



Public Accounts and Defence Committees

House of Commons, London SW1A 0AA

Rt Hon Theresa May MP
Prime Minister
10 Downing Street
London
SW1A 2AA

7 June 2018

Dear Prime Minister

MINISTRY OF DEFENCE BUDGETARY PRESSURES

We are writing following your appearance at the Liaison Committee on 27 March. Both our committees have highlighted our increasing concerns about the severe budgetary pressures faced by the Ministry of Defence.

We are concerned that new commitments and emerging threats means the budget will not deliver all that is promised. The existing affordability gap affecting traditional defence equipment and support programmes, combined with the intensification of new threats such as cyber, chemical and biological attacks, risk undermining UK national security as well as our ability to play an effective role in the world.

We fully accept your assertion in the Liaison Committee that the Ministry of Defence must make efficiency savings where possible, and our committees have both pressed the Department on many occasions for evidence that it is doing this. We are concerned that the Modernising Defence Programme will not be able to deliver the additional capabilities required to respond to new threats and undertake necessary organisational reforms within the existing budget.

In recent years, our committees have examined in detail the challenges faced by the Ministry of Defence in fulfilling its role whilst continuing to balance the books. Last month's report issued by the Committee of Public Accounts found that the 10 year Defence Equipment Plan faces an affordability gap of at least £4.9 billion, rising to £20.8 billion if all identified risks materialise. The Committee will shortly be scrutinising the Defence Nuclear Enterprise, where there is a £2.9 billion affordability gap over the next 10 years, even after implementation of a major savings programme. The Committee has previously highlighted the £8.5 billion funding gap in relation to maintaining the defence estate over the coming 30 years, where there has been little or no investment for a decade.

In addition, the Defence Select Committee has on several occasions highlighted the unrealistic and over-optimistic nature of the department's savings targets, which if not met will result in the affordability gap growing further. It has also expressed considerable concern at the uncertainty around the full costs of one of our most

important defence investments – the F35 jet. The Joint Committee on the National Security Strategy has also pointed to the “structural hole” in the Defence budget. Such concerns are not simply about balancing the books, as important as that is. Rather, the very real effects of inadequate funding can be seen in the extremely worrying decline in morale amongst our Armed Forces, shown very starkly in the latest results of the Armed Forces Continuous Attitude Survey, which was published last week.

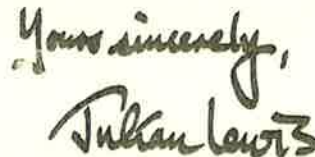
We urge you to consider our concerns as you examine future spending plans and the work of the Modernising Defence Programme.

We look forward to hearing from you.

Yours sincerely,



Meg Hillier MP
Chair, Committee of Public
Accounts



Rt Hon Dr Julian Lewis MP
Chair, Defence Committee