



House of Commons
Defence Committee

**The Strategic Defence and
Security Review:
Government response to
the Committee's First
Report of Session 2010–11**

Fourth Special Report of Session 2010–11

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The Defence Committee

The Defence Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Ministry of Defence and its associated public bodies.

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Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at: www.parliament.uk/defcom.

Committee staff

The current staff of the Committee are Alda Barry (Clerk), Georgina Holmes-Skelton (Second Clerk), Karen Jackson (Audit Adviser), Ian Thomson (Inquiry Manager), Christine Randall (Senior Committee Assistant), Christine McGrane (Committee Assistant) and Miguel Boo Fraga (Committee Support Assistant).

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Fourth Special Report

The Defence Committee published its First Report of Session 2010-11 on *The Strategic Defence and Security Review* on 15 September 2010, as House of Commons Paper HC 345. The Government's response to this Report was received on 19 November 2010. This is appended.

Government response

Introduction

The Government welcomed the HCDC Report on its publication. This is the Government's detailed response.

Since publication of the Report, the Government has published the National Security Strategy (NSS) (Cm 7953) and the Strategic Defence and Security Review (SDSR) (Cm 7948) on 18 and 19 October respectively. The Prime Minister made a statement to the House of Commons on 19 October. The House of Commons subsequently debated the NSS and SDSR on 4 November.

A number of points raised by the Committee have been addressed in the NSS and SDSR or in subsequent Government statements. This response aims to collate these and to respond to those points in the Report that have not previously been addressed.

We are pleased that the Report recognises the importance of establishing the new National Security Council (NSC), and the important role that it has played in developing the NSS and SDSR. We welcome too, the Committee's recognition that one of the most important capabilities a country can possess in relation to Defence is a strong economic base. We share the Committee's emphasis on implementation as an integral part of the SDSR and welcome the Committee's intention to scrutinise that implementation.

We also note the Committee's concerns. The Report raises a number of points with regard to: the speed at which the Review took place; the potential adverse impact on Defence resources of the inclusion of wider security concerns in the SDSR and the requirement to drive down Government costs; and consultation with Defence industry and other stakeholders.

The Government's response to the Committee's individual conclusions and recommendations as set out on pages 3-7 of the Report are as follows:

The National Security Council

1. (Recommendation 1) The Committee welcome the establishment of the National Security Council and look forward to assessing its role with regard to defence over the course of this Parliament. (Paragraph 4)

We are pleased that the Committee recognises the important role the new NSC played as the strategic forum responsible for directing development of the NSS and SDSR, and taking responsibility for final decisions. Under the Chairmanship of the Prime Minister, it integrated at the highest level the work of the foreign, defence, home, energy and international development departments, and all other arms of government that contribute to national security. Its main objective is to ensure a strategic and tightly coordinated approach across the whole of government to the risks and opportunities the country faces and give strategic direction to the efforts of our Armed Forces in Afghanistan to help them succeed in their mission. The NSC has met regularly throughout the Review and played an

important role in ensuring a comprehensive and coherent outcome. The NSC will continue to oversee all aspects of Britain's security.

Policy context

2. (Recommendation 3) We support the Review being broadened in scope, in order to set the country's defence needs in a stronger foreign and security policy context—as our predecessor Committee recommended. Inclusion of broadly defined security concerns within the Review does, however, risk the dilution of the defence contribution. Immediate or short-term security issues and threats might dominate the Review to the exclusion of the medium to long-term defence assessments made by the MoD. Medium to long-term threats, and those capabilities needed to meet them, are as important to this Review as those the country faces, and requires, in the shorter term. We hope the NSC will recognise this. (Paragraph 8)

The Government recognises that we must find more effective ways to tackle risks to our national security by taking an integrated approach, both across government and internationally, to identify risks early and treat the causes, rather than having to deal with the consequences. That is why this Review adopted a comprehensive approach involving Departments responsible for defence, international development, foreign policy and domestic security. However, that did not mean that the Defence contribution was diluted. The MOD was a major contributor to the SDSR. Defence structures and capabilities were considered alongside all other security capabilities to measure the relative contributions effectiveness and cost of each. The Defence Secretary and Chief of the Defence Staff played an active role in NSC discussions. The Prime Minister also had a number of meetings with the Chiefs of Staff.

3. (Recommendation 4) It would be short-sighted to allow current operations overly to determine the nature of future capabilities, manpower levels or training needs. (Paragraph 9)

Afghanistan remains the MoD's main effort until 2015. But the Government agrees that we must also, in parallel, prepare our forces for future challenges in 2015, 2020 and beyond. The outcome of the Future Force 2020 has been central to our consideration of our needs beyond the short term. The Review has therefore considered the potential future demands on our Armed Forces, including the Future Character of Conflict, and identified the capabilities we are likely to require in 2020. We have focused in greatest detail on those decisions that need to be taken in the next four years (this Spending Review). But we have also planned capabilities for the longer-term—for example on cyber operations or on carrier strike.

4. (Recommendation 5) We understand the Government's need to tackle the deficit and ensure financial soundness. One of the most important capabilities a country can possess in relation to its defence is a strong economic base. Yet we are concerned at the possible consequences of the MoD's budget not being ring-fenced for the future, unlike those of DFID and the Department of Health. The capacity of the country even to sustain current in-use capabilities and therefore current operations could well be put at risk by the proposed cuts of between 10% and 20%. (Paragraph 11)

The Government shares the Committee's view that you cannot have strong Defence without a strong economy. Without regaining economic strength we will be unable to sustain in the long-term the capabilities required, including military capabilities, to keep our citizens safe and maintain our influence on the world stage. The Government also shares the Committee's views on the importance of national security and defence, and therefore decided that the MoD would only reduce expenditure by 7.5%—lower than many other areas of government. The Government believes the MoD will have the resources to procure the capabilities it will need for the medium to long term, while still devoting all the necessary resources for the mission in Afghanistan. The SDSR makes clear that front line capabilities for Afghanistan will be protected from cuts.

5. (Recommendation 6) The SDSR is running in parallel to the Comprehensive Spending Review. The Government should reassure us that this symbiosis will have the positive result that the outcomes of the SDSR will be fully funded, even when translated into more detailed programmes, including the issue of Trident, by the departments involved. (Paragraph 12)

Running the SDSR in parallel with the Comprehensive Spending Review enabled the Government to reach informed judgements on both the required levels of expenditure on Defence and the affordability of the future Defence programme. Disconnecting the two processes would have risked creating SDSR proposals that were unaffordable in the context of wider government funding or a Defence spending settlement which was insufficient for Defence requirements. Indeed, it has been a criticism of previous Defence Reviews that they have not been tied closely enough to long term spending decisions. The legacy of over-commitment in the Defence programme in advance of the SDSR amounted to around £38Bn. In addition, there are systemic pressures in Defence equipment and personnel costs. A major focus of the Review has been to address this over-commitment and these future pressures. Further detailed costing of the proposals for changes will be undertaken in the context of the annual Defence Planning Round But the Government believes we have begun to deal with this legacy. We will seek to make the savings we have outlined as soon as we can to begin to tackle these pressures.

Timetable

6. (Recommendation 7) The rapidity with which the SDSR process is being undertaken is quite startling. A process which was not tried and tested is being expected to deliver radical outcomes within a highly concentrated time-frame. We conclude that mistakes will be made and some of them may be serious. (Paragraph 14)

The Government believes it was important and right to take work forward quickly. The legacy of unaffordability had to be addressed within the Defence programme. The deficit reduction had to be taken forward as a matter of urgency. It was sensible to align the SDSR and the Spending Review for the reasons set out above.

This SDSR was able to draw on very significant preparatory work within the MoD, in particular Global Strategic Trends, assessing the strategic context out to 40 years, and on the Future Character of Conflict (investigating how the use of the Armed Forces would evolve in a similar timescale), and the previous Government's Green Paper that described the key questions for a future Review. All these papers were completed in February 2010.

Coalition parties had also undertaken significant preliminary thinking prior to taking office. This was a solid base on which to build and take forward further work once the SDSR formally began. The process for the Review also reflected study of previous UK reviews and consultation with allies and partners who had recently completed their own reviews. The process involving the NSC was, of course, new but it was a beneficiary of considerable expertise from individual departments and a significantly enhanced Cabinet Office team that brought the necessary experience to complete the Review.

The National Security Strategy and MoD studies

7. (Recommendation 8) We believe that the original intention of Government was for the Strategy to be published before the summer, which would have helped establish a degree of discussion and public engagement that is otherwise lacking. We regret that the Strategy is still not a public document. (Paragraph 15)

The NSS and SDSR were developed together and were both coherent and consistent. Crucially, the strategic approach of the NSS and its priorities fed directly into SDSR decisions. Clearly both the NSS and SDSR had to make hard choices about which capabilities to protect, which to enhance, and which to cut back, and therefore they both had to be developed in close coordination with the Spending Review. It thus made sense to publish them in October when their shared strategic approach could best be demonstrated.

8. (Recommendation 9) We appreciate that holding the Review after the CSR would have been unsatisfactory, but the brevity of the SDSR as a result of its running in parallel with the CSR means that it will not be as comprehensive and considered a Review as would otherwise have been the case. (Paragraph 17)

There was significant detailed work that preceded the SDSR, including the previous Government's Defence Green Paper that involved cross-Party participation. Defence undertook a wide variety of individual studies and contributed to others under Cabinet Office leadership. These were designed to allow a wide-ranging approach to a variety of issues. The duration of the studies varied according to their complexity but they drew on substantial existing expertise and benefited from contributions and thinking on areas of choice that pre-dated the studies' formal start dates. The studies were specifically tasked to take account of inter-dependencies in their analysis and findings. The Defence Secretary's Defence Strategy Group (DSG) had the opportunity to consider these wide ranging options offered, challenge any tensions between proposals, and decide which should be pulled through into specific options for the NSC.

The timing for the studies' process was clearly limited but rigour was not compromised in terms of the major areas of choice.

9. (Recommendation 10) It seems increasingly likely that the MoD will have to shoulder more than the running costs of the successor programme to Trident. The implications of this for the MoD's budget would be very significant. In practice, this decision seems to put the issue of Trident renewal into the SDSR without making this explicit, which unhelpfully reduces the transparency of the process. (Paragraph 20)

The costs of the strategic nuclear deterrent have long been a part of the Defence budget and the Government has decided to continue this arrangement. How this is reflected in future

Defence budgets is a matter for future Spending Reviews. The Government has provided in significant detail the outcome of the value for money study which it decided to undertake in this Review.

Clearly during the SDSR there was sensitivity in these discussions, especially the security implications of the choices and the detailed work underpinning them. The SDSR White Paper offers a clear and very open account of where the NSC has agreed that savings will be made while preserving strategic nuclear deterrent for the long term.

Costing and industry involvement

10. (Recommendation 11) We are concerned that the MoD costings for the studies used in the Review have been established before there has been an opportunity fully to explore the possible extent of financial benefits from procurement or acquisition reform. The importance of the costing of these studies being rigorous cannot be underestimated. (Paragraph 22)

The Government agrees the need for rigorous costing. Every year the MoD undertakes a Planning Round, which is the mechanism by which the costs of the Defence Programme (including capabilities) are updated and decisions are made on how financial resources should be allocated across the Department, in support of our strategic objectives. The first stages of Planning Round 11 (PR 11) were used to rigorously re-cost the Defence Programme, in support of the work to develop the SDSR. The MoD is satisfied that the costing data used to underpin the SDSR was as robust as possible.

The costs of the Defence Programme do take account, where appropriate, of future savings and benefits from a range of change programmes. If the levels of savings change then this can be factored into future Planning Rounds. However, there needs to be a high degree of certainty regarding the delivery of these savings before we can look to incorporate them into the Defence Programme. The Defence Acquisition Reform Programme, which was set up in response to the Gray Report, looks primarily at improving our initial cost estimates of programmes, improving delivery skills and introducing a greater degree of control over the Equipment Programme to ensure it remains balanced. These measures are expected to deliver future financial benefits, but these are unquantified, particularly in the form of more rigorous project costing. We have set ambitious targets: on average, cost growth should not exceed 0.4% a year, and slippage should be under 0.8 months per annum.

Further reform of acquisition will be carried out as part of the Defence Reform Unit's Review. Acquisition is one of the key areas the Defence Secretary wants to build the Department around. Lord Levene will look to work closely on this with the next Chief of Defence Materiel, once appointed.

Work is progressing on describing the "as-is" model and where there are obstacles, identifying what constitutes an effective acquisition process. This includes comparing with other countries, the level of industry involvement, the role of the Single Services, and the role of DE&S.

11. (Recommendation 12) We request the views of the Government on the regularity with which it intends to undertake such Reviews in the future. We support the proposal

contained in Bernard Gray's report of ten year budgets for the MoD, but ask the Government to explain how longer term funding would work in practice. We also consider that it should involve greater flexibility in transferring money between budgetary years and that the existing limited degree of flexibility should be devolved further within the Ministry. (Paragraph 23)

The Government is committed to undertaking further Strategic Defence and Security Reviews every five years. The NSC will consider the most appropriate means to take this forward in the light of regular Spending Reviews and parliamentary terms.

The MoD will continue to undertake financial planning on a ten year basis. The budget for the first four years is set via the Spending Review process. For the later years we will work to a planning assumption, agreed with the Treasury, that the Defence equipment budget and associated equipment support spending will be protected in real terms, to enable longer-term capability planning. The planning assumption is just that—and may not reflect the final budget outcome after the next Spending Review.

Like all Government departments, the MoD must spend within the annual Departmental Expenditure Limit budgets agreed in the Spending Review. In certain instances it may make sense to transfer money between budgetary years and these would be dealt with on a case-by-case basis with the Treasury. We intend to provide an annual indication of the affordability of the equipment procurement and support programme, across the ten years, to the HCDC.

12. (Recommendation 13) An SDSR that takes no account of what the defence industries can provide in this country, in terms of skills and capacity, and which does not explore fully what sovereign industrial capabilities are required, would be a folly. (Paragraph 24)

The SDSR made decisions about the capabilities our Armed Forces require now and in the future. This was based on an assessment of the future threats that the UK is likely to face as highlighted in the NSS. The Government acknowledges that UK industry has a vital role in equipping and supporting the UK Armed Forces, including on operations. The industrial implications of the key SDSR choices were therefore given careful consideration. The Government recognises the importance of protecting the industrial capabilities associated with our sovereign requirements, and will be engaging further on this in the New Year, as part of a formal consultation following the publication of a Green Paper on defence and security industrial and technology policy.

13. (Recommendation 14) We have serious concerns that the defence industry has only been formally consulted in very few areas. There is a very real danger that the examination of which capabilities are required for the UK's security and defence needs is disconnected from the examination of how, when and at what cost those capabilities can be provided and sustained, and the vital skills base retained. Treating defence industrial capacity and capability as an after-thought risks reducing the robustness of what the SDSR will propose. (Paragraph 24)

Ministers and officials had numerous discussions with industry representatives whilst the SDSR was in progress. This included a full meeting of the National Defence Industries Council (NDIC), chaired by the Defence Secretary, and various sub-group meetings. There

were also many meetings of Ministers or officials with individual companies. This included a series of sessions with key suppliers inviting them to offer innovative cost-effective solutions to providing current and future Defence capabilities.

As announced at the beginning of the SDSR, the Government will build on its conclusions with a Green Paper on defence and security industrial and technology policy to be published by the end of 2010. Following a formal consultation period in the New Year, which will allow all interested parties the opportunity to comment, the Government plans to publish a White Paper setting out its policy for five years, until the next strategic Review. The policy will look at strengthening bilateral international co-operation and collaboration; supporting those small and medium-sized enterprises that are a vital source of innovation and flexibility; protecting the industrial capabilities associated with our sovereign requirements; recognising the vital importance of science and technology to our future security; and giving full Government support to exports.

Manpower costs and the Reserve Forces

14. (Recommendation 15) We welcome the Secretary of State's radical intent and attention to the number of senior officers in the Armed Forces, an issue which has required action for some time. (Paragraph 25)

As the Committee will be aware, the Secretary of State has made clear that he will look closely at rank structure in our Armed Forces. This will be taken forward in the work the Defence Reform Unit is doing (covered in more detail below).

15. (Recommendation 15) We hope that the Review will consider other radical ideas relating to how the burden of accommodation, medical and education costs can be born more equitably across relevant Government departments. (Paragraph 25)

We agree that many other Government departments, beyond the MoD, have an important role to play in supporting our Armed Forces. The Programme for Government, which lists some of the steps to be taken in order to rebuild the Armed Forces Covenant, includes measures in the areas of health and education. For example, we will work closely with the National Health Service and have committed an extra £20 million per year for additional medical staff and better mental healthcare facilities for Service personnel. We have also set up an independent Armed Forces Covenant Task Force, led by Professor Hew Strachan, to identify innovative answers to the issues facing the Armed Forces and their families. More generally we will develop a New Employment Model predicated on an improved balance between the demands made of Service personnel and their families and the cost of supporting them, primarily by promoting greater stability in Service life while continuing to compensate for mobility.

16. (Recommendation 16) We are disappointed that there has been no specific work-stream within the MoD on developing the role of the Reserve Forces, especially considering the radical intent behind the SDSR. We were assured that some of the MoD studies cover the use of Reservists, but it seems odd that there has been no discrete study dedicated to exploring this issue. We requested information concerning the relative costs of reservist and regular units—for example a Multiple Launch Rocket System (MLRS) regiment—but the MoD failed to provide comparative costings. This is

unsatisfactory, and reveals MoD's failure to address seriously the option of placing capabilities into the Reserve Forces at much lower cost, as the Americans have done. We recommend that the increased use of Reservists should be properly covered by the NSC in its discussions. (Paragraph 26)

Reserve forces were considered as part of the overall force structure and capabilities studies. There was a strong case for reviewing whether our Reserve forces are properly structured for the type of conflict we envisage undertaking in future so that we make best use of their skills, experience and capabilities whilst at the same time moving towards a more efficient structure. The SDSR concluded therefore that the MoD will undertake a specific six month study into the future role and structure of the Reserves which will be led by the Vice Chief of the Defence Staff.

Cost-cutting and reform

17. (Recommendation 17) We acknowledge that the MoD has already undertaken significant reductions in Main Building and other personnel while managing operations at a level over and above what the Defence Planning Assumptions provided for within the 1998 Review. But early decisions on cuts before the outcome of the SDSR is known—and before the more detailed work that will follow fleshing out the high level proposals from the SDSR—may hinder the Department in carrying out the changes required by the Review and may impede its subsequent performance. (Paragraph 27)

Decisions on future personnel numbers were taken in the context of the wider force structure changes proposed by the SDSR. More detailed decisions will be taken in parallel with detailed work on implementing those high-level force structure decisions. The Government recognises the challenges inherent in making significant reductions in military and civilian personnel while undertaking a process of major change and conducting a challenging operation; and will monitor and manage the risk accordingly.

18. (Recommendation 18) The Secretary of State has also announced his intention radically to reform the structure of the Department, proposing its division into 'three pillars'—strategy and policy, the armed forces, and procurement and estates. We are concerned that the MoD is beginning a process of structural change, to make the Department more capable of carrying out what it is tasked to do, before it learns exactly what it will be tasked to do in future. (Paragraph 28)

The Defence Reform Unit has begun its work that will consider structural change. The timetable has been designed to ensure it can bring forward recommendations in light of the future Defence tasking set out in the SDSR.

19. (Recommendation 19) We can understand that there is an urgency to the SDSR process, both in terms of alignment with a CSR intended seriously to address the deficit, and in terms of the pressing need for a defence review a decade since the last was undertaken. However, the Department could end up with only short-term priorities, misaligned resources, a barely reformed acquisition process and a structure short of manpower to deliver good performance and improperly configured for its tasks. (Paragraph 29)

The Government believes that the NSS and SDSR show that the approach taken is genuinely strategic and focused for a coherent force structure for 2020 and beyond. The work that follows, including Defence Reform, will aim for a similar coherence and considered approach to our long term interests.

20. (Recommendation 20) We welcome the Secretary of State's determination that this should be a real review rather than just a cost-cutting exercise. However we are not convinced that the combination of a budgetary straight-jacket, the short timescale, and the apparent unwillingness by the Ministry to think outside existing structures, will deliver that end. (Paragraph 29)

We refer the Committee to our previous answers. We look forward to engaging the Committee on the outcome of the Review and its implementation.

Consultation and the public

21. (Recommendation 21) There has been limited consultation this time. We acknowledge that this is not entirely the fault of the Government since the timetable of the House's own nomination processes and the summer recess were factors in this. It is nonetheless regrettable. The chance to look in more detail at the processes and inputs before the SDSR will be published would have been very useful. (Paragraph 30)

We share the Report's explanation of the constraints. The Government looks forward to engaging with the Committee on the outcome of the Review and its implementation.

22. (Recommendation 22) We are concerned, given general public opposition to the war in Iraq, and questionable support amongst the electorate for current operations in Afghanistan (notwithstanding general support for Armed Forces personnel), that the lack of general consultation may create a greater sense of disconnection between the decisions of Government and the understanding of the people at large on defence issues. (Paragraph 31)

We engaged widely on the SDSR. The Defence Secretary invited contributions in July 2010. The MoD received over 6,000 responses from industry, the public, academics, MPs, members of the Armed Forces, and public servants within and beyond Defence. We reviewed this information in two ways: to identify good ideas for doing things better (i.e. more effectively, efficiently or economically) to be followed up in the SDSR and the Defence Reform Unit, and to draw conclusions where possible about what it tells us about the issues of concern to the Defence community. The Government has taken an active interest in the continued public, academic, and other debates that takes place on the future of Defence. Government Ministers also gave a series of speeches during the SDSR to update on progress. These included Parliamentary debates and engagement with interested think-tanks, academic institutions, industry and Service charities.

23. (Recommendation 23) We do not know exactly how high level the SDSR will be, or how clear the implications for the MoD and the Armed Forces will be from the White Paper. It is important that publication of the Review is accompanied at the time of its release or as soon as possible thereafter with material that will at least allow a greater insight into what the Review means for defence manpower, capabilities and equipment. We consider that the SDSR represents a missed opportunity to reconnect the people of

the country with defence issues. It will be essential whenever the successor review is conducted that this matter is addressed head on, and that in the intervening period the MoD communicates the outcome of the SDSR effectively to the wider public. (Paragraph 32)

The SDSR sets out the high-level changes the Government is proposing. In a number of cases, including our long-term basing plan and the management of personnel reductions, detailed follow-on work will be required. We will be as open as we can be and will take decisions as quickly as possible to minimise uncertainty for individuals, families and communities. We have made every effort to communicate the outcome of the SDSR to the wider public and be honest and frank about the difficult measures that the Government has taken. The Prime Minister's statement in the House of Commons clearly indicated the importance we attach to communicating and explaining our decisions. We will continue to aim for openness and transparency as implementation proceeds.

Other issues

24. (Recommendation 24) We would welcome improved financial burden-sharing that reflects the MoD's contribution to the aims and objectives of other Government departments. (Paragraph 33)

There already is some financial burden-sharing. For example, the MoD received some reimbursement this year from DFID for the use of military assets to support the Haiti disaster relief and for using military aircraft to move aid supplies to the Pakistan flood relief. The NSS and SDSR show the progress that is being made in sharing the burden on security tasks and, where appropriate, developing better integrated funding for them. The Government has decided to increase the size of the Conflict Pool from £229M in 2010–11 to £300M in 2014–15. This will enable us to plan our conflict work several years ahead and to deliver more cross-government support to long-term conflict prevention and stabilisation programmes in, for example, security sector reform, in which DFID and FCO participate, together with MoD. We will aim to increase the percentage of Overseas Development Aid spent on projects that prevent or deal with conflict, drugs, crime, and human rights abuses in developing countries. Such spending supports poverty reduction and UK national security. We are investigating whether some of that funding could contribute to activities funded from the core Defence budget.

25. (Recommendation 25) We understand the value of departments with related research and technology budgets pooling resources so that defence and security priorities across Government can be better and more flexibly funded. In the light of our predecessor Committee's dismay at recent reductions in defence research and technology, we would be most concerned if Government support in this field were to be cut still further. (Paragraph 34)

With constrained resources, and as technology advances, we must try to maintain an effective balance in our programmes and maintain flexibility to adapt to the unexpected. We will focus investment on developing capabilities and countering threats in key areas such as autonomous systems, sensors, new material including nanotechnology, cyber and space. We will maintain a lower level scientific overview of others to anticipate technology shocks and to spot opportunities. We will also maintain our existing policy of close

cooperation with the US and our other NATO allies on ballistic missile defences, and we intend to support proposals to expand NATO's role.

No final decisions have been taken on the level of S&T funding in Defence's PR 11 programme, but the SDSR makes it clear that we are maintaining our essential S&T investment. We intend to publish a Green Paper before the House rises for the Christmas recess that will set out our intended approach to industrial policy and the closely related issues of research and technology. This will cover cooperation across government, industry, and academia and our relationship with key allies. The result will be published in a White Paper next spring that will formalise our approach for the five years until the next SDSR.

26. (Recommendation 26) We hope that the studies relating to estates within the SDSR process have given more focus and depth to the context within which decisions as to the size and use of the MoD estate will be made later in the year. It is unsatisfactory that the MoD has given insufficient attention to estates issues over recent years. We look to the MoD in its response to this Report, and within the SDSR, to give full and proper weight to how it might better understand and exploit its estate. (Paragraph 35)

27. (Recommendation 27) We seek assurances that the NSC has received inputs from other Government departments, such as DWP and DCLG, about the possible implications of the closure of bases or garrisons for the Exchequer and for local economies. (Paragraph 36)

MoD did consider estate issues in the SDSR not just in terms of military basing. It is clearly important that changes are considered in the round to ensure the most efficient and appropriate use of our facilities. A range of options is being considered that will significantly change the way MoD delivers infrastructure. We intend to use the opportunity of the major changes in the Review to develop a more cost-effective and coherent solution to our overall basing requirements. Work has already begun with the Government Property Unit and the Defence Reform Unit to ensure compatibility with wider government initiatives and we will continue to consult all relevant stakeholders. Detailed investment appraisals and wider impact assessments will be factors in all such decisions.

28. (Recommendation 28) We do not know whether the current discussions between the MoD and the Treasury in the context of both the CSR and the SDSR will cover the future use of the Reserve. We wish to be informed whether, alongside the CSR settlement for the MoD and the SDSR's exploration of how operations might be funded in future, there may be some development or indeed restriction placed upon access to the Reserve. We will watch this aspect of the relationship between the Treasury and the MoD with close attention. (Paragraph 37)

The SDSR has made no change to the convention that the Net Additional Costs of Military Operations will be funded from the Reserve.

29. (Recommendation 29) We hope that the SDSR will make clear not only how it will be implemented, and by whom, but what the relevant timetables are and who will be asked to monitor or assure compliance. We expect the NSC will consider

implementation not as an afterthought to the Review but as an integral part of it. (Paragraph 38)

Implementation of SDSR and accountability for it was explained in the White Paper. The NSC will ultimately hold accountability for delivery on SDSR decisions and priority areas. Implementation of Defence elements of the SDSR have been integrated into a MoD Business Plan, which include timescales and milestones. This will be backed up by robust internal mechanisms to ensure that implementation happens. We will use existing mechanisms as far as possible but these will be reinforced by a programme management approach to monitor and enforce implementation. An implementation team is being established from existing resources to ensure effective delivery of SDSR outcomes.

30. (Recommendation 30) We are concerned that there will be significant changes to the most senior levels of personnel as the SDSR process ends, which means that key members of the new defence team will be implementing the results of a process which they did not lead. (Paragraph 38)

Key Defence elements of the SDSR were considered by the DSG. This included all Defence Ministers, Service Chiefs and senior officials. The new PUS and CDS were both members of the DSG throughout the SDSR.

31. (Recommendation 31) We expect our scrutiny of the SDSR to be a high priority for us following our proposed inquiry into current operations in Afghanistan. We will wish not only to examine the implementation of the Review but also where necessary to challenge its conclusions. (Paragraph 39)

The Government welcomes the Committee's close interest.