

Public Accounts Committee

Oral evidence: Skill Shortages in the Armed Forces, HC 1027

Monday 4 June 2018

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Members present: Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Chris Evans; Luke Graham; Gillian Keegan; Layla Moran; Stephen Morgan; Anne Marie Morris.

Sir Amyas Morse, Comptroller and Auditor General; Adrian Jenner, Director of Parliamentary Relations, National Audit Office; Jeremy Lonsdale, Director, NAO; and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1–155

Witnesses

I: Stephen Lovegrove, Permanent Secretary, Ministry of Defence; Lieutenant General Richard Nugee, Chief of Defence People, Ministry of Defence; and Air Vice-Marshal Richard Knighton, Assistant Chief of Defence Staff (Capability and Force Design), Ministry of Defence.

Report by the Comptroller and Auditor General

Ensuring sufficient skilled military personnel (HC 947)

Examination of witnesses

Witnesses: Stephen Lovegrove, Lieutenant General Nugee and Air Vice-Marshal Knighton.

Q1 **Chair:** Welcome to the Public Accounts Committee on Monday 4 June 2018. We are here today to look at the burning issue of military personnel and military skills, and of ensuring that we have sufficient skilled military personnel to fulfil the defence needs of our nation. The NAO has done an excellent Report highlighting some of the challenges, but this is not the first time we have looked at this issue as a Committee; we have form on this, and we have of course also looked at issues around the future accommodation model and at other aspects. This is not just about the skills that are needed; there is a wider issue about recruitment,



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retention and indeed re-recruitment of some skilled personnel, which we are going to cover in today's hearing. We hope that you can keep answers short and we can keep questions short, and that we can get through this in reasonably good order.

The Report is very clear in what it lays out, and we want to take it on a little further. Before I go into the main Report, though, as you might expect, Mr Lovegrove, I will ask a couple of questions and then Mr Graham will come in on another issue. We note that one of your Ministers has been very vocal in calling for a pay increase, or the lifting of the 1% pay cap on personnel. We know that the Armed Forces Pay Review Body has submitted its recommendations to the Government. Is the Minister whistling in the wind, or is it likely that pay will go up for personnel—and if so, what is the rationale for that?

Stephen Lovegrove: I am sure that the Minister is not whistling in the wind. He is looking at the recommendations of the pay review body at the moment, and taking them very seriously. We are very well aware of the last few years of pay restraint and some of the pressures that that has put on armed forces personnel—civilian personnel as well, although obviously that is not in scope. So those are being reviewed at the moment by the Secretary of State.

Q2 **Chair:** You have a very tightly squeezed budget, as we have discussed a number of times here before. In those discussions he is having, he is, presumably—I wouldn't want to put words into his mouth—balancing the cost of the pay increase versus the cost of losing staff. Do you think that the pay has been a factor in losing personnel over the recent years?

Stephen Lovegrove: He will certainly have in his mind the implications for morale of a pay increase, wherever it lands—there is no question about that. It would be disingenuous to pretend that those are not factors in recruitment and retention. He will also be balancing in his mind the impact on the rest of the defence budget. As you rightly point out and as we have discussed here on a number of occasions over the last couple of years, we have a very tight financial position. To the extent that we end up with pay settlements that are in advance of where we might have budgeted for, clearly there will have to be some adjustment elsewhere. We continue to pursue efficiencies, and savings where appropriate—sometimes deletions, sometimes deferrals, where appropriate—but as you know, it is a very big and complicated budget. We try to take everything into account as we think about it.

Q3 **Chair:** According to *The Independent*, an MOD spokesman said that the independent body's findings were still being considered and that an announcement would be made in due course. You know how we love dates on this Committee—any idea how long “in due course” is?

Stephen Lovegrove: I am going to turn to my more precise colleague on my right, General Nugee, because I think he may have a better handle on the dates.



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Lieutenant General Nugee: We are in discussion with the Cabinet Office and the Treasury about the Armed Forces Pay Review Body report. That discussion is quite complex. The Treasury is putting very key demands on us, and so is No. 10. Obviously, it is slightly more complex than it has been in the past, because there is a possibility that it will go above the 1%—I would say a possibility, and not anything greater than that—and, if it goes above 1%, obviously the Government will want to decide when to announce that, because it might have an effect on other people. But I am hopeful that we will have some sort of announcement this month.

Q4 **Chair:** This month—thank you. I should have introduced our witnesses before I launched in. I will then ask Mr Graham to come in.

We have, from my left to right: Lieutenant General Nugee, Chief of Defence People at the Ministry of Defence; Stephen Lovegrove, Permanent Secretary at the Ministry of Defence; and Air Vice-Marshal Richard Knighton, Assistant Chief of the Defence Staff, Capability and Force Design—you get snappy titles at the MOD, don't you? Our hashtag today, for anyone who is following on Twitter, is #armedforces.

I now ask Mr Graham to pick up on another issue that interests the Committee regularly.

Q5 **Luke Graham:** Thank you. Air Vice-Marshal, I have a quick question on our favourite topic, the F-35B. Obviously, some of the pilots have now gone on to their initial rounds of training on the F-35B, and we have, I believe, 14 of the aircraft. I want to check in and see how training is progressing and whether it is on course to reach the deadlines that have been set.

Air Vice-Marshal Knighton: The short answer is yes, it is on course. We are expecting to see the aircraft in the UK this week, actually. We have a full complement of pilots. The pilots are going through the training system in the US, and we are on course to bring that training to the UK in due course. So yes, it is all on track and it looks very good.

Q6 **Luke Graham:** It is all on track for the sea trials with HMS Queen Elizabeth in the autumn as well.

Air Vice-Marshal Knighton: That is correct.

Q7 **Luke Graham:** We will go into the shortage of pilots in the body of the inquiry, but certainly in the press Air Commodore Taylor was quoted as saying: "I am getting a little bit old now, but I know youngsters who want to join to fly F-35. So, yes, I think it will have effect and influence." Do you or any of your colleagues know just how many people have been attracted to join the Air Force as a result of the F-35B coming into service, or how many you are targeting to bring in as a result of the F-35Bs?

Air Vice-Marshal Knighton: I am sure we will come on to some of this when we get into the meat of the Report. But it is not just money and the remuneration package that attracts people to join the armed forces; it is the opportunity to serve—to serve their country—and to use the



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equipment and capability we have in defence. The F-35 is the most advanced fighter plane in the world, and I have no doubt that youngsters who are interested in aviation or military aviation will look at that and feel that they want to be part of it. I am afraid that we do not track the numbers of people who have said they are interested in joining the Air Force simply because of the F-35B, but I am sure it will play a part in the minds of some of them.

- Q8 Sir Geoffrey Clifton-Brown:** Mr Lovegrove, or maybe General Nugee, if the pay settlement does breach the 1%, will you require an increase in your budget, or will you have to find savings from your existing budget for above 1%?

Stephen Lovegrove: There is no indication from the Treasury that we would receive additional funds—nor, indeed, is there any indication that any other Department would receive any additional funds, were they to go beyond the numbers that have been baked into the budgets so far. Typically those have been 1%, because that is what it has been for a number of years. So the short answer is: we would have to find the money from our own existing budgets.

- Q9 Chair:** If it went up by, let's say, an additional 1%, what would that be? It is a bit mean to throw that at you.

Stephen Lovegrove: It is about £100 million a year, I think.

Chair: So that would add to the other pressures you have got—a big concern.

- Q10 Luke Graham:** To follow up that question, because of some of the tax changes that have taken place under the Administration in Scotland just now, personnel based in Scotland will have a higher tax burden than those in other places in the United Kingdom. Have there been discussions with the Treasury about easing that burden to ensure that service personnel based in Scotland pay the same level of tax as everyone else in the UK?

Stephen Lovegrove: There have been discussions—quite lengthy discussions. I am not 100% sure where they are up to at the moment. Again, General Nugee may be in a better—

Chair: General Nugee, can you shed light on this?

Lieutenant General Nugee: The Secretary of State announced publicly that he wanted an answer within six weeks. We are responding to that and have put a number of proposals on the table to the Secretary of State as to how to mitigate the higher Scottish rates of income tax for our people up in Scotland. So we are determined to do something for them—as much as we possibly can—to make sure that we equalise the tax as much as we can.

- Q11 Chair:** That is interesting. So you are looking at assessing pay on a net basis rather than a gross basis. That is effectively what you are saying—if you are going to do something for them, I assume that means giving



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them—

Lieutenant General Nugee: I would not characterise it like that. We want everybody to pay as close to the Westminster tax, as opposed to the Edinburgh tax, as possible.

Q12 **Chair:** How can you make that happen unless you look at their net pay? If they are going to have to pay more tax in Scotland, you have to pay them more.

Lieutenant General Nugee: We would be looking at their gross pay and we would have to compensate for that additional tax that they are paying in Scotland. Yes, that is our intent. We cannot put a figure on it yet, either for an individual or for—

Q13 **Chair:** So that would be the first time that gross pay takes account of the tax rate in the country where tax is being paid.

Lieutenant General Nugee: Yes, that is correct, because Scotland is the only place in the world where members of the armed forces do not pay Westminster tax.

Q14 **Chair:** That is interesting. There is a whole bit of work we might want to take forward on that and how it may impact on the budget. But we will park that one for the moment.

Stephen Lovegrove: Obviously some of the conversations going on with the Treasury are about the precedents that such a thing might set.

Chair: Beyond just the MOD, I imagine. We will certainly clock that as a Committee and pick that up. Thank you, Mr Graham, for raising it. We will move on to our main questions, which Mr Stephen Morgan will kick off.

Q15 **Stephen Morgan:** I want to focus around the causes and consequences of the shortfall. Mr Lovegrove, could you say a bit more about why the shortages have existed for so long?

Stephen Lovegrove: I think it is fair to say that the armed forces have, pretty much throughout their entire history, wrestled with the issue of being able to recruit adequately. Without going all the way back, obviously there were such things as press gangs, which we do not use—

Chair: That is not policy.

Stephen Lovegrove: It is not policy at the moment, no—although, never say never. Right now, a number of factors in the macro background are militating against us. The employment rates of people aged between 16 and 64 are higher than they have ever been since that particular cohort has been recorded for—since 1971. The unemployment rates of 16 to 24-year-olds are lower than they ever have been before. Among that cohort, in 1992, 26% of them were in full-time education; now, 43% of them are in full-time education. The Report picks up a number of other issues on the macro front, particularly around expectations among young men, but increasingly among young women as well, about whether they want to take up a career that is possibly going to be of a decade's length. All of



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these things are an important backdrop to have in mind. The Report also goes into issues around engineering and—

Q16 **Chair:** Which we are going to come on to. We know it is in the Report.

Stephen Lovegrove: There are some very specific issues around that as well. Not just for us, but in a national context, there is a lack of skills in that area.

Q17 **Stephen Morgan:** So it begs the question: why did you not see this coming?

Stephen Lovegrove: I think we have seen this coming for a while. The new employment model, of which there are any number of strands, was put in place in 2010, and I am not going to pretend that every single one of those initiatives has been as successful as we would have liked—when they haven't been successful we have, by and large, turned them off. But this is a very big and dynamic organisation and we want to make sure that we are responding adequately to the trends we see on the ground. I think we have seen it coming for a while. Have we got the perfect answer? Absolutely not. I would say though, and colleagues will give further detail on this, that there has not been a compromise on the operational outputs of the Ministry of Defence, the armed forces—

Q18 **Stephen Morgan:** I understand that you will not get the numbers of regulars you need until 2022. Why is it taking as long as that to get to the levels you set as a target some time ago?

Stephen Lovegrove: We have a difficult recruitment environment, and some of the proposals and procedures we put in place to improve it have not worked as well as we would have liked them to. I am sure you will ask questions about the Capita contract in particular later on. It does take a while. There is a stock and flow issue associated with the Army, and Lieutenant General Nugee will no doubt tell you when the last time was that the Army was fully manned—it was a very, very long time ago. We will need time to be able to fix this problem.

Q19 **Stephen Morgan:** You have failed on the targets before, so how confident are you that you will be able to achieve the targets this time around, for 2022?

Stephen Lovegrove: I am not going to give a precise answer to that. The targets are, to a certain extent, ministerially driven and can change a little as a result, but we would not put in place our plans unless we felt that there was a good chance of being able to hit those targets. I can assure the Committee that we are not putting in place overly optimistic targets here. I do not think that is helpful to us or to anybody else.

Q20 **Stephen Morgan:** Looking through the Report, I am keen to understand what the impact of redundancies would be on your targets and ambitions.

Stephen Lovegrove: Redundancies in the armed forces?

Q21 **Stephen Morgan:** In terms of the skills that are required going forward.



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Stephen Lovegrove: It rather depends on where one might target the redundancy packages. If we were to have a redundancy programme—

- Q22 **Chair:** Is that not the point: in the past, redundancy packages were not targeted? People could take redundancy and you lost the skills that you need now.

Stephen Lovegrove: I could not answer that question very clearly—

Lieutenant General Nugee: I was responsible for the redundancy in 2010 in the Army. I can tell you that we absolutely targeted the redundancy at those areas in which, in 2010, as Army 2020 was being developed, we felt we didn't need those skills and trades because they did not fit the Army 2020 model. We targeted it absolutely.

- Q23 **Stephen Morgan:** In the other forces, what can you say about what has gone before?

Lieutenant General Nugee: In the other forces, they took exactly the same decisions to target those areas that they thought were not going to be needed in the future as a result. They targeted their redundancy as specifically as we did in the Army.

- Q24 **Chair:** Do you now regret some of those targeted redundancies? In hindsight, do you think that you should have kept some of those people?

Lieutenant General Nugee: It is always easy to look back in hindsight and say the world has changed a little bit. Decisions that we took on the best information that we had then would not necessarily apply today, but that is with the benefit of a crystal ball.

- Q25 **Stephen Morgan:** What are the lessons learned from previous redundancy programmes in terms of the skills that you now need?

Lieutenant General Nugee: We know what skills we are short of. The Report makes that very clear. Obviously, we would not make people redundant in those skills. We can try to anticipate, and we are putting data analytics into place to try to work out where we will have skills shortages in the future, but a lot of that is down to human behaviour and whether people leave or not and whether people join or not. We will do the best we can to try to anticipate where we will need skills in the future. If we were to get it 100% right, I would be surprised.

Air Vice-Marshal Knighton: On that point, in 2010 decisions were taken to remove force structure and capabilities from the armed forces, some of which were then reversed in 2015. The decisions in 2010 were taken with the best information at the time against the financial scenario that the Government saw at the time. In 2015, when we decided to add some of that force structure back in, that increased the demand for certain specialist skills, particularly around engineers, that we are now having to deal with, and it takes time to recruit people and get them through the training system and grow the particular expertise that they need to work on particular aircraft types, in my case, or other parts of the service. It is not that the decisions that were taken were wrong in 2010. They were taken with the best information, but that situation



changed in 2015 as the defence budget was increased.

Stephen Lovegrove: Again, the macro environment is important. I have mentioned this in other contexts in the Committee. Nuclear is an interesting example. In 2010 there was a nascent new nuclear programme in the UK. Now it is post the start of Hinkley really happening, there is no way we are going to have any kind of redundancy programme that will let nuclear engineers in the Navy slip through the net. That would be completely barmy of us. It is, however, going to be very difficult to keep some of those people because some of the packages that will be on offer as a result of the new nuclear programme in the UK, and indeed decommissioning up at Sellafield as well, are going to be difficult for us to match.

Q26 **Stephen Morgan:** I have been up to Faslane and heard about some of the passporting that goes on with people leaving the services and going into the private sector and coming back again. My fear is that although there is some good output and good activity, what impact is all of that programme achieving? In terms of what we have learnt so far, how would you improve recruitment and retention practices going forward?

Stephen Lovegrove: On that particular subject about nuclear, I have a real hope that the enterprise approach that we are adopting now and a more cross-Government and cross-Whitehall approach will be able to bear fruit. A number of the big American nuclear contractors used to have civil divisions and military divisions, and they used to have nuclear engineers in the civil division and nuclear engineers in the military division. Most of them have now completely reorganised themselves so that they have a nuclear division, because they are so aware of the transportability of those kinds of skills. We are not as big as America, obviously, but as a country we need to take that kind of approach to those kinds of absolutely critical national skills—private sector, public sector and across Whitehall—so that we do not find ourselves robbing Peter to pay Paul. The enterprise approach is one very good example of that.

Q27 **Sir Geoffrey Clifton-Brown:** Mr Lovegrove, I sit on the Finance Committee that runs both Houses of Parliament. They are short of two particular skills: IT people and estate managers. For years they have not been able to recruit sufficiently qualified skilled people in those two areas because they are stuck with civil service rates of pay. Well, they are not actually civil service in this place; they are different. Is it the case that in the armed forces you are unable to recruit, particularly in the three skill shortage areas that you have—cyber, pilots and intelligence—because you are stuck with civil service rates of pay?

Stephen Lovegrove: I will pass over to colleagues on pilots. I do not believe that we have a shortage of intelligencers in the Ministry of Defence. You would have to speak to colleagues in the agencies about whether they felt that that was the case. We find people joining defence intelligence for very much the kinds of reasons that Air Vice-Marshal Knighton talked about: they want to serve; it is fascinating work; and why wouldn't you?



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There is a big question about whether we have quite the right set-up at the moment to get at cyber and information skills for the future, which we know we will need. Part of that is about pay. Part of it is about location. Part of it is about our own internal organisation. We are doing a serious bit of work at the moment to see whether or not our main IT business, which is based down in Corsham, is properly organised. Those are the kinds of things for which we recruited a new chief information officer.

I should also say that this is a problem right across Whitehall. You mentioned the Houses of Parliament; it is obviously within other Departments as well. I think the roll-out of the functional approach from the Cabinet Office is beginning to make quite a big difference. There is a function called DDaT, which stands for digital, data and technology. They are run from the Cabinet Office and can be more widely deployed across Government, and the rates of pay are slightly different, but it is an ongoing problem.

- Q28 Sir Geoffrey Clifton-Brown:** With respect, Mr Lovegrove, you didn't answer my basic question: do you have flexibility within the current civil service pay scales to pay more for those skills shortages?

Stephen Lovegrove: We have some flexibilities within the DDaT environment, as long as we use the Cabinet Office flexibility framework to pay a bit more. I do not believe that we have any flexibility within the intelligence community, and I would be very surprised if we had any flexibility over and above the long-term persistent recruitment and retention allowances for pilots. There are allowances for pilots, but I do not think that they changed recently.

- Q29 Chair:** Sir Geoffrey asked you about intelligence analysts, and you said that you did not think that there was a shortage. I would just remind you that figure 21 in the Report highlights in quite a lot of detail some of the challenges in intelligence analysis. Just to be clear, are you saying that you do not have flexibility to pay those people outside the normal civil service bands? Figure 21 is on page 53, in appendix 3. It is mentioned throughout the Report, but that is the detail.

Stephen Lovegrove: This page is less about intelligence analysts and, in a sense, more about the civilian data analysts. It is actually more like the DDaT part of the world, which we were talking about earlier on. I think there is a question about whether or not some of the allowances in the DDaT world should be imported into the bits of our world that are about intelligence analysis. In terms of pure analysts, and certainly analysts from the armed forces as opposed to the civilian world, I do not think that there is so much of an issue.

- Q30 Layla Moran:** Sorry—perhaps I am not quite understanding some of the jargon. I would point you to the final paragraph of the overview, where it says specifically: "The Armed Forces has only 74% of the required strength within the intelligence analyst pinch-point trades". Can you just explain to me how what you have just said marries with that?

Chair: It's the bit above the bullet points.

Layla Moran: Yes—page 53, in the final paragraph of the bit titled “Overview”, just before “Mitigating actions”.

Lieutenant General Nugee: I think the permanent secretary was talking about the civil service. In terms of the armed forces, we have our own pay schemes and pay structure. We have just redone it—it is called Pay 16—and within that we have four trade supplements. We go through a quinquennial review to look at the trades that are suffering the most and at the pinch points, and as you say we have got 74% in this trade. We will look at that in the quinquennial review—by 2021. We are already looking at it and starting to identify the issues we have got relating to where they sit in the trade supplements.

We have the flexibility to change a trade into a different trade supplement to get a greater amount of money and a greater pay—we are not limited to civil service flexibilities—so we can retain those we need in the armed forces. At the moment, there are those four trade supplements. We are looking at whether we need more trade supplements and at whether we can change the trade supplements of individual trades in order to give them more money because they are in a shortage. That is exactly what we will be doing.

Q31 **Layla Moran:** The basic premise is that there definitely is a problem.

Stephen Lovegrove: I am afraid I don’t know, because it doesn’t say here, what proportion of the total armed forces intelligence complement falls into the pinch points. This is not 74% of the required strength of the whole enterprise of intelligence analysis; this is 74% of the pinch points. I don’t know the answer to that.

Q32 **Chair:** But there is an issue here. General Nugee just talked about the quinquennial review. How swiftly can you change a pay rate, if you are going to supplement that?

Lieutenant General Nugee: We have an annual review with the Armed Forces Pay Review Body, and we look at specific issues in each of those annual pay rounds. We could do it within a year, subject to the Armed Forces Pay Review Body recommending it.

Q33 **Layla Moran:** Mr Lovegrove, you said you are not sure how many of these fall within the pinch points. Do you have that data?

Stephen Lovegrove: I am sure we do. I don’t have it with me at the moment, and I don’t know whether the National Audit Office has it.

Q34 **Layla Moran:** Could you write to us with it?

Stephen Lovegrove: With pleasure, yes—absolutely.

Q35 **Sir Geoffrey Clifton-Brown:** General Nugee, you have gone some way towards answering my question. You do have flexibility in these trade skills shortages allowances. Do you have sufficient flexibility to pay a market rate to recruit IT people, cyber people, pilots or intelligence people, wherever the shortages come?



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Lieutenant General Nugee: I think we have the flexibility to pay the appropriate rate. That is not necessarily always the market rate, because there are other reasons why people join the armed forces, as Air Vice-Marshal Knighton said. Sometimes we do not need to pay the market rate to get people to join and to retain them. We do have flexibility in our recruitment and retention payments, which we can make relatively rapidly. If there is a significant shortage in a particular area, we can pay an RRP of some sort to retain them. At very short notice, we can bring in financial retention incentives, which pay a lump sum to an individual to stay on the condition that they stay over a number of years. That has had a very marked effect on some of our trades.

Q36 **Chair:** We are going to come on to that later. The Air Vice-Marshal was about to come in on pilots. What supplements can you offer pilots?

Air Vice-Marshal Knighton: We have no difficulty recruiting pilots. The issue is retaining them and getting them through the training system fast enough. There is no difficulty recruiting pilots.

Chair: That's fine. We will come back to that in a moment.

Q37 **Stephen Morgan:** What impact do you see Brexit having on the skills shortages that you have?

Lieutenant General Nugee: We do not recruit from the EU. We recruit from the Commonwealth in small numbers. Its direct effect will be not a great deal, because we do not have EU members in our armed forces. Its indirect effect will depend on whether Brexit reduces the number of skilled people in this country, and therefore the competition gets greater. There is no evidence yet to suggest that that is going to happen. I know that some people are worried about it, but there is—

Q38 **Stephen Morgan:** Anecdotally, the Royal Navy say to me that they are concerned about chefs and the impact that hospitality shortages may have on recruiting those sorts of skills in the Royal Navy.

Lieutenant General Nugee: There are all sorts of areas where, if the country saw a change in the competition as a result of Brexit, obviously our competition would increase. There are various areas where that might be the case, but I wouldn't put any figures on it.

Q39 **Stephen Morgan:** Do others agree?

Stephen Lovegrove: Again, I echo what General Nugee said. Most of the areas here are restricted to UK nationals, but there clearly will be—

Q40 **Chair:** I don't think Mr Morgan was suggesting that because of leaving the EU, people will not be able to come and work in the armed forces. The point, which General Nugee was addressing, is about the broader impact on the marketplace.

Stephen Lovegrove: There may be a broader impact on the skill base of the UK.

Q41 **Chair:** Have you done any analysis of that?



Stephen Lovegrove: No, we have not.

- Q42 **Stephen Morgan:** I would like to move on to understanding the impact of skills gaps on defence operations. What do you see happening, both today and in the future?

Lieutenant General Nugee: The most important priority for defence is delivering on operations, so we ensure that we deliver on operations at all times. When we were in Afghanistan, we had different skills gaps, because we had a large number of requirements in Afghanistan that, frankly, we were not necessarily structured for in the comparatively short time that we were there. There are skills gaps, but we always fill our operations. Operations have not been diminished as a direct result of skills gaps, and we make sure that is the case.

- Q43 **Stephen Morgan:** And in terms of equipment being used effectively and training of personnel—no impact?

Lieutenant General Nugee: Sorry, I don't quite understand your question.

- Q44 **Stephen Morgan:** I am keen to understand specifically the effect of shortages on the effective use of equipment and the training of personnel. Have you seen any impact so far?

Lieutenant General Nugee: In terms of going on operations, no. If we have a skills shortage—obviously, there are some areas where we do—that may limit our ability to do everything we would wish to do with our people, and some of that may be training. But the really important point is that it does not affect our operational capability.

- Q45 **Stephen Morgan:** Mr Lovegrove, is there anything you want to add to that?

Stephen Lovegrove: I have not seen any sign of operations, or indeed our ability to use equipment, being compromised by this.

- Q46 **Stephen Morgan:** As I understand it, the annual survey of service personnel came out only last week. I am keen to understand the impact of shortages on the morale of existing personnel. I wonder whether you can say something about that, Mr Lovegrove.

Stephen Lovegrove: Some of the issues to do with the effect on morale are complex. Some of them are about accommodation. Where pay and work pressures come into that, it is difficult to untangle. The picture on morale is not what we would like it to be, but we are not seeing huge outflows from the service at the moment, and that is a good sign. Again, I think Lieutenant General Nugee has more detail on that.

Lieutenant General Nugee: The voluntary outflow rates that we are seeing today are equivalent to or better than those that we saw pre-redundancy—pre-2010.

- Q47 **Stephen Morgan:** How are you achieving that?



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Lieutenant General Nugee: Well, it is still an extremely good job for an awful lot of people, and they enjoy what they do in the armed forces. Our voluntary outflow rates for ratings—soldiers, sailors, airmen and airwomen—are lower than we would have expected in the current economic climate. That is very good news indeed, because we are keeping them busy and they enjoy what they do. In fact, if you look at what we are doing, we would have expected more people to have left, and we are delighted that people are staying with the armed forces.

Obviously, in some pinch points—in some areas of trade—there are higher voluntary outflow rates. That is partly due to the pressure that they are under because we have a shortage. In order to overcome that, we are using some quite novel ideas. For example, the Naval Engineers have got secondments from the US Coast Guard, the Army is reinforcing the Navy with chefs on secondment, and things like that. We are trying to ameliorate the position as much as possible to try to stabilise the voluntary outflow in those trade areas and therefore rebuild when we recruit effectively to those trades.

Q48 **Stephen Morgan:** What are you doing to ensure that the workload is manageable and that officers do not have a greater burden of responsibility?

Lieutenant General Nugee: Obviously, if you have too few people in certain trade areas, the workload will increase unless you do something about it. Our two options are to try to increase the number of people doing that work, as I just mentioned, and to pay some sort of retention incentive to keep people in. We are doing that too in certain areas, and it has been very successful in certain trades. We are recognising that there is an issue in some trades and finding some way of mitigating that. Individuals either get paid more for doing more temporarily or we try to backfill from other organisations—secondments from the US Coast Guard, the Army backfilling the Navy, or whatever.

Q49 **Stephen Morgan:** Exit interviews exist. How are you using that data to inform future planning?

Lieutenant General Nugee: We have exit interviews, and we look very carefully at them. Funnily enough, the most common point is the effect on the family, not the fact that they are either doing too much or too little. It is about the effect on the family, and they want a different job. They have done what they wanted to do in the armed forces, they have served for as long as they wanted to serve, and now they want to move on. That is a completely legitimate choice in a voluntary force.

Q50 **Stephen Morgan:** Say a bit more about what the impact is on families. I spent the morning with the Naval Families Federation down at Whale Island. They were sharing some of those with me, but tell me a bit more about what your observations are from the exit interviews.

Lieutenant General Nugee: I think there are a number of reasons why families find it quite difficult. There is separation in the Navy particularly. Nine-month tours are quite tough on a young family. The Navy are looking



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at whether that is the most sensible way of going about business, but the reality is that youngsters join the Navy to go to sea. Families do not join the Navy to go to sea. There are tensions there that some people find unbearable, and therefore move on.

There are issues that we are tackling over spousal employment. There are issues over accommodation that we are tackling. All of that is to try to build the strength of the family and make sure that the individuals stay in the armed forces. We are trying to accommodate what the families want, wherever they are, to allow the service person to stay.

- Q51 **Stephen Morgan:** Can you just say a bit more about how you use the data that you collect, and whether more exploitation of the data could be used to help you to plan in the future?

Lieutenant General Nugee: The data is generalised. We use it for informing policy decisions. A lot of the policies out of the new employment model and the armed forces people programme have come out of understanding the exit data and the armed forces continuous attitudes survey, which happens every year, as you mentioned. We use that data to try to inform our policy decisions, so we get the right decisions to improve the offer for our people.

- Q52 **Stephen Morgan:** Mr Lovegrove, is there anything you want to add on the use of data?

Stephen Lovegrove: No, I think the more we can use the data, the better it will be. We are making a big attempt to make sure that our analysis is moving with the times. I suspect that it probably has a way to go to be absolutely world class.

- Q53 **Chair:** Do you think that the data is being used in real time enough? When we covered the future accommodation model, for instance, there was a lot of discussion about what might happen in the future. Obviously the pilots are happening on that, but there are people experiencing issues now who are leaving. How fast can you move on some of these issues? You get information, and get the data in. As General Nugee said, that generates a policy change. How quickly can the MOD, or indeed the individual commands, turn things around to tackle some of those issues, and perhaps stop people in their tracks as they are thinking of leaving? Is that just not possible?

Stephen Lovegrove: That is a very complicated question with a number of facets, and I certainly don't have the full answer to it. I have no doubt that the data that comes up from the single services could be consolidated more quickly in the centre and we could act more quickly. The reality is, however, that at the moment retention in particular and, increasingly, recruitment is done by the single services. The understanding of individual cases is very unlikely to be fully had in the centre, or to be capable of being fully treated in the centre.

The question you raise about policy is a very interesting one. I mentioned last time I was in front of the Committee that increasingly we want to



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operate a functional model, where the centre is more authoritative in terms of its policies and procedures, and rolls them out more quickly and consistently across the single services, so that we can approach and deal with generic problems, which perhaps only we can see arising, more quickly and more effectively.

In the area of armed forces personnel—this is something that comes out very clearly in the Report—there is a job of work to be done. The role that General Nugee plays as Chief of Defence People probably needs to be strengthened in a way that would allow us to get to some of the issues that you raise.

Q54 **Chair:** General Nugee, do you have anything to add?

Lieutenant General Nugee: I was just going to give you a couple of examples on the accommodation space. If a house is not being maintained, or—perhaps this is a better example—if somebody marches into a house and it is not good enough, we introduced a compensation scheme last year so that they get immediate compensation. When the contractor CarillionAmey was not meeting its KPIs, which we saw as a dashboard, the then Secretary of State brought in the chief executive of CarillionAmey and said, “It’s not good enough,” and we saw a rapid improvement.

Q55 **Chair:** This Committee and our former colleague Anne-Marie Trevelyan had some hand in that. She was a bit of a sore in the side of the Ministry of Defence, but now she is an ally of yours.

Lieutenant General Nugee: There are examples where we have changed. In the continuous attitude survey this year, satisfaction with accommodation has gone up by 5%. I see that as a success in the light of what Sir Michael Fallon did and the way that we have kept the pressure on what is now Amey but was CarillionAmey.

Q56 **Chair:** For us, that demonstrated the whole issue when we looked at the CarillionAmey contract: seemingly little things at your level, Mr Lovegrove, have a very big impact on the lives of personnel and their families. Do you agree, General Nugee? Are there other things on the horizon that you are trying to tackle now to prevent personnel from leaving—things that need a quick decision at force or MOD level?

Lieutenant General Nugee: Yes. If we identify something that we can make a quick decision on, we will do so. Take a very small example that we announced last week: to allow service personnel to keep their ID cards, but suitably tailored to the security of those ID cards. In the past, you used to have your ID card removed from you when you left the armed forces. A number of veterans said to me that it felt like they were removing a part of their soul, because they had their ID card and it was an armed forces offence to lose their ID card. A little thing like that has had quite a big impact. As soon as we can do that, we will do it.

Chair: In that case, they are not keeping them, because they were leaving anyway.



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Lieutenant General Nugee: Yes, so now they are allowed to keep them when they leave.

Q57 **Chair:** That does not help with retention or recruitment, does it?

Lieutenant General Nugee: It does help with retention and recruiting, inasmuch as if somebody feels bitter when they leave the armed forces, they are not likely to be a positive advocate when they leave.

Q58 **Chair:** We are going to talk a bit later about that. I want to touch on cyber skills briefly, Mr Lovegrove, because they are very important. We have Modernising Defence coming up and we all know that across Government it is a big issue. How are you assessing the skills that you need to deal with that? In a very crowded market, why would someone want to come and work for the Ministry of Defence or one of the three forces?

Stephen Lovegrove: Could I ask for a bit of clarification on that? In the Ministry of Defence, which fundamentally is an information organisation in some senses, we have everything from the kind of IT engineer who will come up and make sure that your LAN wire is plugged in properly to the back of your computer, right through to the most sophisticated offensive cyber technicians. Is there a particular bit of that?

Q59 **Chair:** No, I am asking you what analysis you are making about the breadth of cyber warfare and where you have gaps now, in a crowded field where you might have real difficulty recruiting people. There are other questions on this, but let's start with that one.

Stephen Lovegrove: We have big issues particularly at the higher end, where we are very reliant on the desire of individuals to do the most exciting work that they can do, either protecting the country in a deterrent sense or protecting the country in a simple defence sense. Those are very highly skilled individuals. We are reliant on providing them with interesting careers doing fascinating work, rather than anything like the kind of money that we would be able to afford.

Q60 **Chair:** Do you need more of those?

Stephen Lovegrove: We are certainly going to need more of those.

Q61 **Chair:** Where are you going to get them from?

Stephen Lovegrove: We will get them from the marketplace. It will be partly a function of retraining and training armed forces personnel, but if there is one place where the idea of the whole force is absolutely real, it is how our cyber capabilities will develop over the next few years. We will have to see some very innovative ways of recruiting. How difficult that will be, I do not know, but I suspect it will be quite difficult.

Q62 **Chair:** We will come back to that. My final question is about headcounts. We have always measured the gap against the project headcount. Is headcount really the way forward? We are talking so much about skills. Is it the number of petty officers or privates that we are worried about, or is it having the right skills? If it is the latter, do you need to revise the



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whole approach to headcount?

Stephen Lovegrove: It is the latter. The work as to whether some of the targets that we have at the moment are exactly right is part of the Modernising Defence Programme.

Q63 **Chair:** Is there any analysis at the centre about productivity levels? It is perhaps difficult to judge across different forces—if you are on a ship, you are on a ship, whatever you are doing—but do you look at that? If you are going to have fewer people doing different work, do you look at productivity?

Stephen Lovegrove: We do. In fact, Air Vice-Marshal Knighton is leading some of that work at the moment.

Q64 **Chair:** Air Vice-Marshal, do you want to explain?

Air Vice-Marshal Knighton: One of the things we were asked to do as part of the Modernising Defence Programme was to examine the productivity of our people. It is very difficult to do that in a general sense—it is difficult to argue that 80,000 people in the Army are more or less productive than another part of society or one of the other armed forces—but we are able to look at productivity on a capability-by-capability basis. For example, we started this work by looking at Typhoon squadrons, because they are quite mature—we understand the model, how many people we have and what our outputs are—and we have a very good set of benchmarks, because other nations operate the same aeroplane. That allows us to test whether the number of people we need to run a squadron, or our number of maintenance man hours per flying hour, is good or bad in comparison with other nations. As part of the long-term plan as we move beyond the Modernising Defence Programme, we will have a rolling programme where we look at the productivity of our people on a capability-by-capability basis and use that to give us clues about how we might improve or enhance our productivity.

Chair: Thank you. I am going to ask Mr Graham to pick up the questioning. We will come back to some of those points a little later.

Q65 **Luke Graham:** Thank you, Chair. Let me move on to functions at the strategic centre and build on one or two of the questions the Chair has asked in the past few minutes about planning by asking about how strategic planning takes place in the Department and across the forces. Air Vice-Marshal, you mentioned that 2015 looked quite different from 2010. I am sure 2020 and 2025 will look very different, too. Mr Lovegrove, will you define the strategic planning cycle and how you have internal inputs from the commands but also external inputs, such as from your HR professionals, who look at overall skills shortages and opportunities in the market?

Stephen Lovegrove: These are all components of the planning process. We have certain capabilities—certain bits of kit—that we know we are going to have to man in a certain type of way. Those are predominantly in the Air Force and the Navy, where you know that you have some very expensive equipment and you will need to have people who can actually



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operate it properly. You then need to take a view as to whether the market is capable of providing those people, whether you are going to have to pay them more, and so on and so on. The Army is a bit different: rather than manning the equipment, you equip the man, as the phrase goes, so a different type of recruitment process goes on there—although not always. Again, there is a difference between infantry and other types of regiment and unit. There is a good deal of analysis going on there, but I think it would be fair to say that the size of the Army, which is one of those totemic numbers, is probably more ministerially driven than the other two, which are probably a bit more susceptible to the kind of analysis that you are talking about.

- Q66 **Luke Graham:** Are you satisfied that the planning cycle is working and is as effective as it possibly can be, and that you would be able to respond to any ministerial or circumstantial change, such as being drawn into a humanitarian or other conflict?

Stephen Lovegrove: I am satisfied that we do as much planning as we reasonably can. I would not be satisfied with saying that we will always get this right, partly because there may be a different political dispensation that wants to have a different answer in certain situations, and partly because the threat picture and the assessment of the threat changes. We are going through quite a radical reassessment of the threat picture at the moment. We are beginning to place a bit less focus on mass in some areas and a bit more focus—

- Q67 **Chair:** Is this part of Modernising Defence?

Stephen Lovegrove: Yes, exactly. There will clearly always be a requirement for mass, and I am not trying to resile from that, but there is probably a little bit less of a focus on mass and more focus on some of the very high-end skills that you mentioned earlier, Chair, which requires us to think very hard about this. The people dimension of Modernising Defence is very, very important.

- Q68 **Luke Graham:** Going back to a point Mr Morgan raised earlier, we have obviously missed the resourcing plan for a number of years. What new measures have been brought in recently—or will be, looking forward—that improve your confidence that you will be able to reach some of the recruitment targets you are aiming for?

Stephen Lovegrove: Others will want to chip in, but all the services are looking at the way in which they communicate with society. It is incredibly important that the armed forces are reflective of the society they serve. There is a difference. In fact, in some ways it is a sort of rolling back into how the recruiting process gets into communities in order to attract the right kind of people to join. It is not easy, but we are certainly making big strides in the diversity of people coming into the armed forces on both a gender and an ethnicity basis. We probably need to spend a lot more analysis on how we do our training and, indeed, on the recruitment process itself. There is quite a long way to go so that we do not lose so many people in the recruitment process. If we were Sky and we wanted to think about it as consumer acquisition, I think we would probably be a bit



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more successful in making sure that people who join the process actually emerge at the end of the process still in there, rather than dropping away. There is probably quite a lot of trying to standardise some of that training—where we can, anyway—so that we can plough some of that resource back into the recruitment area. It will be a slow process and the outside factors will always be a big question for us, but we are intensely aware of some of the things we need to do to make it better for us.

Lieutenant General Nugee: I completely agree. All three services are looking at their recruitment process at the moment and we are looking at it centrally. I ran a medical symposium last month, looking specifically at the medical interventions we take through the recruiting process, to try to simplify it and bring it down to the bare minimum, thereby increasing the speed and reducing the delay in getting people into the armed forces. We are going as hard as we can on the medical side without changing standards. At the moment, we have a sequential process of recruiting: you have to do X, followed by Y, followed by Z. We are looking at whether there is any way we can make that simultaneous and reduce the amount of time. Every single one of the services is looking at the process. They are all looking at what they have called “candidate relationship management”, where they look specifically at whether they can have a closer relationship with a candidate who says they want to join, follow that individual through and use nudge tactics to encourage them the whole way through the recruiting process. Fundamentally, the recruiting process takes too long in all three services. The Secretary of State has given us very clear direction that he wants us to reduce the time taken to recruit, and if we do that we are confident that our numbers will go up pretty significantly.

Luke Graham: Understood.

Q69 **Chair:** Can I just ask how short a time you think they will be able to get it down to?

Lieutenant General Nugee: The Secretary of State has given us a very clear direction: three months to recruit.

Q70 **Chair:** As opposed to?

Lieutenant General Nugee: As opposed to at the moment, where it is anywhere between six months and nine months as a median. But that includes, for example, people who join up and then go to university and join three years later. That appears in our figures, so we want to strip that out as a distortion of the figures.

Q71 **Luke Graham:** Being formerly from industry, from a strategic point of view one of the biggest challenges that companies have at the moment is that people are less driven by material propositions and more by experiential ones. There is a lot of research to back that up. I would think that, being the armed forces, that is a great strategic strength. Companies have to strain to put in slides and ball pits to make people excited at work, but you have excitement and different experiences in spades. How will you bring out that strategic strength to show the



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advantages, because in terms of salaries you are still competitive?

Lieutenant General Nugee: My first point is that I think that that is one reason why we retain people at the levels that we do. It is an exciting and interesting job, and when they join and get through the process of training and actually join as fully fledged members of the armed forces, they really enjoy it. As I said earlier, we are not losing the numbers that we might expect to, given the booming economy that we have at the moment.

In terms of recruiting, we are trying to present people with what it is that we do. However, if I can be blunt about this, it takes time to persuade people about what we do. We do not just fill sand bags when it comes to flooding. Actually, our job is to defend the nation, and that might mean taking somebody's life. It takes a little bit of time for youngsters—or anybody, actually—to get their head around that. We don't want people to come in the day after they say that they want to join, because we actually have to persuade them that not only is it a very exciting job but there is a real role of responsibility to the country and that they may be asked to do things that they wouldn't naturally think of.

- Q72 **Luke Graham:** Understood. On the point about responsibility, I know that some MSPs in the devolved Parliament in Scotland just passed a new regulation that will require Government approval for any British armed forces visits to schools. Do you think that that will help or hinder recruitment in Scotland?

Lieutenant General Nugee: The Scottish Government must make their own decisions, but I—

Chair: Top-level diplomacy, General Nugee.

Lieutenant General Nugee: We would look to try to make sure that schools understand what it is that the money in the defence budget is spent on for the benefit of the whole country. I think our children going through schools should know that just as much as every adult should. They should understand why we spend the amount we do on the defence budget and what we do for that money. Children should know that just as much as anybody else.

- Q73 **Luke Graham:** Will you be appealing against the decision by the devolved Administration, in your role as the Chief of Defence People?

Lieutenant General Nugee: Personally, no, I wouldn't. It's a political decision.

- Q74 **Luke Graham:** Understood. That is fine. Thank you. On the costing argument, Mr Lovegrove, is there sufficient funding to fill the personnel gap that has been identified in the NAO Report?

Stephen Lovegrove: Yes, there is, but does that mean that, within a £36 billion-a-year budget, there may not have to be trade-offs elsewhere? There probably will be.

- Q75 **Luke Graham:** Okay. Going back to some of the points you made in



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previous hearings, you said there would be no impact on operational capability. Will those trade-offs be just in desirables?

Stephen Lovegrove: They would. The whole process of running the Department, and indeed the process of running military campaigns and operations, is actually that you put your resources, whether they be equipment, money or people—talent—in those places where you need them most. You can't have everything everywhere.

Q76 **Luke Graham:** Understood. A key part of making decisions will be the visibility of where some of the expenditure goes. I was quite concerned that certain parts of the NAO Report forecast £231 million of funding that won't be spent but is meant to be spent on recruitment and resourcing. Are we now clear, if it was reallocated, on where that £231 million was reallocated to?

Stephen Lovegrove: It doesn't really work like that. It would have been absorbed, as it were, into the rest of the departmental budget. Nobody would have taken a decision to say, "Right, we are not spending £230 million there. We are going to spend it on however many F-35s you can buy for £230 million."

Q77 **Luke Graham:** Just to come back on that—I apologise, I have to correct myself—page 8 says that, "in 2017-18, the Commands did not use £261 million of funding allocated for personnel." I have a reasonable understanding of budgeting. You had £261 million allocated for personnel. We know you have a problem with recruitment and we know that it is an area where there are pinch points, which we will come on to in a minute. Why wasn't the £261 million spent?

Stephen Lovegrove: Air Vice-Marshal Knighton will want to talk about this. This is one of the areas where I think there is an argument for an adjustment to the delegated model, so that there can be a bit more central direction in how much money is spent on personnel.

Air Vice-Marshal Knighton: If I may clear up any misunderstanding, that money was not set aside for recruitment; it was pay. What the NAO found was that the budget that was set for pay was in excess of that which was needed, because the inflow of people did not come up to the forecast. As the Permanent Secretary has described, when we manage our budget—a complex budget with thousands of different accounting codes—risk is to be managed on a dynamic basis, and that is exactly what will have happened in this case. That risk will have materialised elsewhere and that money will have been used to offset the risk so that we did not need to defer some work or the acquisition of something. We do not hypothecate directly from money that is not spent on the people budget, because you will not know that until you get to the end of the year when you understand how many people you have recruited and what your overall expenditure is, and then you hypothecate that elsewhere.

Q78 **Luke Graham:** In terms of that £261 million for personnel pay, where else has it gone? From a strategic centre point, we are trying to identify the weaknesses, as clearly the NAO has been. Where has the money



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gone? Have you got visibility of it? Can you track it and map it against performance?

Stephen Lovegrove: Probably not as much as you would like, Mr Graham, and probably not as much as we would like either. The money does not get spent and the shortfalls are capable of being redirected—

Q79 **Chair:** Yes, but you have an underspend and you can see where the underspend is reallocated to, so how can you not have visibility?

Stephen Lovegrove: There may be many, many underspends and many, many overspends. In fact, there will be many underspends.

Q80 **Chair:** Air Vice-Marsh Knighton said you tend to see this at the end of the year. You may just have been paraphrasing, but are you saying there was a big lump of money left at the end of the year for the underspend element, or has it just leaked out?

Air Vice-Marsh Knighton: It is to mitigate risk elsewhere in the defence budget against which to offset potential underspends.

Q81 **Luke Graham:** Who monitors the accuracy of the command's forecasting? If you are looking ahead and trying to mitigate different risks across the whole piece, who is monitoring that accuracy? Have you got a monthly management accounts review where you sit round as a team and are very clear that "This is over" or "This is under"? That is almost three questions, but the follow on would be: if you have got an underspend or overspend, surely you must know where it is being reallocated to?

Air Vice-Marsh Knighton: The Defence Board looks at those statistics on a monthly basis, and at performance against the forecast in terms of recruitment. Each month, each of the top-level budgets is required to tell the centre what its financial position is. There will be a whole series of risks and opportunities that the top-level budget holder and their finance director will be seeking to balance off.

If it became clear that the forecast expenditure on people was going to fall below the budget that was set, but somewhere else, in multiple parts of the budget, there was a potential forecast overspend that they would have to take some kind of cut to deal with—

Q82 **Chair:** But it is not as if an underspend on personnel is a success story. That is the problem.

Air Vice-Marsh Knighton: I didn't say it was.

Q83 **Chair:** But if you could spend some of that on retaining people or on solving some of the gaps in recruitment, that would seem to me good value for money.

Stephen Lovegrove: To give a hypothetical example, let us say you find yourself not spending as much money on pay because you have not got quite the number of people that you thought you would have or wanted to have. You then end up with £2 million, say, which you can spend elsewhere. There is a decision for the TLB holder as to where that £2



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million should be spent. The question for that TLB holder may well be, when he adds up all the—

Chair: Which means?

Stephen Lovegrove: Top-level budget holder—one of the single service commands. They are all “he” I think.

Chair: I heard “TLV” not “TLB”.

Stephen Lovegrove: When they add to that all those other underspends that they may have, is it sensible to spend just that £2 million on more recruitment, or would it be more sensible to spend it on, for instance, accelerating the maintenance of a bunch—

Chair: We know that. That’s not the point. Perhaps I can ask the CAG to come in on this, because I think that might drive the point home for us.

Sir Amyas Morse: I think it is a bit more straightforward. I am sure that people who are holding these budgets know from earlier in the year that they are not going to hit their target headcount numbers, because you have not hit them for ages anyway. I assume they know that. They know that they have a budget line that is not going to be fully used and they use it to meet other expenses, so it is actually almost a form of reserve. If you are constantly going along saying, “It’s all really great, but we can’t recruit the people we need to recruit,” and everybody puts in the line what their headcount is supposed to be, not what it is likely to be, then you have a bit of spare fat in the budget that you use for other things. That is what we are saying.

Air Vice-Marshal Knighton: If I may, the point is what the top-level budgets do on their annual planning. They base their forecasts, at least in the first few years, on the realistic forecast of strength, which is a combination of those that leave—the outflow—and the inflow. Sometimes that is not right either, but it is not fair to suggest that they pick a number that is what is required as opposed to what is actually the forecast strength.

Chair: Quickly, Sir Amyas.

Sir Amyas Morse: But if that is true, still the net movement is always what was not expected, is it not? This is a consistent feature over years. The net movement has been further downward than you have thought. That is a predictable feature over the last few years—sorry, but it is. So if you don’t want it to be a deliberate bit of padding in the budget, it is not really being in control of the net movement of staff in and out.

Air Vice-Marshal Knighton: Our whole approach, in all the measures that General Nugee and the Permanent Secretary described for us to put in place, is to try to arrest that. We would be accepting failure if we accepted the position you described.

Q84 **Chair:** Okay, I think we get the point. You hear our concerns on this and I



think the fact that the CAG echoes that is significant.

Stephen Lovegrove: Very quickly, I said last time I was here that we are making big efforts to improve a lot of the financial management of the Department along functional lines. This conversation will be part of that.

Q85 **Chair:** Also, if there is a pay increase looming, potentially, there is money that could be directed back—

Stephen Lovegrove: If there is an underspend—I agree.

Q86 **Luke Graham:** Moving on, Mr Lovegrove, you mentioned the Chief of Defence People role. It sounds like a great role. The NAO Report detailed some of the limitations on some of the power that this role holder will have, especially on directing commands and having a co-ordinated and structured response. You mentioned earlier that this role could be strengthened. What specifically would you strengthen about it?

Stephen Lovegrove: I would like to see greater authority over policy, strategy and procedures. I would like to see more standardisation and conformity over recruitment and training, and the kinds of levels of expenditure that are being made on certain types of recruitment and retention. I would like to see reporting and management information being directed much more vigorously from the centre. Those are some of the things I would like to see and I think we will be seeing.

Q87 **Luke Graham:** We look forward to seeing that. In that case, I have two short follow-up questions. We mentioned a bit about diversity targets. In the NAO Report we are seeing that you are doing quite well. From the Army point of view, on their BAME, yes they are doing quite well. In the Air Force and the Navy, however, they certainly are not. They are down at 4%.

Chair: Could you let us know the page?

Luke Graham: Apologies, this is page 17.

Chair: Figure 4.

Luke Graham: That's right. The BAME target intake for 2020 is at 10%. Unless my colour blindness has got the best of me, the Army has exceeded that, whereas the Navy and the Air Force are still struggling at around 4%. Can we understand what further steps the RAF and the Navy need to catch up?

Lieutenant General Nugee: All three services have gone out of their way to try to build relationships with communities by putting, effectively, recruiting and influence individuals into those communities. One of the features of black, Asian and minority ethnic communities is that they are not a homogeneous whole, so you have to go into every single community, and that is extremely time consuming and quite difficult, which is why you will see that these graphs are not going up exponentially. What we are trying to do is build a relationship with these communities. We are working with a community that— it's one of those



interesting asides that those who come to this country as immigrants tend not to be from the armed forces of those countries they have come from. The members of the armed forces tend to stay in their countries, because they are proud of their country and all the rest of it. Immigrants tend to be business people. The result of that is that we are not only having to approach a new culture from a different part of the world—first, second or third generation—but having to go into a different culture, in that the family have never joined the armed forces at all. We are competing against two different cultures. We are working extremely hard within those communities to try to tell them and persuade them that actually these are their armed forces and that they should be just as proud of the armed forces as everybody else, and offering them particular skills areas where they might be able to do the skills that they have always wanted their children to do—because gatekeepers are very important in these sorts of communities—but they can do them within the armed forces.

Q88 Luke Graham: Why do you think the Army has been so much more successful than the Navy and the RAF?

Lieutenant General Nugee: I think it's because the Army has much more of a tradition of this than the Navy and the Air Force. We have Gurkhas; they are not in these figures, but we have 3,500 Gurkhas who are in the armed forces, who are in the Army. So there are role models there already of people who are not just white and male, and they are seen. We have a much better relationship because it's a much longer relationship, frankly. This is a question of time rather than willingness.

Chair: I'm going to bring in Layla Moran on this point, and then Anne Marie Morris.

Q89 Layla Moran: Can I press you, General Nugee, particularly on the female intake? What you have just described, I understand completely for BAME communities, but for the female intake, it doesn't quite wash. Is it correct that, currently, roughly 10% of the regulars are women, or is that regulars and reserves together?

Lieutenant General Nugee: That's regulars and reserves together.

Q90 Layla Moran: So what's the breakdown of regulars versus reserves? Is there roughly parity or—

Lieutenant General Nugee: I don't have the exact figures—we can get them for you—but the reserves have a slightly higher female proportion than the regulars.

Q91 Layla Moran: So even if we have a 15% intake—that's an intake rate.

Lieutenant General Nugee: Yes.

Q92 Layla Moran: It's not a target for the overall number of women in the regulars themselves. At best, if you hit your more than 15% rate—let's say, in the RAF—you're not going to hit more than 10% to 15% of all Army regulars and reserves being women. Is that acceptable in the context of wider society? Shouldn't there be more women? Isn't that a bit



of a lax target?

Lieutenant General Nugee: There's a number of reasons for that, but first of all, we have set ourselves levels of ambition over and above the intake. These are very crude intake targets; as you say, they are not representation targets. Within the force, we have set ourselves levels of ambition that go out to 2030, which we will be publishing shortly—I'm afraid I don't have them with me, but we can get them to you if you wish—to try to build at as fast a pace as we can, but also build so that the representation within all three services of women and of black, Asian and minority ethnics is a proportion of the size of the force, rather than just an intake target. So we're absolutely alive to your comment and we want to build faster.

But the reason— you say it's not the same, about communities, and that's absolutely right, but it is only relatively recently that we have opened up all roles to women. For example, the infantry is not yet open to women. It is absolutely our plan, and we have stated, it will be open to women, but that's 30% of the Army; 30% of the Army is not open to women and therefore it is not surprising that actually we have— we are only trying to recruit women. If you look at medical, for example, 50% of medics are female, so it varies, depending on which part of the armed forces you look at.

Q93 **Layla Moran:** One last question. As you're looking to build, are you actively learning from the private sector and the way they are trying to build particularly the females in their workforce? Are you going elsewhere for ideas?

Lieutenant General Nugee: On the private sector, I go annually on what is called a Five Eyes conference, where we look at the Canadians, the Americans, the Australians and the New Zealanders, as the closest to us, and we learn as many things as we can from them. But we also look at the police and other parts of society, to see how they have built their female and ethnic minority communities, and we try to copy them where they show best practice—yes, absolutely.

Q94 **Anne Marie Morris:** General Nugee, much of the talk today has been about attracting individuals who are already interested through their schooling, so do you agree that the schooling part of the development of an individual is also a key piece for intervention? Mr Lovegrove, if General Nugee does agree with that, what conversations have you therefore had with the Department for Education to ensure that what you need—after all, defence is the first priority of any Government—in terms of new, young individuals with the right skills will actually be provided in the future?

Lieutenant General Nugee: In answer to your question—absolutely. That is why we launched the STEM youth engagement scheme last year, to try to attract children, particularly 12 and 13-year-olds and particularly young girls, into STEM subjects, not specifically for defence, but to try and increase the pool of those doing STEM subjects in our schools, so that



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there is a bigger pool for us to recruit from in six or eight years' time, or whenever it is that they come out of universities or out of the schools.

So absolutely, we would say that going to the schools is important, in terms of explaining to them what defence does, but also explaining to them the value of STEM subjects.

Stephen Lovegrove: I absolutely echo those points, and I have spoken to my counterparts at both the Department for Education and the Department for Business, Energy and Industrial Strategy, to try to make sure that we are properly joined up in this area. Now, there are obviously some limitations as to what individual schools might be prepared to allow us to do, but this is an area where there is certainly a focus and there could probably be more.

- Q95 **Anne Marie Morris:** And what about the careers aspect of this, because we have not talked about that, as in young kids going to the system for careers advice, as opposed to the other end, where they are looking for jobs when they are 16 or 18?

Stephen Lovegrove: I'm not sighted myself as to how much we get into the careers systems at schools. I mean, my personal experience of that is about 35 years out of date.

- Q96 **Chair:** There is obviously the cadets, which we will pick up on a bit later, although they are not a recruiting ground—*[Interruption.]* Okay, on the cadets, you have put some money into the cadets. We have found the figures from elsewhere, but it's not really about the money; it's about how many of the cadet forces end up entering the armed forces. Do you know? I was once told a figure of 4% of army cadets go into the armed forces. I wonder if that's—

Lieutenant General Nugee: I think it's larger than that. I don't have the figure at my fingertips for what percentage join the armed forces, but I think it's slightly larger than that.

- Q97 **Chair:** Okay. It would be helpful to know that figure, if you can give us that information. What percentage of those who do join the armed forces then end up staying on? I mean, there must be a correlation between people who have got some experience of the cadets and then—

Lieutenant General Nugee: We tend to find that cadets stay longer and do better, yes.

- Q98 **Anne Marie Morris:** I have one final question, because I appreciate that time is of the essence. One of the things that surprised me was going into my schools and finding that one of the biggest reasons for anxiety in young children, and you will appreciate that that's on the rise, is a real fear of terrorism. That shocked me, but I just wonder whether or not the mindset of the forces is now less about being a nice place to go—you know, good quality of life—and more about, "Actually, you can die."

Stephen Lovegrove: It's interesting. I went to give a Speakers for Schools talk about two months ago and I had exactly the same



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experience. I sat down with a group of 12 of them after the formal address and the conversation was very much about two things, actually. First, it was about nuclear deterrence, which I was surprised by; they had very sophisticated views on that, but it was interesting that it was in their mind. The rest of the time was about terrorism, the threat of terrorism in their communities and what the armed forces did on a daily basis to stop that threat materialising, and it was good to have the opportunity to tell them the kinds of things that we did. Actually, two of them have written to my office and asked for apprenticeships in the Ministry of Defence afterwards, although not to join the armed forces, in which case I would obviously have referred them to General Nugee.

These are subjects that are of intense interest to any person in the UK who has either got or is beginning to have a sophisticated political and security kind of thought, and we should take advantage of that more than we do.

Q99 Anne Marie Morris: As my final comment, the branding and perception of the forces should be something that you now take into account. It seems to me that that is the reality—you know it and I know it—but the forces have not, as yet, taken on board how to try to engage the youngsters.

Q100 Chris Evans: A quick question on that. I was talking to someone at the weekend who runs a military preparedness college. I was talking about the Report, and he said that his recruitment rate—those who go through the college and into the forces—is 33%. That astounded me. Is that absolutely right, and if so, have you looked at that model?

Lieutenant General Nugee: I don't know whether that's right or not.

Q101 Chris Evans: Can you come back to us on that?

Lieutenant General Nugee: Yes.

Q102 Sir Geoffrey Clifton-Brown: General Nugee, paragraph 1.10 on page 15 says that 15,300 regulars left the armed forces up to December 2017. There was a net outflow of 2,300, and the trend is getting worse. You are going to all this effort but the numbers are actually dropping. What can you do to retain more of your regular, trained armed forces members?

Lieutenant General Nugee: We are looking at all sorts of policies to try to retain them—the future accommodation model, the flexible engagement system, the enterprise approach—all of which are trying to increase the retention of our individuals. I think all of those are aimed more at retention than recruiting. The aim is to try to produce a terms and conditions of service for our individuals that is more attuned to today, as opposed to perhaps some time ago when they were introduced. We have a number of significant policies to try to build a retention-positive effect for our people.

We are constantly looking at the offer and how we can build and improve on it. I was talking to a brigade commander only on Saturday, and he said that every single one of his units is going abroad this year and every



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single one of his reserve units is going abroad with them. That is the sort of thing that keeps people in the armed forces. If we can do that, we should, and that is what we are doing.

Q103 Sir Geoffrey Clifton-Brown: The last sentence in that paragraph shows that the trend is getting worse. Outflow was 3.8% in March 2010, but went up to 5.6% in December 2017.

Lieutenant General Nugee: That's why I referred you earlier to before 2010, because 2010 was when redundancies were happening. We get a reduction in voluntary outflow rates during a redundancy programme, because if they want to go, and if they can go with an awful lot of money rather than no money, they tend to stay in, in the hope that they will be made redundant.

When that period ends, you tend to get a slight rise in voluntary outflows because they wanted to go all along and they realise that they will not be made redundant. In the process, we have kept them for an extra couple of years. If you go back to pre-2010—I was responsible for the manning of the Army in 2008-09—our rates were around 6%. That is why I say that, actually, we are not doing badly, given the current economy.

Stephen Lovegrove: If I may, Sir Geoffrey, on page 16 you can see that the gap between outflow and inflow is closing.

Q104 Sir Geoffrey Clifton-Brown: Can I take you to paragraph 2.15 on page 23? There is a fairly disastrous statement at the end of paragraph 2.16, where it says the Department "expects to resolve just 6 of the 102 pinch-points in the next five years." It seems to me that the progress towards resolving the 102 pinch points is glacially slow.

Lieutenant General Nugee: If you look at our operational pinch points, over 50% of them are of senior people—soldiers, aircraft personnel or whatever. We still firmly believe, as I hope you would, in senior people needing experience; we don't just promote because we can, we promote when they have the necessary experience.

It is very interesting in the Army. We held back from promoting people to lance corporal because we didn't believe that they had the right experience, so we had a gap in lance corporals. We now think they have that experience, so that has changed and the gap is appearing in private soldiers. If we are short of senior people, it takes time to develop people sufficiently in order to get them to those senior ranks. That is why it is, in your words, glacially slow. In my words, we are trying to do the best we can without losing that experience base that we need.

Q105 Sir Geoffrey Clifton-Brown: But this Committee did a report in 2010, as did the NAO, and we made recommendations. However, it seems to me that many of the statistics and the shortfalls are the same now as they were in 2010. When will we get to a settled state where the armed forces have sufficient people of sufficient skills to be able to meet the tasks that you set for them?



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Lieutenant General Nugee: I would say that the quantum might be the same—I would hope it is getting better—but the make-up of that changes all the time. On operational pinch points, for example, when I was responsible for them in the Army in 2010-11, when we were at the height of Afghanistan, most of the operational pinch points were Army pinch points. Now there are only three operational pinch points from the Army, because they are not as committed as they were in Afghanistan and Iraq, but the pinch points that have now come to the fore are the Navy and Air Force pinch points. The tone or the colour of it changes. If you want senior people with experience, you are always going to have problems.

Q106 **Sir Geoffrey Clifton-Brown:** So when are we going to get to a settled state when you roughly have the skills you require to meet the tasks you are expecting of our armed forces?

Lieutenant General Nugee: The NAO has laid out when, and that is with our guidance as well. It takes a long time.

Q107 **Chair:** That does not take account of the Modernising Defence Programme.

Lieutenant General Nugee: That is on the existing programme. That is on the existing facts.

Q108 **Chair:** Yes, exactly. So the target could be moved, depending on what comes out.

Sir Geoffrey Clifton-Brown: The target is being moved.

Lieutenant General Nugee: The target could easily be moved under the Modernising Defence Programme, yes.

Stephen Lovegrove: It is extremely difficult to give a precise confluence in answering questions like that, Sir Geoffrey. If you consider that the EngineeringUK survey recently said that 61% of the engineering firms it surveyed did not have confidence that they were going to fill their highly skilled vacancies in the near future, obviously we must do everything that we possibly can, but we are operating against a national backdrop that is not as helpful as we would like it to be. We are not alone in this.

Chair: I am going to bring in Chris Evans.

Q109 **Chris Evans:** You said earlier, General Nugee, that there was no capacity for lance corporals. You are talking about the base-fed workforce. Clearly this is not working; the figures bear that out. Would you agree with that? Is that a fair statement?

Lieutenant General Nugee: No, I don't think it is a fair statement. If you are questioning whether an armed force should have a base-fed model, I would answer that an armed force needs a base-fed model to build the experience, because the outcome of not having that experience is that people die, and I am not prepared to take that risk on operations. We need to build experience in order to make sure that the very best people, with experience, command our troops on operations. That makes us slightly different from other people, and therefore I believe a base-fed



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organisation is absolutely fundamental to the way we do business. That said, I believe we can go further to enhance that base-fed organisation with bringing people back to rejoin. We are looking closely at trying to increase our ability to encourage those who have left to come back into the armed forces, and looking at lateral entry.

Q110 Chris Evans: I accept the point about the experience and that this is not like joining Barclays or Tesco, because people die. But if you look at the shortfall in pilots and engineers, how can you say that a base-fed workforce is working when it takes 12 years to train a chief petty officer? Could you recruit that person as an engineer from the private sector? Could you look at those innovations?

Lieutenant General Nugee: In some areas the Navy has used lateral entry and recruited and brought people in who relatively shortly have been chief petty officers and petty officers. We are looking at that and looking to expand it as much as we possibly can, because we accept—the NAO Report pointed it out, but we knew it anyway—that we have skills shortages. We are looking at lateral entry. What we cannot do, I would suggest, is to have lateral entry throughout the armed forces to solve the technical skills problems.

Q111 Chris Evans: To put this into perspective, how much money is it costing when you have a gap in a junior officer rank that has not been filled? It says quite clearly in the Report that in the RAF, especially, there are over 2,000 posts unfilled. How much is that costing the armed forces a day when they are not filling positions, and how much of a stress is it on the armed forces when you do not have the key personnel in place?

Lieutenant General Nugee: I don't know the cost in terms of the financial difference; I don't know whether Air Vice-Marshal Knighton would know that. I don't know the cost number, but I go back to the point I started with, which is that we make sure it does not affect our operational capability.

Q112 Chris Evans: But how? That is what I am trying to get. Perhaps I am being stupid, but how do you get round it? It is not affecting your operational capability, but there are gaps in experience and gaps in officer roles. How are you working, day to day, so it does not affect your operational experience? That is what I am struggling with.

Lieutenant General Nugee: We prioritise. To take pilots, for example, we take people out of staff jobs and put them back into pilots where we need to, to ensure that we have enough pilots for our squadrons that are on operations. To take another example, when we were very short of counter-IED—improvised explosive device—operators and we found that we needed a very significant number of them in Afghanistan, we opened it up to as many people as possible. One of the most decorated counter-IED operators had been a chef. We changed his role so that he became an IED operator, and he went to Afghanistan as an IED operator.

Q113 Chair: How long did it take to train him, or retrain him?

Lieutenant General Nugee: I do not know the exact answer to that—

Chair: Is it months or weeks?

Lieutenant General Nugee: It is a few months to retrain, but it is better to retrain and fill than just to ignore.

Q114 **Chris Evans:** Am I right that there is no way to make fast-paced progression to close those gaps?

Lieutenant General Nugee: We have to deal with reality. The reality is that if we want an experienced, highly professional force, that takes time to develop.

Q115 **Chris Evans:** I have to put this to you, General Nugee: are you being radical enough when it comes to recruitment and trying to fill those gaps? Are you looking at more innovative ways of recruiting people, or are we just carrying on with something—"This is the way it has always been done and we are going to carry on"?

Lieutenant General Nugee: If I take recruiting, there are two different environments. I have already mentioned the radical change to the process that we are trying to make in the recruiting space that will hopefully encourage more people to join and get into the armed forces faster. That is one side of it.

If you look at cyber, we are looking at a completely different model for high-end cyber. For people who want to do cyber defence or defence in a cyber environment, we are looking at a completely different model. We are looking at a model where we want to question our physical and mental standards. We want to look at optimising for a cyber individual. We are looking at a completely different career structure potentially for those individuals, because we know that for somebody in the cyber world—high-end cyber—they need to do cyber all the time, and we cannot have them going off and doing something else and then coming back. We are looking at a career structure that allows for that, because it does not allow it at the moment. We are looking as innovatively as we can.

The other thing we have done is to start an innovation competition. We have put £3 million into it. We have had 91 bids from about 80 different companies that are looking at innovative ways of us recruiting and retaining. We are doing as much as we can using outside ideas. We are going through—

Q116 **Chair:** Are they going to be running it like Capita—

Lieutenant General Nugee: No. At the moment, we are in a competition as to, if you like, harvesting their ideas as to how to do it. That absolutely does not mean that we will necessarily outsource, but if they can give us really good ideas, that would be fantastic.

Q117 **Chris Evans:** But when will we see the results, General? It is three years now and you have failed to hit the target.

Lieutenant General Nugee: I would like to think that we are turning a corner. We have turned a corner with officers. Sandhurst is 100% full for



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the first time in a good number of years. The officer academies for the Navy and the Air Force are close to full, which is a change of direction. I would hope that if we can prove that we can do it for officers, in a few years' time we will be able to prove that we have done it for those who are not officers as well.

Q118 Chris Evans: But you know very well that the Report says that the gaps are in the lower ranks. They are not in Sandhurst with the officer class; they are with the boys and girls from my constituency who want to join. What are you doing to target them, because that is where the problem is?

Lieutenant General Nugee: That is all the recruiting that I have talked about—changing the recruiting process; thinking of innovative ideas; getting lots and lots of innovative companies to come and offer us ideas; and reducing the amount of time it takes to recruit. That is exactly what we are trying to do.

Q119 Chris Evans: What is your budget for the recruitment campaign?

Lieutenant General Nugee: I do not have the exact figure, and it depends on each service. For example, I believe the Army spent about £35 million. I do not have the exact figures.

Q120 Chris Evans: Air Vice-Marshal Knighton, what it is for the RAF?

Air Vice-Marshal Knighton: The Report explains that across defence, it is about £200 million a year.

Q121 Chris Evans: But what is it individually for each?

Air Vice-Marshal Knighton: I don't know.

Chris Evans: Okay. Could you write to the Committee on that?

Lieutenant General Nugee: We will give you the figures of recruiting and marketing.

Q122 Chris Evans: This is probably an unfair question now, but is the amount of money that you invest in recruitment campaigns a significant benefit for the armed forces? Are you losing money in recruitment campaigns?

Lieutenant General Nugee: I do not think we look at it in terms of whether it is losing money or not. We are doing our very best to try to recruit digitally and in the social media space, as well as on television and radio and all the rest of it. We are trying to encourage as many people as possible to join.

Q123 Chris Evans: But the key to it is that it is nice seeing these adverts from lovely marketing companies about how wonderful it is to join the forces, but how much is it actually costing? Is there any benefit in doing these types of recruitment, which cost the UK—

Chair: Are you getting value for money? I think that is what Mr Evans is asking—pound for pound.



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Lieutenant General Nugee: We know how much it costs and we know how many people we get in, therefore we know how much it is costing per person to get them into the armed forces. We would want to reduce that by increasing the number of people coming in and, if necessary, reducing the amount we spend on it to get more people in. Of course we would, yes.

Chair: I am going to bring in Jeremy Lonsdale from the National Audit Office because we are just going to pin down that figure on the recruitment costs.

Jeremy Lonsdale: On expenditure on recruitment, it is figure 10 that sets it out and breaks it down by command—on page 31.

Q124 **Layla Moran:** Lieutenant General Nugee, you describe some of the ways you are trying to innovate. There are a number of smaller scale initiatives. How do you know that they are working? What data do you collect to ensure that these schemes are evaluated properly and then rolled out?

Lieutenant General Nugee: Are you talking about recruiting or retention?

Q125 **Layla Moran:** Let's start with recruitment schemes. In your own area, how many different schemes are running and how do you evaluate them? That is the nub of what I am trying to get to.

Lieutenant General Nugee: For example, with change in process and change in the medical requirements, we would evaluate that by seeing the conversion rate between the numbers who apply and the numbers who get in, effectively. I would hope that if we had a constant number applying—that is down to the marketing and all the other things we were just talking about—more people would arrive at the front gate of phase one training.

Q126 **Layla Moran:** So which of the schemes are you currently looking to expand?

Lieutenant General Nugee: As I say, we are looking to reduce the time it takes to recruit people. There is a whole series of processes within that but that is what we are trying to do, and we believe that if we do that, instead of it being the six or nine months or whatever it is, down to three months, more people will get through the system and be able to—

Chair: That is for base recruitment.

Q127 **Layla Moran:** I am also interested in lateral recruitment. We have heard in the Report the example of what the RAF is doing with pilots. Are you doing similar things in the Army?

Chair: Should we just explain what that is? It is the LinkedIn examples.

Layla Moran: There is a LinkedIn page trying to find people who have left. For example, when Army engineers left back in 2010, do you know where they went?



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Lieutenant General Nugee: We have just had an Act passed in Parliament that allows us to liaise with HMRC to find people. We did a test and 50% of those we had addresses for had changed their address in the five years since they had left. I don't think that is surprising, as they find new jobs and all the rest of it. We now have the ability through HMRC to find them, and then we can write to them. We already write to them after six months and after a year, not just in the Army but across the services, encouraging them to come back. The Army have a very aggressive scheme of re-joiners, trying to encourage people to come back, and they are seeing their numbers rise, as are the Navy and the Air Force. That is effectively lateral recruiting, if they come back in but have some experience earlier. That is the best form of lateral recruitment, because you can genuinely bring them in and accelerate them through the ranks.

Q128 **Layla Moran:** On why they left in the first place, Mr Lovegrove, who are you relying on to give you the understanding of the market in which you are operating? Is it Capita? Is it the champions you have for each of the different areas and the pinch points? Who are you relying on?

Stephen Lovegrove: It is not Capita, because Capita looks after only the—

Q129 **Chair:** Base recruitment. Who do you go to know what the market is like?

Q130 **Layla Moran:** You are in the market and you are competing—let's take the specific example of engineers. It is a complex ecosystem that they operate in. How do you make sure you have the best information about that ecosystem that you are trying to recruit from? Who do you go to?

Stephen Lovegrove: That typically comes up from the single services, who know best about the types of engineers that they might require. And they know, typically, which universities and colleges are creating those kinds of individuals.

Q131 **Layla Moran:** So even in engineering, which is such a difficult area for all parts of the economy to recruit from, you are not really targeting people at lateral entry who do not already have experience. You are still very much focused on that base—

Stephen Lovegrove: No, in engineering there is a degree of lateral entry, but on the whole—

Q132 **Layla Moran:** What is the proportion?

Stephen Lovegrove: I'm afraid I do not have that. Air Vice-Marshal Knighton is an engineer, so he can possibly give you a better answer than me.

Air Vice-Marshal Knighton: In terms of where we get our data and information from, the MOD's STEM champion is Air Marshal Julian Young. He and his team are very closely integrated with EngineeringUK, which is the lead agency in terms of analysing the environment—in fact, I think the Report references work from EngineeringUK. So that allows us to understand how that marketplace is changing, what the vectors are and



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how that might affect us in future—so, the numbers of young men and women who are going to university or trying to get higher level qualifications than those who we may have recruited from 20, 25 years ago.

There is a quite a tight link between the engineering champion, who does it not just for the Air Force but right across defence, and the individual services through the engineering chains you have, right the way down to the recruiters. As General Nugee described, we launched the STEM youth engagement strategy in 2016, and that saw us increase the amount of time, effort, energy and experience into STEM education that military people put into schools. I brought with me my STEM ambassador badge, just to demonstrate that we are all part of trying to increase interest in STEM subjects and use that both to enhance our understanding and to inspire young men and women—boys and girls—to get involved in STEM subjects and make those choices.

Q133 Layla Moran: Do you still sponsor undergraduate degrees?

Air Vice-Marshal Knighton: We have a whole range of bursaries and financial offers available right across the three services—largely for technical subjects, but it covers a broad range.

Q134 Layla Moran: What is the success of such initiatives? To come back to my earlier point, you have got a range of initiatives, so how do you evaluate which one works best? If they work well, why are they not being rolled out further? We are at crisis level with some of these numbers now, so why are you not pushing that even further if it works really well?

Air Vice-Marshal Knighton: General Nugee may know better than I about the specifics.

Lieutenant General Nugee: On the undergraduate bursaries, for example, they are very successful. Basically, the people we give bursaries to join the armed forces, and that is very good. So we are looking at a very substantial uplift in the number of undergraduate bursaries run by the Defence Academy, with their links to—

Q135 Layla Moran: Looking at? Has it been decided, or are you hoping that it will be decided?

Lieutenant General Nugee: We have got to go through a number of hoops to get the money, but we believe that this is something we will see—I cannot put a date on it because we need to go through the process, but our absolute intent is to reinforce success, in terms of they are very successful, and push more and more money into that to get our bursaries in. But, to a point, that will produce youngsters; that will not fill our gaps at senior level.

Layla Moran: Coming back to the wider ecosystem, Mr Lovegrove, I was a bit alarmed earlier when you said that there had not been a specific assessment done of the impact of Brexit, especially in the context of STEM. This Committee has looked at this in some detail now and it is very clear that Brexit will not just definitely have an effect on the STEM



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ecosystem; it is already having an effect on it. Why have you not done that assessment? Don't you think that is a bit—

Stephen Lovegrove: I am very happy to take that away and look at that issue more closely. The issues that we have assessed with respect to Brexit so far have been more narrow and specific than that—things like Galileo, which has been in the press for some time, are the kinds of things we have been looking at, plus how we have been involved or will need to be involved in emerging European defence establishments and institutions. But it is a very fair challenge. I am very happy to take it away, and we will come back to you.

Layla Moran: Thank you.

Q136 **Chair:** Lieutenant General Nugee, may I ask you about the LinkedIn group for pilots? That is a very small, cheap initiative that seems to have had some success. Has that been rolled out elsewhere?

Lieutenant General Nugee: Absolutely. I am inundated by specific trades, particularly in the Army, on LinkedIn—

Q137 **Chair:** So you have copied that. That is one example of a small thing that has worked that you have copied.

Lieutenant General Nugee: Absolutely, and I am running a study, which I have called, "Leave well, rejoin well," to look at exactly how we are doing on rejoining across the board in defence. That will report in the next couple of months, and then I will know what is best practice and what more we need to do.

Q138 **Layla Moran:** Also on further learning, I understand that the NAO facilitated a workshop between the Navy and the police.

Jeremy Lonsdale: I referred to the workshop in which we got various members of your team together with the police last May. That was a useful way of exchanging experiences and sharing good practice.

Q139 **Layla Moran:** Was that a one-off, or are you planning to do more of those?

Lieutenant General Nugee: We talk very regularly with the Prison Service and the police, but in a sense they are competition to us, so they—

Q140 **Layla Moran:** But it's all taxpayers' money.

Lieutenant General Nugee: Yes, but tax is divided up a little bit. But yes, we are talking to them very closely to find best practice.

Q141 **Chair:** We have been looking a lot at the defence equipment plan, some of us have been to visit the aircraft carrier and we are very interested in all the big kit, but when you plan the big kit, do you also plan in the skills? There has been a bit of a lag in getting the pilots in for the F-35s. Are you thinking now, even before Modernising Defence, of the skills you will need for the kit that you are procuring?

Stephen Lovegrove: Absolutely. The idea that one would commission huge bits of equipment like that and not think about the personnel who were going to man it—

Q142 **Chair:** Except that we have had a bit of an issue with pilots. It will just about line up, will it not?

Stephen Lovegrove: I would query whether we have had an issue.

Q143 **Chair:** It was an area that came up when we were looking at this a little while ago.

Air Vice-Marshal Knighton: The issue, which we talked about earlier, was that a sharp increase in requirement came from the expansion in 2015 and it will take time to pull people through. But that challenge was understood at the point at which the decision was made, and more resources were put into the flying training system to allow that to accelerate its output and increase the number of pilots that it pushed out to the frontline. As the Permanent Secretary says, we cannot guarantee that we will get it right, but we do think through all those different defence lines of development, as we describe them, so that when we deliver capability, it is not just the equipment but the people, the training and all the other components that sit alongside it.

Q144 **Chair:** You have been trying to reduce the number of civilians, which is still quite high. What is the plan there?

Stephen Lovegrove: The number of civilians is not high in comparison with what it was. The number of civilians we have lost from defence over the past 10 years is in the tens of thousands. I am very happy to provide the Committee with further information on that. We are looking at whether the timing of the 30% target is fully appropriate at the moment. It is certainly within the scope of Modernising Defence. I can assure the Committee that we are certainly on track to save the associated financial target of £310 million from civilian personnel.

There are balances that we need to strike here, which we are thinking about carefully. When we think about the idea of a whole force, we want to make sure that we have properly remunerated and properly skilled people to do the jobs that we need to do. In certain circumstances—cyber is the obvious one—some of those are quite likely to come from the civilian workforce rather than the military workforce. It is quite a complicated picture. It is within the scope of the MDP at the moment, and we are looking at it closely.

Q145 **Chair:** Of the civilians who have left the MOD, did any join any of the three commands?

Stephen Lovegrove: There will no doubt have been the odd reserve who was converted—

Q146 **Chair:** So it was not a planned programme of opportunity—some of those skills may have been useful to you, General Nugee—



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Lieutenant General Nugee: They would have to pass our selection tests but, if they were willing to do so, we absolutely would not have stopped that.

Q147 **Chair:** May I just check, if people come in laterally—I can guess the answer, but just to be clear—do the same levels of fitness and all the same tests apply to someone who comes in at, say, the age of 35, as if they came in at the age of 20?

Lieutenant General Nugee: I think it would be a little unrealistic to expect exactly the same fitness levels, so we are looking closely at changing the fitness levels for those who come in as lateral entry, but in terms of the same qualities of the individual, the same values and standards of the individual, the same mental abilities, yes, absolutely the same.

Q148 **Chair:** Throughout this—I think I understand, as I have a brother who was in the armed forces—I sense a certain resistance to people coming in laterally. Very much earlier, you advocated wanting people to come in at base—you gave a very passionate argument for why you feel you need to do that, as a general in the Army. But do you think that that means there is a resistance in the system to having these high-level skills in areas where you really are not going to get them recruited and up from base to that level of skill in the time that we need these things, such as for the cyber-threats out there?

Lieutenant General Nugee: I think, if I might, this is horses for courses. In some parts, lateral entry is a really good idea, but in other parts—if I may be blunt about it—lateral entry is a really bad idea.

Q149 **Chair:** Like, for example.

Lieutenant General Nugee: Like, for example, an infantry lieutenant colonel in Basra. I would not want to bring someone off the streets to put them in command of 1,000 men in Basra straight off. Regardless of the amount of training that they had had, the lack of experience would be potentially catastrophic to some individuals. So there are some areas where I would not want lateral entry, but there are lots of areas where I am trying to encourage lateral entry, where I think we can go much further with lateral entry and where I would wish to do so. That is a different paradigm from where we are today, so we have to change the culture of the armed forces, and that is something that we are in the process of trying to do.

Q150 **Chair:** Last question from me, although Sir Geoffrey may wish to come in. Culturally then, where are the cultural barriers to changing your recruitment methods? You met with the police, and they had challenges about taking in detective inspectors at lateral entry level—they are doing that now, getting some very good recruits. Where are the cultural barriers and how will you overcome them? Perhaps we will start at the other end, with Air Vice-Marshal Knighton.

Air Vice-Marshal Knighton: Forgive me, Chair, do you mean the cultural barriers inside the armed forces?



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Chair: Inside the services. Again, we have just heard passionately from General Nugee about how you wouldn't want someone out in Basra commanding a force of men—it would still be men—if they had not had some serious experience. Are there other barriers? That is cultural and practical, you could look at it both ways. Are there barriers in the Air Force to bringing people in laterally? I mean, would you be able to bring in a pilot from Virgin Atlantic and get them to fly? Seriously, would there be cultural challenges because they haven't come through the system?

Air Vice-Marshal Knighton: In a practical sense, it is about someone having to go through the flying training system to get to the end of it in order to be able to fly a combat aircraft. Flying a 737 out of Luton is somewhat different from flying a Typhoon out of Coningsby. There are opportunities in flying—effectively, an Airbus A340 is what we operate as our tanker and passenger aircraft, and is almost identical to those aircraft that fly out of Birmingham or any other airport. We have a system of sponsored reserves, people who work in both civilian and military environments—

Q151 **Chair:** So the answer is yes. I am not pushing for a yes or no answer particularly, but you are saying that culturally there is not a real issue as long as you get people in the right positions—

Air Vice-Marshal Knighton: Sorry, that was the practical argument. The cultural issue may well be more difficult to overcome, because it is the organisation or structure that those in the armed services have known throughout their career, and has been the case to a large extent through our history. Changing any organisation's behaviours or what it considers to be normal requires quite a significant shift in culture and a transformation in the way in which it does things. That doesn't mean we shouldn't try, but it does mean that it is rather harder, and it is harder for those people to gain acceptance.

Chair: So it's a job for the people who are already in the system to cope with, as well as the new entrants.

Air Vice-Marshal Knighton: Correct.

Stephen Lovegrove: It is a fascinating subject. Lieutenant colonels in Basra, weapons engineers on nuclear submarines, fast-jet pilots—clearly that is one category of people. Cyber, medics—there are quite a lot of areas where we should be thinking much harder about lateral entry. I would say that I have not met any very senior military officers who do not understand that point against all the various challenges we have at the moment and who would not like to make further progress on it. But changing the cultures of their organisations, given the traditions that they have, is not the work of a moment. It will require concerted leadership not from people wearing suits; it will require senior military officers to make it clear that there are some areas where this probably is a better answer than the one we have at the moment.

Chair: Turning to the man in uniform, General Nugee.



Lieutenant General Nugee: I would say that it is a culture that we are keen to adapt, to include more lateral entry. I think there is a growing acceptance that people who have experience outside the armed forces will offer great opportunity to the armed forces as they bring all that practical experience of a different way of doing things into the armed forces. I think there is real opportunity. It is partly rejoining; that is the perfect solution in some respects because they have the experience at the bottom and therefore can come in at or near the top.

There are practical things that we need to do to make sure that they are welcomed in. In certain spheres, I am really keen to try to get as much lateral entry as possible, where it is not the person firing the rifle, so to speak, but the person in the support behind who can come in with all that different experience. The willingness is there; the intent is there; but it takes time to develop and change the processes. It takes time to get acceptance from the rest of the service that it is the right thing to do.

Q152 **Sir Geoffrey Clifton-Brown:** I am listening to you very carefully, General Nugee. You are a very credible witness; you have a very senior position in the armed forces, yet this report makes clear that you are not going to fill the skills shortages until 2022 without modernising the armed forces, which is likely to put a further twist on skills such as cyber. Cyber seems to be a growing threat. You are going to need to recruit more IT people, yet you tell my colleague Ms Moran that you are only thinking about increasing the number of bursaries.

It seems to me that you are operating in an increasingly competitive world for some of the really high skills. Should you not be thinking a bit more out of the box and a bit quicker on your feet in reacting to the circumstances in which you find yourselves?

Lieutenant General Nugee: The answer to that is that I would love to be much quicker, but it takes a little bit of time to get the policy right and to find the money—as was observed earlier, we are not in the best of financial states at the moment. Therefore, it is a question of priorities. But if I can argue the case that we need more money for bursaries and so on, I will try to do so.

Chair: It could be cost-effective.

Lieutenant General Nugee: It would be more cost-effective. I hope that it comes across that I am not trying to resist what you are suggesting; I am trying to suggest that that is exactly the way that we want to go. The NAO has made a perfectly valid point that it will take a long time to do this; as I have said, quite a lot of that is senior people. Not all of that is subject to lateral entry.

Bursaries will not answer the senior problems; they will give us more at the bottom end, which will solve the problems in 10 or 15 years' time when they become senior. There is whole host of complexities going on. I am trying to tackle all those complexities by trying to get more bursaries, put more money in and bring lateral entry in where we can to try to solve the senior problems. None of that will be done quickly. We have to have

the policies and processes in place, and we have to persuade people that this is a very good idea.

- Q153 **Sir Geoffrey Clifton-Brown:** These technical schools are moving very quickly, particularly in IT. Surely it is the graduates—the youngsters—who you need to concentrate on recruiting?

Lieutenant General Nugee: I completely agree that we must find more effective ways of trying to recruit technical people. There is a dilemma at the heart of this, which I do not think we are unique in: technical skills take a long time to develop. If we want them in the armed forces, we need to train them in being in the armed forces; they are not just technocrats—we could do that with civilians and we do. We are training them to be in the armed forces, too.

The speed at which technology is changing is so fast that we have almost got the potential for people to be on continual training. As I say, that is a change in the world of work, rather than specific to the armed forces.

- Q154 **Chair:** And a challenge to be on continual training, when they are already straining to fill the gaps.

Lieutenant General Nugee: Correct.

Stephen Lovegrove: On that subject, we work very, very closely, as Sir Geoffrey will know, with GCHQ. There are many people from GCHQ in our organisation, and there are hundreds of people down in Cheltenham from defence. That is a really good example of where civilians and the military are working in a completely seamless fashion.

You are absolutely right to identify that that area is going to grow—it is. We are going to have to identify more and better ways of attracting the kind of skills we want. I gave an example not long ago of a hackathon, where the test was to try to get into a foreign power's systems of some type or other and then compromise them. Lots of people joined and had a go at that. The winner was a 14-year-old boy from an Asian background, who under normal circumstances would not have thought to himself that a career in the armed forces might be for him. I hope he will now think about a career in the armed forces—maybe he won't—but that is the kind of thing we need to do to be able to—

- Q155 **Chair:** That's small-scale, though, isn't it?

Stephen Lovegrove: It is very small scale. There are some mindset changes and some nimbleness—you point that out, and I think that point is well made.

Chair: The NAO Report highlighted the challenges, and we have heard them played out today. We appreciate the difficulties. There is obviously a huge imperative because, as General Nugee laid out graphically, if we don't get this right it costs lives, and it costs the defence of the nation. We will be setting you some stiff challenges when we reflect upon this hearing.

Thank you very much indeed for your time. The uncorrected transcript will



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be up on the website in the next couple of days, and our report will be out before the summer recess. I am using a civil service timescale there—nothing specific.