HOUSES OF PARLIAMENT

Joint Committee on the National Security Strategy

Oral evidence: National Security Strategy & Strategic Defence & Security Review, HC 153

Monday 23 May 2016

Watch the meeting

Members present: Margaret Beckett (Chair); Crispin Blunt; Baroness Buscombe; Lord Clark of Windermere; Baroness Falkner of Margravine; Mr Dominic Grieve; Lord Hamilton of Epsom; Sir Gerald Howarth; Lord Levene of Portsoken; Dr Julian Lewis; Angus Brendan MacNeil; Lord Mitchell; Robert Neill; Lord Ramsbotham and Lord Trimble.

Questions 35-99

Witnesses: **Rt Hon Oliver Letwin MP**, Chancellor of the Duchy of Lancaster, and **Conrad Bailey**, Director, Strategic Defence and Security Review and Defence, National Security Secretariat, Cabinet Office, gave evidence.

Q35 Chair: Thank you for coming, Mr Letwin and Mr Bailey. Can you begin by telling us what your responsibilities are now in relation to the 2015 national security strategy and strategic defence and security review, because obviously these things change?

Mr Letwin: Indeed. Actually that is, for once, fairly straightforward. I often find difficulty in describing my responsibilities—not having a proper portfolio—but in this case it is very straightforward. A sub-committee of the National Security Council has been set up, as I am sure the Committee is aware, and I am chairing that. The purpose of the sub-committee is to hold to account internally each of those of my colleagues who are responsible for line Departments that have commitments that they are responsible for fulfilling that are within the SDSR. There are 89 of them. The committee is being serviced by the National Security Secretariat and the Implementation Unit, and is creating a sort of monitoring apparatus, a tracker, so that we can check regularly where we are getting to on each of the commitments. Where there are problems between Departments, as sometimes arise in Whitehall, I will be convening meetings to try to unblock those problems. Where particular Departments seem to be falling behind, I will be having bilateral discussions with the Secretaries of State to try to work out what we can do to help accelerate progress. And every so often the committee will meet—roughly speaking, at six-monthly intervals—to go through, as we have done once so far, the whole of where we have got to in order to prepare ourselves for a report to you, Chair, and the Committee, and also to

Parliament, which we have promised to do once a year to hold ourselves collectively to account in public.

Q36 Chair: If I understand you correctly, you are saying that this sub-committee that you chair will probably meet around every six months.

Mr Letwin: I anticipate the sub-committee having quite a lot of bilateral and in some cases trilateral discussions on the way, but the purpose of the formal meetings will be to register progress and make any macroscopic decisions that we need to make about something that needs to change if we find we are off track on a particular commitment.

Q37 Chair: Although the national security strategy itself and the SDSR have only recently been published, obviously the process has been ongoing and follows on from a process in the last Parliament, so perhaps even at this early stage of the new structure you can tell me roughly how much of your time this oversight process takes.

Mr Letwin: I do not yet know just how much time it will occupy because we are at such an early stage of the implementation process that, with the exception of one or two cases, which I will come to in a moment, we haven't yet discovered what may later prove to be road blocks and difficulties. I have no doubt that I shall have to spend more time as a result in those areas, whatever they turn out to be, but so far I have spent a total of some dozens of hours on it—not hundreds, but not one or two either. I would expect it to be lumpy, with periods when I have to spend a significant amount of time trying to sort something out and then periods when I do not spend much time for a while before having to dive in again. That is the nature of these exercises. I find that in all the implementation work I do across Whitehall.

The exceptions I mentioned do indeed emanate from the last Parliament. One of our commitments was to increase the Reserves. The Committee will be well aware that that has been a continuous effort. I have spent a lot of time over the past five or six years working with the Ministry of Defence on making sure that happens.

Another area on which I am conscious I will have to spend a significant amount of time is in making sure we deliver on the defence apprentices. On the apprenticeship programme as a whole, there is a huge drive across government, and I am conscious of the considerable challenge that that poses.

So, there are particular areas where I have been spending time so far, but which others will come on to the agenda I can't anticipate. I will just have to follow the evidence.

Q38 Chair: You are making me think—this is not a criticism, but a question—that probably this oversight and monitoring process is basically being led by officials until the point when something escalates to ministerial attention.

Mr Letwin: Yes, that is exactly our pattern of activity. The national security secretariat—Conrad in particular and his team—have drawn together people from various departments who will spend time keeping the checklist day by day and intervening at official level when they see things moving in a direction that needs some attention. As I

mentioned, in relation to what I think is 11 of the 89 commitments that are manifesto commitments, the implementation unit will be intensifying that effort. It reports to the Prime Minister and to me on all our manifesto commitments and especially the key ones. When either the national security secretariat or it and the implementation unit flag up a problem, that is when I shall be intervening. Of course, if everything goes totally smoothly—I have yet to find that the case in government and I suspect that you, Chair, with wide governmental experience will share this impression—the only thing that will happen is that the officials will produce a check list that shows that absolutely everything was perfectly on track at each meeting of the sub-committee and then I will be able to spend my time on other things. I have to tell you that I don't anticipate it will be quite as smooth as that.

Q39 Chair: Where does the national security adviser fit into this scenario?

Mr Letwin: The national security adviser is of course the head of the whole of the national security secretariat so Conrad reports directly to him and he is kept abreast of everything. He came to the meeting of the sub-committee we have already held and will continue to come to all of them. He and I are in regular dialogue in any case on a range of issues, including this.

Q40 Lord Hamilton of Epsom: Are you totally comfortable that this Committee can carry out the duties that may be expected of it? We are prevented from talking to the intelligence and security services because there is an intelligence and security committee. We are prevented from talking to the Ministry of Defence because there is a Select Committee on Defence. We cannot talk about contingency plans for disasters in London because that comes under the Select Committee on Home Affairs. We are seriously restricted in whom we can bring here to talk to us. Do you think we can do our job properly with those restrictions on us?

Mr Letwin: I rather expect, looking around this Committee and the strength of it, that you can. You have among your members, looking at that end of the room, the Chairs of some of the Committees to which you just referred. I take it that you will be operating with them. Obviously, it is a matter for you and the two Houses and not for me to dictate how you do that. I have to tell you that I think your resources are very considerable.

Q41 Lord Hamilton of Epsom: We spent this morning at the COBRA office. We had invited the people who briefed us to come here, but they said no, that the briefing that we were going to be given was so confidential that we had to go through all the security systems and everything else to be checked out to be briefed there. I think I speak on behalf of most members of this Committee that the briefing was, to put it mildly, disappointing. We were told nothing, in my opinion, that rated above "restricted". We were told nothing of a confidential nature whatsoever. We really felt that our time would have been better spent here, probably with a written briefing of everything that we were told.

Mr Letwin: I am sorry to hear that was your conclusion. I am happy to make arrangements for further discussions and briefings with officials if you are encountering any obstacles in getting whatever it is you want from them. The intention is to ensure that you are as fully briefed as possible. I rather hoped that you would have found that meeting useful, but I was not there so I cannot comment.

Lord Hamilton of Epsom: No, exactly. If you could pass on our disappointment with that. Thank you.

Q42 Chair: Could I come back for a few moments to the process of the implementation of the sub-committee? You have told us a bit about how it works. One thing that is not quite clear to us is why it was decided to introduce this new structure of sub-committees rather than the structure that you had before. You had an Implementation Board before and we had reports of the work of the progress of implementation then. What is it that you think is going to flow from having this new structure?

Mr Letwin: Only that before, apart from the report being sent to members of the NSC, we did not have specific cross-departmental ministerial accountability within Whitehall on this. So officials met and considered what was going on and then prepared a report, which the NSC blessed, and which came to you.

There was not a sub-committee that could ensure that senior Ministers from the relevant line Departments were focused on the issue and there was not a Minister in the NSC and the Cabinet who was charged specifically with responsibility for sorting out any inter-departmental issues that arose.

We thought there was some advantage in establishing a process of the kind that I have described. It is obviously much too early to tell yet whether it is a significant improvement on the previous arrangements, which I think certainly worked. I hope this will work even better, but perhaps we could discuss that again four or five years from now when we have had some experience of it.

Q43 Sir Gerald Howarth: Minister, you are known for your formidable intellectual qualities. I can say that without fear of contradiction.

Mr Letwin: That sounds like an insult in parliamentary terms.

Q44 Sir Gerald Howarth: It certainly was not intended that way. Looking at the make-up of these various sub-committees, the Prime Minister or the Chancellor chair the other ones. You are the only one charged with responsibility for implementation, which arguably is the more important of the sub-committees. Given your vast range of responsibilities in Government, do you really think that it is sufficient for you, as someone who has so many other responsibilities, to implement the National Security Strategy, in the very uncertain and increasingly dangerous world in which we find ourselves, or ought this to be a more dedicated ministerial responsibility?

Mr Letwin: Again, time will tell. I stress that I am not implementing the strategy; I have no capacity to do so. It is my colleagues in the relevant line Departments that are implementing it, and properly so. But I think the business of trying to make sure that they are doing so, and using the National Security Secretariat and the Implementation Unit to inform me in having those conversations, ensuring that colleagues are keeping pace and that we will fulfil our commitments, is, while demanding, not likely to exceed what I can manage. If I were to find that it did, I would ask the Prime Minister for some help.

I should stress that the Prime Minister himself is extremely concerned that we implement this. Following our first meeting of the sub-committee and this hearing, obviously, as you

would expect, I will be minuting him to bring him up to date with where we are at the moment. If there were a serious problem emerging at any stage, I am absolutely sure that he would want to meet not just me but the line Ministers concerned, either at an NSC meeting or separately, in order to find out what is going on and to put it right. I am simply the first line of defence—or, if you include the officials, the second line of defence. The ultimate line of defence is the Prime Minister and the National Security Council itself, of which I am just a junior member.

Q45 Sir Gerald Howarth: You referred to bilateral meetings with Departments. Presumably those are meetings with Secretaries of State.

Mr Letwin: Typically, yes.

Q46 Sir Gerald Howarth: In my view, the key Departments are the Ministry of Defence and the Foreign and Commonwealth Office—perhaps the Home Department as well. Have you had any meetings with them to assess their progress on implementation?

Mr Letwin: Yes. First of all, we had the first meeting of the sub-committee and, secondly, I have had a number of meetings over the past few months with the Secretary of State for Defence in particular, as you might expect. From your own considerable experience of these matters you will know that, for example, our colleague Mr Brazier has particular responsibility for the Reserves, and I have had meetings with him as well, and I will continue to have conversations with specific Ministers—typically with Secretaries of State, but sometimes with junior Ministers—about particular elements where they require attention.

Q47 Chair: Briefly, on this process, how many dedicated staff are working to the sub-committee?

Conrad Bailey: A team of five is augmented when needed.

Q48 Chair: And that is all they do—they work to the sub-committee.

Conrad Bailey: We also do all the other work related to the NSS and the SDSR: other parliamentary business, engaging with international partners to help them with their similar processes—these kinds of things.

Q49 Lord Hamilton of Epsom: On the relationship between you and the Strategic Defence and Security Review, you said that you had concerns about Reserves and so forth. Do you look at questions of capabilities? How comfortable are you with the Army being reduced to 82,000 men and women? In the words of a departed Chief of Defence Staff, we would no longer be able to fight the conflicts in Iraq and Afghanistan simultaneously. Does this not denote that we have seriously weakened our defence capability?

Mr Letwin: It is not part of my role to rewrite the strategy, which is very clear. It includes, as you say, a Regular Army of 82,000, plus of course the 25,000 Reserves and indeed the other forces in the Navy and the Air Force, which, together with their capital equipment, are very specifically arranged in the strategy so as to be able to mount an expeditionary force of 50,000 people for a prolonged period. That is the decision that the National Security Council as a whole took about what was both desirable for Britain to be

able to do in the world we find ourselves in and feasible to finance within the constraints of our budget. As I said, it is not for me to rewrite that or to take a view about whether history will judge it to be the right strategy. It is our strategy. My job is to make sure that all the components of that which are specific commitments within the SDSR and NSS are delivered as specified there, and that is exactly what I intend to make sure happens.

Q50 Lord Hamilton of Epsom: But would you accept that numbers are quite important? When there were attacks on Jews in Paris, the reaction of the French President was to commit large elements of the French army to guard synagogues and other Jewish establishments in Paris. I am not sure we would have the manpower to do that if a similar attack happened in London.

Mr Letwin: If we are talking about that specific instance, although I am not responsible for the deployment of the armed forces in general, I happen to know, because of my work on resilience and the work we did in Cobra looking at what would happen in London in similar circumstances, that we are very well equipped to deal with such circumstances; we're extremely well equipped to deal with them. My own view is that actually the structures that we have developed are very specifically designed to be highly flexible in their deployment in order to be able to respond to what the Prime Minister rightly describes in his foreword to the document as a very uncertain world in which the nature of the threat is constantly changing. No, I think we are very well equipped to deal with the kinds of issues that you have raised or, indeed, with other civil emergencies inside the UK.

Q51 Baroness Falkner of Margravine: I want to take you to the national security strategy, where we seem to find a good number of "inputs" but not a very clear idea of how they translate into "outputs". We discussed this morning—incidentally, let me say for the record, because it was on the record, that some members of the Committee were less than enthusiastic about this morning's briefing, but I found it most helpful; thank you. We were not all as one on that.

Mr Letwin: I am glad that at least there were some people—

Baroness Falkner of Margravine: I had to correct that because it was on the record.

We had a discussion, which I will gloss over, about whether there is some element of cognitive dissonance, because the Government of the day—it could be any Government—seem to have some objectives in one area that contradict other objectives. A case in point is China, in terms of national security considerations as well as our enthusiasm for trade with China. So coming to the outputs in my initial question, how do you define "partners"? It seems to me that this is the critical cause of cognitive dissonance, if there is any. Take Saudi Arabia, for example. We discuss counter-terrorism and we know that Saudi Arabia has a long tail in extremism—supporting and funding extremism and, indeed, being implicated in extremism—but it is on the other hand seen as a great partner, particularly and most recently in Yemen, where we have been helping to advise. I know they are Special Forces operations and you won't want to talk about that, but how do you reconcile or prioritise this? Which side of a partnership is the side that national security trumps, or does it ever trump the considerations when you are making those decisions about who are partners?

Mr Letwin: I think you ask one of the most interesting questions that there is in the world we find ourselves in. There was a time, when I was growing up, when the world seemed, although incredibly dangerous, to be quite simple—whether it was really quite as simple as it seemed is an interesting question, but it certainly seemed fairly simple. There was them and there was us. The them were behind an iron curtain and we were the free world, and that was it, as I saw it as a child. As I said, I am not absolutely sure it really ever was quite like that, but it is certainly not like that now. It is a very complicated world and much more like the world that our predecessors before the mid-20th century faced. In those circumstances, I think you are absolutely right: the question of how you pick partners for various tasks at various times, and how you balance advantages and disadvantages, is a continuing concern; it will go on being so, I think, for the foreseeable future. It is a concern with which the National Security Council has wrestled very frequently over the past five or six years, in my experience. We have often had discussions about these issues.

I would not put it at all in terms of cognitive dissonance. I think it is very much like other challenges that Governments of all persuasions face in governing a complicated liberal democracy: the issue of how you balance advantages. The world does not come packaged neat. You usually find that there are reasons why you would want to do something and reasons why you would want to do something else, and you have to balance these.

Having said that, I think it is also terribly important that we should distinguish between different kinds of partnership with different kinds of partner. Not all of the tensions can be resolved in this way, but many of them can, to a great degree. The kind of partnership we have with the United States, for example, in relation to defence and security matters, is wholly different from the kind of much more transactional economic relationship that we have with some other players. Similarly, the fact that we may find ourselves in an important partnership with a country such as the one you mentioned in a particular domain does not imply that we have the same kind of partnerships that we have with other countries in other domains.

I think we can manage that, but if we are to do it, that means that each time we enter into a particular kind of partnership with a particular kind of player, we do so with our eyes open. I understand, for example, that Lord Levene—I think it was him—raised at an earlier meeting questions about Hinkley and Chinese investment, which is something that certainly has concerned us as we have thought through these issues. We are very confident, because we have gone into it with our eyes open, that we know exactly what will be going on if Hinkley is built and who will have access to what. There is a highly elaborated system for making sure that all our nuclear power plants are properly protected in that way, but we know that we are having an economic partnership there with a party that may have other interests, and we have our eyes open about that.

Q52 Baroness Falkner of Margravine: You did not say whether you can think of instances when national security has trumped other considerations. Have there been any? You do not need to tell us what they are.

Mr Letwin: Yes, there have. As you say, I do not think I can go into them, but there are cases—quite a number of cases—in which the decision has been made that there are certain other countries with which we will not do certain kinds of things because the

security implications are too great. I think it is right that we should keep this continuously under review.

Q53 Baroness Buscombe: I would like to take this a little further in terms of Saudi Arabia, as an example of one of our international partners. Paragraph 5.14 of the National Security Strategy says: "We will increase the training we offer to international partners"—military training. Of course, we can make a lot of money out of doing this. My concern is that we should not do this, surely, if it is to the detriment of the training of our own armed forces personnel. If I could use the example of training pilots, I would like your reassurance that we would not, because it is economically attractive, be tempted to focus more of our training assets on Saudi Arabian trainee pilots than our own.

Mr Letwin: Oh no. I can absolutely assure you, if I have understood the assurance you are seeking. The primary role of the Ministry of Defence is what its name implies: to defend Britain and British interests. It is not primarily an economic Department. Indeed, I do not think that the training and support we will be giving to other countries is primarily driven by economics either; it will primarily be driven by a desire to see their forces being able to participate in a sensible way in sensible places. I do not therefore anticipate at all that we would be helping to train those who we are afraid might use that training against British interests or British homeland defence.

Q54 Baroness Buscombe: So you can reassure me that we are not in any way prioritising training of foreign nationals over and above our own.

Mr Letwin: I think I can absolutely assure you of that, and if it would help, I would be delighted to ask the Defence Secretary to write to you about it.

Q55 Sir Gerald Howarth: May I pursue this one? I had some responsibility for this area of activity when I was in the Ministry of Defence. Our defence sales are hugely important, and the ability to offer that training to our partner nations such as Saudi Arabia is absolutely critical. Of course, the noble Baroness is absolutely right that it must not be at the cost of our own training, but it is an essential package. I have been very concerned that the Ministry of Defence's training capability, particularly in the Royal Air Force, has been so pared back that it is not seen as part of the core business, yet it should be seen as part of core Government business. I would like your assurance that you specifically understand that the Royal Air Force's training of our partner nations is intrinsic to what the Ministry of Defence does. I hope that is included when you say at paragraph 5.14, "We will increase the training"—the military training—"we offer to international partners", but we could not do that when we were engaged in operations in Iraq and Afghanistan. Now that our guys are stood down from those intensive operations, can you tell us whether the exchange and military training that we undertake has been ramped up? In my experience, it is hugely valued by our partners in the Gulf and other regions of the world, and it does magnify Britain's influence in the world. I hope we are able to do more now than we were doing at the height of the Afghan operation.

Mr Letwin: The first thing to say is that I entirely agree that the ability to offer training to allies is enormously important, and our ambition is indeed to increase the scope of that. That is what that paragraph is gesturing towards. Obviously, it has to be done carefully. I think you and I are agreeing with the point that was made earlier that it must never be

done in a way that diminishes our ability to train our own, and obviously we have to be careful about who we train and under what circumstances. But given those caveats, yes, we do accept that this is a very important component, we do think we now have the capacity to do more of it, and we are intending to do more of it.

In addition, as you rightly mentioned, defence exports are important not just economically, but to maintain our own defence industries, which are important to our national security, our sovereign capability and our freedom of manoeuvre. You yourself were involved, and I am glad to say that things have moved in the direction in which I think you were urging at the time that they should move. As part of exports, we are now willing and able to engage in what goes by the horrible jargon "G2G"—Government to Government—relationships, which some of our competitors have been better at in the past than we were, and we are improving matters. The Defence Secretary has been hugely keen on that and runs a Committee that has been drawing on resources around Whitehall to promote that.

Within the limits of not compromising our training of our own troops, and our own naval and air force personnel, and within the limits of not training people we do not want to train to do things we do not want to train them to do, we intend, both as part of defence exports and as part of developing our allies, to increase our efforts in these domains.

Q56 Baroness Falkner of Margravine: I just want to pick that up. You use the words "partners" and "allies" interchangeably. That concerns me because, in my book, partners and allies are two very significantly different things. To come back to what you were saying about training, we are told that the personnel who have been sent out to Saudi Arabia in the context of the Yemen war are there to advise and help on the rules of war. If that is the objective of the training that we are giving, and if it then transpires that the rules of war have been flagrantly breached—as they have been in Yemen, with huge human rights violations—who is culpable? Is it the training? I do not mean legal culpability; I mean how it affects the public's perception. Are our hands not tainted when we do that kind of training and then end up in a situation where the people we have trained go out and do worse things than we would have imagined had we not given them the training?

Mr Letwin: First of all, on the point about "partners" and "allies", for the avoidance of doubt, I do not regard those two terms as synonymous at all. Indeed, the point I was trying to make in response to your earlier question was that there are many different kinds of partnerships. Some of them, as with the United States, are alliances. Some of them are not alliances; they are economic partnerships, trade partnerships or other kinds of partnerships, which are distinctly not defence and security alliances.

So far as the question of taint and training is concerned, that is an interesting and important issue, but I don't see it the way you are describing it. Let me take the analogous case of transparency and anti-corruption. As you will be aware, the Prime Minister has been extremely keen to promote a global agenda on the reduction of corruption. He thinks and we think that that has huge benefits to mankind, and also to Britain. It enables us to contribute to prosperity in other countries where we are virtually debarred by current levels of corruption. DfID, among other UK agencies, has devoted a very considerable amount of time, effort and money—it will be devoting more—to providing help to various countries to reduce corruption.

Effort is being made in those countries precisely because there is at the moment a high level of corruption. We wouldn't offer such assistance to countries that are very uncorrupt. Do we thereby take responsibility for the remaining corruption? No. We are trying to make things better. That doesn't mean that we always succeed, but just as we employ a police force in the UK to prevent crime, despite the fact that there is crime, it is a good thing to do. That is a good thing to do notwithstanding the existence of crime. In fact, the more crime there is, the better it is to have a police force. The more corruption there is in a country, the better sense it makes to try to help them to reduce it. Similarly, in cases of training, if we can train people to act properly and within the international rules-based order, the fact that we won't always succeed shouldn't prevent us from trying to fulfil the ambition.

Q57 Baroness Falkner of Margravine: Indiscriminate killing is qualitatively different, I think, from taking a bribe, but I will leave it at that.

Mr Letwin: Of course it is qualitatively different, but both are evils. One is an even greater evil than the other—a much greater evil than the other in most instances, although some kinds of corruption can be very evil indeed and can lead to multiple deaths. But the fact that it is qualitatively different doesn't mean that the same argument doesn't apply. I think that aiming to help people to conduct themselves better is worthwhile, even in circumstances in which they are not currently conducting themselves well.

Q58 Lord Ramsbotham: May I ask a slightly lateral question—not entirely tongue in cheek? Why is this military training not regarded as aid? Of course, as a former soldier, I would say that it would be nice if part of the 0.7% could be transferred from DfID to the MoD.

Mr Letwin: The point of the conflict, stability and security fund is to enable us to deploy resources from a wide range of Departments—including from the aid budget—to try to reduce conflict and increase stability and security. I am speaking here on the basis of guesswork rather than knowledge, because I have not gone into the innards of the £100 million that we are currently spending this year in Africa under the CSSF, but I'll bet you that some of it is on training.

DfID as a whole is spending a very large proportion of the 0.7% of GNI very consciously in areas where as well as poverty, we witness instability. That is partly simply on developmental grounds: civil war, conflict and instability are generators of poverty, as well as other suffering, on a heroic scale. The general line of your thought is one we are following. We are trying to use our aid budget and the other budgets of Government intelligently to stabilise parts of the world that are unstable and to relieve the suffering that comes about from instability as much as to foster economic development in the longer term.

Q59 Chair: Could I just ask you to clear something up that we were going to ask you later anyway? Are you the Minister responsible for that fund? If not, who is?

Mr Letwin: No. There is not a single Minister who is responsible for that fund. The way that fund operates is that there is a board rather than a Committee, which is a group of

officials who are answerable to a group of Ministers. We can send you a note of the Ministers who are involved.

Chair: That would be very helpful.

Mr Letwin: That board then responds to, or accounts for itself to, the National Security Council. The strategic decisions about how to deploy the fund are made by the National Security Council year by year, but the oversight of the value for money within the fund and the assessment of bids into the fund from Departments is undertaken by the board and by the officials working to the board. We could send you a note on the whole articulation of that.

Chair: That would be extremely helpful. Thank you. We move on now to the National Security Strategy.

Q60 Dr Lewis: The National Security Strategy and the strategic defence and security review are being combined into a single document, but the National Security Strategy part of it is underpinned by a national security risk assessment, of which there has been published a table of three tiers of risk or threat, with 20 broad categories divided up among those tiers. That is what I want to talk about at this stage. Is that meant to be a practical tool for the allocation of priorities, or is it more designed to help the public understand the sort of trade-offs that Government have to make when allocating scarce resources?

Mr Letwin: You are referring to the diagram on page 87. The three tiers are—as I know you will have been informed this morning, but I guess you knew already—devised on the basis of a Y axis and an X axis, with the Y being the impact and the X being the probability. Although the impact of some of the items in tier 2 and tier 3 is great, where that is the case the probability is assessed as lower, and the tier 1 items are therefore items where there is both a very high impact and, in our judgment, a high probability. That is not to say it is likely to happen tomorrow or on a massive scale, but there is a serious risk of it happening at some time in the near future. That is a guide to action on our part.

If one looks at paragraph 3.3 on page 15 of the National Security Strategy, we list four particular challenges: the increasing threat posed by terrorism, extremism and instability; the resurgence of state-based threats; the impact of technology, especially cyber; and the erosion of the rules-based international order. Those correspond closely to four of the six tier 1 items—terrorism, international military conflict, cyber and instability overseas. The rest of the document is focused heavily on trying to meet those particular threats. The reason the rest of the document doesn't focus so much on the public health threats and the major natural hazards is that, although we regard them as having as high a combination of impact and probability, they come more within the civil resilience framework.

I am obviously happy to talk to the Committee about my and our collective efforts to improve our response to public health and to major natural hazards, but this document focuses on the other four tier 1 threats. These are chosen as guides to action and not just as a means of presenting to other people what is most likely among what is most catastrophic.

Q61 Dr Lewis: Do you accept that there is a considerable degree of potential overlap between several of these different categories in several different tiers? I am particularly thinking of the ones involving military attacks. For example, you have in tier 1 international military conflict, in tier 3 you have military attack on the UK overseas territory and bases. In tier 2, you have chemical, biological, radiological or even nuclear attack. There is a lot of overlap there, but isn't it true that when it comes to the outbreak of conflict, the vast majority of conflicts in which this country has been involved throughout the 20th century and arguably earlier—and since as well—have been unpredicted until within days of them happening or even until they actually happen? How can you possibly assess probability and say that nuclear war should be tier 2 or that military attacks on the UK should be tier 3?

Mr Oliver Letwin: First of all, you are obviously right that, in the Prime Minister's words in the foreword, the world is very uncertain and unknowable. If anybody was able to predict things with a very great degree of confidence in advance, it would be a lot simpler to manage the world than it is. I obviously accept that. Having said that, at any given moment in the state of knowledge we currently have, one has to make some assessment of what is most likely to happen soon. It is not difficult, looking round the world, to see cases in which international military conflict is occurring now and is very likely to occur at some time in the very near future. It is mercifully less likely that the UK will itself be attacked in the very near future, looking at things as they look now. Mercifully also, it is less likely in particular that there will be a nuclear or other CBRN attack on the UK, as things look now.

You are right, obviously, that there is some overlap between these, but the reason why the CBRN is put ahead of the military attack on the UK is that it is in impact even greater than the other form of attack. But the fact that it is in tier two does not mean that we have ignored it at all. It means, on the contrary, that we are investing, rather controversially, quite a large amount of money in our nuclear submarines and missiles in order to make that threat less likely to occur.

Q62 Dr Lewis: Would you accept therefore that because threats may be in tier 2, that is to say, very high impact if they happen, though low probability at any one time of them happening, it may well make sense to invest considerably more resources to counter a tier 2 threat than a tier 1 threat such as terrorism, for example, which would have a high impact and is much more likely to happen, but doesn't necessarily cost as much to protect the country against?

Mr Letwin: It is absolutely true that in the case of both CBRN attack and serious and organised crime and financial crisis, which are three tier 2 risks, this country has invested and is investing large amounts of time, effort and money—I think rightly so. The fact that a risk has a high likelihood of materialising soon is not the only consideration. If you have a risk that has a very large impact, it pays to spend a serious amount of time, money and effort trying to prevent it from happening, even if it is not very likely to happen on a huge scale soon. In the case of serious and organised crime, things are the other way around: it is very likely to occur, in fact it is certain to occur—as we all know, it is happening all the time—and its impact is not commensurate with that of a CBRN attack, but we nevertheless devote considerable resources to it because of the extreme likelihood of it happening.

Q63 Dr Lewis: Given that we seem to be agreed that tier 2 threats, if they happen, could well be more important than some tier 1 threats, would it not make more sense to call these tiers something other than 1, 2 and 3? That suggests a lesser importance to the tier 2 and tier 3 threats, and is often used as a factor in debate on whether we should be investing to meet tier 2 and tier 3 threats. Can you tell us about the fact that this is the public face of the national security risk assessment, but there is a more classified version—is there not? Can you give us some indication of what the character of a more classified version would be, even though you cannot be specific?

Mr Letwin: There is of course a much finer-grained analysis, as you rightly point out. Obviously, the specific measures that we take—incidentally, this applies not only to the national security risk assessment but to the national risk assessment as a whole. I have been a primary apostle in Whitehall for the doctrine that very high impact events, even if they are very unlikely, merit our attention and that we should develop resilience to them, just in case.

Now we come to the questions of relative magnitude, of effort and of the position of a particular risk on this table. Incidentally, I hold no particular brief for calling them tier 1, tier 2 and tier 3, and I am very interested to hear what the Committee thinks of that as we move forward. I mentioned CBRN, and I think you and I are agreed, as it happens, that this country should be investing in a nuclear deterrent. As I mentioned, that is obviously enormously expensive, despite the fact that it is highly unlikely that there will be a nuclear attack, as things currently stand, tomorrow or the day after. Having said that it is enormously expensive, one should also note that the total expenditure on it—I may get this figure slightly wrong—is somewhere between 2% or 3% of the defence budget.

Q64 Crispin Blunt: It is 6%—operating cost—of the defence budget. So it is 6% of the defence budget to sustain it—not to buy it, but to sustain it—just so that we are clear.

Mr Letwin: To buy it is, I think, about—

Crispin Blunt: £40 billion.

Mr Letwin: Precisely, which I think is about 2% or 3%—

Crispin Blunt: But it is 6% of the budget to keep it.

Mr Letwin: Nevertheless, whichever way one defines this, more than 90% of the defence budget is not allocated to that and, while we are at it, more than a larger sum of the total security budget is not allocated to it. I am sorry to have opened up this issue, but it is important to notice that therefore a huge part—an overwhelming majority—of our investment is not on this terribly dangerous, but very distant, prospect and the attempt to deflect and deter it, but is on other things, and most of those things are in the tier 1 category. If you look at this document and ask yourself what it is prioritising and where we are putting the muscle, the effort and the money, you see that is, above all, on the four priorities sketched on page 15 that I was referring to. They tally, roughly speaking, with four of the six tier 1 concerns, which are the SDSR-specific ones, and that is why we are developing, for example, the vast additions to our cyber-defence, our security and intelligence agencies, our counter-terrorism effort and this large projected force of 50,000 that we can use flexibly. So there is a congruence between these levels, but it does not

mean that we are ignoring the very large but, I hope, rather distant prospects of some appalling things that could happen to us. On the contrary, we are investing against them too.

Dr Lewis: I will conclude by noting with relief that the prospect of Britain perhaps voting to leave the European Union has not been included as a category 1 threat, even more dangerous and disruptive than nuclear or conventional war. I will pass on to a colleague to continue the questioning.

Chair: Can I just say, before we pass on, that I now have half a dozen colleagues who all want to come in on these sections? I am going to go to David Trimble immediately, then to Crispin, and then to David Ramsbotham.

Q65 Lord Trimble: By listing 20 risks, or 27, isn't there an implicit undertaking, through having that, that we can deal adequately with each and every one of them? Can we?

Mr Letwin: There is an implicit undertaking that we will devote a rational proportion of our resources to trying to tackle each and every one of them—yes, of course.

Q66 Lord Trimble: Resources are limited and so inevitably there are going to be some areas which are not resourced as well as others, or perhaps not resourced to the level that is necessary to deal adequately with the problem.

Mr Letwin: No. The way I would put it is that our task as a Government is to make sure that the finite resources at our disposal are allocated in proportion to the item in question. In no case can you guarantee perfectly security against anything. You are always trying to make sure—and you have run part of our country where this was abundantly true day by day—that you are doing a proportionate amount of each of the things you need to do to make sure, with the resources at your disposal, that you are properly and proportionately protecting against all the risks.

Q67 Lord Trimble: Would it not be better to spell that out? People aren't fools and they would, I think, have more confidence in a strategy that accepted that limited resources have consequences for how much you can do at each time.

Mr Letwin: I think I have to accept that as a criticism of the way we have explained ourselves, if that wasn't clear. That is the whole premise of the strategy. We did it explicitly and consciously in tandem with the expenditure review to ensure that as we worked out what mattered most to us to defend against, we also worked out what we could afford to spend on doing it. We iterated between those two until we got to the point where we felt that we had allocated resources in a way that was proportionate, and we have never tried to claim at all that we had infinite resources or an infinite capacity to ensure perfect protection against everything. That is not at all the argument we are trying to make.

Q68 Lord Trimble: In terms of these tiers and identifying risks, the numbers have been increasing. We have 20 now; your earlier versions were much reduced. Are we not actually in danger of losing credibility if we keep on listing increasingly more and more risks, with the

implicit undertaking that we have enough resources to deal with each and every one of them up to a certain level, which may or may not be specified?

Mr Letwin: I agree you can't just go on forever listing every possible kind of risk and retain meaning. I don't think the number contained here is too great. As you were speaking, I was casting my eye over the lower half or third of this table. In each one of these, I am conscious of things we are doing and resources that we are spending to make sure that they are protected against.

Let us take, for example, the case of fuel supply, which is the second from left of tier three. It is at the bottom of the table. I have personally spent a considerable part of my time—so has the Energy Secretary and the Transport Secretary and, while we are at it, the Prime Minister and the NSC as a whole—on the question of how we prevent disruption of fuel supplies in this country. This is a very, very important resilience issue. As some members of the Committee will be well aware, we have trained up a whole cadre of military drivers. We have taken steps in relation to a series of investments and agreements to make sure that our fuel supply is not interrupted. Again, there is no guarantee of perfection in these cases, but I think I can honestly say that we have taken proportionate steps so that we are as well protected against that as we should be, in the light of the severity of the threat it poses and the likelihood of it occurring.

These are not just listed as things that in some other world we might be able to deal with, but as things we are devoting resources to. To things at the top of the table, we are devoting a lot of resource relative to other things. There are things, as you go down the table, where, although in some cases we are still devoting a lot of resource absolutely to them, it is smaller relative to what we are devoting to tier one. I think that is the right relationship.

Q69 Crispin Blunt: Minister, you have just revealed that if there is any form of resource allocation discussion between these threats, you are not aware of the scale of the resources going into one of these items. You have just told the Committee that you thought the deterrent was going to cost between 2.5% and 3% of the defence budget. The Minister for Defence Procurement in a parliamentary answer to me said it is going to cost 6% of the defence budget, and that is just the running costs.

Mr Letwin: These are different definitions. I was talking about the capital cost compared with the defence budget, and I think that is somewhere between 2% and 3%.

Q70 Crispin Blunt: First off, you are going to take a £40 billion decision to acquire a successor, and then you are going to be bought in to sustain the successor through service. That is a £187 billion programme on current numbers before you have to protect it against threats that then appear over the course of the next three or four decades. Where, in the resource allocation, between all these different threats our country faces, does that resource allocation discussion take place? For my money, I don't think the defence budget can bear that scale of investment in that at the price of conventional defence. The price being borne, potentially, against these other threats would suggest that any resource allocation discussion is frankly irrelevant, isn't it?

Mr Letwin: No, I don't think so at all. Let's take your figure of 6% including—

Crispin Blunt: Why have we been given no indicative numbers on what is spent on each of these threats? Wouldn't that help Parliament in assessing whether the strategy is in the right place? It might help you.

Mr Letwin: I think we do know how much we are spending in relation to each—

Crispin Blunt: You don't.

Mr Letwin: I was giving a clear answer to a particular point and making what I think is an accurate observation about the capital cost compared with the defence budget. It is absolutely true that, if you add in the operating costs, it is rather larger. It remains the case that over 90% of the defence budget is not being spent on that particular item. Whether that is the right or wrong allocation is, of course, a matter of debate. We think it is the right allocation.

The point I was trying to make to Dr Lewis was that it shows, beyond any doubt, that where you have a very large threat, even where it has a very low probability associated with it, the Government are willing to invest very large sums—you would say 6% of the total budget and I would say 2% to 3% of the capital budget—on defending us against it. I think that is the right thing to do.

Q71 Crispin Blunt: It is about 30% of the procurement budget in the period in which you are procuring, by the way.

Sir Gerald Howarth: That's not true.

Crispin Blunt: It is of that order—of that scale.

Chair: Hang on. We can't have any internal rows.

Mr Letwin: I don't think I should enter into a long, statistical analysis. I am very happy to send you, or to ask the Ministry of Defence to send you, a long letter on all the relationships between these kinds of expenditure.

I hope we could agree that the point remains that the overwhelming majority of expenditure lies elsewhere. It lies elsewhere because the chances that we assess of other things happening are greater, even though the impact would be less. That is the trade-off that we are constantly making—between the chance of it occurring, as things now look, taking in Dr Lewis's point that that may change at a given moment, and the impact that it would have. Neither are we ignoring impacts, nor are we ignoring chances.

We are trying to make the investment proportionate to those factors and also, of course, to the effects. It is relatively cheap to protect yourself against the disruption of your fuel supply and much more expensive to protect yourself against cyber-attacks, and more expensive yet to be able to project a force of 50,000 personnel and all the accompanying equipment for six months, which is the bulk of what the defence expenditure actually achieves.

Q72 Lord Ramsbotham: Listening to Crispin, I am reminded of Field Marshal Carver's two definitions of affordable: can you afford it; or can you afford to give up what you have got to give up to afford it? I think this subject comes into that.

I am interested in the question of combining the National Security Strategy and the security and defence strategy, because in 2010 there was not a National Security Strategy to inform the SDSR. This time, we were told that a National Security Strategy would be published separately and so we would be able to study that and relate the SDSR to it. One hoped that the people producing the SDSR would be armed by the National Security Strategy. It would appear that, in a way, they are the same people and it has come from the same source. Is that comfortable, or is there a blurring of the boundaries in all this?

Mr Letwin: I think it is not only comfortable but an advance. I think our experience in 2010 taught us that bringing these two together in a single document is actually clearer and gives you a much better sense of the articulation between them. In the end, strategy and the way in which it gives a shape to our investment and decisions cannot really be separated from one another. I therefore personally find this document more helpful than two separate documents would be. It is for the Committee to judge whether you share that view or not.

Q73 Lord Ramsbotham: It is a question, because one imagined that the National Security Strategy would inform other things. Dare I say it, even the comprehensive spending review would have to refer to the National Security Strategy.

Mr Letwin: You see, I think that is a good case for why it makes sense to bring these things together. There are two impossible things, neither of which we wanted to do. One would be to have a spending review that ignored the strategic defence review. The other is to have a strategic defence review that ignored the expenditure review. The only way to bring these together rationally, as we came to think about it, was if the National Security Strategy and the SDSR, to which, so to speak, it gave birth, were constantly iterating with the spending review so that we were sure that we would end up with something that was a rational allocation of the resource we had, by that time, committed to this area of our national life.

I do not want to claim that it is perfection, but I think we did a reasonable job of that in the sense that most people looking at this would say that, for example, commitments and budgets are reasonably well aligned, which has not always been the case in the Ministry of Defence, and the whole adds up to a coherent picture. Not everyone may agree with the set of choices that it embodies, but it is not a set of disparate items—they add up coherently. Therefore, I think the decision to run the NSS and the SDSR together and at the same time, and iteratively with the spending review, based on what I think it is important to stress was a year's worth of work by officials before the election—before they knew who the Government were going to be, who the National Security Council would be and so on—looking at a whole series of questions about the geopolitical context, defence context and so on, working with experts, and then doing an iterative job over six months with the SDSR and the NSS tied together and iterating with the spending review, has turned out to be a much more comfortable way of doing this than we had discovered in 2010.

Chair: May I alert colleagues to the fact that I have got three more colleagues to come in on this general section, but I want to keep time for cyber and for critical national infrastructure? Could colleagues bear that in mind?

Q74 Sir Gerald Howarth: Minister, in February, Sir Mark Lyall Grant, the National Security Adviser, came here and told us that one of the measures by which the success of the National Security Strategy would be judged would be whether it needed to be refreshed or renewed in the light of events before 2020. Given that the 2010 review was not refreshed despite the Arab spring, Crimea and so on, what do you think will be the measure of success for this national security review? What events would have to happen for that to be refreshed before 2020?

Mr Letwin: The context in which I answer that is that, as I hope we have made clear—we have certainly tried to make it clear in the draft in the document—we are not pretending to know the future. The whole point here is to develop a set of actions and capabilities that are flexible and that give us maximum flexibility in the face of changing threats. I am sure that what Mark was referring to was precisely that: it is a measure of success from our point of view if what this document sets out is sufficiently flexible so that in the light of events that we cannot now predict—one, two, three or four years from now—we have developed a flexible response that gives us the capability to deal with those threats appropriately.

Q75 Sir Gerald Howarth: You have made much of this adaptability and I entirely agree—I'm sure we all do—that the ability of Government to adapt to changing circumstances and changing threats is absolutely imperative. I do, however, genuinely struggle to understand who is actually looking at these threats, some of which are not entirely unpredictable. Forgive me, but Crimea was not unpredictable. I would like to know what work is being done to assess what Mr Putin's next move is going to be on the basis of his attack on Georgia and his annexation of Crimea. There will be a response to the shooting down of a Russian jet by Turkey. What work is being done on that?

What work is being done on China? We have the Chancellor of the Exchequer prostrating himself before the Chinese authorities to get money from China to finance our infrastructure but, at the same time, China is attacking us by cyber means. It is seriously destabilising the whole of the South China sea, annexing atolls and building port and airfield facilities on disputed atolls. I just don't see where the strategic review is. I see President Obama today announcing that he will respond by giving Vietnam access to US military equipment. I see Ash Carter, the American Defence Secretary, sailing into these disputed waters. I do not see where the British strategy is for that which, in my view, is foreseeable, let alone the adaptability if that is unforeseeable.

Mr Letwin: All I can really say to the Committee is that, at the National Security Council, we are very concerned with both issues you raise. We have spent a lot of time talking about receiving information from agencies and officials around Whitehall about Russia and its intentions and possible moves. Likewise, we have spent a lot of time

deciding what we do and we do not want to do in light of various issues that arise in our relationships with China. Obviously I don't remotely accept the description you gave of the Chancellor's relationship to China. His and our collective strategy is to recognise that China, like it or not, is one of the great economic powers of the world that is emerging, and to recognise that that entails having a set of trading and economic relationships with China, if we want this country to prosper in the future, but to do that with our eyes open and to ensure that, in a whole series of ways, we guard against various kinds of issue and threat in such a way as to give ourselves proper protection. I do not think at all that those are two incompatible propositions, but obviously they need to be managed. All that work is continuously under way across Government and across the agencies, because the NSC demands that it should be, and it will, I'm sure, go on doing so.

Q76 Baroness Falkner of Margravine: Mr Letwin, to stay with that thought, I do not think that anyone is expecting you to look into a crystal ball, but future proofing strategy is an important consideration, particularly given the track record that Sir Gerald has just described over the last decade or so. We know—this is contrary to the view of Dr Lewis, for whom I have the utmost admiration, that the Brexit referendum should not count as a threat—but I think it is a huge threat to the country. We know for sure that it will effect a radical change in the UK's place and role in the world if the United Kingdom decides to leave. To give you an example, in my opinion, in the longer term, it would imperil our P5 position on the UN Security Council for starters. I am looking for some comfort from you, given that policy seems sometimes not to take account of this. For example, I led for the Lib Dems in the House of Lords on the European Union referendum Act in 2011. I chair the EU Financial Affairs Sub-Committee. I could have written for you then, in 2011, that we will require a referendum because of that Act at some point because there will need to be treaty change in my area of work—that is openly acknowledged. Do you do scenario testing? Do you look at improbable events and actually assign them some weight beyond categorising them in these tiers?

I will give you a more specific question than that because we are in a hurry. In November, you announced four regional counter-terror hubs in regions of the world that were clearly concerns, but somehow Europe, which has suffered the most egregious terrorism assaults, and when there are great concerns across the European countries about home-grown extremism, terrorism and so on, did not get a hub of its own until April 2016. Was a European hub considered and discarded because Europe was not seen as vulnerable? How do these decisions take place and how do you future proof the strategy? If you do not future proof it, are you then agile enough to have a new review quickly when your strategic environment changes dramatically?

Mr Letwin: There is a series of important questions there. One is the specific question about the European hub, and I think it is better that I ask the Home Secretary to write to the Committee about that, rather than speculating about the precise order of the decision making, which is very much her domain and that of other line Ministers specifically responsible for it.

On your general question, I am desperately trying to avoid getting into the whole issue of whether this country remains or leaves; we have already had a discussion about the nuclear deterrent and I do not want to precipitate further controversy. On the general issue you are raising about whether, if the strategic context were to alter in some significant way, it would make sense to go back and look at the whole thing to see whether it required revision, the answer is clearly yes, it would. Obviously it is a matter for decision of what constitutes a strategic change of sufficient magnitude to merit that kind of reconsideration. I have no doubt there may be different views in the Committee on the particular question that you raise. I do not want to enter into that now, but I am clear that there could be circumstances under which you would say that the strategic context has altered sufficiently to look again at the question of whether we are appropriately disposed for the new context.

Q77 Baroness Falkner of Margravine: Are you considering doing that before 2020 depending on what happens on 23 June?

Mr Letwin: I am very carefully trying not to engage in discussion about that particular issue.

Baroness Falkner of Margravine: I feel your pain, but I thought it was important to test how far you could go.

Q78 Baroness Buscombe: Of course there is a caveat to all this and you were kind enough—although I have to say I found it slightly patronising—to say we are not talking about an economics department at the Ministry of Defence, but the implementation of national security largely relies on reinvesting approximately £11 billion in efficiency savings. Is there a plan B if we do not achieve those efficiency savings?

Mr Letwin: No, the plan is to achieve them. It is absolutely crucial that we do so. The Defence Secretary is totally committed to doing so, and we will do so. That is almost the only easy question I have been asked this afternoon.

Q79 Baroness Buscombe: Well, let me take it one step further. I understand that the Ministry of Defence will have to find £9.2 billion of these savings. Paragraph 4.61 of the National Security Strategy sets out one way in which the Department will be leaner and more efficient, which is to let go of approximately three in every 10 of its civil servants by the end of this Parliament. How will this steep reduction in staff numbers affect the MoD's ability to implement the programme outlined in the 2015 strategy and Strategic Defence and Security Review? Has there been a proper consultation and thorough strategic approach as to who will go and how in order to make it leaner and more efficient?

Mr Letwin: The figures quoted in paragraph 4.61 are totally consistent with the implementation of the review, precisely because we designed it in that way as we were working through it. The single departmental plan for the Ministry of Defence is developed precisely to ensure, alongside the other SDPs for the other Departments, that we are delivering the efficiencies in a way that is compatible with the delivery of their programmes. That is the point of creating single departmental plans rather than having different plans—so that the money, the efficiencies, the delivery of the programme and the delivery of business as usual are all part of the single departmental plan. That means that the Secretaries of State, their Ministers and the non-executive directors on their boards are

responsible for making sure that they are coherent. That is the first time we have tried to do that.

This was not done in the previous Parliament because we did not have single departmental plans, and we brought them together precisely for that reason. I am confident that the reduction in civilian personnel is totally consistent with the delivery of the commitments in the SDSR, and so is the Defence Secretary. I have not heard the slightest suggestion from him—I do not expect to over the next four years—that he is unable to deliver the commitments for which he is responsible because of the efficiencies for which he is responsible. He is signed up to both of them equally.

Q80 Baroness Buscombe: Can I take it one step further? The Chancellor's announcement last summer of a guaranteed increase in defence spending for each year of this Parliament caught many by surprise, and now it seems that his economic forecast was over-optimistic. Bearing in mind what may or may not happen in the short to medium term if we were to leave the EU, what does it mean for the implementation of the strategy if our forecasts have to change?

Mr Letwin: The Chancellor does not make forecasts anymore; it is the OBR that makes forecasts.

Sir Gerald Howarth: He's done one today; it's a load of nonsense.

Mr Letwin: I am sorry; the Chancellor does not make forecasts of public expenditure for the nation. The OBR makes forecasts for the nation, and rightly so—it was right to separate that as an independent exercise. The OBR also makes forecasts for fiscal receipts and for the balance. As a matter of fact, its forecasts at the moment are closely coincident with the programme that we are following. The Chancellor is committed to a set of expenditures in the expenditure review and we intend to stick by those. That includes the expenditures that are devoted to the implementation of this review, so there is no intention whatsoever to vary this.

Chair: On this point—very briefly—Gerald.

Q81 Sir Gerald Howarth: As you know, Minister, last year I had a Bill to enshrine in law that we would spend 2% minimum on defence and, at the last minute, the Government announced that they were going to commit to the 2%, which of course I welcome. However, last year that was achieved by transferring £1.2 billion of money spent on pensions from another Department and assigning it to the Ministry of Defence. This information was provided by Professor Malcolm Chalmers of the Royal United Services Institute, who is here. I submit that that was creative accounting at best, and at worst dishonest, because it did not result in any more cash for the Ministry of Defence.

I am told by Ministers that there is no cash increase this year. If there is to be a cash increase next year, can we be assured that the Government will not again transfer items of expenditure from other Government Departments into the Ministry of Defence? This may be consistent with

NATO rules, but it has not been past practice in this country. Can we also be assured that Defence will get a real cash uplift next year?

Mr Letwin: You have slightly anticipated what I was about to say. Mr Parish, the NATO Deputy Assistant Secretary General, said very specifically that our definitions are "fully in accordance with the NATO definitions". That is the basis on which the 2% is settled. I have, of course, seen Professor Chalmers's work. I do not actually think that anybody has got the numbers wrong on either side. As I understand it, there are essentially two questions. One is whether you take as the baseline the Treasury baseline or whether you take the actual expenditure in the opening year, and whether you include or exclude the national cyber-security programme. When you allow for those two differences, I think we are in agreement with RUSI about the numbers. The whole of the commitment, therefore, will be met on NATO definitions and on the basis of real numbers.

Q82 Sir Gerald Howarth: I accept that it is consistent with the NATO definitions, but it is not consistent with past practice. If the Government want to do this, be honest about it. What the public are looking for, particularly what the armed forces are looking for, at a time when everybody agrees that Britain and all of us face a very dangerous and uncertain world, is actual increase in capability and funding for our armed forces, not least in personnel.

Chair: Very briefly if you don't mind, Minister. I want to move on.

Mr Letwin: Certainly, Chair. First, there will be significant increases in capability, as one sees from the plans, if we fulfil our commitments, which we have every intention of doing. Secondly, expenditure will rise by about 0.5% above inflation in each year between now and the end of the Parliament in the MOD. I think those two things together are very powerful.

Q83 Crispin Blunt: Which NSC sub-Committee is responsible for ensuring that cyber-initiatives set out in the 2015 National Security Strategy are implemented?

Mr Letwin: The NSC (Cyber) sub-Committee, which is chaired by the Chancellor of the Exchequer.

Q84 Crispin Blunt: So it is in charge of implementation.

Mr Letwin: Sorry. The checking and tracking of whether each of the Departments involved, including the cyber committee, has implemented each of the things, is part of my brief, but the decisions required in order to make the cyber-strategy become real are being made in NSC (Cyber), chaired by the Chancellor of the Exchequer.

Q85 Crispin Blunt: But your sub-Committee chases implementation on cyber.

Mr Letwin: Yes. Absolutely.

Q86 Crispin Blunt: That's helpful. Paragraph 1.11 of the National Security Strategy says that the Government will implement "tough and innovative" cyber-security measures. What does that mean and how do you assess it?

Mr Letwin: I will try to tread carefully because there are things that I can and things that I suspect I cannot say. The first point is that, in reviewing the resilience of our nation to cyber-threats, for this purpose I don't think you can adequately distinguish industrial from public sector and defence. We live now in a world that is so integrated in terms of communications—

Q87 Crispin Blunt: Perhaps we could break it down into tough and innovative and what the implications are.

Mr Letwin: First, I just want to set the framework: these things are all integrated. One of the areas where I think we are being both tough and innovative is in getting industry, especially the core industries—for example, the telecoms industry—to take much more seriously than it had previously done the need for cyber-security; and we are being innovative because we are creating a national cyber centre staffed out of GCHQ, but drawing in others, to make sure that we go through line by line what those industries are actually doing; and we are exposing to them very precisely what kinds of threats they face and what kinds of actions they need to take to protect themselves. That is the innovative bit. The tough bit is that we have drafted legislation that we would be prepared to bring in if they do not co-operate. We are seeking to reach voluntary agreements with them under that threat, so to speak.

I am sure that members of this Committee and, indeed, of your Committee, will have come across Dr Ian Levy from GCHQ, who is probably one of the cleverest people in Britain. He and his staff are spending an enormous amount of time working out, in pretty awesome detail, what the exposures are and how they need to be filled. We are then tracking it, step by step, to ensure that those back doors—and front doors, in some cases—are properly shut tight.

Q88 Crispin Blunt: In that bullet, it says those measures will be "put in place…as a world leader in cyber security". Are we globally in the lead on cyber-security, and how do we know?

Mr Letwin: I am not, obviously, an expert so I have to go on the basis of what experts tell me. I do not mean just Government experts, but others whom I have taken trouble to talk to, as have other members of the NSC (Cyber) sub-Committee. The experts tell me that there are only four or five countries in the world that are in the world class on cyber-security, and we are one of those. I think that GCHQ represents one of the most important assets that this country has.

Q89 Crispin Blunt: The 2015 National Security Strategy says that the second five-year national cyber-security programme, which starts this year, "will ensure that we have in place

all the necessary components to defend the UK from cyber attack." Am I right in taking that to mean that we do not already have those components in place?

Mr Letwin: Correct. There is no doubt whatever that we have significant vulnerabilities that we need to protect ourselves against. This is a constant battle because the technology is moving forward, as are the skills of our adversaries. We have not only to plug the gaps that exist, but to keep on using innovation and toughness to get to the point where we are continuously protected.

Q90 Crispin Blunt: So how will you ensure that the £1.9 billion that has been allocated for the next five-year programme puts that mitigation in place?

Mr Letwin: Well, that is our generous estimate—we didn't try to pinch pennies on this—of what can be used by the relevant agencies and entities that either exist or are being created to do this work. In almost every other domain across Government, one starts with a resource constraint as well as an ambition, and you try to match them. It is quite important to expose to the Committee that we did not start that way. Here, we said, "This is so important and so fast-changing that we should ask a different question." That question is: what is the most that could be productively, effectively and efficiently spent by the various bodies available to us to protect us most effectively against cyber-attack? That is how we got to our £1.9 billion.

There is therefore a lot of money available relative to the size of what we started with. I hope, therefore, that it will be more than adequate. I do not think, at the moment, that the issue is money. At the moment, the issue is ensuring that people do things that we know they need to do—and, in some cases, that we know we need to do—which have not yet been done. Most of those things are not actually that complicated, although some are very clever.

Q91 Crispin Blunt: It has been put to me that the Americans are going to put aside $200 billion to protect their deterrent alone from cyber-threat. Now, I put that out there simply to show the scale of investment that may be required in cyber, compared to one hundredth of that that we are putting in over the next five years on everything. How much validation of our work goes on with the United States? How much do we compare what they are doing in this whole field with what we are doing?

Mr Letwin: A lot of discussion goes on between the two. I do not know how to put this delicately. My impression is that the approach that is being taken in the UK may deliver better value for money.

Crispin Blunt: It will have to, won't it?

Q92 Lord Mitchell: Minister, could I address this whole issue of cyber-skills? I come from an IT background, and it's an area I know and have worked in. In that area there is a very clear demand for people who are highly qualified, and that is just in the commercial sector. Looking at the areas about which we are talking, when the national security adviser

saw us, he said that there were only 20 people taking part in the flagship Cyber First university sponsorship in its pilot year. We have big ambitions for what we want to do. My real concern, and the question I would like to ask you, is whether you worry about the quantity and quality of people who are working in this area. Do you worry about whether we can get them, whether we can train them, whether they are skilled enough and whether these people are going to be ahead of the curve in such a fast-moving, dynamic area?

Mr Letwin: I would make a radical distinction here. I have no worries at all about the quality of the people we currently employ, and I think that this is almost the only area of Government about which I could say that. These people are fantastic. Obviously I am in no position to judge their expertise so, as a layman, what I judge by is whether I can really get a proper answer when I ask the tenth question. From these people, I can. They really know what they are talking about.

Yes, I do worry about the quantity. We worry about it, and that is why we are investing in it. We need to do more, and we need to do it faster. We are very conscious of that. We need to do that at all levels. This is of course true across the economy, as you will all be very much aware. We need to get people, particularly girls, into STEM subjects and more people into apprenticeships. We need to get more people into the relevant kinds of university training. We need to train people beyond university more. We are trying to do all that.

Q93 Lord Mitchell: I am pleased to hear that. Do you think that these people are allowed to think widely outside the box?

Mr Letwin: Yes.

Q94 Lord Mitchell: You do.

Mr Letwin: Hugely. This is probably the most imaginative group of people I have come across since I visited Bell Labs way back. There is something closely akin to genius going on here, among a group of people who are hugely enthusiastic and who talk in ways that are entirely team-oriented. They are not thinking about their own careers; they are thinking about how to solve problems. All that is brilliant. The problem is that there aren't enough of these people, and we need more of them.

Q95 Lord Mitchell: How much funding is going to be available under the second national cyber-security programme?

Mr Letwin: I don't know what I can and can't tell you about that, so may we write to you?

Q96 Lord Mitchell: Okay. I have one final question: why do we have a cyber-security strategy, rather than a cyber strategy? That is much broader, and would consider how to make the UK a leading provider of secure cyber-commerce and services.

Mr Letwin: Sorry—perhaps the name is a bad one. That is exactly what we mean.

Q97 Lord Ramsbotham: This is a side question on cyber, because somebody who is involved in cyber-advice and defence told me that every Chinese chip has about 99.9% which is available to everyone, but 0.1% which is available only to the Chinese. Therefore, anything that has a Chinese chip in it is potentially suspect to being taken over by the Chinese if they wanted to, in a cyber-attack. Now the problem is of course that there are Chinese chips everywhere, including in a lot of defence equipment. I wondered what we were doing about that.

Mr Letwin: What I can say is that we are very aware of the issue, and the very people I am talking about are concerning themselves with that on a daily basis. I am sorry not to be more specific.

Q98 Lord Ramsbotham: No. But it is known about?

Mr Letwin: There are very real issues, not only in relation to China.

Q99 Chair: Could I just raise with you one tiny further point? Something you said earlier bothered me slightly. I think that you said this to Kishwer. You said that if these things came up, of course national security is taken into account. When the national security adviser wrote to us after he gave evidence here, he said about this kind of question: "If any national security concerns arise, the Government will assess those risks and put in place mitigation to provide greater certainty for investors." I did not think, myself, that "greater certainty for investors" was just what we were looking for in such a context. Can you comment on that?

Mr Letwin: The point of putting mitigations in place is, of course, twofold. Yes, the investors need to know what is going on, but we also need to be sure that we are properly protected. That is, of course, the other point. I can think of one very specific example, perhaps best not gone into in detail, where the Government have established a very specific unit to work with the industry concerned to ensure, for example, coming back to this point, that there are no back doors in a particular set of apparatus. Yes, that does give the investors certainty, because it means that they know what they have to do—they have to get it cleared by the unit—but it also gives us certainty, because we have, in that unit, people we totally trust, both as to their trustworthiness and as to their technical capacities, and we are very certain that what is coming out of the other end of that is a product that we can use safely, in terms of national security.

Chair: Thank you very much for coming today, for your patience and for your full answers to questions.