



House of Commons
Defence Committee

The Work of the Ministry of Defence and the Armed Forces

Oral and written evidence

12 July 2012

*Rt Hon Philip Hammond MP, Secretary of State
for Defence, and General Sir David Richards
GCB CBE DSO ADC Gen, Chief of the Defence
Staff*

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The Defence Committee

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

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Rt Hon James Arbuthnot MP (*Conservative, North East Hampshire*) (Chair)

Mr Julian Brazier MP (*Conservative, Canterbury*)

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Oral evidence

Taken before the Defence Committee

on Thursday 12 July 2012

Members present:

Mr James Arbuthnot (Chair)

Mr Julian Brazier	Penny Mordaunt
Thomas Docherty	Sandra Osborne
John Glen	Sir Bob Russell
Mr Dai Havard	Bob Stewart
Mrs Madeleine Moon	

Examination of Witnesses

Witnesses: **Rt Hon Philip Hammond MP**, Secretary of State for Defence, and **General Sir David Richards GCB CBE DSO ADC Gen**, Chief of the Defence Staff, gave evidence.

Q1 Chair: Secretary of State and CDS, you are both most welcome. This is a one-off evidence session. Secretary of State, you have been in the job for nine months now, and CDS a little bit longer.

General Sir David Richards: It seems a long time; it is about two years.

Q2 Chair: You are both most welcome here, and we have got a range of questions for you. I understand, Secretary of State, that you have to go at 4 o'clock, and we will release you at the same time, CDS. Can we begin with a rather general question about the Strategic Defence and Security Review that came out in 2010? There are lots of challenges to be considered in implementing it. What would you say the main ones were?

Mr Hammond: There are a lot of challenges. It is a huge transformation of defence. Clearly, the restructuring of the Armed Forces to give us the posture that is required by Future Force 2020 is itself a major exercise. I think if I had to pick a single thing it would be this: many of the things that are set out as specific changes in the SDSR, as far as they affect MoD and the Armed Forces—the things we have to do are around changing behaviours and making the place work differently. We are engaged in a major process now of developing new structures, for example in defence infrastructure, in defence equipment and support, changing the way the top level of the head office is structured and operates, and delegating budgets to the front-line commands. None of these things is being done for its own sake. They are all being done to change how people behave—to change the alignment of interests within the Department. That, to me, is the key and crucial change that has to come out of the work that was done in 2010 to make defence work more effectively in future.

Q3 Chair: CDS, anything you would like to add to that? I am sure there will be.

General Sir David Richards: Thank you very much. First of all, we must ensure that we continue to put strategy first so that we know—we have talked about this before when I have been in front of you—that we have a strategic handrail that guides our actions and

our long-term aims. That is in the SDSR, but we need to finesse it further and ensure it remains entirely appropriate in a very fast-changing and dangerous world. I think we are putting in place the mechanisms to ensure that we all think and act more strategically. You will probably come back to that, because I know you are all interested in that anyway.

There are only two other things that I would add. As far as structures are concerned, I think we are very clear on Future Force 2020—particularly now the Army 2020 decisions are out the way—as to what we are required to do, and I think we can certainly deliver all that. On kit and equipment we have a good plan, and there is agility in that plan now. That has not been the case before, which is a real problem in a high-tech era when things move so quickly. The last, and I suppose my biggest, concern—right now, there is no evidence that it is going to be a major problem, but it is very much top of the Chiefs' radar—is people. The British Armed Forces are what we are because we have at least our fair share of quality people. We need to enthuse them and make sure that we keep our fair share, albeit within a smaller structure. So we are all working very hard on making sure that will be the case.

Q4 Chair: Have you been able to reconstitute the high readiness response force to respond to rapidly emerging threats at the rate that you expected to?

General Sir David Richards: So far, yes. We know that until Afghanistan is drawn down fully, that is an area of risk. It is a risk that was reflected in the SDSR, and that we seek to mitigate all the time. But yes, once a decision was taken to draw down finally by the end of 2014 in troop combat terms in Afghanistan, we were able to put units to that requirement and we are building it back up. I think the point of your question is a good one. In the desire to recreate something that we used to have in the early 2000s—the Joint Rapid Reaction Force-type contingent capability—we know what we have got to do, and we are on track against the SDSR to deliver it, but it will continue to be a challenge.

Q5 Chair: Will it be ready by the next SDSR?

General Sir David Richards: I think what we are expecting to have in it will be in it by then, but you only need one event and you put back the building up of your contingency, your stock, and all those sorts of things. Libya obviously used up some of that, but we have got the funds to replace it and we are on track to do it. Right now I do not think it is a major concern, albeit that we would like to do it even quicker.

Q6 Sir Bob Russell: Secretary of State, you heard General Sir David Richards refer to the “fast-changing and dangerous world”, and he also spoke of the high-calibre members of Her Majesty’s Armed Forces, whose morale has been a wee bit battered recently. Can you give an assurance that as the years unfold, the cuts or proposed cuts in the size of the Army will be looked at in the light of those fast-changing and dangerous world scenarios?

Mr Hammond: The SDSR 2015 will clearly be an opportunity to look at those fast-changing scenarios and draw any strategic conclusions that we need to draw. The budget over the 10-year horizon that we have constructed is based on the reduced size of the regular Army that my predecessor announced last July and that I confirmed last Thursday in the Army 2020 announcement.

Q7 Sir Bob Russell: That reply indicates quite strongly that the size of Her Majesty’s Armed Forces is being driven by finance and not necessarily by the defence requirements of the United Kingdom both at home and overseas.

Mr Hammond: As I have said many times before and will go on saying, having a sustainable budget position is at the heart of having sustainable Armed Forces. Frankly, my approach to this is that you do not do anybody any favours by creating a fantasy world in which you pretend to be able to do things that you cannot sustain. What we are trying to do is to set the budget on a sustainable basis, with a level of personnel that we can afford to maintain over the long term and that we can afford properly to equip. I do not want to fall into the trap that I think the previous Government fell into of trying to maintain Armed Forces that were larger than we could afford properly to equip. It is very clear that if we ask people to put themselves in harm’s way, we have to equip them with the very best kit and the very best personal protection equipment that we can.

Q8 Chair: Secretary of State, you have just referred to the SDSR 2015, but it will not be the SDSR 2015, will it? There will be an election in 2015, so presumably the new Government will come into place and it will have to work out exactly when the SDSR will be, and what the relationship of the National Security Strategy and the timing of that will be for the next SDSR. What exactly do you see that timing as being, and what work has been done on the SDSR?

Mr Hammond: First, on the high-level question, I think what we are hoping to create is an environment in which a quinquennial SDSR becomes a normal part of the process accepted by all parties represented in Parliament. Fixed-term Parliaments mean that the SDSR will be finalised in the very early part of each

Parliament, but the work towards it will be conducted over a couple of years leading up to that point. Each new Government will find that a great deal of the legwork in preparation for the next SDSR has been done.

I would anticipate that there will be an SDSR concluded in 2015, and the work is under way already. Within the MoD we have something called the defence strategy group, jointly chaired by PUS and CDS, which advises on strategic issues. Right now, it is drawing together a paper that will articulate the key questions for SDSR 2015 from an MoD perspective and feed that into the wider cross-Government process of preparing for the next SDSR, which, obviously, will become an increasingly front-burner activity as we get closer to 2015.¹

Q9 Chair: What about the National Security Strategy? When will that be announced—at the same time?

Mr Hammond: That is not my direct responsibility, but I believe that is the intention.

Q10 Chair: You would assume, as last time, the Comprehensive Spending Review would come out at roughly the same time, would you?

Mr Hammond: You would have to ask the Chancellor of the Exchequer when the next Comprehensive Spending Review will take place. I think by most people’s estimate the next Comprehensive Spending Review, if it is for a three-year period, will overlap the date of the next SDSR.

Q11 Chair: What do you think the main questions are that will need to be addressed by the next SDSR?

Mr Hammond: I can have a guess at some of the strategic things that are emerging now, but as CDS pointed out, it is a fast-changing situation. If we look at some of the most volatile areas of the world, we can easily construct scenarios that might cause us to have to make quite a radical review of the positions that we have currently adopted and the assumptions that we have currently made. Just looking narrowly at defence, we have got decisions to make, for example, about the deployment of the second carrier. We will have a decision to make about the capability gap that we have accepted on maritime patrol aircraft. Those kinds of defence decisions will have to be made in the SDSR, but clearly the big strategic picture—particularly what is happening in more volatile parts of the world at the time—will inform the priorities for UK defence at that time.

Q12 Chair: CDS?

General Sir David Richards: I think in addition to that, there will be wider issues such as the Secretary of State has hinted at. Cyber is a growing requirement, and we will definitely have to spend on it. Also, we must not judge even the changes we are making now against previously accepted benchmarks. My biggest concerns right now are things such as cyber, enhancing our special forces capability and all those sorts of things, which were poorer brethren, and something else had to give. As an Army officer, in

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one way I was hugely sad about the reduction in the size of the Army, but by doing it we can continue to invest in these new areas, which I am sure will be a growing focus at the next SDSR as well. Terrorism—has it spread or has it perhaps declined relatively? There is beginning to be a debate on that in the States. We all know that allies will have to cut their defence, or at least the size of their forces, probably more than we have—we are ahead of them in many respects—so how do we interact with them in future? I think those things will be a big part of the SDSR as well.

Q13 Sandra Osborne: The Committee has started an inquiry into the implications for defence should there be a separate Scotland. Will you be looking at that as part of the SDSR?

Mr Hammond: There is no plan to do so at the moment. The Government's position is clear. We believe that Scotland is better in the United Kingdom and the United Kingdom is better with Scotland in it, and we are quite confident that the people of Scotland will come to the same conclusion. However, if the SDSR takes place in 2015, we presume it will take place in the context of a referendum having been conducted. Clearly, the outcome of that referendum will inform the SDSR.

Q14 Sandra Osborne: But don't you think the people of Scotland need to know before they vote what the possible implications are—and indeed the people in the rest of the UK?

Mr Hammond: To widen the question to whether the referendum should take place in an informed atmosphere, I absolutely think it should. As a date is set and the campaign gets under way, I am sure that the protagonists on both sides will be setting out the arguments in all the different spheres, including defence. Defence is one of the critically important spheres, and we know from opinion-polling that it is one of the areas that concerns people in Scotland most—the implications for defence in terms of the question of potential independence.

Chair: I am sure that as part of our inquiry into that issue we will invite you to come and give evidence to us about that.

Q15 Mrs Moon: Given your recent announcement on Future Force structures and the defence planning assumptions, how have the assumptions that were made in the SDSR changed? The SDSR contained an assumption that the Army would be of 94,000, but we are now going to have a regular Army of 82,000. The SDSR suggested we were going to have five new multi-role brigades, but now we are going to have three armoured infantry brigades of a reaction force. Is the vision for Future Force 2020 being rewritten, and if so, why has it changed so much in such a short time?

Mr Hammond: The simple answer is no, it is not being rewritten, but it has evolved. The SDSR defined certain outputs required with an Army of 94,000. As I said in my statement last Thursday, it would clearly have been open to the Chief of the General Staff to say, "If the regular part of the Army is going from 94,000 to 82,000, we will have to reduce by a

commensurate proportion the outputs that the Army can deliver." He did not say that; he engaged with the challenge. He has looked at a way of structuring forces, of integrating reserves, of making greater use of contractors, including on operations, and of ensuring that the reductions take place in those arms and services that are most able to be supported by reserves, contractors and allies. The effect of that is that he is able to confirm that with the construct laid out in Army 2020 he can still deliver the outputs that were envisaged.

In other words, he has demonstrated a productivity gain through the restructuring of the Army.

To answer your question about five multi-role brigades—again, I think I was asked this question on Thursday—the concept of an Army divided into a reaction force and an adaptable force has evolved as the Land Command senior staff looked at the challenge. The reaction force will find three armoured infantry brigades plus the air assault brigade. Two further brigades will be found from the adaptable force—that is the purpose of the structure—with, clearly, the higher proportion of reserves being involved in the fourth and fifth turns of a five-part pattern of deployment. It is still intended that there will be a five-part sequencing of support for a sustained operation, and there will be five brigades found to do that—the first three from the reaction force, and the remaining two from the adaptable force.

Q16 Mrs Moon: What are the current sticking points for achieving Future Force 2020? What are the metrics and milestones that we will be able to follow to see where you are? How will we know what progress you are making?

Mr Hammond: In delivering Future Force 2020? Clearly, the structure of the Army announcement was a critical part. We have already implemented some of the very controversial changes—the early retirement of platforms, and the scrapping of certain capabilities that we were planning to get. I have announced the balanced budget and the equipment plan. That work is now being reviewed by the NAO. As you know, I am committed to publishing that when we have the NAO report, which we envisage will be when Parliament returns in the autumn.²

Steady progress is being made. There will be a series of points at which it will be possible to form a view about progress towards Future Force 2020, but I assume that the principal holding-to-account mechanism will be asking those who are charged with delivery—the Armed Forces Committee, the Chiefs of Staff—whether they are confident that they can deliver the output required by Future Force 2020. The statement that we have is that, on the basis of the balanced budget and the sustainable equipment plan we set out, they can do that. I am sure you will wish to ask them regularly to reaffirm that that is their view.

Mrs Moon: We will do.

Q17 Chair: CDS, you nodded.

General Sir David Richards: I am delighted that the Armed Forces are now given control of some of their own destiny, in the way we have discussed before.

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The Armed Forces Committee is a vital part of the defence decision-making process. The Chiefs are living up to that responsibility. There has been criticism in the past—again, we have discussed that here—of the Chiefs acting too parochially in the interests of their own service. Obviously, their duty is to explain their service’s perspective, but they are coming together as Chiefs of staff in the way we read they did, historically. I think it is a very good system, and I know that the Secretary of State, as we have just heard, takes the Armed Forces Committee view very seriously.

At the moment, we are on track to deliver. There are other benchmarks, more technical ones, such as the arrival of the first JSF aircraft, the carriers—so far, so good—the arrival of new air transport, and AAR aircraft. There are a lot more technical things that we will be able to brief you on. The key thing is: how we fight it? That is my major concern.

Mr Hammond: If I might add something, this is General Richards’ domain, but CDS has ordered a review of the way we fight, called “How we Fight”; that is being undertaken at the Development, Concepts and Doctrine Centre at Shrivenham.³ Taking what is an obvious point, but one that I had not heard articulated before, there is more than one way of delivering a desired military effect. One needs to look at the platforms, capabilities and personnel that we will have—not the ones we would like to have in a fantasy world, but the ones we will have—and work out how most effectively to fight them to deliver the strategic effect that is required. That is an important part of the process. It means that we cannot necessarily define today what all the bits will be to deliver the output required by Future Force 2020, because technologies and the nature of the threat may change. Hopefully, the system we have put in place, particularly the system around the equipment plan, will give us the flexibility to respond to that as we progress over the next eight years.

Q18 Mrs Moon: You talked about having control of a new reserve force of 30,000. Looking at the figures, that 30,000 will be broken down into around 5,000 Royal Navy and RAF reservists, and 25,000 Army reservists. The latest figures that I could find suggest—

Mr Hammond: May I interrupt you there? The 30,000 is the trained Army reserve. On top of that is Naval and Air Force reserve.

Q19 Mrs Moon: The latest figures that I have found suggest that the Army reserve is around 14,000. How confident are you that you will be able to increase those numbers as significantly as you say you want to in such a short time scale? In your responses last week, you suggested that there would be a particular problem accessing reserve forces from SMEs. Would it be helpful to say a few words on how you intend to find employers who will be willing to allow people to be missing from work for such long periods?

Mr Hammond: First of all, the baseline is that, nominally, there are about 25,000 people in the Army reserve, but I would entirely accept your figure that

something like 14,000 or 15,000 is the more realistic figure for Army reservists who are properly engaged with the process and could be called a trained reserve. One of the problems over the last few years is that the deal—the compact—has broken down, so that at the edges there are people who are sort of in the reserve, but not really playing any more. We need to harden up this offer.

We need to make a much clearer commitment to our reservists that they will get the training, including opportunities for overseas training and regular training with the regular Army; proper kit; and proper personal protection and communications equipment. In exchange, they will do the training and will commit to a liability to deploy on a predictable basis over a five-year cycle, so it will be a much harder offer. For some people, that will be a turn-off. For many more people, it will be a turn-on. Many people actually want to engage in reserve service and to be a serious part of the Army. Making clear to them that the reserves will be a serious part of the Army will make them more, not less, attractive.

In terms of the offer to employers, it is absolutely fair to say that there will be different groups of employers that we have to approach differently. Public sector employers and large corporates we can deal with reasonably straightforwardly. We will set a benchmark for the public sector, and challenge large employers in the name of corporate social responsibility to match the benchmark that we have set. We will emphasise to them the advantages of having reserve service employees, and we will look at ways of recognising private sector employers’ commitment to reserve service.⁴

We will have to do a lot more imaginative thinking on how we engage with small and medium-sized employers. We may have to ask ourselves whether we can offer more flexible terms of call-out for reservists who work in small companies, as compared with larger companies. That is a question, not a decision. We need to think about the offer that we make to the growing ranks of the self-employed—people who, for example, live by doing consultancy work. If they have sufficient forward notice that they will be mobilised for a period in six months’ or a year’s time, they can plan their work load around that and incorporate it into a portfolio business career. It is about recognising that one size does not fit all, and that there will be different ways of approaching different groups to get to the 30,000. We recognise that it is a challenge, but we are effectively talking about doubling the number of trained reservists over the next six years. The people in charge of this project are confident that they can do it, but they do not underestimate the scale of the challenge that faces them.

Q20 Chair: It is not G4S, is it?

Mr Hammond: No, we have not gone down that route.

Q21 Penny Mordaunt: I declare my interest as a member of the reserve forces. As a Member of Parliament, it took me nearly nine months to get security clearance and my pass on joining the

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reserves. How much do you think that the bureaucracy and some of the systems that reservists have to deal with will affect our ability not only to get people interested and to the recruitment evening, but to retain them through the training process?

Mr Hammond: Bureaucracy turns most people off. Waiting very long periods for clearance is a problem, whether it is to get into the reserve or to be police-vetted to do charity work, because people whose enthusiasm is high tend to see it wane if they have to sit on the sidelines for a long time. That is not an issue that has been raised with me before, but I am very happy to look at that. It seems an excessive period of time.⁵

Penny Mordaunt: I would be grateful if you did, because it does not help.

Chair: This will have specific implications in relation to the Olympic security announcement today, which we will come back to in a few moments.

Q22 Sir Bob Russell: Secretary of State, you referred to a benchmark for reservists in civilian employment. I am not sure what the benchmark was, but on the basis of leading by example, how many civilian employees at the Ministry of Defence, both in numbers and as a percentage, are reservists?

Mr Hammond: I cannot give you the answer off the top of my head, but I am happy to write to the Committee and let you know. There are very significant numbers of reservists in the public sector, and particularly in the national health service, which we depend on heavily for medically trained reservists. A very good and mutually beneficial relationship has been established, whereby the NHS is benefiting from the skills that medics are developing in the Role 3 hospital at Bastion and is releasing to us the manpower that we need.⁶

Sir Bob Russell: I certainly endorse the latter part of your answer. Thank you.

Q23 Chair: CDS, do you want to come in on that?

General Sir David Richards: Only to emphasise that we know it is a problem, but we have some very good people working on it. In the autumn, we will be giving advice on some of the detail you have just heard about to the Secretary of State and the Defence Board, and we are going to bloomin' well do this. I am very happy with it.

Mr Hammond: May I say that although I have not announced it yet, we made a decision on Monday to hold, during the September sittings of Parliament, a working group—a round table—for any parliamentarians who wish to contribute to a discussion about terms and conditions of reserve service and the interface with employers? That will help to inform our preparation of the consultation paper that we will launch in the autumn for formal consultation.⁷

Chair: That sounds like a very good idea, and the greater notice that you can give all of us of the date, the better.

Q24 Bob Stewart: Secretary of State and CDS, my question is about morale, which is probably the most important matter of all. There is considerable anger in the English regiments and, dare I say it, the Welsh regiments about the criteria that you announced for selection of the battalions. I know that there is a difference between battalions and regiments, but most of the battalions are also regiments, including the Staffordshire regiment—the 3rd Battalion the Mercian Regiment. There is considerable anger about the criterion that you said was paramount, which was recruitability. Other Members of Parliament have asked for the figures on which the decisions were made. They were made on figures that must be obvious to the Ministry of Defence, and I would very much appreciate it if the figures on recruitability were available—for the Scottish regiments in particular, but for all regiments.

The criterion was recruitability over the long term, looking back 10 years. People like me are quite suspicious of figures, because regiments went last time on figures that we thought were largely fallacious. I would very much appreciate it if figures as to why regiments were selected on recruitability were made available to the public, or at least to this Committee.

Mr Hammond: Let me answer that question. The infantry in particular faces significant challenges on recruitment. One of the key criteria that we used is recruitment performance over a 10-year period—not a snapshot. At the moment, we have the recruiting sergeant of a current operation and a very difficult economic climate, but looking over a longer period we can see how different units of the Army have consistently performed differently. We can also look at the extent to which different units have relied on foreign and commonwealth recruiting because of their inability to recruit from their home recruiting territory. Those figures in themselves are not secret. I have been asked parliamentary questions about recruiting figures for various specific units, and I have answered with those figures for the 10-year period. I am happy to continue answering questions by putting those figures into the public domain.

That was not the only criterion that was used. The Army also looked at the demographics in the recruiting areas. Overall, the cohort from which the infantry recruits—males, 18 to 24—is set to decline by 12% nationally over the next 10 years, but that is not an even decline across the country. There are different pressures in different areas.

The CGS also looked at the histories of the units involved—at the amalgamations and deletions history of previous Army reorganisations. His objective was very simple: No. 1, to produce an Army structure that is militarily effective, which has to be the overwhelming consideration; and, No. 2, so far as possible within that first criterion, to produce an outcome that would be seen by those currently serving in the Army—I emphasise those words—as fair, reasonable and balanced in the circumstances. I would draw a distinction, if I may, between the reaction to the announcement that we have heard from people serving in the Army and, with the greatest respect, the reaction from people who have served in the Army

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but are no longer there. They are bound to have a different perspective. People who are serving in a unit today in one of the large current regiments will have a different view on these things to people whose allegiances, essentially, are to one of the regiments that are now historic.⁸⁹

Q25 Bob Stewart: I was not actually thinking of myself. I was thinking of people in the regular Army with whom I actually do have contact. I am sure that would not be the perception shared by members of 3 Mercian or 2 RAF, who are extremely worried about what is happening. I will withdraw, because I am going down a rabbit hole. What is your perception of the morale of the Armed Forces at this moment across all three Services?

Mr Hammond: Briefly, I said on Thursday that I recognise that morale is fragile and that we need to be very attentive to how we manage morale over the next couple of years. One of the things that is challenging for morale is that there is still quite a large sense of uncertainty about things. Although people now know the size and structure of the Army, there are still issues around individual careers. There are future tranches of redundancy in the Army that people don't yet know, so there is a sense of personal uncertainty. We are not yet able to give people certainty about future basing plans either, so there is uncertainty about where people are physically going to be located. We hope to be able to land that part of the equation in the autumn with a detailed statement to Parliament, which will help. There will be a series of measures around pensions, for example, and the New Employment Model, where we will gradually be able to build more and more certainty into the picture, so that people can start to plan for the future. The reality, however, is that until the last tranche of redundancy is out of the way and announced, people are not going to breathe entirely easily.

Q26 Chair: CDS, I think this is a question for you as well.

General Sir David Richards: Thank you. Of course, you are absolutely right. I go back to my point about retaining quality. We need to ensure that we keep our fair share. I would argue, and I think most of you would agree, that we probably have more than our fair share across the piece and that would be something that I would like to stick to.

I will address your question in three areas. I was at the staff college in Shrivenham yesterday—the Secretary of State was there on Monday—to address a group of highly intelligent and sensibly ambitious soldiers, sailors and airmen in the last week of their staff course. I talked a lot of this business to them. Most importantly, they believe that Future Force 2020, in their professional judgment, makes operational and tactical sense. If they did not think that, we would have a fundamental problem in that they would not accept that the aiming point is worth going for. That clearly is not the case within the Army, but it is not the only concern in the Army. Army 2020, which is a key part of Future Force 2020, also makes sense to

them. They can see the logic: the adaptable force; the reaction force; 16 Air Assault Brigade; the linkage with special forces; and all the other things that are in there. It feels about right to them, given the straitened times in which we are living. That was all tick-in-the-box, and the Royal Navy and the Royal Air Force were broadly the same.

The equipment programme is looking very good for the Royal Navy and the Royal Air Force. The Army's is a greater concern, but we can address that through the process that the Secretary of State has introduced, and the whiteboard process will address most of that. "Can we deliver it?" is the next bit of their question, and I think we are on track to deliver it, and we will have to remain agile in the way that I have just hinted. Lastly, as ever, I have literally just got back from Afghanistan, and the morale of those who are out there on the front line is remarkably high. I go there thinking, "God. I'm going to be given a hard time," and my driver says, "You'd better put your Kevlar jacket on," and all that sort of stuff, but I don't ever discover that. Most importantly, going back to the point that you were making about morale, they still have faith in us that we will get this right. Clearly, there are particular regiments or particular individuals, as the Secretary of State has said, who are uncertain and worried, but overall I would say that, while we have to keep our foot on the morale pedal, it is better in some respects than I feared it would be at this stage.

Bob Stewart: May I comment on that?

Chair: Briefly.

Bob Stewart: I will be brief. Every time you put soldiers, sailors or airmen on operations, their morale is high. Their morale drops immediately when they come home to discover that their regiment is going, their wives are unhappy and the link to the counties, which is happening under this organisation, has been broken.

Q27 Mr Brazier: Following Madeleine's questions, may I come back to two questions on reserves? I think everybody whom I have met in the reserves welcomes the things that were said last Thursday and indeed will welcome what you have said today, Secretary of State, but people are anxious to know what the future of their unit is. I appreciate that there are issues around regular basing, but much of that will not be settled for quite a long time. Do we have any idea of the time scale as to when we will know what the future of individual reserve units is?

Mr Hammond: Once we have announced the regular basing plan, we will be able to move rapidly to a reserve reorganisation plan.

Q28 Chair: Which will be when?

Mr Hammond: We hope to announce the basing plan in the autumn. We are committed to a consultation on reserve terms of service and employer engagement to begin in the autumn and to run over the new year with our conclusions being published in the spring. I would hope that around the spring will be a coming together point for all these strands.

Q29 Mr Brazier: I would just make the point that from the point of view of individual reservists, who

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are making quite big sacrifices in their career, they have waited an awful long time—I understand all the pressures you are under—to know whether the units they are in are going to continue. They cannot move from unit to unit.

The second question I was going to ask is on one of the welcome announcements you made last Thursday on the establishment of the independent panel chaired by the chairman of the RFCA, Sir Robin Brims. Can you tell us a little bit more about that?

Mr Hammond: Well, it is implementing the recommendation that was made in the reserves review, on which you served as a member. We have accepted that recommendation and we understand that people will want to be reassured externally, by some external audit of what is going on. Hands up—there is a suspicion about whether the Army will try to snaffle the money or whether, if things get tight, the reserves will always take the hit. If we are going to make this proposition work, with the reserves being a critical and integrated part of the Army overall, we have to provide the reassurance that that ring-fenced money will be there and will be available. I can tell you from where I sit that I am already seeing that we have gone past that problem. I am already seeing proposals within the Army budget for doing things that are not part of the ring-fenced money for reserves but are directed at the reserves from the Army's budget, because that is the right thing to do.

Q30 Mr Brazier: You see an annual report?

Mr Hammond: An annual report, yes.

Q31 Chair: Will General Brims's report be made public?

Mr Hammond: That is the intention, yes. He will report to us, but we will then publish that report.

Q32 Thomas Docherty: The SDSR and your predecessor's statements said that there would be 6,500 soldiers based in Scotland under the MRB. How many will be based under the infantry brigade structure?

Mr Hammond: I cannot give you basing detail at this stage because we have not completed the basing review, but the brigades have not changed in size with the proposed structure.

Q33 Thomas Docherty: I am not asking for the individual basing locations, but just because, as you know, I am not one of the brightest, are you saying that there will still be 6,500 in the infantry brigade who will be based in Scotland as a whole?

Mr Hammond: In the round. I cannot give you a precise number, but it is of that order.

Q34 Thomas Docherty: And what proportion would you see as regulars versus reserves in an infantry brigade?

Mr Hammond: That will depend on which part of the force the brigade is in.

General Sir David Richards: The armoured infantry brigades are the big, mainly regular ones, and the adaptable force infantry brigades will be of different sizes. We are waiting for the DIO work on estate

rationalisation so that we can make a sensible decision about which of those brigades goes where.

Q35 Thomas Docherty: Forgive me; I understand about the individual basing, but you have said on page 11 that there will be an infantry brigade in Scotland. You must have a ballpark for how many are regulars and how many are reserves.

Mr Hammond: The plan that was published in that document is really just reconfirming our intention to maintain a regional distributed presence of the Army around the UK, and confirming the locations that have already been identified for the big chunks of the Army.

Q36 Thomas Docherty: But if you have got 82,000 regulars, I am imagining you began by knowing where you wanted to put those 82,000 regulars. If you know you are putting approximately 6,500 in Scotland, how many of those are regulars versus reserves?

Mr Hammond: The basing plan is still under way. It is a very big and complicated piece of work, which includes the return of the Army from Germany. It has very significant infrastructure investment implications, and we are not in a position at the moment to talk about which units will go where and which brigades will be composed of which units, and therefore to answer those detailed questions. I am sorry I cannot give you that answer at the moment, but it is a question that will make sense once the basing review plan is published.

Q37 Mrs Moon: Do you have a plan B if you cannot get the appropriate numbers and skills in the reservists that you are hoping to get, and will you publish the associated risk assessment?

Mr Hammond: I was asked a question about risk assessment on Thursday by an hon. Member in the Chamber. I have checked the risk assessment. It is classified as secret, so I will not be publishing it, but I assure you that there is a risk assessment.¹⁰

In terms of a plan B, CDS and I were discussing that very point this morning. Of course there is risk around the plan to raise a significantly larger number of reserves. There is also risk around the plan to maintain an 82,000 regular Army. We are challenged by recruitment, particularly in the infantry. The Army has a number of tools at its disposal to manage that risk, and to deal with pinch points in skills within the organisation.

In the case of the reserves, the consultation paper that we will publish in the autumn will set out some preliminary thoughts about the tools we might use, differentiating different types of employer and different types of reservist for consultation. It will be genuine consultation. Everyone wants the plan to work. No one wants it not to work, so we need as much input as possible from employers, potential reservists, and those who have served in the reserve in the past to construct the most effective plan we can. I do not see it as a plan B; I see it as a flexible plan A.

Q38 Chair: Would you be happy for the Chief of the General Staff to appear before us and talk us through these changes, and what brought him to the view that

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he reached, because we would like to go into it in some detail?

Mr Hammond: On what changes?

Chair: The changes that you announced on Thursday last week.

Mr Hammond: I don't see why not.

Chair: Excellent. Thank you. I said that we would get on to the Olympic security issue.

Q39 Penny Mordaunt: Secretary of State, this is a bit of a quick-fire round from me, but please feel free to chip in. Obviously you have been monitoring the situation in preparing contingency measures, but we are a fortnight away from the games, and there has been a new announcement of extra resources. Can you briefly talk us through the timetable of when you became aware that you would have to fill the gap, and when the Services were made aware of that?

Mr Hammond: There has always been an awareness that the challenge facing G4S was significant, and consequently careful monitoring of its process and performance. I think it was two weeks ago that the first lock-downs occurred, and the first gap between the expected delivery of civilian venue guards and the actual force delivered became apparent. There was a small-scale draw-down—tens rather than thousands—from the military reserve force to make up that gap. Obviously we have been monitoring, with the Home Office and LOCOG in the lead, the performance of G4S over the following period, and discussing with the company the drivers of that performance. The conclusion has been reached that given that the start of the games is a relatively short time away, as you said, the prudent approach is to increase the military component to provide a robust contingency to give some resilience to the structure, and make sure that on the realistic worst-case assessment of what might happen with the G4S numbers, we are properly covered.

Q40 Penny Mordaunt: So nothing has come as too much of a surprise. Is that what you are saying, and that you have had some concerns that this would be the case, or has there been a big shock, and the issue has just emerged suddenly?

Mr Hammond: I don't think it has suddenly emerged. There has always been a military contingency capability. I do not have to ask the question because I know how they work, and I know that the military themselves, beyond the formal contingency that has been put in place, will have been thinking about what to do if they are asked to provide more—a sort of informal further contingency. I don't think it has come as a great surprise to anyone, but I know that it has caused some disruption for people who will be involved in additional Olympic security duties. We are committed to ensuring that any loss of leave and any financial loss that anyone incurs because their personal arrangements have been disrupted will be made good. Everyone will get the leave that they are entitled to and they will not be out of pocket.

Q41 Penny Mordaunt: When did the personnel who are going to be involved in that find out that this was a possibility?

Mr Hammond: I think I am right in saying that notice to move was shortened at the weekend for some people with warning orders. It isn't a case of moving large numbers of people at once. This will be a steady build-up, so people will get notice to move at various points over the next week or so.

Q42 Penny Mordaunt: Throughout the course of the games, in effect.

Mr Hammond: As we build up to the peak, over the next week or so.

Q43 Penny Mordaunt: But there has been no sort of instruction months ago about, "This might be a possibility"? Have people been able to plan on that basis?

General Sir David Richards: Just to clarify further, there is no one who has been called forward who was not aware that this was a possibility. What has happened means that they have been brought forward. As the Secretary of State says, someone would have booked holidays on the assumption that the warning order that they received, in most cases many months ago, would be accurate in the event. What has happened is that they have to be brought forward.

For me, as the guy who is ultimately responsible to the Secretary of State and the Government for doing this, this is what we are here for, ultimately. You could argue that we would rather not do it, but not everyone, by any means, takes that view. I was down there a week ago, and lots of people see it as a great national event, and they want to do the right thing in order to ensure its security. But the big thing for me, just to reiterate, is that everybody is firmly on side. They will be properly looked after, and they will be recompensed. We will do a very good job. We are where we are. That's what you have Armed Forces for, as a force of last resort. We have to get on with it and make the best of it.

Q44 Penny Mordaunt: Out of the 3,500, what is the split between regulars and reserves?

Mr Hammond: It is virtually all regulars.

Q45 Penny Mordaunt: Leaving aside these recent events, when did the original call-out for the deployment for the Olympics go out for each service?

General Sir David Richards: In December last year, we agreed to provide up to a total of 7,500 venue security forces. That is the people you are now discussing. Then there are the additional people doing more conventional military tasks, like maritime security. They were warned of it at the same time.

Q46 Penny Mordaunt: Do you have information on the number of service personnel who are going to be involved who have recently returned from Afghanistan or who are potentially facing redundancy?

Mr Hammond: We can't break that figure out specifically. It is of course the case that people will carry out different duties, so people who have served in Afghanistan will be in units that are deployed for this operation. Out of the total 17,000 military

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personnel who will be involved in the games, 2,250 are reservists, all of them volunteers.

Q47 Penny Mordaunt: You mentioned that service personnel are not going to lose their leave entitlement or be out of pocket. Has any consideration been given, especially to those who are just returning from another deployment, about any additional payments that might be given to them?

Mr Hammond: We are looking at how best to ensure that the input that people are making is properly recognised, and that if they are operating in conditions that would be classed as austere, that is properly recognised as well.

The Home Secretary, the Culture Secretary and I have made clear that we want to make this right for the people involved, but of course we have to do it within the culture of a military organisation, where there is a team spirit. We do not want to treat one group of people differently from another group. That is an issue that the Army and the other Services are looking at right now, and they will come forward with a proposal to us.

Q48 Penny Mordaunt: There have been reports that service personnel have arrived at the Olympic sites and been left without toilets. As you say, it has been quite austere. Are those reports accurate?

Mr Hammond: I think what happened is that because we deployed some military personnel earlier than was planned, in greater numbers than were planned, the facilities available to those early deployed groups were not adequate in some cases. I was told this morning that this is being addressed progressively and that the facilities available at the Olympic sites are now much better. It is basically about rest facilities.¹¹

Q49 Penny Mordaunt: A couple of final questions: are you monitoring how employers are being taken care of with regard to reserve forces? I have quite a lot of anecdotal evidence to show that employers are not getting information about how long they need to provide cover for those individuals leaving.

Mr Hammond: No, I don't recognise that. We made it very clear at the outset that we would not compulsorily mobilise reservists for this operation. All of these reservists are volunteers who have their employer's consent.

Q50 Penny Mordaunt: There is no issue about the consent or of their not being made aware that that person is going, but in terms of the length of time that person will be required, employers don't know when the person is returning.

Mr Hammond: The problems, if you like, are at the front end—having to ramp up earlier. That has not been achieved by additional use of reserves in any significant numbers. As far as I am aware, there is no change at the back end of the project. It will finish when the Olympics finish and we will then be able to stand people down in accordance with the original plans.

Q51 Penny Mordaunt: I can perhaps supply you with some case studies of this where employers—

Mr Hammond: It may just be that employers are reading the papers and perhaps imputing a degree of uncertainty to the situation that is not necessarily there.

Q52 Penny Mordaunt: I don't think that is the case because the reservists themselves do not know.

General Sir David Richards: You might have put your finger on something that we were not aware of. I will make sure that the chain of command is aware of this and that those individuals communicate with their companies to give them an indication of when they are likely to be back.

On the Olympics issue, I have been in very regular contact with Lord Coe and LOCOG—I know that the Secretary of State has had such contact earlier. I know that our political masters are doing it. From my point of view, some of the media reporting has misrepresented the degree of support that we are now all getting from the organisers. I could not ask for more from people such as Lord Coe than they are giving us. They are all over this. We will put this right and we will have some very good games shortly, properly secured.

Q53 Penny Mordaunt: My final question is about recouping costs. What measures have you got in place to get those costs back into the Department, not just the immediate costs you have to bear, but potentially if people have lost training slots and you have to rejig all that?

Mr Hammond: The agreement is clear. We will be reimbursed, if you'll pardon the phrase, the full marginal cost of the additional military contribution. That means not just the cost of accommodation, catering allowances, transport and so on but the consequential costs of training programmes having been disrupted, different troop arrangements having to be made and so on. The principle, agreed across Government, is that MoD should not suffer any financial disadvantage from having provided this additional support.¹²

Q54 Chair: Coming back, CDS, to the point you made about nobody being out of pocket and some people having had warning notices but nevertheless having booked holidays that they will now have to cancel, will those people be reimbursed for those holidays?

General Sir David Richards: To reiterate what the Secretary of State says, I am clear—that was a key part in our original discussion—that the answer is yes. I don't want to overflog this but we are getting a lot of recognition and support and all these issues are being properly addressed. If that were not the case then I would be much more worried than I am. You know the British Armed Forces will do anything that is asked of them if they are properly recognised and get looked after. That is well on track.¹³

¹¹ Ev 17

¹² Ev 19

¹³ Ev 19

Q55 Chair: Will the figures of the costs that the Ministry of Defence recoups through this process be made public?

Mr Hammond: I imagine so. I haven't given any thought to that.

Chair: Let us suggest that they should be.

Mr Hammond: I do not see any reason why they would be a secret. Clearly, the Home Office—LOCOG—will be having a commercial negotiation with G4S in due course, and we would not want to interfere with that negotiation in any way.¹⁴

Q56 Sir Bob Russell: I think we all agree that G4S's performance has been lamentable, but I have a query. I want to compare what General Sir David Richards said earlier, and what you have said, Secretary of State, about the close liaison with the Olympic authorities and the monitoring of G4S's performance, with what the Home Secretary said in the House of Commons this morning—I was there for the whole urgent question—and, Secretary of State, your written statement today, in which you used the phrase "this additional short-notice deployment". There appears to be an inconsistency about liaison and forward planning between a statement today and an urgent question answered by the Home Secretary, and what you are telling us here. So either it was seamless, with no problems and everything foreseen, or the button was pushed in the past 48 hours—which is it?

Mr Hammond: There was a contingency plan, with people on notice, and a reserve being held. The decision that has been taken in the past 48 hours is to deploy that reserve—an additional 3,500 people who now will be deployed, and not held in reserve for possible deployment. The arrangements to make facilities available for them, for accommodation and so on, have now been, or are in the process of being, contracted. That decision has now been taken.

Q57 Sandra Osborne: Could I ask you for your response to reports that some Service personnel were deliberately made redundant just before they became eligible for immediate pension payouts?

Mr Hammond: Yes. It is untrue. There are two things to be said. First, proximity to pension eligibility dates is neither a positive nor a negative criterion that is used in selection for redundancy. Secondly, some of the press reporting about people having been made redundant "60 days" before they were eligible for early departure payments and early pensions does not take into account the very significant abatements of service requirements that we have already made.

Someone in a rank in which they would normally have to serve 22 years before receiving an immediate pension and early departure payment, has that requirement reduced to 18 years when they are made redundant, so anyone who was within four years of being eligible for an immediate pension would become eligible upon being made redundant. For officers, the requirement is 16 years of attributable service, that is service above the age of 21, and that is reduced by one year. So an officer made redundant would be eligible for an immediate pension, as long as he was within one year of that point. Even for those

who do not become eligible for immediate pensions under those reduced criteria, the cash payments made on redundancy are significantly higher than the early departure payments that are available under the pension scheme. I do not recognise the picture that has been painted in the media.¹⁵¹⁶

Q58 Sandra Osborne: So what is the current position with the new Armed Forces Pension Scheme, as part of the New Employment Model? Again, there are suggestions that the early departure payment criteria will be severely downgraded.

Mr Hammond: There are still consultations going on across Government. This is a cross-Government issue, as you will understand. I hope that it may be possible to make an announcement before the end of the month to the Armed Forces about the outline structure of the scheme, which will put much more flesh on the bones of what has been announced so far.

Bob Stewart: I am most reassured by that comment, because I am in contact with two majors in Cyprus who are extremely concerned and your qualification will hopefully take care of their concerns, because they were saying, "We have been made redundant. We are very close—within two years—to achieving pension and we are out. It is not our choice; it is the Army's choice." What you have just said is deeply reassuring, and I am sure they will be listening carefully and will take note. Thank you very much. I am reassured.

Q59 Mr Brazier: I would like to ask about the reform process and, in particular, the new board arrangement. The Permanent Secretary recently left her role. The question is first to you, Secretary of State. Does having a sudden change of Permanent Secretary mean that we are likely to lose momentum in the defence reform process just as it started?

Mr Hammond: First, I would like to pay tribute to the outgoing Permanent Secretary. She oversaw a very important part of the evolution of this process and got us to the PR12 announcement of a balanced budget and a sustainable equipment plan. It is important that we do not now lose momentum, and I am pressing for the earliest possible appointment. The vacancy has been advertised, and I believe that the closing date for applications is 17 July. I am pressing for rapid progress to shortlisting and interviews thereafter. The sooner we can get the new PUS in post, the better. However, the senior management team is carrying on, with our Director General for Security Policy as acting PUS.

Q60 Mr Brazier: Mr McKane, yes. If I can ask you, CDS, a little about the Defence Board. I gather that there are two uniformed people on it, because the Vice-Chief has joined you. It seems a little odd still to have a company whose board does not have the Chief Executives of the operating divisions on it. Does it worry you at all that we have two soldiers and no sailor and no airman on the Defence Board? Do you think it worries them?

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¹⁵ Ev 27

¹⁶ Ev 27

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General Sir David Richards: I don't think it does. The answer to this lies in the Armed Forces Committee, which is made up of the Chiefs, along with other key people—in the future the Permanent Under-Secretary will be on it—such as the head of the acquisitions organisation, DE&S. Someone has got to be CDS and someone has to be Vice-Chief. At the moment, it happens to be two soldiers.

I would just go back to the point I made earlier: the Chiefs today are acting in a very collegiate manner—I can claim no credit for this; it is down to them. Of course, I am duty bound when I go to the Defence Board, as is the Vice-Chief, to ensure that the board is aware of their single-service concerns. The whole point of the Levene reforms is that they enhance the authority of the Chief of the Defence Staff to give his considered advice to the Defence Board on the big issues of our time. It seems to be working well.

Q61 Mr Brazier: Following up on that, the “Enhancing Strategic Capability Study” that you commissioned as part of the defence reform process is obviously in its early days, but can you give us a specific example of something that that has produced so far, or is it still in its early stages?

General Sir David Richards: There are some big organisational changes, at least from our perspective. They may have been missed in the noise a little bit, but I know—we have talked about this before—that there was no one even with the term “military strategy” in his title, so we now have a three-star officer who is charged with the development of military strategy and operations.

Q62 Mr Brazier: Can you tell us who that is?

General Sir David Richards: Lieutenant General Richard Barrons. He has a two-star officer who is ACDS, with responsibility for military strategy. As you heard earlier, we have a defence strategy group co-chaired by me and the PUS. I think we are now institutionally thinking, and are able to think, more strategically because we have the structure in place. We then have the job of feeding that into the national security adviser and his structure. On the whole, we are making big strides. The fact that the way we fight—or how we fight—is in hand, is in part a result of an awareness that we have to think more strategically.

Q63 Mr Brazier: Coming back to you for a last question, Secretary of State, one of the key themes that came out of the defence reform process was the process of delegation, including some pretty major delegation on capability decisions, for example. It seems that the Defence Infrastructure Organisation which, to put it mildly, has had a fairly chequered past with all the National Audit Office reports on it, and some pretty dire stuff in the trade press at the moment, has been largely exempted. Is there any chance of the DIO coming more under the individual single Services, or not? It appears not to come into the structure at all, except at the very top.

Mr Hammond: Well, the decision has been taken that the best way to manage this vast and very disparate estate is to have a professional estate management

organisation—DIO—but one that is responsive to the needs of its customers, the command budget holders. There is, I think, a two-stage process. Off the top of my head, the size of our Armed Forces has shrunk by something like 30% over the past 20 years, but the size of our defence estate has shrunk by 2%. Something is going wrong, and the estate needs to be rationalised not just in a way that produces sales receipts which, in a sense, is the least interesting bit, but in a way that rationalises the estate to reduce operating costs and make the military more efficient. That process has started, but we are pushing water uphill. DIO, in common with many other bits of the business, struggles with basic management information. Although action has been taken to solve those problems, that does not happen overnight and it will be a couple of years before DIO has what any self-respecting landed estate would regard as a sensible database of its assets.

Q64 Mr Brazier: That is a very frank answer but, if you will forgive me, I have one more detailed question. You mentioned responsiveness to customers. The complaint I get from everybody, from large garrison commanders to tiny cadet forces, is that DIO just does not respond to its customers. What sort of structural changes can we make to make it responsive? In the civilian world, you would simply sack your estate managers if they weren't competent, but they don't seem to come under anybody until you get to the very top.

Mr Hammond: It depends whether you are talking about soft facilities management such as, “We called someone to change the light bulb and nobody came”—there is a plan to address that by changing the way that the facilities management contracts are let—or about more strategic decisions on where to concentrate military use and where to release estate. I think that latter bit has to remain a centrally-planned decision at this stage of our evolution. Once we have rationalised the estate and got through the basing review, we may be in a position to review that in the future and look at a more devolved model.

Q65 Chair: Still on defence reform, there has been talk about the possibility of defence acquisition going to a Government-owned contractor-operated company. Has that been shelved?

Mr Hammond: No. The process of looking at options for restructuring DE&S is live right now, and as soon as there is something further to report and further decisions have been made, I will report them to Parliament.

Q66 Chair: When do you think that is likely to be?

Mr Hammond: These are things that are actually happening in the system now. We are looking at propositions that may be agreed before the recess, in which case I would be able to make an announcement to Parliament before the recess. Things may not be agreed before the recess, in which case announcements will be made in September.

Q67 John Glen: Secretary of State, on 14 May you announced to the House of Commons that for the first

time in a generation, the MoD had a balanced budget. I think it would be fair to say that there is a lot of cynicism, or scepticism perhaps, about the £38 billion black hole and what that was made up of. Will you tell the Committee how that black hole was made up? The second part of my question goes back to your opening remarks about cultural change. How will you embed a change in culture systemically, such that that gap will not open up again, and such that you have not only embedded processes and organisational changes ready to reinforce that change, but also cultural change so that it will not happen again?

Mr Hammond: I am a firm believer that cultural change takes time but that it follows the alignment of incentives—that is the key thing—and I do not just mean financial incentives, but incentives in the broadest sense.

Let me answer the first part of your question first. The Chairman has written to me, asking a broadly similar question, and I have indicated to him that I expect to be able to reply substantively to that before the House rises next week. I will not be able to give you a detailed breakdown in the area of the equipment plan, for exactly the same reason that we do not give a running commentary on the detail of the equipment plan—some of it is classified information; much of it is commercially sensitive—but let me try to give you a flavour of this in big handfuls, because I accept that it is a perfectly legitimate question to ask and that, if it is persistently not answered, that will make people sceptical and cynical about the process.¹⁷

First, the figure of £38 billion has gained significant currency, but in analysing this to answer the question, I think the reality is that the baseline figure is significantly higher than £38 billion. Arguably, £46 billion is the baseline black hole figure. That is made up of the about £23.5 billion gap in the equipment programme and about £17 billion in the rest of the programme, including manpower costs. We have conducted an exercise to re-cost the equipment programme, and we concluded—or Bernard Gray concluded—that we needed to add another £5.1 billion to the existing equipment programme in order to provide for realism in the cost; there had been a systematic under-costing of projects within the programme. The start point, including provision for the funding of that element of the nuclear deterrent replacement that comes within the 10-year equipment plan, is about £46 billion in round numbers.

Just to be clear, that is not the scale of the challenge that someone seeking to balance the defence budget faces; that is the scale of the problem that we inherited. Since that time, the requirements of fiscal consolidation and the further hit that the defence budget has taken in contributing to deficit reduction amount to another £21.5 billion. The additional funding for the reserves is £1.8 billion. We have provided some project enhancements of £0.7 billion, including some additional spending on cyber and some commitment to infrastructure in overseas operating bases, such as the Falklands. A range of other pressures around the assumptions in the budget on things such as fuel costs, foreign exchange rates, VAT—the implications of the VAT increase—add

about another £4.5 billion of cost pressure. The big number that you start from in trying to balance the defence budget is around £74 billion, of which £46 billion was inherited and the remainder has been added by decisions or actions that have been taken since May 2010.

Q68 Chair: I am going to have to stop you there, because I know that we have only five minutes left. I know that others want to come in, and we still have one or two other subjects.

Mr Hammond: Okay. I will write to you and set all this out in as much detail as I am able.¹⁸

Chair: Is it essential for the Committee to come in on this, or can we deal with it after we have had the letter? I think we should deal with it after we have had the letter.

Mrs Moon: I would like the letter to include the facts.

Chair: Make the point very quickly, please.

Q69 Mrs Moon: We were advised last Thursday that included in the £38 billion black hole was a contract for 22 Chinook helicopters. No contract had been let and no money found for it, but the cost of those 22 helicopters was added into the black hole. Can we have a breakdown of how much of the black hole was those 22 helicopters?

Mr Hammond: I can certainly identify the 22 helicopters, but I should say—

Q70 Chair: Also, can you identify the criteria on which you decided what was to go in?

Mr Hammond: Yes, I can, but when a Minister stands at the Dispatch Box, whether a Minister in the previous Government or a Minister in this Government, and announces an equipment procurement, that is a commitment and I am costing it. I am costing it against myself and against the previous Government. Ministers cannot make announcements at the Dispatch Box without accepting the financial implications of those announcements.

Q71 Chair: Before we get on to the aircraft carriers, I am conscious of the fact that we have not dealt with Afghanistan, the Falklands, NATO and the Anglo-French treaty, but there is one item that does concern us as a Committee. At the statement last week, the shadow Secretary of State said that you had briefed him about the statement before you made it. By that stage, you had been Secretary of State for nine months. Before that personal briefing of the shadow Secretary of State, what other personal briefings had you been able to give him during your nine months?

Mr Hammond: I have had a number of meetings with him, and one meeting jointly with him and the shadow Foreign Secretary. I have not previously specifically briefed him on the day of a statement, ahead of the statement.

Q72 Chair: Is there any reason that communications between the shadow Secretary of State and yourself have been so sparse? Do you regard him as a security risk?

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Mr Hammond: No, I don't think so. I would brief him on matters that I was about to announce to Parliament—security does not come into question there.

Q73 Chair: My understanding is that before the briefing he had last week he had had two previous discussions, one a week or so after you had become Secretary of State and another on a legal issue relating to Afghanistan. This, combined with your announcement about relations between the Ministry of Defence and politicians—Members of Parliament of both Houses—that members of the Armed Forces and people from the Ministry of Defence were not to speak to them, strikes us as poor personnel management. That is not a good way to manage relationships between Parliament and the Ministry of Defence. We suggest that you might like to become a little less controlling in the relationships that exist.

Mr Hammond: I think Ministers are answerable to Parliament for the Department. I am very happy to account for the Department's activities to you. I think it is not appropriate to put members of the Armed Forces in a position in which they may be pressed on issues that they are not at liberty to speak about.

Q74 Chair: Exactly the same applies to a teacher, a nurse or a doctor.

Mr Hammond: I think the analogy is with senior civil servants.

Chair: You have not applied it only to senior civil servants, you applied it to everyone. We suggest that

this is an area where you might like to develop your personal relationships. Moving on to aircraft carriers, Thomas Docherty.

Q75 Thomas Docherty: What impact has the decision on reverting to STOVL had on the carrier programme?

Mr Hammond: It has introduced a great deal more certainty into the deliverability and the budget of the programme. The cats and traps were the largest area of risk, the largest area of cost uncertainty and the biggest driver of cost inflation, so it has improved the situation there. It has also improved the certainty around deliverability of the programme, because the fitting of the EMALS catapult system—something that is currently being done on the George W. Bush but is not yet completed—had an uncertain timetable attached. We cannot be certain how long it would take to adapt the ship for that purpose, so by moving away for that we have enhanced the timetable for deliverability of the first ship.

Thomas Docherty: You mean the Gerald Ford.

Mr Hammond: Gerald Ford—yes, sorry.

Chair: It is 4 o'clock and we promised the Secretary of State and the CDS that they would be allowed to be away by 4 o'clock. I am sorry about that, but we could have any number of days on any number of subjects. We are grateful to both of you for appearing before us.

We would like to repeat this on a more regular basis, if we could, and that involves getting things in your diaries, but for today, thank you very much indeed.

Written evidence

Written evidence from the Ministry of Defence

1. *What is the planned timetable for 2015 SDSR (Q 8)*

As the Secretary of State said on 12 July, we expect both the National Security Strategy and SDSR to be revisited and concluded after the General Election in 2015, through a process led by the National Security Council and Cabinet Office. We have not yet decided whether we will publish a Green Paper before the Election. The MOD is engaging closely with other government departments, including via the cross-Whitehall National Security Strategy Network, to take forward initial preparatory work. This includes a wide-ranging programme of research and activity to define the future strategic context, consider the policy options in response, and test the continued validity of Future Force 2020. Alongside the focus on delivering Future Force 2020, and in parallel with wider initiatives on Defence Transformation, key components include:

- Work to explore Global Strategic Trends out to 2045, led by the Development, Concepts and Doctrine Centre at Shrivenham.
- Biennial refresh of the National Security Risk Assessment (currently underway), with MOD supporting a Cabinet Office-led review process.
- A two-year programme of strategic studies for the Defence Strategy Group to examine long-term policy options and strategic choices, aiming in aggregate to provide the foundations for the MOD contribution to the next NSS and SDSR in 2015. This work is being closely co-ordinated with other government departments, international partners, and external academics and experts.

2. *Further information on the Defence Strategy Group, including its remit, membership and how often it meets (Q 8)*

The Defence Strategy Group, jointly chaired by PUS and CDS, advises the Defence Secretary on strategic issues. Its terms of reference are attached at Annex A. It was established as a direct result of Lord Levene's recommendation that "*PUS and CDS should be directly responsible for strategy and should chair a new 'strategy' group to support them in delivering this function*". It has strengthened significantly the MOD's strategic architecture, providing a high-powered forum for long-term, genuinely strategic thinking.

The Group has met six times so far, considering issues including the future of transatlantic and European security, the implications of China's rise, intelligence priorities, Defence's contribution to UK resilience, and ballistic missile defence. Over the next few months the Group is due to discuss issues including climate and resource security, UK/France defence relations, and the Middle East and North Africa out to 2030.

3. *Additional information on the NAO review of the budget and equipment review, including information on the remit of the review and the areas to be covered and the timetable for publishing the review (Q 16)*

As part of the Government's commitment to greater transparency we will publish a summary of the forward Equipment Plan, to demonstrate its affordability and deliverability, and to give the defence industry more information on which to plan for the future. We have asked the National Audit Office to carry out an independent assessment of the affordability of the Equipment Plan, and to give its view on the robustness of our financial data and planning processes. We expect to publish both the summary of the programme and the NAO assessment in the autumn.

4. *Please supply the CDS's metrics for delivering FF2020 (Q 16)*

The SDSR's headline Future Force 2020 (FF2020) commitments are central to the Department's Business Plan (along with all departments, the latest version was published online on 31 May 12). Progress against the Business Plan is reported on a monthly basis with a headline report published on the Department's website.

The reporting (including metrics) that enables CDS and the Defence Board to monitor progress on delivering FF2020 is drawn from the SDSR commitments, supplemented by the more detailed direction articulated in the "Strategy for Defence" and classified "Defence Strategic Direction". This direction informs the detailed requirements set out in the classified "Defence Plan", which is refreshed annually.

The Defence Performance Framework generates a classified quarterly report against the Defence Plan. This is considered by the Armed Forces Committee and the Defence Board. It covers 10 strategic objectives (Current operations (predominantly Afghanistan); Standing Military Commitments; Contingent Capability and progress towards FF20; Transforming Defence; Service Personnel; Civilian Workforce; the Equipment Programme; Affordability; Governance; and Assurance). The quarterly report is informed by reporting from across the Department, and in particular from the Commands/Top Level Budgets (TLBs). From April 2013 this bottom up reporting will also enable the Commands/TLBs to be held to account, in accordance with the principles set out by Lord Levene, for their performance against their Command Plans. The holding to account process will be led by the PUS supported by CDS. It will inform discussion at the Armed Forces Committee and the Defence Board reinforcing the information and insight provided by the quarterly report against the Defence Plan.

Our detailed internal reporting is unavoidably classified and sensitive. But it provides the basis for our public performance reporting, including our monthly Business Plan progress reports, the Annual Report and Accounts, and the Defence input to the Prime Minister's annual overall SDSR Implementation Report to Parliament.

5. *Further information on the "How we fight" review ordered by the CDS (Q 17)*

How We Fight is a broad conceptual piece that was written both to consider the implications of Planning Round 12, Future Force 2020 and recent operational lessons, and to review and record some of the fundamental thinking behind the utility of Forces and the UK's vision for their use. It ranges wide in scope and poses challenging questions on our future ways of operating as we emerge from many years of campaigning in fixed, deployed counter insurgency operations. It is only a start-point, however; the immediate next step is to incorporate its key themes in the capstone Joint Operating Concept document being drafted by the Development, Concepts and Doctrine Centre, with planned completion by April 2013. This will provide a detailed analysis of the strategic and operational context, and the factors affecting Defence and security, followed by a pragmatic conceptual view of how the Joint Force Command should operate within that context. It will be underpinned by three complementary Environmental operating concepts (Maritime; Land; and Air and Space). The Joint Forces Command Joint Warfare Directorate is in parallel taking forward several work strands selected for immediate consideration and implementation.

6. *What are the benchmarks being considered for the public sector which large employers will be encouraged to meet? (Q 19)*

We are working with the wider Civil Service to establish standardised treatment of Reservists in the Civil Service. We will announce our proposals shortly and challenge other public sector bodies and large corporate employers to match them.

7. *What assessment has the MoD made of whether waiting times for security clearance for reservists is a factor in deterring potential recruits and what action does the Department plan to take? (Q 21)*

We consistently strive to improve our performance, including recruiting for both Regular and Reserve personnel. Security clearance is just one element of the process required to assess the suitability of potential recruits to the Reserve Forces. The Defence Business Services-National Security Vetting team regularly monitors the performance of the security clearance process. The introduction of a new online based, cross government security vetting system in 2011 caused a backlog of clearances submitted through the old hardcopy process during the transition to full operating capability of the new system. This backlog became apparent and was addressed quickly; it has now been significantly reduced and the security vetting system is now performing to the desired target performance level.

8. *How many civilian employees at the MoD are reservists and what is this as a percentage of MoD civilian employees? (Q 22)*

About 500, or just under 1%.

9. *Information on the planned working group/round table for parliamentarians in September 2012 on the terms and conditions of service for reservists and the interface with employees. (Q 23)*

We intend to publish a consultation document (Green Paper) on Future Reserve Forces 2020 in the autumn. This will outline our proposed way forward, particularly on the terms and conditions of service for reservists and on the interface with employers, and set the framework for the subsequent public consultation. The meeting in September will be an opportunity for parliamentarians and other key stakeholders to help to shape the Green paper before it is published. It is planned for 17 September at 18.00. The Minister for Defence Personnel, Welfare and Veterans will write separately to the Committee's Chair with details.

10. *Details of the criteria, and the figures, used for the decisions made in Army 2020 (Q 24)*

It was decided in July 2011 to reduce the size of the regular Army to 82,000 as part of the creation of an integrated regular/reserve Army of 112K. This represented a percentage reduction in the regular Army of 20%. To ensure that the future Army has an appropriate balance between combat and support roles, and recognising the roles where the Reserve can make larger contributions, the Army 2020 study recommended various changes across the different functions. Therefore, while the infantry will reduce by 14% and the Royal Armoured Corps by 18%, some support areas will reduce by nearer a quarter or a third. Because of the way in which the combat support and combat service support areas are organised, it was relatively straightforward to determine how to make those reductions. However, determining how to make reductions in the infantry was more complicated if the Army was to ensure the maintenance of a healthy regimental system that has served it so well.

The Army therefore took account of a number of criteria in reaching their decision on which infantry battalions to withdraw from the order of battle:

- maintaining a regimental system which is largely regionally aligned;

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- demographic sustainability of regiments according to projected regional supply of recruits in the 2020 timeframe;
 - proportionality of outcome, with no Regimental cap badge deletions and no regiment losing more than one battalion in a re-organisation;
 - balancing the whole infantry structure to maintain variety of roles and parity of opportunity of experience for officers and soldiers;
 - taking account of previous decisions on mergers and deletions;
 - historical manning performance; and
 - ensuring a solution that the Army would see as fair and equitable.

Drawing on demographic data for the age cohort across the regions of the UK from which infantry recruits are drawn (15–29 age group), and taking account of historical trends in terms of the percentage of that cohort likely to join the Army, an assessment was made of which regiments were likely to be the least sustainable in the future if they retained their current structure. This work included a comparison of each regiment's historical outflow so the likely recruiting requirement could be determined. This was a complex piece of work and it is not possible to provide a full summary here of all the information that was considered. The Army is therefore collating the various key data sources they used in their work and we anticipate making these public in due course.

We have, however, attached at Annex B a copy of the 10-year recruiting figures for specific regiments and battalions that we have published in response to Parliamentary Questions and to which the Defence Secretary referred on 12 July. The Army drew on Office of National Statistics (ONS) demographic information and looked at 2010 information for 15–29 year old males (the key age cohort from which the infantry seeks to recruit) and 5–19 year old males (those that will be the 15–29 year old cohort in 2020). A link to the ONS tool that the Army used and which enables regional searches to be made is below:

<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tc%3A77-231847>

The Army's analysis showed that those regiments likely to be the least sustainable in future were:

- The Royal Regiment of Scotland (predicted to be 1.75 battalions short);
- The Yorkshire Regiment (predicted to be 0.8 battalions short);
- The Mercian Regiment (predicted to be 0.56 battalions short); and
- The Royal Welsh Regiment (predicted to be 0.55 battalions short).

We therefore decided to remove one battalion from each of these regiments.

After removing these four battalions, and taking account of the criterion that there should be no Regimental cap badge deletions and no regiment losing more than one battalion, determining the fifth battalion to be withdrawn required the application of criteria that went wider than demographics. Taking account of the need to maintain equity of opportunity across the Infantry Divisions, and therefore having discounted those regiments that were already losing a battalion, and those which were single battalion regiments, options were reduced to taking a battalion from one of four Divisions of Infantry:

- The Rifles;
- The Parachute Regiment;
- The King's Division: The Duke of Lancaster's Regiment, The Yorkshire Regiment;
- The Queen's Division: The Princess of Wales's Royal Regiment, The Royal Regiment of Fusiliers (RRF), The Royal Anglian Regiment.

We discounted the Rifles as they had already undergone the most regimental amalgamation during the last two reorganisations and demographic projections suggested that they will remain the most strongly manned out to 2020. We excluded the Parachute Regiment on account of its specific and unique role. The King's Division had been reduced under the Future Infantry Structure (FIS) of 2005, taking it from six battalions to five and was reducing further again to four battalions as a result of earmarking a Yorkshire Battalion for removal from the Order of Battle. Taking this into account, the Army decided that the remaining infantry battalion should be found from The Queen's Division, which had not been affected by the FIS reductions of 2005, had retained the same scale of three regiments each with two battalions since 1994, and would otherwise have had six battalions in comparison to other Divisions with five or fewer.

When reviewing manning performance from across The Queen's Division, the Royal Regiment of Fusiliers, with average historical under manning of 13.3% since FIS, proved to be the historically least well manned of the three regiments and was therefore the one from which a battalion should be withdrawn. We appreciate that this decision has come as a great disappointment to those serving with the RRF and those with connections to it, but unfortunately it was simply not possible to save every unit.

After the withdrawal of five battalions from across the infantry, the Army's analysis showed that future manning should be sustainable with sufficient recruits predicted to fill the necessary posts across all battalions.

11. *Will the MoD provide the Risk Assessment to the Committee on a confidential basis? (Q 37) (on reserves)*

No. We are managing the Future Reserves 2020 Programme in accordance with best practice, including assessment and active management of the risks associated with our proposed course of action. Risk assessments and registers are useful business tools, used internally. But we judge that in this case, if we were to share the assessment even on a confidential basis, there is a risk that its managers might become reticent in recording all risks, increasing the likelihood that potential risks developed without formal assessment and, therefore, without an opportunity for mitigation. This would be particularly damaging to a project at such an early stage in its development. We therefore do not intend to share the Future Reserves 2020 risk assessments, as to do so would be detrimental to the programme. But we recognise the legitimate public interest in this programme, which is why its governance arrangements include external scrutiny and an annual report to Parliament.

12. *Details of the facilities provided for Armed Forces Personnel deployed to the Olympics, any problems encountered and how these were overcome? (Q 48)*

The planning for the safety and security operation for the Olympics necessarily evolved over time as requirements were clarified and subsequently refined. The scale and complexity of the operation necessitated close working across a number of Government departments and agencies and also with the London Organising Committee for the Olympic and Paralympic Games (LOCOG).

We announced Defence's contribution to the safety and security of the Games to Parliament on 15 December 2011. This comprised 13,500 service personnel in London, on the Thames, in Weymouth and across the UK including up to 7,500 troops for Olympic venue security operations and a 1,000 strong Military Contingency Force to respond to Olympic-related civil emergencies. The Defence Secretary confirmed to the House on 12 July 2012 that we were uplifting the military venue security support by a further 3,500. This was to provide greater reassurance but also to reflect the G4S agreement that it would be prudent to deploy additional military personnel at that time. That decision, while prudent, did however deplete some of the military's own Olympic contingency and so we agreed on 19 July that Defence should reconstitute an additional reserve of 1,200 personnel (including Command and Control and enablers) to be held at reduced notice to move. On 24 July, three days before the Opening Ceremony, the Government decided that it would leave nothing to chance and that Defence should call forward this additional reserve to provide resilience and flexibility as the busiest period of the Games approached. That additional "force" deployed on 25 July. This decision ensured that the already agreed, trained and based Military Contingency Force remained intact to respond to any unexpected event during the Games. The total military contribution peaked finally at around 18,200, of whom some 12,200 were supporting venue security operations for the peak period of the main Games.

Facilities provided

Basing plans for the military venue security force included:

- about 1,000-bed-spaces within Temporary Deployable Accommodation at an MOD site at Feltham;
- about 3,500 bed-spaces within "Pickstock" containerised accommodation units at Hainault Park;
- about 400 bed-spaces on HMS OCEAN; and
- the remainder spread across the Defence Estate including 29 TA Centres, HMS PRESIDENT, RAF Northolt, Chickerell Camp, training establishments including RAF Halton, local units and home bases.

The basing solution was planned for the expected Defence commitment of about 13,500 personnel. This included the 7,500 personnel planned to support venue security roles at the peak period of the main Games which, as the Defence Secretary announced to Parliament on 15 December 2011, was always planned to reduce to circa 3,500 for the Paralympics—that remains our plan.

As the military venue security force was uplifted first by 3,500 and then by an additional 1,200, further temporary accommodation was required, albeit for a shorter period. We were able to use some spare capacity within the existing basing solutions, but needed to find additional temporary accommodation. A central London location was important for the majority of the additional venue security force to minimise travelling times (and congestion) to the venues and to allow sufficient downtime for personnel between shifts. Tobacco Dock, a conference centre venue in Wapping, was identified at short notice for this purpose. This large space was set up impressively fast, and personnel were provided with a level of comfort and facilities much better than could be expected on exercise or operations. We were also able to make use of some unoccupied G4S accommodation at Hainault, Gravesend Police College, a school in the vicinity of the Lee Valley Centre and Brunswick Lines in Pirbright. The number of additional basing solutions helped to locate personnel as close to their venues/tasks as possible.

The Joint Commander, General Sir Nick Parker, defined minimum acceptable basing standards. These varied depending on duration, location and whether the personnel were assigned to the core Venue Security Force (original 7,500), the surge (3,500) or the additional (1,200) venue security force roles. These standards related to ablutions, catering, transport time, welfare (eg WiFi, gym, laundry, shop, medical centre etc, depending on the site).

The specifics at each site included:

- *Training Camps* including RAF Halton and Brunswick Lines represent normal military accommodation with associated catering and welfare provision.
- *Hainault Camp* housing about 3,500 Service personnel at peak, was accommodation built on a green-field site by G4S' contractors. Sleeping accommodation was in four-man rooms, each with two shower/ablution rooms. Catering was provided by 3 Mobile Catering Squadron RAF. Welfare facilities included WiFi, laundry, shop, gym, medical centre and a large welfare tent.
- *Feltham Camp* housing circa 1,000 Service Personnel, built with Temporary Deployable Accommodation by military and contractors, within a barracks, had 10-man "pods" connected to ablution units, a well-appointed field kitchen and separate welfare, gym, laundry and medical centre. Camp cots were used.
- *TA Centres* vary in design, accommodation layout and permanent facilities, ranging from small rooms to multiple occupancy spaces such as gyms. Ablutions and welfare facilities such as TVs and WiFi are complemented by either military catering or contracted feeding solutions. Camp cots were used.
- *Tobacco Dock Camp* accommodating about 2,200 at peak, is a compartmentalised commercial property. Military kitchen facilities were provided as were contracted ablutions units and welfare facilities including WiFi. Camp cots were used.

Problems Encountered

No substantial problems were encountered with military-delivered services. Market forces and availability of commercial services had a bearing on the provision of contracted facilities, however no delays to the installation of Real Life Support¹ (RLS) facilities were identified. Particularly poor weather throughout June required incorporation of additional resilience measures at Hainault Park but did not cause a delay to occupation; indeed earlier occupation than originally envisaged was achieved, allowing extra training time.

Support at venues was the responsibility of LOCOG. Initially, problems were identified with feeding arrangements, water and welfare provision, and toilet arrangements at certain venues as standards differed. Three key factors were the cause:

- Early LOCOG RLS contracted arrangements had not anticipated a requirement to secure venues prior to the 15 July opening of the Olympic Village.
- At some venues LOCOG had not expected that the G4S workforce would be working shifts beyond 6 hours. LOCOG policy was that feeding was not required for less than 6-hour shifts.
- Where G4S personnel arrived for work with minimal training, Service personnel provided mentoring, with an associated increase in the RLS demands on the venue. Contracted RLS had only 10% planned resilience.

Solutions

Remedial arrangements involved:

- the provision of additional contracted capability organised by the LOCOG Main Operations Centre and the Games Security Coordination Centre;
- the establishment of a multi-agency support-delivery group; and
- arrangements by the military to import Operational Ration Packs² and, where necessary, welfare tentage.

An acceptable standard of support at venues was reached. At times this was directly due to the significant management efforts of military personnel and others, on the ground, at venues.

13. *What is the definition of "full marginal cost" of the additional military contribution to the Olympics? (Q 53)*

As the Defence Secretary advised the Committee, the full marginal cost of the additional military contribution includes the cost of accommodation, catering, allowances, transport and so on. It also includes a daily charge per person deployed to reflect the consequential costs of training programmes having been disrupted and

¹ In this case, RLS included ablutions, showers and laundry.

² The ORP provided, in addition to a breakfast and late evening meal, was a 12 hour Patrol Pack which contained high energy snack items to the value of 2,500 KCal. The pack has a reheat system (chemically induced, no flame involved) so the individual could have a hot or cold meal. ORP was used one day in seven at Feltham and Hainault and two days in seven at all minor venues/locations. This was to ensure that all locations had food regardless of whether MOD food supply contractors got held up in London traffic. The ORP were distributed prior to the start of the Olympics and then, during the Olympics, mixed with fresh rations and used as required. On transport to and from venues, personnel were issued with "Grab Bag Meals" which consisted of snack/energy bars and a 300ml bottle of water. At venues personnel were supplied with two meal vouchers to cover all 12 hour shifts (one voucher for fewer than 12 hours). Apart from Wembley, which could only do cold meals, the vouchers allowed the individual to choose between hot or cold meals.

different troop arrangements having to be made. The principle, agreed across Government, is that MOD should not suffer any financial disadvantage from having provided this additional support.

14. What are the procedures for reimbursing Service Personnel who are "out of pocket" due to their deployment at the Olympics? (for example: will they be expected to claim under any insurance they may have rather than through the MoD and if so will they be offered any assistance while insurance claims are processed; what is the position on the reimbursement of any excess provisions those insurance policies may contain; is there a possibility that claiming under insurance policies could cause problems obtaining insurance cover in future and have there been any discussions with insurers on this?) (Q 53)

Service personnel who are deployed on operations, such as Op Olympics, where their planned holidays have been adversely affected can claim a refund of nugatory expenditure for the actual losses incurred, including any insurance excess, providing all reasonable steps have been taken to obtain a refund of the original expenditure from the holiday operator, travel agent, or insurance company.

We do not believe a claim against an insurance policy will adversely affect the ability to obtain similar insurance products in the future. Insurance cover is normally obtained when the holiday is purchased and we are not aware of a requirement to disclose any earlier claims.

We take the financial impact on our people very seriously and if, as a result of what we ask them to do, they experience financial hardship, emergency payments in cash are available.

15. Will the MoD publish a breakdown of amount that Service Personnel are reimbursed? (Q 54)

We are collating the costs of our Olympic involvement by commodity block (eg personnel and infrastructure costs). This will also include the total expenditure incurred by military personnel as a separate cost. We will publish this information in due course.

16. Will the MoD give an undertaking to make public the costs that it recoups from other bodies such as G4S due to the Olympic deployment? (Q 55)

Recouping of costs from other bodies such as G4S is a matter for the Home Office, who have the cross-government lead for Olympic security. We will make public total costs recouped from the Home Office for Olympic once they have been finalised.

17. What is the MoD's assessment of the likelihood of a successful transition in Afghanistan? What is the greatest concern? What is the current progress on the transition of security responsibility to the ANSF?

President Karzai has stated many times his goal that Afghan security forces will have full security responsibility across the whole of Afghanistan by the end of 2014. This objective is aligned with the strategy of phased transition of security responsibility from ISAF to the Afghan National Security Forces (ANSF) that was agreed at the NATO summit in Lisbon in 2010. Transition of security to Afghan control is on track and achievable by the end of 2014.

The UK strategy is to build Afghan governance and security forces to the point where Afghanistan is able to determine its own future, protect its own citizens and crucially is able to deny haven to international terrorist groups, such as Al-Qaeda, who would threaten global security. The ground work for successful transition is coming to fruition. The capability and capacity of the ANSF is steadily improving: they now lead 40% of conventional operations and carry out 85% of the training. However, there can be no room for complacency, there is still more work to do to ensure that the ANSF are able to effectively manage their own security throughout Afghanistan by the end of 2014. Through the Security Force Assistance model we will continue to support ANSF development through transition and as they gradually assume greater security responsibility.

Transition is working. Security transition is well underway in the provinces and districts included in the first two tranches of the process and it is now beginning in the third tranche of geographic areas, announced by the Afghan Government in May. Together, these three tranches will see the Afghan security forces taking the lead for security in areas that are home to 75% of the population. We expect the fifth and final tranche of transition to commence by mid-2013. This will be an important milestone marking the point where the Afghans have lead security responsibility for the whole of Afghanistan.

The evidence to date from the first two tranches is that transition is proving successful: the Afghans have been able effectively to lead on providing their own security as ISAF troops draw back. But we can expect challenges ahead in transitioned areas; ISAF will continue to work closely with the Afghan Government and the ANSF to ensure the appropriate level of support is given to the process.

Key to successful transition is establishing good governance at the district and provincial level. This means helping the Afghan Government to demonstrate to local communities that there is a real, viable alternative to the insurgency; and boosting economic opportunities, so that Afghans do not feel that joining the insurgency represents the best chance of providing for their families. The Afghan government must continue its efforts to take forward economic and governance reform. In particular, it must fulfil its own commitments to tackle corruption both in the run up to the completion of transition and in the years that follow.

The ISAF role is changing but the international commitment will endure beyond 2014. Our commitment to Afghanistan and the Afghan people is a long term one as signalled through our enduring strategic partnership document and the commitments made at the Chicago Summit and the Tokyo Conference. By the end of 2014 British troops will no longer be in Afghanistan in a combat role nor in numbers comparable to current levels, but our support to the ANSF will continue. Though the campaign against the insurgency may not be finished when the ISAF mission ends, it will continue to be prosecuted by capable Afghan forces.

18. *What are the MoD's long term plans for investment in the military infrastructure on the Falkland Islands, what provision has been made and what is the timescale for the improvements? What role can the islanders themselves play?*

Timescale for improvements

We recognise the need for continuous investment in infrastructure to ensure that it both supports effective military capability and provides our personnel acceptable accommodation and welfare facilities in which to live and work. The environmental conditions of the South Atlantic make this a particular challenge in the Falkland Islands and Ascension Island. Investment over the last two years has included over £20 million to resurface the runway at Mount Pleasant airfield, £15 million to improve power generation at our remote radar sites, and over £3 million to improve the water and power distribution systems in the Mount Pleasant Complex.

Our immediate infrastructure plans in the Falkland Islands are targeted towards those facilities which are vital to sustaining our mission there; this includes infrastructure in Ascension Island as well. We plan our infrastructure investment over a 10 year cycle and the planned improvements cover a rolling programme over many years. For example, in the current financial year we are investing over £20 million in improvements to our fuel storage and distribution systems and fire suppression systems in Ascension Island and the Falkland Islands and we will also spend over £12 million on additional maintenance and enhancement under the terms of our infrastructure services contract.

Future Provision

Our infrastructure investment plans total over £60 million in the coming years. They include significant developments at East Cove Military Port to accommodate larger vessels, a new junior school, new air traffic control, and accommodation improvements at Mount Pleasant and our remote radar sites. This is included within the balanced defence budget announced on 14 May. However the total scale of our investment will in part be determined by the future size and shape of our deployment to the Falkland Islands. As we develop more effective military capabilities or improve the means by which we deliver defence there may be opportunities to reduce the need for like for like accommodation and facilities replacement.

Role for the Islanders

The Falkland Islands Government already contributes to infrastructure provision at Mount Pleasant both in supporting Service Families Accommodation and through leisure and welfare facilities, which are also available for use by the Falkland Islands population. We are clear that as we approach some of our major investment decisions we will be discussing what contribution the Falkland Islands Government may be able to make towards these investments. This may not always be in the form of a direct financial contribution or just for infrastructure. For example we are already discussing how the Falkland Islands Government may be able to take on a much greater role in managing and operating major infrastructure at Mount Pleasant, such as the air terminal and how best we might work with them to re-provide Search & Rescue capability after the withdrawal of Sea King in 2016.

19. *In a recent speech in Germany, the Secretary of State stated that some NATO allies were not fulfilling their obligations. What action is being taken to resolve this? What has been the impact on operations?*

The collective benefits of NATO membership are clear. But with them come a responsibility to share the burden of collective security—in terms of the provision of capabilities, the balance of contributions between Allies, and readiness to deploy on operations. Many Allies are doing so; others could do more. This is a European problem, not a North American one; and is more political than military.

The current fiscal challenges facing all European governments will make this a difficult problem to resolve, at least in the short term. But the decisions taken at NATO's summit meeting in Chicago in May should help, with agreement to a number of initiatives—including Smart Defence—which will improve interoperability, training, exercises and multinational co-operation. The UK encouraged the development of these initiatives, and intends to play a leading role in their implementation.

But ultimately we can only encourage Allies to meet their obligations. One of the strengths of NATO is that it acts by consensus—something that confers an additional international legitimacy to its actions. The extent to which an ally takes part in any given NATO operation is, of course, a political decision for that sovereign nation. What is most important is that, where an ally chooses not to participate militarily in an agreed NATO operation, collectively acquired capabilities and NATO's Command Structure remain available to SACEUR—which is what we saw both in Libya and during the NATO air campaign over Kosovo in 1999. As a result of

Libya lessons, and as agreed at Chicago, Allies are examining what more they can do to improve the availability of assets for NATO missions.

20. *How committed are the MoD to spending 2% of GDP on defence? Does the 2% include additional expenditure on operations, if so what will be the effect of UK Forces withdrawing from Afghanistan?*

Throughout the Spending Review period, we expect the UK to continue to have one of the four largest military budgets in the world and to continue to meet NATO's target of spending 2% of the UK GDP on Defence. The defence spending figure for comparison with other NATO nations does include operational spending, but we remain above 2% of GDP throughout the Spending Review period even when the costs of Afghanistan are excluded. Expenditure levels beyond the current Spending Review period, which ends in April 2015, will be set in the next Spending Review.

21. *What impact will the recent French elections have on the UK-France Defence Treaty?*

We do not expect there to be any significant impact. The Treaty is based on shared strategic interests, common values and levels of ambition and a desire to get the most out of our similar military capabilities. With this in mind, we and the French Government restated our commitment to co-operation under the Lancaster House Treaties. The UK and France remain committed to defence co-operation and highly productive meetings have taken place between UK and French Ministers since the French elections.

October 2012

Annex A

DEFENCE STRATEGY GROUP

TERMS OF REFERENCE

PURPOSE AND ROLE

The group is convened to support the PUS and CDS in the formulation of advice on defence strategy to the Secretary of State.

The group should support decision making through advice and debate on the following:

- Long term horizon scanning for major change and emerging issues;
- Defence contribution to HMG strategy, including the National Security Strategy, Defence Engagement Strategy, and others as required;
- The strategic objectives and priorities for Defence as part of an affordable plan. Specifically this includes Military Tasks, planning assumptions and high level capability requirements which determine the future size and shape of the Armed Forces; and
- Strategic balance of investment decisions and the distribution of resources required to deliver the strategy, both through the SDSR process and in the interim as required.

MEMBERSHIP

PUS and CDS (co-Chairs), VCDS, DG Sec Pol, DCDS(Mil Cap), DCDS(Mil Strat & Ops) and DG(Finance). Others to be invited as required.

DECISION-MAKING

The PUS and CDS will formulate their advice to the Defence Secretary drawing on the advice and support of this group as they wish. Consensus is desirable but not essential. The PUS and CDS have executive authority and may task actions to members of the group or wider as required.

FREQUENCY

Monthly or more often if required.

SECRETARIAT

Meetings will be convened and minuted by Boards Secretariat, supported by Defence Strategy and Priorities. A record of decisions will be issued within 48 hours of a meeting.

Annex B

The following table shows the overall manning position at April of each year, for the named Regiments, including establishment and recruiting performance for each of the last 10 years.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Average +/- % of Strength	Average +/- % of Establishment
Scots Guards	Establishment	632	691	691	711	713	709	706	709	703		
	Strength	547	632	620	589	623	682	568	655	645		
	+/-	-85	-59	-71	-122	-90	-27	-138	-54	-54	-58	-12%
Royal Regt Scotland	Recruiting Tgt						102	146	172	198		
	Actual		Figures not available centrally			101	147	139	170	143		
	+/-					-1	1	-3	-2	-55		
Royal Regt Scotland	Establishment	2,704	2,760	2,759	2,766	2,780	2,788	2,818	2,775	2,764		
	Strength	2,323	2,483	2,386	2,269	2,461	2,518	2,311	2,332	2,376		
	+/-	-381	-277	-373	-497	-319	-270	-507	-450	-399	-354	-16%
Royal Regt Fusiliers	Recruiting Tgt						486	545	455	671		
	Actual		Figures not available centrally			262	311	639	456	641		
	+/-					-224	-234	-49	1	-30		
Yorkshire Regt	Establishment	1,112	1,112	1,112	1,142	1,142	1,138	1,141	1,109	1,131		
	Strength	957	1,034	1,025	978	961	940	924	1,062	1,087		
	+/-	-155	-78	-87	-164	-181	-198	-217	-50	-22	-7	-12%
Mercian Regt	Recruiting Tgt						310	304	289	256		
	Actual		Figures not available centrally			263	289	274	242	241		
	+/-					-47	-15	-15	0	-15		
Yorkshire Regt	Establishment	1,638	1,667	1,667	1,643	1,643	1,678	1,676	1,664	1,664		
	Strength	1,571	1,616	1,608	1,498	1,462	1,334	1,352	1,382	1,392		
	+/-	-67	-51	-59	-145	-181	-344	-324	-294	-272	-176	-13%
Mercian Regt	Recruiting Tgt						425	450	387	481		
	Actual		Figures not available centrally			280	355	426	372	371		
	+/-					-145	-95	-15	-15	-110		
Mercian Regt	Establishment	1,626	1,626	1,667	1,668	1,668	1,667	1,676	1,671	1,664		
	Strength	1,506	1,491	1,476	1,352	1,344	1,384	1,453	1,498	1,440		
	+/-	-120	-135	-191	-316	-324	-283	-194	-173	-224		
Mercian Regt	Recruiting Tgt						483	513	270	432		
	Actual		Figures not available centrally			386	456	381	266	439		
	+/-					-97	-57	-14	-4	7		

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Average +/- % of Strength	Average +/- % of Establishment
Royal Welsh	Establishment	1,141	1,141	1,141	1,142	1,142	1,140	1,138	1,138	1,132	1,102		
	Strength	1,108	1,108	1,027	975	908	932	1,025	1,072	1,030	1,030		
	+/-	-33	-33	-114	-167	-234	-208	-113	-66	-102	-72	-11%	-10%
	Recruiting Tgt						288	297	268	180	273		
	Actual						230	264	254	177	278		
	+/-						-58	-33	-14	-3	5		

The recruitment target figures for 2010–11 are artificially low due to a nine month pause in infantry training. This affected regiments differently depending on where their training slots were on the Infantry Training Centre programme during that year.

The following table shows the Manning levels of specified battalions, complete with establishment and strength as at April of each year.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Average +/- % of Strength	Average +/- % of Establishment
2nd Btn Royal Regt Fusiliers	Establishment Strength +/-	526 496 -30	526 490 -36	534 439 -95	534 452 -82	533 435 -98	533 437 -99	536 519 -17	533 514 -19	532 -9	-12%	-10%
2nd Btn Yorkshire Regt	Establishment Strength +/-	526 464 -62	526 479 -47	526 488 -38	534 474 -60	534 438 -96	535 423 -112	533 415 -118	532 451 -81	532 487 -45	-17%	-14%
3rd Btn Mercian Regt	Establishment Strength +/-	545 516 -29	545 538 -7	586 527 -59	608 458 -150	608 470 -138	576 501 -75	605 555 -50	605 560 -45	604 507 -97	-14%	-12%
2nd Btn Royal Welsh	Establishment Strength +/-	586 563 -23	586 546 -40	586 495 -91	608 561 -47	608 470 -138	606 475 -131	605 567 -38	605 538 -67	575 529 -46	-13%	-11%
1 Btn Scots	Establishment Strength +/-	527 422 -105	527 471 -56	527 436 -91	534 403 -131	535 524 -11	543 642 99	540 498 -42	540 465 -75	535 517 -18	-11%	-10%
2 Btn Scots	Establishment Strength +/-	527 456 -71	527 463 -64	527 466 -61	534 423 -111	535 449 -86	535 459 -76	533 451 -82	533 494 -39	528 448 -80	-16%	-14%
3 Btn Scots	Establishment Strength +/-	590 519 -71	571 524 -47	571 533 -38	534 516 -18	538 497 -41	538 465 -73	543 447 -96	537 430 -107	537 520 -17	-12%	-10%
4 Btn Scots	Establishment Strength +/-	530 430 -100	590 509 -81	590 500 -90	608 508 -100	612 544 -68	612 500 -112	608 446 -162	608 461 -147	608 460 -148	-24%	-19%
5 Btn Scots	Establishment Strength +/-	530 496 -34	545 516 -29	544 451 -93	556 419 -137	560 447 -113	560 452 -108	558 490 -68	557 526 -31	556 465 -91	-17%	-14%

Letter from Rt Hon Philip Hammond MP, Secretary of State, Ministry of Defence, to the Chair

Thank you for your letter of 11 June 2012, raising a number of questions regarding the £38 billion “black hole” which my predecessor identified in the Defence budget he inherited. I said at the hearing on 12 July, in response to a question from John Glen MP, that I would write to you to provide more detail about the budget gap and how we have resolved it. This letter is intended to respond to the questions asked in your letter and at the 12 July hearing.

The table below sets out the position before the SDSR, how that position changed during the Budget, SDSR and Spending Review in 2010, and then the further savings we took to balance the budget from that point on. The numbers in the table below are presented as 10-year figures. Beyond the pre-SDSR imbalance, they represent the increase or decrease to the total 10-year variance. The figures cover two planning periods: the 10 years from 2011–12, and the 10 years from 2012–13.

	<i>£bn</i>
PRE-SDSR IMBALANCE	
Imbalance in the equipment programme	19.5
Imbalance in the non-equipment programme	9
Equipment programme recosting	5.1
Deterrent	4
Imbalance in central pressures (inflation, fuel, FOREX etc...)	8
TOTAL PRE-SDSR IMBALANCE	45.6
POLICY AND ASSUMPTIONS CHANGES DURING AND POST SDSR AND SPENDING REVIEW 2010	
SR10 Budget reduction	21.3
Programme Enhancements	0.7
Additional Funding for Reserves	1.5*
Increase in VAT	1.5
<i>Further central pressures</i>	3
TOTAL SDSR/SR10 CHANGES	28.0
Total Imbalance	73.6
SAVINGS MADE AT SDSR AND SUBSEQUENTLY	
Equipment	(33.6)
Assumed 1% increase in funding of Equipment and	(3.2)
Equipment support from 2015–2020	(8.8)
Reductions in front line military personnel	
Non Front Line (including civilian and non front line military personnel)	(14.6)
Other running costs	(8.9)
Sales Receipts	(1.4)
Changes in other assumptions (GDP and other Deflators)	(3.1)
Total Post-SDSR savings	(73.6)
Remaining Imbalance	0

* PR11 funding for reserves was £1.5 billion. PR12 funding is £1.8 billion.

You will see that the often quoted figure of £38 billion is an underestimate of the inherited shortfall which actually stood at £45.6 billion. This in turn is less than the total 10-year funding challenge of £73.6 billion, which includes both the inherited shortfall and the SDSR and SR10 policy changes. This is the total 10-year saving which we have addressed in the 18 months following the SDSR.

I understand there will be considerable interest in how the figures for equipment and personnel savings break down further. For reasons of both commercial and national security sensitivity I will not be able to do this here. However, the National Audit Office has full access to the equipment programme and is currently conducting its review of the affordability of the programme, which we hope to see published in the Autumn.

At the hearing on 12 July, Madeleine Moon MP asked whether the 22 Chinook Helicopters, which had been announced by the previous Government, but not yet contracted with Boeing, were included as part of the “£38 billion”. It may be helpful if I provide a little more context on how the costings above were constructed.

First, I should be clear that the opening imbalance refers to the cost of the whole programme. There was not a list of things which were affordable, and another, separate, list of things which were not affordable. Rather, the Department was planning to deliver a whole programme which cost nearly £46 billion more than what it anticipated would actually be available over the 10 year period.

Attempts to down-play the scale of the imbalance by seeking to focus on items “under contract” betray a misunderstanding of how the Defence Budget works. The full defence programme over 10 years includes many items which are not contractually committed, but which we cannot avoid. For example, the third of the defence budget which goes on personnel is not contractually committed, but would be difficult to reduce significantly in the short term. Similarly, many essential elements of the Equipment and Equipment Support programmes for later years in the 10 year period would not be contractually committed, but are nonetheless essential to the delivery of Defence outputs. Conversely, substantial savings can be made by cancelling projects that are under contract—for example, Nimrod MRA4.

In assessing the forward programme, both at May 2010 and now, we have included expenditure which is necessary to deliver the announced Defence Programme. This will include both contracted projects and projects which have been announced or otherwise committed to but are not yet on contract, together with ongoing costs of personnel, training, fuel, equipment support and similar items.

The balanced budget I announced on 14 May this year means that the MOD can deliver Future Force 2020 within the resources available to it.

To return to Mrs Moon’s question: the procurement of the 22 Chinook Helicopters had been announced to Parliament and was part of the Department’s assumptions about the Equipment Programme. So they would have been included as part of the Defence programme which was assessed as unaffordable when we started the SDSR.

Our budget process is based on the requirement to deliver the outputs identified as required in the SDSR, based on the policy commitments agreed in the SDSR. Under the Quinquennial SDSR process, barring any strategic shock, major changes to the policy commitments of the Ministry of Defence will only be made during a proper policy review—and not, as previously, in order to correct for the consequences of mismanagement of the programme.

Some of the questioning of the size of challenge defence has faced seems to imply that the scale of the imbalance has been exaggerated, and thus that the cuts are either unnecessary or are not real. Let me be clear, the cuts to defence were necessary and they are real.

As you know, I cannot provide a detailed list of individual items, but I can highlight some of the largest and highest profile, which include Harrier (£1 billion), Nimrod (around £2 billion), delaying the build of the final Astute-class submarine (around £1 billion), deferring the in-service date of the Deterrent (around £3 billion over the 10 year planning period), a reduction in the Armoured Fighting Vehicle pipeline (around £3 billion), and taking four T22 frigates and Ark Royal out of service (around £1 billion). The Department will have 60,000 fewer personnel (military and civilian) in 2020 than it had in 2010 and is also engaged in a major renegotiation of procurement and PFI contracts.

These have been difficult decisions, but they were necessary and have balanced the Department’s financial position. Some of these reductions have been painful indeed, but they have put the Department on a sustainable financial footing, and they have contributed to this Government’s main priority—to reduce the national deficit.

Understandably, the committee’s interest in the defence budget has tended to focus on equipment and military personnel issues. As you can see from the table, savings in the equipment programme and in front line military personnel only equate to around half of the total savings we have made. I would highlight reductions in civilian staff by over 30,000, renegotiations with Industry and PFI suppliers, and rationalisation of the defence estate as measures which will also deliver enormous savings over the next 10 years.

It is my hope that we will now be able to move on from discussions about what the position was in the past, and that the completion of the NAO’s review of the Equipment Programme will mark the point at which we can focus on the future. I am keen that the Department’s relationship with the House of Commons Defence Committee moves on from the SDSR and SR10, and that we start to engage on more substantive questions around Transforming Defence and delivering Future Force 2020, as well as beginning to explore the strategic questions that will inform the next SDSR.

13 August 2012

Letter from Rt Hon Philip Hammond MP, Secretary of State for Defence, to the Chair

I am writing to clarify an aspect of the evidence that I gave when I appeared before the House of Commons Defence Committee on 12 July 2012.

During my response to Question 57, in which Sandra Osborne asked about the position with regard to immediate pensions for service personnel who are made redundant, I stated that:

“Someone in a rank in which they would normally have to serve 22 years before receiving an immediate pension and early departure payment, has that requirement reduced to 18 years when they are made redundant, so anyone who was within four years of being eligible for an immediate pension would become eligible upon being made redundant. For officers, the requirement is 16 years of attributable service, that is service above the age of 21, and that is reduced by one year. So an officer made redundant would be eligible for an immediate pension, as long as he was within one year of that point. Even for those who do not become eligible for immediate pensions under those reduced criteria, the cash payments made on redundancy are significantly higher than the early departure payments that are available under the pension scheme. I do not recognise the picture that has been painted in the media.”

You will appreciate that this is a complex topic, not least because there are two Armed Forces Pension Schemes and two Armed Forces Redundancy Schemes in operation. This, together with an unusual level of turnover and leave within the Department, meant that the briefing I received in advance of the Committee was not as complete as I would have liked. As a result, the response that I provided was inaccurate in one respect, but would benefit from more general clarification. As a result, I am seeking to clarify the record as follows:

Soldiers on AFPS 75 normally have to serve 22 years from age 18 to qualify for an Immediate Pension. The requirement to serve for 22 years is reduced to 18 years if a soldier is made redundant. This means that a soldier who is within four years of being eligible for an Immediate Pension becomes eligible for his or her pension upon being made redundant.

Officers on AFPS 75 normally have to serve 16 years from age 21, or 22 years from age 18, to qualify for an Immediate Pension. The requirement to serve 22 years from age 18 is reduced for redundancy, enabling officers who have a minimum of 18 years service from the age of 18 to qualify for an Immediate Pension. This means that an officer who joined at age 18 and who has completed 18 years service will be eligible for an Immediate Pension one year earlier (ie at age 36 rather than at age 37) than an officer who joined at 21 and who has served for 16 years.

Those who do not become eligible for immediate pensions under these reduced criteria receive cash payments on redundancy which, depending on length of service, can be significantly higher than the cash payments that are available under the pension scheme.

I regret that, in my response to questions in the committee, I gave the impression that it could be possible for an Officer facing redundancy to draw a pension after 15 years service—this is not, in fact, the case.

I apologise for not providing this clarification sooner; the delay has been due to the unavailability of subject matter experts during the Olympic period.

16 August 2012

Letter from Rt Hon Philip Hammond MP, Secretary of State, Ministry of Defence, to the Chair

Thank you for your letter, dated 12 September, regarding the issue of personnel leaving the Armed Forces close to pension age. I appreciate the Committee’s acknowledgment that there was no deliberate selection policy or targeting of those close to the point at which they would receive an annual income on retirement. As I have said previously, redundancies are, by necessity, being targeted at those trades, cap badges, ranks and seniority ranges in which there is a surplus of manpower against these future structures.

Your concern relates specifically to a small number of officers who have been made redundant close to their Immediate Pension (IP) or Early Departure Payment (EDP) point (depending on whether they are on the Armed Forces Pension Scheme (AFPS) 75 or 05), who you believe have been treated less well than long-serving members of the other ranks. Let me assure you that those who narrowly missed out on immediate incomes have received significantly larger tax free compensation redundancy lump sums.

In terms of reducing the qualifying periods for an IP, officers in the AFPS 75 scheme, who receive an IP having served 16 years from the age of 21, already have the shortest qualifying period for an early income payment. A concession has been made for those officers in this scheme who joined the Armed Forces at age 18 to more closely align them with those officers who joined at age 21, reducing the qualifying period for an IP from 22 years of service to 18 years under redundancy. This concession also brings the IP qualification period more in line with the length of service required to qualify for an EDP under the AFPS 05 scheme, which for officers is 18 years, provided they have reached the age of 40.

Given that proximity to pension is not a factor in selection for redundancy it is, regrettably, inevitable that some of those selected might leave without completing sufficient service to qualify for an immediate income.

However, any change to the current policy would only create a new “line” and could well simply result in a different group feeling disadvantaged. We therefore have no plans to amend the existing arrangements.

I do not accept the proposition that the Armed Forces Covenant is not working. We fully recognise the unique role and sacrifice of the military, which is why the Armed Forces continue to benefit from non-contributory pension schemes and from generous tax free compensation payments provided by the Armed Forces Redundancy Schemes.

I am in no doubt of the importance of pension arrangements in reassuring Service Personnel who are selected for redundancy, the wider Armed Forces, and the country as a whole, that we are treating all those who are made redundant with the fairness and sensitivity they deserve. In that context it is unfortunate that the reporting of these issues often fails to give the whole picture, neglecting for example to mention the tax free compensation payments or the preservation of pension benefits for later payment. I hope we can continue to work to correct that tendency, so that this very important debate is conducted on a proper exposition of the facts.

28 September 2012

Letter from Rt Hon Philip Hammond MP, Secretary of State, Ministry of Defence, to the Chair

Thank you for your letter of 11 July, enclosing correspondence from Paul Hinge, the National Chairman of the Royal Welch Fusilier Comrades Association, who is concerned about the decision to withdraw a battalion from the Royal Welsh.

As I said on 5 July, in selecting infantry battalions for withdrawal, the Army focused on the major recruiting challenges it faces in the infantry. It looked carefully at recruiting performance; at recruiting catchment areas; and at demographic projections for the age cohort from which infantry recruits are drawn. It also considered regional and national affiliations, the merger and disbandment history of individual battalions, and existing commitments of battalions to future operations. Furthermore, the Army decided not to withdraw more than one battalion in any one Regiment and to preserve cap-badges. The overriding objective has been to arrive at a solution that those currently serving in the Army will see as fair and equitable.

While I understand that the decisions which have been taken are difficult and challenging for those affected, I am afraid that taking the above factors into account, including manning performance over the last 10 years, the Royal Welsh was identified as one of the regiments from which a battalion ought to be withdrawn.

I can assure you that it is the 2nd Battalion which is being withdrawn, not the 1st. I am not surprised, however, that members of the 2nd Battalion have been assured that their jobs are safe, since I made clear in my announcement that an individual in a unit that is being withdrawn or merged is no more or less likely than any other individual with similar skills and service record to be selected for future redundancy. When units are withdrawn from the Army’s order of battle their personnel will be reassigned to other units, where possible within the same regiment, and I expect this to be the case for those personnel serving with the 2nd Battalion the Royal Welsh.

The withdrawal of the Battalion is not expected to take place until around October 2013. Until that time it is expected that personnel will remain in Tidworth until they are reassigned across the regiment or elsewhere within the Army.

October 2012

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