



HOUSE OF COMMONS

Defence Committee

Oral evidence: MoD Annual Report and Accounts 2019-20, HC 1051

Tuesday 8 December 2020

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Members present: Mr Tobias Ellwood (Chair); Stuart Anderson; Sarah Atherton; Martin Docherty-Hughes; Richard Drax; Mr Kevan Jones; Mrs Emma Lewell-Buck; Gavin Robinson; Derek Twigg.

Questions 1-80

Witnesses

I: Sir Stephen Lovegrove, Permanent Secretary, Ministry of Defence; Sir Simon Bollom, Chief Executive Officer, Defence Equipment and Support; Mr Charlie Pate, Director General Finance, Ministry of Defence; and Air Marshal Richard Knighton, Deputy Chief of the Defence Staff (Military Capability), Ministry of Defence.



Examination of witnesses

Witnesses: Sir Stephen Lovegrove, Sir Simon Bollom, Mr Charlie Pate and Air Marshal Richard Knighton.

Q1 **Chair:** Welcome to this hearing focusing on the MOD's annual report and accounts. I am delighted to welcome Sir Stephen Lovegrove, permanent secretary, Ministry of Defence; Sir Simon Bollom, chief executive officer of Defence Equipment & Support; Mr Charlie Pate, director general of finance; and Air Marshall Richard Knighton, deputy chief of the defence staff and military capability.

May I begin by looking at strategy and where funding goes to support the strategy? We have had the welcome news in the past couple of weeks of the increase in defence spending, but the announcement of the integrated review was about confirming and defining the UK's ambition in the world and identifying the current and emerging threat we face, from which the defence posture can be crafted.

At the moment, we seem to be confirming that money is coming around the corner, and it is being spent left, right and centre, but we still do not know the strategy. We have not heard the conclusion of the review, which I understand will not take place until January. Is there a disconnect between funding and strategy?

Sir Stephen Lovegrove: I do not think so. We are seeing a slightly inevitable disconnect in communications, brought about by the pandemic. The original ambition was that the integrated review would happen much earlier this year, but it was delayed and the aim became the autumn.

When the Chancellor decided that a one-year settlement was right for the majority of Whitehall—thankfully, not for Defence—it became important for the Government to talk about what they are doing in defence, ahead of a more swept-up announcement next year. The Prime Minister described the defence announcements as the first outcome of the integrated review.

It is probably right to say that it is the culmination of a great deal of work over the past three years. You, Chair, will remember the national security capability review, on top of which the modernising defence programme, covering quite a lot of the ground, has now been given substance in this settlement.

The strategy is pretty clear. We know that there are significant pressures in the programme—the money certainly goes to help that—but there is a very clear direction on modernisation and the announcement made by the Prime Minister made it clear that he expects us to accelerate on that.

We are clearly driven by three things, the first of which is an appreciation that the threat is getting greater weekly. We have recently seen much more activity by Russian warships in British waters, potentially hostile attempts to get into our supply chain and the continuation of violent extremism.



HOUSE OF COMMONS

We know what the threat is, and we are very much driven by a desire to meet it with modern technology and in more places more often across the world. We have a sense of wishing to be more actively deployed, thinking more about our posture than our contingent structure. We are driven by the desire of the Prime Minister and the Government for the UK to reassert itself on the world stage. We are mainly Euro-Atlantic, but clearly we will do more in the Asian Pacific. We are very much driven by an appreciation of the need to double down and invest in new technology, particularly where Britain is at the forefront.

That is the strategy that is driving this. It will become fuller and better articulated in the integrated review, when the agencies, the Home Office and the Foreign Office will have their moments, but it is all part of a fairly clear picture.

Q2 Chair: Thank you for that, but you articulate the very points I am making. I would not disagree about the threats, which we explored. A Foreign Office Minister confirmed to me directly in the Chamber that China is very much to be considered in the integrated review publication, at the end of January, we presume.

You listed some other concerns, but until that is formally publicised it is difficult for us to see where the money should be spent. I do not disagree with anything you said, but we are concerned that, in the absence of that, the MoD is good at spending any money that comes its way on procuring things that go faster, higher and further. We need further guidance on, for example, China and on, for example, the UAE and Israel—both allies of ours—striking a peace deal. We have a trade deal with Japan, which also is a concern.

Those all have security implications. We are now moving into the Sahel. As these things have not been ratified or confirmed by the FCO or by the Prime Minister, will there not be a disjoint between where you are pouring money in and the time we get that publication? If we already know it, why don't we publicise what is guiding you to craft our defence posture?

Sir Stephen Lovegrove: I have a couple of points on that. We are not pouring the money in just yet. The first year of the extra money starts in April 2021, by when we will, I am sure, be in possession of a properly published integrated review and will hope to have published the defence and security industrial strategy. The extra money will come after the integrated review's publication. You will certainly be in a position to check against our published appreciation of the threat. At the moment, it would be fair to say that we have quite a lot of in-year pressure, so rather than spending huge amounts of money we are turning the taps quite tightly to make sure that you are well aware of the basic structural pressures we are wrestling with in-year.

There has probably been a bit of a disconnect in publication, brought about by the pandemic. The one-year nature of the settlements for the agencies, for the Foreign Office and for the Home Office has meant that their ability to talk about their strategies has been slightly disrupted. Ours,



HOUSE OF COMMONS

thankfully, was not, but that does not mean to say that the basic shape of the strategy has been well discussed and well aligned for quite a long time. It is about being an activist power, it is about new technology, it is about joining up better across Government.

All those things have been talked about publicly in various fora and do, I hope, come out in what the Prime Minister said about the defence review and settlement. There will certainly be more meat on the bones in the early part of next year in the integrated review, and I don't think you will find anything that feels disjointed there.

Chair: We look forward to that.

There is a sense of urgency now, because the new occupant of the White House will, I suspect, have greater resolve in bringing together an invigorated west to rebuild alliances and take on some of the threats. If we have our ducks in a row—if we have qualified what we want to do, what global Britain means and what our defence posture is accordingly—it will help our closest ally.

Q3 **Mrs Lewell-Buck:** Good morning, everyone. The annual report and accounts make worrying reading, especially in relation to the unaffordable and delayed equipment programme. I raised these concerns with the Secretary of State yesterday in the Chamber and asked what will be scaled back and sacrificed in the integrated review in terms of the equipment plan and personnel. He said that we would, “disinvest in equipment that was fit for previous encounters with adversaries” and invest in future equipment. Are you able to put any meat on the bones of what he was saying? What will we disinvest in?

Sir Stephen Lovegrove: I am not in a position to be able to do that ahead of the Secretary of State announcing any disinvestments—the Committee will understand that that is not in my gift. He is of course right: there will be some difficult decisions to make, and we will be guided at all points by what is going to be most useful to our fighting men and women. Sentimentality about some of the legacy platforms will be in very short supply, I suspect. That is necessary if we are going to be able to invest in the new capabilities we desperately need.

We can talk a little about some of the newer capabilities, where I am certain we will be going. The Prime Minister was very clear that there was going to be investment in the future combat air system, in cyber, in the digital backbone and in space technology. These are areas where we will be upping our investments. We will have to wait for the Secretary of State to announce specific disinvestments.

May I revert briefly to the Chair's last comment, which was extremely important? Air Marshal Knighton and I yesterday had a strategic dialogue with our opposite numbers in the Pentagon and took them through some of the work we are talking about today. There is a very, very keen appreciation and welcome for what we have announced in resources and where we are going. In particular, my opposite number, David Norquist,



said he was delighted by the fact we were being driven by threat—and not threat as it had been perceived, but threat as it is evolving—in a very clear-eyed way. He was delighted that that UK was aiming to take a more aggressive and activist posture in the world and that we are going to be driven by doubling down on advancing technology and investing in new types of capability. Those are exactly the ways in which our closest ally is going, so we are very much in lockstep with them.

Q4 Mr Jones: Ten out of 10 for “Yes Minister” waffle—I didn’t really understand that you responded to the Chair’s question at all.

You call the announcement a communication disconnect. It is quite clear that this was a political decision to announce the extra spending, because you are saying that we will not know the outcomes until the integrated review. It is a little like building a house and saying, “We are going to build a house but we don’t know what it looks like or what it is going to cost.” So if it comes in at extra cost or goes in a different direction, I am not sure how that will work.

You said that this funding will be transformational. Will it be transformational, or will it just fill the gap you already have in the equipment budget?

Sir Stephen Lovegrove: I am sorry if you thought that that was “Yes Minister” waffle. I will try to be a bit clearer. There is a very clear strategy, which will be articulated more fully in a cross-governmental way in the integrated review in the first part of next year. At the moment, because of the disconnect between our funding package and the funding packages of other Departments, Defence has gone first. But that does not mean that there is not a strategy. Moreover, before the integrated review is published, the Secretary of State is aiming to give a much fuller description of the investments and disinvestments that Defence itself will be making, which will be of great interest to the Committee. That is not a particularly obscure way of describing what we are doing here. We cannot give a huge amount of detail at the moment. There is a lot of detail to be worked through and it is for the Secretary of State to make his announcements.

You asked whether this will be transformational or if it is merely going into a black hole. We have known for a long time—the Public Accounts Committee, the National Audit Office, this Committee and we ourselves have been clear about it—that the budget of the Department is not balanced. The Prime Minister was very clear that he thought that Defence had been underfunded for too long. Some of this money will certainly be going into getting the budget into balance, but it will also be going into accelerating disinvestments and new investments. That will mean that not only is the Department modernising at a pace that it has not been able to so far, but it will be doing so from a sound fiscal and financial basis, which is at the heart of being able to run the Department successfully to protect the country. Doing so when you do not have a balanced budget is extremely difficult. I hope that that was clearer.

Q5 Mr Jones: Not really, but can I ask you a question about the new money



and then something about efficiencies? How much of the new money will go into the core budget? There were suggestions yesterday from John Healey that this means a cut in the operational budget rather than the equipment budget. As for efficiencies, in 2016 you identified something like £7.3 billion of efficiencies in the equipment plan. Then in 2017, you very conveniently changed the accounting mechanism so that it was not clear whether you had made any efficiencies. Where will this money go in terms of core, equipment and efficiencies?

Sir Stephen Lovegrove: You are right to say that, effectively, our resource limits—what you described as operating costs—are broadly flat. The increases will be in the capital budgets.

In terms of the efficiencies, I do not recognise your description of what we did a couple of years back. That exercise was about trying to clarify the nature of some very complicated cumulative efficiency targets that had been piled on top of each other over a period of about six or seven years, with considerable scope for confusion, double counting and slippage. We did not redefine anything in those terms. What we did was clarify them and put them into a single package, which I am certain made for better accountability, clarity and transparency and certainly made for easier management of the efficiency programme. But I will hand over to Mr Pate, who can give you more detail.

Q6 **Mr Jones:** No, in 2015 there was a ridiculous figure for efficiencies in order to balance the budget. It was never going to be met. I accept that it was not on your watch, but I would be interested to know how many efficiencies were made. You have just said something that the Secretary of State would not say yesterday: basically you are going to have a flat budget for the operational costs of the MoD. That will have an impact, will it not, on pay, recruitment and general running costs?

Sir Stephen Lovegrove: Clearly it has an impact on the running of the Department. If we decide to put more money into particular projects or operations, there will necessarily be less for other ones. It is merely one factor in how we organise the Department.

Mr Pate: Can I just add a little on the resource costs? As the Chancellor's statement set out, they are broadly flat for the Department over the next four years. We spend about half of our resource budget on people, while the other half goes on infrastructure running costs, the equipment support programme and on our inventory. In all three areas we have plans already in place and are operating to make savings and changing the way we operate.

For example, in infrastructure we refine the estate and look to close buildings that we do not need any more. We are already saving running costs. On the support programme, we have significant reforms going on. Defence Equipment & Support has made savings in contracts. We look at demand. We are refining our support models, and in inventory the accounting standards change has driven better behaviour in how we purchase and use our inventory. In those areas that cover at least half of



HOUSE OF COMMONS

our resource costs, we are making savings and intend to make further savings going forward.

Chair: In that vein, let us move on to the equipment plan, and Martin will take us forward.

This does not require a response, but is just me venting my frustration, having been a Minister and been told that the party line, or the message, was that there was no requirement for any more money—unlike the NHS and other Departments, where Ministers were encouraged to be public and open about how tough financing was. Yet here we are with the Prime Minister acknowledging that the MoD does not have enough money. Sir Stephen, you have just done the same. We need to bury this myth that has been perpetuated over the past 10 years to the British public that we have the most professional Armed Forces in the world—which we absolutely do—and that anything that is thrown against them, they are ready and capable to match. The reality is that our Armed Forces have shrunk in size, in many cases their military equipment is obsolete or out of date, and they need massive investment.

If the British public were more conscious of that, they would be the first to say that our nation should have a strong defence capability so that we can make our mark in the world. It would then be easier to make the case politically for the budget to be increased. If you are in denial and saying, “Nothing to see here; we don’t need any more money,” you will not get any more money. I have spoken quite emotionally because I want to see more investment in the Armed Forces. We are already seeing that, despite what was announced last month, it is still not enough. Let us be clear with the British public that our Armed Forces still lack investment. We want them to be strong. Let us invest more.

Q7 **Martin Docherty-Hughes:** Will the Permanent Secretary assure the Committee that the Department will now take what some people call the difficult decisions required to balance the equipment plan?

Sir Stephen Lovegrove: I can assure the Committee that that is the case. Since the announcement a couple of weeks ago, we have been engaged in intensive planning on a number of fronts to ensure that this money is deployed wisely and in a balanced way.

Q8 **Martin Docherty-Hughes:** Following on from the remarks of my friend the Member for North Durham, does that mean that the deployment is into capital rather than the core resource budget?

Sir Stephen Lovegrove: We know that the resource budget is broadly flat. The vast majority of the increase is going into capital. Not all the capital is in the equipment programme—some of it is elsewhere—but that is where we will be spending a lot of our time.

There is a great deal of planning to be done around the resource budget as well. We have workforce planning issues that we need to get after. As Mr Pate said, we have lots of questions we need to answer on the estate. We have had a reactive maintenance regime for that, which we are



uncomfortable about. There is a great deal of planning to make sure that it is properly spent.

- Q9 **Martin Docherty-Hughes:** In that planning, some would say that the Department is planning to prioritise platforms over people. The Chair has put the fact eloquently that some of the resourcing for the frontline is woefully inadequate and doesn't exist in many senses. I take it that is not something you would agree with.

Sir Stephen Lovegrove: You are absolutely correct that that is not something we would agree with. In fact, I am not 100% sure I recognise the characterisation of people versus platforms. What we really want to do is to build capabilities, in the broadest sense, that we know are the ones that will allow us to deter, defend and, ultimately, beat our adversaries. Those capabilities could be people—in many respects, they are people—they could be platforms, or they could be something that is neither of those two things.

A very big part of our investment programme will be going into our digital backbone. Data will be at the heart of battle-winning capabilities for the future. We know that we have fallen behind where we want to be. We are going to be investing in the digital backbone, in cyber and in sensing technologies. None of those things are people or platforms; they are capabilities. That is, I think, a better way of thinking about what we will prioritise our investments in.

- Q10 **Martin Docherty-Hughes:** I have to say, Chair, with no disrespect to the permanent secretary, that that sounded a bit like an "It didn't fit in the cost envelope" type of answer from "Yes Minister". My concern is that cyber and hybrid both require people, and those people require investment and support. Clearly, the concentration in the budget is on capital. We are now hearing some wording around disinvestment. If there is disinvestment, is it on the flat line of the core budget itself? Where is the disinvestment headline going to be: in the core budget or in the rest?

Sir Stephen Lovegrove: There are going to be disinvestments right across the piece. I have obviously become a fully naturalised Whitehall citizen, because I have been accused of being Sir Humphrey twice in the first hour.

Of course we require people. There is no question but that we require people. We employ over 200,000 people at the moment, and we will still employ a very similar figure for the foreseeable future, but there is no point in employing people if they do not have the right kit. The kit is not necessarily a platform. The kit could be a whole bunch of different things that will allow them to do their job. It is impossible to imagine the National Cyber Force as anything other than a bunch of people and a bunch of capabilities. It is certainly not a platform. This is a more complex subject than simply platforms versus people.

There will be disinvestments in terms of kit. There will be disinvestments, I have absolutely no doubt, in certain areas of skills that we require from our people. That will probably mean that some of our people will be exiting



the Department. Equally, we will be investing in other types of skills in the Department, which means that there will be considerable increases. The National Cyber Force is a very good example. I think the single biggest investment we propose to make in the next 10 years, after the future combat air system, is in the National Cyber Force. Right now, we certainly do not have the number of cyber-warriors we need. We will be investing in training our people, bringing in new people, and working with partners and allies to make sure that we do have those people. It is a very fluid, very complex situation.

Q11 **Martin Docherty-Hughes:** I am grateful for the permanent secretary's response, because he is mentioning people quite a lot.

An essential skill is how to manage those people. There are some rather telling narratives of how the Armed Forces manage people. We had the new ombudsperson in front of the Committee the other week on some of the challenges that you face in managing people. In terms of those places, I hope that the permanent secretary will take on board the work of my hon. Friend the Member for Wrexham on the Sub-Committee on Women in the Armed Forces in January, because there are serious questions to be asked about how you manage people in the MoD on the frontline. I hope that there is some learning on that.

Sir Stephen Lovegrove: Those points are well made, and thank you for them. We are very conscious of behavioural problems in various parts of Defence. One of our non-executive directors, Danuta Gray, has just written a report on this particular area. It is an area of great and increasing attention from the Chief of Defence Staff. In terms of diversity and inclusion, he and his other Chief of Staff colleagues have just published their own levels of ambition and their own pledges to root out some of the behaviours that you are talking about. I recognise the force of those comments.

In terms of the management of people more broadly across the Defence enterprise, there are some good signs. For the first year, we have just got our people survey back from many thousands of the people who work in Defence, giving a view of how they feel about working there and, in particular, how the management of Defence is organised at all levels—this is not just me and colleagues around the table, but local management of every type. For the first time ever, we, one of the big Departments, were above the civil service average. We rose by four percentage points, which was the fifth year in a row that it has gone up. We know that we have a lot of things to do, but we are very seized of the need to manage the Department properly and for its people.

Martin Docherty-Hughes: I am grateful for that. The Member for Wrexham might want to come in on that.

Chair: Sir Stephen, we are very grateful for your responses. We have a lot of questions to get through, so if you can curtail your responses as best as possible, although obviously sharing what you need to. Sarah, did you want to come back on this one, or are you okay?



HOUSE OF COMMONS

Q12 **Sarah Atherton:** Just a very quick one, please. You mentioned Danuta Gray's review of the Wigston review. Can you give me a date for when we are likely to see that document?

Sir Stephen Lovegrove: I cannot at the moment. I think the Secretary of State is considering a date. He is certainly aiming to publish it fairly soon. May I get back to you out of Committee on that?

Sarah Atherton: Thank you.

Q13 **Chair:** In this new era of openness and transparency when it comes to recognising the shortfall in MoD funding, can you confirm that a hole exists, according to the National Audit Office? It predicts that, over the next five years, you will be short of about £7 billion for the equipment plan. Do you agree that that is currently the case as you see it?

Sir Stephen Lovegrove: We are not arguing with how the NAO has described it as a position. Two things about it, though—

Chair: Is that a yes?

Sir Stephen Lovegrove: Yes, it is a yes, but if we were in that position, it is a 10-year programme, which we would be able to manage—I am not saying that we would be able to come out—

Chair: I will just take the yes—I will stop at the yes, that is great, otherwise—

Sir Stephen Lovegrove: This is before the money—

Chair: Otherwise the rest of it is a bit Sir Humphrey-like, to be honest.

Sir Stephen Lovegrove: It is also before the money.

Q14 **Chair:** I am also conscious, in fairness, that given the way the National Audit Office scenarios the situation and predicts, the numbers could be different. However, the reason why I make that case—I am glad you said yes—that we could be short of £7 billion on equipment over the next five years, is that we can then make the noise to help you. We are on your side—we are both trying to bat and get more funding for the MoD. Having that clarity very much helps, as does recognising that the character of conflict is changing.

You touched on the fact that we are advancing into cyber and into space, with extra demands placed on the three conventional services. Where will that money come from? We need to articulate this to the British public who, I think, will then be more inclined, as they want to see, as I said before, Britain remain strong. We can only do that if we are honest, transparent and open about the numbers themselves. Can we move on to Kevan to talk about procurement management?

Q15 **Mr Jones:** *[Inaudible]* What are you actually going to cut out of the equipment budget? You will have to cut something out, rather than keep on this pretence—



HOUSE OF COMMONS

Sir Stephen Lovegrove: I am sorry to stop you. We could not hear the beginning of that.

Mr Jones: I was going to ask you a longer question, but I will ask you a very simple question. What will you cut out of the equipment programme to make it affordable? Even with this extra cash, it is not. That is a simple thing that will have to be done.

Sir Stephen Lovegrove: We will have to cut some capabilities, but I am not a position to tell you what those are at the moment, in advance of the Secretary of State making final determinations and announcing it himself.

Q16 **Mr Jones:** How do you know, therefore, that the amount of new capital money you have will be enough to fill the gap, if you do not know what it is?

Sir Stephen Lovegrove: We run any number of scenarios, which give us confidence of that. The final decisions have yet to be made.

Q17 **Mr Jones:** Parliament should have actually seen that. Would it not have been better to do the two together? We will just have to take your word for it until we get those figures, won't we?

Sir Stephen Lovegrove: You will have to take our word for it that we have run scenarios and that we believe it is affordable. It will not be long until the Secretary of State gives much more detail, which will give you more comfort.

Q18 **Mr Jones:** May I ask one final question in terms of the equipment budget? In the past few years you have spent something like 25% of the budget on overseas equipment, mainly dollar-related. How confident are you that exchange rates, if you will increasingly purchase from the US using dollars, will be affordable?

Sir Stephen Lovegrove: We are probably going to have to manage it. It is a pressure. I do not deny that. Affordability in the context of a very large budget—we will make it affordable by doing something else, if there are unacceptable pressure put on it. But yes, the exchange rate is a worry.

Q19 **Mr Jones:** Can you put that into English, permanent secretary? That means cutting something else, doesn't it?

Sir Stephen Lovegrove: If we have to absorb losses that arise as a result of the exchange rate, notwithstanding the fact that we hedge against it, then something else will have to give.

Mr Jones: Thank you.

Q20 **Stuart Anderson:** To follow on from my colleague Kevan's question, you talked about disinvestment. There is strategic disinvestment, such as sunset capabilities, which we have looked at. We are also looking at sunrise capabilities. Will there be disinvestment in future capabilities that we are looking at?



Sir Stephen Lovegrove: Not on the whole. Absolutely, we aim to invest in future capabilities and disinvest in legacy ones.

Q21 **Stuart Anderson:** The Secretary of State has told us that he recently faced significant financial pressures. I would like to find out what you think are the most pressing financial pressures. I would like Mr Pate, as director general of finance, to answer this.

Mr Pate: We have already discussed the equipment plan in quite some detail. Over the past four years, the NAO and the Department have set out the challenges in the plan. That is primarily around the conventional capability, where we face very significant pressures. The Chair mentioned the number earlier. We don't dispute that. There are risks around that. We have talked about foreign exchange. We talk about the delivery of the efficiencies that we are obliged to deliver within the equipment plan and more broadly across the Department. That remains a risk until we can see our way through delivering all of those.

Beyond that I would point the Committee to three areas. The first is the nuclear enterprise. The settlement that we have received from the Treasury means that we have the funding to maintain the schedule for all the programmes that we need against the Dreadnought, the infrastructure that the Public Accounts Committee has been into recently, and the warhead. More broadly, on our estate, we know that at the moment we tend to fix on fail; we have a reactive maintenance schedule. We want to move to a more proactive approach. We think that that provides better value for money and better certainty for our people and how we are using our estate. We will not be able to move everything to proactive planned maintenance, but we want to shift some of our most critical assets into that space. Finally, and really importantly, we want to continue investing in transformation across the Department.

I talked earlier about our work to reform our support procurement and the support contracts that we have for our equipment. We want to make sure that we move more into the digital age, so that we are using the data within the Department to drive our operations and efficiencies across the Department, and improving our acquisition approach. All those take investment up front that we have not necessarily been able to do in quite the way we wanted. In those areas, I think we are now able to progress, and they will be part of the plans that I expect the Secretary of State to set out shortly.

Air Marshal Knighton: May I add one point on infrastructure? This Committee has looked at the defence estate optimisation programme in the past, and the settlement in 2015 assumed an element of private finance funding to enable the estate to be optimised. A previous Chancellor's removal of private finance as a mechanism means that we will have to find the capital to invest to deliver that estate optimisation and the long-term running costs savings that come with that. Part of the pressure that we face going forward is finding the capital to invest in the estate to enable us to optimise it and reduce running costs. That is one of



HOUSE OF COMMONS

the pressures that we will have to address through this budget uplift that the Prime Minister has announced.

Stuart Anderson: Thank you both. We are going to explore those in more detail.

Q22 **Richard Drax:** Air Marshal, what figures are we talking about for running the estate—was it 400,000 hectares, or something like that?

Air Marshal Knighton: Forgive me; I do not have the land mass numbers right in front of me, but they are published routinely and I am very happy to write to you with an answer to that question.

Richard Drax: Thank you. We are discussing that later, apparently.

Q23 **Sarah Atherton:** Mr Pate, you spoke about the nuclear enterprise. Can I press you a little bit more, with the next round of questions on the nuclear programme? We are expecting the first Dreadnought submarine to come into service to replace the Vanguard in early 2030. Can you give an update on that programme and how it is progressing?

Mr Pate: Certainly on the overall budget, we are within the budget announced in SDSR 15, so the £31 billion with £10 billion contingency. We have so far requested around £1 billion of that contingency from the Treasury, although we have not drawn down all of it. That is to support that schedule that you set out. We remain on track. I do not think it is possible with a programme of this scale and nature to guarantee the final cost, but we do remain within that. I think it is prudent to have an overall contingency, given the complexity and the requirement that we have to deliver to schedule.

Sir Stephen Lovegrove: If I may come in briefly, I went up to Barrow a couple of weeks ago with the Vice-Chief of the Defence Staff and the BAE team to have a look at the yard and see how they were doing. They have had very significant challenges with organising the work as a result of the covid pandemic, which has put a bit of a delay—at this point, they thought that it felt like a five-month delay; admittedly, that is five months over a multi-year programme—into the Dreadnought programme. They have done very well in being able to get the workforce 95% back into operation, but that is another area of flex that we and our colleagues in the industry are actively managing at the moment. Things are moving well, and the Astute programme is accelerating as well.

Q24 **Sarah Atherton:** Just to confirm, we are expecting in service by 2030, as we stand today.

Sir Stephen Lovegrove: Yes. There is no change to the published dates for the Dreadnought in service. Actually, it is important that they do not move; the boats that we have out at the moment—the Vanguard class—will be quite old by then, and they will be more difficult to maintain. We are really relentlessly focused on that; it is really important.

Q25 **Sarah Atherton:** There is no concern about the development of the new-generation nuclear reactor or the propulsion systems?



Sir Stephen Lovegrove: There is no concern about that.

Sarah Atherton: Grand.

Q26 **Martin Docherty-Hughes:** Permanent secretary, can you tell the Committee why the decision has been made to take the AWE back in-house?

Sir Stephen Lovegrove: Yes, with pleasure. We obviously think about our commercial arrangements in pretty much all of the areas in the business all the time. We had a 25-year arrangement with AWE plc, which is the consortium of Serco, Lockheed and Jacobs. You are quite right that, at the 20-year point, in November this year, we chose to change it from a Government-owned, commercially operated arrangement to an arm's-length body, effectively truncating that 25-year contract to 20 years.

We are always looking to improve. We think that this arrangement simplifies and strengthens the Department's oversight of a very important part of the nuclear enterprise. It will allow us to move more quickly into an important phase in the development of the warhead. We have a new warhead that we will have to start building before too long and which needs to be in the design stage, so we need to move quickly.

This arrangement will allow us to have a clearer understanding of what is going on at the site. We will be putting more people on to the board. We will be capable of channelling the savings that we make as a result of no longer having to pay the plc into investment in the site, its improved productivity and the safety of its workforce.

Q27 **Martin Docherty-Hughes:** In terms of some of the costs—£30 billion for the programme and £10 billion in terms of reserves—are any of the reserves going to be used before you make the savings that you are talking about?

Mr Pate: I think that the £30 billion plus the £10 billion contingency refers to the Dreadnought itself. The costs that the permanent secretary was talking about go beyond that but are within our departmental budget and within the settlement that we have recently received.

Q28 **Martin Docherty-Hughes:** Can you remind us how much extra that is?

Mr Pate: It is too early to provide estimates for the overall replacement warhead cost, if that is what you were referring to. It is such a complex engineering and commercial programme. We do have adequate provision for the known development costs over the next few years within the spending review, but the overall costs will depend on eventual design requirements.

Sir Stephen Lovegrove: The replacement warhead will come into service in the 2040s. It is a very long-term programme.

Q29 **Martin Docherty-Hughes:** Let's just take a look at the replacement programme. In February, the Government announced that a new nuclear warhead would be developed, as you have said. What is the current



estimated through-life cost of the replacement warhead programme?

Mr Pate: That is what I was referring to earlier—it is too early, I am afraid, to give estimates on that, given the complexity of the design, the very early stages that we are in, the commercial arrangements and the fact that we are working with our US colleagues on this. So much will depend on the eventual design and those arrangements, but we do have adequate provision for the next four years within the settlement that has just been announced, so we can afford this through that period.

Q30 **Martin Docherty-Hughes:** There is noise from Washington that the President-elect and their team may pull the W93 warhead programme. What contingency does the UK Government make if that is the case? If the President-elect were to make that decision, is there any contingency for that?

Sir Stephen Lovegrove: It would not arise in the next four years, to follow Mr Pate's observations; we are in a design phase at the moment.

Martin Docherty-Hughes: You are making risk analyses of the budget that you already have; you are making projections about what you could possibly have, with a new nuclear warhead, and there is every possibility that the new President-elect of the United States will scrap the entire programme from the American perspective.

Sir Stephen Lovegrove: I have to say, that is not a message that we have been receiving from American colleagues in the last few weeks and months. Clearly, if there is a close alignment between the naval warheads—the W93 and a replacement warhead—there would, no doubt, be very significant implications were that to be the case. They would be difficult to analyse at this range because they would be at a different stage in the development.

As Mr Pate has said, we are perfectly well set up, whatever happens, for the next four years, which is as far as we can go with the money that we have in the programme.

Martin Docherty-Hughes: For a final bit of clarity on that, the Permanent Secretary mentioned the discussions in the United States; are those with members in the Pentagon, or was that with the President-elect's team during the presidential campaign?

Sir Stephen Lovegrove: They are mainly with officials in the Pentagon, but we have, obviously, lots of conversations with think-tanks and other members of the political establishment in the States as well—through the embassy and through the Department—so it is a fairly rounded picture.

Q31 **Chair:** Thank you, Martin. Martin has slightly stolen my nuclear sandwiches, so just to advance—

Martin Docherty-Hughes: I'm afraid you can keep your nuclear sandwiches, Chair. You are more than welcome to them.



HOUSE OF COMMONS

Chair: A party political broadcast there. On W93, can I just confirm how allied we are with this programme? As far as I understand, this programme—as Martin was alluding to—has yet to be funded; it is yet to be confirmed that even the United States will take this on. So, are we already bound in to replacing the Holbrook warhead—I think—with W93?

Sir Stephen Lovegrove: It is not exactly the same warhead, but the Chair will know that there is a very close connection, in design terms and in production terms, so we are intimately involved in that.

You are right to say that the funding has not been approved, as yet. I think the Senate has approved it and it is going to their Liaison-type Committee fairly soon, so we are watching that with a great deal of interest.

Q32 **Chair:** Stepping back from the purpose of why we have this continual at-sea deterrence; this stems back, as we know, from the Cold War and our determination to have an independent nuclear deterrent to deter others from even considering using such weapons against us.

However, we have talked before about the changing character of conflict; we are likely to see, sadly, the use of low-yield tactical nuclear weapons on the battlefield in the next decade. My question is: has this been considered in the integrated review, as to what stance we should take in response to that?

Sir Stephen Lovegrove: I sincerely hope that your prognostication is wrong, but you are quite right to raise its possibility.

This is really for the Prime Minister, rather than for Defence, obviously, but we are actively considering exactly the question that you raise. I do not want to pre-empt exactly what will be said on this matter in the integrated review, but something certainly will be.

Q33 **Chair:** I pose the question, and none of us can know what the future holds, but in the '30s, we had the idea that we could predict any future war with 10-year foresight, so we would have time to procure whatever it is in preparation for a forthcoming world war. Of course, that prediction and policy were found to be completely wrong, and we were caught short by the pace at which the second world war caught up with us. Although you say that you hope I am wrong, the fact is that we cannot bank on that as a strategy. I hope it is something to be considered, because I am afraid this is the way the proliferation and procurement of nuclear weapons is going. If one is used, let's say, against our troops in eastern Europe, we will not be able to respond with one of the nuclear warheads that we have on our submarines at the moment, because it would not be a proportional response. Maybe I can leave that there. Let's move towards the surface fleet now.

Q34 **Mr Jones:** In terms of the latest announcement a couple of weeks ago, you announced a new ship, which is the Type 32. Can you tell us what its role and capabilities are, and how much it will cost?



Air Marshal Knighton: The Prime Minister made clear in his statement the importance of shipbuilding and his commitment to increasing the size of the Navy, particularly the Navy's surface fleet. Type 32 is the name given to the follow-on capability from Type 31. The broad intent is that that will follow on in the same vein as Type 31, as a general-purpose frigate. It will have open architecture, which will enable it to fulfil a range of roles. We anticipate that construction will start towards the end of this decade, and we will use the time between now and then to refine the requirement and the potential design, and to understand the commercial model.

We will be in a better place to answer your specific questions about how much it will cost and precisely what it will look like in due course. I'm afraid I cannot give you more specific guidance than that, other to confirm again the commitment that the Prime Minister has made both to shipbuilding and to increasing the Navy surface fleet.

- Q35 **Mr Jones:** Do you usually announce something when you do not know what it is or what it will cost? The Type 23s are going out in the next few years. Type 31 is not coming in until 2027, so there will be a gap in the mid-2020s in terms of surface fleets. In terms of the new ship, we already know that Type 31 cannot do NATO tasking, so is it envisaged that Type 32 will do NATO tasking?

Air Marshal Knighton: There are a couple of things that I need to make sure we get clear on the record. The introduction to service of Type 26 and Type 31 is aligned with the retirement of Type 23, so we do not anticipate there being a gap later in this decade. The point about Type 31 is that it is a general-purpose frigate. It does not have all the same capabilities as Type 26, which is the highest-end capable, but Type 31 is still going to be attributed to NATO and can still be tasked and used as part of a NATO operation.

- Q36 **Mr Jones:** Actually, it is not, because I have had a reply from the Defence Secretary to a question about that. He is very clear that it cannot do those NATO high-end tasks. Can you talk us through—

Air Marshal Knighton: Mr Jones, I said that it can still work for NATO. You are absolutely right: it cannot do the highest-end task, which is what Type 26 is for. To be really clear, it can be used for NATO tasks.

- Q37 **Mr Jones:** Sorry, it cannot do the core task, which is the important thing. It is a very limited capability. Can you talk us through how we will not have a gap, if Type 31 is not coming until 2017 and you have Type 23s going out in the next couple of years?

Air Marshal Knighton: There is effectively a one for one: as Type 23s go out of service, Type 31s and Type 26s come into service, so we will manage the availability of the fleet. Actually, we expect to see the availability of frigates and destroyers increase over the next six or seven years.

- Q38 **Mr Jones:** That is not true. Because if you look at the date you have



HOUSE OF COMMONS

given for 31 now, which is 2027, Type 23 is not going to be going out. So it is not a one for one, as you describe, so there is going to be a reduction in numbers in the mid-2020s.

Air Marshal Knighton: There are 13 frigates, which will be replaced by 13 new frigates, eight of which will be Type 26, five of which will be Type 31. As I said, the forecast availability of frigates and destroyers over the next few years is set to increase, so this country and the Navy will be able to deliver on the strategy that the permanent secretary set out at the start of the meeting, which is to have more of our equipment deployed, more of the time.

Q39 **Mr Jones:** You have been with civil servants too long, because you are going into civil service language here. I am sorry, but there is going to be a gap. If you have got the situation that you described—13 for 13—that is fine, if they are all to be changed one after the other. But they are not. There is going to be a gap between Type 23 going out and Type 31 coming in. I just do not know how you can accept there is not going to be a gap.

Air Marshal Knighton: I will have another go, Mr Jones. What matters is the number of ships that are available for tasking, and the number of ships that are available for use. We have a range of ships that are in deep maintenance, or in preparation for maintenance or recovery from that, and so as we manage our draw-down of the Type 23s and bring in to service Type 31 and Type 26s, we know through all of our analysis that we will have more ships available for tasking over the next few years than we have today or have had in the recent past. That is partly as a consequence of investment in things like the propulsion improvement programme on Type 26, and the investment in ship building in Type 26 and Type 31.

What I absolutely accept is that we need to make sure we drive both the Type 26 and Type 31 programme hard to deliver as early as we possibly can. If that enables us to retire Type 23s earlier, then that will make sense from a financial perspective and from a capability perspective.

Q40 **Mr Jones:** I accept what you say in terms of perhaps by 2029, you will have the replacement ships. You are basically saying that Type 23s are going to be running right up until 2027: well, there is a cost involved in that, and there are actually some question marks about whether the hulls can actually last that long.

Air Marshal Knighton: Type 23s will actually be operating right the way up to 2027 and beyond. The point you raise about the hulls and the running gear in the ships is a really good one. As equipment gets older, it does become more difficult, or can become more difficult, to maintain and sustain. What we are seeing is the maintenance period—the docking periods—extended for a number of our ships, but what we are doing is investing in those ships as they go through those docking periods to extend that life and give them the capability to run on to the point which we need them to, as we bring these new ships into service.

Mr Jones: There is a huge cost involved in that, and I think certainly



with Type 23 as I understand it, there is a question mark whether you are going to be able to do that.

Air Marshal Knighton: The cost associated with the maintenance programme for the Type 23 fleet and Type 45—the destroyer fleet—is well understood. The programme for the docking periods is well established, and we have, as part of the budget settlement, sufficient funding to be able to do what we need to do. So far, our work and our analysis suggest that that will be feasible, and we have confidence that the ships will be able to run on to the dates that we need them to, because we are going to make the right investments in the maintenance of those ships when they next come to their maintenance periods.

Q41 **Richard Drax:** Air Marshal, I must declare my interest. My grandfather and father were both Royal Navy, and I think they would be turning in their graves at how pitifully small our Royal Navy is. If the 19 surface warships were needed today, how many could put to sea fully crewed, equipped and armed?

Air Marshal Knighton: As of today, right now, 10 of our 19 destroyers and frigates are either on operations, at high readiness or in work-up for operations. In due course, a number of those could potentially be brought up to readiness, but today there are 10 of 19. As I have described to Mr Jones, we expect that number to increase steadily over the next few years as ships, like the Type 23s that Mr Jones described, come through those elongated maintenance periods.

Q42 **Chair:** I think the point made here is that there cannot be a gap between replacement and capability. I am slightly concerned, as well, that in the absence of a strategy, we do not know what we will use these ships for. Type 32 has been thrown out there, but we need clarity. You said there is greater activity, increased adversarial maritime activity in the North sea, and we will have to venture towards the South China sea, I am sure, over the next decade. Yet the size of our surface fleet over the past four or five decades has slowly diminished. I would love to see greater clarity and conviction to say, “Our surface fleet needs to increase in size and with greater forward posture”—perhaps technical capabilities on each ship. I hope that will materialise with the Type 32, but at the moment we do not know that.

Air Marshal Knighton: The Prime Minister has been absolutely clear that we will increase the size of the Navy’s surface fleet—frigates and destroyer numbers. As the permanent secretary set out, the clear intent is for us to see more of our Armed Forces deployed more of the time in more places in the world. The precise details of that will be a matter of operational lay down and operational decisions in-year, but I am sure that those principles will be laid out clearly in the integrated review.

Sir Stephen Lovegrove: If I may, Chair, I think you make a very good point. There is no doubt that the more technologically advanced and extensive these platforms become, the fewer, within an inevitably constrained budget, you can afford. If you want to be in lots of places, that presents you with a problem. That is well understood. I think the



HOUSE OF COMMONS

Prime Minister has recognised that and I think there will be further clarity when the integrated review comes out quite shortly.

The other point I would make is that one of the technological advances that we are seeing rapidly at the moment is in the area of missiles, which pose a much greater threat to our surface shipping than to our sub-surface shipping. We need not to ignore the underwater battle space, which I think will increasingly become a big feature of what we need to do and invest in.

The last point I would make is that, rather as the carrier group deployment next year will demonstrate, one way to get around not having enough shipping to do everything you want by yourself is to make sure that your alliances and allies are in good order. You will see that in the carrier deployment next year.

- Q43 **Chair:** Talking of the carrier deployment next year, I am curious as to how our carriers will be supported, because we do not have the fleet solid support ships in place yet to provide that support. We are using the Fort class, which is ageing and should have been retired long ago. This has been a sad story to do with these contracts. Can you update us on what is happening now and how quickly we will see a contract delivered?

Air Marshal Knighton: In terms of the deployment next year—the carrier striker group 21 deployment—that will be supported by Fort Victoria, which has an out-of-service date towards the end of this decade.

In the longer term, exactly as you describe, the fleet solid support ships will provide that capability for the carrier, right the way through into the 2040s and 2050s. The Secretary of State was clear that the competition for fleet solid ships would be launched in the first quarter of next year.

- Q44 **Chair:** When are we likely to see that ship? If the competition is launched then, when will we finally see that support ship join the carrier?

Air Marshal Knighton: It is too early for me to give you a definitive date of when that first ship will be in the water, because some of that will depend on the yards that are used and the design that is used, and the time it will take to deliver that ship. I am confident, however, that we will be able to deliver the first ship before Fort Victoria goes out of service. That is certainly our plan. I don't know if Sir Simon might want to add anything, around where we are with that?

Sir Simon Bollom: Thank you—

- Q45 **Chair:** Stop. I do not need chapter and verse. I just wanted a rough indication as to when we are likely to see HMS Queen Elizabeth have alongside her a new fleet solid support ship. If you can't answer that then fine, we will press on.

Okay, let's press on. Stuart, let's move to land warfare.

- Q46 **Stuart Anderson:** In the light of the recent spending review, will the Warrior, Ajax and Challenger 2 armoured vehicles now have their



upgrades funded?

Air Marshal Knighton: You will remember that I came before the Committee a few weeks ago with the Minister for Defence Procurement to talk about the Army's programme. I explained there where we were with a number of the programmes, including Ajax, Boxer, Warrior and Challenger.

You may recall that I said to the Committee that the formal investment decision around Challenger was due to be taken before the end of this calendar year. That remains the case. In fact, the chairman of the investment group of that committee is Mr Pate. We are due to consider that case this week, so before the end of the year.

The funding that we get from the budget settlement means that we have certainty over the future funding envelope, and we have stability in that programme, which will help the team to articulate the affordability of that programme going forwards. I would not want to pre-empt the decision of my colleagues on the Investment Approvals Committee, but the case is in good shape and we will consider that before the end of the year.

On Warrior, no immediate investment decision is required. Alongside all the other elements within the programme that are as yet settled and certain, we will be discussing those issues with Ministers over the coming weeks. We expect to be able to make decisions about all the elements in the programme over the next few months and before we get into the key decision points that are required for programmes like Warrior, but also things like the future combat air system.

Q47 **Stuart Anderson:** Can you just expand on that point? You said that no immediate decision is needed for the Warrior 2 funding upgrade.

Air Marshal Knighton: That is correct because the Warrior is still in its demonstration phase. We don't need to move to formal commitment and updated commercial position until later next year, so that work is able to continue as it is currently contracted and ongoing.

Q48 **Stuart Anderson:** If it is a commercial decision, when you have gone through this phase, to then fund it, surely the money has got to be allocated, with the multi-year settlement, in advance? I say that as someone who served on operations in Warriors two decades ago. Everybody using Warriors around the globe at the moment, with an outdated system, is dying to find out if that is funded. We really need to make sure that this is funded, and they can see the future of making sure our troops have the right equipment on operations.

Air Marshal Knighton: Mr Anderson, you make a very good point. Alongside the other decisions that we will need to make, around how we allocate the funding over the next few years, Warrior is part of that conversation that we will need to have with Ministers and are having with Ministers.

As the permanent secretary described, the Defence Secretary expects to set out more detail over the coming weeks about the plans for new



equipment and that that is already in the programme, like Warrior. And as soon as Ministers are ready and decided, I am sure that they will make sure that the Committee is aware.

Q49 Chair: Okay. Just a quick comment on that. We speak about efficiencies. We had an excellent day out—a couple of months ago, I think it was—just down in Lulworth. And we saw the four vehicles: the Challenger, the Warrior, the Ajax and the Boxer. I asked Rheinmetall, Lockheed Martin, General Dynamics and Artec whether there was a single capability that you could simply transfer from one to another.

Imagine you are in Helmand province or Kandahar and you have got all these vehicles, but one of them has broken down and you want to be able to take an asset from one of those vehicles and move it to another. I looked at all four companies and there wasn't a single armament that you could easily do that with.

I make the case now that we need to be able to have a plug-and-play system, where on the side, the back or the front there must be a way—a socket system—whereby whether it is an automated GPMG, or a Brimstone launch or a Javelin launch, or a satellite dish, or something in the future that is yet to be procured, it can then be used on all four of these vehicles.

Instead, they are bespoke in each case. There is a lot of modularity within them; the Boxer comes in many forms, as does the Ajax. But there is nothing that we can use that can swap between all four. And that requires somebody above all four of these companies to give guidance—proper procurement guidance—to say, "You need to work together", so that whatever is inside can actually be so modularised and generic in that sense that we can move them around, particularly the assets—the kinetic assets—that are required.

I ask for that to be taken on board. We are clearly moving in the right direction within each variant brand, but not between brands themselves. Is that something—please could you just humour me and say that is something that you will look into?

Air Marshal Knighton: Definitely, Chair, and you made the point very clearly at the previous session with the Minister for Defence Procurement.

The focus on providing open architectures to enable us to—in the terminology—plug and play capability between our vehicle fleet is really important. We expect as part of the defence and security industrial strategy and the more focused elements within that to make announcements around the land elements of an industrial strategy that will definitely drive at how we make things more modular or interchangeable, and at how we can drive down the costs of support to these vehicles, in order to free up money to enable us to invest more in the capability in that land domain. So I think you are absolutely right, Chair, and it is very much part of our thinking.

Q50 Chair: You have also confirmed—all four—that none of those contracts has been completed and that they are still waiting for the green light. So



HOUSE OF COMMONS

maybe you can get on the blower and get these companies, before they start making these things, to look at this.

Let us move on to F-35s, please? Sarah.

Air Marshal Knighton: Chair, Ajax is on contract and is running; Boxer is on contract and is running; and there are contracts for both Challenger and Warrior, but they are not for the full manufacture yet.

Q51 **Chair:** Apologies, then—you are confirming that we are now purchasing Ajax and Boxer? That is not what we heard before.

Air Marshal Knighton: That is correct, Chair—we are purchasing Ajax and Boxer. We have been through the full business case and that is the position we set out to the Committee when we came to see you recently.

Chair: Okay—I will give you licence to come back and just confirm that. That is not what the Minister has confirmed to us quite recently, but thank you for that.

Let us move on to the F-35.

Q52 **Sarah Atherton:** Gentlemen, can I speak about the air combat strategy and in particular the F-35? Originally, the MOD stated its intention to buy 138 Lightning aircraft to support four operational squadrons and both carriers. That is now being degraded down to 48 jets to be delivered by 2026. So, with this increase in defence spending, will we see a commitment to purchase more aircraft?

Air Marshal Knighton: The 48 aircraft that you describe are those that we have ordered, that we have funding set aside for; as you say, the final ones are due to be delivered over the next five or six years. We know from our analysis that in order to sustain the F-35 capability and the carrier capability, we do need to increase the number of F-35s that we buy, and that we will want to do that over the period beyond 2025, when the next batch are brought into service.

The precise number and the shape of that profile is, to some extent, dependent on our analysis around the overall future combat air system. While we know we need to increase the number of F-35Bs to support the carrier right the way through to its out-of-service date, the precise number will depend a bit on the work we do and the investment we're making in the future combat air system, which the Prime Minister talked about.

So we expect to be able to make definitive judgments around total future fleet in the 2025 timeframe; it could be up to the 138 or it could be less than that, but we need to do that analysis and that work to make sure that we get the right number. I can confirm that we know we will need to order more F-35Bs than we currently have on order.

Q53 **Sarah Atherton:** When are we likely to see some evidence as to that analysis and what it is going to look like, given the sunset capability of the Typhoon and the evolving technologies we have with unmanned aircraft? When are we likely to get a vision as to what our future air combat strategy will look like? Will it be in the integrated review?



HOUSE OF COMMONS

Air Marshal Knighton: The funding that the Prime Minister announced for the future combat air system programme will support the analysis through an assessment phase, which will look at the totality of the requirement in terms of replacing Typhoon; it will look at both uncrewed and crewed capabilities.

That analysis is due to be undertaken over the next few years, but I anticipate that before that we will see the rollout of uncrewed capabilities—additive capabilities as we sometimes describe it—which will help to increase the capability of the Typhoon force. We continue to anticipate that Typhoon operates right through the 2020s into the 2030s, up to at least 2040.

Sir Stephen Lovegrove: Can I come in? To be very plain, I don't think you are likely to see an absolutely definitive combat air strategy in the integrated review. It is too complex and too long in duration, and we are too early in the assessment phase. There are many imponderables here, not least of which is which of our allies and partners around the world we'll be doing it with. This will be one of those things that will emerge over the coming years; I do not think it will be a final product of the integrated review.

Sarah Atherton: Thank you.

Q54 **Chair:** To probe this a bit further, we have confirmed that we have 48 in the bag, but we don't know if we will be getting any more than that. Am I right so far? A simple reply, please.

Sir Stephen Lovegrove: We do know that we will be getting more of those; we just haven't put them on contract yet.

Q55 **Chair:** Have you got the money for that yet or not?

Sir Stephen Lovegrove: The money only goes for the next four years, and that will cover the 48. There is absolutely no question that we will need to be buying more F-35Bs if we want to properly equip the carriers. It will be in the late '20s.

Q56 **Chair:** I am right in saying that you have the 48 in the bag, and you have the money to pay for that. Beyond that, there is a question mark. That, I think, is fair. Do we agree so far?

Sir Stephen Lovegrove: I am really aiming not to be Sir Humphrey on this one. There is a question mark, yes, in the funding, because we only have funding for the next four years. And you are talking about beyond that period. If, however, the question is about whether we need more F-35Bs to properly equip the carriers, then there's no doubt about that: yes we do.

Q57 **Chair:** I will get to that in a second. I want to know what we have paid for. We have 48 that were paid for. Splitting that into half, my maths tells me that's 24 per ship. Do you agree with that? That's an easy one.

Sir Stephen Lovegrove: There are training squadrons and all the rest of it, which I will pass over to experts. It is not quite as simple as that.



HOUSE OF COMMONS

Q58 Chair: The simple answer is yes; you don't need to be a sea dog to know that it is 24 per carrier. But you are right in what you imply. The force effects at readiness is a rather military way of saying, "I need some to train on, I need some that will probably be in repair and I'm going to need some for long-term maintenance." It still means that you have 24 to do that. The multiple on force effects at readiness is one to four: for every one that is combat ready, with a pilot, ready to go, you need another three spare for all these other activities, so you can guarantee the one. That means 24 divided by four, taking you down to six. You're going to have six working aircraft ready to rock and roll on any deck at any time, if you stick to 48. Do you agree with that?

Sir Stephen Lovegrove: It rather depends on whether you have both carriers out at the same time, and we don't anticipate they will be.

Air Marshal Knighton: Mr Ellwood, your arithmetic is spot on, but, as the permanent secretary says, the policy around the use of the carrier is that we will only deploy one carrier at a time. It will be available 100% of the time, and we will be able to deploy up to 24 jets on that carrier.

Q59 Chair: Okay, so 24 is the magic number. On websites it says that the size of our carrier is quite large and can fit, at a squash, 72. But 24 is the number we are going with, and you're right to say that there is probably going to be only one carrier at sea at any one time. But even with 24, which is based on the carrier itself, you only then have 48, which still means you're only going to have 12 at force effects at readiness, not 24, if you only have one carrier at sea.

The point I am trying to make, with my simple maths and the Sir Humphrey prism we are having to go through here, is that you don't have enough aircraft to justify the size of two carriers of what we have. You're going to need more. Therefore, we're going to have to pay for more. At the moment they're not confirmed, and we need to make that case.

You're probably going to need the original 138. There's a reason why that number was there: that is the finite number to have 2, if ever required, aircraft carriers at sea at the same time.

My worry is that we are falling way, way short of the original ambition and that we are going to end up with fantastic-looking aircraft carriers and very bespoke aircraft, but not many on board.

Sir Stephen Lovegrove: I don't recognise that, I am afraid, Chair. You can get 36 on one carrier, not 72.

Q60 Chair: If you buy 48 and there's a problem with financing or decisions change for whatever reason, out of 48 you will never get 36. You'll never get 36 on board a single aircraft carrier at one time, just because of the maintenance.

Sir Stephen Lovegrove: I am not disputing that, Chair. I thought I was very clear earlier on that we would certainly have to go beyond 48, if we wanted to fully equip the carrier in its current deployment pattern. I was very clear about that and I stand by it.



HOUSE OF COMMONS

What I am saying is that we have 48 on contract at the moment. Even if tomorrow we discovered the magic money tree and we could decide to buy 200 F-35Bs, we wouldn't be able to get them just like that anyway. They take forever to manufacture. We will make our orders when they are available.

Q61 **Chair:** You slightly make my point for me. We have procured two enormous aircraft carriers and we are going to have 48 in due course, but unless we start the process of purchasing others now, it could be at least a decade before we see the aircraft carrier depart with its full complement of F-35s. My concern is that, as we do the accounts now and project what is going to come down the pipeline, there are no plans to purchase more, other than a desire to do so. A lot of money has been thrown your way, and there is no indication that you are going to buy any more than the 48.

Sir Stephen Lovegrove: I think I have given you an indication. It is inevitable that we are going to be buying more than 48, because otherwise we wouldn't be able to equip the carrier properly. The money is for the next four years, though, and the next four years is about the 48.

Q62 **Chair:** Why don't you put the orders in now?

Sir Stephen Lovegrove: There are certainly plans and conversations with Lockheed about the future purchases. We just haven't got to the stage of contract yet.

Q63 **Chair:** I think what we need to say is that we haven't got the money to buy any more than 48. That tells us—going back to this openness and transparency of funding—that if you had the money now, or at least an indication that the money was forthcoming, you could put those orders in. I put it to you that we are going to have two aircraft carriers with max 12 aircraft, possibly pumping up to 24 at a moment, but that is going to be more or less it for the next decade because we are not starting the process of purchasing more than the 48 now.

Air Marshal Knighton: You are absolutely right, Chair, that we will be able to operate up to 24 aircraft from 2023 onwards. That has been the milestone that we have set for some time. You are also right that if we want to order aircraft to be delivered in the later part of this decade, we will need to allocate some of the funding. We anticipate having to do that, and that is part of the analysis and thinking that we are doing with Ministers at the moment.

Chair: Hear, hear for the thinking. Let's move the thinking on and make that commitment, otherwise it is a wasted asset to have two such large aircraft carriers. Martin, let's move on to something lighter.

Q64 **Martin Docherty-Hughes:** Thank you, Chair. I don't know if it's going to be lighter, but let us take a look at covid-19. Could the permanent secretary update the Committee on the impact of covid-19 on defence service and civilian personnel and the Department's business? Critically, has covid-19 affected recruitment and initial training in the Armed



Forces?

Sir Stephen Lovegrove: As with every organisation in the country, covid-19 has had a very big impact on Defence. We are running across the board at about 40% occupancy, I think. What I would say is that it has not affected any of our critical outputs. It has had some effect on training, but it hasn't affected any of our critical outputs, and the Armed Forces have been outstanding in maintaining that.

Obviously, a good proportion of our effort has been in assisting the civilian authorities in the covid response. There have been 420 separate MACA requests—military assistance to the civil authorities. They have ranged from distribution of PPE to planning the Nightingale hospitals, providing medevac services, ambulances, and testing and tracing up in Liverpool. Sir Simon has put many of his personnel directly at the disposal of the health service in order to assist with the procurement process and help the local authorities. We have been profoundly involved in the national response, and I pay tribute to everybody in Defence who has done that.

As I say, we have managed to maintain all our operational outputs and the normal jogging of the Department. There has been comparatively little effect on absentee rates. Interestingly, 4.3% of the Armed Forces have been off with covid-related issues, but only 2.4% of the civilians. That is interesting, and I am not quite sure what the reason for that is. We will certainly be coming back to a different set of working practices when this is over, which are going to be much more like the ones we have been operating with in the last year or so. However, I feel very confident that defence will continue to be effective in the process.

Q65 **Martin Docherty-Hughes:** Thank you. I want to take that a bit further, in terms of assurances about safety measures for key infrastructure. For a Member from the west of Scotland, that would include, for example, Her Majesty's naval base at Faslane. I am wondering what the Ministry is doing to mitigate the impact of travel between home and these establishments and reduce the spread of covid-19.

Sir Stephen Lovegrove: Clearly, the main issues there on the west of Scotland, quite a lot of time, are with contractors. We have been working very closely with the contractors to ensure that working practices and travel practices have been appropriately adjusted—Sir Simon will give you better information about this in a moment—to ensure that the workforces, whether they are civilian or military, have been kept as safe as they can be, consistent with delivering our critical outputs.

We have done a lot with our suppliers to make sure that the money continues to flow to them, such that they have the capacity to invest in the different types of working practices that they need to. On the whole, we think that we have done a reasonably good job here, but we are not at all complacent, and it certainly has had some effect on the productivity of some of our facilities and factories.

Sir Simon Bollom: I think it is worth emphasising here the relationship that has developed between the frontline on the naval base, the



HOUSE OF COMMONS

contractors and where we are as a defence procurement organisation. From the start of the lockdown, clearly there has been an imperative to maintain continuity of output. There, we have worked very closely together to ensure the safety of the personnel. In the first instance it is about PPE. If we have to work in confined spaces, it is about different shift patterns, so that we can de-conflict and maximise the use of social distancing.

I think it has been a real success, with the workforce feedback from the trade unions as well, that has enabled continuity of production across the piece and, above all, has kept the workforce safe.

Q66 **Martin Docherty-Hughes:** Given what you and the permanent secretary have said, do you know what covid-19 public health level Faslane sits in at the moment?

Sir Stephen Lovegrove: I am afraid I do not know that.

Q67 **Martin Docherty-Hughes:** Okay. Can I ask either of you: do you know what the public health covid-19 levels are in Scotland?

Sir Stephen Lovegrove: I'm afraid I don't know the answer to that question, no.

Q68 **Martin Docherty-Hughes:** The reason I ask is that, at this moment in time, Argyll and Bute, in which Faslane is, sits in level 2. The neighbouring constituency, West Dunbartonshire, which I represent, is in level 4. There is every likelihood this afternoon that the First Minister, on the recommendation of the Scottish Cabinet, will make a decision to move both my local authority and other Greater Glasgow and Clyde health board areas into level 3. That will possibly happen later this afternoon, but we know there is an outbreak at Faslane, we know there has been a major increase in the borough town of Helensburgh, which is next to Faslane in Argyll and Bute, and there is every possibility—I don't know this until this afternoon—that Argyll and Bute will move into level 3.

It surprises me that you do not know what the public health levels are for Faslane. Is there any idea that the outbreak at Faslane might be adding to the fact that the entirety of Argyll and Bute may now have to go into level 3 because of major outbreaks in the Helensburgh area, which Faslane may or may not be contributing to?

Sir Stephen Lovegrove: I'm afraid that I have absolutely no view on that at all. I would leave that to the experts on the ground up in Scotland.

Q69 **Martin Docherty-Hughes:** So there's a major public health risk, and you don't have an opinion on it.

Sir Stephen Lovegrove: You asked me whether or not I had a view as to whether or not the outbreak in Faslane had contributed to a wider outbreak of the disease in that local area, and I'm afraid that I do not have a view on that. That is a scientific question which I am not qualified to answer.

Q70 **Martin Docherty-Hughes:** Would it be possible for the Department to



HOUSE OF COMMONS

get a view on it, and maybe inform the Committee in writing?

Sir Stephen Lovegrove: We will. We will liaise with the appropriate health and local authorities, who will be the ones who would give us that answer. We certainly wouldn't be doing that analysis within the Department. We would be providing information such as they wanted. We will do our best.

Martin Docherty-Hughes: I totally appreciate that it might not be for the Department, but given the fact that Faslane has had an outbreak and that Argyll and Bute has seen a substantial increase in covid-related spread, specifically in that area, it surprises me that neither the permanent secretary nor the ministry has an understanding of what the tier levels in Scotland are. I will leave it there, Chair; thank you.

Chair: Thank you, Martin. Before we move away from this subject, may I, on the Committee's behalf, express our gratitude—we have said it before, but we can say it again—to all those serving personnel, reserves and regulars, who have participated and continue to participate in Operation Rescript? It illustrates their flexibility, their versatility, and their willingness to support the nation in another form beyond what they do in their day jobs. We have a huge debt of gratitude for what they continue to do, so we are very grateful indeed.

Moving on to personnel themselves, Sarah, do you want to take us forward?

Q71 **Sarah Atherton:** Thank you, Chair. In 2012 the MoD engaged Capita Business Services to oversee Army recruitment. Since 2013, Capita has missed every annual target, so what we now see is about a 10,000 shortfall in military personnel numbers and strength. What effect is that having on the Army's operational capability?

Sir Stephen Lovegrove: *[Inaudible.]*

Chair: We can't hear you, Sir Stephen.

Sir Stephen Lovegrove: I'm sorry. I think we had a problem with the sound; I apologise. In the period that you mentioned, there has been no operational effect on the Army of any type. All of its outputs have been maintained at the maximum.

Q72 **Sarah Atherton:** To play devil's advocate: if everything has been working to the maximum, why do we need this extra 10,000?

Sir Stephen Lovegrove: That is a Government commitment from the 2015 SDSR.

Q73 **Sarah Atherton:** That really does not make sense. If you don't need this 10,000, why are we paying for it?

Sir Stephen Lovegrove: The 10,000, which you say we are short, we are not paying for because those people are not in employment.

Q74 **Sarah Atherton:** Can you not see what I am trying to say here? If we



don't need them because we are operationally effective, why are we pursuing recruiting them?

Sir Stephen Lovegrove: We have to continue to recruit throughout the year, because people leave the Army, they get older, and they get less effective in some of the roles that we need them for, so we will always have a recruiting need. There is no question about that, and we want it to be as effective as possible. But we are very keen on making sure that when we are thinking about numbers in the Army, we are driven by our outputs, rather than inputs. That is really one of the things that is very clear in the defence settlement and the type of views that the Prime Minister gave. Clearly, we want to be able to recruit up to the level that we need. Recruiting beyond the level that we need is an unnecessary expense.

Chair: We have a couple of quick follow-ups.

Q75 **Derek Twigg:** Given that we are talking about the pressure that the Armed Forces are under in terms of the amount of work they are doing to support the various actions on covid, do you know how many Armed Forces personnel will not be able to spend Christmas with their families this year?

Sir Stephen Lovegrove: I don't know the answer to that. One of the interesting things about the Armed Forces' response—Defence's response across the piece; it is predominantly Armed Forces, but many Defence civilians are involved as well—is that although we put 20,000 people on stand-by, the number of people we used, who were out in the field doing the covid response, ended up being more like 3,000. The reason for that is, as General Messenger said the other day on the television, that the real effort is from local authorities and the NHS. The value adding that the Defence instrument does is predominantly in planning and logistical assistance. We did not use all those 20,000; in fact, 17,000 were not used at all. It is not just Armed Forces personnel who will be making sacrifices over the Christmas period. I am sure that people in social care and health will be doing so as well.

Q76 **Derek Twigg:** But you are responsible for the Armed Forces—the MoD—so could you write to us and let us know how many personnel will not be able to spend their Christmas this year with their families, particularly given their contribution to the covid outbreak?

My second question is about the Gurkhas. The Gurkhas have made a significant contribution to the Armed Forces for many years, yet I have started to get former Gurkhas and Gurkhas' families contacting me to say that they believe there is a real problem with their pensions. You will recall that in 2008, the Gurkhas were made an offer to transfer to the Armed Forces pension scheme, but there seems to be an issue about the transfer from the previous scheme into the Armed Forces scheme. What are you doing to address those concerns that the Gurkhas and their families have brought up?



Sir Stephen Lovegrove: I am afraid that I have not seen that cross my desk. I am very happy to take that away and respond to the Committee in writing. I will do that immediately, but I have no information right now to give you.

Q77 **Stuart Anderson:** Just a quick follow-on. You are 10,000 short of a target that was in the 2015 SDSR, as you have said, but there has been no impact on operational commitment. That has got to be because we are estimating too many troop numbers, or it has come about at the expense of the troops working overtime. In the integrated review, will we see a cut in the number of troops?

Sir Stephen Lovegrove: I will pass that to the drafters on the integrated review in the Cabinet Office.

Q78 **Chair:** It is slightly concerning that you have not confirmed where you are already, given that you are going to produce this report and you are already spending money on what our strategy should be. You give a hint that cuts to our Armed Forces may be coming round the corner. If you are saying that you can cope with 10,000 fewer Armed Forces personnel and you cannot confirm today that it's the MoD's desire to make sure that we fill those numbers, I think I express the Committee's concern.

There is already overstretch. There is pressure on those in uniform to do their jobs. You say that you are looking at outputs. The outputs of having fewer engineers on ships means that an engineer who is on a ship that has gone out and comes back in has to go straight back out on the next ship. That puts pressure on harmony guidelines and on families because you have not got the resilience—the capacity—to deal with the operations that you have or to react when something, such as covid or an operational commitment, comes round the corner. You need to have the flexibility of our Armed Forces. You can only have that by having the numbers there. I am concerned that you are hinting or suggesting that there may be some drastic cuts to the size of our Armed Forces.

Sir Stephen Lovegrove: I really do not intend to hint or suggest that that is the case, Chair. Your example is a really good instance of the kind of problem that we wrestle with daily. The issue is less about overall numbers, and more about where we have shortages at critical pinch points. I think you suggested an engineer on a ship; we have real questions about nuclear engineers on our submarines. We have big questions about some of our more technical branches. Those are the areas that make a huge difference to the effectiveness of the armed forces. I completely agree with you: if those pinch points are in those operationally vital areas, they put a great deal of strain on the personnel who are in them, because they have to work harder, and their families suffer as a result. That is the kind of area on which we are spending a lot of time. Much of what we aim to do in the coming months and years will try to rectify the problems raised at those operational pinch points.

Q79 **Chair:** I am glad that you corrected me, but we will wait to see what the numbers are.



HOUSE OF COMMONS

Mr Jones: It is 10,000 Army personnel.

Chair: Well, let's see. I think our message is loud and clear: we face a real danger over this next decade, as global security becomes more challenging. We need a greater upstream presence; a forward defence posture; and to engage with our allies. We are being pushed out of countries left, right, and centre by China and Russia, as they exert their authoritarian influence. You need the capability and numbers to do those things in addition to meeting your immediate operational, NATO and domestic requirements. I hope that message is heard loud and clear. This is not the time to reduce our armed forces.

Sir Stephen Lovegrove: It is heard loud and clear. The only thing I would say is that capability is not just people. It is about the right kit, the right platform, the right posture, the right messaging—all those things are in the mix when we try to perform the tasks you rightly mention.

Q80 **Chair:** I think the point has been made. On the male-female ratio, how are we meeting the female intake targets?

Sir Stephen Lovegrove: *[Inaudible.]*

Chair: We have lost you, sound and picture. Unfortunately, we have lost MoD main building; the comms are down. I thank the witnesses in their absence, and I thank the Committee for an illuminating session, though we had some questions outstanding. The session was very helpful.