



House of Commons
Defence Committee

**The Strategic Defence
and Security Review
and the National
Security Strategy:
Government Response
to the Committee's
Sixth Report of Session
2010–12**

**Ninth Special Report of
Session 2010–12**

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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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The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

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), Miguel Boo Fraga (Committee Assistant) and Sumati Sowamber (Committee Support Assistant).

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Special Report

The Defence Committee published its Sixth Report of Session 2010–12 on *The Strategic Defence and Security Review and the National Security Strategy* on 3 August 2011, as House of Commons Paper HC 761. The Government's response to this Report was received on 4 November 2011. This is appended.

Government response

The Government welcomes the House of Commons Defence Committee's inquiry into 'The Strategic Defence and Security Review and National Security Strategy' and the findings set out in the Committee's report published on 3 August 2011.

The National Security Strategy (NSS) and Strategic Defence and Security Review (SDSR) were developed alongside the Comprehensive Spending Review (CSR) and driven by a reappraisal of our foreign policy and security objectives and the role we wish our country to play, as well as the risks we face in a fast-changing world. The UK had, and continues to have, a pressing requirement to reduce its fiscal deficit and it would have been untenable and irresponsible to arrive at unaffordable conclusions. The Government welcomes the Committee's recognition that not tackling the deficit would have implications for national security and its implicit endorsement of the majority of the decisions taken in the NSS and SDSR. Some of these decisions were very difficult particularly when they meant the loss of desirable capabilities. We have made clear on many occasions that in a different financial climate we would probably have reached different conclusions. Nevertheless, the decisions we made through the NSS and SDSR are coherent and consistent, and will provide the UK with the capabilities that we require to project power and influence in the future while continuing to support current operations and commitments.

The Government recognises the detailed work that the Committee has undertaken. Our formal response to its recommendations and conclusions is set out below. Where appropriate we have grouped together related conclusions and recommendations to respond with a single coherent narrative that addresses both the specific recommendation and the wider underpinning arguments. The Committee's findings are highlighted in bold, with the Government's response in plain text. For ease of reference, paragraph numbering follows that in the 'Conclusions and Recommendations' section of the Committee's Report.

1. At the outset, we wish to pay tribute to the UK Armed Forces and associated civilian staff. They have continued to serve their country with distinction and dedication, especially operationally in Afghanistan, Libya and elsewhere, during an unsettling period of a major defence review and the major reform and restructuring of the Ministry of Defence. (Paragraph 8)

The Government agrees with and welcomes the Committee's comments, which have been brought to the attention of our people. Time and again the individuals who work or have worked in Defence, military and civilian, inspire us with their courage and professionalism. Their achievements in operational theatres around the world in recent years while at the same time taking forward sustained major change programmes at home to improve the efficiency and effectiveness of the Ministry of Defence show their dedication and commitment to the defence of our country and its people.

National Security Council

Role of the National Security Council

2. We repeat our welcome for the establishment of the National Security Council and its taking the strategic lead for defence and security issues. It must continue its work to break down the silo-mentality and departmental rivalry in Whitehall. We recommend that the Government, when responding to this Report, should identify appropriate areas for interdepartmental budgeting while maintaining proper accountability and not increasing levels of bureaucracy. The Government should provide us with further information on how it envisages the role of the NSC in terms of the prioritisation and allocation of resources. (Paragraph 21)

3. The NSC was, in our opinion, right to prioritise operations in Afghanistan. But we are concerned that the NSC did not appreciate the complexities of defence and security issues and had to undergo a steep learning curve. As a result we are not convinced that the NSC provided, at an early enough stage, the guidance and input that were necessary for formulating the SDSR, particularly given a truncated review period running alongside the Comprehensive Spending Review. We note that the next SDSR is due to be held shortly after the General Election in 2015. We recommend that steps should be taken to ensure that the lessons learned by the NSC and its secretariat are not lost. (Paragraph 27)

The Government welcomes the Committee's agreement that Afghanistan was the top priority and its support for the establishment of the National Security Council (NSC). The NSC provides an excellent forum for collective Ministerial discussion of the Government's objectives in all aspects of the UK's security (both domestic and international) and how best to deliver them. Where it is appropriate and provides good value for money to achieve specific outcomes, interdepartmental budgets exist such as the joint FCO/MoD/DfID work on conflict prevention and stabilisation; expenditure is coordinated between the three Departments guided by decisions made at by the NSC. Where responsibilities are spread between Departments, the National Security Secretariat performs a coordination and de-confliction role as required. Cross-government budgets and programme activity are managed by Departments with oversight from the secretariat as necessary. We will continue to seek opportunities for similar arrangements in the future.

The NSS, SDSR, and the CSR were conducted concurrently because of the pressing requirement to reduce the fiscal deficit. We do not agree that the timeframe was truncated. This work built on the significant constructive preparation carried out under the previous Administration in 2009–10, in particular the Green Paper *Adaptability and Partnership: Issues for the Strategic Defence Review (Cm 7794)* published in February 2010, and its supporting work on *Global Strategic Trends – Out to 2040*, and *Future Character of Conflict*, published in parallel. We then had almost six months to complete the SDSR itself following the General Election, a timescale comparable to almost every

Defence review since the 1950s. This was sufficient to make the high level decisions required.

The process that brought the NSS, SDSR, and CSR together was driven by a hard-headed appraisal of our foreign policy and security objectives, the role we wish our country to play, and the risks we face in a rapidly changing world. Ministers on the NSC had regular opportunities through their Departmental officials to provide strategic direction to the development of the NSS and SDSR, and the NSC itself had five substantive collective discussions to inform strategic decision-making. This all shaped the parallel work by key national security departments supporting the CSR (principally MoD, FCO, the Intelligence Agencies, DfID, and the Home Office). In combination, this produced for the first time a NSS that gave priorities for action and fed directly into decisions about resources. We accept that this was not a straightforward exercise, and all the Departments involved have learned lessons for the future. In many areas, such as the National Security Risk Assessment, work is already underway to improve the process for the next review. Within the MoD we intend to start work in 2013 to prepare for the next SDSR.

The Central National Security Organisation

4. We do not propose the Government should establish a separate Department for National Security. This would be a major change, particularly when UK Armed Forces are committed on two major operations and given the current economic situation. However this should be kept under review as part of a continuous assessment of the effectiveness of the NSC, particularly as new and unexpected threats emerge. (Paragraph 30)

5. We welcome the appointment of a National Security Adviser as a major advance. However we believe that a dedicated, powerful and independent long-term voice for national security should exist within Government and recommend that the Prime Minister appoint a National Security Minister, separate from the Home Office, to act as National Security Adviser with a seat on the National Security Council. (Paragraph 34)

6. We recommend that the NSC secretariat be given the resources to undertake its own analysis and commission research, with appropriate precautions put in place to avoid duplication of work already being undertaken by individual Government Departments and increased bureaucracy. (Paragraph 37)

7. We agree with the separation of responsibilities and roles between the NSC and COBR in respect of emergencies and recommend that measures be put in place to guard against any blurring of this in future. (Paragraph 39)

The Government agrees with the Committee that a Department for National Security is not appropriate. We will, of course, review NSC and Departmental performance and

responsibilities periodically. The Cabinet Secretary provides regular updates to the Prime Minister on the functioning of Cabinet including Cabinet Committees of which the NSC is one. There are existing processes, such as Departmental Capability Reviews, that address how effectively Departments are performing. Parliamentary scrutiny, such as the Committee's in this instance, and the Public Administration Select Committee's continuing scrutiny of how the Government manages national strategy, are also important. We do not think it practicable to keep Departmental responsibilities under permanent review as this would inevitably generate continuing uncertainty about roles and responsibilities, and would distract attention from the actual management of national security.

For the reasons set out by the Foreign Secretary in giving evidence to the Committee and referenced in the Committee's report we do not agree with the Committee that there should be a National Security Minister to act as National Security Adviser (NSA). We judge that the risk that such an approach would complicate decision-making and blur Ministerial and Departmental accountabilities outweighs the possible benefit from a National Security Minister able to push for closer cross-Whitehall working. As Oliver Letwin MP, Minister of State at the Cabinet Office, set out in his evidence to the Committee, the way the NSC operates has already meant that its members engage not so much as Departmental Ministers but as a manifestation of the Government trying to solve a national problem. In that context, many obstacles to closer joint working can be addressed at official level and within existing structures such as increased cross-departmental co-ordination under the Building Stability Overseas Strategy. The NSA will, therefore, continue to be a Permanent Secretary level civil servant with appropriate experience.

Similarly, we do not agree with the Committee that we should create a new, central function for the Cabinet Office National Security Secretariat.¹ This would blur existing responsibilities and accountabilities and incur additional costs through duplicating the work of Departments and creating new roles to generate its own strategic policy advice. The National Security Secretariat commissions assessments from the Joint Intelligence Committee, Joint Terrorism Analysis Centre, and Departments to inform NSC discussions. It coordinates this activity to provide coherent support to the work of the NSC. It also draws, as do Departments, on work conducted in partnership with organisations outside Government such as the private sector, think tanks, academia, and wider international organisations.

We agree with and welcome the Committee's endorsement of the separate roles of the NSC and COBR, and its recognition that this works effectively. The NSC focuses on strategic questions of Government national security policy. COBR provides the Government's emergency crisis management facility, focused on operational decision-making.

¹ The National Security Council Secretariat is a small team within the National Security Secretariat that simply administers the running of NSC business.

Scrutiny and Accountability

8. We note the Government's commitment to an annual report of progress of implementation of the SDSR and NSS for scrutiny by the Joint Committee on the National Security Strategy (JCNSS). We request more information on the format and status of this report. We will also continue to undertake scrutiny of the implementation of the NSS and SDSR. We also recommend that an annual debate should be held on the annual report on progress of implementation of the NSS and SDSR. This should be in Government time and held in the main House of Commons Chamber. (Paragraph 42)

9. We recognise the willingness of ministerial members of the National Security Council and the National Security Adviser to appear before select committees, other than the JCNSS, and expect this to continue. We also expect the Government to explore with the JCNSS and other parliamentary committees ways of improving the National Security Council's accountability and transparency. (Paragraph 43)

10. We commend the Prime Minister's initiative of inviting the Leader of the Opposition to attend the NSC. We hope that such invitations will become more frequent and that the Leader of the Opposition will accept them. (Paragraph 45)

The Government remains committed to an annual public statement on overall progress on NSS and SDSR implementation for scrutiny by the Joint Committee on the National Security Strategy. Departments also publish considerable material on their own contribution to SDSR and NSS implementation through their Structural Reform Plan Monthly Implementation Updates, and their Annual Reports and Accounts. We note the Committee's recommendation for an annual debate in Government time in the main Chamber. The Government sponsored debates on the SDSR in September and November last year. We are considering the Committee's recommendation but have not yet decided how best to proceed. We will keep the Committee, and other interested Committees, informed. In addition to any overarching consideration of NSS and SDSR implementation as a whole, Departmental implementation of NSS and SDSR conclusions is clearly relevant to Departmental debates such as the Armed Forces debate for Defence.

We are committed to working constructively with Parliament on the NSC's accountability and transparency. We welcome the Committee's recognition of the willingness of Ministers and the NSA to provide evidence to and appear before Select Committees. We envisage this continuing as necessary to meet [singular ("the") or plural] Select Committees' requirements as an important part of the way we account to Parliament. The 2008 NSS started the process of establishing a joint parliamentary committee to monitor NSS implementation and development. Following the General Election, the Joint Committee on the National Security Strategy was re-appointed and will continue to provide parliamentary oversight of NSS implementation. Ministers, senior officials, and experts will continue to provide evidence to this Committee.

We welcome the Committee's support for inviting the Leader of the Opposition to attend the NSC as and when the Prime Minister judges there likely to be a substantial national security advantage in doing so. The nature of such occasions is such that we would not wish to speculate how often they might arise but we share the Committee's hope that, when issued, the Leader of the Opposition will accept them.

National Security Strategy

UK Influence in the World

11. We acknowledge that reduction of the budget deficit is the Government's strategic priority and that not to do so would have implications for maintaining the nation's security. It is not for us to discuss in this Report measures used to reduce the deficit although we have views on the effect on the defence budget. (Paragraph 54)

12. We note the declared aspiration of the National Security Council that Britain's national interest requires the rejection of any notion of the shrinkage of UK influence. We acknowledge that influence should not only be measured in military hardware or even military capability. However, given the Government's declared priority of deficit reduction we conclude that a period of strategic shrinkage is inevitable. The Government appears to believe that the UK can maintain its influence while reducing spending, not just in the area of defence but also at the Foreign Office. We do not agree. If the UK's influence in the world is to be maintained, the Government must demonstrate in a clear and convincing way that these reductions have been offset by identifiable improvements elsewhere rather than imprecise assertions of an increased reliance on diplomacy and 'soft power'. If the Government cannot do so, the National Security Strategy is in danger of becoming a 'wish list' that fails to make the hard choices necessary to ensure the nation's security. (Paragraph 64)

13. If the UK's influence in the world is to be maintained, we are concerned that the impact of defence cuts on the UK's defence commitments and role within NATO and other strategic alliances does not appear to have been fully addressed. UK defence does not operate in a vacuum and decisions taken in the UK have repercussions for the spending commitments and strategic posture of allies and alliances. (Paragraph 65)

14. We dispute the Prime Minister's assertion that the UK has a full spectrum defence capability. We note that this view has been rejected by the single Service Chiefs. Indeed the Armed Forces Minister acknowledged that the UK has not had a full spectrum capability for many years, speaking instead of delivering a wide spectrum of military capabilities in the future. We remain to be convinced that this aspiration can be achieved. We also have serious concerns about whether a full spectrum defence capability can be maintained by co-operation with our allies given the challenges of aligning political with operational needs. (Paragraph 66)

The Government welcomes the Committee's endorsement of its priorities and the recognition that not tackling the deficit would have implications for national security. Government Departments dealing with national security cannot be exempt from the pressure to reduce the deficit and it would have been untenable to arrive at unaffordable choices. But the priority the Government gives to national security is reflected in the fact that national security Departments (MoD, the organisations that make up the Single Intelligence Account, and FCO) have in total received more favourable settlements than the average for all departments. While Total DEL will fall over the Spending Review period from £378.2 billion to £369.1 billion, Defence will see its Total DEL rise from £32.9 billion to £33.5 billion, and the Single Intelligence Account from £2.0 billion to £2.1 billion. FCO will see their headline budget fall from £1.6 billion to £1.3 billion but this partly reflects the transfer of the BBC World Service to the BBC in the final year of the Spending Review period: the World Service budget in 2014–15 is £0.2 billion, so this should be added to the £1.3 billion for a like for like comparison. Over the same period DfID's Total DEL will rise from £8.1 billion to £11.5 billion.

As the Committee recognises, global influence is not just about the size or even the capability of a country's armed forces. As the Minister for the Armed Forces said in giving evidence, the UK exerts influence in a variety of ways: diplomatic and economic, development assistance, and technological and cultural exchanges, in addition to our capability and willingness to use military force. Through the work of the NSC, the NSS, and the SDSR the Government has sought to coordinate these different aspects so the sum of the whole is demonstrably greater than the sum of the individual parts, reflecting the judgment, as expressed by the Foreign Secretary in giving evidence to the Committee, that we have to exert ourselves to ensure that the UK's influence does not automatically shrink as our proportion of the world's economy and population naturally reduces.

In this context, the new NSS has improved on previous arrangements in three ways:

- the Government has undertaken a rigorous prioritisation of the major domestic and overseas national security risks to the UK, driven by a reappraisal of our foreign policy and security objectives and the role we wish our country to play, as well as the risks we face, thus giving a clear focus to work across Government;
- the NSS and SDSR set out the Government's strategic decisions about defence and security in the round. The NSS focuses on the opportunities offered by Britain's distinctive role in the world and discusses the particular skills and strengths we can bring to bear through our comparative advantage as a central player in many global networks including military, economic, diplomatic, cultural and technological. Our openness offers a unique set of opportunities and the strategy sets out our ambitions for our country in the decades to come – Britain will continue to play an active and engaged role in shaping global change. The SDSR set out the ways and means to achieve our objectives, our approach to the risks we face, and detailed information about the resources we will dedicate to tackling them;

- they were developed alongside the Spending Review, which shaped the contribution to the Spending Review of key Departments involved in national security, and produced a NSS that provides priorities for action and feeds directly into resource decisions.

This more integrated approach has enabled the UK to use its unique relationships and reputation to demonstrable international effect. A good example of this is our leading role both in developing and agreeing UNSCR 1973 to provide a protection to the civilians in Libya ensuring the support of a broad coalition in its political and military implementation.

It has also provided the context for the reshaping of individual Departments' priorities. In May the Foreign Secretary announced to Parliament a combination of strict savings in administrative spending, reductions in our subordinate posts in Europe, and other savings that will allow us for the first time in many years to mount a diplomatic advance repositioning Britain's foreign policy to secure the long term prosperity and security of the UK. This includes the opening of six new Embassies and up to seven Consulates General in the emerging economies. We are also maintaining the strength of our delegations in multilateral institutions such as the United Nations in New York and Geneva, and at NATO and the European Union in Brussels reflecting the Committee's accurate perception that we do not operate in a vacuum. Other relevant FCO activities which make a significant contribution to our influence overseas include:

- the FCO's strategic communications work, which maximises the soft power impact of our reputation and establishes relationships which help progress UK objectives;
- the FCO's digital networks, which allow us to reach and engage with thousands of people around the world; and
- the Wilton Park conference centre, supported by the FCO and DfID, which facilitates difficult conversations in a positive environment, establishing and managing relationships with leading international thinkers, tapping into a wider network of non-state actors and bringing them together.

The BBC World Service and the British Council have their own separate objectives. Nevertheless, they make a significant indirect contribution to the achievement of our security objectives by building the UK's reputation and influence with other governments and overseas opinion formers, by spreading our values and by promoting the development of more stable, democratic societies more likely to support and less likely to threaten our security and other interests.

We also remain committed to spending 0.7% of Gross National Income on overseas aid from 2013. Increasing Foreign Aid in financially difficult times while we are cutting back in other areas might seem a strange decision but despite our current difficulties the UK is still one of the richest countries in the world. It is right that we should try to help some of the poorest where we can make a difference. Looking at this pragmatically from

the national security perspective experience shows that instability and conflict overseas can pose risks to us by creating environments in which terrorists and organised crime groups hostile to the UK can flourish. By helping others address some of the root causes of their problems, and build more responsible and accountable governments, we will strengthen security and justice overseas, and thereby our own security. And by helping others in this way, we will build goodwill and influence for the future across the developing world.

With regards to our military capabilities, it is not their absolute size, but how we use them, that is crucial to our influence. As we set out in the SDSR, our Armed Forces will retain a broad spectrum of capabilities. The Minister for the Armed Forces explained to the Committee that there is no single agreed definition of the term. And if there were, what it meant would evolve over time as technology and capabilities develop (for example, 'space' would not have featured in any definition before the 1960s, or 'cyber' before the late 1990s). In the SDSR we meant a future force structured to give us the ability to deploy highly capable assets quickly across the range of operating environments but also able to provide a basis for greater scale and range of capability if required. In sizing and shaping Future Force 2020 we recognise, and have made clear, that we cannot afford to meet the demands of every conceivable circumstance. We will maintain an autonomous capability to sustain a considerable, capable military force, on an enduring basis if required, for intervention and stabilisation operations. That means at best effort a one-off intervention force of some 30,000, including maritime and air support, or some 6,500 plus enablers for enduring operations:

- The Royal Navy will have a number of capabilities, including the Trident nuclear deterrent; the Queen Elizabeth-class aircraft carrier with Joint Strike Fighters and maritime helicopters; 19 frigates and destroyers including 6 new Type 45 destroyers; 7 new Astute class submarines; 14 mine counter-measures vessels; 3 Commando Brigade; a global oceanographic survey capability and ice patrol ship; and a fleet of transport, resupply and refuelling vessels.
- The Army will be structured around 5 multi-role brigades plus 16 Air Assault Brigade, equipped with tanks, artillery and armoured vehicles suited to the modern battlefield, and helicopter support including Apache attack helicopters. It will retain the ability to command operations at very senior level through the UK-led Allied Rapid Reaction Corps (ARRC) headquarters and the capacity to deliver a UK, fully deployable, divisional headquarters.
- The Royal Air Force will include Typhoon and the Joint Strike Fighter combat aircraft; strategic surveillance and intelligence including E-3D Sentry AWACS, Rivet Joint signals intelligence aircraft, and remotely piloted air systems. The air transport fleet will be upgraded with A400M transport aircraft and A330 (Voyager) future strategic tanker and transport aircraft alongside the C17 fleet. Support helicopters (RAF and RN) will provide battlefield mobility, based on Chinook heavy and Merlin medium-lift helicopters. The RAF regiment will provide protection to deployed forces and chemical, biological, radiological and nuclear detection, identification and monitoring.

- We have also made specific uplifts for cyber capability and Special Forces.

With this we will remain one of the few countries who can deploy and sustain a brigade sized force together with its air and maritime enablers, capable of both intervention and stabilisation operations almost anywhere in the world.

We agree entirely with the Committee that we do not operate in a vacuum. Close engagement with our allies and partners in NATO and the European Union is a fundamental part of our approach to defence and security. We and our NATO allies consciously depend on each other for particular capabilities and we see this as a strength. The SDSR took account of the range of strategic reviews undertaken by our key partners and NATO's own work including the Strategic Concept. The UK is not alone in having to live up to financial realities. Managing the impact of declining Defence budgets across NATO and the European Union is one of the biggest challenges we face and it was a tenet of SDSR that we would work closely with partners in managing shared risks and filling capability gaps. As part of this partnership approach, we will retain a range of capabilities even where we are reducing their scale or suspending them until new equipment enters service. However, while cooperation with international partners is key, we have unique national interests and we cannot always expect to depend on our partners when these are threatened.

Tying these elements together, we set out our approach to tackling conflict and instability in the Building Stability Overseas Strategy published in July 2011. This sets out how the UK can enhance its own security and prosperity by contributing to stability and helping prevent conflict overseas using our diplomatic, development, military and security tools, and drawing on Britain's unique experience, relationships, reputation and values; and how we intend to improve the effectiveness of our efforts by strengthening the whole of Government approach and more effectively prioritising our efforts. The SDSR sets out how the UK plans to increase to 30% the amount of UK overseas development assistance directed towards fragile and conflict affected countries. This will help tackle some of the drivers of instability and help some of the poorest countries address the root causes of their problems, build responsible and accountable governments, and strengthen security and justice overseas. We are also working to maximise the effective use of Defence assets for soft power by developing a joint FCO-MoD Defence Engagement Strategy.

In the round, we believe that the measures we have taken and the improved coordination under our new arrangements have provided the means to maximise our international influence and prevent strategic shrinkage.

National Security Strategy

15. We note the Government's assertion that the NSS is the ends and the SDSR is the ways and means in terms of the delivery of national strategy. However when developing the NSS in future years, the Government should identify with greater clarity the resources required and available to achieve the desired outcomes within the framework of the national security tasks. This analysis would enable the SDSR to take informed resourcing decisions. (Paragraph 74)

16. We commend the Government on the recognition of newly acknowledged threats, such as cyber crime, in the NSS. It is important that the right risks are identified and resources prioritised accordingly. (Paragraph 79)

17. We agree that the NSRA should be formally updated every two years but this must not be at the expense of being able to adapt the National Security Strategy to meet new threats or changing situations. We recommend that the NSC should keep the NSRA methodology under review and consider adapting it to take account of longer term risks in line with the commitment to an adaptable posture. (Paragraph 80)

18. We support the Government's adoption of an 'adaptable posture'. Given that the nature of security threats are becoming more global, less predictable and less visible it is vital to maintain a strong pool of resources on which we can draw in order to provide the capability to adapt to changing situations. We reject any notion that the UK can just retreat and defend its borders and those of its overseas territories. However there needs to be a full assessment of what the 'adaptable posture' will cost; defining the future state without attaching an accurate assessment of the resources required undermines the authority of the Government's intentions. (Paragraph 83)

The Government notes the Committee's comments about the desirability of a clearer financial baseline in developing the NSS in future. As Air Marshal Lord Stirrup said in his evidence to the Committee, the nature of the Strategy is that it is scalable to a very large extent. And the parallel conduct of the NSS, SDSR, and CSR ensured that the decisions we took in the SDSR were resource informed. But we look to learn from experience and will take the Committee's comments into account in preparing for the next NSS and SDSR.

We welcome the Committee's endorsement of the approach we took in formulating the National Security Risk Assessment (NSRA), and its identification of the risks the UK faces. This is the first time that Government has ever undertaken a comprehensive assessment of all national security risks to the UK. The process for developing the risks, assigning their relative positions and prioritising them was a cross-Government process, consulting subject matter leads across many Departments, senior officials, Permanent Secretaries, and Ministers. Discussion of the process and the risks also drew in advice from external experts through a number of meetings, workshops, and papers. These enabled debate and a challenge function. We decided that 20 years was as far as we

could reasonably look ahead, and that the level of certainty beyond that timeframe became too great for detailed risk assessment. This matches the decision in the SDSR to take the UK's national security arrangements up to the 2020s. We also used studies looking as comprehensively as possible beyond 20 years such as the MoD's *Global Strategic Trends* report and future scenarios for force testing, to inform our assessment of the longer term strategic context set out in the NSS and SDSR. We will refresh the NSRA every two years to maintain a rolling 20 year horizon and ensure that it evolves to reflect the changing strategic environment including any unforeseeable events or strategic shocks. Work has already begun to consider how to improve the methodology as part of the first biennial update, and we will take the Committee's comments into account.

We welcome the Committee's endorsement of our approach to new threats such as cyber crime. The National Cyber Security Strategy, which will be presented to Parliament later this year, will set out four ambitious objectives: for the UK to be one of the most secure places in the world to do business in cyberspace; to become more resilient to cyber attacks and better able to protect our interests in cyberspace; to promote a stable and vibrant cyberspace; and to develop the cross-cutting knowledge, skills and capability to underpin all our cyber security objectives.

We also welcome the Committee's endorsement of the adaptable posture set out in the SDSR. There is no question of the Government retreating simply to defend the borders of the UK and our overseas territories. The NSC was very clear on the choices to be made through SDSR and their resource implications. The Prime Minister recognised that the Future Force 2020 structure would require real year on year growth in the Defence budget beyond 2015, and the Secretary of State for Defence announced in July 2011 that the military equipment budget will rise in real terms by over £3 billion between 2015 and 2020. Bringing the Defence budget into balance has been difficult but essential. Our future equipment programme is no longer an unfunded aspiration but one that provides real money for real equipment. This has allowed us to order new helicopters, new funding for armoured vehicles, installation of 'Cats and Traps' on the future carrier, and guaranteed spending on the Joint Strike Fighter (JSF).

Strategic Defence and Security Review

Background

19. We commend the Government on the principle of their stated intention of regular SDSRs every five years. A gap of 12 years between reviews should never be allowed to occur again. However we have concerns that future SDSRs will therefore be tied too closely to the electoral cycle and call on the Government to explore ways of breaking this link. Whilst welcoming the widening of the scope of the review to include security issues, we repeat the concern expressed in our earlier Report on the SDSR process that there is some risk of dilution of the defence contribution due to

possible immediate or short term threats which may dominate the agenda to the exclusion of long-term defence assessments by the MoD. (Paragraph 85)

The Government agrees that the gap of 12 years since the previous Strategic Defence Review was unacceptable. We note the Committee's concerns about too close a linkage of future Reviews to the electoral cycle and will bear these in mind when the time comes to begin preparations for the next Review. But we remain committed to conduct an SDSR in every Parliament to ensure that the fundamental judgements remain right and that the changes it sets out are affordable. We stand by the decision to adopt a comprehensive approach involving all the Departments and agencies responsible for Defence, international development, foreign policy, and domestic security. We note the Committee's concerns that the Defence contribution could potentially be sidelined by shorter term political or security imperatives but we believe that the biennial review of the NSRA with its 20 year horizon should act as a strong counterweight to any such temptation.

20. We agree with the Government's statement in the SDSR that Afghanistan remains the top priority. We shall continue to monitor the Government's pledge that operations there will be properly resourced, funded and equipped. We note that since publication of the SDSR UK Armed Forces have been committed to operations in Libya. We will monitor this operation closely and will be conducting an inquiry into Operations in Libya in October 2011. (Paragraph 86)

Given the importance this Government places on national defence, we agreed that the Defence budget would only fall by about 7.5% over the Spending Review period, lower than other areas of government. We look forward to continuing to work with the Committee to demonstrate that we are properly resourcing operations in Afghanistan and Libya, and providing our people with the equipment they need to do what we ask of them. We are providing the resources needed to achieve operational success, and will continue to do so. Every soldier and unit deployed to Afghanistan or involved in the Libya campaign is fully equipped for the operations they are asked to undertake. Over 75% of our Armed Forces say their equipment is what they need to do their job. Military commanders on the ground have confirmed that they have the equipment needed. This is a tribute to the many hard working civil servants, scientists, military personnel, and private sector contractors who, together, are providing an outstanding service to our men and women on the front line.

Military Tasks and Defence Planning Assumptions

21. While we acknowledge that the Defence Planning Assumptions in the SDSR serve as a planning tool rather than a set of fixed operational plans or a prediction of precise operations that will be undertaken, we are concerned that as currently applied they suggest that UK Armed Forces will be continually operating at the maximum level envisaged by the Assumptions. This has serious implications. The Government should ensure that sufficient contingency is retained to deal with the

unexpected. It is not sufficient to wait for the end of combat operations in Afghanistan at the end of 2014. (Paragraph 98)

22. We note the Government's intention to "confront the legacy of overstretch" citing the operations in Iraq and Afghanistan from 2006–09 as examples. The new Defence Planning Assumptions in the SDSR suggest that in future the Armed Forces would not be asked to undertake operations of a similar nature to Iraq and Afghanistan simultaneously. The Government should indicate if this is the case in their response to this Report. (Paragraph 99)

23. When committing to undertake new operations, such as Libya, the Government should state from the outset where that operation fits in the Defence Planning Assumptions and which of the military tasks it is meeting. This should not be limited to the numbers of Armed Forces personnel required, but also the capabilities that will be deployed and the consequences that this may have for other operations or wider defence-related matters, such as the defence budget and defence industry priorities. We can only conclude that the Government has postponed the sensible aspiration of bringing commitments and resources into line, in that it has taken on the new commitment of Libya while reducing the resources available to the MoD. (Paragraph 100)

As the SDSR makes clear, Defence Planning Assumptions (DPAs) provide a 10 year planning mark that is used to size and shape the development of the future force structure. They imply no judgment as to the nature, scale, or frequency of specific operations our Armed Forces may actually carry out over this period. We do not expect our Armed Forces to be continually operating at the maximum level envisaged by the DPAs nor are we planning to conduct simultaneous enduring stabilisation operations of comparable scale to Iraq and Afghanistan from 2006 to 2009. But in planning to size and shape our Forces to meet different demands in the future we do not seek either to predict or to constrain actual operational commitments. The DPAs comprise a force driving concurrency set precisely to ensure that our Armed Forces can meet enduring standing commitments while retaining sufficient contingency to deal with the unexpected. In the short term, their commitment to operations in Afghanistan and Libya inevitably has an impact on the residual contingency available within the force structure. We cannot be prepared to meet every eventuality all of the time, and in committing forces to any operation, the Department must prioritise the use of its finite assets and bear in mind the impact that this will have on other operations and wider Defence activity. As the Committee will be aware, we are reducing force levels committed in Libya.

The planning assumptions underpinning the size and shape of the force structure 10 years out are not designed for use as a benchmark as to whether our Armed Forces may or may not currently be overstretched, and do not indicate what can be achieved with the force structure we have today, which reflects previous policy, planning, and resource allocation decisions. Our aim in the SDSR has been to ensure that we have Armed

Forces ready for use where necessary to protect our national interest and sufficiently flexible and adaptable to meet the demands of an uncertain future. But the Government has been clear that it will be more selective in their use and seek to focus them on tackling risks before they escalate, and on exerting UK influence, as part of a better coordinated overall national security response.

Bringing the Defence budget back into balance is a vital part of tackling the deficit and protecting this country's national security. The SDSR and the difficult work we have taken forward since to bring the budget into balance and reform Defence show the high priority we place on bringing commitments and resources into line. We do not agree that Libya has significantly postponed this. We have provided additional resources from the Reserve for this operation in the usual way.

Carrier Strike

24. We believe that for an aircraft carrier to be held in a state of extended readiness it must be fitted with catapults and arrestor gear. (Paragraph 109)

25. We expect the MoD to publish its work programme and final requirements for the conversion of the carriers and JSF by the end of 2012. (Paragraph 112)

26. We acknowledge the major contribution of the Harrier Force to the Armed Forces and to the security of the UK. We regret that it has been removed from service. We acknowledge the many pieces of evidence that called for the reintroduction of the Harrier Force. However we agree with our witnesses who stated that it is too late to do so due to the cost, industry losing the relevant personnel and the pilots being redeployed. We call on the Government to ensure that the best deal possible is achieved in the disposal of the Harrier fleet and expect the Government to provide us with full details as soon as any agreement is reached. (Paragraph 120)

27. We support the decision to proceed with both the Queen Elizabeth class carriers and to develop the JSF carrier strike capability. We share the concerns of allies regarding the lifetime costs of the JSF. We expect the MoD to take action to ensure that the costs are controlled and to update us on this work on a regular basis. We note that the MoD is currently developing a plan for the regeneration of this capability and expect to have a sight of it at an early stage. The scale of the challenge the Ministry of Defence faces in generating the complex network of skills involved in flying fast jets from carriers in a manner not undertaken by the UK for many years is so great that this plan needs to be subjected to robust scrutiny both in Parliament and elsewhere. The plan must provide clarity of the steps being taken, specific milestones and dates and what funding is required and whether it is in place. We also note concerns regarding the future use of the second carrier and call on the Government to keep us informed of its plans as they progress. (Paragraph 126)

We welcome the Committee's recognition of the distinction with which the Harrier served the Royal Navy and Royal Air Force over many years. The planes, their pilots and the personnel who supported them have earned an honourable place in our history.

As the Government has made clear on many occasions, the decision to withdraw the Harriers and Invincible class aircraft carriers from service was one of the most difficult in the SDSR, and we did not take it lightly. We set out our reasons clearly. Our priorities were to protect our mission in Afghanistan and to ensure that we emerge with a coherent Defence capability in 2020. Our conclusions were based on military advice and our strategic assessment of the world. The overriding factor in deciding between the Tornado GR4 and Harrier was the ability to support operations in Afghanistan. A mixed fleet of Tornados and Harriers would not have been able both to maintain continuous support to operations in Afghanistan at current levels and the ability to support concurrent operations, such as in Libya this year. Nor would it have been cost-effective, since retiring an aircraft type delivers greater savings than running two smaller fleets. Following the previous Government's 2009 decision to reduce the Harrier fleet to 32 aircraft, there were insufficient Harriers to support both Afghanistan and maintain a cadre for contingent operations. And after 2015, Harriers, whether operating from Invincible or Queen Elizabeth class carriers, would have provided only a very limited coercive capability that we judged unlikely to be sufficiently useful to have been cost effective. We therefore decided to retain the Tornado. We accept that this is an issue on which reasonable people can differ. But the Government had to choose, and we continue to judge that our decision to retire the Harrier and Invincible class carriers and then reintroduce a carrier strike capability with Joint Strike Fighter carrier variant aircraft towards the end of the decade was in the national interest, and that subsequent events have confirmed it was right. Like the Committee, we regret that this was necessary but the financial and operational logic underpinning the decision was very clear. We welcome the Committee's recognition that this neither can nor will be reversed. The Harrier fleet is currently in storage at RAF Cottesmore, with minimum maintenance, including anti-deterioration measures, to keep the aircraft in an airworthy condition for sale. We will seek to obtain the best possible return to the public purse and are considering a number of disposal options, including the sale of the majority of the UK Harrier aircraft, spares and associated support equipment to the US Government.

We welcome the Committee's endorsement of the decisions to build the Queen Elizabeth class aircraft carriers and develop the JSF carrier strike capability. The SDSR announced that we would convert the operational carrier to operate the more capable Carrier Variant JSF. A final decision on whether the second carrier should be converted to ensure the continuous availability of a UK carrier strike capability, or whether we should plan to rely on a close ally for those periods when our own carrier is unavailable, will be taken in the next SDSR in 2015.

Since the announcement to switch to the Carrier Variant of JSF, the UK project team has undertaken several technical studies into the design of the Carrier Variant aircraft primarily with Lockheed Martin but also with subject matter experts in the JSF

Programme Office and the US Navy. These engagements have enabled the UK team to identify the technical differences between variant designs and the Carrier Variant's intended concept of operations, which are essential pre-requisites to allow us to certify the aircraft as safe to fly. In areas where technical or programmatic risk remains, such as carrier integration, the integration of UK weapons and embarked safety, we are conducting further detailed technical studies through the US to define any technical requirements associated with operating the Carrier Variant. Although we will continue to develop our understanding of the integration challenges as the carrier design develops, we have already gained a sufficient understanding to be able to assess that the baseline costs are within those assumed at the time of SDSR. We expect to take and announce firm decisions on the carrier conversion solution in late 2012, once our investigations to determine the optimum conversion solution are complete.

The through life costs for JSF are one of our key areas of focus and we have sought to place our most experienced sustainment experts into key positions, including the post of Deputy Director Logistics and Sustainment, within the JSF Programme Office team charged with developing the JSF support solution. This is one of our most important areas of risk to control to ensure that JSF is affordable to support through life, and we consistently and regularly stress the importance we attach to this to the US at senior levels. UK industrial expertise in providing cost effective support is an important influence on the JSF programme and we expect UK industry to be at the forefront of providing support to our JSF fleet. Our incremental acquisition strategy gives us the ability to commit to further purchases of aircraft only when we are satisfied that all of our key requirements, including support costs, have been met. Despite the increased complexity and additional capabilities offered by JSF, including the need to maintain its stealth characteristics, we expect JSF to compare favourably with the cost of supporting our current Combat Air fleets. We also expect to benefit from economies of scale given the more than 3,000 aircraft expected to be operated worldwide.

As we set out in evidence to the Committee, a great deal of work is already underway, particularly in the Equipment, Training and Personnel areas, to ensure we achieve a timely, safe, and effective delivery to service of this capability and that we have sufficiently trained and experienced personnel to do it safely. We have established the Carrier Enabled Power Projection programme to bring this together. The first iteration of the plan will lay out the route to delivering our future Carrier Strike capability across all of the Defence Lines of Development and set out the critical milestones. We will keep the Committee informed as this develops.

Nimrod MRA4

28. We deeply regret the decision to dispense with the Nimrod MRA4 and have serious concerns regarding the capability gaps this has created in the ability to undertake the military tasks envisaged in the SDSR. This appears to be a clear example of the need to make large savings overriding the strategic security of the UK and the capability requirements of the Armed Forces. We are not convinced that UK

Armed Forces can manage this capability gap within existing resources. We call on the Government to outline its plans to manage the gap left by the loss of this capability, including the possible use of unmanned vehicles and collaboration with allies. In addition, the Government should outline its plans for the regeneration of this capability, including the skills and knowledge required to provide it. (Paragraph 137)

Like the Committee we regret that we had to cancel the Nimrod MRA4 programme. It was a capability that we would, in an ideal world, have preferred to acquire. But as the Chief and Vice Chief of the Defence Staff have made clear, the military judgment was that this represented an acceptable, if uncomfortable, degree of risk within the context of the SDSR as a whole. Given this military judgment, continuing technical uncertainties and design issues, in a programme long bedevilled by delays and cost overruns, and the unquantifiable additional costs of bringing the Nimrod MRA4 into service and supporting it thereafter which could only have been afforded at the expense of other, higher priority, capability requirements, we reluctantly concluded that cancellation was the least bad option.

It is true that there is currently no single asset or collection of assets that fully mitigate the resulting capability gap. This is an unwelcome consequence of the Nation's financial position and the Department's obligations to contribute to deficit reduction, but we continue to maximise the use of other assets such as Type 23 Frigates, Merlin Helicopters, Sentry and C-130 to contribute to Anti-Submarine Warfare, Search and Rescue and Maritime Counter Terrorism where possible. In the longer term, if the Government were to conclude that it needed to close the gaps completely because future threats were to mature in a way that we can no longer manage this risk in the way we are today, some additional funding or reprioritisation would be required.

The Review of Basing and the return of UK Armed Forces from Germany

29. We are conscious of the uncertainty that the basing review has created for Service personnel, their families, local communities and businesses. We will monitor the outcomes of the review. We call on the Government to outline its proposals to assist the Service personnel, families and communities affected at an early stage in line with the obligations outlined in the Armed Forces Covenant. (Paragraph 151)

30. We note the MoD's update on 18 July 2011 of the plans for the withdrawal of UK Forces from Germany. However, given that half of UK Forces are due to return by 2015, we are concerned that the plans are not further advanced. We note that the required two years notice has not been given to the German authorities. We call on the Government to set out with clarity the costs and benefits of this project in terms of providing accommodation, infrastructure and training facilities which are already available to the United Kingdom in Germany. The MoD should provide us with a full implementation plan, its funding and method of attaining the stated goals, at the earliest opportunity and deliver clear communication of these plans for Service

personnel, their families, local communities and businesses. The elements of the SDSR are interlinked and failure in one area may mean failure elsewhere. (Paragraph 152)

31. We expect to be regularly updated on these plans. We are concerned about the future of defence technical training and request an early statement on how it is to be taken forward and will continue to monitor this vital aspect of defence reform. (Paragraph 154)

The decision to withdraw UK Forces from Germany is part of the strategic, long-term direction required for planning the future Defence basing and estate priorities. As the Committee noted, we announced the broad outlines of our plans to Parliament on 18 July 2011. Our decisions considered the national defence and security requirements, military coherence across the three services, continued access to training areas, the balance of the overall military footprint, and affordability and value for money for the tax payer in the round including the impact on local communities. The Defence Infrastructure Organisation (DIO), working closely with the services, particularly the Army is now taking forward the detailed planning of individual unit moves. This is, however, a complex piece of work, with a very large dependency on the conclusions of the separate work being undertaken on the future Army structure. This means that the detailed implementation plan requested by the Committee has not yet been developed. Indeed, it was never the intention that the Basing Review, which was a strategic level piece of work, would produce such a detailed plan; it was intended to set the overall direction, which it did. As the detailed plan is developed over the next few months and conclusions are reached, the Committee will be kept informed. We are clear, however, of the challenging nature of the targets that have been set for this initiative, and the work is being taken forward as swiftly as practical, taking into account the very real financial and other resource constraints the Department faces.

However, it should be noted that moving personnel and units, including from Germany to the UK, is nothing new for the Services, and individual Defence establishments have changed roles very successfully in the past. To ensure this is achieved as we take the basing work forward, the DIO will assess the work needed at each site to make sure the required facilities to receive the incoming units are available. During the rebasing process there will be extensive consultation, including statutory impact assessments where necessary, with the German authorities – who are already well informed of our aims, there having been discussions at federal, Lander and local level; and with Devolved Administrations and local authorities in the UK, and local communities in the UK and Germany.

As we make final detailed basing decisions, we will conduct the detailed planning required to produce a smooth transition for our personnel and their families. We will do our best to keep them informed of what is going on, work to minimise the impact on them, and help them where possible to adapt to the changes. We have started to engage with families to help identify issues and concerns. For example, in Germany we have

liaised with the Army Families Federation and United Kingdom Support Command (Germany) to determine education, housing, medical care, and spousal employment issues. Specific measures include the establishment of Working Groups with representation from other interested organisations to manage the drawdown of schools in Germany. We will also draw lessons from previous rebasing initiatives to develop welfare support plans to ensure that the needs of personnel and families are met. We already have in a place a number of compensatory allowances to assist where relocation and separation are experienced. These include Disturbance Allowance to contribute towards the necessary expenses of moving home, refund of Legal Expenses, and Long Service Advance of Pay aims to help eligible personnel enter the UK housing market.

We note the Committee's specific concerns about the future of Defence Technical Training. As our July statement said, RAF Lyneham is the preferred location for future Defence Technical Training (tri-Service specialist training in Aeronautical Engineering, Electro-Mechanical Engineering, and Communications & Information Systems). In the first instance this will involve withdrawal from Arborfield in Berkshire and Bordon in Hampshire. Any further moves will be announced when decisions are taken.

We are very conscious of the interconnections between the different elements of the SDSR and other Defence reform activity, and the associated risks. We have established the Defence Transformation programme under the new Director General for Transformation and Corporate Strategy, Mr Jonathan Slater, to ensure that these are understood and managed coherently and robustly. This is overseen by the Secretary of State's Defence Transformation Group, with the Defence Board ensuring that it is taken forward coherently within the Defence Programme as a whole. We will be reporting progress regularly against the Department's Business Plan, and in our Annual Report and Accounts.

Reserves

32. We welcome the Government's commitment to the reform of the Reserve Forces and the investment of £1.5 billion over the next 10 years. However we wish to see more detail on the planning and timing of the shift towards greater reliance on Reserve Forces. (Paragraph 161)

33. The Committee notes the conclusions and recommendations of the Independent Commission's Report, in particular that the internal governance process should be administered by a Board, chaired by the Vice Chief of the Defence Staff. We particularly note the recommendation that the Council of Reserve Forces and Cadets Associations should report annually to Parliament on progress in implementing the recommendations of the Review. (Paragraph 162)

34. We note the observation in the Future Reserves 2020 Report that the costings on the manpower element of the defence budget, amounting to one-third of the total,

need further work. We endorse the study's recommendation that detailed costing of Regular and Reserve units be prepared. (Paragraph 170)

We welcome the Committee's endorsement of the Government's commitment to reform of the Reserves. As the then Secretary of State for Defence set out to Parliament in his statement on 18 July 2011, we are assessing how to adopt and resource the recommendations of the Future Reserves study. We intend to respond formally in December 2011. We have confirmed a fresh package of investment for the Reserves amounting to approximately £1.5 billion over the next 10 years. This has been designed to meet many of the immediate recommendations of the Future Reserves study and thereby place the Reserves on a more healthy footing. Implementation of the Review will be a formally managed programme stretching out, initially, to the next SDSR in 2015. We expect that we will need to own centrally some elements of implementation, such as mobilisation legislation, employment protection and resource prioritisation, but most implementation will be delivered by the single Services.

We have already established the Reserves Executive Committee under the Chairmanship of the Vice Chief of Defence Staff.² This is the principal internal governance mechanism established to oversee the implementation of the MoD's response to the recommendations of the Future Reserves 2020 Commission. The Commission recommended an independent mechanism to report to MoD and Parliament on the overall 'health' of the Reserves and that the Council of Reserve Forces & Cadets Associations is best placed to undertake this. We are considering in detail how to respond to this recommendation: currently we anticipate that the Council of Reserve Forces' & Cadets' Associations (CRFCA) sub-group will present a report to the Secretary of State for Defence who will in turn report to Parliament. This will require new direction from the Defence Council to the CRFCA.

The Future Reserves 2020 Commission recommended that we develop a transparent manpower (Regular, Reserve, Civilian and Contractor) cost comparison model to help planners achieve an optimal Whole Force manpower balance. While we have a comprehensive understanding of the cost of Regular personnel we need to improve our understanding of the costs of Reserves. We are developing a cost comparison model, and will publish further information on this when it is more mature, but this will take some time. This is being taken forward as part of the Future Reserves 2020 programme.

Future Force 2020 and 'Critical Mass' of the UK Armed Forces

35. We are not convinced, given the current financial climate and the drawdown of capabilities arising from the SDSR, that from 2015 the Armed Forces will maintain the capability to undertake all that is being asked of them. We note that there is

2 The full membership comprises VCDS (Chair), the Deputy Chief of the Defence Staff (Personnel and Training), the Director General Security Policy, the Assistant Chief of the Defence Staff (Reserve Forces and Cadets), the Assistant Chief of the Naval Staff, the Assistant Chief of the General Staff, the Assistant Chief of the Air Staff, the Assistant Chief of the Defence Staff (Strategy and Plans), the Head of Reserve Forces and Cadets, the Head of United Kingdom and Counter Terrorism Operations, the Chief Executive of the Council of Reserve Forces' and Cadets' Associations, and the Chair of the National Employer Advisory Board.

mounting concern that the UK Armed Forces may be falling below the minimum utility required to deliver the commitments that they are currently being tasked to carry out let alone the tasks they are likely to face between 2015 to 2020 when it is acknowledged that there will be capability gaps. (Paragraph 171)

36. We are concerned that, on the one hand, Future Force 2020 seems to be regarded as a "wide spectrum" force able to undertake the security tasks required by the adaptable posture envisaged by the NSS while at the same time being regarded as the "critical mass" of the Armed Forces with some spare capacity that may be achieved by the establishment of alliances and bilateral operations. (Paragraph 172)

37. We recommend that the MoD should develop further the concept of a "critical mass" for the Armed Forces and establish a clearer measurable statement of what constitutes "critical mass" to allow verification and monitoring by Parliament. This should include not just the roles and structures of Regular and Reserve Forces but should be expanded to encompass enablers such as DSTL, industry, academia, the scientific and research community and the development of the defence knowledge base especially amongst the military and civil servants. (Paragraph 173)

We note the Committee's concerns about 'wide spectrum' and 'critical mass' with respect to the Future Force 2020 force structure. We do not agree that our Armed Forces will be unable to undertake what is asked of them from 2015. Future Force 2020 outlines a broad range of capabilities that, within the DPAs and our force generation processes, will deliver the adaptable strategic posture described by the NSS and SDSR. The SDSR provides for the possibility of concurrent operations, and we are confident that although smaller, the Future Force 2020 structure will allow us to meet a wide range of commitments. As we have said, we do not expect after 2015 that our Armed Forces will be operating routinely at the level of intensity they have sustained in recent years. Should they be tasked to conduct specific operations, we have rigorous planning procedures to generate the specific capability packages required, and to identify and manage the risks we face. These procedures are informed by lessons learned from previous operations. As the Committee is aware, where we identify capability shortfalls we address these through the urgent operational requirements process. And in such circumstances we would look carefully at the relative priority of other discretionary tasks. All these issues will be reviewed in light of all the then prevailing circumstances as part of the next SDSR.

We do not agree that developing the concept of 'critical mass' for our Armed Forces would be valuable. We do not use this as a concept in Defence planning; the institutional and structural size and shape of our Armed Forces are functions of the requirements placed upon them. Rather we seek to identify, through a process of force testing based on high level operational analysis, where the force structure is or might in future be carrying too much risk against the requirement, with a view to mitigating those risk identified and building a body of evidence to inform the regular SDSR cycle. We do, however, agree that as the regular Armed Forces and the Department grow

smaller in the next few years, we will need to understand better the full base on which military capability depends, both within and outside Defence. This is one element of the Whole Force Concept work endorsed by Lord Levene's Defence Reform report, which seeks to ensure that Defence is supported by the most cost-effective balance of regular military personnel, reservists, MoD civilians, and contractors.

Funding for Future Force 2020

38. We note the outcome of the Government's three month review of the SDSR. We acknowledge the planned 1% real terms increase in the defence equipment and equipment support budget between 2015–16 and 2020–21. However we note that this is based on a number of adjustments to the Defence programme, including rationalising vehicle acquisition and continuing efficiency savings from non-front-line costs. Although we welcome the additional certainty that this will bring in respect of the defence equipment and equipment support budget, we are concerned that this increase is simply a reallocation of resources and does not represent the real terms increase in funding required to deliver Future Force 2020. In its response to this Report, the Government should also set out in much greater detail the baseline for the calculation of the 1% real terms increase in the defence equipment and defence support budget and the savings that will be made to realise it. (Paragraph 186)

39. We are concerned at the lack of information in the SDSR on the levels of funding required to deliver Future Force 2020 and the increase in defence spending that this would represent. The Government should provide an estimate of these in its response to this Report and the figures should be updated in the annual updates on implementation of the SDSR. We regard defence planning and procurement as being of a unique nature, particularly given the long timescales associated with it, and recommend that the Government should initiate ways of allowing the MoD to proceed with implementing Future Force 2020 with budgetary certainty outside the normal CSR timetable. (Paragraph 187)

40. We share witnesses' concerns that there are serious risks if Future Force 2020 is not achieved. A failure to achieve Future Force 2020 would represent a fall below "critical mass" and a reduction in the influence that the NSS and SDSR set out as desirable. We fully support the Prime Minister and the Secretary of State for Defence in their personal aspirations for real terms increases in defence funding from 2015 that will enable the commitments made in the SDSR for Future Force 2020 to be realised. However this is meaningless without a concrete commitment that these increases will be delivered. Decisions for post 2015 funding will have to be made in the very near future to ensure progress towards Future Force 2020. If the ambition of a real term funding increase is not realised, we will have failed our Armed Forces. (Paragraph 188)

41. We note that a real terms increase in defence funding from 2015 will coincide with the withdrawal from a combat role in Afghanistan and anticipate that the UK public, whilst being passionate in their support for the Armed Forces, will question this decision. The Government must ensure that the reasons for the increase are effectively communicated to the public. This should begin now. (Paragraph 190)

The effect of the July 18 announcement by the previous Secretary of State allows the department to plan on £3 billion of new money. This is the result of an uplift of 1% above real terms on equipment and equipment support from 2015–16. The Treasury has not asked the Department to fund this with savings from elsewhere in Defence. An explicit aim of the SDSR was to bring Defence commitments and resources into closer alignment. That is one reason why we conducted the SDSR alongside the 2010 Spending Review, which clearly set out the funds available to Defence for the four years to 2014–15. As the Committee has noted, the Prime Minister said at the time that his view was that real terms increases in the Defence budget would be required in the years after 2015 to deliver Future Force 2020. The Government agrees that Defence needs a degree of budgetary certainty outside the normal CSR timetable. That is why on 18 July 2011 the Secretary of State for Defence also announced the delivery of the Government's commitment to a ten year equipment programme and that the Treasury has agreed that the MoD can now plan on the Defence equipment and equipment support budget increasing by 1% a year in real terms between 2015–16 and 2020–21.

Equipment and equipment support make up around 40% of the overall Defence programme. The estimated uplift was calculated by taking 40% of the 2014–15 Defence Budget, and increasing it by 1% in real terms (1% above the GDP deflator) in each of the subsequent five years. This means that the amount allocated to equipment and equipment support budget will be around 5% higher in real terms in 2020–21 than it was in 2014–15, and that we can plan on about £3 billion of additional resources over the period. The Department has not been asked to make additional savings to fund this increase. This has enabled the Secretary of State to approve 14 new Chinook helicopters, new money for our armoured vehicles, the carrier programme, and guaranteed spending on the JSF. This forms part of a broader package of investment as we move towards Future Force 2020 including the £1.5 billion over the next 10 years to enhance the size and capability of the Reserves. Together with other changes, such as the review of Basing, these commitments mean we have brought the programme to deliver the SDSR commitments broadly into line with the resources available. We will make any remaining necessary prioritisation in subsequent Planning Rounds and through the next Spending Review.

We note the Committee's concerns about the coincidence of withdrawal from a combat role in Afghanistan with an increase in the Defence budget although there will, of course, be a substantial parallel reduction in the cost of operations funded from the Reserve. We agree that this will need to be explained and justified to Parliament and to the public, and we look forward to working with the Committee on this. Much will depend on the prevailing economic and political circumstances at that time. As noted

above, we do not agree with the Committee that Future Force 2020 as such represents a 'critical mass' but as we approach the next General Election and prepare for the next SDSR in 2015, we believe that a commitment to meet Future Force 2020 will be a key signifier for those political parties dedicated to the vision of a Britain active on the world stage and protected at home.

Ministry of Defence Budget

Comprehensive Spending Review 2010

42. We agree with our predecessor Committee that the scale and nature of MoD contracts is quantitatively and qualitatively different from other Government procurement and its assertion that greater financial stability could help to control and reduce the hundreds of millions of pounds of unproductive costs which are incurred annually to keep the equipment programme spend within each year's budget. We recommend that the MoD and the Treasury should establish mechanisms for a ten year budget for the MoD. It is vital that the MoD has greater certainty of resources as it plans to implement Future Force 2020 which is essential to the nation's security in an ever-changing world. (Paragraph 197)

In the then Secretary of State for Defence's statement to the House on 18 July 2011 he announced the delivery of the Government's commitment to a ten year equipment programme, having agreed with the Treasury that the MoD can now plan on the Defence equipment and equipment support budget increasing by 1% a year in real terms between 2015–16 and 2020–21.

Over-Commitment in the MoD Budget

43. We were disappointed by the MoD's response to our requests for a breakdown of the MoD's financial commitments, including details of the components of its estimate of a £38 billion gap in the defence programme and the size of any remaining budget gap after the SDSR.³ We note that the MoD now state the genuine size of the gap is substantially in excess of £38 billion. However, we also note the Secretary of State's assertion that the "for the first time in a generation, the MoD will have brought its plans and budget broadly into balance, allowing it to plan with confidence for the delivery of the future equipment programme". Without proper detailed figures neither statement can be verified. Given the difficulties the MoD has had in responding to our requests for a breakdown of the over-commitment in the MoD budget, we expect the Government in its response to this Report to set out in detail the basis for these statements. (Paragraph 204)

³ As a matter of clarification, the pie chart in the Secretary of State's letter referred to in paragraph 202 of the Committee's report contained a segment entitled titled "Research (4%)" that should more accurately have been titled "Research and Development (4%)".

44. We note the Secretary of State for Defence's commitment to carry out an assessment of the affordability of the equipment programme alongside an independent audit by the NAO. We are surprised that this assessment has not yet begun and expect to receive a timetable for this exercise in response to this Report. (Paragraph 205)

45. We welcome the establishment of the Major Projects Review Board. The Board faces a major challenge and we will monitor its effectiveness in ensuring the MoD's programmes are on time and within budget. We recommend that the MoD consider the appointment of suitably experienced independent members to the Board. (Paragraph 207)

As we set out in the material we have provided to the Committee, the estimate in the SDSR of £38 billion over-commitment was a snapshot of our understanding at that time. As things became better understood it became apparent that this had been a substantial underestimate. We are sorry that the Committee is not satisfied with the material we have been able to provide on this. The key issue is not precisely how large the previous over-commitment might have been at a specific point in the past but that we have now brought the budget broadly into balance looking forward, subject to any remaining prioritisation in Planning Rounds and through the next Spending Review.

In that regard, it is not possible to provide the absolute verification the Committee has asked for that we have succeeded. The forward programme and budget reflect assumptions that we can only prove in the doing (and assuming no unpredictable systemic shocks). But a number of factors in combination should provide the Committee with at least some assurance that we have successfully addressed the previous over-commitment. In particular:

- As the Committee has recognised, we made substantial force structure and personnel cuts in the SDSR;
- We have agreed with the Treasury that we can plan on the Defence equipment and equipment support budget increasing by 1% a year in real terms between 2015–16 and 2020–21;
- We are taking forward a major programme to consolidate the Defence estate including rebasing our Forces from Germany;
- As set out in the letter cited by the Committee in paragraph 203, we have taken a much more conservative view of the level of risk in the equipment programme and are subjecting its affordability to audit by the NAO; and
- Under Defence Reform and the Materiel Strategy we are taking forward a radical organisational reform programme including work to embed a new emphasis on financial rigour, cost control and personal accountability across the MoD. This is embodied in the work of the new Major Projects Review Board.

We remain committed to publishing an affordability assessment of the Equipment Programme over the next ten years, audited by the National Audit

Office. We expect that this should provide the Committee with further assurance that our underlying assumptions are realistic and robust. We recognise that this is taking longer to set up than we had originally envisaged. This is the first time that either the MoD or the NAO has undertaken such an exercise. It is important that we do it properly to ensure we bring about the necessary changes to the way Defence works. We are therefore in close discussion with NAO on the way forward. Work has already begun on this in earnest with publication to follow as soon as possible thereafter.

We welcome the Committee's support of the new Major Projects Review Board. This has now met twice, and will continue to meet quarterly. The Secretary of State established it to provide rigorous senior oversight of the Department's major projects, identify those that are in danger of failing, take decisive action either to get a project back on track or, if necessary, terminate it, and hold the project's managers, in the Department and industry, firmly to account for their performance. We believe that the additional rigour and scrutiny it applies is having a beneficial effect on the behaviours of our suppliers. So far it has considered three projects in detail and placed one, the Valiant Jetty project for the new Astute Class submarines at HM Naval Base Clyde, on the Projects of Concern list.

Defence Reform

46. We welcome the empowering of the single Service Chiefs, but are concerned that removing them from the Defence Board may result in an increase in the tensions between the three Services and encourage individual Service Chiefs to fight for their particular Service without consideration of overall defence requirements. It means that the Chief of Defence Staff will be the only Service representative on the Board, and could in turn leave them open to accusations of favouritism of their "home" Service over the others, whether justified or not. We intend to return to the command, control and accountability processes between the Chiefs of Staff in future inquiries. We will monitor the impact of this and the other reforms recommended by the DRU over the coming months as they are implemented. In addition we look forward to seeing in the near future greater detail from the MoD as to the budgetary implications of the changes being made. (Paragraph 211)

47. We recognise the pace and quantity of change occurring within the MoD is considerable and understand how disconcerting this has been for the Armed Forces and MoD civil servants, particularly at a time when UK Armed Forces are conducting two major campaigns in Afghanistan and Libya. While we recognise that reform of the MoD is long overdue, change on this scale requires exceptionally careful management. In response to this Report we require that the MoD inform us of how it will ensure that reform is not derailed by the speed of its implementation. We note the recent publication of the Defence Reform Unit Report and will monitor the implementation of its recommendations. The MoD should provide updates on work to implement the recommendations in its Annual Report. (Paragraph 212)

We welcome the Committee's endorsement of the recommendation to empower the Service Chiefs of Staff, and look forward to engaging with its further consideration of how these arrangements work in practice. As a result of the changes we are making, the single Service Chiefs will be better focused on running their Service, empowered with the necessary levers and resources, and held to account for their success in doing so. As a corollary we are deliberately reducing their direct role in departmental strategy, resource allocation and the corporate management of Defence but they will continue to advise the CDS through the Chiefs of Staff Committee, both on the operational employment of their Service and to inform corporate decision making, to ensure he can represent their views at the Defence Board. The Secretary of State for Defence has directed that we should aim to implement Defence Reform by April 2013, recognising that some elements will take longer. In particular, the major cultural and behavioural changes Lord Levene has identified as necessary will take several years to embed firmly across the whole of Defence. We are now working on how to implement Lord Levene's recommendations in the new Departmental operating model. We plan to agree this in December although the details will continue to be developed subsequently and implemented incrementally over several years. We would be happy to provide the Committee with further briefing at that point if it wishes.

The Committee is right to observe the high level of change across Defence. This includes, but goes well beyond, the organisational and behavioural changes covered by Lord Levene's Defence Reform review. We are managing this in the round through the Defence Transformation programme. This is the most significant reform programme for a generation and will affect everyone in Defence. It comprises the MoD-owned aspects of the SDSR, Defence Reform, the further measures announced recently on basing, reserves and equipment, a number of major capability programmes, the Whole Force Concept, and the New Employment Model. It also includes a number of continuing centrally driven change initiatives essential to achieving our financial targets, including our Efficiency Programme, and major change initiatives within individual Top Level Budget areas such as Chief of Defence Materiel's Defence Materiel Strategy. Implementing this change is at the core of the Department's Business Plan, and we will be reporting on progress through that, as well as in our Annual Report and Accounts. We have appointed Jonathan Slater, Director General Transformation and Corporate Strategy, as Senior Responsible Owner for Defence Transformation. The Secretary of State's Transformation Steering Group is overseeing progress, and Lord Levene's Defence Reform Steering Group will reconvene annually in 2012, 2013, and 2014 to check on progress and report to the Secretary of State for Defence, who will in turn report to Parliament.

Conclusion

48. During our inquiry we sought to establish whether the new national security thinking and structures, under the leadership of the National Security Council, had led to a more coherent and well defined security policy in terms of the ends of the National Security Strategy and the ways and means set out in the Strategic Defence

and Security Review. We agree with the Government that the operation in Afghanistan was the top priority during the development of the NSS and SDSR. Operations in Libya must also be prioritised. (Paragraph 213)

49. We welcome the establishment of the National Security Council and the commitment to an updated NSS and SDSR every five years. The changing character of the threats facing the nation required a more collective response from Government. The previous culture of departmental-silos and turf wars needed reform. However more reform is still required, such as the development of the role of the National Security Adviser, the capacity of the National Security Council Secretariat and greater use of interdepartmental budgeting arrangements. The National Security Council must also ensure that the UK's Armed Forces and the general public are seized of the aims and objectives of its security policy and increased engagement by the Government is essential to achieve this. The National Security Council should develop a uniform vocabulary for strategic thinking across Government. Strategy is understood in many different ways across Government and the military and too often the message and intent becomes blurred. (Paragraph 214)

50. The latest National Security Strategy is an improvement on earlier versions but we have major concerns regarding the realism of its statement of the UK's position in the world and its influence. There is a clear contradiction in the short to medium term between the NSC's statement "that Britain's national interest requires the rejection of any notion of the shrinkage of UK influence in the world" and the Government's overriding strategic aim of reducing the UK's budget deficit. Despite the stated intention of rejecting any notion of the shrinkage of influence, our witnesses have forcefully told us that the UK's global influence is shrinking. Future National Security Strategies must have as their starting point a policy baseline that is a realistic understanding of the world and the UK's role and status in it. That said, the UK has demonstrated, and continues to do so across the world, that it has a major role to play in global affairs. (Paragraph 215)

51. The UK's national ambition must be matched and constrained by a realistic assessment of the resources available to achieve it. The adaptable posture advocated in the current National Security Strategy is a good starting point, but must not become a hostage to fortune requiring the UK to participate in the resolution of every global security challenge. This policy baseline must be available at an early stage to ensure the correct decisions are made in the subsequent Strategic Defence and Security Review in terms of force structures and capability and platform decisions. (Paragraph 216)

52. We acknowledge that it was necessary to undertake the SDSR alongside the CSR. This resulted in a better financial settlement for the MoD than might have been realised if the two processes had been separated. However, given the speed of the review we are not convinced that the best use was made of experts from outside the Department. (Paragraph 217)

53. Our Report outlines some major concerns regarding the capability decisions made in the current Strategic Defence and Security Review. The starting point for capability decisions in future SDSRs should continue to be a consideration of what "sovereign" capabilities are required. The SDSR identified seven military tasks and the Defence Planning Assumptions that underpin them. However it does not set out how capability decisions such as those on Carrier strike and Nimrod MRA4 ensure that the Armed Forces are able to undertake the military tasks. In addition, the measures to be taken to cover the risks that capability gaps engender need to be developed—it is not sufficient to rely on old and new alliances although these are valuable. When capability gaps occur, concrete plans should be developed to regenerate the capability, including the necessary skills amongst Service personnel. We hope that the plans to redevelop the carrier and carrier strike capability might serve as a model for the future. (Paragraph 218)

54. The biggest challenge arising from the SDSR and the next SDSR is the realisation of Future Force 2020. We have serious concerns about whether it will be achieved, particularly as the provision of necessary resources is only a Government aspiration, not Government policy. Given the uniqueness of MoD procurement we regard it as essential that the MoD has more certainty in its long-term planning and recommend that ten-year budgeting be introduced. This would also give the MoD greater confidence in the decisions it takes in future SDSRs. However, as part of this, the MoD must reform, and ensure substantially improved transparency and control over its finance and budgetary practices. Without this it is extremely difficult for the MoD to argue for additional resources. While we welcome the Government's new initiatives on value for money such as the Major Projects Review Board, we are not confident that given the reductions in the MoD budget and the continual reassessment and uncertainty in forward financial planning the UK Armed Forces will be able to reach Future Force 2020. (Paragraph 219)

55. The SDSR was unfinished business. It has been supplemented by a three month review and by further reports on the structure and senior management of the MoD, on the balance of Regular and Reserve Forces, on equipment, support, and technology for UK defence and security and the basing review. In the light of these changes it appears to us that despite statements to the contrary the SDSR has to all intent and purpose been re-opened and it has been done without the re-opening of the Comprehensive Spending Review. We will monitor events to ensure a coherent plan providing UK national security. (Paragraph 220)

We are grateful for the Committee's constructive scrutiny of the NSS and SDSR. National security and Defence are important topics that it is right and proper for Parliament to consider in some depth. We particularly welcome the Committee's recognition of the high qualities and work of all our people, military and civilian, in difficult circumstances.

We welcome the Committee's endorsement of the new pan-Government arrangements we have set in place for consideration of national security issues. As the Committee has recognised, these are a significant advance on the previous system. As set out above, we do not agree with all the Committee's specific recommendations about how these arrangements might be developed at this time but our plans remain agile and subject to review as circumstances dictate. We have set up arrangements we believe work well, and are right for today. But we expect that they will evolve in future years to adapt to the changing security and political environment.

We also do not agree with the Committee's conclusion that a limited reduction in our military capability automatically equates to a reduction in the UK's influence in the world. Military strength is only one tool for international influence, and one not particularly well suited to many of the international and security challenges with which our country must grapple. We have sought to set out in our response other ways in which we are working to maintain and enhance our influence and security. Moreover, we expect to continue to have the fourth-largest Defence budget in the world, and our Armed Forces will continue to be one of the very few able to deploy and sustain a brigade sized force together with its air and maritime enablers, capable of both intervention and stabilisation operations almost anywhere in the world. In Afghanistan and Libya our Armed Forces continue to demonstrate just how much they can do but we have no intentions of falling into the trap of concluding that that very capability means we should be drawn incontinently into the resolution of every global security challenge. The threshold for the use of military force in resolution of international conflict is, and must remain, high.

We particularly welcome the Committee's endorsement of the overriding national security imperative to bring the deficit under control, and its recognition that Defence cannot be held apart from that. We also welcome the Committee's implicit recognition that in the circumstances we have to deal with the Future Force 2020 force structure we set out in the SDSR is appropriate to the security challenges we face. We recognise the Committee's concerns over some specific capability decisions we took. We did not do so lightly, and have set out our reasons in some detail in our evidence to the Committee and in the response above.

We have noted the Committee's observations on the way we ran the SDSR, its speed, and its linkage to the CSR running in parallel. We set out much of our thinking on this in response to the Committee's previous report. We are satisfied that we made effective use of relevant expertise available to us from outside the Government especially in the preparatory work before the Review formally began on the strategic context. But we will take the Committee's views into account when we start preparing for the next SDSR.

We agree entirely with the Committee that the key challenge we now face is making a reality the plans we set out in the SDSR without compromising key elements of Defence capability. We are under no illusions that this will be difficult. The further work that it explicitly set in hand (in particular on basing, the Reserves, and Defence Reform) have

now delivered greater clarity about how we can do this. It is simply wrong to see this as having re-opened the Review itself. An absolutely fundamental part of this has been the work to bring the Defence budget back broadly into balance, and to change the way the Department and our Armed Forces work to address the reasons behind why it got into such a mess in the first place. Embedding and maintaining that will require continuing vigilance in future departmental planning rounds and Government Spending Reviews. Through the Transformation programmes we are setting up the arrangements to ensure this happens. We look forward to working with the Committee in its future scrutiny of how, and how well, we are doing.