

Two recent reports have shed light on the progress being made in the MOD with its acquisition practices. Both the National Audit Office and the House of Commons Defence Select Committee have pronounced on how the MOD has fared, writes Nick Watts of Great North News Services. The NAO reported on the affordability of the Equipment Programme (EP) for the period 2012 – 2022. This report audits the assumptions and the affordability of the EP, if the projections for defence spending remain as expected. The risk here is that this may not remain the case if the economy does not recover sufficiently and the MOD is forced into further cuts. Recent pronouncements have put a question mark against future levels of defence spending while the next Comprehensive Spending Round (CSR) is being negotiated. Ministers will need to ensure adequate funding is secured over the period of the next CSR to enable the EP to remain affordable.

The NAO notes with approval the fact that the MOD's assumptions regarding the EP are "reasonable and realistic". This results from top level engagement and is a result of the overhaul the Department has undergone since 2010. Considering that the 10 year EP amounts to some £159 billion, it is reassuring to see that the MOD has regained control of its budget! While the NAO was concerned with forward plans, the House of Commons Defence Select Committee was reviewing progress, in terms of past performance. Like the NAO, the HCDC notes approvingly that MOD has reformed its working practices and the EP is no longer overheated. It commends the actions taken to bring the defence budget into balance.

The HCDC paper reads like a school report of a bright but wayward child. "Could do better" seems to be written in not so invisible ink throughout. In particular the report notes that the decision to change the variant of F35 which the MOD initially selected (F35B) to the catapult launched carrier variant and back again, reflected poorly thought through decision making at the top level of the Department. Closer collaboration between the MOD, the Treasury and industry might have prevented this happening. The report also notes that the lack of a coherently articulated Defence Industrial Strategy is affecting industry's patience with the MOD.

Overall the tenor of the two reports is better than has previously been the case. However, the HCDC asserts that if the UK is to retain operational independence, it needs to be able to field its own equipment. Reliance on allies for equipment or "Off the Shelf" acquisitions brings risks which are unforeseeable. The problems with developing new cutting edge equipment such as the F35 pose a risk that one project going over budget will eat into the contingency reserve which the MOD has carved out of its budget. Equally the MOD has included the cost of fuel in its cost projections for the air tanker project, which might be re-visited and adjusted downwards.

All well? Perhaps, but the audited EP is only looking at the Core EP. There remain those projects which are in development and assessment such as Co-operative Engagement Capability (CEC) and Network Enabled Air Defence (NEADS) which the MOD has on its wish list but which are not yet in the core EP. The Department must take care that it does not see the rise of another unfunded "Black Hole".