

Public Accounts Committee

Oral evidence: Army 2020, HC 104-i

Monday 16 June 2014

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Members present: Margaret Hodge (Chair); Mr Richard Bacon; Jackie Doyle-Price; Meg Hillier;
Mr Stewart Jackson; Mrs Anne McGuire; Austin Mitchell; Nick Smith; Justin Tomlinson

Amyas Morse, Comptroller and Auditor General, National Audit Office; Gabrielle Cohen, Assistant Auditor General, NAO; Lee Summerfield, Director, NAO; and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Witnesses: Jon Thompson, Permanent Secretary, Ministry of Defence; General Sir Peter Wall, Chief of the General Staff, Ministry of Defence; Dawn Marriott-Sims, Chief Operating Officer, Capita; and Simon Fovargue, Vice President and General Manager, HP Public Sector Defence, ATLAS Consortium, gave evidence.

Q1 Chair: Thank you very much. We are a little late starting. Can I just get a quick answer to this, Mr Thompson: I am assuming we have an agreed Report before us this afternoon?

Jon Thompson: Yes.

Q2 Chair: Can I also get a quick answer to this, either from you or Sir Peter: what is the number of people who are Regulars in the Army today?

General Sir Peter Wall: It is about 86,000 on the track to 82,500 by the end of next year.

Q3 Chair: How many Reserves are there today who have trained to at least level 1 and level 2?

General Sir Peter Wall: There are around 19,400 against an envisaged level of about 600 fewer than that, at this point.

Q4 Chair: What is the gap in capability today?

General Sir Peter Wall: I think there is a surfeit of capability over our steady state, and that will be the case until the end of 2015.

Q5 Chair: What does “steady state” mean?

General Sir Peter Wall: The steady state will be when we have 82,500 Regular soldiers, which is our target for the end of 2015.

Q6 Chair: How many?

General Sir Peter Wall: 82,500 by the end of 2015.

Q7 Chair: By the end of 2015. You’re cutting back on the Regulars and you are increasing the Reservists. I am assuming there is a relationship between those two numbers, and I am therefore assuming that, as you calculated how you are going to cut your Regulars, you had in mind how you were going to increase your Reservists so that the defence of the nation could be properly guarded.

General Sir Peter Wall: The point at which those two were meant to coincide is the end of 2018. Actually, because of the budget we have been given, we are reducing the Regular Army, as has been widely announced, by the end of 2015 and in fact last week was the announcement of the final tranche of Army redundancies—defence redundancies, but 98% of them were Army people. That gets us on the trajectory of a balanced career pyramid by the end of 2015.

The answer to your question about how much resilience we will be lacking is that clearly that will be until such time as we can grow the Reserve to its target figure of 30,000. This is not just about raw numbers; it is about effective capability, and in a sense the difference between effective capability and the raw number of trained Reservists is starkly different. It depends on the quality of the officers and the amount of training they have had. It is also a function of our ability to transition from what the Army has been doing for the last 10 years or so, which is well understood, to being a contingency and deterrence force for an uncertain future. The extent to which these lists—this delta in resilience—will be tested will be driven by the events we get involved in and what is asked of us.

Q8 Chair: I understand that. I am asking a more direct question and I would be really grateful if you could help the Committee with this. It sounds to me that if we go down from 94,000 at the beginning of this year, you will be down to 84,000 by April 2015.

General Sir Peter Wall: No—82,500 by the end of 2015.

Q9 Chair: 2018. Okay, but when you gave me your Reservist figure, that had stayed pretty static. You have gone up 200. I accept entirely that capability is about more than crude numbers, which makes it even more frightening to me, and I want a feeling from you, who are in charge of the Army—of course it all depends on whether we have to get engaged in any other conflict and all those sorts of things like playing any other role in world defence—

General Sir Peter Wall: We don't have a deficiency of capability against the expectation.

Q10 Chair: But the figure I have seen bandied around is that you are probably more than 5,000 short. Would you feel uncomfortable with that figure?

General Sir Peter Wall: I don't recognise that number.

Q11 Chair: What would you say it would be? Rather than not answering the question, give me your answer.

General Sir Peter Wall: I don't understand the question. Is it about numbers of people or capability? We are required to be able to produce and sustain a brigade on operations on an enduring basis.

Q12 Chair: It's about both, isn't it? I accept that numbers and capability are not synonymous but they are not unrelated.

General Sir Peter Wall: And you—

Q13 Chair: Numbers and capability together. If you are losing one and you are not getting the other, you have a challenge.

General Sir Peter Wall: With a division at best effort we can do both with the numbers we have.

Q14 Chair: You say "best effort", but that is not a real answer.

General Sir Peter Wall: No. We are required to be able to produce a brigade for enduring operations—a steady state deployment of a brigade, which is akin to the sort of thing we have been doing in Afghanistan for the last few years with, obviously, logistic support—and required to be able to produce what is known as a division at best effort. That is the way it was described in the 2010 defence review.

Q15 Chair: Best effort can be anything.

General Sir Peter Wall: That's the answer.

Q16 Chair: Okay. What are you worrying about, Sir Peter? I cannot believe that you are sleeping easy at night when you have seen your Regulars going down and failure to date to recruit Reservists.

General Sir Peter Wall: The mitigating factor is the Regular Reserve—

Q17 Chair: I am trying to get you to help the Committee on the implementation of this change.

General Sir Peter Wall: The mitigating factor is what is called the Regular Reserve, which is not really mentioned much in the SDSR or the NAO Report, which is the aggregation of all those people who have a legal liability to serve by dint of them having completed their term of service in the Regular Army—and between 7,000 and 8,000 people leave the Regular Army every year and the liability normally extends to six years.

Q18 Chair: But, with respect, they are mentioned in the Report, and the Report says that there have not been sufficient checks there, so that for example 40% have not had the necessary medical checks.

General Sir Peter Wall: I do not accept that. Given the notice that we need we could not—

Q19 Chair: I have just been told at the beginning by Mr Thompson that the Report is an agreed Report.

General Sir Peter Wall: I think that what the Report actually says is that we would use those Regular Reservists, as they are called—I do not want to confuse people by the terminology—separate from what was the Territorial Army, which is now going to be called the Army Reserve. The Report suggests that those people only have utility for filling up gaps in niche capabilities. I do not accept that point. I think that they have got far more utility than that. We have got them volunteering to serve in Afghanistan at the moment, and they would be operationally capable enough, given the right mobilisation and training, to fill the gaps in the organisation that we might have as we go in the period between 2015 and 2018-19, when the Reserve will reach its target strength.

Q20 Chair: If I hear what you say. I have to say to you I would have been immensely grateful for more open answers, so it would give us an opportunity really to just understand whether or not the Government's policy intent, which we do not challenge and clearly you cannot challenge, is actually doable. That is what we are looking at. Is it doable?

General Sir Peter Wall: Yes, it is. I would be encouraged if we had a slightly different profile in our equipment programme.

Q21 Chair: You are going on to something else. We will come to the equipment programme.

General Sir Peter Wall: No, you asked me about capability.

Q22 Chair: I am talking about capability—

General Sir Peter Wall: Well, I am talking about capability.

Q23 Chair: In a situation where your numbers of Regulars are definitely down, because they have been successful in getting people out of the Army, and your number of Reservists, that the Government want to increase, are scarcely up, that must leave you with a problem. You are saying to me, “I can fill some of that with the Regular Reserves,” who the Report says have not been checked. You say that does not matter. I hear that; but what you have not really come clean on—and I am giving you a final opportunity before we move on—is really how big that gap is. You are the guy in charge. You are the guy in whom we put the defence of this nation.

General Sir Peter Wall: I am telling you that, with the numbers of people I have mentioned and you have mentioned, we can sustain those capabilities upwards.

Q24 Nick Smith: On the Regular Reserves, you say you have got a pool of experienced talent there, which you can call back. Given that many of them will have been in Afghanistan in recent years and gone perhaps into jobs in civilian life, what is your estimate of the numbers or the percentage that can come back and fill any holes you anticipate, should there be conflict?

General Sir Peter Wall: They all have a liability to do so.

Q25 Nick Smith: But liability is different to being able to drop jobs, family, all those things.

General Sir Peter Wall: No, I was going to carry on: of course, if you take a snapshot as at now, when we have been operating in Iraq and Afghanistan for 12 or 13 years, the operational experience of that cohort of people is as high as it would have been at any stage in, probably, my service, in terms of people who have been on operations in more than one theatre multiple times and who have understood what modern, demanding operations involve. So I would be confident that we would be able to draw a proportion of those people, which would probably be—

Q26 Nick Smith: But they have left and they have got new lives, so what is your estimate of the likelihood of them coming back?

General Sir Peter Wall: The fact that they have got new lives does not influence their liability. It would require, of course, a political decision to mobilise them.

Q27 Chair: And you would have to have the checks. The Report is right.

General Sir Peter Wall: Yes, we are running a programme at the moment to establish contact with all these people. We have had positive responses from over 10,000 of them. We are paying them an annual stipend for—

Q28 Nick Smith: Out of how many?

General Sir Peter Wall: Out of about 30,000.

Q29 Nick Smith: One third.

General Sir Peter Wall: No, I have just started a programme. That is as far as it has got. That will not be the final outcome. It will go way beyond that. It will be much higher than that. I would expect us to have between two thirds and three quarters of these people on our books, and as we—

Q30 Nick Smith: What does “on our books” mean?

General Sir Peter Wall: We know where they are and we are in a position to draw them into a training programme should we need to.

Q31 Chair: Let’s move on to the recruitment shortfall. Sir Peter has told us he has 19,600—it’s getting on for two years since Capita signed the contract. You have managed to increase the number by 200. Those are trained.

General Sir Peter Wall: Shall I just give a little bit of a narrative of what’s going on here? We are completely reorganising the Army into a different structure and we have actually shut down some Reserve units because they are not important to the future structure. Although it might seem counterintuitive to lay people off while there is a quest for numbers, we can’t justify spending money on units, equipment and bases that aren’t needed for the longer-term future, so we are expecting a dip in the strength of the Reserve, below its pre-Reserve announcement number, which was last July—

Q32 Chair: Where was that dip articulated in any document from the Department? In what plan of yours, Mr Thompson, was there ever a plan that there would be a dip? We are

spending £1.2 billion with the good colleagues on your left and others and we are going to go for a dip. Was that in your plan, Mr Thompson?

General Sir Peter Wall: It was in my plan.

Q33 Chair: A dip?

Jon Thompson: The Chief of the General Staff has explained the plan. Just to be clear, we are not spending £1.2 billion with colleagues on my left, and the Report doesn't say that, either—

Q34 Chair: No. Was it in your plan that there would be a dip in the recruitment of Reservists when the whole plan was based on increasing the number? Was there somewhere articulated in any plan that you have in your Department a dip?

General Sir Peter Wall: Yes. It is very clearly stated in all the information we have been working—

Q35 Chair: Have you seen that, Lee?

Lee Summerfield: No. There has been no Reserve target for 2013-14. December '13, I think, was the first time when the Department explained what it was hoping to get by the end of the financial year, and the targets go from that year on. That point in December '13, I think, is when the 18,800 target—

Q36 Chair: This is invented for this session, if I may say so, Sir Peter.

General Sir Peter Wall: I don't think it is, actually. This is exactly the conversation we have been having internally, and I can explain in detail why—

Q37 Chair: All I can say is that, if you have been having it internally, it ought to be reflected in the documents that we have before us and an agreed Report this afternoon, and what we haven't got is that there was a plan that by the end of this year there would be an extra—give me the figure—

Lee Summerfield: There has never been a target for '13-14.

Q38 Chair: Well, 6,000 were recruited by Capita.

Lee Summerfield: But certainly the Army contracted with Capita to recruit 6,000. In December '13, I think, the Department projected that you would have around 1,750 new recruits and about 750 ex-Regulars, and I think that against that, the Department recruited 1,300 new recruits. That was from December to the end—

Q39 Chair: So for the 6,000 that was in the contract—can we just get a yes or no from Capita on this?—you got paid, because you don't think you did anything wrong in the contract?

Dawn Marriott-Sims: The target was 6,000, and we were paid the amount of money that was required to deliver the contract for that particular year.

Q40 Chair: You were paid as if you had delivered 6,000 new recruits.

Dawn Marriott-Sims: Yes.

Chair: Thank you.

Nick Smith: General, please tell us more about—

Q41 Chair: Ridiculous.

General Sir Peter Wall: I'll explain what happens. We know that from the moment that we enlist and start training a new recruit into the Reserve, it takes us about two years to get them to the point where they are a gain to strength—they're actually a trained soldier.

Q42 Nick Smith: We understand that's every year.

General Sir Peter Wall: Well, that's just as long as it takes. We are trying to reduce the length of that process, but inevitably people can go only so fast, because they have to combine it with their civilian jobs, keep their employers sweet and all that sort of thing. That is an accepted condition of the Reservist, but of course when you shut down a Reserve unit, they leave immediately. They either leave immediately or, actually, what we try to do is to incentivise them to join another Reserve unit in the area, but some of them don't do that. They accept that they have done their bit—

Q43 Nick Smith: How many did you lose in that way, after shutting down units?

General Sir Peter Wall: We have actually lost far fewer than we expected, so the reason why we are above our—

Q44 Nick Smith: How many?

General Sir Peter Wall: I can't give you the precise number. I could always give you that advice in writing later. But the reason why we are marginally ahead of where we expected to be is that that reduction has not yet or will not manifest itself.

Amyas Morse: General, isn't it true that the pipeline for new recruits into the Reserves is down? In other words, am I not right in thinking that the normal level of the pipeline is about 6,000? Is that right? At the moment you have 3,000. I would have expected, in that case, that the pipeline would be sustaining itself. Is that true or not?

General Sir Peter Wall: They're completely different features of the issue.

Amyas Morse: I know but I am just making the point that if everything is under control, you would expect the pipeline to be where it ought to be.

General Sir Peter Wall: I was answering the previous question about anticipated reduction. You are changing the subject to why the pipeline is not full up. The pipeline is not full up because the combination of our attract marketing—to get people interested in the Reserve—and the way we convert people who are contemplating applying into people who actually enlist and then report for training is not going as well as we would like. There are reasons for that, which we could go into. That is a separate phenomenon.

Amyas Morse: Let's go into them. I think it is quite an interesting subject.

Q45 Chair: Perhaps somebody behind you can give you the number you have lost. I do not like this growing habit.

Lee Summerfield: Some 4,800 have left the Reserve each year for the past two years.

Q46 Chair: Each year—but has there been a sudden increase in that?

Lee Summerfield: No. It is pretty flat. I think it was about 4,800 last year and about 4,800 this year.

Q47 Chair: So what about this assertion that more have left because they have closed Reserve bases?

General Sir Peter Wall: I am agreeing with you. I am saying that we had expected more to and they didn't.

Q48 Chair: The 19,600—

General Sir Peter Wall: We agree. We agree with most of the Report.

Q49 Chair: I hope you do agree with the Report; it is an agreed Report. The 19,600 is actually hardly an increase. That is what we are trying to understand—underneath that.

General Sir Peter Wall: I'm just giving you a reason why I am not worried about that number at the moment.

Jon Thompson: Is it possible to just go back and explain a bit of strategic context? I think it is relevant. If you go back to the SDSR, the policy that the Government inherited at that point was to run down the Reserve. The Reserves commission, in 2010, said there would be three phases for such a fundamental change. We agree that this is a change of significant risk. We do not disagree with that. I would have answered Sir Peter's question—about what risks we are worrying about—slightly differently than he did.

The Reserves commission said there would be three phases. You had to stabilise what was a reduction—in 2004 there were 33,000 and in 2010 there were 29,000. It suggested you had to stop the reduction, stabilise the numbers and then grow the numbers. It seems to me that we are somewhere towards the end of that phase two and then trying to build. It is important to understand that is what the reserves commission said, in a strategic context, before we get too far into the—

Chair: We're not really asking about the SDSR. We are doing Army 2020 but I hear what you say. Nick, I interrupted you.

Q50 Nick Smith: I was still trying to understand the anticipated reduction, so be clear what the Army's number of Reservists was supposed to be this year and next year because I just want to get to the bottom of exactly what the position is.

General Sir Peter Wall: Let's be absolutely clear: we would love to have a full recruiting hopper and training pipeline. No doubt you will want to inquire as to why that is not the case. I am not suggesting that things are ideal by any means, but if you were to study the spot size of the Reserve, compared with what we might have expected, bear in mind we are in the middle of a very complicated transformation where we are reducing the size of some units that we no longer need and shutting some units that we no longer need because we cannot justify the expense of keeping them going just for raw numbers. We are transitioning gradually, over a period of six or seven years, to a new structure. As we transition to the new structure, we shall populate it with the new recruits that Amyas talked about earlier.

Q51 Chair: Sir Peter, I just have to stop you on this. We are paying Capita to recruit 6,000. We are paying them. Our taxpayers' money is paying them. They got that money—I think that this is a situation which was not Capita's fault—and they actually recruited just fewer than 2,000. I am right on that?

Dawn Marriott-Sims: Correct.

Q52 Chair: But we are paying them for 6,000. Do not sit here and tell us, "Actually, we knew we weren't going to get so many this year." If between you, you and Jon Thompson knew that, you should never have signed the contract with Capita saying we were going to get 6,000, which we are using our taxpayers' money for.

General Sir Peter Wall: I have not said that we accept that Capita are not meeting the requirements. I didn't say that.

Q53 Chair: You said you knew that it was going to be difficult. Why did you, as part of the board that agreed the contract with Capita, give them a contract that doles out public money when you knew you were not going to recruit them? That is not good evidence.

General Sir Peter Wall: At no stage am I saying that I am content with the performance you're describing. Money from my budget is paying for this so I absolutely understand the importance of letting contracts that are being honoured. I wasn't talking about that; I was talking about the answer to the question from your colleague here who is asking me about the dip, which was the previous issue we were discussing.

Q54 Nick Smith: General, if you don't build the Reserves up to the right level over time, what will the consequences be?

General Sir Peter Wall: First, there will be reputational damage for us, which we would be very unhappy about. Secondly, we will fail to achieve the ambition that we, the Government and the Houghton commission have articulated. Thirdly, we will suffer lack of resilience in our capability, which we will rely on the Regular Reserve to backfill in the way I described earlier.

Q55 Mrs McGuire: Could I ask Mr Thompson what efforts the Department made to try to assess whether you could get to a position of increasing the Reserves to 30,000 within the time scale? Or was this just a figure plucked out of the air?

Jon Thompson: No, there was an independent commission, the chair of which was the vice-chief of the defence staff, General Houghton, supported by Julian Brazier—an MP and a member of the House of Commons Defence Committee—and retired General Lamb, previously the commander of land forces. They undertook an eight-month study and came forward with recommendations. The Government accepted those recommendations in 2011—

Amyas Morse: Is this it?

Jon Thompson: Indeed it is—"Future Reserves 2020". The Government response wasn't announced until July 2012. In the end, the targets that Mr Summerfield refers to were set in December 2013. There is a question about to what degree you test an eight-month independent commission, led by, it seems to me, two fairly significant generals—one latterly of the Army and one the vice-chief of the defence staff—who went into it in some considerable depth. The question in this Report is should we then have taken that and significantly changed it.

I think there is a strategic case that that 30,000 is completely deliverable. It was 30,000 not so many years ago and it was 70,000 in 1990, so I think there is a strategic case that 30,000 is deliverable. The question is whether we can do the necessary detail that the Report points out, some of which is significant and involves significant risk, to build up the Reserve by 2018.

Q56 Mrs McGuire: I certainly wouldn't call into question the integrity of the people who sat on the commission, but what efforts did they make to test the feasibility of their figures to you?

Jon Thompson: I'm afraid I simply can't answer that question. I wasn't involved in the independent commission.

Q57 Mrs McGuire: Could I then ask whether it was incumbent on you collectively to thank the individuals concerned for their report but also to test out whether their recommendations were based on some objective assessment about whether they were deliverable? Have you not put General Sir Peter Wall in a really difficult position here? We have a target, which, certainly at the moment, is looking quite difficult to deliver. At the same time, we have a run-down in the Regular forces. I would have thought that the strategic plan would have been to try to keep those two elements of it—the run-down and the recruitment of the Reservists—in some sort of equilibrium. Not exact, but some sort of equilibrium. Were the assertions or the recommendations tested in terms of feasibility?

General Sir Peter Wall: No.

Mrs McGuire: No. Thank you.

Jon Thompson: It is not possible, as per the National Audit Office's Report—if you use historical data to try and predict the future, the prediction of the future would have been a further run-down. That is why I tried to explain the strategic context of the policy in the first place, which was to run the Reserve down. We are now trying to stabilise and reverse that.

Mrs McGuire: I don't want to miss what General Sir Peter Wall said, in case it was not picked up. He said, "No."

General Sir Peter Wall: But I was about to explain, because what actually the Houghton Commission did say—and it was independent, it was done in the context of the SDSR. Quite a lot of the judgment was done deliberately separately from single service aspiration—was that we ought to implement its findings towards a 30,000 target in the case of the Army over a three-phase programme. The other two services are affected by a less significant extent. The programme would stem the outflow-cum-decline of the previous model and then expose the offer of the new Reserve and then gradually start to build it, taking a check at the 2015 defence review to see whether that looked as if it was a feasible proposition and then rebalancing the design for the Reserve accordingly. The first two phases were conflated with the third and we were told to design an Army that was going to have a Reserve component of 30,000 by 2018, as you know. That is the situation that we are working on now and we are stretching every sinew with our partner, Capita, to grow those numbers.

I think it is worth understanding the backdrop to some of this. In fairness to the Reserve organisation, it did not have an awful lot of encouragement, either from the Regular Army or from Defence in the four or five years leading up to the Secretary of State's announcement last July. If we had been able to announce what we wanted of the Reserve a couple of years earlier than that, we would be in a better place now, but we could not do that

because we had not redesigned the Army and we did not know what the proposition was going to be. We are now in the position where, on the back of several years of doubt in the country's mind, coupled with the overall message of reducing forces—which never helps recruitment, as we all know and we have got plenty of history on that—we are now trying to turn on the fire hydrant and it has not quite gone up to full flow rate. However, we are working very hard to improve all our systems, in concert with our commercial partner to get this thing moving in the right direction. We have got quite a lot of Reserve units that are overmanned and we have got quite a lot of others that are growing from a low base.

Q58 Nick Smith: General, did you sign off the recruitment target of 6,000 with Capita? Was it your idea? Did you sign it off?

General Sir Peter Wall: It was our target.

Nick Smith: And you signed that off as a target?

General Sir Peter Wall: Not personally, but the Army effectively did, yes.

Q59 Amyas Morse: I wanted to remind you, General, because I know that you testified in front of the Defence Committee in a report which was published in January this year. It made reference to the plans to go ahead with the implementation of Army 2020. If I may very quickly read a couple of conclusions from the Committee's report. First, on the decision to go with the reduction in the Regular Army first and then go to building up Reserves more gradually, "We note, but remain to be convinced by....the explanation as to why the reduction in the Regular Army should not be dependent on the recruitment of the necessary number of Reservists." Indeed, that was what the independent commission, the Houghton Commission, recommended as well. Secondly, the report said, "While the level of 30,000 trained Reservists in the Army might not appear a large number based on historic levels, that current recruitment drive takes place against a backdrop of falling recruitment levels over several years. We note the scepticism of some of our witnesses." That discussion took place very recently.

General Sir Peter Wall: It did.

Q60 Amyas Morse: It is not unreasonable, is it, for us to test whether this is on track or not? It is concerning stuff.

General Sir Peter Wall: No. On your first point, reading from there, about why the Army was reduced faster than we could expect to regenerate or increase the Reserve, the country had to save the money. Anyway, the increase in the Reserve does not seek to compensate for the reduction in the Regular Army. Ten thousand more Reservists doing 40 days a year is never going to replicate the output of 20,000 Regulars working full-time who can be deployed anywhere at the drop of a hat without mobilisation or concern for employers. So we are not comparing apples with apples here. This is a completely different proposition, which has been designed into the new Army structure.

I absolutely recognise your point. There is plenty of scepticism about whether we can do this. We are stretching every sinew and getting better at this. I think it is a bit early to understand whether some of the measures we have been implementing over the last few months are actually gaining traction or not—incentive schemes, enhancement of the recruiting pipeline, the new marketing programmes which Capita have done as part of the programme. Are we happy about the reduced inflow? Certainly not. We are working very hard to improve it. It is not absolutely clear, though, when we have done everything possible—we have done significant aggregation of the marginal gains in each of the programme lines; we have 60 change programmes of various sizes running at the moment through this Reserve proposition—whether the country is going to respond.

Q61 Chair: Whether the country?

General Sir Peter Wall: Is going to respond in terms of people's preparedness to be twice a citizen. It is a big ask.

Q62 Chair: But Sir Peter, what I hear from you is that you would have been more comfortable in terms of the integrity of our defences if you had been given more time.

General Sir Peter Wall: Yes.

Q63 Chair: You would have been more comfortable?

General Sir Peter Wall: I would have been more comfortable still if we had not had to reduce the Regular Army in the first place.

Q64 Chair: Yes, but how much more time do you feel would have made it a doable proposition?

General Sir Peter Wall: I think that the original plan for the reduction of the Army was to get to 82,500 by 2018, but the degree of austerity in the defence budget forced us to accelerate that run-down, and it has created the potential for a gap in resilience that you identified early on.

Q65 Mr Bacon: Sir Peter, this Future Army 2020 report from the Defence Committee, from which Sir Amyas just quoted, refers to the fact that you were told about the future size of the Army by the permanent secretary.

General Sir Peter Wall: By Mr Thompson's predecessor, just to be clear.

Q66 Mr Bacon: Right. Could you say, then, what role you had in the decision to reduce the size of the Army, if the number was given to you in that way?

General Sir Peter Wall: We gave very clear advice in the first round of the defence review, which preceded the White Paper that talked about an Army of 94,000, about the things you would not be able to do if you reduced the Army to 82,000. The first cut of the defence review took heed of that, evidently, because we had an Army of 94,000, which was about 8,000 smaller than the pre-SDSR Army. It was when the defence budget was reduced further in the three-month exercise that work was being done that we were not privy to.

Q67 Mr Bacon: Done by whom?

General Sir Peter Wall: It was being done in the Department.

Q68 Mr Bacon: By the MOD?

General Sir Peter Wall: Yes. That led to me being told by the permanent secretary of the day that the Army would be reduced to around 82,000.

Q69 Mr Bacon: This was in your capacity as Chief of the General Staff?

General Sir Peter Wall: Yes, at the end of my first year in this role. We have been trying to recollect exactly what our sentiment was at the time in order to be able to answer your questions as fully and accurately as possible.

Q70 Mr Bacon: But “not too happy” would probably sum it up?

General Sir Peter Wall: Not at all happy, to be honest. Who would be? I do not think the Government was happy, either, in giving us that challenge. We had assimilated the prospect of perhaps an 88,000 Army. What we then had to do, of course, was go off and redesign the whole thing from scratch. Whereas you can assimilate the 7% or 8% reduction by doing marginal adjustments, the taking into account of the need to integrate a 30,000 Reserve with an 82,000 Army, which was 20% smaller than the previous size, was the cue for a complete redesign from scratch. That was what we did, and we have come up with a hybrid solution with an integrated Regular and Reserve force. The Houghton Commission did not necessarily anticipate that that was how the 30,000 Reserve would be used, but that is what we have decided to do. It will therefore take us a little bit longer to forge this track to 2018 whereby the two elements will be able to co-exist.

Q71 Mr Bacon: Was that the point at which you decided—I am sorry, but I forget the term of art that you use for Regular soldiers who leave and then go on to the—

General Sir Peter Wall: The Regular Reserve.

Q72 Mr Bacon: Was that the point at which you decided to make greater use in your planning of the Regular Reserve?

General Sir Peter Wall: If I am really honest with you, we knew about the Regular Reserve and knew that it had reasonable utility. It is, as we have understood, the potential gap between a Regular Army of 82,000 and the point at which the Reserve will come online in 2018 and understanding how we call out and train the Regular Reserve where we have started to concentrate more efforts. I should add that there were lots of Regular Reservists in Iraq at the beginning of that operation. There is a consistent trickle of Regular Reservists as part of the force in Afghanistan, so this is not a rare phenomenon.

Q73 Mr Bacon: May I just ask Dawn Marriott-Sims of Capita something? On the contract that you had, the general used the phrase “letting contracts that are honoured”. As far as I understand it, you have honoured your contract—that is why you were paid the money. The MOD would not have paid you money for a contract that you had not honoured. That is correct, is it not?

Dawn Marriott-Sims: Yes.

Q74 Mr Bacon: Although the contract said that they were hoping you would recruit 6,000 Reservists, by recruiting 2,000 and because of the terms of the contract, you have honoured your contract.

Dawn Marriott-Sims: If I may confirm, at the point at which the contract was let to us in March 2012, 6,000 Reserves was not a number that we would have recognised. The report and the change in direction to make greater use of the Reserves over and above the Regulars came after the contract with Capita had been signed. If I refer back to when we were planning how we would deliver to the requirements of the Army, at that point in time—we spent the best part of three years bidding for this particular contract—there was no consideration to Reserve planning and solution design around the Reserves.

Q75 Mr Bacon: So the goalposts were being moved as you were in the process of bidding?

Dawn Marriott-Sims: We signed a contract in March 2012, and the report we were just referring to came out in July 2012. There was one other significant event that occurred after we signed the contract, which I also think is material. In April 2012, the Army had a policy change on the entrance standards for Reserves, which is known generally as common selection. For the benefit of clarity, the process for joining the Army had a set standard and the TA, as it was then, had a very different and far simpler application process that was much easier for people to get over. After we signed the contract in March, there was a policy change in April that harmonised the selection processes, making it much more challenging to join what was then the TA but is now the Reserves. There were two material events that occurred after we had signed the contract.

Q76 Mr Bacon: How much did the MOD pay you?

Dawn Marriott-Sims: The contract value is £440 million over 10 years.

Q77 Mr Bacon: How much did you spend bidding for it? You said it took you three years.

Dawn Marriott-Sims: We spent in the region of £5 million.

Q78 Mr Bacon: Just bidding for it?

Dawn Marriott-Sims: Just bidding.

Chair: We will come back to that issue, but I hear what you say about the standards.

Q79 Nick Smith: Sir Peter, I want to ask two more questions about the Regular Reserve, which you talked about mobilising. You talked about them coming back into service in Iraq and Afghanistan and about contacting up to 10,000, but possibly being able to mobilise 20,000. You also talked about two thirds of the Regular Reserve—

General Sir Peter Wall: I expected us to be able to establish contact with between two thirds and three quarters of these people, with a view to mobilising them, should it be necessary.

Q80 Nick Smith: When was the last time we mobilised over 20,000 personnel like that?

General Sir Peter Wall: I don't think we will have done that. We probably mobilised very low thousands in the whole period of the Balkans, and at the beginning of the Iraq campaign. We would not need anything like that number, but that is the field from which we would select individuals to fill specific gaps in the structure that we rely on those people for.

Q81 Nick Smith: At the moment you are looking at a pool of around 20,000 to 25,000 Regular Reserves, anticipating the possibility of them being brought into service in the short term?

General Sir Peter Wall: Probably 10% of that at any one time to fill the voids we might have.

Q82 Chair: Can you explain this to me, because I am ignorant on this? People in the full-time Reserve services are different?

General Sir Peter Wall: They are different. Full-time Reserve service personnel are Reservists who work full time. They are nothing to do—

Q83 Chair: Quite. So they actually cost as much as a Regular?

General Sir Peter Wall: Slightly less, because they do not get the X factor. They are employed primarily at home not abroad. There are two categories. They cost about the same, within 10%, at the time they are serving. Obviously when their full-time service finishes, their contract says that they revert to normal levels of TA involvement, which is about 40 days a year.

Q84 Chair: To boost the figures on the number of Reservists you are getting, am I right in saying that you are adding into that figure the full-time Reserve service?

General Sir Peter Wall: Yes we are.

Q85 Chair: You are. So that I get it clear, you have said—and I think we were very shocked that you were not consulted—that the purpose behind the further cut in Regulars was to save money.

General Sir Peter Wall: Yes.

Q86 Chair: If in fact, because we are not managing to recruit the Reservists, we are bringing in these full-time Reserve services personnel, you are not saving money, are you, on those particular people?

General Sir Peter Wall: There are about 2,000 of those full-time Reserve service people; that is 2% to 3% of the Army strength, depending on whether it is the current strength or where we are going to end up in 2015.

Q87 Chair: So you have taken them out of one and put them in the other?

General Sir Peter Wall: No. They are essentially filling gaps in our structure that are born either of Regulars we have lost or have not recruited, or people where there is an additional demand born of a specific surge required for operations. For example, we have up-gunned our recruiting operation, as you would expect us to, particularly for the Reserve, in order to satisfy the demands of this growth to 30,000. We have got quite a lot of full-time Reserve service people who channelled into the staff structure to meet what was an unforeseen requirement, and it gives us very useful flexibility. It is entirely right that we should recognise what those people do and, of course, their growing experience has long-term utility.

Q88 Chair: I am sure they do a brilliant job. All I am trying to find out and establish is that those 2,000 people three years ago would have been counted in your Regulars and they are now being counted in your Reservists, so to be honest they are being used to manipulate the reduction in Regulars.

General Sir Peter Wall: No, they were never included in the Regulars. They were always a separate compartment and a proportion of them is now included in the Reserve ambition.

Q89 Chair: But it is a slight manipulation of figures.

General Sir Peter Wall: I think we should get recognition for what they do and the capability they give us, which is what this is about. It is about capability more than it is about numbers.

Q90 Nick Smith: It sounds like they are going to do a great job, but it also sounds like they are your new contingency, because you have had to drop the numbers in the Regular Army and you have failed to recruit to the Reserve.

General Sir Peter Wall: Yes, they are performing important roles. They tend to be in relatively senior posts, not in the rank and file number that we are trying to swell as this growth from 20,000 to 30,000 in the Reserves. They are slightly different types of people.

Q91 Chair: Will people you have made redundant fall into this new category in any way? Is anybody made redundant being offered a Reservist role?

General Sir Peter Wall: People who are made redundant can volunteer to join the Reserve but they will end up in a different part of the Army in all probability.

Q92 Chair: What is that? Just expand on that for us.

General Sir Peter Wall: We are making people redundant in employment groups where our demand is reducing—i.e. we are moving to a new structure and the people who are being made redundant are in jobs that no longer need to be filled. If they pop up in the Reserve in a later life, it will be in the Reserve part of an organisation, as opposed to—

Q93 Chair: Will they pop up in the Regular Reserve list?

General Sir Peter Wall: No, because people who are made redundant do not have a Regular Reserve liability.

Q94 Nick Smith: This idea of the Regular Reserve just seems to be filling a gap that has come about. Did you anticipate the Regular Reserve performing this new role?

General Sir Peter Wall: Yes, it has always been there as a form of strategic resilience for the Army, and it is successful.

Q95 Nick Smith: But to this size—to this anticipated difference in numbers?

General Sir Peter Wall: It is a contingency plan. Events will tell us whether we end up calling it out, and if we need to, we will.

Q96 Mrs McGuire: Can I just ask a question that is maybe for the MOD, rather than the General? The impression has been created that this is a new, modern flexible approach to maintaining our military capability and capacity, that our new Army will be mixture of those who are Regulars and Reservists, and that you could almost combine the numbers and say that we have 82,000 Regulars and 30,000 trained Reservists ready to spring into action. We have just heard the General say that actually, he probably would not estimate any more than about 10% of them being available, or being necessary to call up. I wonder whether the MOD are playing a bit with figures here—a bit of smoke and mirrors—and instead of this new super-duper flexible approach, with a mixture of folk who are either full-time or in reserve, we actually have a dramatic reduction in our armed forces or our Army; we are not planning to draw into any situation any more than 10% of the Reservists, which would probably have been the average for most situations that the Army have faced in the last number of years. I understand that in Iraq it was nearly 20%, but do you see where I am coming from on this one? It looks like we have still got the capability and capacity of 112,000, whereas we really have the capacity of 82,500 plus 3,000.

General Sir Peter Wall: That is exactly right, but we have designed it with that realisation in mind.

Q97 Mrs McGuire: But the impression with the figures is that it looks as though we have this flexible capacity up to 112,000, when really what we have got is 82,000, plus, the General has estimated, no more than 10% in a normal situation.

General Sir Peter Wall: About 10%.

Chair: Golly!

Amyas Morse: Can just I check something, General, since we are talking about the position of the Regulars? What is the relationship between deploy time and what you ideally want for your forces in harmony and training? Has that not already been compressed in the last few years? Can you just talk to us a little bit about what you expect in terms of long-term sustainability of forces and them being able to refresh and renew themselves, and them not being exhausted?

General Sir Peter Wall: If the whole Army were going at full tilt—coming to the end of a campaign era, the indication that that is likely in the near future is not that high, but who knows?—people will be doing six months’ operational service with a 24-month gap. So, they will be doing six on and then 24 months not on operations as part of their managed careers, as part of their unit’s contribution to contingency capability, and so on and so forth. That is the model that we have used pretty well all the way through Iraq and Afghanistan, and it stood us in good stead in terms of incidents of mental health, and all that sort of stuff. In the Reserve, the maximum expectation is that a Reservist would get called up for one year in five. Half of that year would be spent on an operational tour with the other half being the essential training to get them ready and then decompression at the end.

Amyas Morse: Stepping back a little and looking at the context that we are in, does that mean that if we did get involved in a substantial operational requirement and did not have Reserves at the requisite level, the pressure would fall on the Regulars? You might be under pressure to maintain that cycle of harmonisation.

General Sir Peter Wall: If we find ourselves nationally in a context where effectively an Army running on the rubric that I have just described is not big enough, there will be an increased dependence on the Reserve, but most of the running faster would be done by the Regulars doing extended tours and so on—9 or 12-month tours, as happened to the United States recently.

Q98 Mrs McGuire: Do those extended tours cause problems for retention?

General Sir Peter Wall: I am sure that it would have a direct impact on retention.

Q99 Mrs McGuire: Which almost exacerbates the problem with recruiting across the board, whether Regulars or Reservists.

General Sir Peter Wall: It has an impact in terms of raw numbers and in terms of the experience that you can take forward to successive operations.

Q100 Chair: What you are describing to us—I am grateful for the openness—is a situation that is not reflected in the strategy. You are saying that we are reducing our Regular forces, with a little bit of supplementation from what we manage to do in the volunteer force, but we are going to be dependent on 82,000.

General Sir Peter Wall: The bulk of the capability is always going to come from the—

Q101 Chair: I read one quote in preparing for today, which was from Allan Mallinson, who said that the Government are “presiding over a dismantling of our military capability without parallel since 1698”.

General Sir Peter Wall: I want to offer a little comfort against that. You need to recognise that we have something called the whole force, which includes Regulars, Reservists, MOD civil servants and contractors. We have made extensive use of contractors to provide infrastructure support and services in Afghanistan. In doing so, we have emulated what a lot of other armies, such as the Americans, have been doing for some time and to a greater extent than we had hitherto done. When you consider your response to a particular campaign, challenge or intervention, you will answer the exam question with mixtures of those four types of people.

The Reservist and civil service pieces are going to be within fairly narrow boundaries. We know the size of the Regular Army and, as Amyas's question indicated, we can make that run faster, but that inevitably has a consequence for retention. We are looking hard at how we let the right sort of labouring contracts to contractors to enable them to carry out logistic functions that, in a bygone era when military manpower was less expensive, would have been done by people in uniform. The picture is not as bleak as Allan is painting.

Q102 Chair: But it is a pretty depressing legacy as you come to your retirement.

General Sir Peter Wall: Thank you very much. All that I would say is that we have worked very hard within the resource envelope that we have been given to get as much capability out of it as we can, and I think that we have done a reasonable job.

Chair: Yes. I think that your effort—it is just the legacy that you are leaving.

General Sir Peter Wall: Yes.

Q103 Jackie Doyle-Price: We have become caught up in the numbers here, but the key thing is capability. Would you agree that it is more important to get the quality of Reservists, rather than actually dashing to hit a target?

General Sir Peter Wall: The big change in the Reserve is not actually the raw numbers articulated in the Houghton commission, but rather how we are integrating them into this new style Army. They are not coming as individuals; they come as formed bodies at company, squadron or battery level. The groups are self-contained with capability commanded by Reservists at major level. All the ranks that you would see in the Regular Army are replicated in the Reserve element to plug into a Regular battalion or regiment. We are asking for collective capability with operational judgment and leadership from the young officers, the senior warrant officers and, ultimately, the major who is commanding it. That's a completely different proposition from what we have been using the Reserve for in Afghanistan. It used to do it like that in the cold war, but we don't have enough of the vibrant type of people who are going to give us that capability. So the real issue is not how many new youngsters we can recruit to be riflemen, but where we are going to find the sergeant-majors, sergeants, young officers and company commanders who can take this organisation on operations.

We have some good examples; we have one such company doing exactly that in Cyprus at the moment on a peacekeeping operation. But of course, war-fighting operations are a quantum more demanding than that.

So that is what I am worried about. The numbers are important, of course, but the type and quality of people, and the commitment they can give, are very important.

Q104 Jackie Doyle-Price: But for us to understand what is happening for Army 2020, what we really have to get to grips with is the redesign of the British Army, not the numbers. The numbers are part of it, but they are a distortion from what we are talking about, which is a change in how you are operating, effectively.

General Sir Peter Wall: Yes. And with the people, the equipment and the training.

Q105 Meg Hillier: Could you remind us how long the requirement is for a Regular to be in the Reserve and available? How many years do they have to be available for?

General Sir Peter Wall: To go into the Regular Reserve, five years after they have completed their service.

Q106 Meg Hillier: Okay. You talked about one year in five being available for operations. If the situation that you were discussing just then with the Comptroller and Auditor General about a bigger need arose—you talked about increasing the tour length for the Regular Army—would it be possible to ask people to do one in four? Do you need legislative or contractual change?

General Sir Peter Wall: I think it would be possible, but I think the political premium, which is not something I am able to comment on, would be an obvious issue in that.

Q107 Meg Hillier: Okay, but you don't need any kind of legal change?

General Sir Peter Wall: I don't think we do. I think we will have to give you clear advice on that, because the Defence Reform Bill is taking a view on all of that.

Q108 Meg Hillier: Forgive me; I have not followed the Defence Reform Bill in detail.

Can I just ask one other thing? Jackie and I were thinking along some of the same lines. You talked about people being in specialist jobs. The Honourable Artillery Company, for instance, is close to my constituency, and I have met some of the Reservists, generally when they have come to Hackney to talk to school children. Clearly, some people are very specialist. What other particular specialist areas do you envisage the Army will need? What careers in civilian life do you need to recruit them from in order to make sure you have the

right bodies? It is no good having intelligence officers from people who have got, dare I say it, a teaching background—maybe a maths teacher, I don't know.

General Sir Peter Wall: There are some obvious areas where capabilities are more easily sustained in the civilian world that can then be imported into the military for operations—things like the cyber world; aspects of hi-tech communications; language and culture, where academics would be welcome—

Q109 Meg Hillier: Forgive me, but what role?

General Sir Peter Wall: Interpreters, intelligence analysts, or translators in a intelligence gathering context. The most obvious one is the national health service, particularly the trauma end of the NHS, where we already have a strong relationship. There are other walks of life where people will want to do a different job in the Reserve from their day job, so they are not on a busman's holiday, or a busman's operation.

Q110 Meg Hillier: Is there any group that is particularly hard or easy to recruit for at the moment?

General Sir Peter Wall: We have a strong hinterland in the medical world, and there is no doubt that our skills have contributed to the trauma capability of the NHS; it is a symbiotic thing there. Cyber is untested, but is very important. The logistics world is an obvious place, with big logistic corporates and so on.

I stress that a lot of people will want to do something other than their day job.

Q111 Chair: I want to get us on to talking more about the contract with Capita and those areas. The Report says that, when you took over the contract in Capita, you were given 55,000 names. That went down to 12,000, of which 6,000 were over a year old and therefore probably redundant.

Dawn Marriott-Sims: That is absolutely factually accurate. At the point at which the Army handed over the operation to us, there had been a working assumption, backed up by evidence, that 55,000 candidates were in flight of the recruitment process, but the reality is that the number is much closer to 6,000. Before we started, we were running significantly behind to reach the target number for that particular year. That number was a combination of Regulars and Reserves—I don't think the Report specifies that, but it was a combined number—which put us at a significant disadvantage before we started. There were then the well-documented IT challenges.

Q112 Chair: Yes, we will come on to that, but let us just stick to the subject. Mr Thompson, how could you get it so wrong?

Jon Thompson: How could we get what so wrong?

Chair: The figures. You hand over 55,000 names to Capita in this new contract and it turns out that only 6,000 are live and potential recruits, either to the Regular Army or the Reserves. How could you get it so wrong? You are the accounting officer, Mr Thompson, and as I understand it from the figures we have you are doing quite a lot of recruiting from outside the Army. How could you get it so wrong?

Jon Thompson: I can't answer that question. This was an Army recruitment partnering project. It went through the normal processes. The Army believed that it had 55,000 people in the pipeline, and I assume that Capita gave some spotlight on it. Sir Peter could give you the—

Q113 Chair: You are the accounting officer—this is just shocking. We can just about accept that if you go for a new system you need to clean up a bit of data, but 55,000 down to 6,000 is unbelievably awful.

General Sir Peter Wall: These are 55,000 expressions of interest, aren't they, of indeterminate validity?

Q114 Chair: Well, they were a list that you passed on, for which the accounting officer has to take responsibility. You passed on a list, presumably on the basis of which you had signed contracts and had negotiations with Capita et al to get some sort of reality into the contract, and on which you have failed but are nevertheless paying Capita for. How could you get it so wrong?

Jon Thompson: Well, I was not personally involved, but let me attempt to answer. One purpose of letting the recruitment partnering project was to clean up a significant amount of data in this area that we felt was incorrect. We always anticipated that the 55,000 figure would need to be cleaned up. It was apparent from the various lists that were around at the time that there was going to be some significant duplication. I don't think that Capita were paid to recruit 55,000 people, which was implied in your question, but you are right that the best data we had available at the time showed that 55,000 had at some time in the past expressed some interest, but that could have been some time ago.

Q115 Chair: Had I been running your Department, I would have gone ballistic at that sort of exchange. What did you do about it? It is one very simple thing. This whole new way in which we are delivering the Army—I hear your scepticism about it, Sir Peter—depends on the success of getting Reservists. Here you are at point 1, stage 1, and did you do anything about it? Did you just think, “Oh well, 55,000 should actually be 6,000. That doesn't matter; let them get on with it. It's just a bit of cleaning up of data”?

Jon Thompson: One of the points of trying to recruit a professional partner in Capita—

Q116 Chair: Are you shocked? I understand what the point is, but were you shocked by that?

Jon Thompson: Yes. There are a number of points in the Report for which the Ministry of Defence must take responsibility. You will undoubtedly get to the question of why the Ministry of Defence did not integrate two IT contractors, and we must take complete responsibility for that. There are other aspects on which we are doing okay, and there is one where I think we are doing rather well, but on this particular aspect, it is unacceptable. Let me be absolutely clear about that. It is also unacceptable that officials at the Ministry of Defence did not integrate, for example, two different contracts—they let two different contracts run.

Q117 Chair: We are not talking about that. We will come to that. I know that you are anxious to get off this figure, but the 55,000 names that were handed over were just completely Alice in Wonderland stuff.

Jon Thompson: As you know, I have been absolutely up-front with this Committee in the past. Where I think we have done things well, I have been quite happy to push back, and where we have done things that are clearly unacceptable, I will say that they are unacceptable. The question of two contracts that got out of line was unacceptable.

Q118 Chair: You are not answering the question. I will come to the two contracts, but I am talking about handing over to Capita 55,000 names, of which it quickly emerged that only 6,000 were potential recruits. Are you accepting a bit of responsibility for that?

Jon Thompson: I am accepting responsibility for the sins of my forefathers, as is the convention of being the accounting officer. This project stems back to 2008—it is a long-burning project that has been through various different processes—and it is unacceptable. We have tried to rectify that situation.

Q119 Chair: Can I ask another question? You are assuming that in this new Army that is going to defend our nation 55% of the Reserves will be trained—it goes up from 34% to 55%—but my understanding from the Report is that that is unevidenced. On what basis did you make that assumption, and can you tell us with any certainty that you can deliver on it?

General Sir Peter Wall: It is an increase in the target. The primary evidence for it is that we are going to set higher entry standards. You heard earlier about the common entry standard, which is the same entry standard as for a Regular soldier. That is entirely logical, as they will end up serving on the same operations and in the same units. There are improved procedures in the Regular training pipeline, and we are going to export various coaching techniques into the Reserve space by making the array of training options for Reservists potentially more compatible with their employment regime, so the drop-out rate for reasons other than military failure, such as lack of personal momentum, is diminished. Obviously it is a target, but we set it because we think it is achievable, and we expect to move there in stages.

Q120 Chair: By?

General Sir Peter Wall: It will go from 34% to 51% to 55% over the next two years, as I recall.

Q121 Chair: And you think it is doable, do you?

General Sir Peter Wall: Yes, I do.

Q122 Chair: According to the Report, by 2016-17 you will need to recruit 9,270 Reserves, of whom 8,000 are new recruits, each year. This year, we recruited 2,000. Is that doable?

General Sir Peter Wall: That is the peak demand in this growth period.

Chair: Is it doable?

General Sir Peter Wall: We are working very hard at it—I told you earlier what we are doing. Time will tell. It needs to grow significantly over the next year to give us confidence that the 2016-17 target can be hit. It is ambitious, but it is what we are shooting for to get to the numbers of people we need by 2018.

Q123 Mr Bacon: Is it right that recruitment for the Reserves is counter-cyclical with the economy, so when the economy is doing badly, Regular recruitment goes up, but when the economy is doing well, Reservist recruitment goes up? The argument that has been put to me is that employers are more flexible in a competitive market to get people, so, although it might sound paradoxical, it is easier to recruit more Reservists in a buoyant economy. Does that hold water?

General Sir Peter Wall: The bit about the Regulars is certainly true. I would take comfort if I really believed that the Reserve element of it—the upside—is going to happen. We don't have evidence for that yet, although there is a perfectly rational explanation for why it might be the case. We will be working on it with employers. A lot of this progress has to be done by making the conditions for the individual more advantageous by dint of their employer's attitude. We are doing a lot of work on that, but it has not yet flowed through into the work space, to be honest.

Q124 Meg Hillier: I want to check what the consequence is. If you don't get the pipeline peak of 8,000, for how many years can you go with a lower level?

General Sir Peter Wall: I think if we got up to 25,000 or 26,000, and it had the right people in it—I am going back to the question about capability—we would be able to sustain ourselves. Obviously, we would rather have the full population, which is what we are shooting for. When you get to within 10% to 15% of the target, the quality of people argument transcends the numbers.

Q125 Meg Hillier: And that is on the five-year rotation, not on anything less than that?

General Sir Peter Wall: Yes, exactly.

Q126 Mrs McGuire: I want to ask Capita whether you are ready to move on to this. You have already frankly revealed how much the contract is worth to your company. Can you explain to the Committee what you are going to do for that money, in terms of Army recruitment? I might come back to the general about the environment in which recruitment takes place. It is not all about you guys being slick; there are other areas.

Dawn Marriott-Sims: If I may, and focusing in particular on the Reserves, we are already starting to see the number of applications in the Reserve environment increasing. If I look from January to date, we have seen a 43% increase in the number of applications received—

Q127 Mrs McGuire: What does that mean in real numbers? A 43% increase in numbers from 10 is to something like 15.

Dawn Marriott-Sims: At the moment, we are receiving something like 600 recruiting applications per week for the Reserves. That figure compares with an April to December figure for last year. So we have already started to see some significant increases. And what I can put that down to is, in January, we launched a significant recruitment advertising campaign called “More than meets the eye.” What we are trying to do extensively is raise awareness of the Reserve proposition.

We are also reviewing all aspects of the process itself. I mentioned common selection earlier. Where we can, we are trying to examine and break down each individual part of the recruiting process to ensure that it is as focused on the applicant as it can be, so that we make the journey into the Reserves seamless. That does not mean reducing standards; it just means making it more accessible.

We are also working very closely with the Army at examining current policy. For example, with bringing on common selection, one of the challenges from our side would be the BMI requirements of somebody to join the Reserves and whether, actually, they are still fit for purpose. Those standards have been set in place for a very long time.

There are some other areas of challenge. For example, tattoos in today’s common society are a lot more prevalent, but actually the guidelines for joining the Army and then taking into account common selection put that as a barrier to a significant number of our target population joining. So we are looking where we can jointly—

Q128 Mr Bacon: It is that they don’t have enough tattoos, or that they have too many? Is it the weight of the tattoo that is the problem?

Dawn Marriott-Sims: If you have got a tattoo, there is an Army policy that sets out very clearly the requirement for what it may or may not look like. What we are doing is looking at each and every part of the selection criteria to assess: “Is it still fit for purpose and is it a barrier to people joining?” and really just challenging the thinking around all of those sorts of things.

We have not yet got on to the IT element, which I am sure we will—

Chair: Now, actually. Shall we go on to that now?

Q129 Mrs McGuire: I am quite happy with that, because IT is an important issue, but it is also the context in which recruitment is taking place. What are you doing to overcome these barriers?

Dawn Marriott-Sims: Let’s be clear: better IT does not result in more applications to join the Army. What will result in more applications is very targeted, specific advertising with a very clear, defined proposition. However, with the absence of IT, what we cannot do is move that population of people through the process seamlessly and easily. When the contract was let—

Q130 Mr Bacon: We won the second world war—I am told—and there were no computers. We seemed to manage it then and it was done with a quill pen.

Mrs McGuire: It was an existential question—come on!

Mr Bacon: I am quite serious. For at least 30 or 40 years afterwards, there were no PCs to speak of, yet we managed it with the post—postage and pens and paper. You said that effective IT in itself will not result in more applications, but it will result in more applications not being lost.

Dawn Marriott-Sims: Indeed.

Q131 Mr Bacon: And what has been happening, certainly in the Regulars and I am told in the Reserves as well, is that applications are simply being swallowed. For example, if you were a Regular soldier or Army officer, one of the questions that you used to be asked was, “Have you served in the Regular forces?” If you answered yes—truthfully—the system ate your application. It did not tell anyone else; it said: “This is an invalid application because this is for Reservists.” Whereas, of course, it would be relatively simple for it to say, “Ah, you go fast-tracked”, but it did not do that. It did not tell anybody else about it. Is that still a problem now or has that been solved?

Dawn Marriott-Sims: That is no longer a problem.

Q132 Mr Bacon: This may be difficult to answer, but do you know how many people you lost because of that process?

Dawn Marriott-Sims: No, we don't. I cannot say how many people we have lost. I do not believe that—

Q133 Mr Bacon: But you did lose some?

Dawn Marriott-Sims: I don't know that for a fact. The actual process of people converting from former Regular to Reserve only transferred to Capita this year as a result of redundancies that were made in the MOD in Glasgow. There was absolutely a bottleneck of people attempting to go from Regulars to Reserve. Jointly, we have now solved that problem. If there were people lost, I cannot comment on that. I don't know.

Q134 Nick Smith: How big was the bottleneck?

Dawn Marriott-Sims: From January to the end of May, we have converted 395 people who were in that category. I don't know the total number of people that were waiting.

Q135 Nick Smith: How long had there been a problem?

Dawn Marriott-Sims: I don't know, because that was not something that Capita was dealing with until such time as it was identified as a challenge. From the point at which we took it over, I can confirm that all the people who wanted to convert from the Regular Army to the Reserves have now done so, and there is now a process going forward to ensure that that is a much easier process for everybody.

Q136 Nick Smith: Mr Thompson, can you answer that question?

Jon Thompson: I'm sorry, I don't know.

Q137 Nick Smith: You don't?

Jon Thompson: No. We could give it to you in writing.

Q138 Mrs McGuire: How are you branding yourself? We have got Armed Forces day in Stirling in my constituency. I'm not sure whether the general will be there; I hope that he will be and that it will be a fantastic success. Are you going to be there? How are you branded? We need to try and get a sense of what you are doing in terms of managing the contract. Is "More than meets the eye" appearing in cinemas, on television or in the newspapers? How are you actually targeting people? The general has previously said there are certain categories of folk that he wants to draw in. We have not even talked about the foot soldiers yet and how we keep their numbers up, albeit that foot soldiers now are very sophisticated in terms of all the kit that they have to manage, and young people now can

manage all that. I suppose what I am wanting to get at is: what are you doing for the £40 million?

We have got the ICT, “More than meets the eye”, and 395 people being pulled out of a bottleneck. Let me have a feel for what it is you are doing. How are you going to explain to me that it would be a good idea if some young man or woman in your family wanted to join the services? It’s straightforward.

Dawn Marriott-Sims: Lots of questions in there.

Q139 Mrs McGuire: No, there is only one basic question. How are you getting to the people who we need to pull into the Army?

Dawn Marriott-Sims: As part of our contract, we do a huge amount of targeted research to understand something called the MTA: the main target audience. That runs across two parallels: both the Regulars and Reserves. A considerable amount of investment was made during the bidding phase, and we continue to make that investment to understand the target audience. We then work with our advertising partners to ensure that the branding of all advertising campaigns is totally appropriate for those markets.

The “More than meets the eye” campaign, which was launched in January and will endure until May next year, has two strands to it. It has a combined strand whereby we will target Regulars and Reserves together. Then it has the other strand, which will target more specifically the Reserves in isolation. What you will see on the television is a combined proposition that will try and target both Regulars and Reserves. That is because the research that we have done has told us that, broadly speaking, both groups of people have a large amount of similar characteristics. So, on television, the advertising is combined. In terms of value for money for the advertising, we will penetrate the percentage of population in the best value-for-money way that we can.

If we then look at some of the other advertising media that we are doing, radio is very much a regionalised campaign with regional dialect. In that particular instance, we are using the radio to target the Reserves far more extensively. Again, that is very much based on the evidence of research that says that pockets of the main target audience for Reserves are more likely to be listening to the advertising that we are doing on the radio.

In terms of cinema, we are also targeting specific films. Again, there is a blend of Regular and Reserves depending on what the film is. The way that we position the Army, both Regular and Reserves, is very much evidence-based. We are doing an extensive amount of work with advertising partners and the Army to make sure that is as targeted as it possibly can be.

There was a question earlier about the hopper, as it were. As a result of the campaign that we have been running since January, “More than meets the eye”, we now have 6,700 Reserve candidates in the top of the funnel—in the hopper—and, from the Regular Army’s point of view, we have 18,500 candidates who have entered the hopper. From our point of view, we see that as very positive.

Q140 Amyas Morse: That is a very helpful point. When we are looking at your performance in future, what is the relationship between the number you will recruit and the number you expect to be able to evidence to us as being in the pipeline? We have heard that you had a large number but they clearly did not prove as you had expected, but you must have an expectation about what proportion of conversions you will make out of the expressions of interest you get in response to your advertising campaign. What is that, please?

Dawn Marriott-Sims: The specific answer to that is that in September, which was really the first point at which we started to measure conversion, the conversion ratio of combined Regular and Reserve was 19 to one. Of everybody who submitted an application form, it was likely that we would convert one in 19 into what we call load training. Since September, we have managed to reduce that, so we are now at 11 to one. There is no contractual target, because the contract is an outcome-based one, but we have made significant improvements. In order to hit the current 2014-15 numbers, we need to get that number nearer to nine to one.

Q141 Amyas Morse: In your professional opinion, allowing for the fact that it is not in the contract, do you think that that is doable from the other advertising? You must have thought about this. You cannot have had experience of doing Army, so you have been thinking about doing this in other, comparable types of campaign.

Dawn Marriott-Sims: Yes.

Q142 Amyas Morse: What is the sort of range you would expect to get?

Dawn Marriott-Sims: I am confident that we will absolutely get this contract to nine to one. It is very difficult to draw comparisons. To put it in context, Capita places in the region of 50,000 people a year into jobs throughout the UK, covering things such as central Government, the private sector and the intelligence world. There is a huge amount of intelligence that we have to draw upon, but it is very difficult to say what the applicant ratio is in general, because every set of circumstances is different. But we have moved from 19 to one to where we are today. On getting to nine to one, I am very confident that with all the joint interventions we are doing with the Army, we will get there during this recruiting year.

Q143 Amyas Morse: So if it went back up to 20 to one or 19 to one, that wouldn't be good, right?

Dawn Marriott-Sims: That wouldn't be good, absolutely.

Q144 Mrs McGuire: Are you going to Armed Forces day? How will I recognise that you are there?

Dawn Marriott-Sims: We absolutely will be there. I think it is probably—

Q145 Mrs McGuire: Will it say “Army recruiting officer”? Will it say “Capita”? Will it say “More than meets the eye”?

Dawn Marriott-Sims: It will certainly not say “Capita”. The combined delivery engine of the Recruiting Partnering Project consists of just over 500 civilian staff who work for Capita and 750 soldiers who work for the Army but are under our management. When we are out in the public domain, our representation very much uses soldiers and people in uniforms. We recognise absolutely that the best people to engage people to join the Army are other soldiers, so we will be there as the Army.

Q146 Chair: Can I move now to some of the money things? Mr Thompson, was it sensible to have one contract with ATLAS answerable to the Department and another contract with Capita answerable to the Army?

Jon Thompson: No.

Q147 Chair: So who took that decision?

Jon Thompson: I think there are two fundamental problems here, which I have to take responsibility for trying to explain. One is that officials within the Department—either those who worked for myself or those who worked for Sir Peter—knew that we were letting two different contracts between 2011 and 2013. They tried to wrestle with this issue and resolve it; they did not. Secondly, they then did not escalate it to Sir Peter or to me until September 2013. “No” is the straightforward answer. I can go back to how it stems back to a 2009 policy, if you want me to.

Q148 Chair: I understand that rather absurd policy.

Jon Thompson: It was not a sensible thing to do.

Q149 Chair: I am not a great head-roller, but is somebody accountable and answerable for that? Has somebody actually taken responsibility for it in your organisation?

Jon Thompson: I’ll try to keep this polite. The individual who had responsibility for this does not work for me any more.

Q150 Mr Bacon: That’s what Sir David Normington said about the individual. He sounded quite pleased. He said he wasn’t on his budget any more. This was many years ago in relation to something completely different. But he was still employed by the taxpayer—just somewhere else. You’re saying this person is now out of the public service?

Jon Thompson: Yes.

Q151 Chair: Can I, then, ask this? We have ATLAS here. This is probably a redundant question, but I might as well ask it just for the record, Mr Thompson. As I understand it—correct me if I’m wrong—ATLAS was given this contract when it was already at amber/red on other MOD contracts. Is that right?

Jon Thompson: I suspect that probably is correct. As I understand EU procurement law, your ability to take into account performance on one contract for another one is very limited.

Chair: I think that is nonsense. I always say that is nonsense. That’s a wrong interpretation of European law. It just is.

Q152 Mr Bacon: I’m not sure it is, actually. Mr Devereux from the DWP has told us exactly the same. Because it’s the answer that is so often given to us, has anyone raised this with our representatives in Brussels and tried to suggest that perhaps it should be changed, in the interests of effectiveness and efficiency?

Jon Thompson: For once, we probably agree. I also think it is a rather strange and unusual interpretation of a rule. I understand the Government’s chief procurement officer is trying to wrestle with this particular issue.

Chair: Originally when you set up this new arrangement for recruitment, at a cost of £1.2 billion, of which half a billion goes to Capita—I can’t remember how much was supposed to go to ATLAS; I’m really sorry we are not asking you questions this afternoon.

Jon Thompson: I’m sure Mr Fovargue is very happy about that.

Q153 Chair: You expected to see a cash saving of a quarter of a billion pounds—£267 million. Can you tell us what the present saving estimate is?

Jon Thompson: Well, it certainly won’t be £267 million, which I think is quoted on page 28 of the Report, paragraph 2.12. Later in the Report, paragraph 2.19, there is an estimate of what the nugatory costs are in this. That’s estimated here at £70 million; that is the current MOD internal number. We will undoubtedly have to net one off against the other, but we are still, as the Report says, trying to finalise both of those.

Q154 Chair: Let’s look at this. Tell me if you disagree with this. It is costing you £1 million a month.

Jon Thompson: Yes.

Q155 Chair: So that’s about £25 million if you hit the 2015 date—if you hit the 2015 date—for the new technology. You are having to pay Capita another £70 million, on top of that. You are having to pay ATLAS—goodness knows why—£11 million.

Jon Thompson: Sorry, I think you're double-counting some of those numbers.

Q156 Chair: Am I?

Lee Summerfield: The £70 million includes Capita's element of payment, but also some to ATLAS for—

Q157 Chair: Right. So we're at 70 and 25. Then you're employing extra soldiers. The Report talks about 80 soldiers and 100 temporary staff. Crudely, that is probably about £11 million.

Jon Thompson: My understanding is that that's in the £1 million a month.

Q158 Chair: £1 million a month, so that's actually, over the two-year period, £24 million again.

Jon Thompson: Perhaps I can try to respond to a question that you haven't asked me: what is the cost of this situation? Is that really what you want to know?

Q159 Chair: Yes. I reckoned, when I did it crudely, you have probably lost more than half your cashable savings.

Jon Thompson: I went through it this morning myself, in anticipation that you might ask me this question. It is extremely complex to work out what was already a contractual obligation for either of my colleagues to my left versus what is clearly a new cost, so it is my view that it's £70 million, but it could be more, and I can't be definitive about what the number is, because there are—

Chair: Plus the 25.

Jon Thompson: Say that again.

Q160 Chair: It is £70 million to the two contractors, but that's plus the £1 million a month extra, plus whatever you are having to pay for extra staff doing the job, so it is not £70 million.

Jon Thompson: No, I'm sorry. This is one of the difficulties. There were some contractual obligations that in my opinion the £70 million would have covered and were therefore originally in the £1.3 billion budget which we are now not spending.

Q161 Chair: I see.

Jon Thompson: So there is £140 million of budget that we are not spending. It is not £267 million; it at least £70 million lower than that. I cannot give you a definitive number because this is a moving piece. I am trying to meet you halfway and say it is at least £70 million and that reduces the £267 million, but it could be more than that.

Q162 Chair: Just to have it clear in my brain, are the extra costs of staffing that have had to be met by the Army and the MOD in that £70 million, or on top of it—*[Interruption.]* Lee is telling me they are on top of it.

Jon Thompson: One of the difficulties of responding to this is that the £70 million that is quoted here is in an internal document that has not yet been reviewed by anyone in the Ministry of Defence about whether some of those costs were already in existing budgets, so I can't be definitive about the answer. I need more time to be able to give you that. I am saying it is at least £70 million. Some of the additional costs work around, and we think it could be argued that they were in the original contract with Capita.

Q163 Chair: So you might have negotiation.

Jon Thompson: So I am saying it is at least £70 million.

Q164 Chair: Okay. Can I just ask one other cost question. The model is built on the assumption that you are going to have to pay fewer soldiers because there will be more Reservists.

Jon Thompson: Yes.

Q165 Chair: But if the Reservists were to be engaged in some action, they would cost and you are assuming the Treasury will pick up the bill. Is that right?

General Sir Peter Wall: You are talking about for use on operations.

Q166 Chair: Yes. You are assuming the Treasury will pick up the bill?

Jon Thompson: Paragraph 11 is correct that on an individual-by-individual basis the marginal cost of deploying a Reserve is more than the marginal cost of deploying a Regular. That is the Government's long-standing policy and it has been there for many years. The Treasury was involved in these decision-making processes. It was on the team that made the changes in the three-month exercise that resulted in these changes, so it was fully aware of the changes we are making. On a 10-year basis, the reduction in the Regulars reduces the Army's budget by £10.6 billion—that is in this Report—and the increased cost of the Reserves is £1.2 billion. So the Treasury's view, as I understand it—I am not from the Treasury—is that the core MOD budget therefore is £9.4 billion lower over 10 years. Should

there be an operation in which you have to deploy Reserves, that would obviously reduce the £9.4 billion over the 10-year period.

Q167 Chair: And the Treasury has accepted. We of course are interested in the overall reduction in the deficit, so all we have done is take money out of the MOD which will be picked up by the Treasury at some point.

Marius Gallaher: Well, the Treasury will fund the legitimate net additional costs of the programmes, so if there is a net additional cost, the Treasury has agreed to pick that up, but it remains that a Reserve is more cost-effective than a full-time soldier.

Q168 Chair: Well, not if they are in operation. So it is not the case. It is only the case if they are not being used operationally. It is a bit of a funny argument.

Jon Thompson: There was a debate on the Floor of the House about whether it was possible to deploy £9.4 billion of marginal Reservists over a 10-year period and to demonstrate whether over the long term that was more cost-effective. The answer to that question was that it was impossible to do so. To be clear, we were very transparent with the Treasury about what we were doing. The Treasury's judgment was that it is better to take a reduction in the core budget, even if at some point in the future the cost of deployment is slightly higher. That is my understanding.

Q169 Nick Smith: Miss Marriott-Sims, I was impressed with your evidence earlier and pleased that you are reducing barriers to recruitment. It is great that you are targeting recruitment at a new pool that you think is warm to joining the armed forces. That is terrific. I like the idea that you are going to tip more people into the hopper. It all sounds great, but I am still trying to grapple with how many people you think Capita will recruit into the Reserve in 2016, 2017 and 2018. What is your estimate of the number of people you will recruit into the Reserve before the Army takes them on and trains them up?

Dawn Marriott-Sims: We do not yet have a view of what those targets will be. The view of target that we have is that the overall trained strength by 2018-19 needs to be at 30,000.

Q170 Nick Smith: You must have some estimates, because you have done lots of work here. You are a clearly a recruitment career professional.

Dawn Marriott-Sims: If I were to give my personal view, in order to get to the numbers, it will be probably be somewhere between 6,000 and 9,000 a year. I know that it will be considerably ahead of where we are today, but a lot will depend on the level of attrition in the Reserves. All the activities we are doing today are building towards our understanding that we need to increase significantly the number of people who want to join the Reserves, but as yet we have not formally been give any future target. The way that the

targeting happens is that three months prior to the start of a recruiting year the Army just gives us the number. We are not party to the setting of that target.

Jon Thompson: If I could add something, it is right at the back of the Report, but paragraph 2.33 says “It is too early to say”. If one might say so respectfully, we are all grappling with a limited amount of data and trying to predict the future, but the conclusion is that it is too early to say whether these measures will help to recruit the number of personnel required. I understand what you are trying to search for, but the degree of granularity required in order to put together a model that can predict the future is not possible at this time, and that is what the NAO concludes.

Q171 Nick Smith: Ms Marriott-Sims, you said that your best estimate was that you would be recruiting between 6,000 and 9,000 people.

Dawn Marriott-Sims: No, I think that that is what the target is likely to be in future years.

Q172 Nick Smith: Okay. You then said that you would be given the targets and would have to work with them. Would you have the opportunity to challenge the targets? You will be working with this pool of possible recruits—you will be doing the recruitment on the ground.

Dawn Marriott-Sims: The way the contract works is that the targets are given to Capita. It would be unwise and unlikely for the Army to set a target that was so unrealistic that we could not accept it, because this is a partnering programme. This is not a contract outsourced to Capita; we are jointly responsible and it is staffed by joint people.

Q173 Nick Smith: Okay. Sir Peter talked about an attempt to raise the bar to try to improve the quality of applications to the Reserves. Again, that sounds brilliant—as the world changes you need people who are bright and flexible—but is that proving to be the case with the recruits you have gained in the past 12 months?

Dawn Marriott-Sims: We are recruiting against a common selection standard, so I can say that those we have put in are of the right quality. One way in which the Army measures its long-term quality is by the level of retention. At this point it is simply too early to say whether the people we have recruited since we have been in situ have stayed the course.

Q174 Nick Smith: Do you have any estimate of retention?

Dawn Marriott-Sims: No, we don’t forecast that. Our contract is to secure enough applicants to convert into load to training. Once we have loaded them to training, they become the responsibility of the Army.

Q175 Nick Smith: Does anybody else want to come in on retention?

General Sir Peter Wall: Yes. Retention in the Reserves is higher than retention in the Regular Army. It trends along at about 87% or 88%. We do not know whether the more exacting demands on the new-look Reserves will allow us to sustain that level, but there is a tendency that, once you have people in the Reserve and they are engaged, they stick around.

Q176 Meg Hillier: Chair, may I pick up on a couple of points? Earlier, Sir Peter talked about certain professional groups that would be worth targeting, and you, Ms Marriott-Sims, talked about going on roadshows fronted by soldiers. Do you also develop the links with different professional groups and companies that the General was talking about? In Jackie Doyle-Price's constituency, Thurrock, logistics is a big issue. There must be some potential from what the General was saying. Are you going out to target those groups?

Dawn Marriott-Sims: It is fair to say that that would be defined as employer engagement, which is still very much owned by the Army. However, in order to achieve the right effect, that is where partnering with us and our experience as professional recruiters comes in. We are working very closely both with the Army's recruiting group and outside that recruiting group with all parts of the Army that are engaging with employers to try to achieve best effect.

Q177 Meg Hillier: With that one year in five that you would serve as a reservist, there must surely be some reassurance for, let us say, a Thurrock employer. If there was a need for logistics personnel and too many came from one company, that would be problematic. What sort of negotiation goes on?

General Sir Peter Wall: That is manageable down at the regional and local level, provided we have a sufficiently good relationship with employers to understand their liability. Historically, it has not been fashionable for Reservists to involve their employers in this sort of business, so culturally we have some way to go, but it is absolutely in tandem.

Q178 Meg Hillier: Finally, I have talked to my local cadet forces—we have a number of uniformed forces—and about 4% of those young cadets go into the Regular Army, the Air Force or whatever, so it is clearly not a recruiting ground for the main forces. However, that 4% accounts for 50% of those who stick it out. Are you planning to do any work with the older end of the cadet range, so as they go into their first jobs they also think about becoming Reservists, or are you looking at that when you look at their CVs, or both?

Dawn Marriott-Sims: That is a very sensitive area. We definitely do not specifically target the cadets as potential recruits into the Army. Jointly, we are very clear that that is not a strategy we should employ.

Meg Hillier: Okay, thank you. That is very helpful.

Q179 Austin Mitchell: I just want to know what contributions the Germans make to the maintenance of British troops and equipment in Germany. Will there be a financial loss or a financial gain to bringing them back by 2020?

Jon Thompson: Well, there is a significant reduction in our budget as a result of coming back from Germany—it is quoted in the Report. It is something approaching a quarter of a billion pounds per year in reduced running costs, but the investment required to deliver that is £1.8 billion-worth of new infrastructure and service accommodation—single-living accommodation and technical accommodation. Our assumption is that it will require £1.8 billion of investment to deliver a £250 million, or thereabouts, annual saving.

Q180 Mrs McGuire: We have spent a lot of time talking about recruitment into the Reservists. Is Capita also involved in recruitment into the Regular Army?

Dawn Marriott-Sims: Yes, we are indeed. To the same extent.

Q181 Mrs McGuire: Right. Recruitment into the Regular Army is not all about ICT systems and slick presentation, because we are asking people to make a very serious commitment and perhaps—I know we don't like to talk about it—the ultimate sacrifice. In what sort of environment is recruitment into the Regular Army just now? The General commented on it earlier and Richard mentioned the wider economic field, but what are the impediments to getting young people—men and women—into the Army in the current environment? It is not all about slick campaigns, frankly.

General Sir Peter Wall: The improving economy is not helping us—it is helping us in lots of other respects, but it is not helping that particular thing. Perhaps slightly perversely, nor is the end of the Afghanistan campaign helping us recruit Regulars. It was a significant stimulus to getting young officers and soldiers to join the Army and the other two services. Those inversions, coupled with the problems we have been having in the recruiting pipeline, mean we are underperforming against our targets. We are able, in the short term, to hedge that by controlling the rate of outflow through redundancy and that sort of thing, but that opportunity is now foreclosed because we have come to the end of the redundancy programme, so we jolly well have to hit our targets. Last year, we missed officer recruiting by 5% and soldier recruiting by more than 30%, so we have got to pick it up.

Q182 Mrs McGuire: That leads me into my final question. Good defence services always have a contingency plan. Given some of the challenges we have talked about this afternoon—recruitment, the management of overall numbers, etc.—what is your contingency plan, and have you started to think about it?

General Sir Peter Wall: A smaller Army absolutely has to be properly manned. We cannot carry the 5% undermanning that used to be common before the Iraq and Afghanistan era. We are in one of those awkward situations in which plan B is making plan A work. With our recruiting partner, we have got to get out there, sustain the numbers and fill the Regular training and recruiting pipeline. I believe the offer is very good. I believe that our efforts have

been stymied in part by erratic marketing in the 2010, 2011, 2012 period, and by the message that the Army is shrinking, therefore this is no longer a career to pursue. We are trying to create the impression that we are now beyond that hurdle. I firmly believe that the Army is a challenging career and we need our share of the nation's talent to populate it, and that people will be properly rewarded if they do, so working in concert with Capita, we have to get the numbers back up.

Q183 Mrs McGuire: That is a very positive statement, but do you also have signposts along the road to 2020, so that if you are starting to slip, there is something else? I appreciate that you might not want to have a plan B, but you might need at least to have the thought at the back of your mind. Do you have signposts in terms of how you are going to assess the success of the move from where we are now to where we want to be in 2020?

Jon Thompson: The Defence Board receives monthly data on inflow and outflow from the armed forces and what are called operational pinch points—so, particular trades where it is more difficult to recruit and how many of those there are. The board is completely aware of voluntary outflow, what inflow is, overall strength against the draw-down numbers, and so on and so forth. The board can intervene at any point in any month. We meet once a quarter—in what Lord Levene called “holding to account”—to talk about the interplay between the responsibilities of the Army under the Army's command plan to deliver its outputs within its budget and where other elements from the Ministry of Defence, particularly headquarters, can help or where they are hindering, and so on. So there is plenty of regular monitoring. It seems to me that we need to let this run on further. As Dawn said, there have been a significant number of changes to policy, process, financial incentives and training. There have been 62 changes in the current calendar year so far, and we need more data before we can really judge the extent to which you can give this real confidence.

Q184 Mrs McGuire: Did you say 62 changes?

Jon Thompson: So far this calendar year.

Q185 Mrs McGuire: Does that sound like strategic planning?

Jon Thompson: It sounds like this is a challenge with significant risk, but I was upfront about that. The Report refers to where this is on the major projects portfolio assessment—it is a programme that requires significant and sustained effort. That effort is going in, but as Dawn said, there is an interplay between various elements of this reform programme. So if Dawn discovers that one of the barriers to entry is X, she puts that to Sir Peter. There is a process of deciding, and then you change and develop.

Q186 Chair: There are two more things. First I want to go to Sir Peter on that, because that is the civil servant's answer and you're the General, Sir Peter, and the reputation of the Army, both here and abroad, is really at stake around this issue. I was shocked this afternoon to understand that you were not consulted at all on this last massive tranche of

reductions and the change of emphasis. I just wonder why you signed up to it. Why did you sign up to it, given that you also suggested to us that it is not doable in the time frame that has been set? I understand entirely that that is finance-driven, but as the General of our Army, why did you sign up to it?

General Sir Peter Wall: As opposed to stomping off in a huff? I signed up to it with my Army Board colleagues because we felt that the organisation had to be led through this change, and I think we have achieved that in the last three years. These announcements were made about this time three years ago. We were given a year to redesign the Army. That was announced two years ago. This transformation programme is advancing apace. My reading is that the operation-experienced people who are in the Army, who have been through the operations in Iraq and Afghanistan, particularly the latter one, are up for the contingency Army, the deterrent force, which is the—

Q187 Chair: Morale is very low.

General Sir Peter Wall: I do not accept that morale is very low.

Chair: Well, I think the figures show that morale is declining.

General Sir Peter Wall: It has dipped a bit; I accept that.

Chair: It is declining quite a bit.

General Sir Peter Wall: But that was our duty—

Q188 Chair: Sorry to interject, but let me mention the figures, so we have them on the record: 27% have low morale—it is almost double where we were four years ago—and only 42% of Regulars regard Reservists as professionals.

General Sir Peter Wall: There is no doubt about it, people do not relish change and they do not relish the uncertainty that goes with it. That is why it is a leadership challenge for us to take people through it—myself and my successor and the leadership cohort of the army. I think for the amount of change we are doing, we are in reasonable shape. Obviously, more operational challenge will reinforce people's determination to stick with the Army and see it as the challenging career they joined. We wait to see whether operational challenge is offered up on the menu in the near future. I think the next defence review—reinforcing the Army 2020 requirement and resourcing that through the next few years—is very, very important to sustaining this momentum.

Q189 Meg Hillier: Can I just ask an important question about the resilience of the Reserve? Once you are a Regular Reservist, obviously you have a commitment, and presumably you could be court-martialled if you do not turn up when you are called up. Is that true for the Reserve that Capita is recruiting? If I were a Reservist and you said, "I want to call you up," and I said no, what would you do to me?

General Sir Peter Wall: If you are a Reservist and you are mobilised and you do not show, then yes, you are subject to legal sanction, absolutely.

Q190 Chair: Mr Thompson, why did the Department brief two national newspapers, as far as I could see, before the report was published, that it was “sloppy and methodologically flawed”?

Jon Thompson: It wasn’t anything I was a party to.

Q191 Chair: I have not got the quote here, but the Department, for which you are the accounting officer, briefed a day or two before the report was published that it was “sloppy and methodologically flawed.” Don’t you have to take responsibility for that, Mr Thompson?

Jon Thompson: I am not aware that a civil servant was involved in that. There is an interesting question about what “the Department” means.

Q192 Chair: Have you got the quote?

Mr Bacon: The *Financial Times*, in a piece by Kiran Stacey, under the headline “Watchdog delays army cuts report”, quotes a defence official. It says “One defence official said: ‘the original draft of this report was sloppy and methodologically flawed. The report had been based on inaccurate information which the NAO acknowledged and this has taken time to correct.’” Now, “a defence official” does not sound like someone in the army. Doesn’t it sound like a civil servant?

Jon Thompson: I don’t believe that was an official, but I am happy to go and have a look at whether it was, because that obviously would not quite be appropriate. Mr Morse—I mean Sir Amyas, and congratulations, by the way—and I do not necessarily agree on everything, and we had a rather interesting debate about this Report. However, in the end it came out last Monday and I agreed it.

Q193 Chair: Special advisers are also civil servants and so are accountable through you. In all my years, that has been true.

Jon Thompson: I am happy to look at that.

Chair: Unless it has changed since our day, but that was undoubtedly the constitutional position when Labour was in Government.

Jon Thompson: I am happy to look at whether it was an official.

Chair: It was in two national newspapers.

Mr Bacon: The *Financial Times* is normally a pretty reliable newspaper.

Chair: The other was *The Daily Telegraph*.

Jon Thompson: I did not query the integrity of the *Financial Times*.

Chair: Thank you. Our apologies to Simon for not needing you. I really do apologise, I think this is the first time that has happened in this Committee, so you may be breathing a big sigh of relief.

Simon Fovargue: Not at all.

Chair: It was not intended, and we really thought we would have to question you, so our sincere apologies. Thank you.