



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

Ministry of Defence

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

11 March 2025

Investigations

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This report looks at what arrangements the Ministry of Defence has established to ensure that the Reserve Forces' and Cadets' Associations deliver their key duties set by the Defence Council in an affordable and cost-efficient way.

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4 Key facts

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

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

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

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.

Part One

Background

1.1 In this part we examine:

- the roles of the reserve forces and the cadets;
- the role of the Reserve Forces' and Cadets' Associations (RFCAs) and the Council of RFCAs (the Council); and
- the Ministry of Defence's (MoD) response to the *Review of the Reserve Forces' and Cadets' Associations 2019* (the Sullivan review).

The roles of the reserve forces and the cadets

1.2 All UK armed services – the Royal Navy, British Army and Royal Air Force (RAF) – include reserve forces and support cadet forces. Reserve forces are made up of volunteers, 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 are made up of young people typically aged from 12 to 18. Cadet forces have a range of aims, including providing young people with interesting and challenging activities and life skills.

1.3 The reserve forces provide additional trained personnel and specialist civilian capabilities that regular forces cannot always readily generate or sustain, such as medical and cyber skills. The MoD also regards them as a crucial part of maintaining the profile of the armed forces across the nation. At 1 January 2025, reserve forces numbers were as follows:¹

- Maritime: 3,217 reserves, out of a total strength of 37,601 in the Royal Navy and Royal Marines (9%).
- Army: 25,742 reserves, out of a total Army strength of 108,413 (24%).
- RAF: 3,008 reserves, out of a total RAF strength of 34,765 (9%).
- Total armed forces: 31,967 reserves out of a total strength of 180,779 (18%).

¹ Ministry of Defence, *Quarterly service personnel statistics: 1 January 2025*, February 2025.

1.4 The cadet forces raise awareness of careers in defence and the armed forces, but they are not recruiting organisations, and the MoD recognises them as military-themed voluntary youth organisations. The MoD sponsors five cadet forces: the Sea Cadet Corps, the Volunteer Cadet Corps, the Army Cadet Force, and the Air Training Corps, all based in the community; and the Combined Cadet Force based in schools.² At 1 April 2024, there were approximately 3,500 cadet units across the UK, with a total of 139,960 cadets. Of these, 88,600 cadets were in community units, supported by 22,340 adult volunteers, and 51,360 in the Combined Cadet Force, supported by 4,320 adult volunteers.³

1.5 Several recent government publications, such as the 2023 Defence command paper and the Reserve Forces Review 2030, set out the importance of reserve forces and cadets.⁴ For example, the 2023 Defence command paper stated: “The war in Ukraine has reminded the world that Reserves are essential both on and off the battlefield.” An MoD-commissioned report published by the University of Northampton in 2021 concluded that young people gained valuable life skills from the cadet experience, including self-discipline, confidence and resilience, as well as improving their employability and social mobility. Since 2012, the MoD and the Department for Education have run a joint Cadet Expansion Programme which aims to increase the number of cadets to 60,000, in 500 schools.

The Reserve Forces' and Cadets' Associations

1.6 The RFCAs provide the infrastructure and support services that the reserves and cadets need to operate. They support, but do not deliver, the recruitment and training of reserves and cadets, which is the responsibility of the armed services. The RFCAs were originally established in 1908 (as Territorial, Auxiliary and Volunteer Reserves' Associations), to provide local support to the Territorial Force then established in every UK county.⁵ Since then, their role has evolved and grown so that they now support the reserves and cadets of all the armed services.

2 The Volunteer Cadet Corps (VCC) was established in 1901, to deliver training and mentoring to the sons of Royal Navy and Royal Marine non-commissioned officers. Nowadays, membership of the VCC is open to young people aged between 9 and 18 who are children of serving and retired members of the Armed Forces or who live in a VCC unit's local area. The VCC is part of the Royal Navy's cadet governance structure. The Combined Cadet Force (CCF) operates in schools across the UK, providing students with military-themed activities. CCF contingents contain one or more sections from the British Army, the Royal Navy, Royal Marines or the Royal Air Force, and promote the aims and values of the service they represent.

3 Ministry of Defence, *MoD sponsored cadet forces: 1 April 2024*, June 2024.

4 Ministry of Defence, *Defence's response to a more contested and volatile world*, July 2023, white paper, CP 901; Ministry of Defence, *Reserve Forces Review 2030: Unlocking the reserves' potential to strengthen a resilient and global Britain*, May 2021.

5 The Territorial Force was established as part of the British Army in 1908 by the merger of existing reserve units.

1.7 There are 13 RFCAs, covering the whole of the UK, the Channel Islands and the Isle of Man (**Figures 1 and 2** on page 18). The RFCAs are not part of the MoD, but are central government unclassified arm's-length bodies with Crown status. This means that each RFCA is an independent and autonomous body which supports the armed services in its area. The RFCAs' legal status and general duties are established under the Reserve Forces Act 1996. The Defence Council has assigned the RFCAs nine duties, in five broad areas.⁶

- **Advice and assistance:** The RFCAs advise the Defence Council and the single services on reserve and cadet matters. For example, since 2013 an External Scrutiny Team has produced an annual independent report on reserve matters, which has been a statutory duty since 2014 and is laid in Parliament. This is replicated by the non-statutory Cadet Health Checks, which have been produced annually since 2016 on the overall capability and sustainability of the MoD-sponsored cadet forces for the MoD's Chief of Defence People and its Youth & Cadet Steering Group.
- **Volunteer estate and infrastructure:** The RFCAs are responsible, on behalf of the MoD, for the upkeep of a network of 2,478 sites (as of January 2025) to support all activities, from training to engagement. Most of these sites are used for cadet activities. Cadet facilities, such as cadet huts, are dispersed throughout the UK, while reserve force sites are larger and expected to support the recall, mobilisation, regeneration and reconstitution of reserve forces at scale and pace.
- **Employer engagement and support:** The RFCAs support reservists through the Defence Relationship Management organisation which provides links between the armed services and employers who have reserves on their staff, those who seek more information, or those who are supporting reservists while they are deployed on military operations.
- **Cadets and youth:** The RFCAs support the cadets by providing support staff who maintain and run the army cadet county headquarters; material support through the buildings and training areas that cadets use for their activities; and financial support to deliver those activities.
- **Establishing and maintaining links with the civilian community:** The RFCAs engage with a wide range of organisations on behalf of Defence, including local authorities, schools and universities, veteran and youth organisations, and county Lord-Lieutenants.⁷

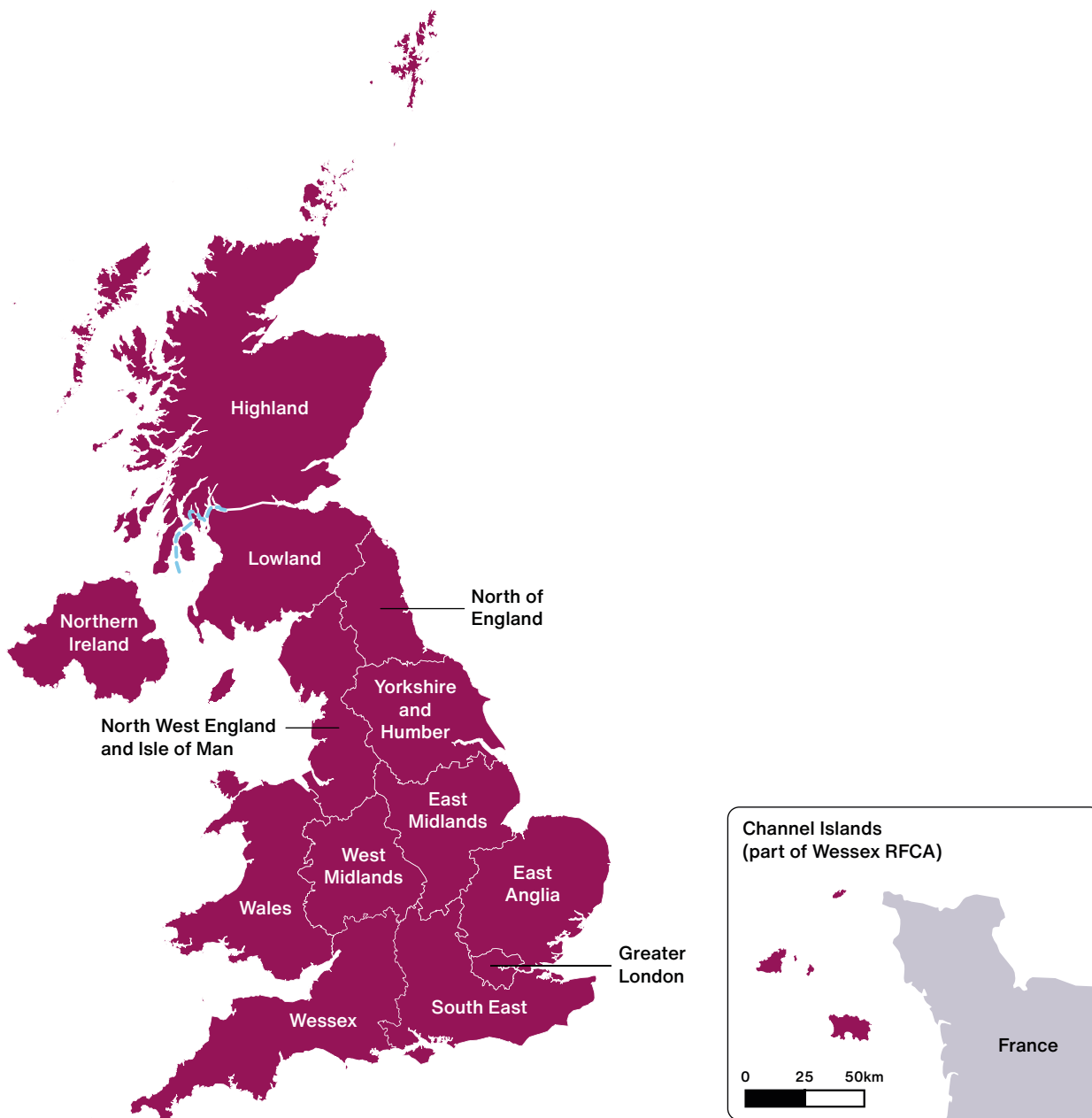
⁶ The Defence Council provides the formal legal basis for the conduct of defence in the UK through a range of powers vested in it by law. It is a formal body with the Secretary of State as the most senior individual on the Defence Council, which also includes the other Defence ministers, the Permanent Secretary of the MoD, the Chief of the Defence Staff, the Service Chiefs (heads of the armed forces) and the heads of the MoD's major corporate functions.

⁷ Lord-Lieutenants are the Monarch's representative in each county. Aside from royal duties, Lord-Lieutenants generally promote and encourage voluntary and charitable organisations and take an interest in the business, urban and rural and social life of the county.

Figure 1

Map of the regions covered by the 13 Reserve Forces’ and Cadets’ Associations (RFCAs), March 2025

The 13 RFCAs cover the whole of the United Kingdom, the Channel Islands and the Isle of Man



Notes

- 1 The RFCAs’ boundaries are approximate and designed for illustrative purposes only.
- 2 The dotted line indicates the division between Scottish islands categorised as either Highland or Lowland.

Source: National Audit Office. The boundaries for the Isle of Man and the Channel Islands are from OpenStreetMap, which is an © OpenStreetMap contributor. Available under the Open Database License (ODbL). Data extracted by Geofabrik. Boundaries for the UK are from the Office for National Statistics licensed under the Open Government Licence v.3.0. Contains OS data © Crown copyright and database right 2023. The boundary for France is sourced from SimpleMaps.com © 2010–2025 Pareto Software

Figure 2

The numbers of staff employed and sites managed by the Reserve Forces' and Cadets' Associations (RFCAs), January 2025

The RFCAs employed 906 staff and managed 2,478 sites in January 2025

RFCAs	Number of staff ¹	Number of sites
North West of England and Isle of Man	104	365
South East	103	296
Wessex	89	258
Highland	77	148
East Anglia	73	180
West Midlands	66	168
Wales	66	151
East Midlands	65	228
Greater London	63	164
Lowland	57	228
Yorkshire and Humber	54	147
North of England	52	89
Northern Ireland	38	56
Total	906	2,478

Notes

- 1 The staff numbers reported are the full-time equivalent. They include Defence Relationship Management (DRM) staff who are based in the RFCAs, and report to both the central DRM team and to the RFCAs.
- 2 The number of staff does not sum due to rounding.

Source: National Audit Office analysis of data provided by the Council of Reserve Forces' and Cadets' Associations

1.8 The RFCAs each have a body of volunteer members based in their regions, which in 2019 numbered around 8,000 across the UK. The membership comprises both serving members of the reserve forces and civilians. A management board, with a chair elected by the membership, directs the activities of each RFCAs.

1.9 The RFCAs employ staff to carry out their activities. In January 2025, the RFCAs employed 906 staff (full-time equivalent) regionally, of whom 538 provided human resources, administrative and logistical support for the Army Cadet Force. The remainder worked on estates management, engagement and other support activities, including the Cadet Expansion Programme in schools and RAF activity centres.

1.10 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.⁸ In 2023-24 the RFCAs received £146.1 million in public money, of which £106.2 million (73%) was grant-in-aid (**Figure 3** overleaf).⁹ In addition, the RFCAs generated £12.8 million of their own income, mainly through rental income and discounts from local authorities on business rates payable on the volunteer estate.

1.11 In 2023-24, the RFCAs spent £166.5 million (**Figure 4** on page 21). Of this, various aspects of estates management accounted for £120.7 million (72%); support for cadets and youth cost £27.0 million (16%); employer and community engagement activities cost £5.9 million (4%). The RFCAs were able to accommodate their expenditure being £7.6 million more than their income in 2023-24 by drawing on financial reserves that they had built up in previous years, when the RFCAs had spent less than the funding allocated by the MoD. The policy of carrying forward unused grant-in-aid funding does not comply with HM Treasury rules and will cease from 1 April 2025 (see paragraph 2.29).

The Council of Reserve Forces' and Cadets' Associations

1.12 The RFCAs have established the Council as a joint committee of the RFCAs under the Reserve Forces Act 1996. The Council aims to provide the RFCAs with central coordination and a focus to fulfil their duties. The Council is subordinate to the RFCAs that created it, and its powers are delegated to it by the RFCAs. In January 2025, the Council employed 55 staff (full-time equivalent) nationwide.¹⁰

1.13 The Council is the point of contact between the RFCAs and the MoD. The RFCAs have given it the authority to act on their behalf to liaise with ministers, government departments, service headquarters and the community to represent their collective opinion. The MoD channels its funding to the RFCAs via the Council, whose chief executive is the accounting officer for these public funds (**Figure 5** on page 22). The Council also provides the internal policies, strategies and technical direction necessary to enable the 13 RFCAs to operate with a common approach.

8 Grant-in-aid payments are made by departments to outside bodies to finance their day-to-day expenditure. In April 2022, the responsibility for grant-in-aid funding for the RFCAs' general operating costs was transferred from the Army to the MoD's Reserve Forces & Cadets section in Head Office.

9 The Reserve Forces' and Cadets' Associations consolidated financial statements for the year ended 31 March 2024 were in draft and had not been finalised when this report was published.

10 This does not include Defence Relationship Management, which has 24 staff based in the Council's London headquarters.

Figure 3

Total income of the Reserve Forces' and Cadets' Associations (RFCAs), 2023-24

Most of the RFCAs' income is public funds provided by the Ministry of Defence (MoD)

Type of income	Source	£mn
Public funds		
Grant-in-aid	MoD – Defence Infrastructure Organisation (DIO)	54.2
	MoD – Head Office, Reserve Forces & Cadets	52.0
	Total grant-in-aid	106.2
Grants	MoD – DIO	36.5
	MoD – Royal Air Force	2.5
	MoD – British Army	0.9
	Total grants	39.9
Total public funds		146.1
Regionally generated income		
Regionally generated income	Rental income	5.8
	Other income, including non-domestic rates relief and rebates	4.7
	Bank interest	1.6
	Sale of assets	0.7
Total regionally generated income		12.8
Total income		158.9

Notes

- 1 Grants are payments made by departments to outside bodies to reimburse expenditure on agreed items or functions.
- 2 Grant-in-aid payments are made by departments to outside bodies to finance their day-to-day expenditure.
- 3 Grant-in-aid payments from Head Office (Reserve Forces & Cadets) include: £42.3 million for general operating costs for the local RFCAs and the Council of Reserve Forces' and Cadets' Associations; £4.2 million for vehicles; and £4.5 million for Defence Relationship Management.
- 4 Regionally generated income is earned locally by the RFCAs, mainly through rental income and discounts from local authorities on business rates payable on RFCA sites.
- 5 The Reserve Forces' and Cadets' Associations consolidated financial statements for the year ended 31 March 2024 were in draft and had not been finalised when this report was published.
- 6 The National Audit Office is not the external auditor of the Reserve Forces' and Cadets' Associations consolidated financial statements.

Source: National Audit Office analysis of Reserve Forces' and Cadets' Associations draft consolidated financial statements, 2023-24

Figure 4**Total expenditure by the Reserve Forces' and Cadets' Associations (RFCAs), 2023-24****Almost three-quarters (72%) of the RFCAs' expenditure is on managing the volunteer estate**

Category	Description	Total	
		(£mn)	(%)
Volunteer estate costs			
'Hard' facilities management	Repair and maintenance costs, as well as costs for building new assets	85.1	
'Soft' facilities management	Day-to-day costs of running the estate, such as utility bills and cleaning	24.5	
Other costs	Staff, administration and support costs related to managing the estate	11.1	
Total volunteer estate costs		120.7	72
Cadets and youth support	Staff, administration, and support costs for the cadet forces	27.0	16
Overhead costs	Staff, administration, and support costs of running the RFCAs and the Council of Reserve Forces' and Cadets' Associations	12.0	7
Engagement activities	Costs of engagement activities, including staff, administration, and support costs	5.9	4
Injured servicemen's living accommodation	Costs of works on injured servicemen's living accommodation	0.9	1
Total costs		166.5	100

Notes

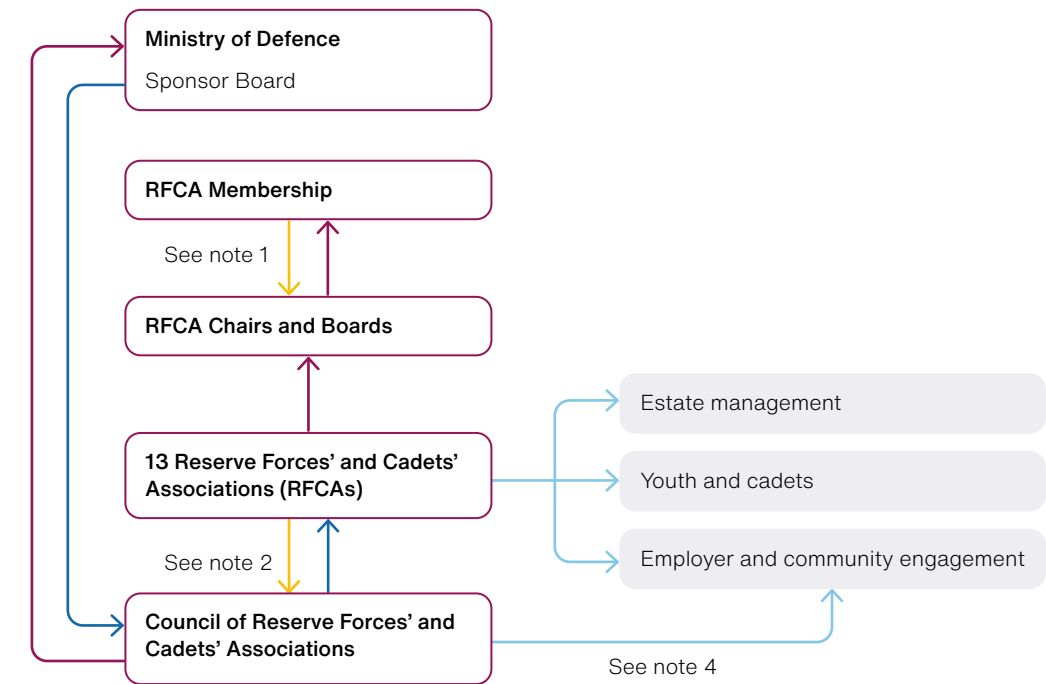
- 1 The volunteer estate is a network of reserve sites and cadet centres where the reserves and cadets train.
- 2 Responsibility for works on injured servicemen's living accommodation was transferred from the Reserve Forces' and Cadets' Associations to the Defence Infrastructure Organisation in November 2023.
- 3 The Reserve Forces' and Cadets' Associations consolidated financial statements for the year ended 31 March 2024 were in draft and had not been published when this report was published.
- 4 The National Audit Office is not the external auditor of the Reserve Forces' and Cadets' Associations consolidated financial statements.

Source: National Audit Office analysis of Reserve Forces' and Cadets' Associations draft consolidated financial statements, 2023-24

Figure 5

Relationship between the Ministry of Defence (MoD) and the Reserve Forces’ and Cadets’ Associations (RFCAs), March 2025

The MoD funds the RFCAs by channelling public funding through the Council of Reserve Forces’ and Cadets’ Associations (the Council), a joint committee that the RFCAs have created



- Organisation or bodies
- Activities
- Accountability for performance of duties
- Delivery of duties
- Public funding for delivery of duties
- RFCAs governance arrangements

Notes

- 1 The local members of each of the 13 RFCAs elect their chairs and appoint their management boards.
- 2 The RFCAs created the Council as a joint committee under the Reserve Forces Act 1996, Part XI Section 116. The Council is subordinate to the RFCAs that created it, and its powers are delegated to it by the RFCAs. The RFCAs have given the Council the authority to act on their behalf to liaise with ministers and the MoD.
- 3 The MoD specifies the duties that it funds the Council and the 13 RFCAs to deliver through five service level agreements between the Council and the British Army, Royal Air Force, Royal Navy (together known as the single services), the Defence Infrastructure Organisation and the Chief of Defence People.
- 4 Defence Relationship Management, which is part of the Council, delivers employment engagement activity. It has a central team including national account managers dealing with large employers, and regional staff based in the RFCAs.

Source: National Audit Office analysis of governance papers of the Reserve Forces’ and Cadets’ Associations

The Review of the Reserve Forces' and Cadets' Associations 2019

1.14 In 2019, the MoD published the latest in a series of comprehensive reviews of the RFCAs which examined whether there was a continuing need for their functions, whether their delivery model was appropriate, and the potential for them to take on new tasks in the future. The review concluded that the functions of the RFCAs supported the MoD's objectives and should be retained, with scope to expand their role in the future. 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, it found that there were inconsistencies in how the RFCAs operated across the regions 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. **Figure 6** overleaf sets out the key issues identified in the report, which became known as the 'Sullivan review' after its lead author.

1.15 The Sullivan review made two headline strategic recommendations, intended to assist the RFCAs deliver a more efficient service, and to provide a more accountable approach to corporate governance.

- To regularise and streamline the Council and 13 RFCAs into a single non-departmental public body (NDPB), to provide a clear governance structure that aligns with government policy to transmit, delegate, implement and enforce decisions.
- To appoint the Assistant Chief of the Defence Staff (Reserves & Cadets) (ACDS (R&C)) as the MoD's single departmental sponsor for the RFCAs to provide direction and oversight of their governance, strategy and performance.

The review made 80 recommendations in total regarding the functions and classification, effectiveness, efficiency, and corporate governance of the RFCAs.

1.16 In 2021 the MoD established the RFCA Reform Programme (the Programme) and, in response to the first headline recommendation, produced a business case for establishing an NDPB. In June 2022, the MoD implemented the second headline recommendation when the ACDS (R&C) became the MoD's single departmental sponsor for the RFCAs.

Figure 6

Key issues identified in the *Review of the Reserve Forces' and Cadets' Associations 2019*

The Ministry of Defence-commissioned *Review of the Reserve Forces' and Cadets' Associations 2019* identified several risks arising from the arrangements that were in place

Issue	Details
The Council of Reserve Forces' and Cadets' Associations (the Council) was not constituted as a legal entity	The Council's legal status created legal and financial risks around its banking and staff employment.
The Council lacked functional leadership	The Council was not resourced to provide the professional enabling functions (including finance, human resources, commercial and safety) expected of a modern arm's-length body.
Weak corporate governance	Customer service level agreements, performance management and risk reporting were not fit for purpose, and there was a lack of senior ownership in the single services (the British Army, the Royal Air Force and the Royal Navy).
Ambiguity regarding who was the Ministry of Defence's (MoD) departmental sponsor	Unclear whether the sponsor was the Assistant Chief of the Defence Staff (Reserves & Cadets), Director Army (Resources) or General Officer Commanding Army Regional Command.
Competing executive authorities	Unclear reporting lines between the chief executive of the Council and the boards of the 13 Reserve Forces' and Cadets' Associations (RFCAs) created service inconsistencies and risks around estates safety and cadets safeguarding. The operating model was fundamentally incompatible with HM Treasury's <i>Managing Public Money</i> .
Unclear roles and responsibilities	Unclear whether the RFCAs or the single services should lead regional engagement.
Declining condition of volunteer estate ¹	Lack of MoD investment, which funded the RFCAs to only comply with statutory and mandatory obligations for the estate.
Lack of diversity on the boards of the Council and the RFCAs	Board appointments and tenures not regulated by the Office of the Commissioner for Public Appointments nor compliant with its principles; nominated by voluntary membership rather than through fair and open competition. No fully independent non-executive directors.

Note

1 The volunteer estate is a network of reserve sites and cadet centres where the reserves and cadets train.

Source: National Audit Office analysis of the *Review of the Reserve Forces' and Cadets' Associations 2019*

1.17 By March 2023, the Programme team had taken action to mitigate many of the operational risks identified in the review. This included:

- strengthening the relationship between the MoD and RFCA finance teams, including monthly financial reporting by the RFCAs;
- developing a more business-like holding to account process, including instigating twice-yearly sponsor board meetings;
- strengthening the service level agreements which set out what the RFCAs will do for their MoD customers, including making duties and reporting measures clearer;
- supporting the establishment of a new board structure at the Council, including new directors for finance, health and safety, and commercial, and a head of human resources; and
- improving the stewardship of the volunteer estate, including working with other MoD programmes to streamline the estate and bring its maintenance arrangements into line with the wider Defence estate.

In Part Two we discuss these changes in more detail and how the relationship between the MoD and the RFCAs has developed since 2019.

1.18 The MoD paused the Programme in April 2023 because the amount of other government business meant there was not Parliamentary time available before the next general election for the primary legislation needed to establish an NDPB. At the same time, the MoD wound down the Reform Programme team responsible for implementing Sullivan's recommendations, retaining only a single official to support the ACDS (R&C) on RFCA issues. However, the MoD has continued to work with the Council on implementing the review's 80 recommendations. **Figure 7** overleaf sets out our analysis of the progress that the MoD told us it and the Council had made as of December 2024. At that point, the MoD and Council had implemented 36 of the recommendations and had transferred responsibility for taking forward one recommendation from the RFCAs to the Defence Infrastructure Organisation. The MoD has progressed 25 of the recommendations as far as possible without the establishment of the proposed NDPB. The Reform Programme Board decided not to pursue nine recommendations and paused action in relation to a further nine.

Figure 7

National Audit Office assessment of the status of the recommendations of the *Review of the Reserve Forces' and Cadets' Associations 2019*, as of December 2024

The Ministry of Defence (MoD), working with the Council of Reserve Forces' and Cadets' Associations, has implemented 36 of the 80 recommendations

Recommendation status	Number	Explanation
Implemented	36	Full compliance with the recommendation
In progress	25	Progressed as far as possible without the formation of a Reserve Forces' and Cadets' Associations (RFCAs) non-departmental public body
Paused	9	Paused because of competing priorities for resources or awaiting other events, such as the outcome of the MoD's 2023 report on the value for money of the volunteer estate
Not pursued	9	Recommendations overtaken by events, or deemed by the Reform Programme Board to be outside its scope or unnecessary
Transferred	1	Responsibility for works on injured servicemen's living accommodation was transferred from the RFCAs to the Defence Infrastructure Organisation in November 2023
Total	80	

Notes

- 1 The *Review of the Reserve Forces' and Cadets' Associations 2019* designated 36 recommendations as being a priority. Of these: 16 have been implemented; 15 are in progress; three have been paused, and two have not been pursued.
- 2 The volunteer estate is a network of reserve sites and cadets centres where the reserves and cadets train.

Source: National Audit Office analysis of Ministry of Defence papers regarding its progress in implementing the recommendations included in the *Review of the Reserve Forces' and Cadets' Associations 2019*

1.19 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. Of the 15 'priority' recommendations made by Sullivan which are still 'in progress', 14 relate to financial, legal and governance risks which the MoD was seeking to address by establishing an NDPB. They include the extent to which the MoD can direct RFCAs' work in line with its priorities. For example, the finalisation of a draft 'framework document' setting out the RFCAs' role and funding, as required by HM Treasury, would help to ensure that the RFCAs' financial reporting was transparent and compliant with the appropriate standards. In Part Two, we cover the MoD's current arrangements for engaging with RFCAs, including the extent to which it has been able to mitigate the remaining risks.

1.20 The MoD told us that it is planning to include proposals for an NDPB in its Armed Forces Bill in the current Parliament. The Council has expressed concern that the formation of an NDPB could mean a 'top down' operating model, reducing the involvement of local volunteer members who help to represent Defence and build networks in their communities.

Part Two

The Ministry of Defence's engagement with the Reserve Forces' and Cadets' Associations

2.1 In this part we examine the current arrangements for the Ministry of Defence's (MoD) engagement with the Council of Reserve Forces' and Cadets' Associations (the Council) and the Reserve Forces' and Cadets' Associations (RFCAs) through considering its roles as:

- sponsor;
- customer; and
- funder of the RFCAs.

The Ministry of Defence as sponsor

2.2 The MoD's *Review of the Reserve Forces' and Cadets' Associations 2019* (the Sullivan review) emphasised the importance of the MoD's sponsor role in relation to the RFCAs, and recommended establishing a single departmental sponsor as one of its two headline strategic recommendations, alongside the recommendation to establish a non-departmental public body (NDPB) (paragraphs 1.15 and 1.16). This would provide coordinated direction for the RFCAs across all three services and oversight of governance, strategy and performance. The MoD implemented the recommendation in 2022, appointing the Assistant Chief of the Defence Staff (Reserves & Cadets) (ACDS (R&C)) to the role.

2.3 As part of strengthening its sponsorship arrangements, the MoD also established a sponsor board of senior officials, which first met in 2022.¹¹ The ACDS (R&C) chairs the sponsor board, which meets twice a year. Its membership includes the MoD's lead officials for reserves and cadets; representatives of the Army, Navy and Air Force; officials from other MoD functions who work with the RFCAs such as the Defence Infrastructure Organisation (DIO), and the chair and chief executive of the Council. The purpose of the board is to provide strategic direction for the operational outputs of the RFCAs and oversight of their activities. This includes ensuring that service level agreements (SLAs) are agreed between the MoD and the Council which accord with the agreed strategic direction and include all duties to meet the MoD's requirements. The board reviews performance data supplied by the Council on the overall performance of the RFCAs against the MoD's requirements.

¹¹ The sponsor board is the most senior level of government oversight for the RFCAs and the Council. The Sullivan review recommended that the sponsor board should report to a ministerial board, but this has not been put in place.

2.4 Despite establishing the sponsor board, the MoD currently has limited ability to direct the RFCAs' activities in line with its priorities, for the following reasons:

- The MoD has no direct governance of individual RFCAs but engages with them and provides funding to them through the Council. A framework agreement sets out the MoD's relationship with the Council, while the Council's multi-year corporate plans and annual business plans specify the RFCAs' objectives and funding. The single services and other parts of the MoD which are 'customers' of the RFCAs, each have an SLA for their requirements (paragraphs 2.5 to 2.9).
- The Council is a 'joint committee' created by the RFCAs and ultimately subordinate to them, rather than a separate legal entity. As such, the Council has limited leverage over individual RFCAs. The Council's senior officials explained to us that peer pressure, shared military backgrounds and staff dedication are important means by which they influence the RFCAs.

The Ministry of Defence as customer

Service level agreements

2.5 The MoD has five SLAs with the Council, which set out what the various parts of the MoD expect the RFCAs to deliver each year to meet their requirements (**Figure 8** overleaf). These requirements are focused on the RFCAs' three core tasks of civil and employer engagement (paragraphs 2.10 to 2.15), management of the volunteer estate (paragraphs 2.16 to 2.21) and supporting the development of the nation's youth (paragraphs 2.22 to 2.24). The three single services – the Army, Navy and Air Force – each have an SLA covering their requirements for reserve and cadet support, while the remaining two SLAs focus on infrastructure, led by the DIO, and on employer engagement issues, led by the Chief of Defence People.

2.6 The Sullivan review found that most of the SLAs were not fit for purpose because they failed to clearly specify quantifiable key performance indicators or quality controls, and lacked effective ways of measuring delivery, resulting in inconsistent performance between RFCAs. Since then, all the SLAs have been updated, with the current versions dating from 2023 or 2024. Our analysis found that the review's four recommendations that specifically related to improving the SLAs have been implemented. For example, the redesigned SLAs now have clearer performance indicators, and each has a named senior official responsible for monitoring the RFCAs' performance against these.

2.7 The RFCAs told us that the SLAs clearly communicate what key duties the MoD expects them to deliver. The Council's annual business plan defines what business outcomes the RFCAs must deliver to fulfil the SLAs' requirements, allocates the resources for this, and sets out the performance reporting process. The business plan is the vehicle through which the RFCAs are tasked with what they are required to do and is the key document from which they construct their individual RFCA management plans.

Figure 8

Areas covered by the Ministry of Defence's (MoD's) service level agreements (SLAs) with the Reserve Forces' and Cadets' Associations (RFCAs), March 2025

The MoD specifies the duties it expects the RFCAs to deliver in five SLAs

Areas covered in the SLA	SLA owners				
	Royal Navy	British Army	Royal Air Force	Defence Infrastructure Organisation	Chief of Defence People
Provide a safe and secure volunteer estate	✓	✓	✓	✓	
Provide employer and/or civil engagement	✓	✓	✓		✓
Support cadet forces	✓	✓	✓		
Support recruitment	✓	✓	✓		
Employ suitably qualified and trained staff	✓	✓	✓	✓	✓
Make efficient use of funds provided	✓	✓	✓	✓	✓
SLA owner provides support to RFCAs	✓	✓	✓	✓	✓

Notes

- 1 The volunteer estate is a network of reserve sites and cadets centres where the reserves and cadets train.
- 2 The RFCAs have created the Council of Reserve Forces' and Cadets' Associations (the Council) as a joint committee under the Reserve Forces Act 1996 Part XI Section 116.
- 3 The Council is subordinate to the RFCAs that created it, and its powers are delegated to it by the RFCAs. The RFCAs have given the Council the authority to act on their behalf to liaise with ministers and the MoD.

Source: National Audit Office analysis of the Ministry of Defence's service level agreements with the Reserve Forces' and Cadets' Associations

2.8 The RFCAs formally report on their performance against SLA requirements to the Council, rather than directly to the MoD. The Council introduced triannual (three times a year) customer reviews to monitor the RFCAs' performance against the SLA requirements in May 2024. Separate meetings are held for each SLA, at which they review and assure delivery performance, finances and risks for the activities that the RFCAs deliver: they are attended by the SLA owner and senior staff from the Council, MoD and RFCAs. Both RFCAs and SLA owners told us that these meetings are an improvement on previous arrangements. However, some SLA owners highlighted the lack of penalty or break clauses in the agreements, or that they were uncertain what the escalation mechanism was if RFCAs did not respond to performance concerns they had raised during customer reviews, other than raising the matter at the sponsor board.

2.9 In addition, all three services hold meetings with RFCAs at a local level. For example, the Royal Air Force (RAF) holds monthly meetings with each RFCA regarding the volunteer estate, and the Army holds quarterly working groups at a regional level to assess performance.

Engagement with employers and society

2.10 The RFCAs' work on employer engagement helps to deliver the MoD's overall priorities for reserve forces, as part of its wider 'people' strategy. The MoD aims to be a "trusted partner to employers at all levels on people matters, in order to support the delivery of sufficient, capable and motivated people".¹² Employer engagement activities aim to help reservists combine their civilian and military roles and ensure that employers also benefit from supporting their reservist employees.

2.11 The MoD's SLA with the Council on employer engagement, owned by the Chief of Defence People, sets out its expectations for the RFCAs' work. These include managing the delivery of the Armed Forces Covenant and the Employer Recognition Scheme, a three-tier scheme for employers who support defence and the armed forces, as well as coordinating employer engagement activities and communications across Defence.^{13,14}

¹² Source: MoD internal documentation on the Defence People Employer Engagement Strategy.

¹³ The Armed Forces Covenant aims to ensure that current and former members of the armed forces, and their families, should face no disadvantage compared with other citizens regarding the provision of public and commercial services and should be given special consideration in some cases. Available at: www.armedforcescovenant.gov.uk (accessed 27 February 2025).

¹⁴ The Ministry of Defence Employer Recognition Scheme. Available at: www.gov.uk/government/publications/defence-employer-recognition-scheme (accessed 27 February 2025).

2.12 The funding for employer engagement work is governed separately from the RFCAs' other activities. Defence Relationship Management (DRM), which is a part of the Council, delivers this activity. Regional employer engagement directors (REEDs) report to a central DRM team based in the Council's London headquarters, as well as to the management boards of the RFCAs where the REEDs are based. DRM staff also include national account managers dealing with large employers. Specific grant-in-aid funding pays for the DRM function and the DRM team produces its own business plan.

2.13 The MoD reviewed the DRM function in 2024 and found that its operating model was unviable, due to increased demand since it was established in 2014, exceeding available resources. Increasing numbers of employers signing up meant that each DRM account manager had around 180 accounts on average, approximately 10 times as many as the 15 to 20 per manager which was expected when DRM was founded. The review identified a range of issues with the function, including staff costs consuming more than 78% of the total budget, limited budgets for employer engagement events, and outdated IT infrastructure which prevented staff from working efficiently. It recommended that employer engagement work should be prioritised to focus on particular employers and sectors, with more consistency of messaging and greater use of digital technology, while resources and staffing should be reallocated from the DRM headquarters to the regions.

2.14 The MoD agreed a new operating model for DRM in October 2024, which was being implemented at the time of this report's publication. The MoD told us that it had also asked the Council to carry out a 'zero-based review' of all RFCA activity, including DRM, to identify areas where savings might be made. This review had not been completed as at March 2025.

2.15 As well as their responsibilities for employer engagement, the RFCAs also engage with the wider communities in their regions. The RFCAs' activities include engaging with the UK devolved governments, local authorities, education, youth and veteran organisations and Lord-Lieutenants, aiming to support the generation of reserves, cadets and adult cadet volunteers, and connect Defence with wider society.¹⁵ The MoD has not specified its expectations for these activities and there is no SLA in this area. The RFCAs emphasised to us the importance of their local knowledge and networks in delivering this role, which they see as key to delivering better value for the taxpayer and to providing effective support for the reserves and cadets.

¹⁵ Lord-Lieutenants are the Monarch's representative in each county. Aside from royal duties, Lord-Lieutenants generally promote and encourage voluntary and charitable organisations and take an interest in the business, urban and rural and social life of the county.

Managing and maintaining the volunteer estate

2.16 Stewardship of the volunteer estate – the sites and buildings that reserves and cadets use – is one of the RFCAs' three core activities. The volunteer estate has numerous sites, ranging from cadet huts to multipurpose reserve centres, which are widely dispersed throughout the UK (paragraph 1.7). The RFCAs aim to provide a legal, fit-for-purpose estate, optimised and modernised for use by the reserves and cadets. The estates teams in each RFCA:

- assure the maintenance of the estate;
- perform land management services such as administering leases and organising disposals, acquisitions and refurbishment;
- manage refuse, recycling and cleaning contracts; and
- generate income by, for example, hiring out buildings when they are underutilised.

All the armed services require the RFCAs to provide a suitable estate, and the SLA with the DIO details how this should be achieved.

2.17 The DIO funds the RFCAs' estates management activities – in 2023-24 the DIO paid them £54.2 million grant-in-aid for this – and provides them with a range of support, as specified in the SLA. The DIO advises the Council and the RFCAs, as required, to enable them to fulfil their responsibilities in managing the estate, including compliance with the MoD's policies on property acquisition and disposals, leases, and health and safety. 'Soft' facilities management, such as cleaning, catering and waste management, is provided through the DIO's Hestia contract at around 40% of volunteer estate sites, and the DIO is responsible for contract management for utilities at almost all sites.¹⁶ The DIO also advises the Council and RFCAs on technical matters, including safety and compliance.

¹⁶ For the remaining 60% of sites, the RFCAs are responsible for procuring and managing these services, which are paid for by grant-in-aid funding from the DIO.

2.18 Until July 2024, each RFCA delivered the maintenance and repair of the volunteer estate (referred to as 'hard' facilities management) through local contracts. However, following a DIO-commissioned value-for-money study, since 1 August 2024 the RFCAs have adopted the DIO's Future Defence Infrastructure Services (FDIS) built estate contracts instead. These contracts have provided these facilities management services for the built estate used by regular forces and the MoD's civilian staff since April 2022. The DIO anticipates that the FDIS contracts will deliver benefits including:

- ensuring statutory and mandatory compliance of the volunteer estate;
- aligning the volunteer estate with how the defence estate is managed;
- improving asset management information on the condition of the volunteer estate; and
- improving the monitoring of supplier performance.

2.19 The FDIS contracts had a six-month 'honeymoon period' from August 2024 until January 2025, to allow the new arrangements to bed in. The first round of quarterly performance reports, for the period August to October 2024, indicated that suppliers were not meeting all their performance measures for either planned or reactive maintenance, and some RFCAs and SLA owners told us that they had not yet seen the anticipated benefits. The DIO told us that it had expected this at this early stage of the contracts, and the Council is working with the contractors to address these issues.

2.20 An issue that emerged following the decision that RFCAs should adopt the FDIS contracts is that the RFCAs are liable to pay VAT on work done through them. As a result, the RFCAs cannot undertake as much maintenance work as they had planned as costs are now higher because of VAT. Facilities management services for the regular defence estate through FDIS contracts are VAT-exempt, and the DIO had assumed that this would also apply to the volunteer estate.

2.21 In 2021 the MoD published a review designed to provide a better understanding of the extent and condition of the volunteer estate, and to identify opportunities to rationalise and optimise it. Subsequently, the MoD established the Reserve Estate Optimisation Programme (REOP), managed by the Army, which works with RFCAs to dispose of unneeded sites, and to reinvest the receipts in modernising other parts of the volunteer estate. As at 31 December 2024, the first phase of REOP had:

- disposed of 64 sites and started or planned the disposal of 46 more – receipts from disposals were £6.8 million, and future receipts were forecast at £7.7 million; and
- renovated 55 sites and started renovation at 30 more – the cost of renovation, including forecast future costs, was £38.1 million.

REOP has not yet secured funding for two further planned phases of this initiative.

Support for the cadets

2.22 In addition to providing a safe and fit-for-purpose estate for their cadet forces (paragraph 2.16), the armed forces have tasked the RFCAs with various other support duties, including:

- promoting the interests of the cadet forces through their employer and civil engagement activities – this includes encouraging employers to support staff who are adult volunteers who run local cadet units; and
- expanding the cadets – for example, RFCA-employed school cadet engagement officers assist schools to establish and develop Combined Cadet Force detachments through the Cadet Expansion Programme (paragraph 1.5).

2.23 The RFCAs provide a more extensive range of support for the Army Cadet Force (ACF) compared with the other cadet forces, and employ more than 500 staff to do this (paragraph 1.9). These staff provide administrative and logistical support, such as booking training facilities, supporting weekend training activities, acting as quartermasters to provide supplies, and maintaining equipment. On a smaller scale, seven RFCA-employed staff manage five RAF Air Cadet training centres, which provide overnight facilities to support training activities. Both the Army and Air Force require that all cadet-facing RFCA employees have the correct disclosure and barring service (DBS) check.

2.24 In addition, RFCA-employed cadet executive officers are county-level leads for advising and supporting the ACF on safeguarding matters. This includes ensuring that necessary safeguarding training is in place and has been delivered for the adult volunteers, and undertaking case management tasks. However, the Army is responsible for all army cadet safeguarding matters, and it established a centralised cadet safeguarding hub in April 2019. Similarly, the other armed services are responsible for safeguarding their cadets.

The Ministry of Defence's monitoring of financial performance

2.25 The MoD provides funding directly to the Council, which is then distributed to the 13 RFCAs (paragraph 1.13). This arrangement was already in place when the MoD transferred the budget for grant-in-aid for general administrative expenditure from the Army to Head Office in April 2022. The MoD also asked HM Treasury to review the financial framework between the Army and the Council which set out these arrangements and the respective responsibilities. In August 2022, this review raised concerns about the framework's compliance with HM Treasury rules. For example, the framework set out that the Council could hold unused grant-in-aid funding it had received from the Army but not spent, as a 'reserve' to be used in future years (paragraph 1.11). This was limited to 3% of the total grant-in-aid funding. This policy is not compliant with the HM Treasury principle of 'annuality', that funding is authorised for a single financial year and cannot automatically be carried forward.

2.26 In August 2022, the MoD began developing a new financial framework for the planned NDPB which would comply with HM Treasury rules. It also began work on an interim financial framework to cover the period before it planned to establish the NDPB. However, by March 2025, the MoD had not finalised this and therefore did not have a financial framework in place which had been approved by HM Treasury.

2.27 The MoD sponsor board is responsible for monitoring the spending of the Council and the RFCAs against their budgets. As part of its annual budget-setting process, the MoD should discuss the proposed budget with the Council and the RFCAs, and then provide the Council with a formal statement of the forecast budget. By March 2023, MoD Head Office had put in place arrangements with the Council to provide the MoD with assurance that public funds were being spent appropriately, including monthly meetings to discuss financial performance and twice-yearly meetings to discuss the annual budget. However, in October 2023, MoD Head Office reported to the MoD sponsor board that gaps in its finance team had limited its ability to do this work. In April 2024, MoD Head Office reported that it lacked the resources to hold regular finance meetings with the Council, and that a discussion with the Council about the 2024-25 budget had not taken place. By October 2024, monthly finance meetings between MoD Head Office and the Council had resumed.

2.28 The Council is responsible for producing a consolidated and audited Annual Report and Accounts, which summarises the activities and financial performance of the Council and the 13 RFCAs. The National Audit Office is not the external auditor for these accounts. The Council then submits the document to the MoD, which is responsible for publishing it. The MoD published the 2020-21, 2021-22 and 2022-23 Annual Reports and Accounts in October 2024, which means that some information about the Council and RFCAs' financial performance was not publicly available until more than four years after it had occurred. This 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. By March 2025, the MoD was working with the Council to finalise the 2023-24 Annual Report and Accounts and it had not published them.

2.29 The MoD provides guidance and support to help the Council and the RFCAs comply with HM Treasury and International Financial Reporting Standards, but gaps remain that mean financial reporting is not compliant. While the Council is responsible for applying the relevant standards, the MoD has a role in providing the Council with the right expertise to do so. Areas of non-compliance include the following:

- The RFCAs' policy of carrying forward unused grant-in-aid (paragraph 2.25). The MoD wanted to revise this policy because it is not compliant with HM Treasury rules and proposed that it no longer be in place from 1 April 2024. In October 2024, the Council agreed that, once it had spent the £1.3 million it had carried forward from 2023-24, it would no longer carry forward unused grant-in-aid from 1 April 2025.
- The presentation and format of the Annual Report and Accounts, which does not comply with HM Treasury's *Financial Reporting Manual*. For example, the Council's Annual Report and Accounts has not included a cash flow statement, nor has it correctly disclosed a defined benefit pension scheme for employees of the Council and RFCAs.
- Reporting of capital projects to the MoD. The DIO recognises a balance of £115 million relating to capital projects undertaken by the RFCAs. The DIO told us that it did not know whether £65 million of this related to projects which were ongoing or had been completed. This was because the Council and the RFCAs had not provided the DIO with timely and accurate reporting.
- Application of a financial accounting standard (IFRS 16) which provides greater transparency about financial commitments under leases. This standard became mandatory for public sector bodies from 1 April 2022. In the 2023-24 Annual Report and Accounts, the Council disclosed £26 million of future lease commitments for the RFCAs. The DIO has provided support to the RFCAs to help them identify and disclose their commitments correctly under IFRS 16. By March 2025, the Council had not implemented this but planned to do so in the 2025-26 financial year.

2.30 Non-compliance with the applicable HM Treasury and international accounting standards has created an inconsistency in the financial reporting of the MoD and the Council. Differences in accounting policies between the RFCAs and the MoD 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.

Appendix One

Our investigative approach

Scope

1 We undertook our investigation to review how the Ministry of Defence (MoD) had implemented the recommendations in its *Review of the Reserve Forces' and Cadets' Associations 2019* (the Sullivan review) and to 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 roles of the reserve forces and the cadet forces and the support that RFCAs and the Council of Reserve Forces' and Cadets' Associations (the Council) provide for them;
- the Sullivan review and the MoD's progress in implementing its recommendations;
- 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.

2 Our investigation does not consider the MoD's decisions regarding the future structure of the RFCAs, including whether they should be amalgamated into a non-departmental public body (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 reserves and cadets themselves.

Methods

3 We conducted our fieldwork between November 2024 and January 2025.

The reserve forces and the cadet forces, and the support that RFCAs and the Council provide for them

4 To understand the role of the reserve forces and the cadet forces, and the support that the RFCAs and the Council provide, we reviewed various reports and publications, including the following:

- Ministry of Defence, *Reserve Forces Review 2030: Unlocking the reserves' potential to strengthen a resilient and global Britain*, May 2021.
- University of Northampton, *What is the social impact and return on investment resulting from expenditure on the Cadet Forces in the UK? Research commissioned by the Ministry of Defence and conducted between 2016–2020, Final Report*, May 2021.
- Ministry of Defence, *Defence's response to a more contested and volatile world*, July 2023, white paper, CP 901.
- Ministry of Defence, *Quarterly service personnel statistics 1 January 2025*, February 2025.
- Ministry of Defence, *MoD sponsored cadet forces: 1 April 2024*, June 2024.
- Reserve Forces' and Cadets' Associations, *Annual Report & Accounts 2023-24: Supporting the generation and sustainment of Reserve Forces now and tomorrow* [draft].
- Council of Reserve Forces' and Cadets' Associations, *The United Kingdom Reserve Forces: External Scrutiny Team Annual Statutory Report 2024*, July 2024.
- Council of Reserve Forces' and Cadets' Associations, *Cadet Health Check Report 2024*, November 2024.

5 To augment our understanding of the role of the reserve forces and the cadet forces, and the support that the RFCAs and the Council provide, we interviewed:

- the MoD's Assistant Chief of the Defence Staff (Reserves & Cadets) (ACDS (R&C));
- the MoD's Head of Reserves;
- the MoD's Head of Reserves Transformation;
- the MoD's Head of Cadets; and
- the Chair, Chief Executive Officer and Chief Operating Officer of the Council.

6 To help us understand the organisation and activities of the RFCAs, we visited East Anglia RFCA and Highland RFCA.

The Sullivan review

7 To understand how the MoD responded to the issues raised in the Sullivan review, we reviewed:

- the MoD's papers recording its progress in implementing the recommendations in the Sullivan review: as part of this work, we classified each recommendation in one of five categories – implemented, in progress, paused, not pursued or transferred – based on the MoD's commentary on what it had done in response to the recommendation, by 31 December 2024;
- the MoD's papers relating to the development of its business case for establishing a RFCA NDPB; and
- papers of the RFCA Reform Programme Board, which operated between July 2021 and April 2023.

8 To augment our understanding of the MoD's role as sponsor of the RFCAs, and how it responded to the issues raised in the Sullivan review, we interviewed:

- the MoD's ACDS (R&C);
- the former Deputy Directors of the RFCA Reform Programme;
- officials of the RFCA sponsor board; and
- the Chair, Chief Executive Officer and Chief Operating Officer of the Council.

The MoD as sponsor

9 To understand the MoD's role as sponsor of the RFCAs, we reviewed a range of key governance documents relating to the relationships between the MoD, the Council and the individual RFCAs. These documents included the following:

- MoD:
 - Reserve Forces Act 1996;
 - Defence Council Order, *The Reserve Forces' and Cadets' Associations Regulations 2014*;
 - *Defence Council Policy Guidance V7.0 for the Reserve Forces' and Cadets' Associations 2019–2023*; and
 - *Defence Council Policy Update Guidance*, March 2022.

- Council:
 - Council of Reserve Forces' and Cadets' Associations Constitution 2023;
 - Council Corporate Plan – FY24 to FY28, March 2024;
 - Council Business Plan – FY24/25; and
 - *A Framework Agreement between CRFCA and the Thirteen Associations*, 2016.
- RFCAs – a sample of seven:
 - Schemes of Association; and
 - Management Plans, 2024-25.

10 To understand how the relationship operates in practice, we reviewed papers of the following boards:

- the MoD RFCA sponsor board;
- the Council board;
- the Council executive board; and
- the Council audit risk and assurance committee.

11 To augment our understanding of the MoD's role as sponsor of the RFCAs, we interviewed:

- the MoD's ACDS (R&C);
- the MoD's Head of Reserves;
- the MoD's Head of Reserves Transformation;
- the MoD's Head of Cadets;
- the former Deputy Directors of the RFCA Reform Programme;
- officials of the RFCA sponsor board; and
- the Chair, Chief Executive Officer and Chief Operating Officer of the Council.

The MoD as customer

12 To understand the customer relationship between the MoD and the RFCAs, and the specific duties relating to engagement with employers and the wider community, managing the volunteer estate, and supporting cadets, we:

- reviewed the service level agreements (SLAs) between the following MoD customers and the Council: Navy Command, Army Command, Air Command, Defence Infrastructure Organisation (DIO), and Chief of Defence People;
- interviewed the senior officers designated as SLA owners for Navy Command and Air Command;
- reviewed a written submission from Army Command on behalf of the senior officer designated as SLA owner; and
- reviewed papers for the triannual customer review meetings.

13 To further understand the MoD's oversight of the RFCAs' management of the volunteer estate, we:

- interviewed the following DIO teams involved in working with the RFCAs: delivery, utilities, commercial, and safety and compliance;
- examined the decision that the RFCAs should use the DIO's Future Defence Infrastructure Services (FDIS) built estate contracts, by:
 - reviewing the DIO's *Volunteer Estate Value for Money Study Report*, December 2023;
 - reviewing papers of the volunteer estate value for money sponsor board;
 - reviewing papers submitted to the MoD's investment appraisal committee regarding the move to FDIS;
 - reviewing FDIS performance reporting data;
 - interviewing the team for the MoD's volunteer estate value for money study; and
 - interviewing the Council's Director Volunteer Estate; and
- examined the Reserve Estate Optimisation Programme, by:
 - reviewing the MoD's *Reserve Forces' & Cadets' Associations Estate Review*, January 2021;
 - reviewing data on the disposals and renovation work undertaken during the first tranche of the programme; and
 - interviewing the DIO estates team regarding the programme.

14 To further understand the MoD's oversight of the RFCAs' employer engagement activities, we:

- reviewed papers relating to the MoD's Defence People Engagement Strategy and its Defence Relationship Management (DRM) activities, including the implementation of recommendations made in the DRM review, 2024; and
- interviewed the MoD's Assistant Head of Employer Engagement.

The MoD as funder

15 To understand the MoD's role as funder of the RFCAs, we:

- reviewed the financial framework which sets out the relationship between the MoD and the Council;
- reviewed papers relating to the annual budget-setting process;
- interviewed the MoD's central finance team that deals with the Council and the RFCAs;
- interviewed the DIO finance team that deals with the Council and the RFCAs regarding their management of the volunteer estate; and
- reviewed the Council's draft consolidated financial statements for 2023-24.

Other work

16 To help us understand the organisation and activities of the RFCAs, we:

- visited East Anglia RFCA and Highland RFCA; and
- issued a call for evidence to the remaining 11 RFCAs, asking for their views on the MoD's oversight of the RFCAs, its performance monitoring arrangements, and its funding arrangements for the RFCAs. We received responses from nine RFCAs; the remaining two RFCAs had mitigating circumstances which meant that they were unable to respond.

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