



National Audit Office

# Ministry of Defence 2024-25

December 2025

OVERVIEW



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# Summary



## C&AG introduction

In 2025, we set out our [new five-year strategy](#). In delivering our statutory responsibilities, we aim to maximise our contribution to two outcomes – more productive and resilient public services and better financial management and reporting in government.

Our overviews summarise the key information and insights from our examinations of departments and from their annual report and accounts, and explore departments' progress against these crucial outcomes, highlighting positive examples and opportunities to improve.

If you would like more information about our work, or to arrange a briefing with me or one of my teams, please contact our Parliamentary Relations team at [parliament@nao.org.uk](mailto:parliament@nao.org.uk).

Objectives	
<b>Purpose</b>	The purpose of the Ministry of Defence (MoD) is protecting the nation, ensuring security and safeguarding the UK's national interests and prosperity.
<b>Strategic Defence Review (SDR)</b>	<p>The Strategic Defence Review sets out five ambitions for defence:</p> <ul style="list-style-type: none"><li>• NATO First</li><li>• Move to warfighting readiness</li><li>• Engine for growth</li><li>• UK innovation driven by lessons from Ukraine</li><li>• Whole-of-society approach</li></ul>
Defence Reform	
<b>The MoD's structure</b>	Effective from 1 April 2025, the Defence Reform programme created four new areas: Department of State, Military Strategic Headquarters, National Armaments Director Group and Defence Nuclear Enterprise.
<b>Budgeting</b>	Each area to be led by a budget holder and spend will fall under three categories: Invest, Readiness and Operate.
Financial management and reporting	
<b>Total spend in 2024-25</b>	£52.7 billion, up from £51.2 billion in 2023-24.
<b>Comptroller and Auditor General's (C&amp;AG's) audit opinion</b>	The C&AG's audit opinion on the 2024-25 Annual Report and Accounts was qualified on two matters.
<b>Spending Review settlement</b>	Spending is projected to increase by 12% over the 2025 Spending Review period to 2028-29.
<b>The Afghanistan Response Route</b>	In September 2025 we published a factual report on the Afghanistan Response Route, which the MoD set up to mitigate the risk to life arising from a data breach in February 2022.
Major programmes	
<b>Government Major Projects Portfolio (GMPP)</b>	Of the 47 MoD projects in the 2025 GMPP, 12 were rated as Red, 27 as Amber and only three as Green.
<b>The UK's F-35 capability</b>	Our report found that the capability achieved for the £11 billion spent to date is a disappointing return so far compared with the MoD's plans.
Strategic themes	
<b>Productivity</b>	The SDR has highlighted opportunities to improve defence productivity through workforce and structural changes, use of technology and artificial intelligence, and reforms to defence procurement.
<b>Risks and resilience</b>	The threats of today are increasingly complex and unpredictable. Supply chains, estates and infrastructure, cyber and military workforces are key areas where the MoD can build resilience to the risks posed by these threats.

# Purpose and vision



## Strategic Defence Review

The Ministry of Defence's (MoD's) purpose is to protect the nation by ensuring security and safeguarding the UK's national interests and prosperity. In 2025 the government published the *Strategic Defence Review* (SDR) which signalled a landmark shift in the UK's deterrence and defence. The SDR recognises that the UK is entering a new era of threat and sets out five new ambitions to transform the way in which defence operates:

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

The government has also announced the largest sustained increase in defence spending since the end of the Cold War: 2.6% of GDP on defence by 2027 and an ambition to reach 3% in the next Parliament.

## Defence Industrial Strategy

The 2025 *Defence Industrial Strategy* (DIS) sets out the government's vision for the UK to become a defence industrial leader by 2035. Its objective is to ensure that the UK has a defence industry capable of implementing the ambitions in the SDR.

To deliver this vision, the DIS identifies six priority outcomes.

- **Making defence an Engine for Growth:** Investing in key sectors and regions, boosting skills and attracting private investment through strategic partnerships.
- **Backing UK based businesses:** Directing spending to UK suppliers to enhance the competitiveness of the UK defence market.
- **UK at the leading edge of defence innovation:** Increasing the pace and scale of innovation.

- **A resilient UK industrial base:** Enhancing UK deterrence and defence through resilient supply chains and improved industry productivity.
- **Procurement and acquisition systems are transformed:** Cutting waste and improving efficiency.
- **Forge new and enduring partnerships:** Improving partnerships with industry and international collaboration.

## The Defence Investment Plan

The MoD is developing a Defence Investment Plan, which will deliver the vision set out in the SDR. The Defence Investment Plan will replace the old-style Defence Equipment Plan and will cover the full scope of the defence programme, including people, operations, equipment and infrastructure.

# How the MoD is structured



## Defence Reform

In October 2024 the Secretary of State for Defence launched the Defence Reform programme, which changes how defence operates.

The MoD's intention is to: "shift an organisation which too often has been obsessed with process to one focused on outcomes—in which information flows quickly, individual accountabilities are clear, and results are demanded".

On 1 April 2025 he announced that four new areas had been created.

- Department of State.
- Military Strategic Headquarters.
- National Armaments Director Group.
- Defence Nuclear Enterprise.

## Budgeting under Defence Reform

In 2025-26, the Principal Accounting Officer will delegate multi-year budgets to each area, categorised as follows.

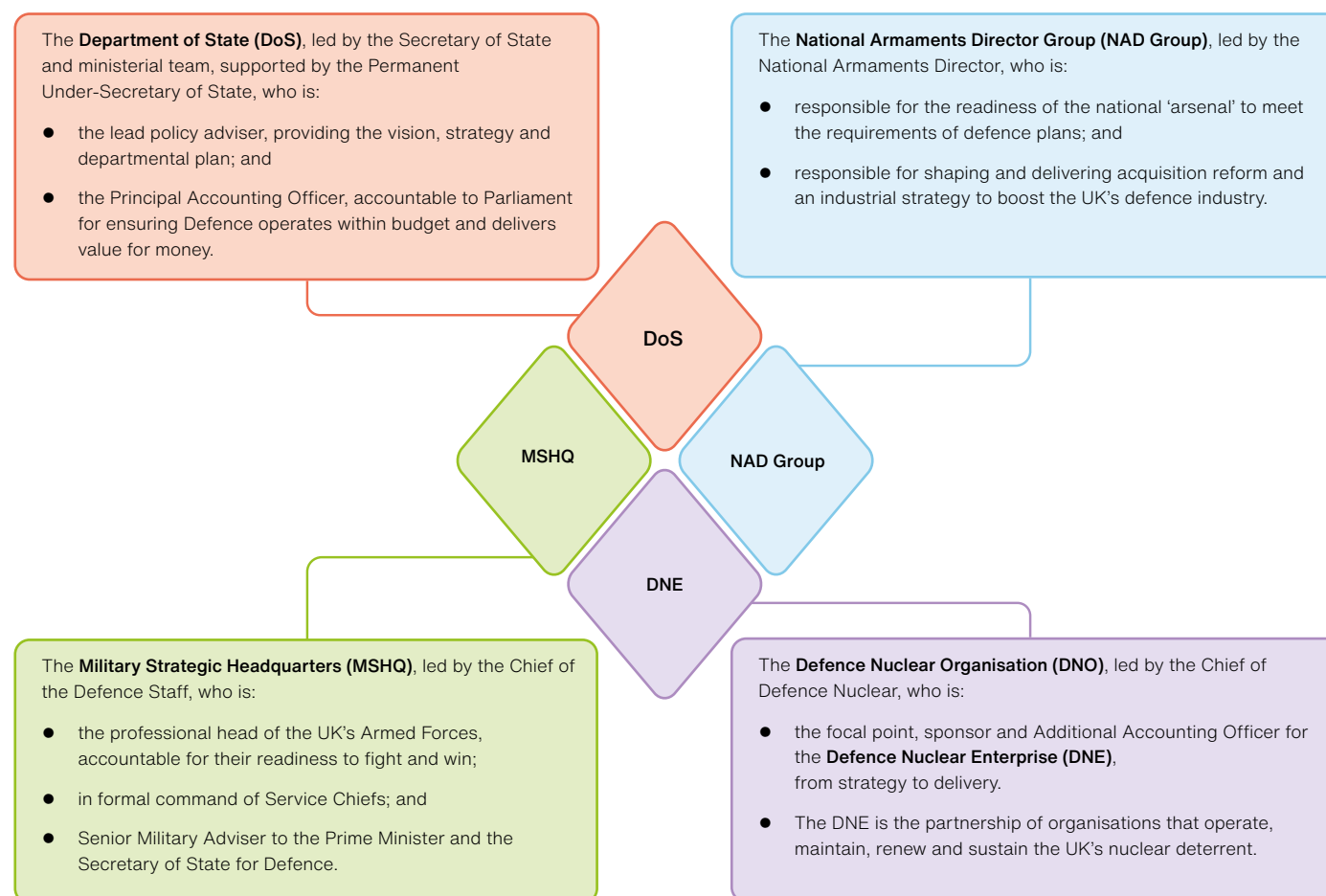
- **Invest:** Held by the National Armaments Director Group, covering investment in the non-nuclear equipment and estate.
- **Readiness:** Held by the Military Strategic Headquarters, covering running costs.
- **Operate:** Also held by the Military Strategic Headquarters, covering military operations.

Arrangements for Chief of Defence Nuclear (CDN) remain unchanged, with CDN accountable for the nuclear ringfence.

**Figure 1**

Responsibilities of senior officials and military personnel under Defence Reform

Under Defence Reform, the Ministry of Defence has created four new areas



Source: Ministry of Defence, *Strategic Defence Review, Making Britain Safer: secure at home, strong abroad*, 2025, June 2025

# Continued

## How the MoD is structured



### MoD's four core areas

**The Department of State** is led by the Permanent Secretary and contains a streamlined set of Director Generals. It is focused on strategy and transformation, people, policy and finance.

**The Military Strategic Headquarters** is led by the Chief of the Defence Staff, who for the first time now commands the service chiefs. Its role is to coordinate the UK's strategic defence planning and develop an 'integrated' force of the five warfighting domains – maritime, air, land, cyber and space – to improve warfighting readiness and lethality.

**The National Armaments Director Group** is led by the National Armaments Director, with a remit to reform defence procurement and focus on international collaboration and exports. It brings together key delivery bodies: Defence Equipment & Support, Defence Infrastructure Organisation, Defence Science and Technology Laboratory, Defence Digital, and parts of Defence Support.

**The Defence Nuclear Enterprise** is led by the Chief of Defence Nuclear. Its role is to operate, maintain, renew and sustain the UK's nuclear deterrent. It brings together the Defence Nuclear Organisation, Submarine Delivery Agency and AWE Nuclear Security Technologies and those elements of the Armed Forces which provide the nuclear deterrent.





# Continued

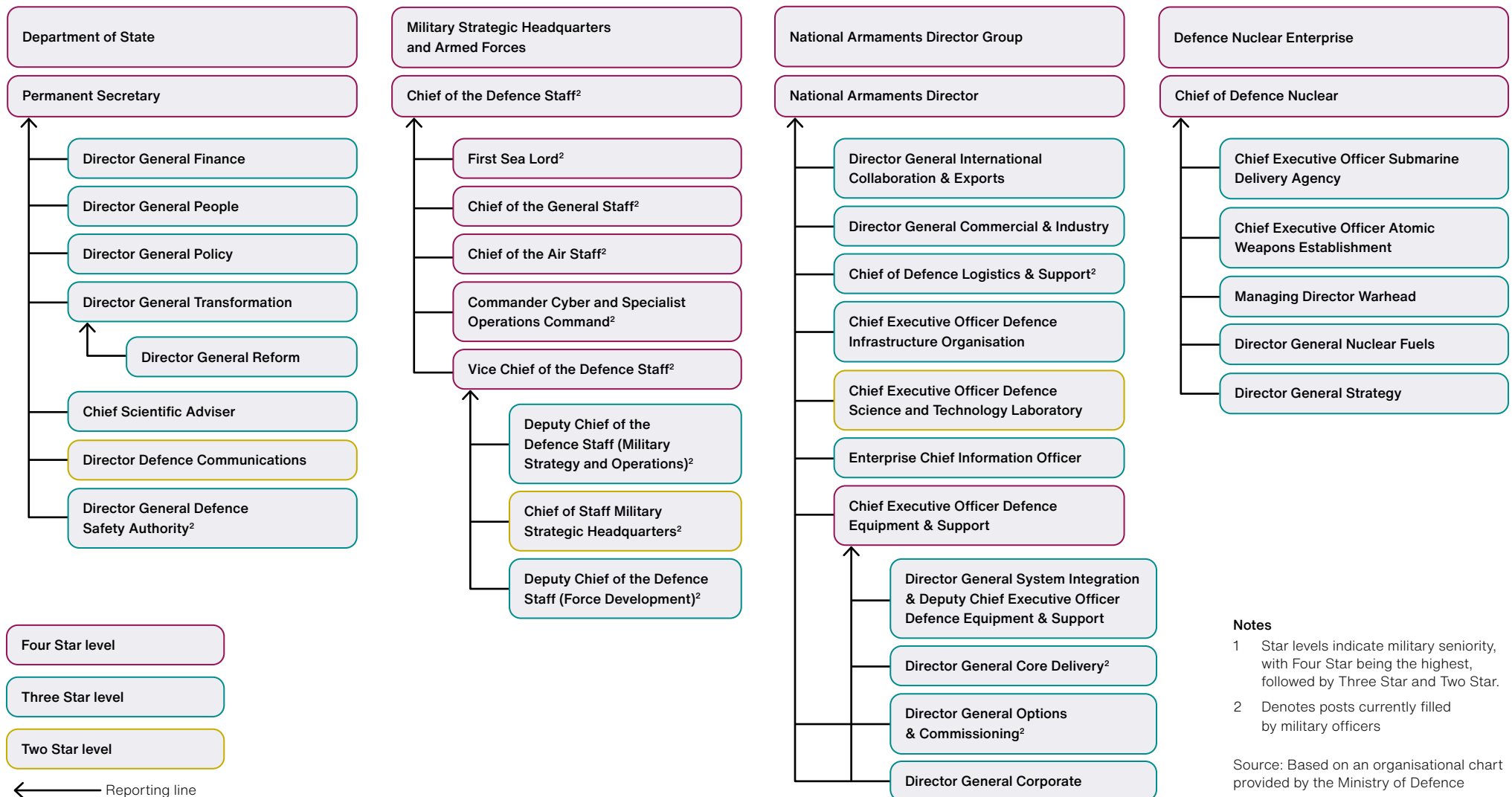
## How the MoD is structured



**Figure 2**

How the Ministry of Defence (MoD) is structured

The MoD is organised under four core areas



# Where the MoD spends its money



In 2024-25, the MoD spent £52.7 billion on its running costs, up from £51.2 billion in 2023-24. This includes day-to-day resources such as staff costs, maintaining military equipment, and management of the Defence estate. It also includes accounting adjustments that are not cash transactions. These include the effect of non-cash depreciation (reduction in value of an asset due to wear and tear) and impairment (reduction in value of an asset due to an event) of military equipment and property.

## Key areas of spending in 2024-25

**Staff costs** make up a significant proportion of the MoD's operating expenditure at **£17.8 billion** (2023-24: £16.4 billion); £13.3 billion (75%) of these staff costs were for military personnel.

**Depreciation, amortisation, impairment, write-ons/-offs and disposals** were **£9.9 billion** (2023-24: £9.2 billion), reflecting a reduction in the value of assets.<sup>1</sup>

**Equipment management costs** were **£8.2 billion** (2023-24: £7.1 billion) and include expenditure to keep military equipment functioning.

**Estate management costs** of £4 billion (2023-24: £3.8 billion) were required to maintain the land and buildings across the MoD's estate.

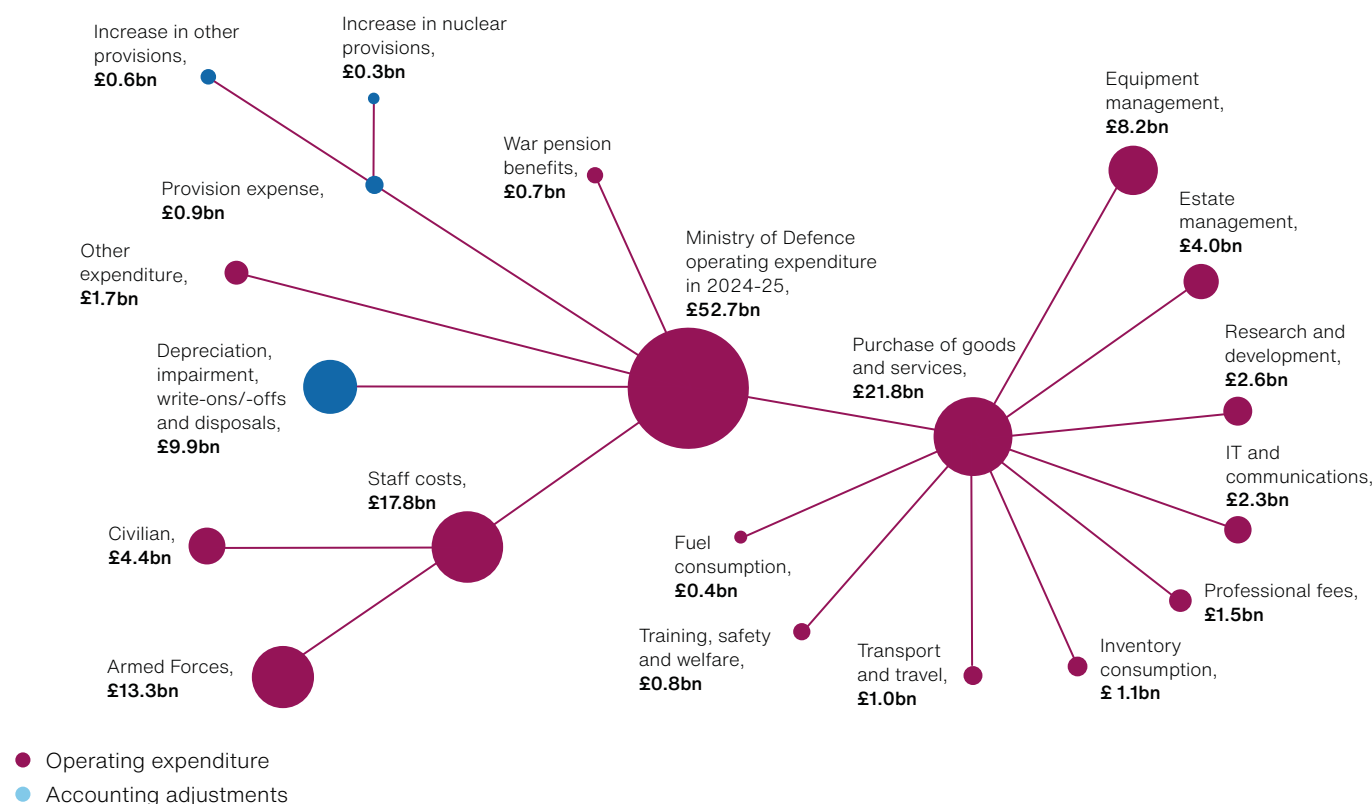
**Provision costs** were **£0.9 billion**.

The provision costs for 2023-24 were restated from £0.8 billion to £3.3 billion due to the comparative legal and other provision figure being materially misstated.

**Figure 3**

The Ministry of Defence's (MoD's) running costs, 2024-25

Staff costs and purchases of goods and services form the majority of the MoD's running costs



### Note

<sup>1</sup> Figures may not sum due to rounding.

Source: National Audit Office analysis of Ministry of Defence [Annual Report and Accounts 2024-25](#)

<sup>1</sup> Depreciation and amortisation are accounting terms that refer to spreading the cost of capital purchases over time.



# Assets and liabilities



The MoD holds significant assets and liabilities. As at 31 March 2025, the MoD had assets worth £209.2 billion, most of which fall into the following categories for financial reporting purposes:

- Property, plant, and equipment (PPE) with a value of £157.4 billion, including land, buildings and military equipment. Of this, £48.3 billion relates to assets under construction.
- £37.1 billion of intangible assets, such as development costs for equipment platforms and transport. Of this, £19.5 billion relates to assets under development.
- Right of use assets of £2.1 billion, which is the value of assets the MoD acquired by lease rather than by buying them outright. This has reduced significantly from 2023-24 following the repurchase of Annington Homes by the MoD in December 2024.
- Inventories, with a value of £5.1 billion. These include raw materials and consumables such as ammunition and fuel.

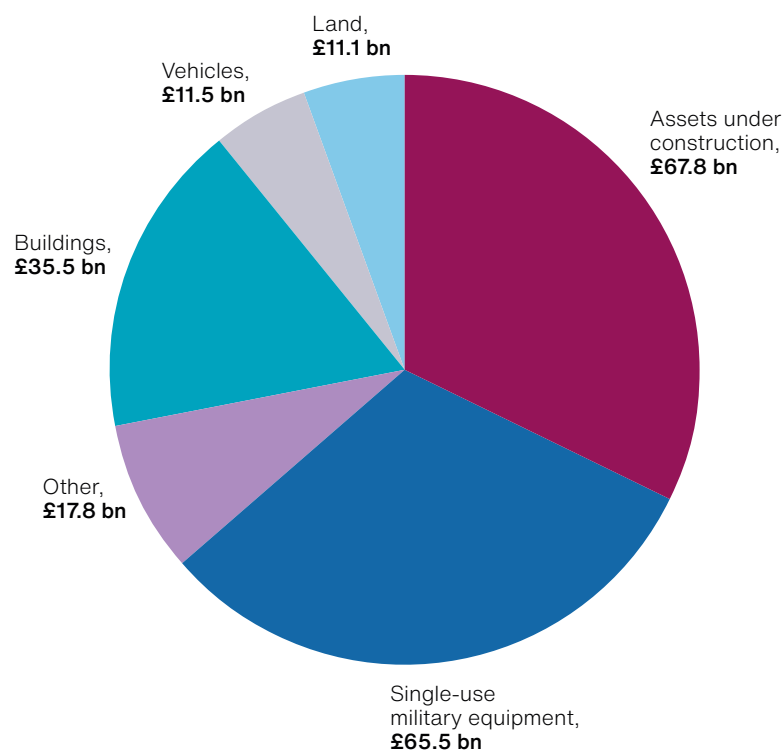
At 31 March 2025 the MoD had liabilities (obligations or amounts owed by the MoD) worth £38.8 billion, including the following.

- Total payables with a value of £21.3 billion, of which £16.5 billion are due within one year, including amounts payable to suppliers and obligations under lease arrangements.
- Provisions, with a value of £16.7 billion, an increase of £3.8 billion since 2023-24. Of the £16.7 billion, £12.8 billion relates to nuclear decommissioning. Provisions are present liabilities, such as the need to decommission nuclear sites, where the value or timing of payments is uncertain.

**Figure 4**

The Ministry of Defence's (MoD's) assets at 31 March 2025

**The largest share of the MoD's assets is in single-use military equipment (equipment which is only suitable for military purposes) and assets under construction**



**Note**

1 Other primarily comprises inventories, cash and receivables.

Source: National Audit Office analysis of Ministry of Defence [Annual Report and Accounts 2024-25](#)



## 2024-25 audit opinion

### True and fair opinion

The Comptroller and Auditor General's (C&AG's) true and fair audit opinion on the [2024-25 Annual Report and Accounts](#) was qualified due to a limitation of scope in respect of the audit of £6.1 billion of assets under construction balances managed by one of its arm's length bodies (ALBs).<sup>2</sup>

- The MoD relies on ALBs and third parties to build and maintain assets on their behalf. Consequently, these ALBs and third parties often have responsibility for departmental assets and assets in the course of construction.
- Lack of effective departmental oversight of a number of these arrangements has meant that the MoD did not have appropriate information nor assurance to ensure that transactions and balances in respect of assets and projects of this type were accurately reported in the financial statements.

### National Audit Office insight: monitoring and forecasting.

Our January 2025 [financial management guidance on monitoring and forecasting](#) highlighted the importance of using high-quality data and information to enable better financial monitoring and help decision makers respond to events quickly and effectively. Difficulties with managing data from different sources can result in a lack of real-time information and delay decision making. Finance leaders should understand the limitations of the data and how this can affect monitoring and forecasting accuracy.

### Regularity opinion

The C&AG's regularity audit opinion on the 2024-25 Annual Report and Accounts was qualified due to a breach of the Non-Budget expenditure control total in its Statement of Outturn against Parliamentary Supply.

As a result of our audit work to obtain assurance over the completeness of provisions for legal claims associated with personal injury compensation and relocation costs associated with Afghan resettlement schemes, the MoD made material adjustments to the financial statements including restating the prior period comparative.

Given that a prior period adjustment was required, and Parliament did not authorise a limit for Non-Budget expenditure within the Supplementary Estimates, the control total was breached and the C&AG's opinion on regularity was qualified as a result.<sup>3</sup>

### Losses and special payments

Due to the size and nature of the MoD's activities, it routinely reports a high value and volume of losses and special payments.<sup>4</sup> However, the quantity and value of these has increased significantly over the last five years.

In 2024-25 the MoD reported £1,897 million of losses and £111 million of special payments. This compares with £82 million of losses and £5 million of special payments in 2020-21.

The most significant losses reported in 2024-25 related to £1,455 million for retirement of ageing equipment announced in November 2024.

From 2022-23 special payments have included payments made in settlement of compensation claims made by personnel or other individuals impacted by Defence activities.

<sup>2</sup> The C&AG gives two opinions on the Annual Report and Accounts. The true and fair opinion involves checking the amounts and disclosures in the financial statements to give reasonable assurance that the financial statements are free from material misstatement. The regularity opinion relates to whether money provided by Parliament is spent on purposes intended by Parliament.

<sup>3</sup> Supplementary Estimates are used to seek additional resources and capital or reallocate existing resources and capital to new activities.

<sup>4</sup> Losses refer to transactions where public money is spent but no benefit is received, while special payments are avoidable or exceptional expenses outside normal business activities.

# Continued Financial management and reporting



## The Afghanistan Response Route (ARR)

In September 2025 we published a [report on the ARR](#). The report set out the facts about the ARR, which the MoD set up to mitigate the risk to life arising from a data breach in February 2022.

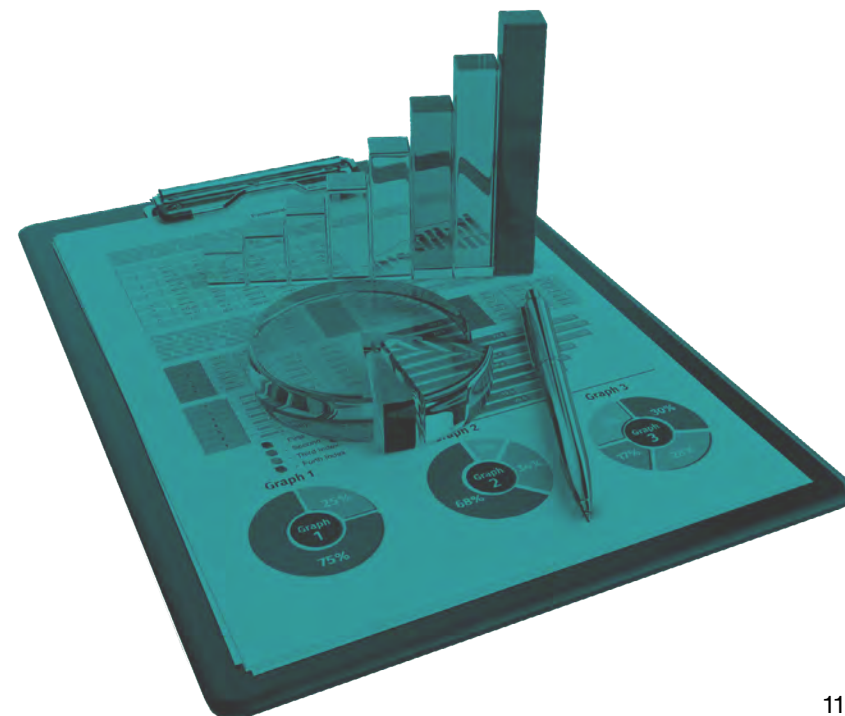
The report found that the MoD estimated in July 2025 that 7,355 people would be eligible for resettlement in the UK through the ARR as a direct result of the data breach. It also estimated that the cost to government of resettling people through the ARR scheme would be around £850 million, not including legal costs or compensation claims.

However, the MoD could not determine exactly how much it had spent on resettling people through the ARR because it did not separately identify these costs in its accounting system. At the time of publication of our report, the MoD had also not given us enough evidence to give us confidence regarding the completeness and accuracy of its estimates of resettlement activity through the ARR. We are intending to perform further analysis of the Afghan resettlement schemes in our report, due for publication in Spring 2026.

## Management of contracts by the MoD on behalf of the Kingdom of Saudi Arabia

In September 2025 we also published a [report examining the MoD's arrangements for managing contracts on behalf of the Kingdom of Saudi Arabia \(KSA\)](#). It considered two major programmes through which the MoD manages the supply of military equipment and associated services on behalf of the KSA. Our investigation was prompted by a court case in which the defence raised questions about the MoD's knowledge and involvement in alleged irregular payments made to a subcontractor on one of the programmes between 2007 and 2012.

We undertook the investigation to bring transparency to the current arrangements. We found that the MoD has a clear set of controls to manage and oversee expenditure relating to the contracts it manages on behalf of the KSA and that its actions are currently compliant with those controls. It has sought to learn lessons from the court case with which it has been involved and has strengthened its processes. We identified no significant areas of concern.



# Armed Forces Pension Scheme



## Armed Forces Pension Scheme

The Armed Forces Pension Scheme (AFPS) is a defined benefit occupational pension provided to most members of the UK Armed Forces. It offers one of the most generous retirement packages in the country, reflecting the unique commitment and sacrifice of military service.

Members do not contribute to the scheme. The MoD makes employer contributions into the scheme, and this is used to pay benefits to current pensioner members. Between April 2019 and March 2024, contributions were 63.5% of pensionable pay.

## Armed Forces Compensation Scheme

The Armed Forces Compensation Scheme (AFCS) compensates for any injury, illness or death which was caused by service.

## Financial management and audit

The AFPS and AFCS, known collectively as 'the Scheme', are managed and operated within the MoD. A separate Annual Report and Accounts is presented for the Scheme, audited by the National Audit Office.

At 31 March 2024, the liability for future pensions was £144,600 million and £5,686 million of pension benefits had been paid in the 12 months to 31 March 2024.



# Defence spending and the spending review



Between 2020-21 and 2024-25, the MoD's total Departmental Expenditure Limits (DEL) spending has increased by 21%, once inflation is taken into account.<sup>5</sup> Capital expenditure has increased by 65%, whereas day-to-day expenditure has remained stable, increasing only by 4%.

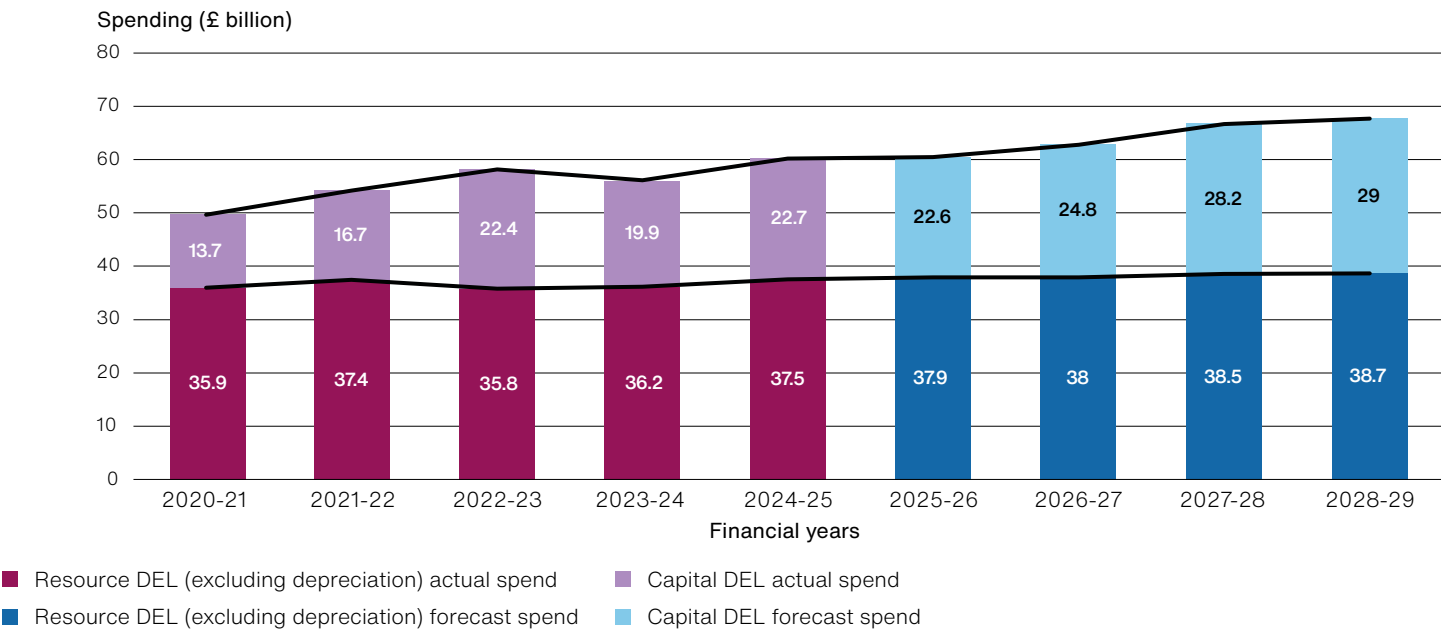
- The majority of the increase in overall spending has been in capital investment, which has had an average annual increase of 15% to 2024-25, adjusting for inflation, as a result of higher spending on equipment.
- By contrast, spending on day-to-day expenditure has had an average annual increase of 1% to 2024-25, once inflation has been taken into account. Military and civilian personnel costs and equipment running costs are the main elements of day-to-day spending.
- The average number of full-time equivalent MoD employees has remained similar over the period, with increases in civilian personnel offset by reductions in military.

Total DEL spending is projected to increase by 12% over the 2025 Spending Review period to 2028-29. Capital expenditure is the main driver for the increase, and is expected to account for 43% of the total DEL budget by 2028-29, compared with 28% in 2020-21.

<sup>5</sup> DEL refers to annually voted expenditure, which covers day-to-day, planned and controllable departmental expenditure.

**Figure 5**  
Ministry of Defence Departmental Expenditure Limits outturn from 2020-21 to 2024-25 and projected spending from 2025-26 to 2028-29

**Total spend is projected to increase by 12% over the 2025 Spending Review period to 2028-29**



**Notes**

- 1 Numbers represent MoD departmental expenditure limits voted by Parliament. As with all departments, HM Treasury, within an overall budget, sets the MoD separate annual budgets for capital (spending on equipment, machinery and buildings, known as Capital Departmental Expenditure Limits), and resource (spending on day-to-day expenses such as staff costs and administration, known as Resource Departmental Expenditure Limits).
- 2 The resource spending figures do not include non-cash transactions such as depreciation and provisions, for which the MoD receives a separate ringfenced limit from HM Treasury.
- 3 The resource spending figures have been shown excluding ringfenced depreciation because HM Treasury describes RDEL excluding depreciation as its primary control for resource budgets.
- 4 Figures for 2020-21 to 2024-25 reflect actual DEL outturn and figures from 2025-26 to 2028-29 represent projected spend for the Spending Review period
- 5 All figures are shown in real terms in 2024-25 prices using GDP deflators (HM Treasury, June 2025).

Source: National Audit Office analysis of Ministry of Defence [Annual Report and Accounts 2024-25](#) and HM Treasury [Spending Review 2025](#)

# Continued Defence spending and the spending review



The MoD's priorities set out in the [2025 Spending Review](#) include the following.

- **Nuclear:** £15 billion over this Parliament for a sovereign warhead programme, supporting over 9,000 jobs in the UK.
- **Directed energy weapons:** nearly £1 billion of new funding this Parliament to deliver the first European laser-directed energy weapon in service.
- **Autonomous systems:** over £4 billion in autonomous systems. This will include £2 billion of new investment this Parliament, including for land drone swarms.
- **Munitions:** £6 billion for munitions this Parliament, including £1.5 billion for an 'always on' pipeline and at least six new energetics and munitions factories in the UK, generating over 1,000 jobs.
- **Infrastructure:** At least £7 billion in this Parliament for a once-in-a-generation renewal of military accommodation, including over £1.5 billion new investment for rapid work to fix forces family housing.

The 2025 Spring Budget provided a £2.2 billion increase for the MoD in 2025-26 and a settlement to increase NATO qualifying defence spending to 2.6% of GDP by April 2027. The government has also committed to providing £3 billion in military support to Ukraine each year.

## National Audit Office insight: allocating resources

The MoD's 2023-33 Equipment Plan was unaffordable, with the MoD estimating that forecast costs exceeded available budget by £16.9 billion. While the creation of a ringfence around nuclear funding helps protect the MoD's highest defence priority, it has put greater pressure on other programmes.

Our 2024 lessons learned report [A planning and spending framework that enables long-term value for money](#) found that there is a tendency in government to prioritise short-term delivery and spending control at the expense of long-term objectives, major programmes and asset maintenance. This feeds a cycle of firefighting.

As set out in our 2024 guidance [Financial management in government: allocating resources](#), the MoD will need to make informed resource allocations that balance immediate demands with long-term priorities.





# Major programmes



The MoD has some of the largest procurement programmes (also known as projects) in government, with 47 in the 2024-25 Government Major Projects Portfolio (GMPP). Over many years, the MoD has regularly experienced difficulties delivering many of its projects to required performance, cost and time. Of the 47 projects in the 2024-25 GMPP, 12 were rated as 'Red', 27 as 'Amber' and only three as 'Green', with five exempt.

**Notes on ratings:** Ratings are given by the programme Senior Responsible Owner, or National Infrastructure & Service Transformation Authority (NISTA), where a project receives active NISTA support or has undertaken an independent NISTA assurance review in the last six months. Ratings are categorised as either 'Red', 'Amber' or 'Green' and provide a delivery confidence assessment each year. Prior to 2021-22 there were also categories of 'Amber-Red' and 'Amber-Green'. Some of the MoD's projects are exempt from this rating for national security reasons.

## National Audit Office insight: major programme

Our 2021 report on [\*Improving the performance of major equipment contracts\*](#) found that problems stem from supplier under-performance; weaknesses in the MoD's programme, contract and financial management; the MoD and suppliers underestimating project scope and complexity; and the MoD prioritising short-term solutions given its affordability challenges.

Our 2021 report, [\*Lessons Learned from Major Programmes\*](#), sets out that, when it comes to delivery of a major programme, scope should be clearly aligned with strategic objectives; decision makers should understand the limits of cost and schedule estimates; and information relating to the programme should be accurate, consistent and timely.

On page 21 we describe the MoD's proposals to reform procurement in major programmes.

## Ratings from the programme Senior Responsible Owner or NISTA:

### Green:

Successful delivery of the project on time, budget and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery.

### Amber-Green:

Successful delivery appears probable; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.

### Amber:

Successful delivery appears feasible but significant issues already exist, requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.

### Amber-Red:

Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to address these problems and / or assess whether resolution is feasible.

### Red:

Successful delivery of the project appears to be unachievable. There are major issues with project definition, schedule, budget, quality and / or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and / or its overall viability reassessed.

### Exempt:

Data can be exempt in exceptional circumstances and in accordance with Freedom of Information requirements, e.g. protecting national security.

# Continued Major programmes



**Figure 6**

Delivery confidence assessments for major defence projects from 2017-18 to 2024-25

Most Ministry of Defence projects are rated Amber

Project name	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Air</b>								
A400M	Amber	Amber	Amber	Amber	Amber	Amber	Amber	Amber
E-7 Wedgetail	Green	Green	Green	Amber	Amber	Amber	Red	Red
European Common Radar System Mk2	Green	Green	Green	Green	Amber	Amber	Amber	Amber
Future Combat Air System	Green	Green	Green	Amber	Amber	Red	Red	Red
Lightning	Amber	Amber	Amber	Amber	Red	Amber	Amber	Amber
Marshall	Red	Green	Amber	Green	Amber	Amber	Amber	Amber
Protector	Red	Amber	Amber	Amber	Amber	Amber	Red	Red
<b>Army</b>								
Armour Main Battle Tank	Amber	Amber	Amber	Amber	Amber	Amber	Amber	Amber
Armoured Cavalry 2025 (Ajax)	Amber	Amber	Amber	Amber	Red	Amber	Amber	Amber
Chinook Capability Sustainment Programme	Green	Green	Green	Green	Green	Amber	Amber	Amber
Collective Training Transformation	Green	Green	Green	Amber	Amber	Amber	Red	Amber
Ground Based Air Defence	Green	Green	Green	Green	Amber	Amber	Amber	Amber
Land Environment Tactical Communication and Information Systems	Amber	Amber	Amber	Amber	Amber	Amber	Amber	Red
Land Intelligence Surveillance Target Acquisition and Reconnaissance	Green	Green	Green	Green	Amber	Amber	Amber	Red
Mechanised Infantry Programme	Amber	Amber	Amber	Green	Green	Amber	Amber	Amber
New Medium Helicopter	Green	Green	Green	Amber	Amber	Amber	Green	Amber

# Continued Major programmes



Project name	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Navy</b>								
Crowsnest Programme								
Fleet Solid Support								
Mine Hunting Capability								
Multi Role Strike Ship								
Naval Support Integrated Global Network								
Type 26 Global Combat Ship Programme								
Type 31e								
<b>Nuclear</b>								
Astute Boats 1-7								
Clyde Infrastructure								
Core Production Capability								
Dreadnought								
Future Materials Campus								
MENSA								
Submarine Dismantling Project								
Submarine Waterfront Infrastructure Future								
SSN AUKUS								
Teutates								

# Continued Major programmes



Project name	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Missiles</b>								
Brimstone 3								
Future Cruise Anti Ship Weapon								
Martlett								
Meteor								
Sea Venom								
Spearcap 3								
Spearfish Upgrade Programme								
<b>Cross Service enablers</b>								
Armed Forces Recruitment								
Defence Estate Optimisation								
Joint Crypt Key Programme								
MODNET Evolve								
New Style of Information Technology (Deployed)								
Next Generation (fixed) Communication Network								
Skynet 6								

## Note

1 Ratings are given by the programme Senior Responsible Owner, or National Infrastructure & Service Transformation Authority (NISTA).

Source: [National Infrastructure and Service Transformation Authority, Annual Report 2024-25](#)

# The UK's F-35 capability



In July 2025 we published a value for money report on *The UK's F-35 capability*. The F-35 is a technologically cutting-edge multirole stealth fighter aircraft conceived in the 1990s by the US Department of Defense. The MoD began taking delivery of F-35B aircraft, a variant which can be used from land or aircraft carriers, in 2012.

The MoD has committed to purchasing 138 F-35s, with 48 currently on contract and 38 having been received at the time of our report's publication. In June 2025 the MoD confirmed that the UK would purchase 15 F-35Bs alongside 12 F-35As in the next procurement phase, and that the F-35As would be capable of carrying both nuclear and conventional weapons. The MoD expects its F-35 fleet to remain in service until 2069.

The UK is one of eight nations that are partners in the global F-35 programme, which is run by the Joint Program Office (JPO) based in Washington DC. The MoD is heavily dependent on the performance of the JPO for cost-effective delivery of the aircraft and engines and provision of support and upgrades. The MoD is fully responsible for providing other elements of capability, such as providing trained pilots, engineers and other personnel, infrastructure, and weapons development. The MoD is also responsible for providing related capabilities, such as the aircraft carriers and air bases which the F-35 is designed to fly from.

The report examined the current UK F-35 fleet's capability, delivery and availability, including supporting enablers, and how well the MoD has managed the F-35 programme and its costs.

## The report's findings and recommendations

The report found that the UK's F-35 capability achieved for the estimated £11 billion MoD has spent so far is a disappointing return compared with MoD's plans, even if other programme benefits have been significant. In particular:

- The 37 F-35 aircraft now in service (one was lost in 2021 in an accident) represent a significant improvement in the warfighting capability of the UK's Armed Forces.
- Because of early and consistent commitment, the UK's position in the global programme has remained influential and contributed to UK companies earning significant contracts supplying the global programme.

But due to failings of both the MoD and the global programme, the level of overall UK F-35 capability is currently lower than the MoD intended it would be by now, and will be for several years.

Since 2010, the MoD's decisions to meet wider affordability challenges have led to delays in the delivery of aircraft and key infrastructure.

- The MoD has not been able to sustainably deliver its targets for aircraft availability, resulting in flying hours that have been below its requirements for pilots.
- The MoD has also failed to address personnel shortages and does not expect to fill gaps until 2028.
- The global programme has had a series of issues that have delayed production and hindered logistical support, while technology upgrade and support costs have also increased markedly over recent years.
- Despite these problems, in recent years, the MoD's F-35 programme team has demonstrated effective and collaborative day-to-day management.

We recommended that the MoD should develop a full assessment of the value it intends the programme to deliver, as well as calculate whole life programme costs, to give decision-makers informed choices about future investment trade-offs. We also recommended that, to improve programme management effectiveness, the MoD should consider structural changes, such as extending senior staff tenures, providing appropriate financial and commercial freedoms, simplifying accountability, and streamlining its approvals regimes.



The National Audit Office (NAO) [Strategy for 2025–2030](#) sets out an ambition for public services to be more productive and resilient. This is essential if the government is to ensure value for money and meet the evolving needs of the country.

To improve its productivity, the MoD recognises that it needs to foster greater innovation as well as reform its procurement systems.

A new era of global threats has required a landmark shift in the UK's approach to defence and to support this, the government has committed to spending 2.6% of GDP on Defence by 2027.

However, successive NAO reports have found that the MoD's spending plans remain unaffordable, with the 2023–2033 Equipment Plan exceeding its budget by £16.9 billion. Increasing productivity will therefore be key to delivering maximum value from the uplift in defence spending. This will involve optimising the civilian workforce, harnessing new technologies, and improving defence procurement processes.

## Civilian workforce and structural reform

In our 2019 report on [Reforming the civilian workforce](#), we found that the MoD had an inadequate understanding of its civilian workforce, which meant it had not modernised working practices or achieved efficiency savings.

The Strategic Defence Review (SDR) recognises the need for reform and sets out the MoD's desire to improve performance, productivity and skills in the Civil Service workforce and to reduce costs by 10% by 2030. As a first step, the MoD intends to automate 20% of HR, Finance and Commercial functions and move military personnel from administrative to front-line roles by 2028.

More broadly, as set out in the Defence Industrial Strategy (DIS), the MoD plans to work more closely with industry and education providers to deliver the skills and expertise the defence industry needs to keep the nation safe.

## Technology and artificial intelligence (AI)

In 2021, the MoD published its [Digital Strategy for Defence](#). The following year, [we reported](#) that the strategy provided clear direction across the MoD, but that challenges remained in delivering the major digital programmes required to meet the needs of the modern battlefield.

In the SDR, the MoD recognises that new technologies, and in particular AI, will allow it to deliver with increased productivity. Technological innovation is also crucial if the UK is to stay ahead of its adversaries.

This year, the government has established a new body, UK Defence Innovation (UKDI). With its £400 million annual budget, UKDI will streamline the delivery of innovative technology to the Armed Forces. From 2025–26, the MoD has also committed to spending at least 10% of its equipment budget on novel technologies.





## Defence procurement

The SDR highlights that defence procurement systems have not materially changed since the Cold War and that they do not serve the current needs of defence. Over the years, risk reduction and consensus have been prioritised at the expense of productivity and innovation.

Military power is increasingly considered in terms of how quickly the Armed Forces and industry can innovate and operationalise rapidly developing technology. However, for projects valued above £20 million, it currently takes an average of six and a half years for the MoD to award a contract.

In our 2024 [\*Investigation into military support for Ukraine\*](#), we reported that the MoD significantly improved its normal procurement timescales when procuring equipment for Ukraine. To streamline the process, the MoD exempted these procurements from its standard regulations and oversight, which makes it difficult to make direct comparisons with its business-as-usual procurements. However, the MoD is seeking to apply learning from its procurements for Ukraine.

In 2025, the MoD announced a new segmented approach to defence procurement. This approach aims to increase productivity by maximising industrial expertise, accelerating acquisition processes and engaging a wider set of suppliers. As part of this, the MoD will introduce new timescale targets for procurement:

- Major platforms, such as tanks, frigates and aircraft, will go from an average of six to two years to contract.
- Upgrades to communications and weapons systems will go from an average of three to one year to contract.
- Off-the-shelf kit, such as drones and software, will have a target of three-month cycles.

## Supporting the Public Accounts Committee

In April 2025 we supported a Public Accounts Committee session on The Future of the Equipment Plan. The Committee discussed the MoD's plans for improving defence procurement, including the need for clearer accountabilities and delegation, as well as the benefits from providing industry with a problem statement rather than a set of requirements.

The Committee recommended that the MoD provide it with an update on how it has improved defence procurement. The Committee emphasised the importance of reporting to Parliament in this area and stressed that reporting should be timely and evidence based.



## The MoD's principal risks

In its 2024-25 Annual Report and Accounts, the MoD has identified principal risks including:

- the capacity and skills of its workforce;
- transforming the Force through science, innovation and technology;
- its ability to keep people safe and secure;
- increasing its cyber and wider resilience;
- creating an alliance with industry and resilience in the supply chain;
- building and maintaining robust and effective relationships with its partners; and
- adapting to the impacts of climate change.

These risks reflect the fact that the UK is operating in a more dangerous and complex world and that the threats of today are increasingly diverse and unpredictable. Building resilience is important to ensure that the UK is able to withstand and recover from the shocks and challenges arising from these threats.

## Resilience

Drawing on our recent work, we have set out some insights on a few areas that are important for building resilience within defence.

## Supply chain resilience

Recent global events have revealed the problems with relying on international just in time supply chains. In our 2023 report [\*Defence inventory management\*](#), we found that the MoD's approach had previously prioritised cost reduction over performance and resilience. While this approach was suitable for an environment of relative global stability, it is now leaving the MoD vulnerable to sudden shocks to international supply chains. This just-in-time approach has resulted in inadequate levels of stockpiles, which have been further depleted by donations to Ukraine.

Providing a clear, long-term demand signal to industry partners is crucial to encouraging investment and developing defence capabilities. Recognising the importance of munitions, in particular to warfighting resilience, the government has announced an investment of £6 billion for munitions over this Parliament, including at least six new munitions and energetics factories.

The DIS emphasises that today's strategic context demands that industrial readiness and resilience are among the highest priorities for defence. To respond to this, the MoD is improving its collaboration with industry. For example, it has set up a new Defence Industrial Joint Committee (DIJC) to bring together groups from across the sector and plans to develop Defence Growth Deals to target priority sub-sectors across the UK.

## Estates and infrastructure

Despite its crucial role in supporting military capability, the defence estate has faced years of under-funding. In our 2021 report [\*Optimising the defence estate\*](#), we found that the MoD had not demonstrated that it could deliver value for money from its estate. We also reported in [\*Improving Single Living Accommodation\*](#) that the MoD was not meeting its commitment to provide high-quality subsidised accommodation to all service personnel.

In 2022, the MoD published its [\*Strategy for Defence Infrastructure\*](#), which aims to ensure the defence estate is resilient to future threats and meets the evolving needs of the Armed Forces. The MoD has also committed to £9 billion of funding over the next 10 years to renew military accommodation.

The recent SDR sets out an ambition for an increase in reserve and cadet forces and the MoD recognises that the estate is a critical enabler of this ambition. In our 2025 [\*Investigation into the Ministry of Defence's oversight of the Reserve Forces' and Cadets' Associations\*](#), we reported that the MoD has begun work on an optimisation programme for the volunteer estate.

# Continued Risk and resilience



## Cyber

The cyber domain has become central to modern warfare. The consequences of cyber attacks, such as data loss, can be catastrophic, and so developing the capabilities to operate in the cyber domain is key to building resilience against these threats.

Our 2025 report [Government cyber resilience](#) found that the government's cyber resilience levels are lower than it previously estimated, and that cyber incidents affecting the government are likely to happen regularly. The SDR highlighted the intolerable levels of cyber risk carried by defence as a result of legacy systems.

Following on from its 2022 [Cyber Resilience Strategy for Defence](#), the MoD is continuing its programme of work to improve Defence's cyber security. In the SDR, it announced the creation of a new CyberEm Command to develop and bring together the MoD's activities in the cyber domain.

### Case study: MoD cyber incident

In May 2024 the MoD's payroll contractor's network was compromised by a malicious cyber actor. This network held an estimated 270,000 payroll records belonging to members of the Armed Forces. This included names and bank details and, in a small number of cases, addresses and National Insurance numbers.

## Military workforce

The composition of the UK Armed Forces has been shaped by the strategic priorities and risks of the post-Cold War era. Poor recruitment and retention has contributed to a persistent decline in the number of UK Regulars and this shortfall is having a significant impact on the skills most critical to the UK's strategic advantage.

The government recognises that it needs to be prepared for high-intensity and protracted war. It is not enough to change the equipment with which the Armed Forces fight; there must also be a change in the way in which the Armed Forces are supported to allow a more flexible and rapid response to threats.

The SDR notes that there is no scope to reduce the number of Regulars and envisages an increase in total numbers when funding allows. It also sets out an ambition to increase the number of Reserves by 20% in the 2030s. In 2025, we reported on the MoD's oversight of the Reserve Forces' and Cadets' Associations. The report highlighted the important role the Reserve Forces play in the UK's defence plans, for example, the specialist civilian capabilities, such as cyber skills, that they bring to the Armed Forces.

# About the NAO



The National Audit Office (NAO) is the UK's independent public spending watchdog and is responsible for scrutinising public spending for Parliament. We audit the financial accounts of all departments, executive agencies, arm's-length bodies, some companies and charities, and other public bodies. We also examine and report on the value for money of how public money has been spent.

The NAO is independent of government and the civil service. The NAO's wide remit and unique access rights enable us to investigate whether taxpayers' money is being spent in line with Parliament's intention and to respond to concerns where value for money may be at risk.

We support all Members of Parliament to hold government to account, and we use our insights to help those who manage and govern public bodies to improve public services.

## We produce reports:

- on the annual accounts of government departments and their agencies;
- on the economy, efficiency and effectiveness with which government has spent public money; and
- to establish the facts where there are concerns about public spending issues.

We do not question government policy objectives. We look at how government has spent money delivering those policies and if that money has been used in the best way to achieve the intended outcome.

## How the NAO supports Parliament

Through our website or our Parliamentary Relations team, MPs, peers and staff can:

- request a personal briefing on areas of our work that are of interest to them;
- sign up to receive embargoed copies of our reports on subjects of interest;
- make general queries about public spending, or raise concerns with us about value for money; and
- request advice on understanding and scrutinising departments' annual reports and accounts.

Our dedicated Parliamentary team can offer you support and put you in touch with our experts on subjects of interest to you and your constituents. If you would like more information about our work, or to arrange a briefing, please contact our Parliamentary Relations team at [parliament@nao.org.uk](mailto:parliament@nao.org.uk).

## Other relevant publications

More information about our work, as well as information about our other recent and upcoming reports can be found on the [NAO website](#).

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## About this report

This report has been produced to provide an overview of the NAO's examination of the spending and performance of the Ministry of Defence (MoD).

It is intended to support the Defence Select Committee and Members across the House in their examination of the MoD.

This report updates our previous report, [\*An Overview of the Ministry of Defence for the new Parliament 2023-24\*](#) published in October 2024.

## How we have prepared this report

The information in this report draws on the findings and recommendations from our financial audit and value for money work, including the annual report and accounts of the MoD and its partner organisations. In some cases, to provide the most up to date information, we have drawn on information from publicly available documents. We have cited these sources throughout the guide to enable readers to seek further information if required.

Where analysis has been taken directly from our value for money or other reports, details of our audit approach can be found in the Appendix of each report, including any evaluative criteria and the evidence base used. Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source as well as any appropriate notes to help the reader understand our analysis.