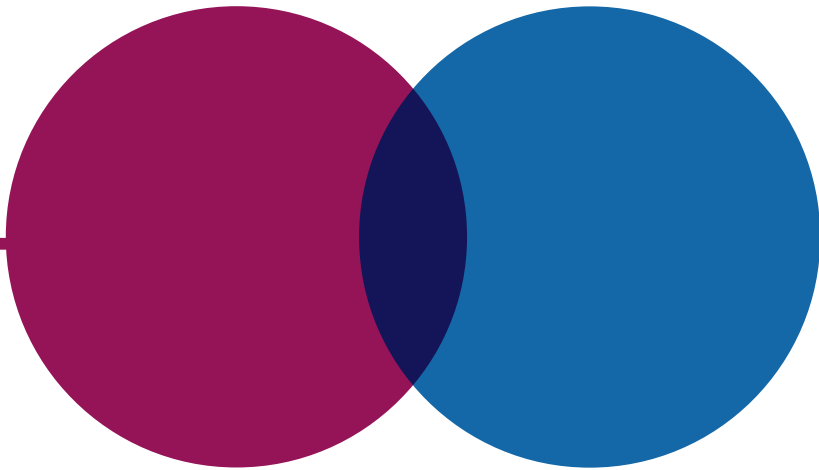




National Audit Office



REPORT

Investigation into the Ministry of Defence's oversight of the Reserve Forces' and Cadets' Associations

Ministry of Defence

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4 Key facts

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Key facts

13

Reserve Forces' and Cadets' Associations (RFCAs), which cover the whole of the UK, the Channel Islands and the Isle of Man

£146mn **2,478**

of public funding provided to the RFCAs in 2023-24

sites managed by the RFCAs, as at January 2025

31,967

members of the reserve forces ('reserves' or 'reservists'), as of 1 January 2025

139,960

cadets, as of 1 April 2024

906

staff (full-time equivalent) employed locally by the RFCAs, as of January 2025

£120.7 million

of RFCAs' expenditure in 2023-24 was on estates and infrastructure (72% of total expenditure)

110

sites which have been or are intended to be sold as part of the first phase of the Reserve Estate Optimisation Programme

What this investigation is about

1 Originally established in 1908, the Reserve Forces' and Cadets' Associations (RFCAs) support and provide infrastructure for the reserve forces and cadet forces of the British Army, the Royal Air Force and the Royal Navy (the single services). Reserve forces are made up of volunteers ('reserves' or 'reservists'), many with full-time jobs, who use their spare time to train as part of the armed forces and can expect to be called up and deployed on operations alongside their full-time regular colleagues. Cadet forces, for young people typically aged from 12 to 18, have a range of aims such as providing interesting and challenging activities and life skills.

2 The 13 RFCAs' duties include:

- advising the government's Defence Council and the single services on reserve and cadet matters;
- managing and maintaining the 'volunteer estate', a network of reserve sites and cadet centres where the reserves and cadets train;
- engaging with employers and wider society to promote the interests of the reserves and cadets; and
- supporting the development and running of cadet forces.

3 The RFCAs are not part of the Ministry of Defence (MoD) but are central government unclassified arm's-length bodies with Crown status. The RFCAs have established a Council of Reserve Forces' and Cadets' Associations (the Council) as a joint committee to provide them with central coordination and a focus to fulfil their duties. Although the Council and the RFCAs provide the infrastructure and support services, they do not recruit or train the reserves and cadets, which is the responsibility of the single services.

4 In 2019 the MoD published the latest in its series of periodic comprehensive reviews of the RFCAs, which became known as the 'Sullivan review' after its author. The review examined the need for the RFCAs, the appropriateness of their delivery model and the effectiveness of their governance and management. The review made 80 recommendations for change, including regularising and streamlining the Council and the 13 RFCAs into a non-departmental public body (NDPB), to provide a "more efficient and effective service" to the MoD, with "more accountable and business-like corporate governance", and to address financial, legal, safeguarding and estate safety risks.

6 What this investigation is about

Investigation into the Ministry of Defence's oversight of the Reserve Forces' and Cadets' Associations

5 We undertook our investigation to review how the MoD had addressed the Sullivan review's recommendations and assess the current oversight arrangements, at a time when the reserve forces – who depend on the RFCAs' support – are playing an increasingly important role in the UK's defence capabilities. We focused our work on identifying what arrangements the MoD has established to ensure that the RFCAs deliver their key duties set by the Defence Council in an affordable and cost-efficient way. To do this, we looked at the following issues.

- In Part One:
 - the roles of the reserve forces and the cadet forces, and the support that the RFCAs and the Council provide for them; and
 - the Sullivan review and the MoD's progress in implementing its recommendations.
- In Part Two:
 - how the MoD ensures, in its role as sponsor, that the structure and functions of the RFCAs are well set up to deliver their key duties;
 - how the MoD gains assurance that the RFCAs deliver their key duties, against its requirements as the RFCAs' customer; and
 - how the MoD, in its role as the funder of the RFCAs, gains assurance that they operate in an affordable and cost-efficient way.

6 Our investigation does not consider the MoD's decisions regarding the future structure of the RFCAs, including whether they should be amalgamated into an NDPB, because any such change would require primary legislation, which is a policy choice for government to make. We do not assess the value for money of the current arrangements. Our scope is limited to the MoD's oversight of the RFCAs and does not evaluate the performance of the Council, the RFCAs, or the reserve forces and the cadet forces themselves.

Summary

Key findings

The role of the reserve forces, the cadet forces and the support that the Reserve Forces' and Cadets' Associations and the Council provide for them

7 The Ministry of Defence (MoD) regards the reserve forces as an important part of the UK's defence plans, while the cadet forces provide development opportunities for young people. All UK armed services – the Royal Navy, the British Army and the Royal Air Force – include reserve forces and support cadet forces. Reserve forces can expect to be called up and deployed alongside full-time colleagues, and they also provide trained personnel and specialist civilian capabilities that regular forces cannot always readily generate or sustain, such as cyber skills. The 2023 Defence command paper stated: “The war in Ukraine has reminded the world that Reserves are essential both on and off the battlefield.” There were 31,967 reserves at 1 January 2025, accounting for 18% of the armed forces' total strength. An MoD-commissioned academic review found that the cadet forces provide young people with valuable life skills and help to improve their employability and social mobility; they also raise awareness of careers in defence and the armed forces (paragraphs 1.2 to 1.5).

8 In 2023-24, the MoD paid the Reserve Forces' and Cadets' Associations (RFCAs) £146.1 million to provide the reserves and cadets with infrastructure and support. There are 13 regional RFCAs, which are independent and autonomous bodies that support the reserves and cadets in their area. In January 2025, the RFCAs employed 906 staff (full-time equivalent) and managed 2,478 sites, most of which were used for cadet activities. The RFCAs maintain their estate of reserve sites and cadet centres, engage with employers and wider society to promote the interests of the reserves and cadets, and support the development and running of cadet forces. The MoD funds the RFCAs with public money through a combination of grant-in-aid for general administrative expenditure, and grants for specific projects and activities. The RFCAs also generate some income of their own, mainly through rental income and discounts from local authorities on business rates. In 2023-24, more than 70% of the RFCAs' expenditure was on estates management (paragraphs 1.6 to 1.13).

8 Summary

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The Sullivan review and the MoD's progress in implementing its recommendations

9 The MoD's 2019 review of the RFCAs (the Sullivan review) highlighted financial, legal and estate safety risks that the MoD needed to address.

The Sullivan review concluded that the RFCAs' functions supported the MoD's objectives and should be retained. It also recognised that a key strength of the RFCAs is their extensive volunteer membership with its wide breadth of expertise and community links. However, the review found inconsistencies in how the RFCAs operated, and that their relationship with the MoD needed clarifying and strengthening, to deliver a more effective and efficient service for their MoD customers and a more accountable, business-like approach to corporate governance. The Sullivan review made 80 recommendations which were intended to improve the effectiveness, efficiency, and corporate governance of the RFCAs and to address financial, legal, safeguarding and estates management risks. These included two strategic recommendations for the MoD – to “regularise and streamline” the Council of Reserve Forces' and Cadets' Associations (the Council) and the RFCAs into a single executive non-departmental public body (NDPB) and to appoint a senior officer as sponsor for the RFCAs. The review concluded that these changes would assist the RFCAs to deliver a more efficient service, and provide more accountable corporate governance arrangements that align with government policy (paragraphs 1.14 to 1.15 and Figure 6).

10 The MoD has implemented 36 of the 80 recommendations from the Sullivan review but did not establish an NDPB due to a lack of Parliamentary time. The MoD established the RFCA Reform Programme (the Programme) in 2021 to implement the Sullivan review's recommendations. In June 2022, the MoD appointed the Assistant Chief of the Defence Staff (Reserves & Cadets) (ACDS (R&C)) as the RFCAs' departmental sponsor. However, the MoD paused the Programme in April 2023 because other government business meant that Parliamentary time was not available before the next general election to legislate for a new NDPB. The MoD has continued to work with the Council on implementing the review's 80 recommendations: by December 2024, it had implemented 36, progressed 25 as far as possible without establishing an NDPB, and paused, not pursued or, in one instance, transferred the remainder (paragraphs 1.16 to 1.18 and Figure 7).

11 The MoD has addressed many of the operational risks identified by the Sullivan review but some financial, legal and governance risks that the review identified remain. By March 2023, through its implementation of recommendations, the MoD had taken action to mitigate many of the operational risks identified in the Sullivan review. For example, it strengthened the financial relationship and the service level agreements (SLAs) between the MoD and the RFCAs; developed a more business-like holding to account process; and helped to set up a new board structure at the Council. However, the MoD had not addressed all risks, primarily because it had not been able to take forward its preferred option of establishing an NDPB. The remaining risks relate to the operation of the overall relationship between the MoD and the RFCAs, rather than to specific aspects of RFCAs' services. They include the extent to which the MoD can direct RFCAs' work in line with its priorities, and to ensure transparency and compliance with the appropriate standards in RFCAs' financial reporting. The MoD told us that it is planning to include proposals for an NDPB in the Armed Forces Bill in the current Parliament. The Council expressed concerns that this might damage local engagement in their work, which they see as key to delivering better value for the taxpayer and to providing effective support for the reserves and cadets (paragraphs 1.17 to 1.20).

The MoD as sponsor of the RFCAs

12 The MoD has established a structure for monitoring the performance of the RFCAs. As well as appointing the single departmental sponsor for RFCAs, in 2022 the MoD established a sponsor board that includes representatives from the single services, to provide strategic direction for the RFCAs via the Council, and oversight of their overall activities and accounts. A framework agreement sets out the accountabilities in the Council's relationship with the 13 RFCAs and with the MoD. The Council agrees overall corporate plans with the board, which specify the RFCAs' objectives and funding. The board, which meets twice a year, reviews the Council's performance data and agrees the five SLAs which define the MoD's requirements (paragraphs 2.2 to 2.4).

13 However, the MoD and the Council have limited leverage over individual RFCAs if there were to be serious performance or other issues. The MoD's governance role is via the Council. It has no direct oversight of individual RFCAs. Meanwhile, the Council is a 'joint committee' subordinate to the RFCAs which created it, not a separate legal entity. This means that neither the MoD nor the Council have the levers and incentives to be expected in a clear governance structure that aligns with government policy. The Council monitors the delivery of the MoD's five SLAs with the RFCAs, through a triannual (three times a year) customer review process (paragraphs 2.4 and 2.8).

10 Summary

Investigation into the Ministry of Defence's oversight of the Reserve Forces' and Cadets' Associations

14 Since 2023, the MoD has had only a single official responsible for the day-to-day oversight of the Council and issues relating to the RFCAs. The MoD wound down its team leading the implementation of the Sullivan recommendations in 2023, following its decision to pause the programme to establish an NDPB. It retained one official to support the ACDS (R&C) on RFCA issues and the relationship with the Council, although other staff are responsible for other aspects of reserves and cadets policy (paragraph 1.18).

The MoD as customer of the RFCAs

15 The MoD has strengthened the SLAs which set out the RFCAs' duties, but both the SLA owners and RFCAs consider that these can be improved.

The MoD has five SLAs with the RFCAs, owned by the three single services, the Defence Infrastructure Organisation (DIO) and the Chief of Defence People. These focus on the RFCAs' three core tasks of civil and employer engagement, managing the volunteer estate and supporting the development of the nation's youth. The Sullivan review found that most of the SLAs were not fit for purpose because they did not specify clear and quantifiable performance indicators or quality controls and lacked effective ways of measuring delivery. All the SLAs have since been updated, and they now have clearer performance indicators which set out what key duties the MoD expects the RFCAs to perform. However, some SLA owners highlighted the lack of penalty or break clauses in the agreements. They were uncertain what the escalation mechanism was if RFCAs did not respond to performance concerns they had raised (paragraphs 2.6 to 2.9).

16 The MoD has ordered a restructure of RFCAs' 'employer engagement' activities due to increased demand. Employer engagement work – to secure civilian employers' commitment to their employees being involved in the reserves – is governed separately from the rest of the RFCAs' activities. Defence Relationship Management (DRM), a part of the Council, delivers this work. Regional leads based in the RFCAs report to the central DRM team as well as to the individual RFCAs. Following a 2024 review by the MoD, which found that DRM's operating model was unviable due to increased demand exceeding available resources, the function is being restructured. The RFCAs also engage with other organisations in their communities, but the MoD has not specified requirements for these activities. The RFCAs emphasised to us the importance of their local knowledge and networks in delivering this role (paragraphs 2.10 to 2.15).

17 The DIO has worked closely with the RFCAs to align the management of the volunteer estate with the arrangements for the wider defence estate. The volunteer estate has numerous sites, ranging from cadet huts to multipurpose reserve centres, which are widely dispersed throughout the UK. The RFCAs aim to provide a legal, fit-for-purpose estate, optimised and modernised for use by the reserves and cadets. The DIO funds the RFCAs' estates management activities – in 2023-24 the DIO paid them £54.2 million grant-in-aid for this – and the SLA specifies that the DIO provides them with a range of support, including guidance on compliance with the MoD's policies on property acquisition and disposals, leases, and health and safety. Since August 2024, the RFCAs have adopted the DIO's pre-existing central contracts to maintain and repair the volunteer estate, which the DIO anticipates will provide benefits including improving asset management information and monitoring of supplier performance. The RFCAs are also working with the MoD to rationalise and modernise the volunteer estate. Since 2021, 110 sites have either been sold or are earmarked for sale, raising a forecast income of £14.5 million, which is helping to offset renovation costs of £38.1 million at 85 sites (paragraphs 2.16 to 2.21).

18 All the armed services require the RFCAs to support the expansion and operation of their cadet forces. There were 139,960 cadets in approximately 3,500 cadet units at 1 April 2024. In addition to providing a safe and fit-for-purpose estate for the cadets, the services have tasked the RFCAs with supporting and promoting their cadet forces, including assisting with establishing and developing Combined Cadet Force detachments in schools through the MoD and the Department for Education's jointly-run Cadet Expansion Programme, and using their engagement activities to encourage employer support for adult volunteers who run cadet units. In addition, more than half of the RFCAs' 906 local staff (full-time equivalent) provide human resources, administrative and logistical support to the Army Cadet Force (ACF). RFCA-employed cadet executive officers are also county-level leads for advising and supporting the ACF on safeguarding matters, including ensuring that necessary safeguarding training is in place and has been delivered for the adult volunteers who run army cadet units (paragraphs 1.4, 1.5, 1.9 and 2.22 to 2.24).

The MoD as funder of the RFCAs

19 The MoD does not have an HM Treasury-approved financial framework in place with the Council, and until October 2024 it lacked the resources to regularly monitor spending. In April 2022, the MoD transferred responsibility for grant-in-aid for general administrative expenditure from the Army to Head Office and asked HM Treasury to review the existing financial framework. This framework sets out the funding arrangements between the Council and the MoD, and the review raised concerns about its compliance with HM Treasury rules. These rules are intended to provide control and oversight over spending, such as authorising funding for activities within a single financial year. The MoD has begun work on a new financial framework which would address these concerns, but this was not yet in place by March 2025. By March 2023, the MoD had put in place regular monitoring arrangements with the Council to gain assurance that public funds were being spent appropriately. However, between October 2023 and October 2024, gaps in the MoD Head Office finance team meant that it could not regularly meet with the Council to discuss and understand financial performance. By October 2024, monthly finance meetings between Head Office and the Council had resumed (paragraphs 2.25 to 2.27).

20 For the past four years, the MoD has failed to publish the Council Annual Report and Accounts in a timely manner, and the financial reporting does not comply with the applicable accounting standards. While the Council is responsible for producing a consolidated Annual Report and Accounts, which brings together the accounts of all 13 RFCAs, the MoD is responsible for publishing it. The MoD published the 2020-21, 2021-22 and 2022-23 consolidated Council Annual Reports and Accounts in October 2024. This means that information about the Council and RFCAs' financial performance was not publicly available until up to four years after it had occurred. This delay was due to factors including limited resources in the Head Office finance team, the Council and RFCAs, and the MoD prioritising reform to the structure of the RFCAs. At the time of this report's publication the MoD was working with the Council to finalise the 2023-24 Council Annual Report and Accounts and had not published them. The published accounts have not complied with HM Treasury rules and international accounting standards. For example, they do not include a cash flow statement, nor do they correctly disclose a defined benefit pension scheme for employees. Non-compliance with these rules has created an inconsistency in the financial reporting between the MoD and the Council. Differences in accounting policies could lead to HM Treasury and subsequently the MoD not providing the right amount and type of budget for the Council and the RFCAs to meet their obligations (paragraphs 2.28 to 2.30).

Concluding remarks

21 The RFCAs provide important functions to support the reserve forces and cadets across the UK, by connecting them with employers and wider society and managing the volunteer estate. The Council acts as a coordinating headquarters for the 13 regional RFCAs, through which all funding streams flow. The MoD has worked with the Council and the RFCAs in recent years to strengthen its oversight arrangements, in response to the findings of the Sullivan review, but it has not yet been able to implement one of the review's two central recommendations, the establishment of a new NDPB, since this requires primary legislation.

22 Risks remain in the organisation and operation of the RFCAs, particularly the limitations of the MoD's powers to act if a RFCa was to fail in delivering its duties, and incomplete compliance with financial reporting requirements and HM Treasury oversight. The MoD must mitigate the remaining legal and financial risks identified in the Sullivan review, whether that is by creating a new NDPB or further strengthening the current model, to support the evolving role of the reserve forces. In doing this the MoD will need to consider how best to retain the benefits of the RFCAs' local identities and connections, while ensuring that the RFCAs provide cost-effective, high-quality infrastructure and support services.