Provision of Defence Capability – Inventory Consumption	–	1,423,502	–	1,423,502	1,448,191	(11,569)	1,436,622	13,120	1,502,929
E. Provision of Defence Capability – Equipment Support Costs	–	6,158,691	–	6,158,691	6,788,181	(579,868)	6,208,313	49,622	5,720,533
F. Provision of Defence Capability – Other Costs and Services	–	2,828,214	–	2,828,214	2,289,614	538,600	2,828,214	–	2,685,810
G. Provision of Defence Capability – Receipts and Other Income	–	–	(1,338,395)	(1,338,395)	(1,439,680)	101,285	(1,338,395)	–	(1,337,264)
H. Provision of Defence Capability – Depreciation and Impairment Costs	–	8,295,149	–	8,295,149	8,781,677	–	8,781,677	486,528	7,956,289
I. Provision of Defence Capability – Cash Release of Provisions	–	419,115	–	419,115	197,058	222,057	419,115	–	218,070
M. Provision of Defence Capability – Research and Development Costs	–	221,320	–	221,320	572,706	(351,244)	221,462	142	173,047
P. Operations – Service Personnel Staff Costs	–	227,626	–	227,626	98,575	129,051	227,626	–	145,305
Q. Operations and Peacekeeping – Civilian Personnel Staff Costs	–	20,335	–	20,335	17,103	3,232	20,335	–	15,543

Resource Outturn in Departmental Expenditure Limits (DEL) – Voted Expenditure	2024-25							2023-24	
	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
R. Operations – Infrastructure Costs	–	302,215	–	302,215	241,602	60,613	302,215	–	248,246
S. Operations – Inventory Consumption	–	256,325	–	256,325	276,634	(20,309)	256,325	–	228,708
T. Operations – Equipment Support Costs	–	742,743	–	742,743	908,874	(166,131)	742,743	–	523,814
U. Operations – Other Costs and Services	–	223,408	–	223,408	251,754	(17,494)	234,260	10,852	145,551
V. Operations – Receipts and Other Income	–	–	(14,994)	(14,994)	(26,032)	11,038	(14,994)	–	(9,882)
Z. Arm's Length Bodies (net)	–	238,927	–	238,927	218,518	20,409	238,927	–	219,003
AB. Defence Capability DE&S DEL Costs	–	1,264,005	–	1,264,005	1,255,000	9,005	1,264,005	–	1,285,372
AC. War Pensions Benefits	–	653,981	–	653,981	657,577	–	657,577	3,596	651,414
AD. Integrated Security Fund	–	52,099	(562)	51,537	55,547	–	55,547	4,010	54,942
AF. Defence Capability Defence Nuclear Enterprise DEL Cost	–	2,960,822	(126,844)	2,833,978	2,739,462	94,516	2,833,978	–	2,595,731
Administration Costs¹									
N. Provision of Defence Capability Administration – Civilian Personnel Costs	614,929	–	–	614,929	622,713	(6,982)	615,731	802	595,786
O. Provision of Defence Capability Administration – Other Costs and Services	226,168	–	–	226,168	239,595	(13,427)	226,168	–	268,828
AA. Provision of Defence Capability Administration – Service Personnel Costs	919,207	–	–	919,207	952,668	(31,825)	920,843	1,636	815,912
AE. Administration – Cash Release of Provisions	4,463	–	–	4,463	3,569	894	4,463	–	3,641

2024-25									2023-24
Resource Outturn in Departmental Expenditure	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
Limits (DEL) – Voted Expenditure	£000	£000	£000	£000	£000	£000	£000	£000	£000
AG. Defence Capability Defence Nuclear Enterprise Admin DEL Costs	250,096	–	–	250,096	305,539	(55,443)	250,096	–	243,382
Total Spending in Resource DEL	2,014,863	45,289,310	(1,480,795)	45,823,378	46,393,686	–	46,393,686	570,308	42,714,094

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

2024-25									2023-24
Resource Outturn in Annually Managed Expenditure	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
(AME) – Voted Expenditure	£000	£000	£000	£000	£000	£000	£000	£000	£000
AH. Provision of Defence Capability – Depreciation and Impairment Costs	–	1,127,288	–	1,127,288	202,197	925,091	1,127,288	–	461,628
AI. Provision of Defence Capability – Provisions Costs	–	4,139,062	–	4,139,062	8,305,640	(925,091)	7,380,549	3,241,487	(1,644,014)
AJ. Provision of Defence Capability – Cash Release of Provisions Costs	–	(373,752)	–	(373,752)	(171,740)	–	(171,740)	202,012	(458,740)
AK. Movement on the Fair Value of Financial Instruments	–	131,888	–	131,888	247,990	–	247,990	116,102	258,730
Total Spending in Resource AME	–	5,024,486	–	5,024,486	8,584,087	–	8,584,087	3,559,601	(1,382,396)
Total Resource Outturn	2,014,863	50,313,796	(1,480,795)	50,847,864	54,977,773	–	54,977,773	4,129,909	41,331,698

Non Budget Resource Outturn	2024-25							2023-24	
	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
Prior Period Adjustment	–	2,564,517	–	2,564,517	–	–	–	(2,564,517)	–
Total Spending in Resource AME	–	2,564,517	–	2,564,517	–	–	–	(2,564,517)	–
Total Resource Outturn	2,014,863	52,878,313	(1,480,795)	53,412,381	54,977,773	–	54,977,773	1,565,392	41,331,698

SOPS Note 1.2 - Analysis of Capital Outturn by Estimate Line

Capital Outturn in Departmental Expenditure	2024-25								2023-24
	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
Limits (DEL) – Voted Expenditure									
J. Provision of Defence Capability – Capital – Single Use Military Equipment	–	4,997,568	–	4,997,568	5,067,593	(70,025)	4,997,568	–	4,913,700
K. Provision of Defence Capability – Other Capital (Fiscal)	–	5,561,660	–	5,561,660	5,442,243	120,029	5,562,272	612	4,134,666
L. Provision of Defence Capability – Fiscal Assets / Estate Disposal	–	–	(97,646)	(97,646)	(49,990)	(47,656)	(97,646)	–	(258,889)
M. Provision of Defence Capability – Research and Development Costs	–	2,588,049	–	2,588,049	2,591,953	(3,904)	2,588,049	–	2,265,757
W. Operations Capital Single Use Military Equipment	–	1,024,976	–	1,024,976	507,569	517,407	1,024,976	–	857,775
X. Operations Other Capital (Fiscal)	–	569,117	–	569,117	1,027,710	(458,593)	569,117	–	360,927
Y. Operations Research and Development Costs	–	–	–	–	61,561	(58,814)	2,747	2,747	–
Z. Arm's Length Bodies (net)	–	41,276	–	41,276	4,009	37,267	41,276	–	30,576
AB. Defence Capability DE&S DEL Costs	–	206,556	–	206,556	205,000	1,556	206,556	–	251,310
AF. Defence Nuclear Enterprise	–	7,805,664	–	7,805,664	7,845,999	(37,267)	7,808,732	3,068	6,594,390
Total Spending in Capital DEL	–	22,794,866	(97,646)	22,697,220	22,703,647	–	22,703,647	6,427	19,150,212

2024-25								2023-24	
Capital Outturn in Annually Managed Expenditure (AME) – Voted Expenditure	Administration Expenditure £000	Programme Expenditure £000	Programme Income £000	Total Net Capital Outturn £000	Total Net Capital Estimate £000	Virements £000	Total Net Capital Estimate Including Virements £000	Total Net Capital Outturn Compared to Estimate £000	Total Net Capital Outturn £000
AL. Provision of Defence Capability AME Capital Fiscal	–	3,899	–	3,899	5,000	–	5,000	1,101	–
Total Spending in Capital AME	–	3,899	–	3,899	5,000	–	5,000	1,101	–
Total Capital Outturn	–	22,798,765	(97,646)	22,701,119	22,708,647	–	22,708,647	7,528	19,150,212

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 totals before virements are included so that users can tie the estimate back to the Estimates laid before Parliament.

SOPS Note 2 Reconciliation of Outturn to Net Expenditure

		2024-25	2023-24
		Outturn	Outturn
	Note	£000	£000
Net Resource Outturn			
Budget	SOPS 1.1	50,847,864	41,331,698
Non Budget	SOPS 1.1	2,564,517	
Total Net Resource Outturn		53,412,381	41,331,698
Prior period adjustments		(2,564,517)	2,564,517
Adjustment for changes in discount rates not passing through net expenditure		187,112	44,673
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		(5,862)	190,322
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		50,162	(23,756)
Movements on capitalised and other provisions included in resource or capital outturn but not passing through net expenditure in accordance with Central Budgeting Guidance.		(3,260,220)	113,242
Adjust for the net effect of capital: grants, income and grants-in-kind included in net expenditure but excluded from net resource outturn		908,838	935,203
Add capitalised research and development costs included in net expenditure but excluded from net resource outturn under ESA 10 as set out in the Consolidated Budgeting Guidance		2,924,903	2,611,041
Net expenditure for the year in the Statements of Comprehensive Net Expenditure	SoCNE	51,652,797	47,750,900

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 expenditure reported in the Statement of Comprehensive Net Expenditure (SOCNE).

SOPS Note 3 - Reconciliation of Net Outturn to Net Cash Requirement

		2024-25 Outturn	2024-25 Estimate	2024-25 Outturn compared to Estimate: Savings/ (Excess)
	Note	£000	£000	£000
Total Resource Outturn	SOPS 1.1	53,412,381	54,977,773	1,565,392
Total Capital Outturn	SOPS 1.2	22,701,119	22,708,647	7,528
Adjustments for Arm's Length Bodies (ALBs):				
Remove voted outturn (Resource and Capital)		(280,203)	(222,527)	57,676
Add cash Grant in Aid and other Departmental expenditure on behalf of ALBs		250,803	217,318	(33,485)
Adjustments to remove non-cash items:				
Depreciation and impairment		(9,436,240)	(9,231,864)	204,376
New provisions and adjustments to previous provisions		(4,139,062)	(8,310,640)	(4,171,578)
Prior period adjustments		(2,564,517)	-	2,564,517
Other non-cash items		(964,551)	-	964,551
Adjustment to reflect movements in working capital:				
Increase / (Decrease) in Inventory		517,852	-	(517,852)
Increase / (Decrease) in Receivables		75,081	-	(75,081)
(Increase) / Decrease in Payables		3,760,865	5,046,800	1,285,935
Use of provisions and unfunded pensions		734,710	(82,323)	(817,033)
Net cash requirement		64,068,238	65,103,184	1,034,946

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 2024-25 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 2025 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.	1,441.6
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.	508.8
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.	640.2
People – Liability for redundancy	
Uncertainties in calculating this liability include life expectancy, age, length of service, salary and number of dependants. There is also one liability under this category that is unquantifiable.	6.7
Environmental	
The Government Pipeline and Storage System (GPSS) – This contingent liability allows for compensation to landowners where GPSS is laid outside deviation limits, or where the SofS' rights in respect of GPSS are lost. Other liabilities exist for possible site remediation exposure which are treated as unquantifiable contingent liabilities.	6.0
Other Remote Contingent Liabilities	
Insurance risk of exhibits on loan to the museums.	1.1
Foreign Military Sales activity	3.3
Financial Guarantees	
Crown Guarantee for Pension Schemes	150.0
Total	2,757.7

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 so 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, residual employee disease liability and residual public liability arising from the disbanding of DERA and indemnities to SERCO under the Continuous Provision of Marine Services contract.
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 into 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 2024-25 on all aspects of the Ministry of Defence's business. Defence Ministers participated in 37 debates on Defence issues in Parliament. Ministers responded to 9 debates in the House of Commons and 7 debates in Westminster Hall. There were 10 debates on Defence in the House of Lords. In addition, there were 11 debates on legislation in both Houses. Details are published in Hansard.

Ministers made 9 oral statements to the House of Commons and 5 to the House of Lords – details are published in Hansard.

A total of 3,865 oral and written Parliamentary Questions were answered. Ministers also made 31 written Ministerial Statements to the House of Commons and the House of Lords – details are published on the Parliamentary written questions and answers system⁴⁸.

Accounting Officer Assessments

The MOD has published no Accounting Officer Assessments of Major Projects. Details of previous assessments can be found on GOV.UK⁴⁹.

Ministerial Correspondence

From 1 April 2024 to 31 March 2025, Defence Ministers responded to 2,733 items of correspondence from Members of Parliament, Peers and members of the public where a Ministerial response was appropriate. Of

these, 1,828 (67%) were answered within the target of 20 working days.

Evidence to the Defence Select Committee

Since 1 April 2024, 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 Website⁵⁰.

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

Parliamentary Session 2024-25: MOD responses to reports published in previous Parliamentary Session

Report	Title	Publication Date
HC 714	Ready for War?	25 April 2024
HC 751	Service Accommodation	3 March 2025

Financial Year 2024-25: Defence Select Committee Reports (Government responses, if published are listed in brackets after the report to which they relate)

Report	Title	Publication Date
HC 598 (HC 799)	The Global Combat Programme	21 March 2025

Financial Year 2024-25: Evidence to Defence Committee Inquiries without Reports

Select Committee	Inquiry
Defence Select Committee	ARAC 2024-25
Defence Select Committee	Women in the Armed Forces
Defence Select Committee	SofS Introductory Session
Defence Select Committee	MinVP Covenant
Defence Select Committee	MinAF Grey Zone

48 <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statements/>
49 <https://www.gov.uk/government/publications/government-major-projects-portfolio-accounting-officer-assessments-mod>
50 <https://committees.parliament.uk/committee/24/defence-committee/publications/>

Financial Year 2024-25: Visits by the Defence Committee to UK Armed Forces

Date of Visit	Establishment	Inquiry
12 December 2024	DES Abbey Wood	Introductory Visit
16 January 2025	Lossiemouth	Introductory Visit
30 January 2025	DSTL Porton Down	Introductory Visit
6 February 2025	RAF/Space Commands, High Wycombe	Introductory Visit
27 February 2025	Navy HQ Portsmouth	Introductory Visit
13 March 2025	StratCom Northwood	Introductory Visit
20 March 2025	Army HQ Andover	Introductory Visit

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

Since 1 April 2024, the Ministry of Defence has also given written and oral evidence on various issues to the following Select Committees of the House of Commons and the House of Lords:

Financial Year 2024-25: Other Select Committee Reports

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

Committee	Subject	Publication Date
International Relations and Defence Committee	HL 10 – Implications of the war in Ukraine for UK Defence (HL 10)	26 September 2024

Financial Year 2024-25: Evidence to Other Select Committee Inquiries without Reports

Select Committee	Inquiry
European Scrutiny Committee	PESCO and UK-EU Defence Cooperation
Business and Trade Committee	UK arms exports to Israel
International Agreements Committee	UK accession to US-Bahrain Comprehensive Security Integration and Prosperity Agreement
Business and Trade Committee	Industrial Strategy

Financial Year 2024-25: Visits by Other Select Committees to UK Armed Forces

Select Committee	Date of Visit	Establishment	Related Inquiry
Scottish Affairs	9 December 2024	HMNB Clyde	N/A

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 website⁵¹.

No PAC reports were published in 2024-25.

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 Act (FOI) is published as part of the Cabinet Office FOI statistics⁵².

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 2024-25, the PHSO received 48 complaints about the MOD (including Veterans UK).

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 Money⁵³.

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 accruals basis at the point they occur, based on a most likely worse case value. Disclosure is based on cases that are transacted through the accounts (including where an accrual or provision has been expensed). Occasionally there may be losses reported that have future cost impacts. Where this is the case, these costs won't be reflected on an accruals basis but reflected in the accounts once they are incurred. The distinction between Advance Notifications and Closed Cases reported in previous years has been removed. Special Payments are neither reported on an accruals basis, nor where a provision has been made, but at the point they are expensed in the accounts.

⁵¹ <https://committees.parliament.uk/committee/127/public-accounts-committee>

⁵² <https://www.gov.uk/government/collections/government-foi-statistics>

⁵³ <https://www.gov.uk/government/publications/managing-public-money>

Losses

Reportable Cases	2024-25		2023-24	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Total Number of Losses	18,982	18,982	13,848	13,848
Total Value of Losses (£000)	1,896,516	1,896,516	662,896	662,896
Details of Losses over £300,000	£000	£000	£000	£000
Cash and Overpayment Losses				
Aircraft Consumables Contract Adjustment	661	661		
Total Cash and Overpayment Losses	661	661		
Constructive Losses				
Retirement of Project Watchkeeper ¹	734,946	734,946		
Retirement of Albion & Bulwark Landing Platforms ¹	428,459	428,459		
Retirement of Project Chinook ¹	129,469	129,469		
Retirement of HMS Northumberland ¹	66,772	66,772		
Retirement of Knight and Ruler Wave Class Tankers ¹	58,081	58,081		
Cancellation RFDAS Project	49,195	49,195		
Retirement of Project Puma ¹	37,041	37,041		
Cancellation of Project Magenta	19,930	19,930		
Phased retirement of Warrior vehicles	13,679	13,679		
Melorius Write off	12,552	12,552		
Cancellation of Project Matcha	6,229	6,229		
Gosport Waterfront Write-off	5,973	5,973		
Cancellation of the Operational Support Tool (Digital Foundry)	5,192	5,192		
Cancellation of Iron Duke conversion programme	4,676	4,676		
Withdrawal of AS90 capability	4,656	4,656		
Cancellation of Project B Star	3,846	3,846		
Cancellation of Project Rarden	3,777	3,777		
Abbeywood Refurbishment	2,416	2,416		
Cancellation of Payload Data Ground Segment Project	2,160	2,160		
AUKUS procurement strategy adjustment	2,074	2,074		
Enterprise Data Analytics cancellation	2,014	2,014		
Cancellation of the DACC investment	2,007	2,007		
Software license renewal change	1,666	1,666		
Cancellation of Storage Layer Presentation Project	1,543	1,543		
Cancellation of Project Durden	1,529	1,529		
Cancellation of Apollo Project	1,521	1,521		
Cancellation of Project Northwood SLA	1,421	1,421		
Cancellation of Project Acquitter	734	734		

Reportable Cases	2024-25		2023-24	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Family of R&D projects not taken forward	671	671		
McLaren Contract Termination	625	625		
Falkland Island Accommodation Cancellation	484	484		
Cancellation of Battlesbury Barracks Project	471	471		
Cancellation of Project New Normandy	450	450		
Cancellation of Project Paddler	438	438		
Rolling Vertical Landing upgrade cancellation	309	309		
Total Constructive Losses	1,607,006	1,607,006	619,250	619,250
Stores losses				
Fire damage ³	217,000	217,000		
Merlin Loss Write Off	23,472	23,472		
Rotary Wing Aircraft Write Off	4,151	4,151		
Watchkeeper Write Off	3,975	3,975		
Type 31 Frigate Write Off	1,064	1,064		
Accidental Destruction of Foxhound Vehicle	479	479		
Targeting Pod Write Off	456	456		
Total Stores Losses	250,597	250,597	16,430	16,430
Fruitless Payments				
Training Activities linked to Submarine Acquisition Programme	8,923	8,923		
Dreadnought Programme	3,069	3,069		
Joint Personnel Administration System Discrepancies for NI and Tax Liabilities	983	983		
Departmental Cash Forecasting Performance 2024-25	936	936		
Incorrect VAT treatment correction	661	661		
Unfavourable HMRC decision on VAT	451	451		
Total Fruitless Payments	15,023	15,023	3,184	3,184
Claims Abandoned or Waived				
Global Maritime Support Framework Write Off	1,220	1,220		
Total Claims Abandoned or Waived	1,220	1,220	3,036	3,036
TOTAL REPORTABLE CASES OVER £300,000	1,874,507	1,874,507	641,900	641,900

1 Retirement of ageing equipment, announced Nov 2024.

2 Where salvage costs have been incurred, these are included in the value of the losses disclosed.

3 This reported loss includes an estimate for future consequential losses not yet incurred.

Special Payments

	2024-25		2023-24 ¹	
	Core Departments and Agencies	Departmental Group	Core Departments and Agencies	Departmental Group
Total Number of Special Payments	5,225	5,225	5,749	5,749
Total Value of Special Payments £000	110,707	110,707	143,179	143,179
Details of Special Payments over £300,000	£000	£000	£000	£000
Settlements of Other Personal Injuries	13,460	13,460		
Settlements for Non-freezing cold Injuries	5,149	5,149		
Settlements due to Bullying, Harassment, Discrimination, Physical and Sexual Abuse and Assault	4,533	4,533		
Special Payments made under the War Widow Ex Gratia Payment Scheme	4,463	4,463		
Settlements for Asbestos related disease	3,288	3,288		
Settlements of Clinical Negligence	2,856	2,856		
Settlements for Noise induced hearing loss	2,093	2,093		
Common Law Structured Settlements	1,976	1,976		
Special Severance Payments	1,016	1,016		
Employment Tribunal	720	720		
Group Employment Tribunal	374	374		
TOTAL CASES OVER £300,000	39,928	39,928	63,231	63,231

1 Figures for 2023-24 have been adjusted to include Special Severance Payments.

Special Severance Payments

During 2024-25, 40 Special Severance Payments totalling £3,418,000 were approved. Further details (to the nearest £1,000) are:

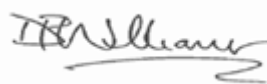
Analysis of Special Severance Payments

	(to the nearest £1,000)
Maximum Payment	342,000
Median Payment	55,000
Minimum Payment	6,000

3 Special Severance Payments over £300,000 have been identified during the year.

Gifts

During 2024-25, 1,304 Gifts with a total value of £1,036,000 (to the nearest £1,000) were made. There were no individual gifts with a value of £300,000 or more identified during the year.



David Williams CB
Accounting Officer

29 October 2025

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

Qualified 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 2025 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 2024. The financial statements comprise: the department's and the departmental group's:

- Consolidated statements of Financial Position as at 31 March 2025;
- Consolidated statements of Comprehensive Net Expenditure, Consolidated statements of Cash Flows and Consolidated statements 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, except for the possible effects of the matters described in the Basis for qualified opinion on the group financial statements section below, the financial statements:

- give a true and fair view of the state of the department's and the departmental group's affairs as at 31 March 2025 and its 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.

Qualified opinion on regularity

In my opinion, except for the effects of the matters described in the Basis for qualified opinion on regularity and Basis for qualified opinion on the group financial statements section of my certificate, 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 2025 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 2025 and shows that those totals have not been exceeded; and
- the income and expenditure 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.

Basis for qualified opinion on the group financial statements

I have been unable to obtain sufficient appropriate audit evidence that assets under construction (other) managed by Arm's Length Bodies amounting to £6.13 billion (2023-24 £4.90 billion), included within the Property, Plant and Equipment as stated in the Statement of Financial Position for the department as at 31 March 2025 and as at 31 March 2024 are free from material misstatement. I was unable to obtain sufficient appropriate audit evidence due to the department not having adequate accounting records. The department's decision to not provide all the evidence I needed to audit assets under construction is a limitation imposed by management on my audit, leading me to limit the scope of my audit opinion.

While I have not been able to reliably quantify the effect of this matter due to the limitations described, I consider the effect of these issues to be potentially material in terms of the existence, classification and valuation of these assets at both 31 March 2025 and 31 March 2024.

As a result of the above there are potential further implications on my regularity opinion, but I have been unable to quantify the impact on the Statement of Outturn against Parliamentary Supply and reported losses in the Parliamentary Accountability report due to the limitations described.

My assessment of the matter giving rise to a qualified opinion.

Departmental assets managed by Arm's Length Bodies	
Matter giving rise to qualification	The department relies on Arm's Length Bodies (ALB) and third parties to build and maintain assets on their behalf. Consequently, these ALBs and third parties often have responsibility for departmental assets in the course of construction. Lack of effective departmental oversight of a number of these arrangements has meant that the department did not have appropriate information nor assurance to ensure that transactions and balances in respect of assets and projects of this type were accurately reported in the financial statements. I identified within a £6.13 billion balance, £1.50 billion of accumulated legacy project costs on the department's Statement of Financial Position, and included in assets under construction in note 6, that had remained at this value for several years and for which the department did not have supporting analysis. At 31 March 2025 the department had not carried out a full reconciliation of the £6.13 billion balance to the Atomic Weapon's Establishment (AWE) project data or an analysis of that data to assess whether the costs were appropriately treated in the accounts and in line with IAS 16.
Scope of my audit work	In responding to the above, my procedures included: • Requesting a reconciliation with supporting evidence from management to support the £1.50 billion legacy projects balance. • Testing a sample of projects from the £6.13 billion balance to understand if the projects were ongoing, paused or cancelled. • Requesting management perform an impairment assessment on each of the sampled projects. • Challenging the reasonableness of management's impairment judgements. • Holding discussions with the project managers for a risk-based sample of projects. I have not had satisfactory responses to these procedures, and I was unable to perform any alternative audit procedures due to the limitations imposed by management.
Why I was unable to obtain sufficient appropriate audit evidence	The department has been unable to provide sufficient appropriate audit evidence to support the valuation, existence and classification of £6.13 billion as assets under construction (other) at 31 March 2025, as they do not have accounting records available, particularly in respect of legacy projects and historical costs within the balance.

Basis for qualified opinion on regularity

In 2024-25 the department did not request cover for Non-Budget expenditure within the Supplementary Estimate, however the department has incurred an outturn against this limit of £2.56 billion. The excess was due to the department making a prior period adjustment to ensure the comparative legal and other provision figure was materially complete; the completeness of provisions for legal and other liabilities key audit matter within the overview of my audit section provides more detail.

The Non-Budget expenditure control total has been breached as shown in the Statement of Outturn against Parliamentary Supply, causing an Excess Vote and a qualification of my opinion on regularity, this has not resulted in a qualification of the true and fair opinion.

Basis for qualified 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 (2024)*. 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 2024*. 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 qualified opinions.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

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.

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

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 strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

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 or the appropriateness of using ONS Producer Price Index (PPI) indices to value non-property assets, areas where my work has not identified any matters to report. Similarly, I do not include information relating to 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 I have determined to be communicated in my certificate, below, are in addition to the issues described in the sections above headed Basis for qualified opinions on the group financial statements. 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 84.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

- Completeness of provision for legal and other liabilities: My audit identified a risk that the department had not made sufficient provision for the anticipated compensation and costs to settle legal claims associated with personal injury claims including noise induced hearing loss, or in relation to the anticipated compensation and resettlement costs relating to the Afghan Relocations and Assistance Policy and the Afghanistan Response Route in accordance with the requirements of the accounting standard IAS 37. This risk affected the completeness of the provisions recognised at 31 March 2025 and at the previous reporting date of 31 March 2024.

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 Consolidated Statements of Financial Position, valued at £12.80 billion at 31 March 2025 (£9.05 billion at 31 March 2024).

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, this has been considered a key audit matter as 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 are implemented, which could lead to material misstatement in the financial statements. 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 in this area included: - Assessing the design and implementation of controls relevant to the cost estimates, judgments applied in the valuation of the provision and 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. - Consideration of any events after the reporting date that may impact on the valuation and related disclosures.
--	--

Key observations

In the course of completing this work, I did not identify any material misstatements.

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.

Due to the size and nature of the department's activities, it routinely reports a high value and volume of losses and special payments. In 2024-25 the department has reported £1.90 billion of losses (2023-24: £663 million) and £111 million of special payments (2023-24: £143 million).

Authorities for approvals of losses and special payments within the departmental scheme of delegation, initially sit with the Permanent Under Secretary (PUS) and are further delegated throughout the department, meaning that the controls framework within the department is decentralised. In previous years my audit found that the department's controls and processes for the identification, approval and reporting of losses and special payments were insufficient. In particular, internal guidance was inconsistent with the requirements of MPM and retrospective approvals have needed to be sought from HM Treasury for incorrectly categorised losses.

A significant level of work is required to test the regularity, accuracy and completeness of the losses and special payments reported by the department.

My response to addressing the key audit matter is included below. As a result of the above and the issues identified in recent audits, I identified a significant risk in relation to the regularity of losses and special payments for the 2024-25 audit.

**How the
scope of
my audit
responded
to this
matter**

My response to addressing the risk in this area included:

- An assessment of the design and implementation of controls relating to losses and special payments, including the mapping of delegated authorities for approvals of losses and special payments from PUS down to individuals within the department;
- Testing of losses and special payments over £300k as well as a judgementally selected sample of reportable losses and special payments under £300k, including all those requiring approval; for each item obtaining evidence for the valuation, occurrence, classification, regularity and disclosure of the item;
- Procedures to evaluate the completeness of losses and special payments reported, including a review of management's process to identify losses and special payments and a consideration of losses and special payments included in the disclosure against the results of other testing and the knowledge obtained through my audit.

Key observations

I have obtained sufficient assurance over this risk through the testing outlined above. I did not identify significant misstatements in the losses and special payments disclosure as a result of the work I have performed.

Completeness of provision for legal and other liabilities

Description of risk

As at 31 March 2025 the department recognised a provision for the anticipated compensation and costs to settle legal claims associated with personal injury claims including noise induced hearing loss. In accordance with the requirements of the accounting standard IAS 37, the department is required to recognise a provision where a present obligation has been identified relating to these conditions. This is an accounting estimate based on the estimated future payments required to settle current and future claims discounted to their net present value.

In calculating the value of the provision, there is significant estimation uncertainty and judgement in respect of determining the population of potential claimants, and the potential for a material understatement of the provision if potential future claims are not appropriately included where a present obligation existed at year end. I treated this matter as a significant risk for the audit because of the significant estimation uncertainty involved.

The department did not recognise a provision for the anticipated compensation and resettlement costs relating to the Afghan Relocations and Assistance Policy and the Afghanistan Response Route in accordance with the requirements of IAS 37, either at 31 March 2025 or at 31 March 2024. This requires the department to recognise a provision where a present obligation has been identified at each reporting date, and is an accounting estimate based on the estimated future costs required to resettle those eligible under the schemes and to settle current and future claims relating to the data breach.

In calculating the value of the provision, there is estimation uncertainty and judgement in respect of determining the population of individuals that the department has a present obligation to resettle through the schemes, and the future costs required to discharge this obligation. There is also judgement in estimating the population of potential claimants and quantifying the estimated future payments required to settle current and future claims in respect of the data breach.

Significant audit effort is involved in addressing the completeness risk and is included as a Key Audit Matter. Legal and other provisions are included in note 12. Key judgements and estimation uncertainties are disclosed in note 1.

How the scope of my audit responded to the risk	My response to addressing the risk in this area included: Provision for legal claims associated with personal injury - Assessing the design and implementation of controls by the department over the valuation and completeness of the provisions. - Assessing the reasonableness of management’s judgement on whether the provisions appropriately reflected all obligations existing at the reporting date, including those for which claims had not yet been received by considering published information.
--	---

How the scope of my audit responded to the

- Evaluating the reasonableness of management's estimated average settlement values, which incorporated:
 - Historical claims experience and settlement outcomes.
 - Internal data analysis used to stratify the affected population.
- Testing a sample of case input data used within the provision model to ensure that the estimated case settlement values were based on accurate historical information.
- Where management have used experts to provide input for estimating the size of the claimant population and settlement cost, 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 on by management.
- Reviewing management's related disclosures within the financial statements.
- Assessing the mathematical integrity of the provision models.
- Consideration of any events after the reporting data that may impact on the valuation and related disclosures.

Provision for compensation and relocation costs associated with Afghan schemes

- Assessing the design and implementation of controls by the department over the valuation and completeness of the provisions.
- Assessing the reasonableness of management's estimated relocation costs associated with the schemes. This included evaluating the reasonableness and neutrality of information sources used by management and agreeing data to supporting evidence.
- Reviewing management's related disclosures within the financial statements.
- Assessing the mathematical integrity of the provision models.
- Consideration of any events after the reporting data that may impact on the valuation and related disclosures.
- Procedures to challenge management on key assumptions and data inputs, including verification of the estimated impacted population sizes to internal management information and compensation settlement values to historical claims experience and outcomes.

Key observations

As a result of my audit, the department posted material adjustments to correct errors in the assumptions and completeness of input data, including a prior period adjustment in respect of both matters described above. Details of the prior period adjustment are set out in Note 22. Following the adjustments made by management, I found the data inputs, judgements and assumptions for both provisions to be reasonable and based on sufficiently reliable evidence. I did not identify any unadjusted material misstatements in the provisions recognised and I am content that the provisions disclosed in Note 12 are materially complete.

Given that a prior period adjustment was required, I have issued a qualified opinion on regularity because the department's Non-Budget expenditure control total has been breached as a result of this. This is discussed in the Basis for qualified opinion on regularity section.

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	£1.58 billion	£1.50 billion
Basis for determining materiality	Approximately 1% of opening group net assets of £159 billion (1% of opening net assets of £148 billion in 2023-24)	Approximately 1% of opening parent net assets of £158 billion (1% of opening net assets of £147 billion in 2023-24)
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 opening 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 opening 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 2024-25 audit (2023-24: 75%). In determining performance materiality, we have also considered the uncorrected misstatements identified in the previous period.

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.

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.

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 £1,000,000, 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 decreased net expenditure by £288.8m and decreased net assets by £39.0m.

Audit scope

The scope of my group audit was determined by obtaining an understanding of the department and its 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) and 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.

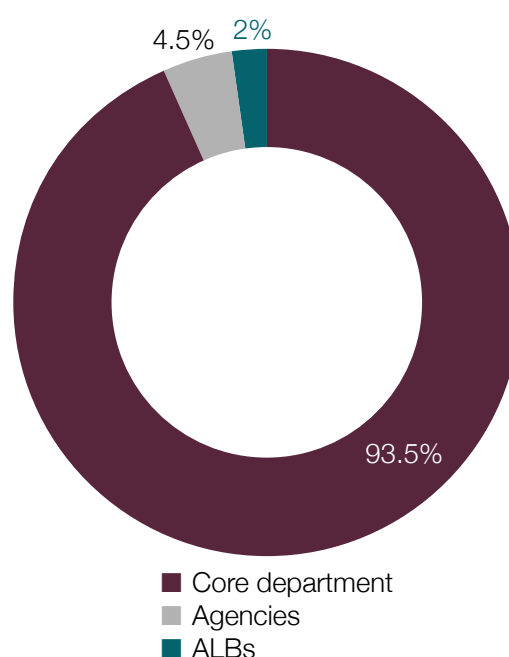
The core department prepares its financial statements through the consolidation of workbooks prepared by the TLBs, therefore in my audit approach I have considered the core department to be a group under ISA600. Within the core department I have identified each TLB as a component, with Defence Equipment & Support (DE&S), Defence Infrastructure Organisation (DIO) and Defence Nuclear Organisation (DNO) being the components which contribute the most significant balances to the group financial statements, along with cash and payroll which operate across the core department. I performed a group risk assessment to identify balances within components which presented a risk to the group financial statements and included those component balances for detailed risk assessment to determine proportionate audit responses. 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). Component balances at ALBs were included in my group risk assessment in the same way as for components of the core

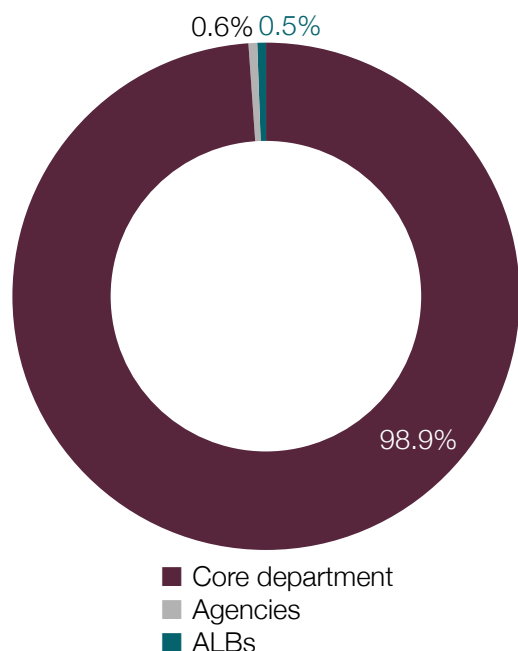
department, and this led to the scoping and detailed testing of the defined benefit pension scheme at AWE plc.

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.

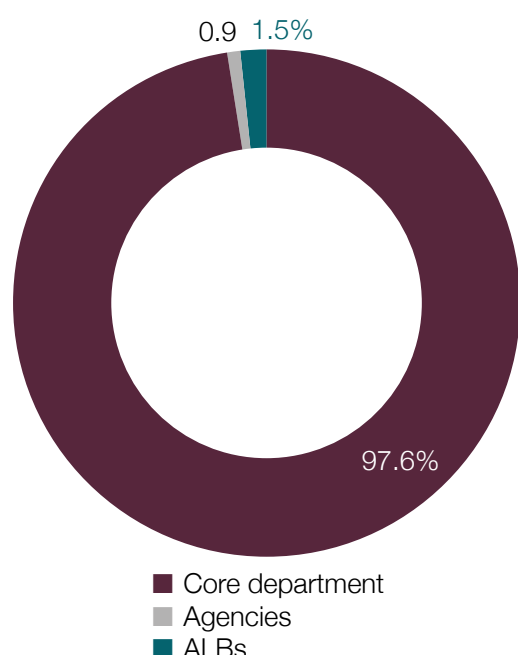
Gross expenditure of parts of the Ministry of Defence group (for the year ended 31 March 2025)



Gross assets of parts of the Ministry of Defence group (as at 31 March 2025)



Gross liabilities of parts of the Ministry of Defence group (as at 31 March 2025)



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.

As stated under Basis for qualified opinion on the group financial statements, I have been unable to obtain sufficient and appropriate evidence that the assets under construction (other) managed by AWE amounting to £6.13 billion, included within the Property, Plant and Equipment included in the Statement of Financial Position for the department as at 31 March 2025 are free from material misstatement. Where other information refers to these balances, it may be materially misstated for the same reason.

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, except for the possible effect of the matter described above, under Basis for qualified opinion on the group financial statements, I have not identified material misstatements in the Performance and Accountability Reports.

In respect solely of the limitations in receiving sufficient appropriate evidence as described in that section:

- 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; and
- I have not received all of the information and explanations I require for my audit.

In all other respects, I have nothing to report in respect of the following matters which I report to you, if in my opinion:

- 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, key performance indicators and performance incentives;
- 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
 - the 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 2024, health and safety legislation and relevant employment and pension law and tax legislation.

I considered and performed specific risk assessment procedures 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 Defence 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; 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 communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal IT audit specialists and relevant component audit teams, 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 website at: www.frc.org.uk/auditorsresponsibilities. 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.

Gareth Davies

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Date 31 October 2025

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

1. The primary purpose of the Ministry of Defence (the department) is to protect the people of the United Kingdom, territories, values and interests at home and overseas, through the Armed Forces and in partnership with allies. The department is required to prepare its financial statements in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. Under the FReM, the department is required to apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.
 2. This Report sets out why I have limited the scope of my audit opinion on the department for 2024-25 in respect of Assets Under Construction (other). It also explains why I have qualified my regularity opinion due to a breach of a Parliamentary control total.
- ## Assets Under Construction (other)
3. Assets under construction (AUC) is a temporary classification that is used while capital projects are still in progress and not yet operational.
 4. Costs incurred on projects expected to result in a capital asset should be capitalised and included within the Statement of Financial Position only where they are directly attributable to the resultant asset. Costs relating to a project that do not meet the International Accounting Standard (IAS) 16 criteria should be expensed as they are incurred.
 5. In recognition that such capital projects can span a number of years, the carrying value of Assets under construction should be reviewed on a regular basis to ensure that the costs capitalised continue to meet the criteria for capital recognition. Where a project is cancelled or the scope changes then any costs no longer contributing to the eventual capital asset should be removed from the AUC balance.
 6. AUC (other) represents projects that are not in respect of military equipment. Typically, this category includes property and associated equipment.
 7. £6.13 billion of the carrying value of AUC (other) in Note 6 at 31 March 2025 relates to projects being carried at the Atomic Weapon Establishment (AWE) on behalf of the department.
 8. The department should set a clear accounting policy which they require AWE to comply with and ensure they are receiving sufficient information from AWE to determine whether the carrying value of £6.13 billion in the financial statements of the department was appropriate.
 9. In respect of £1.5 billion of legacy project costs, included within the £6.13 billion, that had remained at this value for several years the department was unable to provide a supporting analysis for audit or any assurance that the continued recognition of these balances was appropriate. I subsequently also identified a number of other balances which did not appear to meet the criteria for continued recognition in line with the accounting standard.
 10. The department has commenced a programme of work, in conjunction with AWE, to review the £6.13 billion project costs recorded in the project ledger of AWE to determine the appropriate carrying value of these ongoing projects in the department's accounts.
 11. I will audit the outcome of this programme of work as part of my 2025-26 audit and expect that the outcome of the programme will be reflected in those financial statements.

Breach of Parliamentary Control Total

12. In response to concerns I had over the completeness of provisions for legal and other liabilities my audit identified that, in respect of two separate matters, the department had not fully recognised their obligations for the year ended 31 March 2024.
13. Taken together these understatements, at £2.56 billion, are material to the financial statements and the department has reflected a prior year adjustment and restated the 2023-24 financial statements accordingly. Details of which are explained in note 22 to the financial statements.
14. The recognition of prior year expenditure of £2.56 billion is classified as Non-Budget expenditure in 2024-25 for the purposes of Parliamentary Supply (the process by which Parliament authorises the budget envelope for departments).
15. The department had not requested authorisation for Non-Budget expenditure through the Supply process and therefore in the Statement of Outturn against Parliamentary Supply (on page 124) it shows that this category of Supply has been breached in 2024-25, meaning that this expenditure is currently irregular and my opinion has been qualified.
16. The two matters giving rise to the prior year adjustment were:
 - a. Compensation and costs to settle legal claims associated with personal injury claims, including noise induced hearing loss:
 - i. The department had previously recognised provisions for these on the basis of claims received however, following a legal case in July 2024, the department accepted a duty of care to those affected.
 - ii. Following this legal case the department should have recognised a provision at 31 March 2024 for their estimated exposure to both current and future claims.
 - b. Compensation and resettlement costs relating to the Afghan Relocations and Assistance Policy (ARAP) and the Afghan Response Route (ARR).
 - i. The department had been expensing costs relating to the ARAP and ARR as they were incurred. They had not considered whether a constructive obligation had been established and whether a provision was therefore required to be recognised.
 - ii. The department did not brief me on the existence of a significant data breach and the consequential establishment of the ARR until after a super-injunction was lifted in July 2025. As a result, I was not in a position to consider or challenge the accounting for these arrangements as part of my 2023-24 audit.

Gareth Davies

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Date 31 October 2025

Financial Statements



Brigadier Lisa Brooks DL VR, commander 19 Light brigade is seen visiting 7 SCOTS at a new Army training facility in Dundee, Scotland.

Financial Statements

Consolidated Statements of Comprehensive Net Expenditure (SoCNE) for the year ended 31 March 2025

This Statement summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2024-25		Restated 2023-24 ²	
		Core Department & Agencies £M	Departmental Group ¹ £M	Core Department & Agencies £M	Departmental Group ¹ £M
Income from provision of supplies and services	3.1	(1,100.3)	(1,100.3)	(1,008.2)	(981.6)
Other income	3.1	(548.1)	(873.0)	(792.1)	(941.1)
Operating income		(1,648.4)	(1,973.3)	(1,800.3)	(1,922.7)
Staff costs	4.1	17,029.9	17,753.0	15,760.0	16,361.7
Purchase of goods and services	4.2	22,135.3	21,822.0	20,309.2	19,907.9
Depreciation, amortisation, impairment, write-(ons)/offs and disposals	4.3	9,850.8	9,872.4	9,122.1	9,174.7
Provision expense	4.4	910.9	910.9	3,335.9	3,335.9
War pensions/benefits		653.4	653.4	651.0	651.0
Other expenditure	4.5	1,817.3	1,722.9	1,872.6	1,755.8
Operating expenditure		52,397.6	52,734.6	51,050.8	51,187.0
Net operating expenditure		50,749.2	50,761.3	49,250.5	49,264.3
Finance income	3.2	(355.3)	(355.3)	(2,783.4)	(2,783.4)
Finance expense	4.6	1,245.4	1,246.8	1,269.6	1,270.0
Net expenditure for the year		51,639.3	51,652.8	47,736.7	47,750.9
Other Comprehensive Expenditure					
Net (gain) or loss on:					
revaluation of property, plant and equipment	SoCiTE	(6,226.1)	(6,230.4)	(2,498.1)	(2,509.8)
revaluation of intangible assets	SoCiTE	(293.2)	(293.4)	(277.6)	(277.6)
revaluation of assets held for sale	SoCiTE	33.5	33.5	25.8	25.8
revaluation of right-of-use assets	SoCiTE	1,595.9	1,593.4	45.3	45.3
revaluation of service concession arrangements	SoCiTE	26.2	26.2	563.4	563.4
revaluation of pensions	SoCiTE	1.4	(111.8)	(42.0)	(77.0)
revaluation of capitalised decommissioning liabilities	SoCiTE	3,332.8	3,332.8	(76.6)	(76.6)
assets written-off or written-on or transferred in	SoCiTE	–	(17.6)	0.6	(75.1)
Comprehensive net expenditure for the year		50,109.8	49,985.5	45,477.5	45,369.3

1. The Departmental Group includes the income and expenditure of Arm's Length Bodies; further details are at Annex F.

2. Restated for the Prior Period Adjustments set out at Note 22.

Consolidated Statements of Financial Position (SoFP)

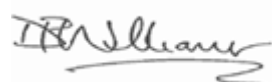
as at 31 March 2025

This Statement presents the financial position of the Department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note	31 March 2025		Restated as at 31 March 2024 ²	
		Core Department & Agencies £M	Departmental Group £M	Core Department & Agencies £M	Departmental Group £M
Non-current assets					
Intangible assets	5	37,129.0	37,129.8	35,786.5	35,787.2
Property, plant and equipment	6	156,718.6	157,371.9	135,714.7	136,364.2
Right-of-use assets	16	2,009.1	2,073.7	10,809.9	10,855.0
Retirement benefit scheme assets	13	-	17.4	-	17.4
Financial assets	7	431.5	431.5	251.0	251.0
Receivables due after more than one year	9	749.7	868.4	943.5	1,019.7
Total non-current assets		197,037.9	197,892.7	183,505.6	184,294.5
Current assets					
Non-current assets held for sale		3.9	3.9	6.1	6.1
Inventories	8	5,124.6	5,125.5	4,639.5	4,641.1
Receivables due within one year	9	3,763.2	3,923.8	3,494.3	3,610.0
Financial assets	7	19.2	76.1	72.9	127.6
Cash at bank and in hand	10	1,910.8	2,203.5	1,995.2	2,249.1
Total current assets		10,821.7	11,332.8	10,208.0	10,633.9
Total assets		207,859.6	209,225.5	193,713.6	194,928.4
Current liabilities					
Payables due within one year ¹	11	(16,095.0)	(16,514.8)	(15,460.9)	(15,752.3)
Provisions due within one year	12	(1,302.6)	(1,307.9)	(915.7)	(916.0)
Financial liabilities	7	(231.7)	(231.7)	(162.5)	(162.5)
Total current liabilities		(17,629.3)	(18,054.4)	(16,539.1)	(16,830.8)
Total assets less current liabilities		190,230.3	191,171.1	177,174.5	178,097.6
Non-current liabilities					
Provisions due after one year	12	(15,436.5)	(15,436.5)	(11,952.5)	(11,957.8)
Retirement benefit scheme liabilities	13	(396.7)	(510.8)	(391.2)	(618.5)
Payables due after more than one year ¹	11	(4,742.1)	(4,806.3)	(9,137.2)	(9,189.5)
Total non-current liabilities		(20,575.3)	(20,753.6)	(21,480.9)	(21,765.8)
Total assets less total liabilities		169,655.0	170,417.5	155,693.6	156,331.8
Taxpayers' equity and other reserves					
General fund	SoCiTE	134,730.3	134,730.3	120,306.0	120,306.0
Revaluation reserve	SoCiTE	34,924.7	34,924.7	35,387.6	35,387.6
Arm's Length Bodies' reserves		-	762.5	-	638.2
Total equity		169,655.0	170,417.5	155,693.6	156,331.8

1. IFRS16 lease liabilities are included in 'Payables due within one year' and 'Payables due after more than one year'.

2. Restated for the Prior Period Adjustments set out at Note 22.



David Williams CB, Accounting Officer, 29 October 2025

Consolidated Statements of Cash Flows (SoCF)

for the year ended 31 March 2025

This Statement shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Department's future public service delivery.

		2024-25		Restated 2023-24 ²	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Note		£M	£M	£M	£M
Cash flows from operating activities					
Net operating expenditure for the year	SoCNE	50,749.2	50,761.3	49,250.5	49,264.3
Adjustments for non-cash transactions ¹		(10,744.0)	(10,757.9)	(12,762.7)	(12,901.3)
Movement in trade and other receivables	SoFP	75.1	162.5	308.4	390.6
Adjustment for movements on receivables relating to items not passing through operating costs		(2.5)	(2.3)	6.8	6.8
Movement in net inventories and financial assets held for sale		517.9	517.2	494.1	487.6
Movement in trade payables	SoFP	3,761.0	3,620.7	(1,450.1)	(1,425.7)
Adjustment for movements in payables relating to items not passing through operating costs		(4,971.6)	(4,995.5)	2,429.5	2,446.0
Use of provisions and unfunded pensions		734.7	734.7	469.7	469.7
Net cash outflow from operating activities		40,119.8	40,040.7	38,746.2	38,738.0
Cash flows from investing activities					
Purchase of property, plant and equipment	6	13,525.7	13,539.7	12,388.6	12,441.0
Purchase of intangible assets	5	3,001.8	3,002.1	3,044.9	3,045.2
Adjustment for non-cash movements relating to PPE and intangibles		(388.3)	(388.3)	(1,057.5)	(1,057.5)
Proceeds on disposal of property, plant and equipment		(54.3)	(54.3)	(275.8)	(275.8)
Dividends, equity repayments and other income from investments		(34.4)	(12.5)	(12.5)	(12.5)
Financing income		(8.7)	(8.7)	(5.8)	(5.8)
Other investments		188.1	188.1	127.5	127.5
Net cash outflow from investing activities		16,229.9	16,266.1	14,209.4	14,262.1

		2024-25 Core Department & Agencies		Restated 2023-24 ² Core Department & Agencies	
	Note	£M	£M	£M	£M
Cash flows from financing activities					
Consolidated Fund (Supply) – current year	SoCiTE	(64,045.3)	(64,045.3)	(54,150.6)	(54,150.6)
Draw down from the Contingency Fund		6,494.5	6,494.5	3,217.0	3,217.0
Repaid to the Contingency Fund		(6,494.5)	(6,494.5)	(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		6,417.0	6,419.7	542.5	546.2
Movement on collaborative projects		875.0	875.0	(912.7)	(912.7)
Financing expenditure		485.5	486.9	612.6	613.0
Net financing		(56,265.3)	(56,261.2)	(53,905.7)	(53,901.6)
Net increase or (decrease) in cash and cash equivalents in the period		(84.4)	(45.6)	950.1	901.5
Cash and cash equivalents at the beginning of the period	10	1,995.2	2,249.1	1,045.1	1,347.6
Cash and cash equivalents at the end of the period	10	1,910.8	2,203.5	1,995.2	2,249.1

1. The main reason for the adjustment for non-cash transactions in 2024-25 is depreciation, amortisation and impairment on non-current assets of -£9.9 billion (note 4.3) and a £2.2 billion change in provisions (note 12.1). In 2023-24 the main reasons were depreciation, amortisation and impairment on non-current assets of -£9.2 billion; and a £1.6 billion change in provisions.
2. Restated for the Prior Period Adjustments set out at Note 22.

Consolidated Statements of Changes in Taxpayers' Equity (SoCiTE) for the year ended 31 March 2025

This statement shows the movement in the year on the different reserves held by the Department, analysed into: 'General Fund Reserves' (i.e., those reserves that reflect a contribution from the Consolidated Fund); the Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. 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.

	Note	Core Department and Agencies			Departmental Group	
		General Fund £M	Revaluation Reserve £M	Taxpayers' Equity £M	ALBs' Reserves £M	Total Reserves £M
Balance at 1 April 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)
Payment of amounts due to the Consolidated Fund		–	–	–	–	–
Non-cash charge – auditors remuneration	4.5	3.2	–	3.2	–	3.2
Net expenditure for the year	SoCNE	(47,736.7)	–	(47,736.7)	(14.2)	(47,750.9)
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		–	(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	SoCNE	42.0	–	42.0	35.0	77.0
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)	–	–	–
Restated Balance as at 31 March 2024¹		120,306.0	35,387.6	155,693.6	638.2	156,331.8

	Note	Core Department and Agencies			Departmental Group	
		General Fund £M	Revaluation Reserve £M	Taxpayers' Equity £M	ALBs' Reserves £M	Total Reserves £M
Parliamentary Funding – drawn down in-year	SoCF	64,045.3	–	64,045.3	–	64,045.3
Parliamentary Funding – deemed funding		429.5	–	429.5	–	429.5
Parliamentary Funding – Supply payable	11	(406.6)	–	(406.6)	–	(406.6)
Non-cash charge – auditors remuneration	4.5	3.0	–	3.0	–	3.0
Net expenditure for the year	SoCNE	(51,639.3)	–	(51,639.3)	(13.5)	(51,652.8)
Other net comprehensive expenditure						
Net gain or (loss) on:						
revaluation of property, plant and equipment	SoCNE	–	6,226.1	6,226.1	4.3	6,230.4
revaluation of intangible assets	SoCNE	–	293.2	293.2	0.2	293.4
revaluation of assets held for sale	SoCNE	–	(33.5)	(33.5)	–	(33.5)
revaluation of right-of-use assets	SoCNE	–	(1,595.9)	(1,595.9)	2.5	(1,593.4)
revaluation of service concession arrangements	SoCNE	–	(26.2)	(26.2)	–	(26.2)
revaluation of pensions	SoCNE	(1.4)	–	(1.4)	113.2	111.8
revaluation of capitalised decommissioning liabilities	SoCNE	–	(3,332.8)	(3,332.8)	–	(3,332.8)
assets written-off or written-on or transferred in	SoCNE	–	–	–	17.6	17.6
Transfers between reserves		1,993.8	(1,993.8)	–	–	–
Balance at 31 March 2025		134,730.3	34,924.7	169,655.0	762.5	170,417.5

1. Restated for the Prior Period Adjustments set out at Note 22.

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) 2024-25 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 for all entities, 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. The International Military Services Ltd (IMS) was dissolved on 11 February 2025, as stated in the footnote to Note 7.7.

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 interests in joint operations. They have 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 There are no significant changes to the 2024-25 FReM that impact these Accounts.

Changes Impacting the Preparation of Future Annual Accounts

IFRS 17 – Insurance Contracts

1.11 IFRS 17: *Insurance Contracts* replaces IFRS 4: *Insurance Contracts* and is to be included in the FReM for mandatory implementation from 2025-26. In July 2023, HM Treasury published its IFRS 17 Application Guidance. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this Standard. HM Treasury is also publishing further Application Guidance on specific aspects of IFRS17.

1.12 The Department has worked through its implementation plan to identify contracts where there might be a material transfer of insurance risk to the Department, within the scope of IFRS 17, as applied by the FReM.

1.13 To assist in assessing insurance risks, the Department has engaged the support of qualified actuaries.

1.14 From this work, the Department does not expect that the implementation of IFRS 17, as applied by the FReM, will have a material impact on these Accounts.

Valuations of Non-Investment Assets

1.15 HM Treasury is making changes that will impact the FReM adaptations and interpretations of IAS 16: *Property Plant and Equipment* and IAS 38: *Intangibles*. These changes take effect from 1 April 2025.

1.16 The changes that are likely to have an impact of the Department are as follows:

- indexation of intangible Non-Current Assets will cease from 1 April 2025. The intangible asset value at 1 April 2025 will be considered historic (deemed) cost. Historic deemed cost is where the previous carrying amount as at the transaction date under the revaluation model is considered henceforth to be the historic cost of the asset;

- for tangible assets, to introduce the concept of assets held for their operational capacity and to remove the specialised/ non-specialised asset classification split for asset valuation purposes;
- the requirement in IAS 16 to revalue an asset when its fair value differs materially from its carrying value has been withdrawn. Out of cycle valuations (i.e. outside of the Quinquennial revaluation supplemented by annual indexation in intervening years – which the Department will continue to do) are not required unless there is an indication of impairment when applying IAS 36, which may require an asset to be fully revalued;
- for transition, revaluations carried out prior to 2025-26 remain valid throughout the transition period (the transition period being 1 April 2025 to the date the next revaluation is due for a given asset). During the transition period, the maximum period between revaluations must not exceed five years.

1.17 As the changes are being introduced prospectively from 1 April 2025, there will be no transitional adjustments necessary. For 2025-26 and subsequent periods, the impact will be that intangible assets will not be revalued and valuations will not be necessary outside of the quinquennial valuation cycle. These changes are not expected to be material.

Property, Plant and Equipment Non-Current Assets

Recognition

1.18 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.

1.19 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.

1.20 The capitalisation threshold is not applied to individual capital spares (defined in paragraph 1.28) 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

1.21 All tangible non-current assets are carried at either current value in existing use or fair value at the reporting date. This is undertaken via full revaluation or indexation. Indexation is not applied to property non-current assets added or revalued during the year, unless there is a material difference in value between the date of the valuation and 31 March 2025. 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.

1.22 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. This is from the Office for National Statistics data derived from multiple reports (Annual Weekly Earnings, Producer Price Index and GDP Deflator), each with varying publication timelines and a mix of actual and forecasted figures, reflecting the latest available data as of 21 February 2025. 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 1.119.

1.23 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 were valued as at November 2024 and adjustments, including for indexation, were made to closing balances where material differences were identified. QQR is further explained in Note 6 – Property, Plant and Equipment.

1.24 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.

1.25 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

1.26 All assets are depreciated on a straight-line basis other than some capital

spares which use the diminishing balance depreciation method (see paragraph 1.28). 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 1.27 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.

1.27 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 – 20
	Communications Equipment	3 – 30

1.28 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.

1.29 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 1.87.

Componentisation and Subsequent Expenditure

1.30 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

1.31 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.

1.32 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.

1.33 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.

1.34 The Department applies the FReM interpretation to IAS 36: *Impairment of Assets*, so that any Departmental asset that 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.

1.35 The Department considers that the assets in paragraph 1.34 continue to be held to meet Departmental objectives and they are still expected to generate their intended future economic benefits.

Disposal

1.36 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.

1.37 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.

1.38 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

1.39 Following the termination of the contract to lease accommodation for Service Personnel, the Department's main leases are for land and buildings, 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.

1.40 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.

1.41 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).

1.42 From 1 April 2023 to 31 December 2023, the Department did not apply 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.

1.43 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.

1.44 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.

1.45 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*.

1.46 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.

1.47. 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).

1.48. 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.

1.49. 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.

1.50 The revaluation model has been applied to the Department's contract for the leasing of accommodation for Service Personnel (until the point this lease was terminated) 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.

1.51 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.

1.52 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.

1.53 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.

1.54 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.

1.55 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

1.56 Research costs are charged to the SoCNE in the period in which they are incurred.

1.57 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 1.27 states the useful lives for principal tangible non-current asset categories). Amortisation commences when the asset type first enters operational service.

1.58 Other intangible assets are amortised over their estimated useful life, which ranges from over one year to 60 years.

1.59 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. As no active 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 1.121.

1.60 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

1.61 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.

1.62 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.

1.63 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

1.64 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).

1.65 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.

1.66 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.

1.67 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

1.68 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.

1.69 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.

1.70 The Department has foreign currency forward purchase contracts, denominated in US dollars and Euros, and recently had 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.

1.71 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.

1.72 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.

1.73 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 1.76).

1.74 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.

1.75 Expected credit loss provisions are also made against specific receivables.

1.76 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.

1.77 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 1.69.

Inventories

1.78 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).

1.79 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.

1.80 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.

1.81 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.

1.82 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

1.83 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.

1.84 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

1.85 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.

1.86 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.

1.87 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 and the provision is capitalised as part of the underlying asset. See Note 1.91 and Note 12 – Provisions for Liabilities and Charges for further information. 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.

1.88 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.

1.89 Provisions and other liabilities were valued using appropriate mechanisms and discount rates at 31 March 2025. For nuclear provisions that utilise indices provided by Defence Analysis-Economics, no material changes to the underlying indices have been identified.

1.90 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 2025, the Department had not identified any contracts as onerous and expects to recover all value reported.

Capitalised Asset Provisions

1.91 Under IAS 16: *Property Plant and Equipment*, decommissioning provisions relating to operational assets are capitalised as part of the cost of that asset. Depreciation is charged to the SoCNE over the remaining estimated useful life of the underlying 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.

1.92 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.

Assets Used Solely for Decommissioning

1.93 Included in the nuclear decommissioning provisions, is the estimated cost to construct facilities that will be used solely for nuclear decommissioning activities. The costs of constructing these facilities are capitalised as Non-Current Assets as they provide future economic benefit to the Department in undertaking decommissioning activities, thus enabling the Department to reduce its future decommissioning liabilities. This element of the capitalised provision(s) is expensed via depreciation at the same rate as the construction costs are incurred. The

liability is released against construction costs, as incurred.

Foreign Currency

1.94 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.

1.95 As noted in paragraph 1.84, 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

1.96 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. Dividend and investment income are included within finance and operating income, net of related VAT, where applicable.

1.97 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.

1.98 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.

1.99 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.

1.100 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.

1.101 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

1.102 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

1.103 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

1.104 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.

1.105 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%.

1.106 The rules of the WPS and the value of the payments awarded are set by Parliament. The value of the payments increases each year in line with the CPI. WPS is accounted for on an accruals basis.

1.107 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

1.108 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.

1.109 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

outcome of this is that accrued pension benefits included for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

1.110 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. 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.

1.111 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.

1.112 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)

1.113 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.

1.114 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

1.115 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.

1.116 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.

1.117 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

1.118 Non-current intangible and property, plant and equipment assets are expressed at either current value in existing use or 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. The valuations are within

a professional accepted practice of a 10%-15% valuation variance tolerance.'

1.119 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. Indices provided for property assets are based on published information for all except residential property. This is because indices are only published quarterly for residential property and the Valuation Office Agency use their judgement in providing an index since the previous quarterly publication. The Overseas indices are 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.

1.120 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.

1.121 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. In March 2025, the ONS announced that publication of certain Producer Price Indices (PPI) would be temporarily paused due to concerns about their accuracy. This is relevant for non-property plant and equipment and intangible assets where ONS indices have been applied. Despite this, the Department has concluded that the most recently available ONS indices continue to represent the most appropriate and reliable source of data for indexation purposes. This conclusion has been reached following consultation with Defence Analysis-Economics and consideration of available alternatives.

1.122 The Department has identified this matter as a new source of material estimation uncertainty, due to:

- the temporary suspension of regular PPI publications;
- the potential for subsequent revision to the applied indices; and
- the sensitivity of asset carrying values to indexation adjustments.

1.123 Given the uncertainty surrounding the precision and future reliability of the indices applied, there is a risk that the carrying value of non-property plant and equipment and intangible assets may change materially in future periods if revised data or new indices become available. The carrying values of the assets subject to this uncertainty are reported in Note 5 - Intangible Assets and Note 6 - Property, Plant and Equipment. The Department will continue to monitor updates from the ONS and HM Treasury and will consider in future reporting periods whether any revisions to its estimates are necessary in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors as new information becomes available.

1.124 The indices used for both property and non-property assets are considered to remain valid and to be 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 advised on whether the values provided as part of the QQR in November 2024 should be adjusted for material changes as at 31 March 2025, as stated at paragraph 1.23.

1.125 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.

1.126 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

1.127 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.

1.128 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

1.129 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

1.130 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

1.131 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.

1.132 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 used and sensitivity analysis, are included in Note 12 – Provisions for Liabilities and Charges.

1.133 The Department holds other provisions, including for legal claims against the Department. Management considers information from statistics generated from internal studies by suitably qualified internal experts, to support claim rates. Judgement is used to arrive at the carrying amount (see Note 12 for details), which represents management's best estimate at the end of the reporting period, based on historical claims and associated costs. The provision will be updated yearly, as new information becomes available.

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*⁵⁴.

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:

⁵⁴ <https://www.gov.uk/government/publications/how-defence-works-the-defence-operating-model>

- 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).

	2024-25	Restated 2023-24 ⁵
Resource and Capital Outturn Reviewed by the Board (Departmental Group)	£M	£M
Royal Navy	9,815.8	8,736.5
Army	13,247.8	12,643.3
Royal Air Force	7,859.8	7,622.7
Strategic Command	7,085.1	6,635.6
Defence Equipment & Support	1,215.9	1,503.1
Defence Infrastructure Organisation	3,462.0	1,671.3
Head Office and Enabling Organisations ¹	2,549.8	2,700.8
Defence Nuclear Organisation	8,016.7	7,430.0
Strategic Programme	2,560.9	1,841.8
Unallocated Equipment Plan ²	14.4	(8.2)
War Pension Benefits	654.0	651.4
Sub total of Resource and Capital reviewed by the Board during the financial year³	56,482.2	51,428.3
Outturn (Resource and Capital) for Cost of Operations (excluding depreciation, impairments, provisions)	3,403.3	2,570.9
Balance of Resource and Capital Outturn (depreciation, impairment, provisions, Annually Managed Expenditure (AME) and Arm's Length Bodies' expenditure)	13,663.5	6,482.7
Total Resource and Capital Outturn (See Statement of Outturn against Parliamentary Supply (SOPS))	73,549.0	60,481.9
Reconciliation to Net Expenditure:		
Adjustment for items included in Resource Outturn but not included in Net Expenditure	804.8	6,419.2
Adjustment for capital expenditure not included in Net Expenditure ⁴	(22,701.0)	(19,150.2)
Total Net Expenditure (See Statement of Comprehensive Net Expenditure)	51,652.8	47,750.9

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.

5. Restated for the Prior Period Adjustments set out at Note 22.

Equipment Plan Outturn

	2024-25 £M	2023-24 £M
Equipment Plan – Resource Outturn		
Royal Navy	1,758.4	1,536.3
Army	1,196.6	1,122.5
Royal Air Force	2,326.8	2,108.8
Strategic Command	2,487.7	2,184.0
Defence Equipment & Support ¹	14.4	(8.2)
Defence Nuclear Organisation	1,515.6	1,380.9
Strategic Programme	386.0	324.6
Equipment Plan – Total Resource Outturn	9,685.5	8,648.9
Equipment Plan – Capital Outturn		
Royal Navy	3,102.8	2,720.7
Army	1,978.7	2,036.2
Royal Air Force	1,251.7	1,526.0
Strategic Command	850.5	906.4
Defence Equipment & Support	(213.6)	4.7
Defence Nuclear Organisation	6,086.3	5,497.0
Strategic Programme	2,174.9	1,517.2
Equipment Plan – Total Capital Outturn	15,231.3	14,208.2

1. Includes a share of receipts from contractors, for products sold to third parties, that have been developed using MOD funding.

Infrastructure Plan Outturn

	2024-25 £M	2023-24 £M
Infrastructure Plan – Resource Outturn		
Royal Navy	255.6	226.4
Army	1,307.9	1,226.9
Royal Air Force	386.5	356.1
Strategic Command	390.5	389.3
Defence Equipment & Support	124.9	110.9
Defence Infrastructure Organisation	642.8	696.6
Head Office and Enabling Organisations ¹	122.8	121.0
Defence Nuclear Organisation	6.2	5.9
Infrastructure Plan – Total Resource Outturn	3,237.2	3,133.1
Infrastructure Plan – Capital Outturn		
Royal Navy	190.0	143.2
Army	519.6	464.5
Royal Air Force	297.5	245.2
Strategic Command	363.3	211.4
Defence Equipment & Support	44.0	27.5
Defence Infrastructure Organisation	2,130.3	467.0
Head Office and Enabling Organisations ¹	4.0	10.4
Infrastructure Plan – Total Capital Outturn	3,548.7	1,569.2

1. Includes: Dstl and organisations delivering services such as HR, payroll, and policing.

3. Income

3.1 Operating income

	2024-25		2023-24	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Receipts – supplies and services	498.0	498.0	524.5	497.9
Receipts – NATO/UN/US Forces/Foreign Governments	544.6	544.6	416.0	416.0
Rental income – property	57.7	57.7	67.7	67.7
Sub total – Income from provision of supplies and services	1,100.3	1,100.3	1,008.2	981.6
Income Other – receipts personnel	290.6	290.6	294.1	294.1
Income Other – proceeds from the sale of property, plant, equipment and intangible assets	139.1	139.1	408.3	408.3
Income Other – including: dividends, donated assets, ALBs' income, commercial exploitation levies and sundry sales	118.4	443.3	89.7	238.7
Total Income	1,648.4	1,973.3	1,800.3	1,922.7

3.2 Finance income

	2024-25		2023-24	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Dividends and interest received	21.2	21.2	18.3	18.3
Notional interest on discounted provisions, receivables and liabilities ^{1,2}	145.6	145.6	2,672.2	2,672.2
Foreign currency gains	187.1	187.1	83.9	83.9
Movement on derivatives (forward purchase foreign exchange rate contracts and fuel swaps)	1.4	1.4	9.0	9.0
Total	355.3	355.3	2,783.4	2,783.4

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

	2024-25		2023-24	
	Core Department & Agencies £M	Departmental Group £M	Core Department & Agencies £M	Departmental Group £M
Staff costs comprise ¹ :				
Salaries and wages	10,378.8	10,971.5	9,973.8	10,465.9
Social security costs	994.4	1,058.7	939.1	993.3
Pension costs	5,656.7	5,722.8	4,847.1	4,902.5
Total	17,029.9	17,753.0	15,760.0	16,361.7
Paid to:				
Armed Forces	13,329.8	13,329.8	12,084.8	12,084.8
Civilian	3,700.1	4,423.2	3,675.2	4,276.9
Total	17,029.9	17,753.0	15,760.0	16,361.7

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

	2024-25		2023-24	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Equipment management:				
Equipment support	7,477.6	6,913.2	6,445.4	5,876.1
Contractor logistic and operational equipment support contracts	936.9	955.7	908.6	919.4
Plant and equipment under Service Concession Arrangements	282.0	282.0	311.9	311.9
Estate management:				
Property management	2,004.0	2,208.3	1,994.8	2,170.1
Property management under Service Concession Arrangements	761.4	761.4	729.1	729.1
Utilities	595.5	642.8	510.0	560.8
Accommodation charges	344.9	344.9	303.1	303.1
Inventory:				
Inventory consumption	1,052.0	1,061.4	1,066.0	1,071.4
Fuel consumption	394.9	394.9	445.3	445.3
Information Technology and communications:				
IT and telecommunications	2,183.5	2,238.5	1,985.2	2,016.6
IT and telecommunications under Service Concession Arrangements	33.2	33.2	79.1	79.1
Transport and Travel:				
Cost of travel, subsistence, relocation, and movement of stores and equipment	1,039.5	1,048.9	943.6	949.0
Transport under Service Concession Arrangements	0.2	0.2	0.2	0.2
Other costs:				
Research and development	2,667.9	2,560.6	2,281.0	2,161.8
Professional fees	1,540.9	1,548.8	1,527.8	1,532.3
Training, safety and welfare	820.9	827.2	778.1	781.7
Total	22,135.3	21,822.0	20,309.2	19,907.9

4.3 Depreciation, amortisation, impairment, write-(ons)/offs and disposals

	2024-25		2023-24	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Depreciation of property, plant and equipment	6,506.3	6,519.8	6,261.4	6,274.1
Depreciation of right-of-use assets	429.8	436.5	466.2	469.5
Amortisation of intangible assets	1,425.7	1,426.1	1,404.6	1,405.0
Impairments – intangible assets, property, plant and equipment, right-of-use assets and assets held for sale	3,488.7	3,488.7	908.9	908.9
Impairment reversals – intangible assets, property, plant and equipment, right-of-use assets and assets held for sale	(2,114.8)	(2,114.8)	(616.1)	(616.1)
Adjustments to inventory, capital projects, and bad debts ¹	(264.5)	(264.5)	(429.8)	(429.8)
Non-cash cost of disposal of property, plant and equipment and intangible assets	159.3	159.3	392.1	392.1
Net movement in intangible, property, plant and equipment, and right-of-use assets – written-on and written-off	220.3	221.3	734.8	771.0
Total	9,850.8	9,872.4	9,122.1	9,174.7

1. Further details of inventory adjustments are at Note 8.3.

4.4 Provision expense

	2024-25		Restated 2023-24 ²	
	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	286.8	286.8	373.5	373.5
Other provisions	624.1	624.1	2,962.4	2,962.4
Total	910.9	910.9	3,335.9	3,335.9

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.

2. Restated for the Prior Period Adjustments set out at Note 22.

4.5 Other expenditure

	2024-25		2023-24	
	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	601.5	730.3	648.3	763.1
Grants-in-Aid and Grants-in-Kind (including to bodies within the accounting boundary) ¹	1,194.7	988.8	1,201.9	988.7
Other grants to bodies within the accounting boundary	18.1	–	19.2	–
Auditors' remuneration (for audit work only) – notional (non-cash) cost in respect of the Core Department and Agencies	3.0	3.0	3.2	3.2
Auditors' remuneration (for audit work only) – in respect of Arm's Length Bodies	–	0.8	–	0.8
Total	1,817.3	1,722.9	1,872.6	1,755.8

1. Grant-in-Kind includes support to Ukraine. Further information regarding this support is shown in the Performance Report.

4.6 Finance expense

	2024-25		2023-24	
	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	485.5	486.9	612.6	613.0
Notional interest on the unwinding of discounted provisions, receivables and payables	351.6	351.6	409.0	409.0
Movement on derivatives (forward purchase foreign exchange rate contracts and fuel swaps) and foreign currency losses	408.3	408.3	248.0	248.0
Total	1,245.4	1,246.8	1,269.6	1,270.0

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 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
Additions ¹	1.7	-	2,980.9	19.5	3,002.1
Write-ons/(offs)	(1,501.1)	(54.0)	(66.8)	(238.2)	(1,860.1)
Impairments ²	(465.5)	-	(2.4)	(2.4)	(470.3)
Impairment reversals ²	3.0	-	-	1.1	4.1
Revaluations ³	417.8	131.9	(1.3)	159.6	708.0
Reclassifications ⁴	1,265.1	(1.9)	(1,646.5)	248.8	(134.5)
Balance at 31 March 2025	28,423.0	7,745.4	19,483.7	2,936.6	58,588.7
Amortisation					
Balance at 1 April 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)
Charged in Year	(968.6)	(177.6)	-	(279.9)	(1,426.1)
Write-(ons) /offs	1,501.0	54.1	-	222.1	1,777.2
Impairments ²	157.1	-	-	1.7	158.8
Impairment reversals ²	(2.8)	-	-	(0.9)	(3.7)
Revaluations ³	(225.9)	(82.5)	-	(106.2)	(414.6)
Reclassifications ⁴	-	-	-	1.7	1.7
Balance at 31 March 2025	(14,545.3)	(4,912.2)	-	(2,001.4)	(21,458.9)
Net Book Value					
Balance at 1 April 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
Balance at 31 March 2025	13,877.7	2,833.2	19,483.7	935.2	37,129.8
Of the total					
Core Department and Agencies	13,877.7	2,833.2	19,483.7	934.4	37,129.0
Arm's Length Bodies	-	-	-	0.8	0.8
Total	13,877.7	2,833.2	19,483.7	935.2	37,129.8

1. Additions include accruals of £1,295.3 million (2023-24: £1,360.4 million). Information on Frascati compliant R&D expenditure can be found on the website: [MOD departmental resources: 2024 - GOV.UK](https://www.gov.uk/mod-departmental-resources-2024)

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 to property, plant and equipment of £142.9 million (2023-24: from property, plant and equipment of £107.4 million).

5.1 Movement in the revaluation reserve relating to intangible assets

	2024-25 £M	2023-24 £M
Balance at 1 April	3,368.1	3,413.4
Revaluation	293.4	277.6
Realised reserve transferred to the General Fund	(289.6)	(322.9)
Balance at 31 March	3,371.9	3,368.1

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 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
Typhoon Radar Mk2	879.4	Under Construction
SPEAR 3 air-to-surface missile	868.1	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
Development costs and other intangible assets associated with the following platforms and equipment: ¹	Net Book Value 31 March 2025 £M	Remaining Useful Economic Life (to the nearest year)
Typhoon	4,407.3	15 years
Lightning II	1,573.7	43 years
Merlin Helicopter	1,071.2	14 years
Typhoon Radar Mk2	1,062.7	Under Construction
Type 45 destroyer	1,010.1	14 years
SPEAR 3 air-to-surface missile	934.6	Under Construction
AJAX armoured vehicles	848.0	29 years
Type 26 global combat ship	833.8	Under Construction
Airbus A400M Atlas	779.3	25 years
Protector -remotely piloted aircraft	622.0	Under Construction
Lynx Wildcat helicopter	582.4	19 years
SPEARFISH	560.5	26 years
Lightning Common Costs Multi-Lateral Obligation	544.5	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 Communi- cations Equipment £M	AUC (SUME) £M	AUC (Other) £M	Total £M
Cost or Valuation											
Balance at 1 April 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
Additions ¹	–	0.5	118.6	18.3	645.3	60.2	9.6	53.8	7,148.2	5,485.2	13,539.7
Write-ons/(offs)	(26.7)	8.1	(179.5)	(551.3)	(3,492.1)	(188.5)	(766.1)	(270.5)	(316.1)	(180.4)	(5,963.1)
Impairments ²	(11.7)	(80.2)	(489.9)	(1,619.3)	(1,159.3)	(109.4)	(418.6)	(14.7)	(122.4)	(10.1)	(4,035.6)
Impairment reversals ²	61.3	118.6	830.4	1,044.0	220.8	0.9	2.6	8.3	–	–	2,286.9
Reclassifications ³	2,473.4	(33.3)	10,949.1	1,668.2	4,096.2	229.7	130.9	382.9	(4,053.3)	(3,293.5)	12,550.3
Revaluations ⁴	75.5	(24.2)	1,392.0	4,342.2	6,152.7	85.5	359.7	364.6	(41.2)	(2.8)	12,704.0
Balance at 31 March 2025	3,602.8	7,638.8	27,012.1	50,605.4	103,570.6	5,390.4	18,431.2	5,656.6	32,184.4	16,082.5	270,174.8
Depreciation											
Balance at 1 April 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)
Charged in Year	(7.4)	(0.3)	(337.0)	(1,072.2)	(3,674.0)	(264.2)	(818.0)	(346.7)	–	–	(6,519.8)
Write-ons/(offs)	3.2	–	126.5	683.5	3,805.8	192.0	733.9	262.1	–	–	5,807.0
Impairments ²	0.3	–	18.6	94.4	527.7	71.0	250.7	5.0	–	–	967.7
Impairment reversals ²	(4.4)	–	(173.0)	51.3	(64.0)	(0.6)	(1.2)	(5.4)	–	–	(197.3)
Reclassifications ³	(221.9)	–	(3,871.1)	249.8	24.4	4.0	161.9	(5.6)	–	–	(3,658.5)
Revaluations ⁴	181.1	–	(834.4)	(3,347.6)	(1,955.0)	(42.2)	(195.8)	(279.7)	–	–	(6,473.6)
Balance at 31 March 2025	(265.6)	(3.0)	(12,212.8)	(31,310.1)	(51,940.9)	(2,800.0)	(10,098.4)	(4,172.1)	–	–	(112,802.9)

	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 Communi- cations Equipment £M	AUC (SUME) £M	AUC (Other) £M	Total £M
Net Book Value											
Balance at 1 April 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 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
Balance at 31 March 2025⁵	3,337.2	7,635.8	14,799.3	19,295.3	51,629.7	2,590.4	8,332.8	1,484.5	32,184.4	16,082.5	157,371.9

1. Additions include accruals of £4,435 million (2023-24: £4,132 million).
2. 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.
3. Reclassifications do not net to zero because they include assets reclassified in and out of PPE. In 2024-25 these movements include reclassifications: from Right-of-Use assets for accommodation for service personnel which were formerly leased (see Note 16.1 for further details) of £9,017.5 million, to inventory of £61.3 million, from intangible assets of £142.9 million, to assets held for sale of £90.5 million and to right-of-use assets of £31.3 million. In 2023-24 these movements included 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.
4. 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. To ensure accurate values for AUC, MOD conducts reviews annually on its AUC and on their reclassification to assets in use.
5. Property, plant and equipment as at 31 March 2025 include capitalised provisions (net cost) of £3,335 million (31 March 2024: £1,600 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 Communi- cations Equipment £M	AUC (SUME) £M	AUC (Other) £M	Total £M
Asset Financing											
Owned	3,271.9	7,531.0	13,772.3	17,796.5	51,629.7	2,364.8	6,947.2	1,413.5	32,184.4	16,082.5	152,993.8
Service Concession Arrangements	65.3	104.8	1,027.0	1,498.8	–	225.6	1,385.6	71.0	–	–	4,378.1
Balance at 31 March 2025	3,337.2	7,635.8	14,799.3	19,295.3	51,629.7	2,590.4	8,332.8	1,484.5	32,184.4	16,082.5	157,371.9
Of the total											
Core Department and Agencies	3,320.7	7,563.0	14,705.2	19,100.1	51,629.7	2,330.2	8,320.0	1,484.2	32,184.4	16,081.1	156,718.6
Arm's Length Bodies	16.5	72.8	94.1	195.2	–	260.2	12.8	0.3	–	1.4	653.3
Total	3,337.2	7,635.8	14,799.3	19,295.3	51,629.7	2,590.4	8,332.8	1,484.5	32,184.4	16,082.5	157,371.9

6.1 Land and Buildings, except for AUC, are subject to Quinquennial Revaluation (QQR). Financial Year 2024-25 represents the second year of the current 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 2024-25 QQR resulted in a £64.1 million decrease in the value of Land and a £526.6 million increase in the value of Buildings at Net Book Value. Valuations received during the year were dated 1 November 2024 and were applied retrospectively from 1 April 2024; depreciation

charged to the SoCNE includes the in-year catch-up depreciation from 1 April 2024.

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 £284.6 million impairment loss. This is made up of: Land, £12.3 million net impairment reversal; Buildings, £296.9 million net impairment loss. The figures include all Land and Building assets professionally valued during 2024-25, including donated, service concession arrangements 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 recently had fuel fixed price swap contracts to manage exposure to fluctuations in the market prices of aviation, marine and other fuels. These fuel fixed price swap contracts completed in March 2024. This process is currently under review, with an intent 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 value of all financial instrument items relating to financial assets and financial liabilities held by the Departmental Group is: financial assets 4,727.6 million (31 March 2024: £4,609.2 million); financial liabilities

14,342.0 million (31 March 2024: £14,036.3 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 2025		31 March 2024	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Non-current – investments				
Sheffield Forgemasters International Limited (SFIL)	379.6	379.6	227.6	227.6
Octric Semiconductors Ltd ¹	21.0	21.0	–	–
UK Hydrographic Office	13.3	13.3	13.3	13.3
NATO Innovation Fund	13.7	13.7	8.6	8.6
Ploughshare Innovations Limited	3.8	3.8	1.4	1.4
Other investments	0.1	0.1	0.1	0.1
Total	431.5	431.5	251.0	251.0
Current - investments and derivative financial assets				
Foreign currency forward purchase contracts	19.2	19.2	71.7	71.7
Fuel fixed swap contracts	–	–	1.2	1.2
Deposits and other investments held by Arm's Length Bodies	–	56.9	–	54.7
Total	19.2	76.1	72.9	127.6
Derivative financial liabilities				
Current				
Foreign currency forward purchase contracts	231.7	231.7	162.5	162.5
Total	231.7	231.7	162.5	162.5

1. Octric Semiconductors UK Limited was acquired by MOD on 27 September 2024.

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
Octric Semiconductors Ltd	Wholly owned by MOD acquired by MOD on 27 September 2024

1. IMS Ltd was dissolved on 11 February 2025.

7.8 Investments held by Arm's Length Bodies are a mixture of government and fixed interest securities, bonds, equities and portfolio funds.

7.9 The Special Shares listed below confer on the Secretary of State for Defence special rights which protect 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 specific and limited circumstances. The Special Share rights are described in the Articles of Association of the individual companies in which the Special Shares are held. Further information can be obtained from the companies' respective annual reports and accounts. As at 31 March 2025 the Department held a 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

7.10 As at 31 March 2025, 55,040 7.5% non-cumulative irredeemable preference shares at £1 each was held in The British Shipping Federation Limited (Registration Number 02107375). They were valued at 1p each, reflecting the value they would be recovered at by the company should membership by the Department be ceded, as laid down in the Articles of Association.

7.11 MOD relinquished its shares in The Chamber of Shipping Ltd on 3 October 2023.

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 £32.5 billion, of which £26.4 billion is included in Note 6 and £6.1 billion in inventory (31 March 2024: £30.6 billion with £25.1 billion in Note 6 and £5.5 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 £13.1 billion, of which £8.0 billion is included in Note 6 and £5.1 billion in the following table (31 March 2024: £12.1 billion with £7.5 billion in Note 6 and £4.6 billion in the table).

	31 March 2025 £M	31 March 2024 £M
Munitions	1,693.8	1,368.4
Clothing & textiles	204.9	199.6
Engineering & technical	2,620.0	2,485.5
General	164.3	163.1
Medical, dental & veterinary	62.0	58.2
Oil, fuel & lubricants	379.5	364.4
Work in progress	0.1	0.3
Total Core Department and Agencies	5,124.6	4,639.5
Inventory held by ALBs	0.9	1.6
Total Departmental Group	5,125.5	4,641.1

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 2025		31 March 2024	
	Core Department & Agencies £M	Departmental Group £M	Core Department & Agencies £M	Departmental Group £M
Amounts falling due within one year:				
Trade receivables	376.9	376.9	539.2	539.2
Value Added Tax	889.6	889.6	787.1	787.1
Other receivables	817.8	870.2	755.7	698.4
Prepayments and accrued income ¹	1,677.8	1,786.0	1,409.6	1,582.6
Service Concession Arrangement prepayment	1.1	1.1	2.7	2.7
Subtotal	3,763.2	3,923.8	3,494.3	3,610.0
Amounts falling due after one year:				
Trade receivables	132.6	132.6	61.0	61.0
Other receivables	133.3	252.0	109.8	186.0
Prepayments and accrued income ¹	483.8	483.8	772.7	772.7
Subtotal	749.7	868.4	943.5	1,019.7
Total Receivables	4,512.9	4,792.2	4,437.8	4,629.7

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

	2024-25		2023-24	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Balance at 1 April	1,995.2	2,249.1	1,045.1	1,347.6
Net change in cash and cash equivalents	(84.4)	(45.6)	950.1	901.5
Balance at 31 March	1,910.8	2,203.5	1,995.2	2,249.1

10.1 The commercial banks and cash in hand figure at 31 March 2025 includes £997.7 million (31 March 2024: £799.3 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 Departmental bank accounts also contain £506.4 million (31 March 2024: £199.3 million) advanced receipts of which £438.9 million (31 March 2024: £119.7 million) represent international

partners' contributions to specific projects, in support to Ukraine. The corresponding liability for these advances is shown under payables due within one year.

10.2 The Department manages funds provided by Other Nations on behalf of the International Fund for Ukraine (IFU). These are held in a separate bank account, and are excluded from the primary financial statements, as third-party monies. The balance as at 31 March 2025 was £231.2 million.

	31 March 2025		31 March 2024	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
The following balances were held at:				
Government Banking Service	545.1	689.3	896.8	1,026.3
Commercial banks and cash in hand	1,365.7	1,514.2	1,098.4	1,222.8
Totals	1,910.8	2,203.5	1,995.2	2,249.1

11. Trade Payables and Other Liabilities

	31 March 2025		31 March 2024	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£M	£M	£M	£M
Amounts falling due within one year:				
VAT	90.6	90.6	63.0	63.0
Other taxation and social security	262.6	262.6	259.5	259.5
Trade payables	930.9	1,048.3	796.7	765.7
Other payables ¹	2,140.3	2,220.0	2,246.9	2,344.0
Accruals and deferred income	11,617.3	11,833.4	11,016.5	11,238.5
Lease liabilities	364.3	370.9	386.1	389.4
Imputed lease element of Service Concession Arrangements	279.9	279.9	260.1	260.1
National Loans Fund loans ²	2.5	2.5	2.5	2.5
Supply payable ³	406.6	406.6	429.6	429.6
Subtotal	16,095.0	16,514.8	15,460.9	15,752.3
Amounts falling due after one year:				
Other payables	17.1	22.5	17.1	26.0
Accruals and deferred income	8.4	9.8	8.6	10.1
Lease liabilities ⁴	1,558.8	1,616.2	5,730.3	5,772.2
Imputed lease element of Service Concession Arrangements	3,155.8	3,155.8	3,376.7	3,376.7
National Loans Fund loans ²	2.0	2.0	4.5	4.5
Subtotal	4,742.1	4,806.3	9,137.2	9,189.5
Total Payables	20,837.1	21,321.1	24,598.1	24,941.8

1. The commercial banks and cash in hand figure at 31 March 2025 includes £997.7 million (31 March 2024: £799.3 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 Departmental bank accounts also contain £506.4 million (31 March 2024: £199.3 million) advanced receipts of which £438.9 million (31 March 2024: £119.7 million) represent international partners' contributions in support to Ukraine. The corresponding liability for these advances is shown under payables due within one year.
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.
4. See note 16.6 for explanation of the significant movements in non-current lease liabilities compared to 31 March 2024.

12. Provisions for Liabilities and Charges

12.1. Departmental Group – Provisions for Liabilities and Charges

	Decommissioning		Early Retirement	Legal	Other ¹	Total ²
	Nuclear £M	Other £M	£M	£M	£M	£M
Balance at 1 April 2023	11,319.3	20.1	64.1	824.4	115.3	12,343.2
Increase in provisions in-year ³	1,136.0	–	3.7	2,983.4	6.3	4,129.4
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)
Provisions capitalised in-year	438.4	0.1	–	–	–	438.5
Restated Balance at 31 March 2024 ³	9,051.3	19.1	58.3	3,648.5	96.6	12,873.8
Increase in provisions in-year	724.4	–	2.4	696.0	54.0	1,476.8
Provisions written back and reclassifications	(233.8)	(1.6)	(7.7)	(4.3)	(14.7)	(262.1)
Provisions utilised in-year	(220.9)	–	(4.5)	(487.8)	(5.7)	(718.9)
Unwinding of, and changes in, discount rates	193.8	0.8	0.4	(97.9)	(3.0)	94.1
Provisions capitalised in-year	3,283.8	(7.1)	–	–	4.0	3,280.7
Balance at 31 March 2025	12,798.6	11.2	48.9	3,754.5	131.2	16,744.4

1. Other includes £66.7 million (2023-24: £70.9 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 operating costs (see Note 4.4) and finance income/cost (see Note 4.6 and Note 3.2) or, for some changes in capitalised decommissioning liabilities, through Other Comprehensive Expenditure.
3. Restated for the Prior Period Adjustments set out at Note 22.

12.2 Analysis of Expected Timing of Discounted Cash Flows

	Decommissioning		Early Retirement	Legal and Other	Total
	Nuclear £M	Other £M	£M	£M	£M
Due within 1 year	470.3	–	5.9	439.8	916.0
Due over 1 year and less than 5 years ¹	1,559.6	7.0	17.4	3,185.0	4,769.0
Due over 5 years	7,021.4	12.1	35.0	120.3	7,188.8
Restated 31 March 2024 ¹	9,051.3	19.1	58.3	3,745.1	12,873.8
Due within 1 year	436.8	1.7	4.5	864.9	1,307.9
Due over 1 year and less than 5 years	2,241.3	3.4	15.8	2,450.3	4,710.8
Due over 5 years	10,120.5	6.1	28.6	570.5	10,725.7
Balance at 31 March 2025	12,798.6	11.2	48.9	3,885.7	16,744.4

1. Restated for the Prior Period Adjustments set out at Note 22.

Nuclear Decommissioning

Critical accounting judgements and key sources of estimation uncertainty

12.3 Provisions are held for costs the MOD expects to incur in future years in discharging its obligations for the decommissioning and remediation of assets, material and land relating to the Defence Nuclear Programme. Costs are expected to arise from the treatment, storage and disposal of nuclear liability materials, irradiated fuel and radioactive waste, as well as the dismantling of submarines, warheads, sites and facilities, and restoration of land.

12.4 In accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*, provisions are recognised when MOD becomes obligated to undertake future decommissioning activity. For example, costs associated with the safe decommissioning of a submarine are recognised when its nuclear reactor is activated, by which point such costs cannot be avoided. The decommissioning provisions therefore include the cost of dismantling both out-of-service and operational submarines, and the liability will increase as new submarines are activated.

12.5 Decommissioning and restoration activities are expected to take place over a very long timeframe, with a programme of work currently scheduled over the next 113 years. The value of the provision disclosed in the financial statements is a single point number which reflects MOD's best estimate of the future costs it expects to incur in performing these activities, using current strategies for disposal over several decades.

12.6 Each element of the provision (quantity of material, method and time to treat) is uncertain, as is the cost of developing the necessary facilities. As such the forecast becomes less certain further into the future, and required standards of disposal or available technology may change. It is important to understand the basis of this estimate and the inherent uncertainty around it, and that the value disclosed is a best estimate within a credible range of potential outcomes.

12.7 The estimated profile of spend on nuclear decommissioning activities is set out in Table A below:

Timeframe and valuation basis

Table A: Expected Timeline for Nuclear Decommissioning and Restoration Activity as at 31 March 2025.

	Present Value (adjusted for discounting and inflation) £M	Nominal Value (no adjustment for discounting and inflation) £M
1 – 5 years	2,678	2,806
6 – 20 years	6,042	8,061
21 – 40 years	2,698	5,571
41 – 60 years	581	1,601
61 years +	800	4,607
Total	12,799	22,646

12.8 Table A above provides both the present value of forecast decommissioning costs, which is the value reported in the financial statements under IAS 37, and the unadjusted nominal value. The distinction between these two datasets is the application of economic assumptions, inflation and discounting, intended to translate future cash flows into a current value at the reporting date.

12.9 To derive a present value, future decommissioning costs are first adjusted to factor the impact of inflation on pricing arrangements with suppliers. Where there is an existing contract in place, the inflation rate per the contract is applied until its expiry, at which point the Consumer Price Index (CPI) rate is applied, as instructed by HM Treasury. Where there is no existing contract in place for the decommissioning activities, this CPI rate is applied.

12.10 Discount rates are then applied to the forecast costs to reflect the time value of money, i.e. money is worth more now than the same amount of money will be in the future because of its potential to generate a return in the intervening period. The purpose of discounting is therefore to establish an amount of money required in today's terms to

settle future liabilities, reflecting both the risk and timing of those future liabilities.

12.11 HM Treasury publish discount rates annually which have been applied to the provisions. Given the long-term nature of decommissioning activities, discounting has a significant impact on the overall valuation of provisions, and movements in the discount rate have resulted in material revaluations in recent years.

12.12 The economic assumptions applied by HM Treasury in forming the discount rates results in costs in the very long-term becoming significantly smaller when expressed as a present value, as demonstrated in Table A with £4.6 billion of costs over 60 to 113 years becoming £0.8 billion once discounting (and inflation) is applied.

Critical accounting judgements and key sources of estimation uncertainty

12.13 The nuclear decommissioning provisions balance is inherently uncertain, formed of forecast costings for complex activities where several of these have not been done before, and where there are multiple potential technical options. Over half of the forecast activity is expected to take place 20 to 113 years into the future. The timescales over which costs are being forecast increases the level of inherent uncertainty in the provision valuation.

Table B: Discount rates (FY21-22 to FY24-25)

	Short Term (0-5 Yrs)	Medium Term (6-10 Yrs)	Long Term (11-40 Yrs)	Very Long Term (>40 Yrs)	Impact of the change £M
2021-22	0.47%	0.70%	0.95%	0.66%	10,194
2022-23	3.27%	3.20%	3.51%	3.00%	(15,701)
2023-24	4.26%	4.03%	4.72%	4.40%	(3,143)
2024-25	4.03%	4.07%	4.81%	4.55%	194

12.18 The nuclear decommissioning provisions are highly sensitive to movements in the discount rate. To illustrate, a movement in the 2024-25 discount rates would impact the provisions as follows:

12.14 The decommissioning provisions held assume that MOD's higher activity waste (with higher levels of radioactivity) will be stored in a Geological Disposal Facility (GDF), managed by the Nuclear Decommissioning Authority

(NDA). The location of the GDF has not yet been concluded, adding uncertainty to the date waste can be consigned to it, which has a direct impact on the value and timing of provisions held by MOD. Delays to disposal routes could require the construction of additional storage facilities.

12.15 The critical judgements underpinning the estimated cost of decommissioning are detailed in the following paragraphs. These can be categorised between economic assumptions, which pertain to future inflation and discount rate movements, and programmatic assumptions around the method and timing of decommissioning activity.

Economic Assumptions

12.16 Inflation and discounting have a significant impact on the valuation of nuclear decommissioning provisions, and changes within these rates have led to material movements in the stated valuation of provision liabilities in recent years. HM Treasury issue the discount and CPI rates to be applied for valuing provisions.

12.17 Table B below shows the extent of recent movements in HM Treasury's discount rates and the impact this has had on the reported value of decommissioning provisions.

Table C: Discount rate sensitivity

Sensitivity	Impact £M
+1.00%	(1,951)
+0.50%	(1,055)
-0.50%	1,262
-1.00%	2,792

12.19 HM Treasury has issued a rebuttable presumption that when inflating provision spend the Office of Budget Responsibility (OBR)'s CPI forecasts will be used. This presumed inflation rate is rebutted when there is an inflation rate specified in an existing contract in which case the contractual rate is applied. In such cases OBR rates are then applied after the contractual period.

Table D: CPI inflation rates (FY21-22 to FY24-25)

	Year 1	Year 2	Year 3+
2021-22	4.00%	2.60%	2.00%
2022-23	7.40%	0.60%	2.00%
2023-24	3.60%	1.80%	2.00%
2024-25	2.60%	2.30%	2.00%

12.20 Future inflation rates are a significant economic assumption however they have not driven valuation movements to the same extent as the discount rate, with the longer-term rate remaining steady at 2% in recent years. To illustrate, a movement in the 2024-25 CPI inflation rates would impact the provisions as follows:

Table E: CPI inflation rate sensitivity

Sensitivity	Impact £M
+0.50%	1,255
+0.25%	602
-0.25%	(548)
-0.50%	(1,053)

Programme Assumptions

12.21 Each decommissioning activity is derived from a set of programmatic assumptions. Significant assumptions are made in relation to:

- The availability and capacity of current infrastructure to undertake the decommissioning of laid-up submarines and dismantling activities. Additional infrastructure requirements beyond those factored into the current most likely estimate will increase future decommissioning costs.
- The availability of the GDF as the final disposal solution for our higher activity waste. Delays to our planned emplacement of waste will result in additional storage costs being incurred on alternative sites. Annual storage costs of £94 million (inflated and undiscounted) are forecast in the year prior to the expected emplacement date of waste in the GDF. Any delays to the availability of the GDF will result in storage costs being incurred until we are able to emplace our waste in the GDF;
- The GDF safety case will inform the acceptance criteria for our inventory, the conditioning and the number of containers required;
- The volume of radioactive waste to be transported and stored which may not be known with certainty until decommissioning work commences;
- Engineering solutions and best available techniques. We are still developing new processes and techniques; for example, removing higher activity waste from our submarines, and our strategy for disposing of processing facilities at the Atomic Weapons Establishment. The conditioning and packaging of our irradiated fuel is also yet to be determined based on ongoing disposability assessments;
- Pricing schedules to be contractually agreed with industrial partners. Noting the volume of estimated spend due to incur in the medium to very long term, these future costs are yet to be codified with industrial partners through contracted pricing schedules.

12.22 The number of nuclear submarines to be decommissioned also impacts the value of the provisions held – our obligations reduce as decommissioning activity takes place and increase as the reactors for new submarines

are activated. Using current economic and programme assumptions, the activation of Astute Boat 6 will increase our nuclear decommissioning provisions by £235 million (inflated and discounted).

Movements in liability during the year ended 31 March 2025

Table F: Movements in liability arising during the year end 31 March 2025

	Estimated Costs Present value (adjusted for discounting and inflation) £M	Estimated Costs Nominal value (underlying costings with no discounting or inflation applied) £M
1 April 2024	9,051	17,086
Movements in Discount Rate	194	–
Movements in Inflation	(11)	–
Programme Changes	3,786	5,781
Utilisation/Work Done	(221)	(221)
31 March 2025	12,799	22,646

Increase in liabilities due to changes in programme assumptions

12.23 The most significant programme changes in year relate to the Submarine Disposal Capability (SDC) Project.

12.24 The MOD is committed to demonstrable action as a responsible nuclear operator and the SDC project has been set up to deliver an enduring disposal capability to safely and securely dispose of the UK's current and future nuclear-powered submarines, including the Vanguard and Astute Classes. The project aims to streamline the process by which the department disposes of out-of-service submarines in a sustainable and environmentally responsible manner. The project will absorb funding previously allocated to the Vanguard and Astute programmes, set aside for the disposal of the submarines as they leave service.

12.25 The SDC project of work captures estimated costs for the decommissioning (including care and maintenance), defueling, dismantling and management of waste and materials for the Vanguard and Astute Classes. It also captures the potential acquisition of a single site to host the disposals facility. The SDC project's scale reflects the challenge to ensure the Department's operational and future nuclear liabilities are sustainably managed. The project will require holistic investment to ensure the appropriate skills and supporting infrastructure are in place within the desired location to support the facility. The scale of the project also presents significant opportunities for the UK's supply chain. Early estimates from dismantling the legacy decommissioned submarines indicate that following the removal of conventional waste, 90% of the submarine's total weight can be recycled with high quality steel re-purposed for application in future Royal Navy submarines.

12.26 Costs for the defueling and dismantling of legacy decommissioned submarines, including the Swiftsure and Trafalgar Classes, are not captured within the SDC project provision, but recognised under existing programmes.

12.27 Costs for irradiated fuel management or GDF emplacement for waste from current and future nuclear-powered submarines are captured within other programmes that form part of the overall defence nuclear enterprise decommissioning provisions.

12.28 The change in assumptions under the SDC project has resulted in an increase in the overall Defence Nuclear Enterprise decommissioning provisions of £3,567 million. This increase represents a whole life assumption and is based on delivering a significant and enduring capability to efficiently dispose of current and future Royal Navy submarines. These costings will be refined as the project develops and progresses through Departmental approval processes, including assurance activities. Due to the level of immaturity at this stage, there

are particular areas of estimation uncertainty within the costings. Of note:

- The location for the defuel and dismantling activities for the submarines is yet to be determined. A site recommendation for the project is expected in 2025-26. Site specific concept designs, access to sites for surveys and consequential infrastructure requirements will substantially improve the maturity of estimates to be presented within the project's approval process.
- The technical solution for dismantling the current Vanguard and Astute Class submarines is yet to be determined and therefore the length of the programme is also uncertain. However, the MOD will implement lessons learned from the civil nuclear sector, international allies and the current dismantling of legacy decommissioned submarines to optimise delivery of SDC. The provision costings currently assume that the Vanguard Class and Astute Class Boats 1-5 will be decommissioned by the late 2050s. Should the project take longer than currently assumed, the provision would be expected to increase in value. For example, if the decommissioning activity profile takes twice as long as the initial industry engagement suggests, then there would be an expected increase in the provision value of £857m.

Reduction in liabilities due to decommissioning work undertaken during the year

12.29 There has been £221 million of nuclear decommissioning and restoration spend incurred during 2024-25 across the Defence Nuclear Enterprise relating to activities including the maintenance of the warhead waste streams, nuclear test reactor site ahead of its decommissioning and the maintenance, safe storage and defuel of legacy decommissioned submarines prior to disposal, storage of the removed nuclear fuel, and current submarine dismantling taking place in Rosyth.

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 12.17 Table B.

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: 2.40% with effect from 31 March 2025 (2.45% from 31 March 2024). 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 2024-25 increases of £2.4 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, either within the legal category or the sensitive category as disclosing further information at this stage could seriously prejudice the Department's position.

Other

12.33 Other provisions include provisions for costs on disposal of non-current assets and redundancy and relocation costs associated with restructuring.

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 website⁵⁵.

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 websites⁵⁶.

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.

55 <https://www.gov.uk/government/collections/armed-forces-pension-scheme-annual-accounts>

56 <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 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
Current Service Cost	0.8	1.9	4.1	6.8
Interest Charges	2.1	5.3	12.2	19.6
Changes in assumptions	–	0.2	0.7	0.9
Benefits Paid	(1.5)	(2.8)	(13.1)	(17.4)
Exchange Rate (gain)/loss	(1.2)	(3.1)	–	(4.3)
Experience (gain)/loss	–	(0.1)	–	(0.1)
Balance at 31 March 2025	42.8	106.9	247.0	396.7

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:

	2024-25	2023-24
Discount Rate	5.15%	5.10%
Future Salary Increases	3.40%	3.55%
Future Pension Increases	2.65%	2.55%

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 2023)	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 Coulport 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 Scheme ¹	Commonwealth War Graves Commission Superannuation Scheme ²	AWE Pension Scheme ³	Total
	£M	£M	£M	£M
Scheme Assets				
Balances at 1 April 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
Interest on Scheme Assets	–	3.3	60.0	63.3
Benefits and Scheme Expenses Paid	–	(5.4)	(75.0)	(80.4)
Contribution by Employers	–	0.9	–	0.9
Other returns on assets and actuarial gain / (loss)	–	(6.5)	(42.0)	(48.5)
Asset balances at 31 March 2025	148.0	62.8	1,238.0	1,448.8
Scheme Liabilities				
Balances at 1 April 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)
Current Service Cost	–	–	(4.0)	(4.0)
Interest Cost	–	(4.1)	(70.0)	(74.1)
Benefits and Scheme Expenses Paid	–	5.4	75.0	80.4
Actuarial gain / (loss)	–	7.6	168.0	175.6
Liability balances at 31 March 2025	(130.6)	(79.9)	(1,335.0)	(1,545.5)
Net Scheme Assets / (Liabilities) at 31 March 2024	17.4	(18.3)	(209.0)	(209.9)
Net Scheme Assets / (Liabilities) at 31 March 2025	17.4	(17.1)	(97.0)	(96.7)

1. The 2024-25 and 2023-24 valuation of the Reserve Forces and Cadets Association Pension Scheme is as at 1 August 2021. Results from the Triennial Full Actuarial Review as at 1 August 2024 are not yet available and will be disclosed in 2025-26.
2. The Commonwealth War Graves Commission Superannuation Scheme valuations are as at 31 March 2025 and as at 31 March 2024.
3. The AWE Pension Scheme valuations are as at 31 March 2025 and as at 31 March 2024.

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. For example, the details of the assets held by the AWE pension scheme were:

Category of Investment	Value as at 31 March 2025 £M	Value as at 31 March 2024 £M
Equities	187	337
Property	113	118
Infrastructure	44	48
Hedge Funds	259	293
Bonds	357	360
Liability Driven Investments	230	104
Cash & other	48	35
Total	1,238	1,295

13.11 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 14 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.

13.12 The principal actuarial assumptions used in the liability calculations were:

	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%
	2024-25		
	Reserve Forces and Cadets Association Pension Scheme	Commonwealth War Graves Commission Superannuation Scheme	AWE Pension Scheme
Discount Rate	3.30%	5.70%	5.70%
Inflation – Retail Price Index (RPI)	3.40%	N/A	3.10%
Inflation – Consumer Price Index (CPI)	2.70%	2.80%	2.70%
Pension Increases	2.70%	2.80%	2.70%

13.13 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 7% or £90 million, and for a +/- 0.5% change in inflation the effect was estimated as 6% or £78 million change.

13.14 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) ¹	860	1,201	420
Commonwealth War Graves Commission Superannuation Scheme (full scheme valuation date: 31 March 2023)	–	393	223
AWE Pension Scheme (full scheme valuation 31 March 2024)	14	4,449	5,540

1. Results from the Triennial Full Actuarial Review as at 1 August 2024 are not yet available and will be disclosed in 2025-26.

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 2025 £M	31 March 2024 £M
Intangible assets	7,622.0	6,371.8
Property, plant and equipment	29,127.7	27,814.4
Total	36,749.7	34,186.2

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 at £992.7 million (2023-24: £1,101 million).

Memorandum Of Understanding:

	31 March 2025 £M	31 March 2024 £M
Not later than 1 year	755.4	570.9
Later than 1 year but not later than 5 years	1,180.9	1,210.9
Later than 5 years	721.3	702.2
Total	2,657.6	2,484.0

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 2025 £M	31 March 2024 £M
Not later than 1 year	509.0	56.6
Later than 1 year but not later than 5 years	134.6	1.4
Later than 5 years	31.3	–
Total	674.9	58.0

16. Departmental Group – Leases

16.1 The Group's main leases are for land and buildings, equipment assets and vehicles. On 9 January 2025, the Department purchased properties, being accommodation for Service Personnel and their families, terminating the previous lease for the same. This was accounted for as akin to exercising a purchase option, in accordance with IFRS 16. The lease liability was remeasured to reflect the £6Bn purchase price with an adjustment being made to the revaluation reserve of the leased properties. On payment to extinguish the lease liability and obtain legal ownership of the properties, the properties were

reclassified from right-of-use leased assets to property, plant and equipment assets. The total value of the Right-of-Use reclassified to Property, Plant and Equipment (see Note 6) is £9,017.5M.

16.2 The Department also leases 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 £M	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 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
Impairment / 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
Additions – New Leases	0.1	6.4	19.9	147.6	0.6	187.0	39.6	401.2
Write-on/(offs)	15.3	–	2.5	(0.3)	–	(153.3)	–	(135.8)
Revaluations	21.6	0.2	(1,458.8)	4.7	–	0.3	–	(1,432.0)
(Impairments) / Impairment reversals	20.5	–	(8.9)	–	–	–	–	11.6
Derecognition – Disposals	–	(5.7)	(11.1)	(6.5)	(5.9)	(73.5)	(13.2)	(115.9)
Remeasurement – existing Leases	–	–	1,909.0	(7.5)	1.3	4.2	0.1	1,907.1
Reclassifications	(2,510.9)	–	(10,635.6)	–	–	4.8	2.3	(13,139.4)

	Land Dwellings £M	Other Land £M	Dwellings £M	Other Buildings £M	Plant and Machinery £M	Transport £M	IT and Communi- cations Equipment £M	Total £M
Balance at 31 March 2025	0.5	173.3	256.2	1,842.6	153.0	471.6	150.3	3,047.5
Depreciation								
Balance at 1 April 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)
Impairment/ (Impairment Reversal)	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)
Depreciation charged in year	(10.9)	(10.2)	(153.0)	(202.0)	(22.2)	(94.3)	(43.1)	(535.7)
Write-(on)/offs	–	–	0.1	–	–	153.4	–	153.5
Backlog Depreciation	(1.6)	–	(159.4)	(1.0)	–	0.7	–	(161.3)
Impairments / (Impairment reversals)	(1.8)	–	0.5	–	–	–	–	(1.3)
Derecognition – Disposals	–	5.7	10.9	6.9	5.8	66.8	10.8	106.9
Reclassifications	221.8	(0.5)	3,938.5	–	–	–	–	4,159.8
Balance at 31 March 2025	(0.1)	(20.8)	(66.6)	(581.8)	(60.5)	(172.5)	(71.5)	(973.8)

	Land Dwellings £M	Other Land £M	Dwellings £M	Other Buildings £M	Plant and Machinery £M	Transport £M	IT and Communi- cations Equipment £M	Total £M
Net Book Value								
Balance at 1 April 2023	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
Balance at 31 March 2025	0.4	152.5	189.6	1,260.8	92.5	299.1	78.8	2,073.7

16.4 Capitalised depreciation, for example, depreciation charged on the leased production and maintenance facilities, is included as part of the cost of the asset being constructed. The amount as at 31 March 2025 is £81.7 million (31 March 2024 £104.3 million).

16.5 Prior to the termination of the contract to lease accommodation for Service Personnel, the Department sub leased some properties for which the amounts where the Department is the lessor are not considered material.

16.6 Lease Liabilities – Maturity analysis

	31 March 2025 £M	31 March 2024 £M
Land		
Not later than 1 year	11.2	11.1
Later than 1 year but not later than 5 years	42.2	42.0
Later than 5 years	297.3	356.4
Less interest element	(206.9)	(261.6)
Present value of liabilities	143.8	147.9
Buildings		
Not later than 1 year	265.6	492.9
Later than 1 year but not later than 5 years	740.5	1,715.6
Later than 5 years	508.1	41,577.0
Less interest element	(148.4)	(38,174.6)
Present value of liabilities	1,365.8	5,610.9
Other		
Not later than 1 year	170.7	158.3
Later than 1 year but not later than 5 years	298.1	227.2
Later than 5 years	50.0	37.8
Less interest element	(41.1)	(20.5)
Present value of liabilities	477.7	402.8
Total present value of liabilities		
Current lease liabilities	405.4	384.9
Non-current lease liabilities	1,581.9	5,776.7
Total of discounted lease liabilities	1,987.3	6,161.6

16.7 Leases – amounts recognised in the Statement of Comprehensive Net Expenditure

	2024-25 £M	2023-24 £M
Depreciation	436.5	469.5
Interest expense	235.3	266.4
Short term leases	7.3	9.3
Total	679.1	745.2

16.8 Leases – amounts recognised in the Statement of Cash Flows

	2024-25 £M	2023-24 £M
Interest expense	235.3	266.4
Repayment of Principal on Leases	6,192.5	386.7
Total	6,427.8	653.1

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 2024-25; details of the assets financed under these arrangements are included at Note 6 – Property Plant and Equipment:

Project Description	Contract Start ¹	Contract End
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
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 wastewater 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 wastewater services.	Sep-04	Mar-30
Aquatrine Project C: Provision of water and wastewater 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
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

Project Description	Contract Start ¹	Contract End
Corsham Development Project: Rebuild, refurbishment, management and operation of facilities at the Basil Hill site.	Aug-08	Jul-33
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 2024-25 were £1.1 billion (2023-24: £1.1 billion) and interest charges for 2024-25 were £0.2 billion (2023-24: £0.3 billion). Total obligations under SCA (consisting of the minimum lease payments, interest and any minimum service charges) analysed by time periods are shown in the table:

	31 March 2025 £M	31 March 2024 £M
Details of the imputed lease charges		
Not later than one year	490.9	478.8
Later than one year and not later than five years	1,900.3	1,887.0
Later than five years	2,253.6	2,686.8
Total	4,644.8	5,052.6
Less interest element	(1,209.1)	(1,415.9)
Present value of obligations	3,435.7	3,636.7
Details of the minimum service charge		
Not later than one year	951.8	898.6
Later than one year and not later than five years	3,350.9	3,171.3
Later than five years	4,716.0	4,660.4
Total	9,018.7	8,730.3

17.3 The Service Concession Arrangements with obligations over £100 million are set out below. The Department does not consider that there are any significant terms of these Arrangements that may affect the amount, timing and certainty of future cash flows. These Arrangements have termination options enabling the Department to terminate them if it wanted to and the assets subject to the Service Concession Arrangement revert to the Department at the end of the lease term.

- Future Strategic Tanker Aircraft (FSTA) – providing air to air refuelling and passenger air transport capabilities £1,351 million (2023-24: £1,355 million).
- Colchester Garrison – redevelopment, rebuilding and refurbishment to provide accommodation and associated services £386 million (2023-24: £406 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 £325 million (2023-24: £338 million).
- Main Building refurbishment £175 million (2023-24: £197 million).
- Astute Class Training (ACTs) – providing specific training on Astute Class submarine equipment and systems £166.0 million (2023-24: £56.6 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 2024 ¹ £M	Increase/ (Decrease) in year £M	Liabilities crystallised in year £M	Obligation expired in year £M	31 March 2025 £M
Sensitive					
Not disclosed due to reasons of commercial confidentiality and/or national security.	1,097.8	2,066.5		(0.6)	3,163.7
Special Risk Indemnity					
HM Treasury (HMT) have delegated to MOD approval for a range of Special and Generic Risks which can be used when conducting normal business.	0.3				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	3.0			215.3
People – liability for redundancy					
Uncertainties in calculating this liability include: life expectancy, age, length of service, salary and number of dependants.	2.1				2.1
People – New Fair Deal arrangements for staff pensions: 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.	10.5				10.5
Legal					
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.	14.4	72.0			86.4

Description and Key Uncertainties	31 March 2024 ¹ £M	Increase/ (Decrease) in year £M	Liabilities crystallised in year £M	Obligation expired in year £M	31 March 2025 £M
Environmental clean-up costs Uncertainties include the effectiveness of mitigation action and the possibility of unidentified hazards and damage.	11.0				11.0
PFI – Potential liability arising from the Colchester Garrison There is uncertainty surrounding the timing, likelihood and impact of a change in the law.	20.0	(20.0)			–
Other – Indemnity related to potential damage to items in storage or transit and to cables The likelihood and cost of any damage is uncertain.	1.1				1.1
Other – Possible claims to cover the cost of laying an alternative utility supply to sites as and when identified The likelihood and cost of any claims is uncertain.		2.1			2.1
Total quantifiable contingent liabilities	1,369.5	2,123.6	–	(0.6)	3,492.5

1. The 2023-24 Figures have been restated to disclose changes to a sensitive Contingent Liability.

18.3 The Department also has the following unquantifiable liabilities that require disclosure under 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:

- 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 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. 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.
- Under the terms of the contract with Restore plc for the Government Records Management and Archive Service, MOD guarantees to pay the operator should any other government department fail to settle its outstanding invoices.
- Indemnity to AWE Plc in respect of Nuclear Installations Act 1965 nuclear risks resulting from claims for damage to property or death and personal injury to a third party.
- A potential liability arising from the Colchester Garrison PFI arrangement. MOD retains contractual liability for events such as: qualifying changes in law; environmental damage; latent defects; and uninsurable events.

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 2024-25 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 ¹
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

1. IMS Ltd was dissolved on 11 February 2025.

21. Events After the Reporting Date

21.1 The UK Government reached agreement with the Mauritius Government in May 2025 to transfer sovereignty of the Chagos Islands to Mauritius and for the UK to retain control of the Island of Diego Garcia in a long-term arrangement. The Agreement is subject to ratification by the UK Parliament.

21.2 These accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate.

22. Prior Period Adjustments

22.1 New and adjusted provisions for obligations relating to complex legal claims and for resettlement schemes have been recognised following a review of legal cases. The Department has considered the recognition point of provisions based on the information available in the prior period and concluded that new provisions or adjustments to existing provisions should have been recognised in 2023-24. As a result, the comparative information has been restated accordingly as reflected in note 12 under legal provisions. The impact of these adjustments to the Consolidated Statements of Comprehensive Net Expenditure for the year ended 31 March 2024, the Consolidated Statements of Financial Position as at 31 March 2024, the Consolidated Statements of Cash Flows and the Consolidated Statements of Changes in Taxpayers' Equity for the year ended 31 March 2024 are shown below.

22.2 SoCNE Table

		2023-24 ¹		Legal Provisions		Restated 2023-24	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Note		£M	£M	£M	£M	£M	£M
Income from provision of supplies and services	3.1	(1,008.2)	(981.6)	–	–	(1,008.2)	(981.6)
Other income	3.1	(792.1)	(941.1)	–	–	(792.1)	(941.1)
Operating income		(1,800.3)	(1,922.7)	–	–	(1,800.3)	(1,922.7)
Staff costs	4.1	15,760.0	16,361.7	–	–	15,760.0	16,361.7
Purchase of goods and services	4.2	20,309.2	19,907.9	–	–	20,309.2	19,907.9
Depreciation, amortisation, impairment, write-(ons)/offs and disposals	4.3	9,122.1	9,174.7	–	–	9,122.1	9,174.7
Provision expense	4.4	771.4	771.4	2,564.5	2,564.5	3,335.9	3,335.9
War pensions / benefits		651.0	651.0	–	–	651.0	651.0
Other expenditure	4.5	1,872.6	1,755.8	–	–	1,872.6	1,755.8
Operating expenditure		48,486.3	48,622.5	2,564.5	2,564.5	51,050.8	51,187.0
Net operating expenditure		46,686.0	46,699.8	2,564.5	2,564.5	49,250.5	49,264.3
Finance income	3.2	(2,783.4)	(2,783.4)	–	–	(2,783.4)	(2,783.4)
Finance expense	4.6	1,269.6	1,270.0	–	–	1,269.6	1,270.0
Net expenditure for the year		45,172.2	45,186.4	2,564.5	2,564.5	47,736.7	47,750.9
Other Comprehensive Expenditure							
Net (gain) or loss on:							
revaluation of property, plant and equipment	SoCiTE	(2,498.1)	(2,509.8)	–	–	(2,498.1)	(2,509.8)
revaluation of intangible assets	SoCiTE	(277.6)	(277.6)	–	–	(277.6)	(277.6)
revaluation of assets held for sale	SoCiTE	25.8	25.8	–	–	25.8	25.8
revaluation of right-of-use assets	SoCiTE	45.3	45.3	–	–	45.3	45.3
revaluation of service concession arrangements	SoCiTE	563.4	563.4	–	–	563.4	563.4

		2023-24 ¹		Legal Provisions		Restated 2023-24	
	Note	Core Department & Agencies £M	Departmental Group £M	Core Department & Agencies £M	Departmental Group £M	Core Department & Agencies £M	Departmental Group £M
revaluation of pensions	SoCiTE	(42.0)	(77.0)	–	–	(42.0)	(77.0)
revaluation of capitalised decommissioning liabilities	SoCiTE	(76.6)	(76.6)	–	–	(76.6)	(76.6)
assets written-off or written-on or transferred in	SoCiTE	0.6	(75.1)	–	–	0.6	(75.1)
Comprehensive net expenditure for the year		42,913.0	42,804.8	2,564.5	2,564.5	45,477.5	45,369.3

1. As published in the MOD Annual Report and Accounts 2023-24.

22.3 SoFP Table

31 March 2024 ¹				Legal Provisions		Restated 31 March 2024	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£M	£M	£M	£M	£M	£M
Non-current assets							
Intangible assets	5	35,786.5	35,787.2	–	–	35,786.5	35,787.2
Property, plant and equipment	6	135,714.7	136,364.2	–	–	135,714.7	136,364.2
Right-of-use assets	16	10,809.9	10,855.0	–	–	10,809.9	10,855.0
Retirement benefit scheme assets	13	–	17.4	–	–	–	17.4
Financial assets	7	251.0	251.0	–	–	251.0	251.0
Receivables due after more than one year	9	943.5	1,019.7	–	–	943.5	1,019.7
Total non-current assets		183,505.6	184,294.5	–	–	183,505.6	184,294.5
Current assets							
Non-current assets held for sale		6.1	6.1	–	–	6.1	6.1
Inventories	8	4,639.5	4,641.1	–	–	4,639.5	4,641.1
Receivables due within one year	9	3,494.3	3,610.0	–	–	3,494.3	3,610.0
Financial assets	7	72.9	127.6	–	–	72.9	127.6
Cash at bank and in hand	10	1,995.2	2,249.1	–	–	1,995.2	2,249.1
Total current assets		10,208.0	10,633.9	–	–	10,208.0	10,633.9
Total assets		193,713.6	194,928.4	–	–	193,713.6	194,928.4
Current liabilities							
Payables due within one year	11	(15,460.9)	(15,752.3)	–	–	(15,460.9)	(15,752.3)
Provisions due within one year	12	(691.9)	(692.2)	(223.8)	(223.8)	(915.7)	(916.0)
Financial liabilities	7	(162.5)	(162.5)	–	–	(162.5)	(162.5)
Total current liabilities		(16,315.3)	(16,607.0)	(223.8)	(223.8)	(16,539.1)	(16,830.8)

		31 March 2024 ¹		Legal Provisions		Restated 31 March 2024	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Note		£M	£M	£M	£M	£M	£M
Total assets less current liabilities		177,398.3	178,321.4	(223.8)	(223.8)	177,174.5	178,097.6
Non-current liabilities							
Provisions due after one year	12	(9,611.8)	(9,617.1)	(2,340.7)	(2,340.7)	(11,952.5)	(11,957.8)
Retirement benefit scheme liabilities	13	(391.2)	(618.5)	–	–	(391.2)	(618.5)
Payables due after more than one year	11	(9,137.2)	(9,189.5)	–	–	(9,137.2)	(9,189.5)
Total non-current liabilities		(19,140.2)	(19,425.1)	(2,340.7)	(2,340.7)	(21,480.9)	(21,765.8)
Total assets less total liabilities		158,258.1	158,896.3	(2,564.5)	(2,564.5)	155,693.6	156,331.8
Taxpayers' equity and other reserves							
General fund	SoCiTE	122,870.5	122,870.5	(2,564.5)	(2,564.5)	120,306.0	120,306.0
Revaluation reserve	SoCiTE	35,387.6	35,387.6	–	–	35,387.6	35,387.6
Arm's Length Bodies' reserves		–	638.2	–	–	–	638.2
Total equity		158,258.1	158,896.3	(2,564.5)	(2,564.5)	155,693.6	156,331.8

1. As published in the MOD Annual Report and Accounts 2023–24.

22.4 SoCF Table

2023-24 ¹				Legal Provisions		Restated 2023-24	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Note		£M	£M	£M	£M	£M	£M
Cash flows from operating activities							
Net operating expenditure for the year	SoCNE	46,686.0	46,699.8	2,564.5	2,564.5	49,250.5	49,264.3
Adjustments for non-cash transactions		(10,198.2)	(10,336.8)	(2,564.5)	(2,564.5)	(12,762.7)	(12,901.3)
Movement in trade and other receivables	SoFP	308.4	390.6			308.4	390.6
Adjustment for movements on receivables relating to items not passing through operating costs		6.8	6.8			6.8	6.8
Movement in net inventories and financial assets held for sale		494.1	487.6			494.1	487.6
Movement in trade payables	SoFP	(1,450.1)	(1,425.7)			(1,450.1)	(1,425.7)
Adjustment for movements in payables relating to items not passing through operating costs		2,429.5	2,446.0			2,429.5	2,446.0
Use of provisions and unfunded pensions		469.7	469.7			469.7	469.7
Net cash outflow from operating activities		38,746.2	38,738.0	–	–	38,746.2	38,738.0

		2023-24 ¹		Legal Provisions		Restated 2023-24	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£M	£M	£M	£M	£M	£M
Cash flows from investing activities							
Purchase of property, plant and equipment	6	12,388.6	12,441.0			12,388.6	12,441.0
Purchase of intangible assets	5	3,044.9	3,045.2			3,044.9	3,045.2
Adjustment for non-cash movements relating to PPE and intangibles		(1,057.5)	(1,057.5)			(1,057.5)	(1,057.5)
Proceeds on disposal of property, plant and equipment		(275.8)	(275.8)			(275.8)	(275.8)
Dividends, equity repayments and other income from investments		(12.5)	(12.5)			(12.5)	(12.5)
Financing income		(5.8)	(5.8)			(5.8)	(5.8)
Other investments		127.5	127.5			127.5	127.5
Net cash outflow from investing activities		14,209.4	14,262.1			14,209.4	14,262.1
Cash flows from financing activities							
Consolidated Fund (Supply) – current year	SoCiTE	(54,150.6)	(54,150.6)			(54,150.6)	(54,150.6)
Draw down from the Contingency Fund		3,217.0	3,217.0			3,217.0	3,217.0
Repaid to the Contingency Fund		(3,217.0)	(3,217.0)			(3,217.0)	(3,217.0)
Repayment of loans from the National Loans Fund		2.5	2.5			2.5	2.5

		2023-24 ¹		Legal Provisions		Restated 2023-24	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Note		£M	£M	£M	£M	£M	£M
Capital element of payments in respect of leases and Service Concession Arrangements		542.5	546.2			542.5	546.2
Movement on collaborative projects		(912.7)	(912.7)			(912.7)	(912.7)
Financing expenditure		612.6	613.0			612.6	613.0
Net financing		(53,905.7)	(53,901.6)			(53,905.7)	(53,901.6)
Net increase or (decrease) in cash and cash equivalents in the period		950.1	901.5			950.1	901.5
Cash and cash equivalents at the beginning of the period	10	1,045.1	1,347.6			1,045.1	1,347.6
Cash and cash equivalents at the end of the period	10	1,995.2	2,249.1			1,995.2	2,249.1

1. As published in the MOD Annual Report and Accounts 2023-24.

22.5 SoCiTE Table

		2023-24 ¹		Legal Provisions		Restated 2023-24	
		Departmental Group ¹		Legal Provisions		Departmental Group	
	Note	ALBs' Reserves £M	Total Reserves £M	ALBs' Reserves £M	Total Reserves £M	ALBs' Reserves £M	Total Reserves £M
Balance at 1 April 2023		530.0	147,584.7			530.0	147,584.7
Parliamentary Funding – drawn down in-year	SoCF	–	54,150.6			–	54,150.6
Parliamentary Funding – deemed funding		–	392.2			–	392.2
Parliamentary Funding – Supply payable	11	–	(429.6)			–	(429.6)
Payment of amounts due to the Consolidated Fund		–	–			–	–
Non-cash charge – auditors remuneration	4.5	–	3.2			–	3.2
Net expenditure for the year	SoCNE	(14.2)	(45,186.4)		(2,564.5)	(14.2)	(47,750.9)
Other net comprehensive expenditure						–	–
Net gain or (loss) on:							
revaluation of property, plant and equipment	SoCNE	11.7	2,509.8			11.7	2,509.8
revaluation of intangible assets	SoCNE	–	277.6			–	277.6
revaluation of assets held for sale		–	(25.8)			–	(25.8)
revaluation of right-of-use assets	SoCNE	–	(45.3)			–	(45.3)
revaluation of service concession arrangements	SoCNE	–	(563.4)			–	(563.4)
revaluation of pensions	SoCNE	35.0	77.0			35.0	77.0
revaluation of capitalised decommissioning liabilities	SoCNE	–	76.6			–	76.6
assets written-off or written-on or transferred in	SoCNE	75.7	75.1			75.7	75.1
Transfers between reserves		–	–			–	–
Balance as at 31 March 2024		638.2	158,896.3	(2,564.5)		638.2	156,331.8

1. As published in the MOD Annual Report and Accounts 2023-24.

Annexes



Dog handler Private Taylor from the 1st Military Working Dog Regiment, with MWD Lara at St George's Barracks in North Luffenham, UK.

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	6,340	February 2025
	Men and Women	24,350	19,400	April 2024
	Aggregate	31,350	25,630	March 2025
Royal Marines	Officers	1,100	900	February 2025
	Men and Women	7,200	5,590	January 2025
	Aggregate	8,300	6,480	January 2025
Army Service				
Army (other than Services below)	Officers	14,430	12,780	June 2024
	Men and Women	78,220	65,200	April 2024
	Aggregate	92,650	77,890	April 2024
Gurkhas and International troops abroad	Officers	220	180	October 2024
	Men and Women	4,840	4,320	March 2025
	Aggregate	5,060	4,500	March 2025
Air Force Service				
Royal Air Force	Officers	8,800	7,780	April 2024
	Men and Women	27,000	23,010	April 2024
	Aggregate	35,800	30,800	April 2024

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	2,030	July 2024
	Men and Women	9,000	3,060	December 2024
	Aggregate	13,960	5,070	December 2024
Royal Fleet Reserve (Marine Officers and Marines)	Officers	470	220	July 2024
	Men and Women	2,610	720	July 2024
	Aggregate	3,080	940	July 2024
Royal Naval Reserve	Officers	1,500	1,160	February 2025
	Men and Women	2,300	1,280	April 2024
	Aggregate	3,800	2,430	April 2024
Royal Marine Reserve	Officers	120	100	April 2024
	Men and Women	1,250	810	February 2025
	Aggregate	1,370	910	February 2025
Royal Naval Reserve (List 7)	Officers	1,210	930	November 2024
Reserve Land Forces				
Army Regular Reserve	Officers	7,740	6,610	February 2025
	Men and Women	19,050	16,380	March 2025
	Aggregate	26,790	22,990	February 2025
Army Reserve	Officers	9,020	6,100	March 2025
	Men and Women	31,500	23,360	April 2024
	Aggregate	40,520	29,410	April 2024
Reserve Air Forces				
Royal Air Force Reserve	Officers	4,500	4,130	October 2024
	Men and Women	8,500	6,950	April 2024
	Aggregate	13,000	11,040	May 2024
Royal Auxiliary Air Force	Officers	950	840	August 2024
	Men and Women	3,500	2,290	April 2024
	Aggregate	4,450	3,100	August 2024

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 Maintained ¹	Peak Dates
Special Members of The Reserve Naval Forces				
Royal Naval Reserve	Officers	850	630	April 2024
	Men and Women	1,620	1,030	April 2024
	Aggregate	2,470	1,660	April 2024
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	740	160	February 2025
	Aggregate	760	160	February 2025
Special Members of The Reserve Air Forces				
Royal Air Force Reserve	Officers	100	50	October 2024
	Men and Women	150	120	February 2025
	Aggregate	250	170	February 2025

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
Battle Britain Memorial Flight (BBMF) Display Season	BAE Systems Plc	120,000.00
		120,000.00
Typhoon Display Team – Display Season	Toomey Leasing Group	66,811.00
	Breitling UK Ltd	7,000.00
		73,811.00
RAF Aerobatic Team (RAFAT)	Westminster Collection	10,000.00
	Thales (UK)	50,000.00
		60,000.00
RAF Falcons Display Season	Revolution Race	13,398.00
	Summit Air	6,000.00
		19,398.00
King's Birthday Flypast Reception Sponsorship	PA Consulting Services Ltd	14,800.00
		14,800.00
Aero Legends Sponsorship of Battle of Britain Memorial Flight (BBMF)	Aero Legends	12,000.00
		12,000.00
ASWC Symposium	BAE Systems Plc	25,000.00
		25,000.00
Year 3 – 2024 Display Season Sponsorship of RAFAT	BAE Systems Plc	80,000.00
	Jeppesen	40,000.00
	Breitling UK Ltd	12,000.00
	BMB Clothing Ltd	12,000.00
	Lumesca Gp Ltd (Colour Confidence)	10,000.00
	Oxford Vaughan Ltd	10,000.00
	Leeds Commercial	10,000.00
	Rolls Royce	9,999.00
	Rolls Royce	7,500.00
	Leeds Commercial	7,000.00
	DLM Creative Ltd	6,500.00
	Lincoln Tea and Coffee Ltd	5,500.00
		210,499.00
RAF Falcons Display Season	Bremont Watches	16,700.00
		16,700.00
Oarsome Educators	Having Fun Ltd	5,000.00
	Leonardo	5,000.00
		10,000.00

Activity	Name of Sponsor	Sponsor Contribution £ excluding VAT
Venture Atlantic Challenge – Worlds Toughest Row 2024	Kellogg Brown & Root Limited (KBR)	15,000.00
	Sodexo Ltd	10,000.00
	LUXE FITNESS SW LTD	7,000.00
	Leonardo	5,000.00
	VINCI CONSTRUCTION UK LTD	5,000.00
		42,000.00
CAL Conference	Vinci Construction UK limited	5,000.00
		5,000.00
Unit Mental Health	Head Shed App Ltd	12,497.50
		12,497.50
Centre of Army Leadership Conference	BAE Systems Plc	5,000.00
		5,000.00
Exercise Tiger Tokachi Adventure Training Expedition	Ablo Consulting Ltd	12,500.00
	Rowden Technologies	10,000.00
		22,500.00
Grand Total		649,205.50

Annex C: Core Tables

Organisation (All)

Total Departmental Spending , 2020-21 to 2025-26

£000	2020-21 OUTTURN	2021-22 OUTTURN	2022-23 OUTTURN	2023-24 OUTTURN	2024-25 OUTTURN	2025-26 PLANS
Resource DEL						
Provision of Defence Capability Service Personnel Costs	10,511,526	10,390,528	10,623,288	10,956,573	11,998,846	11,886,456
Provision of Defence Capability Civilian Personnel Costs	1,605,760	1,612,148	1,642,062	1,770,414	1,792,960	2,500,000
Provision of Defence Capability Infrastructure Costs	4,914,951	5,063,419	4,816,706	5,036,397	5,209,027	5,000,000
Provision of Defence Capability Inventory Consumption	1,191,875	1,360,704	1,607,774	1,502,929	1,423,502	1,500,000
Provision of Defence Capability Equipment Support Costs	7,364,559	7,537,696	7,818,594	5,720,533	6,158,691	6,000,000
Provision of Defence Capability Other Costs and Services	1,447,813	2,187,387	2,114,922	2,685,810	2,828,214	3,550,799
Provision of Defence Capability Receipts & Other Income	-1,265,160	-1,218,848	-1,367,549	-1,337,264	-1,338,395	-1,474,000
Provision of Defence Capability Depreciation & Impairment	9,519,392	7,987,529	7,351,151	7,956,289	8,295,149	8,785,377
Provision of Defence Capability Release of Provisions Costs	315,162	383,636	376,475	218,070	419,115	200,000
Provision of Defence Capability Research of Development	265,835	224,828	202,193	173,047	221,320	600,000
Provision of Defence Capability Administration Civilian Personnel Costs	578,380	636,425	663,464	595,786	614,929	621,793
Provision of Defence Capability Administration Other Costs	540,020	345,877	291,964	268,828	226,168	256,000
Operations Personnel Staff Costs	29,744	25,630	28,412	145,305	227,626	99,000
Operations Op and Peacekeeping Personnel Staff Costs	1,830	3,269	1,623	15,543	20,335	15,000
Operations Infrastructure Costs	81,514	107,081	158,523	248,246	302,215	240,000
Operations Inventory Consumption	92,763	69,433	164,426	228,708	256,325	275,000
Operations Equipment Support Costs	131,769	235,490	417,130	523,814	742,743	1,213,000
Operations other Costs and Services	33,802	-3,770	7,563	145,551	223,408	250,000
Operations Receipts & Other Income	-2,018	-4,271	-6,513	-9,882	-14,994	-1
Operations Depreciation & Impairment	-	-	-	-	-	-
Operations Release of Provisions Costs	-	-	-	-	-	-
Conflict Prevention Resource Costs	-	-	-	-	-	-
Non Departmental Public Bodies Costs	228,984	226,707	234,987	219,003	238,927	201,275
Defence Capability Admin Service Pers Costs	727,290	767,735	797,079	815,912	919,207	920,000
Defence Capability DE&S DEL Costs	1,125,092	1,095,298	1,216,547	1,285,372	1,264,005	1,082,000
War Pension Benefits Programme Costs	652,263	622,575	606,730	651,414	653,981	643,000
Integrated Security Fund Integrated Security Fund	82,056	77,985	75,007	54,942	51,537	29,993
Cash Release of Provisions Admin Costs	2,550	3,025	5,232	3,641	4,463	4,000
Defence Capability Defence Nuclear Enterprise				2,595,731	2,833,978	2,690,000
Defence Capability Defence Nuclear Enterprise Administration DEL Cost				243,382	250,096	300,000
Total Resource DEL	40,177,752	39,737,516	39,847,790	42,714,094	45,823,378	47,388,692

£000	2020-21 OUTTURN	2021-22 OUTTURN	2022-23 OUTTURN	2023-24 OUTTURN	2024-25 OUTTURN	2025-26 PLANS
Resource AME						
Provision of Defence Capability Depreciation and Impairment Costs	-146,748	129,504	-95,076	461,628	1,127,288	494,543
Provision of Defence Capability Provisions Costs	1,978,369	11,737,047	-13,371,447	-1,644,014	4,139,062	1,615,270
Provision of Defence Cash Release of Provisions Costs	-317,712	-386,661	-381,707	-458,740	-373,752	-390,353
Movement On Fair Value of Financial Instruments	548,254	-693,246	-7,747	258,730	131,888	–
Total Resource AME	2,062,163	10,786,644	-13,855,977	-1,382,396	5,024,486	1,719,460
Total Resource Budget	42,239,915	50,524,160	25,991,813	41,331,698	50,847,864	49,108,152
Capital DEL						
Provision of Defence Capability Capital Single Use Military Equipment	7,679,950	8,462,664	8,487,084	4,913,700	4,997,568	5,275,000
Provision of Defence Capability Other Capital (Fiscal)	2,921,672	3,878,886	7,666,258	4,134,666	5,605,619	5,738,435
Provision of Defence Capability Fiscal Assets / Estate Disposal	-61,162	-79,453	-74,580	-258,889	-97,646	-163,800
Provision of Defence Capability New Loans and Loan Repayment	–	–	–	–	–	51,000
Provision of Defence Capability Research and Development Costs ¹	1,051,694	1,836,383	2,050,462	2,265,757	2,588,049	1,685,000
Operations Capital Single Use Military Equipment	–	7,229	733,643	857,775	1,024,976	–
Operations Other Capital (Fiscal)	28,970	-16,284	1,291,888	360,927	569,117	1,540,000
Non Departmental Public Bodies Costs	3,099	2,575	7,675	30,576	41,276	2,501
Defence Capability DE&S DEL Costs	75,898	87,994	141,601	251,310	162,597	163,000
Integrated Security Fund	6,600	–	–	–	–	–
Defence Capability Defence Nuclear Enterprise DEL Cost	–	–	–	6,594,390	7,805,664	8,776,000
Total Capital DEL	11,706,721	14,179,994	20,304,031	19,150,212	22,697,220	23,067,136
Capital AME						
Provision of Defence Capability Provisions Costs	–	–	–	–	3,899	1,000
Total Capital AME	–	–	–	–	3,899	1,000
Total Capital Budget	11,706,721	14,179,994	20,304,031	19,150,212	22,701,119	23,068,136
Total departmental spending²	44,025,738	57,280,367	39,047,516	51,805,263	63,994,658	62,896,368

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	2020-21 OUTTURN	2021-22 OUTTURN	2022-23 OUTTURN	2023-24 OUTTURN	2024-25 OUTTURN	2025-26 PLANS
Resource DEL						
Provision of Defence Capability Administration Civilian Personnel Costs	578,380	636,425	663,464	595,786	614,929	621,793
Provision of Defence Capability Administration Other Costs and Services	540,020	345,877	291,964	268,828	226,168	256,000
Defence Capability Admin Service Pers Costs	727,290	767,735	797,079	815,912	919,207	920,000
Cash Release of Provisions Admin Costs	2,550	3,025	5,232	3,641	4,463	4,000
Defence Capability Defence Nuclear Enterprise Administration DEL Cost				243,382	250,096	300,000
Total administration budget	1,848,240	1,753,062	1,757,739	1,927,549	2,014,863	2,101,793

Annex D: Greenhouse Gas Emissions

	Emission Sources	Ref.	2021-22	2022-23	2023-24	2024-25
Non-Financial Indicators	Defence Carbon Footprint (Scopes 1,2 and 3)		3,435	3,007	2,862	2,069
tCO ₂ e 000s	Estate Emissions and Business Travel UK only and Capability Energy (b+c+f+k)		2,973	2,502	2,405	2,086
	Estate Emission and Business Travel UK only (b+f+k)		1,028	932	921	922
	Scope 1		2,606	2,179	2,054	1,739
	Direct Emissions (UK and overseas)	a	626	577	552	562
	<i>of which GGC (UK only)</i>	b	575	528	510	518
	Capability Energy	c	1,945	1,569	1,485	1,164
	Fugitive Emissions	d	35	33	18	13
	Scope 2		425	377	384	391
	Emissions Electricity and Heat (UK and overseas)	e	425	377	384	391
	<i>of which GGC (UK only)</i>	f	395	348	355	362
	Scope 3		404	451	424	479
	Waste Generated	g	3	3	2	2
	Employee Commuting	h	50	40	47	40
	Service Family Accommodation (SFA)	i	183	180	148	149
	Duty Travel (UK and overseas)	j	168	228	227	288
	<i>of which GGC (UK only)</i>	k	58	56	56	42
Related Energy Consumption	Electricity: Non-renewable		1,828,747	1,778,017	1,701,549	1,729,639
	Electricity: Renewable		20,810	23,214	24,137	25,747
KWh 000s	Natural Gas		2,760,013	2,614,344	2,506,095	2,544,248
	LPG		92,445	90,750	89,504	92,568
	Other		399,187	317,667	294,800	306,802
Related Equipment Energy Consumption Litres 000s	Aviation Fuel		424,391	371,581	311,757	270,805
	Ground Fuel		32,999	34,384	25,198	30,865
	Maritime Fuel		245,307	166,788	180,263	127,159
	Other Fuel		287	161	144	238
Financial Indicators £000s	Expenditure on Estate Energy		336,155	460,027	523,473	596,928
	Expenditure on Official Business Travel		78,647	159,127	176,086	170,738
	Expenditure on Equipment Energy (fuel)		278,592	346,295	445,294	395,114

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 excludes 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.
- Renewable energy includes Biogas, Wood Pellet, Woodchip and SV power.
- F gas data now includes estimates for data gaps identified which have not been included in previous years. Prior years have been restated.
- Scope 3 waste data does not currently include construction and demolition waste for MPP (Major Projects and Programmes).
- There has been a significant reduction in the use of maritime and aviation fuels in 2425. This is reflective of changes in operational tempo.
- Estate energy consumption data and the associated emissions reported have been restated across all previous years. This is due to reconciliations and access to better data during FY2425. This impacts on both scope 1 and scope 2 emissions for the UK and overseas as well as GGC (UK only).
- A data inconsistency for aviation fuel usage has been identified. As a result, the aviation fuel usage and resultant capability energy emissions have now been restated. This impacts on 2022-23 and 2023-24.

Annex E: Water, Waste, and Flight Data

Water Data		2021-22	2022-23	2023-24	2024-25
Non-Financial Indicators 000s m ³	Water consumption ¹	16.13	16.07	15.97	15.81
Financial Indicators £000s	Water and Wastewater supply costs (GB estate within GGC scope)	65,374	68,287	74,087	79,488

Waste Data ²		2021-22	2022-23	2023-24	2024-25
Non-Financial Indicators tonnes 000s	Total Waste	41	39	39	40
	Landfill	1	0	0	0
	Recycled	9	9	8	10
	Reused	0	0	0	0
	Composted	5	6	5	6
	Incinerated with Energy recovery	26	24	23	23
	Incinerated without Energy recovery	0	0	3	0
	Other	0	0	0	0
ICT Waste tonnes 000s	Total Waste	–	–	–	0.4
	Reused	–	–	–	0.1
	Recycled	–	–	–	0.3
	Recovered	–	–	–	0

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. From 2022-23, the AWE (Atomic Weapons Establishment) falls within MOD's organisational and reporting boundary. Following this organisational change, 2022-23 data is now inclusive of AWE Water consumption and Total Waste figures.
4. Waste suppliers have restated their data due to an error reported in previous years. Data has been corrected as a result. This impacts on 2022-23 and 2023-24, but does not impact on the baseline year of 2017-18.
5. Food waste is represented within the composted waste figures, along with a small amount of other waste.
6. ICT waste reused represents items for commercial sale; ICT waste recycled represents items broken, not containing hazardous waste.

2024-25 Flight Travel distance for duty travel (non operational travel)

Type of Flight	Distance (millions of Km)
Domestic flights	
Total Domestic Flights	29
International flights	
International (non-UK)	
Business class	13
Economy	118
Premium economy	2
Long Haul International (>3700km)	
Business class	28
Economy	417
First class	0
Premium economy	37
Short Haul International (<3700km)	
Business class	2
Economy	127
Premium economy	0
Total International flights	744

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	(12.6)	26.1	13.5	24	1.1	3	0.1
National Museum of the Royal Navy	(13.3)	19.2	5.9	195	8.9	12	
National Army Museum	(1.4)	10.1	8.7	90	4.4		
Royal Air Force Museum	(8.2)	17.3	9.1	182	7.1		-
Single Source Regulations Office		6.6	6.6	37	4.7	1	0.1
Commonwealth War Graves Commission	(25.7)	89.6	63.9	1,286	48.9	12	0.3
International Military Services Limited	(1.0)	0.1	(0.9)				-
Royal Hospital Chelsea	(14.3)	29.7	15.4	261	13.3	4	0.2
Territorial, auxiliary and volunteer reserve associations established under section 110 of the Reserve Forces Act 1996 c14	(46.4)	147.1	100.7	932	39.0	2	0.1
AWE PLC	(205.8)	913.7	707.9	7,804	554.7	298	40.2
Total	(328.7)	1,259.5	930.8	10,811	682.1	332	41.0

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 disclosed due to reasons of commercial confidentiality and/or national security.	2,505,652	4,605,310	(2,099,658)
3	Liabilities arising from the use of Special Risk Indemnities in MOD contracts.	551,586	509,076	42,510
7	Indemnity for possible damage caused by contractors on Government property.	643,450	643,000	450
14	Third-party claims for injury/death and/or damage to property resulting from loss of a UK RJ aircraft.	200	200	–
16	Indemnities and limits of liability to contractors in respect of consequential and indirect losses.	212,255	212,255	–
18	Liability for redundancy.	4,100	4,100	–
19	New Fair Deal Arrangements for staff Pensions: staff transfers from Central Government.	10,540	10,540	–
20	Potential redundancy costs for employees at the Defence College of Technical Training.	–	4,742	(4,742)
22	Legal Claims.	86,030	86,305	275
23	Quantified 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.	22	39	(17)
24	Environmental clean up costs.	17,030	17,030	–
33	Liability arising from the Colchester Garrison PFI.	20,000	–	20,000
35	Indemnity related to work to relocate cables, in support of the dredging necessary for the QE Class Carriers.	1,080	1,080	–
36	Liabilities arising from Foreign Military Sales activity.	3,300	3,300	–
37	Liabilities arising from insurance risk of exhibits on loan to the museums of the Royal Navy, Army and Royal Air Force.	1,080	1,080	–
38	Crown Guarantee - re. AWE Pension Scheme.	150,000	150,000	–
New	Possible claims to cover the cost of laying an alternative utility supply to sites as and when identified	–	2,080	(2,080)

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 be 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	–
8	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	–
9	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	–
10	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	–
11	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	–
12	Overall cap on contractor liability within the future submarine design phase contract with Devonport Royal Dockyard Limited.	Yes	Yes	–
13	Strategic Weapons System Activities Future Delivery Project – outsourced contract includes an indemnity for non-nuclear events and unintended detonation of explosives.	Yes	Yes	–
15	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 caused to 3rd parties by towed vessels.	Yes	Yes	–
16	Indemnities and limits of liability to contractors in respect of consequential and indirect losses.	Yes	Yes	–
17	Guarantee to NAAFI that the Department will reimburse 90% of their additional costs arising from any changes in MOD's service requirements.	Yes	Yes	–
21	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.	Yes	Yes	–

Unquantifiable CLs				
Description of CL		Included in the Supply Estimate (Yes/No)	Disclosed in the ARAc (Yes/No)	Explanation of difference
25	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	–
26	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	–
27	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	–
28	Indemnities to AWE Management Ltd for nuclear risks.	Yes	Yes	–
29	Indemnities to Rolls-Royce and BAE Systems for risks associated with the handling of fissile materials.	Yes	Yes	–
30	Standard shipbuilding indemnity in respect of Astute class submarines.	Yes	Yes	–
34	Potential liability from the use of standard terms and conditions in Public Finance Initiative (PFI) schemes.	Yes	Yes	–
39	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	–
40	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	–

