

Defence Committee

Oral evidence: Ministry of Defence Annual Report and Accounts, HC 1559

Tuesday 9 Oct 2018

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Members present: Dr Julian Lewis (Chair); Martin Docherty-Hughes; Mr Mark Francois; Johnny Mercer; Mrs Madeleine Moon; Gavin Robinson; Ruth Smeeth; John Spellar.

Questions 1-197

Witnesses

I: Mr Stephen Lovegrove, CB, Permanent Secretary, MoD, Ms Cat Little, Director General Finance, MoD, Lieutenant General Sir Mark Poffley, KCB, OBE, Deputy Chief of Defence Staff for Military Capability, and Sir Simon Bollom, KBE, CB, Chief Executive of Defence Equipment and Support.

Examination of witnesses

Witnesses: Mr Stephen Lovegrove, CB, Permanent Secretary, MoD, Ms Cat Little, Director General Finance, MoD, Lieutenant General Sir Mark Poffley, KCB, OBE, Deputy Chief of Defence Staff for Military Capability, and Sir Simon Bollom, KBE, CB, Chief Executive of Defence Equipment and Support.

Chair: Good afternoon, and welcome to this session of the Defence Committee. We are looking at the Ministry of Defence's annual report and accounts. Would our four witnesses mind, as is usual, saying a few words about themselves by way of introduction?

Sir Simon Bollom: I am Simon Bollom, Chief Executive of Defence Equipment and Support.

Cat Little: I am Cat Little, Director General of finance.

Stephen Lovegrove: I am Stephen Lovegrove, the Permanent Secretary at the MoD.

Lieutenant General Sir Mark Poffley: I am Mark Poffley, the Deputy Chief of the Defence Staff responsible for military capability.

Chair: Welcome back.

Q1 **John Spellar:** Before we get into the main subject, I have a question for the Permanent Secretary. The Committee works very much in a bipartisan manner on defence; we are not divided on political issues, although politics comes into it. We were therefore very concerned to hear that when the Secretary of State went to Plymouth—yesterday, I think—to announce support for the future frigate programme, which is clearly welcome news there, he invited three Members from his own party to the event but not the hon. Member for Plymouth, Sutton and Devonport (Luke Pollard)—the clue is in the name—whose constituency contains the naval base, although his office was notified that the Secretary of State would be visiting his constituency. That strikes us as beyond the bounds of propriety. As the custodian of that, we would be grateful if you could look into it.

Stephen Lovegrove: I will happily look into that, Mr Spellar. I understand the concern.

Q2 **John Spellar:** Thank you. Could you provide us with an update on the Modernising Defence Programme, including the current timetable?

Stephen Lovegrove: Yes. As you know, the Secretary of State provided a WMS on 19 July. To summarise that and the thinking behind it, we still believe that the basic diagnosis in SDSR15 was correct, but there has been a marked intensification and cross-contamination of the threats we identified in it. We also broadly reaffirmed the 2025 headmark—Joint



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Force 2025—as the right one to be pitching at. Within that, we are aiming to make some adjustments, which can be best summed up in the three words: mobilise, modernise and transform.

In mobilise, we are aiming to identify—we have identified—areas in the current force structure and equipment of the forces, which we feel we need to address, in order for the armed forces to be fully operational as quickly as they possibly can be in the kind of situations that we might see coming down the line. We are addressing things such as stockpiles and our training posture, to be able to send strategic communication messages, and so on and so forth.

In modernise, the overwhelming theme is that we are moving towards a much more information-centric set of forces. Cyber is an important part of that, and work on cyber-defence and offence has been ongoing for some time. We have also increased our work on autonomous weapons systems—as well as the doctrine underpinning that, which is slightly different to the doctrine we would use with more conventional weapons—as well as novel weapons and directed-energy weapons. We are also thinking about CBW, because that is more of an issue now than it was in 2015. All of that is within the context of the fusion doctrine, which I know the National Security Adviser has spoken to the Committee about in the past.

Transform is about trying to enduringly—in a way that we have not done so far, if I am entirely honest—adjust and lower the cost base of defence. We have looked at our various efficiency programmes. We have winnowed them out and sought to prioritise much more rigorously than we have done before. That takes you to places that you would expect it to. We are spending a lot more time thinking about much more radical, deeper approaches to, for instance, our logistics exercises. Having done that work—there is more to it—we are in discussions with colleagues across Whitehall about the resources implications of that. We aim to have more detailed conclusions on that sometime in the autumn, at a date yet to be defined. That is the headline.

Q3 Chair: Can I just check one point there? When the Secretary of State successfully removed the defence strand from the national security capability review, one important reason for doing so was that that whole operation was meant to be fiscally neutral. Every pound spent on meeting a new threat, even in the security sphere, meant a pound less would have to be spent on conventional weapons. Have you drawn up the MDP on a largely strategic basis or have you been operating again within an arbitrary financial limit?

Stephen Lovegrove: We have done it on a strategic basis. You are absolutely right that the NSCR was meant to be fiscally neutral. It became clear towards the end of that process that it was going to be difficult to contain some of the issues that defence faced within that kind of envelope. That is not to say that, in the departmental jargon, there will not be up arrows and down arrows, but we have not felt constrained by that constraint of the NSCR.



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- Q4 **Chair:** So in theory—not to pursue this too much—if you come out with the MDP, there will then be an argument to be had with the Treasury about how much of it is affordable, or will you have that argument first and only bring out the MDP after the issue has been resolved?

Stephen Lovegrove: We would never have arguments with the Treasury.

Chair: Why not? Maybe that's the problem.

Stephen Lovegrove: I think the likely sequence is that diagnostic work is more likely to be published in advance of a settlement with the Treasury, and specific capability choices or decisions are likely to be published after a settlement with the Treasury.

- Q5 **John Spellar:** So what else still needs to be done before you bring this to a degree of closure?

Stephen Lovegrove: The world—this particular bit of the world—certainly never stays still, so it is only ever going to be a snapshot. I think it would be fair for parliamentarians to expect that, having looked at defence for a good part of the year with colleagues in the Cabinet and the Treasury, much of the work has been done to our satisfaction so far. We now need to settle the issues of resources, which are fundamentally the ones that we are having discussions on at the moment.

- Q6 **John Spellar:** I take your point that there are evolving and changing threats and I fully understand that you are facing those. Therefore, surely the only sensible way to deal with that is for you to produce a snapshot of that moment in time? Shouldn't you be getting on with getting that out now but saying, "Look, this will always be a work in progress and we will need to produce a revised version."?

Stephen Lovegrove: We will certainly always do that. It will always have to be updated and kept, to an extent, evergreen. I know the Secretary of State would be very keen to do that.

- Q7 **John Spellar:** Do you have any idea of a timescale?

Stephen Lovegrove: We are aiming to provide much more clarity during the autumn.

- Q8 **John Spellar:** Is that before the last leaf has dropped off the trees in December or January?

Mr Francois: In this country or the US?

Stephen Lovegrove: There is always a bureaucratic debate as to exactly when the autumn comes, but we certainly aim to do so in the next two or three months—certainly by the end of the calendar year.

- Q9 **John Spellar:** Okay. Finally, you mentioned efficiency programmes. Neither this Committee nor the Public Accounts Committee nor the NAO is really satisfied with the way so-called efficiency is dealt with by the Department. A lot of it seems to be to meet some agreement with the Treasury to get some figure, and there is a global figure put in for



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efficiency, almost like pre-war Soviet planning: declare a target and that becomes the policy, without any idea of how you are going to get there. Wouldn't it be better to have efficiency programmes that actually looked at the detail of how you are going to do more with less or the same with less?

Stephen Lovegrove: I very much share the Committee's reservations about some of the efficiency targets that the Department is under at the moment. Going back to the four big strands of MDP, one of them was specifically to look at the plethora of efficiency targets that have been put on the Department at various stages over, broadly, the last 10 years or so. Many of them overlap or duplicate each other, and in some senses many are not that much more than some figures on a spreadsheet a few years ahead.

One of the things that we have spent a lot of time on this calendar year is scrubbing really hard all of those efficiency programmes and ensuring that we have a good sense of what is achievable. The big takeaway from that work is that if we continue to go after the efficiencies in the way you describe, we will not meet the efficiency targets that have been laid upon us. There is a good chance of being able to do so, but it will have to be a much more focused, deep-rooted, profound set of efficiency initiatives—efficiency initiatives not cuts.

Some of the ways in which we use the taxonomy around this are, I think, unhelpful as well. If we have fewer bigger efficiency programmes—I mentioned one on logistics, but clearly workforce will be another one and so on—that is the way in which we are going to change the efficiency picture in the MoD. That is one of the biggest efforts that we have in the Department at the moment.

About a year ago, we had four people in the centre doing this work. We now have 38 and we expect to have quite a few more. We have appointed a chief operating officer who has a range of different roles and responsibilities, but this is absolutely firmly and squarely in his job description. I share some of the Committee's concern about our historical approach to this and we are trying to change it—and we are changing it.

Q10 **Martin Docherty-Hughes:** Stephen, I am from a Scottish constituency and autumn comes a bit earlier north of the border. The MDP is supposed to respond to the speed of the changing threats. The Government have already brought on the P-8 programme, which is extremely welcome to all in the House. Can you advise the Committee where those aircraft figure in the recently published Arctic strategy? Given the breadth of that strategy, and the changing threats in the High North and the Arctic, are the Government considering purchasing any more?

Stephen Lovegrove: The Arctic strategy is welcome and overdue. Clearly changes in the climate there and the geopolitical appetite for risk there mean that we have to take a bit of a different approach. I confess that I am going to hand over to my colleague General Poffley to talk about the P-8, if that is okay.



Lieutenant General Sir Mark Poffley: If there is a major challenge in the High North, it is quite clearly in the sub-surface domain. P-8 therefore features very dramatically in that. We currently do not have plans to go above the current figure for P-8s, but that does not mean that once that strategy has rolled through and we have drawn out further conclusions that we would not revisit the question.

One needs to remember that the anti-submarine warfare dynamic is not just about one type of equipment. P-8 is very important in that regard, but you need to consider it alongside submarines, anti-submarine warfare destroyers and a range of other sensor systems. It is certainly going to be the case that the P-8 will form a significant and prominent role in that Arctic and High North strategy, but it will not be exclusive.

Martin Docherty-Hughes: Thank you. I am glad it was not a no.

Q11 **Mr Francois:** How can you forecast a budget accurately when so much is dependent on the MDP's outcome? Is there going to be any value in publishing the 2018 equipment plan this year, given the lack of certainty on future programmes? From what you have said, Mr Lovegrove, you are likely to be publishing it around Christmas, which is three-quarters of the way through 2018-19 anyway.

Stephen Lovegrove: I will hand over to Ms Little for specific issues to do with forecasting, although I would say that throughout the year, we always have a range of plans which we can enact and institute depending on the outcome of specific conversations with the Treasury. I take the responsibility of the accounting officer very seriously. It is important that we do not spend more money than Parliament has voted for.

What I would say about the MDP is that, rather as in the previous question, it is a moment in time—admittedly it seems like quite a long moment in time—and it is not that we have thrown everything from SDSR15 up into the air, and it is not that we have decided that there is a completely different range of threats to those identified in the NSCR. There is an enormous degree of continuity in this, and that is probably the most important thing to take away. There are some capabilities or enhancements that are by and large newish that we might wish to start. Those are the kinds of discussions we are having at the moment with the Treasury. In a sense, it does not matter too much where it comes in the grand cycle.

Cat Little: I agree with all of that. The first thing to say is that forecasting and scenario-planning have to go hand in hand. In the sort of environment in which we operate, forecasting in any scenario is complicated. Having said that, improving our forecasting and making sure that we have sensible scenario plans alongside it are the focus of a lot of our financial work at the moment. In terms of the equipment plan, we have made quite a lot of effort to change the pace and level of transparency that we are reporting this year. We are due to report our equipment plan at the end of October. I do not want to create any spoilers for that equipment plan but it is a much more readable, transparent comprehensive assessment of



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both value for money and affordability, as well as what we intend to spend our money on. There are iterations and there will be decisions made on the back of the MDP, but given that we are six months into year one of an unpublished equipment plan, it is important that we create that transparency to Parliament and to the public.

- Q12 **Mr Francois:** You accept that you could publish an equipment plan in October and then reveal the conclusions of the MDP in December and override the plan published two months previously, do you?

Cat Little: It is not a complete override. I would expect 80% to 90% of the big investment programmes we are currently undertaking to still form the core part of the equipment plan. Many of our programmes run for decades. This is about long-term sustainable investment, and it is important that we set it out.

- Q13 **Mr Francois:** Let's ask you about one big-ticket item in the news. You published a written ministerial statement today about AWACS, E-7 and Wedgetail. When I was Minister of State for the Armed Forces I was familiar with the problems with the E-3D Sentry fleet, and to have continued spending money on that would have been simply to pour good money after bad. I can see all of the utility in terms of both capability and saving money on E-3D and going for something different. I get it, and so do a lot of the Committee. However, the National Audit Office said that the equipment plan was unaffordable. Depending on which defence journalist you believe, it is between £15 billion and £20 billion over-programmed. If you are going to take on yet another big-ticket multibillion dollar procurement programme into that equipment plan—effectively what you announced today—how are you going to pay for it?

Cat Little: First of all, there is always a line for this sort of capability within the equipment plan. Of course, we have had to justify affordability and how we can continue to ensure that the money is available. The funding within the equipment plan that we are about to publish clearly sets out how much, as well as the level of funding over a 10-year period for the capability, so I am content that it is affordable. One of the difficulties that we have in assessing affordability is that we do have financial challenges, but we cannot stop doing what we do because of gaps and financial pressures. There will always be gaps and financial pressures in the way we manage the defence budget. Our job is to make sure that we continue with the important work of defence without bringing industry and our activity to a standstill.

- Q14 **Mr Francois:** Forgive me, that was all beautiful civil service boilerplate but you have still not told me how you are going to pay for it. You have a go, General.

Lieutenant General Sir Mark Poffley: Inevitably, in the equipment programme there are choices to be made year on year. One of the things that is quite stark in the airborne early warning system is that the current fleet of E-3 Sentry are increasingly difficult to maintain, and are increasingly outmatched in terms of their response to the threat. One of the most fundamental things here is at what point we would wish to invest



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to avoid further upgrades to what is becoming an increasingly obsolescent capability and to suppress the support costs that already sit inside the E-3 Sentry line. Part of the judgment here about where we look to see how we change that dynamic is to look at a new platform. Just for the avoidance of doubt, we have not yet taken a decision on what a new platform would be. What we have asked and have had agreed is that we can pursue with a company a single-source solution, driven by time, largely as a result of the threat profile that we are now seeing. Subsequently, we now need to do some analysis to confirm all the implications of going down that single-source solution. If at the end of that process we have concluded that, actually, it is better value for money to do something else, then that, quite clearly, is in our gift still to do because we have yet to commit to a decision on what would replace the E-3 Sentry capability. We know it is increasingly difficult to maintain and we know it is increasingly outmatched by the threat.

- Q15 **Mr Francois:** Look, when I was Minister for the Armed Forces, I put the E-3 fleet in special measures because their availability was appalling. They had to ring my office every morning and tell us how many were on the line and ready to go. On average, they managed one out of six and on a number of days there were none. I need no convincing that the E-3D is a busted flush. I am still reaching for how you can afford this multibillion-pound programme when you are massively over-programmed at the moment. Let me have another crack at it: if we decided to go single-source, did you ask Airbus for a best and final offer?

Lieutenant General Sir Mark Poffley: We have analysed a series of options, including one from Airbus with Saab, and that has led us to the conclusion that we ought to pursue the implications of going single-source. I reiterate: at the end of the day, we have yet to take a decision on the procurement.

- Q16 **Mr Francois:** No, I have got it, General, but again, with respect, you did not answer the question I asked, which was did you ask Airbus for a best and final offer—in other words, their best possible deal—before you decided to go single-source? Yes or no?

Lieutenant General Sir Mark Poffley: We did not.

Mr Francois: Why not?

Lieutenant General Sir Mark Poffley: Because, for the purposes of Airbus, it is about their ability to deliver in the timeframes and to mitigate many of the risks we believe are inside that solution. We think we therefore need to pursue single-source, recognising that we may come back to a position where we need to go to a competition.

Stephen Lovegrove: Perhaps I could just make a comment on the affordability point. There is a line for E-3D—for the sustainment and improvement of E-3D. If it turns out, as you suggest we might well do and you probably would advise us to do, that we put that programme on ice and go for another better, more modern solution, clearly the one line will take over the funding for the other.



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- Q17 **Mr Francois:** That is a good point, Stephen, but as I understand it, there was the Northrop Grumman contract and—I can't remember—it was in the order of £100 million a year. Over the 10 years of the equipment plan, that is a billion sterling, in very wrong numbers. That is still nowhere near enough to buy the aircraft.

Stephen Lovegrove: Okay, so the other point I was just about to make about the equipment plan in general is that it is absolutely acknowledged by us—and, if it were not, the NAO and the PAC would be very happy to point out that this was the case and have pointed out that this was the case—that there is significant financial risk in our equipment plan. That is absolutely acknowledged. One of the points of the MDP is to try and address that over a longer period of time.

- Q18 **Mr Francois:** But my point is that whatever the capability advantages, you have just increased the risk, haven't you?

Stephen Lovegrove: Well, the point I was going to make is that whatever number you feel it adds up to over the 10-year period is, inevitably, rather a caricature. If you see £20 billion in the newspapers or £15 billion or whatever it happens to be, it assumes that everything that could go wrong will go wrong. It assumes that it will all go wrong to the maximum possible extent and it assumes that, over a 10-year period, there is no capacity to make any management change; none of which is likely to be the case and certainly the latter is not going to be the case.

If we decide over a period today to replace a capability upgrade that costs x with a new capability that costs $2x$, then, obviously, it does increase the size of the pressure. That does not mean, though, that over a 10-year period that is not manageable.

Mr Francois: I think Sir Simon is coming in before the Committee in a couple of weeks' time. Without prejudging my colleagues, I suspect that there will be more questions on this at that time.

Sir Simon Bollom: Thank you, Mr Francois.

- Q19 **Ruth Smeeth:** I just want to clarify two points. First, we are going through the single-source process for AWACS, but we may end up going back to open—

Lieutenant General Sir Mark Poffley: We are going to enquire with Boeing what a single-source solution would look like, in their view.

- Q20 **Ruth Smeeth:** Doesn't that delay the process, if we may end up reverting to a normal procurement exercise—and therefore make it more expensive?

Lieutenant General Sir Mark Poffley: It may do, but recognising that if we go into a competition we are likely to be going through it for a year or two years and given the series of risk factors associated with going to a new solution, such as systems integration and technical integration of both radar and aircraft systems still being uncertain, it obviously plays in the negative once you are talking about a timetable. With the E-7 Wedgetail,



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Boeing has a proven, tested capability that is available with our allies and therefore has advantages for a whole raft of other reasons.

- Q21 **Ruth Smeeth:** I think that is very interesting. We would have concerns as a Committee about the ongoing use of Boeing, especially given some of the contracts they have signed with Russia, but that is slightly different. I think that Madeleine is going to come back on that.

Ms Little, you also said that up to 20% of the equipment plan may be up for negotiation—or that is what you implied. May I clarify that, given that it is a huge amount?

Cat Little: No, no—I am just saying that the vast majority of the equipment plan will stay programmed. It is committed in commercial contracts that we are expecting to follow through on and pay for. There is a difference in our equipment plan between things that are contractually committed to be delivered and those things that we are trying to plan so that we can forecast the money in. Because, obviously, we need to plan for when we are going to get capability and in what order, there is around 20% or so that is not yet on contract and is not yet committed.

- Q22 **Ruth Smeeth:** So that is your flex, if you have overspent to the degree that we are seeing.

Cat Little: It just means that we haven't yet got absolute certainty. Obviously, our job is to constantly try to understand the swings and roundabouts in the overall equipment plan, to make it affordable.

- Q23 **Mr Francois:** I have a couple more questions; then we will move on. What is the ISD?

Lieutenant General Sir Mark Poffley: Currently we are looking at something around '22 or '23 onwards, because we believe that the threat will have morphed to the point where it is questionable whether E-3 can continue in that guise, around about that period. But that is the sort of target to start the conversation. Clearly, there are judgments to be taken as we start to really understand the offer in terms of Wedgetail. I think there is an opportunity, particularly for this Committee—I know that that offer has already been made—for a more classified briefing.

- Q24 **Mr Francois:** Wedgetail is an extremely capable bit of kit—no doubt about that. My concern, and that of some of my colleagues, is just how on earth you are going to pay for it.

Lieutenant General Sir Mark Poffley: I understand that.

- Q25 **Mr Francois:** We will revert on the 24th. Ms Little, how much did the Ministry of Defence underspend in 2017-18?

Cat Little: I think there are two separate amounts that are worth talking about. Obviously, we report against RDEL and CDEL. In the annual report and accounts we try to make a distinction between cash RDEL and non-cash. For CDEL, we underspent by £53 million. That represents 0.6% of our total capital expenditure. For cash RDEL, we underspent by £91 million, which represents 0.3%. In total, that underspend represents about



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one and a half days of expenditure. Our forecasting process is driving at being within 1% accurate. We try and drive at a personal level, and personal budget level, to get in at 1% accurate within six months of the year end. Therefore overall, on this sort of size budget, with this level of financial risk and volatility, we would see that within our normal parameters for forecasting accuracy.

- Q26 **Mr Francois:** Okay, but we have had the NAO in here to give us a briefing before this session began. They explained to us that, in total, you underspent by about £2 billion.

Cat Little: Yup. The bit they are talking about is our non-cash RDEL. Those are the accounting adjustments at the year end that relate to depreciation and impairment. For that, we underspent by £1.8 billion. That was largely adjustments that we made at the year end in response to audit issues. The work that we have been doing with the NAO is to make sure that we are doing more of our audit process earlier on in the financial period so that we do not end up with swings and roundabouts of quite large amounts at the year end.

- Q27 **Chair:** On that very point, it has been quite widely put about that unless the MoD secures an extra £2 billion a year approximately from the Chancellor, further cuts may have to be made. When you distinguish between these different parts of the MoD's budget, are you telling us that we cannot really make the case—given that you underspent by a similar amount—that if the MoD did not lose that money, it could help you to balance the books?

Cat Little: No, I am not. There is a huge difference between cash and non-cash.

Chair: I suspected that you were going to say that.

Cat Little: The number that is critical is the cash element. That is the amount that is voted on by Parliament and is in our main estimate that we negotiate with the Treasury. The fact that we underspent by 0.3% of our budget last year does not in any way undermine any arguments. I have to admit that I do not recognise the £2 billion.

- Q28 **Chair:** Well, I was just going to ask: does anyone recognise the £2 billion? Is it not the case that we are going to take further cuts in conventional capabilities if we do not get approximately £2 billion—as a minimum—to not go backwards?

Stephen Lovegrove: The MDP is designed to get to the bottom of these issues in a way that the Government, as a whole, will be comfortable in supporting. I think that is probably as far as we can go right now.

- Q29 **Chair:** So at the end of the MDP process—we touched on this earlier in your response to me—we are going to see a considered list of what the Ministry of Defence feels and believes that we need to do in order to keep the country safe, and with a price tag which is not carved up behind the scenes meaning that we are presented with something saying, "This is all ideal and agreed." We are actually going to see a real cost so that we can



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then have a discussion—if not an argument—about how much money will be made available to defence, given, for example, the huge increase that has been proposed for the health budget.

Stephen Lovegrove: Ultimately, as you know, these are questions for Ministers.

Chair: Of course.

Stephen Lovegrove: I would not want to pre-empt decisions that Ministers have not yet made.

Q30 **Chair:** No, I am talking about the process. Will we actually be able to see what the choices that the Ministers are going to have to make are, or are we just going to be presented with a fait accompli?

Stephen Lovegrove: It will be for Ministers—the Secretary of State, the Chancellor, and the Prime Minister in the first place—to make decisions about any capability enhancements, new bits of capability and capabilities that they feel are less relevant. That is where the decision will be made.

Q31 **Chair:** But if the MDP is going to be drawn up on the basis that it is not constrained by an arbitrary ceiling, all I am asking is whether it will be published in that form or if it will be a private document that the public and the Committee will not get to see.

Stephen Lovegrove: I cannot give you the answer to that question yet because Ministers have not decided.

Q32 **Mr Francois:** Before I hand over, Chairman, I just want to run this point about the underspend to ground. I take the point about cash, but the NAO, which knows a thing about accounting, told us that as a Department, you have underspent by £2 billion. You said, Ms Little, that it was actually nearer to £1.8 billion. You also said, in effect, that these are accounting adjustments so they do not really matter. Are you allowed to carry that underspend over into next year?

Cat Little: No. The annuality rules preclude us from making those sorts of adjustments, but I am not saying that they do not matter. They really do, because obviously depreciation sets out the economic consumption value of our asset base. They really do matter. What we are doing is trying to do as much work as we can earlier on in the financial period, so that we do not end up with a mismatch between the year end audit process and how we draw down funds from Parliament. So in theory, the whole supplementary estimate is designed to make sure that we do not get these big swings and roundabouts. I would like to think that if we can get a better grip on the balance sheet adjustments and have a better audit process earlier on, we should be able to flush these issues out before you get the difference at the year end.

Q33 **Mr Francois:** Let me put it bluntly, uncharacteristically. We hear in this Committee week in, week out, month in, month out, about training exercises being cancelled; about people not being allowed to book rail warrants or hire cars to go to meetings because the TLBs—top level



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budgetary areas—have put in very strict in-year financial controls, which means that there are extremely tight controls on what you might call ordinary, day-to-day spending. You, as a Department, permanently plead penury and expect people like us to stand up in the House of Commons week in, week out and argue for increases in the defence budget—which we do, because our heart is in it. Then you tell us that you have underspent by £1.8 billion. Why are we bothering?

Cat Little: Can I absolutely nail this out of sight? That money—the £1.8 billion—cannot be spent on training exercises, equipment, or any activity. It can only be used, in Government accounting terms, to fund depreciation and impairment losses. What I am saying to this Committee is that all the efforts you are putting into setting out the case for cash are entirely justified by the fact that we lived within 0.3% of our £36.6 billion last year. I defy any organisation of this size and complexity to deliver within that sort of margin in this sort of environment.

Q34 **Mr Francois:** I think there are a lot of companies with a turnover similar to yours that do not underspend by the best part of £2 billion. We will have one more go; then we will let someone else have a go.

Stephen Lovegrove: Mr Francois, may I say something? In terms of the capabilities and activity undertaken by the armed forces, or indeed by any part of Defence, the bit that matters is cash; it is not the accounting adjustment of £1.8 billion at the end of the year. That is very much a second-order consideration in terms of activity. We cannot be clearer than that. In a simplistic sense, to say that the MoD underspent by £2 billion last year would be a characterisation with which we would not agree with the National Audit Office. It did not.

Mr Francois: Well, we were told £1.8 billion.

Stephen Lovegrove: If it is £1.8 billion, that is still a characterisation with which we would not agree. What matters here is cash.

Q35 **Mr Francois:** So the NAO are wrong.

Stephen Lovegrove: What I am saying is, if they have given you the impression that an accounting adjustment at year end is effectively the same as underspending by £1.8 billion, they have given a mistaken focus and priority to it.

Q36 **Chair:** Is there any way in which you could ask the Treasury for permission to transfer some of the non-cash budget to cash in the spring supplementary?

Cat Little: We can always ask, and we regularly ask about moving currencies around and making sure that we can shift money in budget exchange between years, but cash and non-cash have a massive impact on the fiscal projections of the Treasury. It is highly unusual for us to agree that sort of transfer; I have never seen it happen in Government.

We do have switches between cash RDEL and cash CDEL. That is something we do every single year, and that comes to Parliament through



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the supplementary estimate, but I go back to the point that fundamentally, you cannot spend non-cash. This is merely a Government way of demonstrating how you fund the economic value of your asset base. It is purely an accounting adjustment. It is not real money.

Chair: So it is apples and oranges.

Cat Little: It is.

Chair: Okay.

- Q37 **Mrs Moon:** I have two very quick questions. Sir Mark, you said that there was concern about Airbus's capacity to provide the capability in the same timescale as Boeing. If you are going to Boeing to ask them when they are going to be able to provide it, why can't you ask the same question of Airbus?

Lieutenant General Sir Mark Poffley: Indeed we have. I do not think they can give an answer to that with a level of assurance, because there are inevitably some integration risks that they simply do not know the size and shape of. That is always the case.

If you think about what we are trying to do here, it is to take a radar, some communication equipment and some aircraft systems and integrate them inside an aircraft. That aircraft then has to be certified, and with complicated software programs of this type, our experience of all of that has led us to believe that even in the most optimistic of circumstances, the timeframes are unlikely to meet where we think we need to be in order to counter the threat. Incidentally, that also applies to the ability to upgrade spirally over time, and indeed to be able to operate alongside our closest allies, most notably the United States and the Australians. So, when you get into that sort of calculus, the ultimate conclusion that we have drawn is that we do not believe that the Airbus solution offers us the optimum solution at this stage. Now, as I said earlier, that doesn't mean we are necessarily committed to a Boeing solution. We have asked to take forward a single-source solution and investigate that in detail, which is what we are about to do.

- Q38 **Chair:** Just for the record, I think I should make it clear we had an informal presentation from Saab about their system. They supply, as it were, the intelligent part of the system, as opposed to the platform, which quite impressed us with its flexibility and the fact that it is a proven system, and that it seemed relatively straightforward to incorporate it with a platform. Are you saying you gave that really full consideration before you decided to go down the single-source route?

Lieutenant General Sir Mark Poffley: Indeed so, because we do not believe that that system is currently—I mean, they would acknowledge that they have yet to actually prove that you can integrate this in a competent way. Now, they're a very good company and I have no doubts that they would produce a very good solution, but the issue is about time, and threat, and interoperability, and a number of other factors that come



with the introduction of a system such as this. It's not just about the aircraft.

- Q39 **Mrs Moon:** Just a very quick question on the issue of the cancellation of training. One of the things that I have been looking at on behalf of this Committee, as you will be aware, has been deaths in training exercises and selection events. I read in a recent service inquiry report that one of the reasons that an exercise in which someone died may not have been cancelled was because of the difficulty and cost of reorganising it.

Can we have an assurance that under no circumstances will a training exercise or selection event that should be cancelled—because the weather has not been particularly appropriate for it—not be cancelled because of the difficulty or cost of reorganising it?

Lieutenant General Sir Mark Poffley: I can't give you that assurance at this stage. I am very happy to look into the individual circumstances of the case you are referring to and come back to you, but I can't give you that assurance today.

Mrs Moon: Thank you.

Stephen Lovegrove: I should say, Mrs Moon, that the tragic deaths of the three reservists on the Brecon Beacons did end in a Crown censure for the MOD, which we accepted in full, and a lot of work is going on to improve the types of arrangements that we have around launching those kind of training exercises, so that that doesn't happen again.

- Q40 **Mrs Moon:** That is true, but there has been a subsequent death, which was heat-induced, and about which the service inquiry quite specifically talks about understanding that such events might not be stopped because of pressures of time and cost. So, those were three absolutely tragic deaths, but the problem hasn't gone away.

Lieutenant General Sir Mark Poffley: Understood.

- Q41 **Martin Docherty-Hughes:** Ms Little, you mentioned the underspend, saying that it could not be carried forward because it dealt with the depreciation, and I take that point. It is just for a point of clarity for myself that that depreciation would have been for, I imagine, a range of assets that may be coming to the natural end of their life cycle. Therefore, if that is possible and if they are coming to the end of their life cycle, that underspend probably means they will last longer than you first thought, or that there was a miscalculation in terms of what was needed regarding assets depreciating.

Cat Little: Just to clarify how we depreciate our assets, we depreciate over the whole intended useful economic life of an asset, and most are done over a period of between 20 and 50 years, depending on what kind of asset it is.

A more likely scenario is that with assets nearing the end of their useful economic life, we obviously have a lot of assets that we're running on way beyond when we intended to take them out of service. Those don't

depreciate. They have been fully consumed in terms of economic value to the Department, so it is the opposite of what you described, if that makes sense.

Q42 Martin Docherty-Hughes: So the depreciation has been paid for.

Cat Little: Yes, the assets have already been fully consumed, and therefore we don't recognise any further value. In that scenario we then go to look at our assumption about useful economic lives and whether we need to make any adjustments.

Q43 Gavin Robinson: We have non-cash resource DEL, we have capital DEL. You have said that there is the ability to switch between capital and resource DEL quite regularly when it comes to investments. Do you envisage raiding the resource DEL this year to pay for parts of our capital expenditure?

Cat Little: Not at this stage. We are currently forecasting to be broadly on target for our capital DEL. We still have a couple of months where we will work through with Treasury, running up to the supplementary estimate. You will obviously be aware that when we get to the supplementary estimate point, it is not unusual for the Department to request to move money between years—in fact, this year we benefited from bringing forward and moving £200 million into last year. It is also not usual for us to make some fine adjustments. Obviously we want to consume the full budget available, either by capital or by non-cash. At this stage it is a bit too early to finalise the numbers.

Q44 Gavin Robinson: We have had some discussions with departmental officials about money that has been given out and held for capital expenditure. Do you have a sense so far of how much has been given out to agencies or organisations such as Carillion and Amey that may not have been spent? At what stage do you get a sense of how well they are spending the capital expenditure that has been honourably offered to them?

Cat Little: In our model we delegate pretty much all our budget. Obviously, at the centre of the Department we hold a bit of contingency—we tend to assume that things don't quite go to plan, so we hold a bit of money aside. Every single month we update our forecast, and every single month we analyse to what extent we think budgets are being used properly, whether we think we are going to use all of it, and then we make one adjustment mid-year to prepare for the supplementary estimate. At this stage I am satisfied that we are broadly on track to consume all our capital expenditure.

Q45 Gavin Robinson: What is the consequence of not sharing with you an accurate picture of their ability to spend in-year?

Cat Little: First, there is very personal accountability that comes directly from the delegated authority that has to spend in the first place. This year, for the first time, we have put in a personal objective for budget holders to say, "You must forecast and give us honest, accurate information on how you intend to spend your money within the 1% target that I described



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earlier.” Of course it depends on why. We all recognise that sometimes programmes slip or have blips that need support. I hate to sound a bit like a civil servant, but ultimately it does depend on why they aren’t spending their money.

- Q46 **Gavin Robinson:** Of course. I think we will park this conversation here, but I will come back to it because I am aware of available capital expenditure that I understand will not be spent at all this year. I have suggested alternatives for it, and was told it does not exist, so we may just park that now and come back at a later point.

Cat Little: I would be very happy to come back to that.

- Q47 **Gavin Robinson:** Last year, when we had the benefit of your evidence, you talked about the difficulty in forecasting financial expenditure, and the risks associated with it. Have those risks increased, decreased or stayed still?

Cat Little: When I last spoke to you I was six weeks into the job, and I think I said, “Look, there are some serious problems in forecasting accuracy, and some serious issues in identifying and quantifying financial risk. I do not think that we will fix those things overnight because that needs our controls, data and behaviours—the whole system—to gear up for some quite significant changes.” What I think we have managed to achieve in the last 12 months is a much more robust way of assessing, analysing and looking at forecast accuracy. Every single month we now have line-by-line forecasting trend analysis. We have very regular deep dives with all our budget holders, and it feels like, and I am told that, we have much more discipline about it. The real proof will be in the year end outturn when we have the actual scores on the doors and are able to look at the analysis for the last six months of the year. I am certainly confident that we are making progress in the right direction.

- Q48 **Gavin Robinson:** I think Mr Francois and Mr Docherty-Hughes have both touched on this point. You know the position that the Committee adopts on the arguments about additional expenditure for the MoD, and you have heard from our exchanges that sometimes confidence in that can be shattered, as I think the NAO has done with its comments on the underspend of £1.8 billion or £2 billion. What steps can or will you take to recalibrate that message? There is zero point in arguing with Treasury for additional spend if the message out there is that you cannot manage the money that you have.

Cat Little indicated dissent.

- Q49 **Gavin Robinson:** You are indicating that that is not a fair assessment, so what steps will you take—departmentally, officially or through political channels—to recalibrate that message and to indicate the accuracy of the significant deficit that exists, not only now but for the next 10 years?

Cat Little: What really matters to me is the message, the data and the analysis that are shared with Treasury, and the message that is sent through the individuals who are responsible for budgets in the Department. I am absolutely confident that there is a really good



understanding of our financial position. I believe that we now have a much more transparent data-driven set of tools to have a proper conversation with the Treasury; I would go so far as to say that we have a mutual understanding, with no risk of our presenting a picture that they do not think is credible. In these sorts of negotiations, that is the most important thing.

I also think that the fact that we are now producing MI across the Department, that it is being openly shared within our governance forums, and that we are regularly holding budget holders to account and getting into quite a lot of granular numerical detail means that there is very little space for us to have any misunderstanding about the importance that the Department places—

- Q50 Gavin Robinson:** So where does the misunderstanding arise from the NAO? Clearly you have had the chance to engage with them and clearly they will have probed into whether the underspend of £1.8 billion or £2 billion is about depreciation, so why are they not satisfied? Why do they present a picture that does not chime with what you are saying today?

Cat Little: It is quite tricky to say without knowing exactly what they said, although obviously I have seen what is in the departmental overview report. I think the NAO's responsibility is primarily to assess the statement of parliamentary supply, which does not make a distinction between cash and non-cash, and to audit and provide Parliament with an assessment of the overall resource of the MoD. It is the Department's responsibility to report to the Treasury and Parliament on the cash position. I would hate to say or imply that the NAO had got it wrong, but I do think that they have mischaracterised the way in which our budgets and our underspend play out in practice.

Stephen Lovegrove: It is regrettable that you now have the opinion that effectively we have a 5% underspend—£1.8 billion out of £36 billion. We do not; we have an underspend of approximately 0.3%. That is the reality of the situation.

- Q51 Johnny Mercer:** Did you challenge the NAO when this came out?

Stephen Lovegrove: We certainly do not challenge the specific amount of the depreciation charge, but they would agree that on a cash basis we have an underspend of 0.3%. Unless I am wrong, it was not a conversation that we had in the way that they seem to have had one with you, and it is not one that we recognise as especially relevant for activity or capability purchase.

Cat Little: I would also add that this year, for the first time, we included a financial performance summary, which was reviewed and audited by the NAO. In the front section, we set out for the first time our assessment of our cash performance, and it quite clearly says that we have underspent by 0.3% against cash. That has been audited by the NAO. I would like to think that the fact that it passed the standards applied by the NAO and has been presented to you as a true and fair view of our position would be enough to endorse what we are saying.



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Q52 Gavin Robinson: I think you appreciate the reasons why we need to probe this. Do you accept that there is now a job of work to do to recalibrate the message coming out of today's Committee session?

Stephen Lovegrove: I think the first thing that we probably ought to do is sit down with colleagues in the NAO and have a conversation about this matter.

Q53 Chair: Just to give you a little guidance, this arose in the context of the presentation of the new departmental overview published in October. On page 11, it says: "The Department underspent against its total resource DEL budget by 5.6%, compared with 0.7% in 2016-17. The Department's governance statement comments on weaknesses in the Department's control environment, including the accuracy of forecasting. The Department has spent on or close to its capital DEL budget in each of the past four years." They have covered both sides of the issue, but there still seems to be a problem to be resolved.

Stephen Lovegrove: I don't want to go on about this, but I think that for the things the Committee cares about—capability, activity and readiness levels—the thing that matters is cash.

Chair: I think we've got that.

Cat Little: Cash is king.

Q54 Chair: In that case, changing the subject completely, you may recall that probably the most widely reported inquiry report from this Committee in the last three years was the one we did about the Royal Marines and what we described as the "militarily illiterate" proposal to dispose of our amphibious assault ships, HMS Albion and HMS Bulwark. We warmly welcome the Secretary of State's announcement at the recent Conservative party conference that these ships are definitely going to be protected—I think that was the word he used. Will there be any new money in the Budget to cover the funding? I think I know the answer to this. Will there have to be cuts elsewhere, or does it all depend on the—not the argument but whatever other process it is that you are engaged in with the Treasury?

Cat Little: The simple answer is that we never took any money out, so we don't need any more money. Going back to 2010, I think it was, we always had enough money in our financial plans to run HMS Albion and HMS Bulwark at alternating high and low readiness. The money is already there, therefore we never took it out, therefore we don't need any more.

Q55 Chair: Okay. I am going to follow on from that with a question about the fleet solid support ships that are going to be built. I just want to preface that by saying that we spent quite a bit of time talking about the non-competition for the Sentry replacement. Previously, we have had a similar conversation about the non-competition for Boxer, which was chosen as the military vehicle without competitors having a chance to present something. I have also recently been alerted to a vehicle called MRV-Protected. We are apparently minded to go for a replacement from



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the United States called the JLTV on the grounds that it would cost £330,000 a copy. Since we went towards that non-competitive approach, it appears that the final price per copy of this vehicle could be as much as £800,000. There seems to be a tendency to go for these choices without going down the route of competitiveness. By contrast, when it comes to the fleet solid support ships—there are many good reasons why we would like to see them constructed in this country—there seems to be a resistance to that proposal and a determination to have a competition, even though it might not be a fair competition.

Can you tell me whether UK companies are still in the running as potential bidders for the fleet solid support ships contract, as you conduct your pre-qualification assessment? Although some European rules and regulations require competitions under some circumstances, if this work is not kept in the UK, and in particular if it is not done at Rosyth shipyard, how will Rosyth remain ready and capable for the expected refit of the new aircraft carrier, the Queen Elizabeth, in 2030 if it doesn't have this work or something very similar to keep it going? Otherwise, having constructed the two largest warships that the Royal Navy has ever seen, we might lose the facility to keep them in service in an orderly way.

Cat Little: Could I perhaps quickly pick up the MRV-P question, and I will hand over to Sir Simon to talk about—

Chair: I think it's time we brought Sir Simon in.

Cat Little: MRV-P quite simply has not yet gone through an investment approval decision. It is caught up in the modernising defence proposition. You are quite right to say that there are two packages that we are currently looking at, but at this stage we have not made any decisions about single source or—

Q56 **Chair:** Are you aware that the proposed price might end up more than twice as much as originally specified?

Cat Little: I greatly look forward to seeing the team when they come to present that to me when I chair the committee to look at it, but I have not yet—

Chair: You are aware of it now, anyway.

Cat Little: I am now aware of it, and I am now going to go away and have a further look at it. Certainly at this stage we have not yet gone through the formal decision-making process.

Lieutenant General Sir Mark Poffley: I would be very interested in where that figure came from, because it is not a figure that I recognise whatsoever—in fact, far closer to your first figure than the second figure.

Q57 **John Spellar:** In your considerations when you are chairing your committee, does the Government's prosperity agenda and their desire to rebuild British manufacturing come anywhere into your calculations?

Cat Little: Yes, it does. Obviously our primary role and the first order of



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what we look at is value for money, managing public money and securing the best deal for the taxpayer. Of course we look at considerations to do with the threat assessment, military capability, the requirement and whether it actually meets our needs in terms of the whole force structure. We look at interoperability with our allies and at the prosperity agenda.

You will understand that there are times when those things are not necessarily congruent, and we have to make trade-offs and decisions, and present choices to Ministers so that they are in a position to prioritise how they want us to look at those things. No. 1 has to be value for money for the UK taxpayer.

- Q58 **John Spellar:** But in value for money, what consideration is given to the fact that something like 30% or 40%—or a considerable percentage of that—will be coming back to the Treasury in the form of tax if the construction takes place in the UK compared with if that money is being sent offshore?

Cat Little: Our responsibility within the Ministry of Defence is to spend the MoD budget on the things that deliver the greatest value for money. I am not able to take—

- Q59 **John Spellar:** Does your value for money consideration take into account the fact that if the work is done in the UK, quite apart from any sort of multiplier effect inside the economy, quite apart from the impact on the supply chain and the sustenance of British manufacturing, there will actually be a significant return to the UK Treasury in tax?

Cat Little: In accordance with the Green Book, which is the Treasury guidelines on how we make investment decisions, I am not able to calculate it and include it within the net cost and return on our investment calculation that we do. We have a process for assessing it and for setting out the economic contribution that we think it plays in the UK economy.

Although we do not include it in our investment decision, we do present the data and the information so we can take it into account. You will be aware that the Dunne review recently looked at this and made some recommendations. We are currently looking at how we can take that forward sensibly with the Treasury.

- Q60 **Chair:** You said Sir Simon would come in to talk about my questions on the ships.

Sir Simon Bollom: Yes, indeed. Thank you.

Chair: Welcome, Sir Simon. In advance, we know you are going to be in the hot seat in a couple of weeks' time.

Sir Simon Bollom: I am really looking forward to that privilege.

Chair: I would expect so.

Mr Francois: So were the other three witnesses!



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Sir Simon Bollom: On fleet solid support, we are following the national shipbuilding strategy, in that for vessels of this type—non-warlike, i.e. with no offence capability—we would default to global competition in an open market, much in the same way that we did with the MARS tanker, the fourth of which has just arrived and come to the UK, in a really successful programme.

That is the route that we have embarked on with the FSS. We have sent PQQs out. We have, I think, somewhere in the region of 11 consortia or companies that have expressed an interest.

Q61 **Chair:** How many are British?

Sir Simon Bollom: There is at least one.

Q62 **Chair:** Out of 11?

Sir Simon Bollom: Yes. There is at least one. I probably should not go any further than that, but I can assure you that there is British interest in this particular competition. When we get the responses at the end of the year, we will be into the invitation to negotiate, and at that point the opportunity is there for all bidders, including the UK consortium, to bid into that process.

Q63 **Chair:** But suppose the British firm is undercut by bids from countries where labour costs are much lower or, if they are not lower, are covertly funded by their Governments. Also, what consideration do you give to the point that I have made about the preservation of our industrial base, and in particular of the capacity at Rosyth, which is the only dockyard that I am aware of that could do the aircraft carrier refits further down the line?

Sir Simon Bollom: I think “state aid” is the quote that I have seen out there before. We would be looking out for that as part of the due diligence that we would apply to any of the consortia that bid in, and if we needed to make an adjustment, we would do just that.

Q64 **Ruth Smeeth:** You just quoted state aid. Obviously, we are about to leave the European Union, and how we procure, what we procure and when we procure it will be completely a matter for us—that is one of the few benefits of leaving the European Union. On that basis, what forward planning are you doing to ensure that we do not have to have these conversations and we can start talking about how we buy British in a more holistic way?

Sir Simon Bollom: At this stage I can only follow the policy that we have.

Q65 **Ruth Smeeth:** But it is six months until we leave.

Sir Simon Bollom: The competition has launched. Global competition in an open market is part of the UK national shipbuilding strategy.

Stephen Lovegrove: This question is probably better directed towards Treasury officials, who set the policy on this, but it is a very reasonable question.



Q66 **Chair:** But if there were a strategic reason to do with the preservation of a vital shipyard, wouldn't that exempt us from the restrictions of these policies?

Stephen Lovegrove: Whether or not it would exempt us, it would certainly be a factor. There is sovereign capability in a variety of areas that we need to maintain.

Lieutenant General Sir Mark Poffley: As the chair of the sponsor group for the national shipbuilding strategy, I can assure the Committee that we spend a lot of time thinking through whether there is an implication of this sort. Where we see that sort of idea maturing—bear in mind that the shipbuilding strategy looks at a masterplan right across the fleet, both warship and non-warship—we bring that to the attention of the relevant Department. That is a cross-Government group with officials from BEIS, the Treasury, DIT, the Foreign Office—the lot. It is an active consideration. When we get into how we factor these sorts of things into this sort of decision, there is a conduit to do so in the national shipbuilding context. Quite clearly, as we will probably come on to, the combat air sector has a similar sort of architecture maturing to make sure that we preserve sovereign choice about where we procure, and that we retain operational advantage in the context of not allowing technologies to proliferate beyond where we are happy.

Q67 **Chair:** I think Gavin is about to come in with an alternative shipyard bid, but before I bring him in I want to nail down this point. Let us imagine that the fleet solid support ships are not built at Rosyth. What plans would you have for the preservation of the formidable capacity that has been built up at Rosyth, which has just successfully constructed these two giant warships?

Lieutenant General Sir Mark Poffley: Individually, I do not know of a sequence of work for any particular yard, and it would be wrong to prejudge the conversation. Allow the competition for the fleet solid support ships to run. When we look at the out-turn of the MDP, I am absolutely confident that there is a rich seam of opportunity for British shipbuilding in this country with the Royal Navy as a source of that order book, and, more importantly, that that order book might stimulate a far more rich export opportunity well beyond the Royal Navy. We do not yet have a plan for Rosyth, but that is because we are still in the business of competition.

Q68 **Chair:** Finally from me: surely, Stephen, the MoD as a whole has to have a consideration that says, "These great yards are part of our national strategic asset portfolio." Presumably you accept that there is a responsibility to have a plan so that we do not have terrible gaps like we had at Barrow between the different types of submarines being built.

Stephen Lovegrove: I fully accept that, Chair.

Q69 **Gavin Robinson:** The national shipbuilding strategy is about revitalising our national shipbuilding industry, so if we have £1 billion worth of contracts on fleet solid support ships, what better way to put a pipeline of work through our yards in the United Kingdom? If we are to revitalise our



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shipbuilding capacity, it makes no sense to take away the first large tranche of contracts that will enable the building of shipbuilding capacity.

Lieutenant General Sir Mark Poffley: If I may, I would add one commentary. It may not be the first solo orders that we would want to place and therefore we have not prejudged quite what that would look like. On the out-turn of the modernising defence programme, there are a number of ideas in play that might mean there are other opportunities beyond the fleet solid support ships. Indeed, one of the reasons we have suggested that this pre-qualification questionnaire sets it at two ships plus one is because the precise mix of support vessels for the Royal Navy is still in debate, beyond the two that would be required to support the carrier group in particular.

- Q70 **Gavin Robinson:** Chair, may I explore this state aid business? The European regulations were transposed into UK law: the Defence and Security Public Contracts Regulations. The European regulation allows a derogation on any member state at article 346. It is the sole responsibility of our Government to determine whether these ships are warships or not. It is up to us.

Sir Simon Bollom: Yes.

Gavin Robinson: Nobody challenges us on it. We make the declaration. So why did we not ?

Sir Simon Bollom: One of the points I would make is that ultimately we are trying to get value for money for the taxpayer. Running a competition gets you a firm price bid on the table, and it gives you a choice.

- Q71 **Gavin Robinson:** If that is right, Sir Simon, we have to consider all the ancillary benefits, whether it is capacity for shipbuilding in this country, receipts for tax and national insurance, or the economic spillout and benefit associated with the spend in this country. All those things need to be assessed.

Sir Simon Bollom: I agree with you.

- Q72 **Gavin Robinson:** We could encourage competition within our country if we had designated fleet solid support ships as national warships.

Sir Simon Bollom: But I think also there is an obligation in terms of best value to be able to benchmark whatever we can do onshore with what we might get offshore. It gives us a choice.

- Q73 **Gavin Robinson:** You can do that before you make the determination. You can assess what else is out there in the market.

Sir Simon Bollom: We run a competition to get that value judgment on the table.

- Q74 **Gavin Robinson:** I'm struggling to understand why we did not determine that these were warships. It is not a fear of state aid. We have the sole capacity to determine whether they should be or not. Is that right?

Sir Simon Bollom: Well, they have no offensive capability. By the definitions that we have put down, that does not make them a warship.



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Q75 **Gavin Robinson:** But, with respect, they look like warships. They are armed. They have defensive capability. They are deployed for counter-narcotics and for counter-piracy measures, or at least they could be and they have been in the past. So if it looks like a warship, it is deployed like a warship and it is armed like a warship, it pretty much is a warship, Sir Simon.

Q76 **John Spellar:** Every other European country that purchases similar vessels deems them to be such. Why do we think we have got the right definition?

Sir Simon Bollom: I can only say that we have made that delineation as part of the national shipbuilding strategy.

Q77 **John Spellar:** Who is "we" in this context?

Sir Simon Bollom: Ultimately it is an issue of policy.

Q78 **John Spellar:** Determined by who?

Sir Simon Bollom: Ministers in the end.

Q79 **John Spellar:** Which Ministers?

Sir Simon Bollom: The national shipbuilding strategy was constructed through the Parker report. That report went up to Ministers and the strategy was launched on the basis of that report.

Stephen Lovegrove: Chair, if I may, I am not particularly sighted on this specific definitional point. It is a very interesting one that you raise. Would it be okay if we were to take this away and have a look at the policy and write back to you with any adjustments we think we might be able to make?

Chair: Yes, that would be very helpful. We would be very pleased but Mark and Martin got in bids, so I am going to let them do theirs and then John will take us further.

Q80 **Mr Francois:** Sir Simon, forgive us if we are a little confused. You have just given us a minor homily about the benefits of competition and achieving value for money.

Sir Simon Bollom: I wondered when you would come back with that one.

Q81 **Mr Francois:** Yet, 15 minutes ago, your colleagues told us that, when it comes to AWACS, you don't want to have a competition, and when it came to MRAP you didn't want to have a competition. What is the policy of the Ministry of Defence these days? Do you believe in competition or not?

Sir Simon Bollom: Do you want to answer that?

Q82 **Mr Francois:** Sorry, forgive me, with respect, you are the head of procurement, so why don't you have a stab at it?

Sir Simon Bollom: All right, we'll go back to the AWACS decision. I have got nothing to add in terms of General Poffley's statements relating to that. With AWACS, I would say that there was absolutely clear blue water



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between the E-7 and the competitors, for all the reasons that General Poffley has given.

You had a fully found aircraft in operation, absolutely compatible with allied operation, operational now, the opportunity to buy into a global fleet, versus something that was a concept. In that situation, we decided that a competition would not be necessary. There was such a gap between one entrant and another, we decided to go ahead and single source on that basis. If you look at the shipbuilding option, there are a number of potential bidders in that market that could deliver the requirement.

- Q83 **Mr Francois:** To follow on from Mr Robinson's point, these ships are due to accompany the carrier into battle, right? They will keep the carrier supplied with everything from fuel to aero-engines from the F-35. They have a defensive armament. They are meant to be part of the carrier battle group and they are likely to be attacked. So how can you say they are not a warship?

Sir Simon Bollom: I would just default back to what I said earlier. It does not have an offensive capability and that is how we have categorised it. The Permanent Secretary has offered to clarify that point of policy. That is the definition that we have—

- Q84 **Mr Francois:** I will have one more go—sorry, Stephen—and then I'll hand over. Believe it or not, sometimes we do listen to you quite carefully and you said earlier, in what I thought was a telling remark, that some of these questions are better directed to the Treasury. Are you basically trying to tell us that it was the Treasury that directed you to compete the fleet solid support ship?

Stephen Lovegrove: No, I am not trying to tell you that.

- Q85 **Mr Francois:** So, what are you trying to tell us?

Stephen Lovegrove: We should be very clear. We are absolutely committed to open competition as the primary route to procurement. That is where we start, the starting point, but when we are making decisions on purchases, we clearly have to consider absolute cost and value for money. We consider the maturity of the technological solution. We consider operational risk, threat assessment, the necessity for sovereign capability, the requirement to maintain important parts of national capability, in the way that the Chairman has outlined. That may lead us on occasion to take a different decision, rather than go down a competitive route.

When we are in that position, wherever we possibly can, we will obviously try to ensure that the single source regulations are also at play because we recognise the dangers of not going through a competitive arrangement. The point I made about Treasury is that there are rules that we are allowed—obliged—to follow in public procurement, set out in the Green Book, entirely designed to protect value for money for the taxpayer.

Ms Little mentioned a good example of the type of thing that we are not allowed to take into account, which is associated tax revenue. If there were to be a governmental change of position on this, it would be a

change in policy, and a change in policy that would be driven from the Treasury. We would be, in one of the phrases of the moment, rule takers.

- Q86 Martin Docherty-Hughes:** Some of my colleagues have mentioned a range of issues having an impact on how you assess or consider the purchase of an asset and, as I think Cat said, the useful economic life of an asset. Let me go back to an asset which has got an extended life extension to it. It will come as no surprise that I will mention, for instance, Vanguard, Vengeance, Victorious and Vigilant. How does that fit into the timeline for the in-service date for the Dreadnought class? What budgetary impact will there be on the Dreadnought class timeline due to the choice made to give a life-extension investment to Vanguard? We are looking at useful economic life and where that fits within the budgetary decisions my colleagues have mentioned.

Cat Little: I will start off, and I am sure others will want to add to this. If I start with where the Dreadnought programme is, we spent the majority of last year making sure that our estimates of when each boat needed to come in, in order to take over and ensure continuity of continuous at sea deterrent, was absolutely assessed and robustly programmed. The first Dreadnought boat being in the water in 2030 is absolutely predicated on the extended life of the Vanguard class.

We have also set out what we think is the economic cost of running an asset class beyond its normal useful economic life. It is fair to say that it tends to cost you more. It is unpredictable—these things were never designed to run for so long—but we have fully assessed both the engineering capability and the cost of doing so, and that is factored into both our continuous at sea deterrent cost and the Dreadnought programme. Everything we are doing in Dreadnought at the moment in working with the industry and making sure we have enough money in the right years is about keeping that programme to schedule and delivering the boats in the right order to make sure that we deliver CASD.

Martin Docherty-Hughes: Does anyone else want to add to that?

Lieutenant General Sir Mark Poffley: Given the complexity of submarines and the complexity of managing these on a fleet basis over protracted periods of time, our judgment is that it is prudent to make sure that you derisk that handover point between Vanguard and Dreadnought. That is something I hope you would expect us to do—maintaining continuous at sea deterrent.

- Q87 Martin Docherty-Hughes:** I am sure it is no surprise to any of the panel that I differ from the rest of the Committee in terms of the nuclear deterrent, but that is an irrelevance at the moment in terms of both expenditure and its impact on other assets. In the private session, I mentioned to the National Audit Office the specific element of contingency that had been given—I think it was around £10 billion. You need to correct me: is that £10 billion which has now been accounted for? If, as we have been saying, there are contingencies that we cannot have contingencies for, up to 2030 how much additional contingency



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investment do we expect there to be over and above the £10 billion we have already got? For me, that has an impact on every other asset that has been mentioned today.

Cat Little: The Dreadnought programme is currently estimated to cost us £31 billion over the course of the next 10 years. The £10 billion was a Treasury contingency—it is not held by the Ministry of Defence. It is on top of that £31 billion held, assuming that there will be some risks to the current programme of delivery within the £31 billion. In fact, this year we came to an arrangement with the Treasury where we drew down £600 million from that contingency because we wanted to bring forward expenditure to maximise our chance of hitting all of our programme milestones.

So the contingency is available and we are using it. I think we are using it exactly for the purposes the Treasury set it aside. Obviously, we will do everything we can to minimise the use of it, but with a programme of this complexity, scale and ambition, it is absolutely right that we set a contingency aside and we ring-fence it for the Dreadnought.

Stephen Lovegrove: I should say also that an element of contingency for the Dreadnought is held within the MoD. We have got a contingency of about £6 billion. I think it is 1.1?

Cat Little: It is of about that sort of magnitude. I don't have the precise figure in front of me.

Q88 **Martin Docherty-Hughes:** So we are looking at a contingency of £16 billion.

Cat Little: I will need to come back to you with the precise figure for the Dreadnought. What Stephen is alluding to is that we hold an equipment plan contingency. On top of the £179 billion that we are planning to spend on the EP, we also recognise—for the things that we talked about at the beginning of this session—that there are things that we don't predict or foreign-exchange risks with movement in our favour and against us, and so we hold a very small amount dedicated to Dreadnought within our equipment plan contingency.

Q89 **Chair:** You are not saying that the overall total that is budgeted for is significantly in excess of £41 billion—

Cat Little: No. We are saying that we hold money in reserve, just in case. Again, this is just prudent financial planning on the part of the Department. We want to incentivise programmes to deliver within their cost estimate, but it would be wrong of us to assume that everything is going to happen perfectly and to plan.

Stephen Lovegrove: In discussions with the Treasury, when we got access to the £600 million of the central Treasury contingency, the argument that we mounted, and that was accepted, was that this was money across a very long, very complicated programme, which was actually going to derisk the back end of the programme, because



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investment in—effectively—part of the supply chain at this point was likely to pay off.

- Q90 **Chair:** I hope you take every possible opportunity when dealing with BAE Systems, as I do, to say that it ought not to cost much more than £31 billion to build four submarines, looking at the price of other submarines, including nuclear submarines.

Stephen Lovegrove: We do. That is a conversation that is had in various different forms very regularly.

Chair: I am delighted to hear it.

- Q91 **John Spellar:** You have alluded to, and we have discussed, savings programmes. Do you have some sort of estimate of the total amount that those will come to? Do you have that on you?

Cat Little: In 2015 we set out a revised savings target to 2020 of £7.4 billion. Everything we are doing at the moment in the strategic cross-cutting transformation programmes that Stephen talked about earlier is designed to ensure that we can with confidence, using proper changes in the system, deliver that £7.4 billion efficiency target. Of course, if we can exceed that we will but, of the big issues that we have had in the past, one is the optimism bias in our ability to deliver and another is that we have not invested in order to change the system, so that we actually release proper efficiencies—we have relied a lot on cost reductions, moving money to the right. So £7.4 is the current SDSR target. We are on track to deliver but, as Stephen said, we are having to re-engineer the transformation programme to see if there is confidence and certainty.

- Q92 **Ruth Smeeth:** Moving on slightly, to this year's pay award, let us talk about the shoddy compromise to get us to 2.9% and how you are actually going to do it. Will you outline how and when we will pay the 0.9% bonus? What conversations did you have with the Treasury before that was awarded, when your IT systems were not able to deliver it?

Cat Little: We have never made a non-consolidated bonus to the armed forces before—

Ruth Smeeth: Because it's a disgrace!

Cat Little: So our systems were not in any way set up, engineered or designed to do so. We made it very clear in our submissions to Ministers and Treasury that we would have to reconfigure our IT in order to make it physically feasible to do that. We have spent in the order of £50,000 re-engineering the system. We are absolutely on track to make sure that that payment is made in this financial year, and in the near future we hope to be much more precise about when exactly. At the moment I cannot guarantee exactly when we will be able to make that payment.

Stephen Lovegrove: It will all be backdated to 1 April.

- Q93 **Ruth Smeeth:** And it will be paid as a one-off non-consolidated amount?



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Cat Little: The non-consolidated element will be a lump sum cash element directly into the payroll.

- Q94 **Ruth Smeeth:** Can I ask how successful this is going to be with managing some low morale issues? This may well be for General Poffley, because the idea that this is how we show reward for our service personnel—by splitting their pay rise—is arguably not a particularly helpful message.

Lieutenant General Sir Mark Poffley: It is an interesting question because at various levels of the command structure you will have a good understanding and a less good understanding of this particular issue, in terms of consolidation. My sense is that soldiers, sailors and airmen are increasingly looking at what it looks like relative to other parts of government, and public sector workers. What I have not detected so far is any significant backlash as a consequence of this pay award.

- Q95 **Ruth Smeeth:** I have had some.

Lieutenant General Sir Mark Poffley: I am merely reflecting that in the Ministry of Defence we have not seen that. It may well be that when we do the continuous attitude survey over the course of the 12 months, we see some reaction to this; but again we know the issues associated with remuneration and we know that it is but one factor in the reward system that makes people willingly serve, and place the commitment that they do. I think it is a bit early to tell what that reaction is going to be at the corporate level, but I recognise it is going to be an issue.

- Q96 **Ruth Smeeth:** How is it being funded?

Cat Little: Obviously, the consolidated element over and above 1%, which is what we had already assumed, now has to be funded for evermore, because it has hit our baseline. I have used contingency. I talked about our general contingencies and the money we put aside. We had put aside a small amount of pay contingency, knowing that pay flexibility could be a risk this year—so we utilised that pay contingency. I have also had to ask our commands to absorb some of it, and we have had to split it in that way. Part of the reason for splitting the award between consolidated and non-consolidated—I believe it was about affordability and trying to make sure that we had a sustainable way of paying for baseline increases within the budget. We never would have been able to make affordable that sort of sum of money within the current budget we have got available.

- Q97 **Ruth Smeeth:** No, the Treasury would have to have given you more money.

Cat Little: That would be one conclusion.

- Q98 **Ruth Smeeth:** Which is what I asked on the day that it was announced—for them to give you more money.

I am going to move on to where we currently are with recruitment numbers, because I think this flows. We have seen a continued fall in recruitment numbers. We are now up to 19 operational pinch points in the



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Navy, nine in the Army, seven in the RAF. *The Times* is reporting that we are 12% short of our required numbers in the Army, but some regiments, some brigades, are now up to 36% short of their numbers—the Scots Guards being one. So we are, completely, 7,500 personnel short of the targets that we had set ourselves. That does not include our reservist numbers. What is the plan?

Lieutenant General Sir Mark Poffley: There is—and I hope you are aware of this—a rehabilitation plan alongside Capita to change the mechanism, take more direct control from the military point of view, into that recruitment process. Incidentally, I recognise some of the statistics you have just quoted, but I am not sure all of them. Certainly, as I understand it, there are 29 operational pinch points—only six in the Army, seven in the RAF and 12 in Navy, and four in the Royal Fleet Auxiliary.

Q99 **Ruth Smeeth:** Those statistics come from the National Audit Office—“A Short Guide to the Ministry of Defence”.

Lieutenant General Sir Mark Poffley: That may be the case. I am giving you a figure from September of this year, so there is clearly an update due.

Mr Francois: No; the NAO must have got it wrong again.

Lieutenant General Sir Mark Poffley: It is not for me to say. I am giving you the figures as I understand them in September. I think the trick for this is that the Army in particular has recognised it needs to get more active in this process. It needs to shorten the time of flight from a prospective recruit coming into the system and then going through the pipeline. It also needs to make sure that it is releasing trainees out of what we are describing as phase 2 training much earlier than it is currently doing, and making sure that the gap that exists between loading them on a course in phase 2 training is absorbed by them actually being inside the field Army. That retains their interest and their willingness to continue through that recruitment process.

We at the Ministry of Defence look down into the Army in this context and challenge them, because it is a very high-profile issue, saying, “Okay, when will we see a return on these initiatives coming through?” That is the inevitable sequitur question. The answer is that one would hope within the next 12 months to see a material difference in the way the recruitment is happening and the way we handle trainees as they go through the system. There are hundreds of stories—I have some myself—where folk who have gone through that recruitment process have been inevitably rather frustrated. It is seared in the minds of the new command structure in Andover that they have to get aboard this. They recognise that. My instincts are that they have got aboard it and I hope that there will be a material difference in that statistic.

Q100 **Ruth Smeeth:** For most of this year we have been talking about how appalling the Capita recruitment contract has been for the Army. The Navy and the RAF have not had such big challenges in recruitment.



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Mr Francois: Because they don't use Capita.

Q101 **Ruth Smeeth:** Because they don't use Capita. We have known that this has been a problem and we have had a new recruitment initiative in the Army this year. What has changed from where we were? Where are we in terms of the change to the contract? Has that started to roll out yet?

Lieutenant General Sir Mark Poffley: My understanding is that it has, and there is an alliance structure inside that Capita management structure to ensure that they are held to account and maintain the pace and energy underneath the revised targets. We have set revised targets; they are quite challenging. We have also started to repopulate military recruiting offices. That sort of thing is starting to bear fruit, I hope. Certainly, it is in terms of numbers of interest.

Q102 **Ruth Smeeth:** I am guessing that you do not have the stats in front of you, but could you write to us about the following? In the last six months, how many courses at Sandhurst have been full? Six months ago, none had been full for over a year. How many people are waiting to get through for more than 12 months from when they put in their paperwork? We have all heard stories of more than 18 months and people not joining because their lives had moved on.

Lieutenant General Sir Mark Poffley: To give some reassurance, from personal experience there is a significant improvement in recruiting into Sandhurst. I know of at least one course that is full, but I will come back to you with the remainder of those statistics.

Q103 **Mr Francois:** The Capita contract has been an unmitigated disaster. In order to maintain a Regular Army of about 82,500, you need approximately 10,000 recruits a year. In 2016-17, they came in at under 7,000 actual enlistments—not applications, or, "I fancy joining the Army," but people who signed up. The year before that was broadly the same and so was the year before. For those three years, they abjectly failed. How did we do in 2017-18? How many were enlisted into the Regular Army?

Lieutenant General Sir Mark Poffley: I do not have that figure in front of me but I can tell you that at the end of the first quarter, in percentages up to August, for the Navy it hit 22% of its target, for the Royal Marines it was 100% of its target, for the Army it was 25% and for the RAF it was 56%. Clearly, there is some variation there and we need to study quite what that is about. That is for officers. For other ranks, it was 20% in the Navy, 10% in the Royal Marines, 7% in the Army and 48% in the RAF. Again, that tells us that we have more work to do to continue to energise soldier, sailor and airman recruiting rather than the officer cohort.

Q104 **Mr Francois:** So for other ranks, was that the first quarter of 2017-18 or 2018-19?

Lieutenant General Sir Mark Poffley: The percentage of the required intake, as assessed by us at the Department—



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Q105 **Mr Francois:** In the first quarter of which year?

Lieutenant General Sir Mark Poffley: Of 2018.

Mr Francois: So of 2018-19, they hit 7% of the target in the first quarter.

Lieutenant General Sir Mark Poffley: Indeed.

Mr Francois: So if you pro rata that for four quarters, they would hit 28% of their target.

Lieutenant General Sir Mark Poffley: Yes, they are going to miss the target by some margin.

Q106 **Mr Francois:** Right, okay. I have persistently asked parliamentary questions about how many Regular enlistments there were in 2017-18, and the system keeps fobbing me off and will not give me an answer.

Lieutenant General Sir Mark Poffley: I will come back to you individually and ensure that you get that information.

Q107 **Mr Francois:** Last one. The whole of the Department knows that Capita are a disaster—they are known affectionately across the Army as “Crapita”. They know nothing about recruitment. They are back-office specialists; their metier is to take cost out of the back office. They know no more about recruitment than an NHS brain surgeon does. What do you have to do—how badly do you have to fail—before you get sacked by your Department? The Army, as Ruth said, is gradually withering on the vine because it is being starved of recruits, because these people haven’t got a clue what they are doing. How badly do they have to perform before you sack them?

Lieutenant General Sir Mark Poffley: That inevitably is going to be a contractual conversation. I am not privy to the detail underneath that contract, so I am not able to give you a straight answer to that today.

Q108 **John Spellar:** It is a clear failure of contract, isn’t it?

Mr Francois: Of course it is. It’s hopeless.

John Spellar: The contract has not been complied with. There is therefore a breach of contract, isn’t there?

Stephen Lovegrove: Unfortunately, it is unlikely to be as simple as that. What I would say is that Capita have clearly underperformed.

Mr Francois: And have done since 2012.

Stephen Lovegrove: The DRS that they have been charged with designing and implementing has quite evidently not gone in the way that we wanted it to. It is not the full extent of the problem, though. There are other factors at play that are not to do with Capita. General Poffley has mentioned a very important one, which is the time of flight issue—Ms Smeeth mentioned it earlier. That should be within the gift of the armed forces in general to improve. It is a major problem that we have people



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falling off, as you say, as their lives have moved on. We are spending a lot of time redesigning that at the moment.

Likewise, I am pleased to say that employment in the nation generally is fairly buoyant, but that is not, certainly to other ranks in the Army, a particularly propitious backdrop for recruitment. That is not to say that there are not lots of things that we can do—there are lots of things that we can and will do—but we need to look at it as a whole. There is intensive work going on in all these aspects at the moment.

Q109 Mr Francois: Sorry, but this has been going on for six years, not six months. The RAF and the Royal Navy do not use Capita; General Poffley read out the figures, and they are clearly far closer to hitting their targets than the Army. The Army is a basket case. If you visit frontline units, when they do a section attack, instead of eight people getting out of the vehicle, four get out of the vehicle. In our battalions now, a lot of the companies have only two platoons, rather than three. This is affecting our ability to fight. How much longer are you people—forgive me; I mean the Department—going to remain in denial, which is where you are, about how appalling this contract is, while the Army gradually disappears in front of our eyes? When are you going to take your heads out of the sand and do something about it?

Stephen Lovegrove: Well, a lot has been done with Capita to improve their performance.

Q110 Mr Francois: But the numbers are still appalling. They are nowhere near the target. You just heard it.

Stephen Lovegrove: I don't think it would be reasonable to expect instant results from a big supertanker such as Army recruitment.

Mr Francois: Jesus—they've had six years.

Stephen Lovegrove: And we have to decide, whenever we make a change to a contract—we are always capable and prepared to do that, assuming that the contract allows it—that we have a better alternative.

Mr Francois: This is a farce. You have had six years. It's broken and everybody can see it. The emperor has no clothes, and you do nothing about it. Go and talk to commanding officers of frontline units.

Q111 Chair: Why is it the case that if somebody is ready, willing and able to join, they should wait months and months and months before being accepted?

Stephen Lovegrove: That is a very, very good question, and that is the type of work that we are doing in the Department at the moment, to see how we can reduce the time of flight. That is of particular interest to the Secretaries of State at the moment, but it has to be said that that particular issue is more in the gift of the Army than necessarily of Capita. It is the nature of where the medical assessments are scheduled and so on—the whole system needs to be looked at, and we are looking at that now.



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Mr Francois: That is not true.

Q112 **Chair:** If we get to it, as I hope we will, we will be talking about the special unit that has been set up inside the MoD to try to grip the ongoing problem about the legal pursuit of service veterans. Why don't you set up a specific task group within the MoD, of not very many people, to get to grips with this; and if it is found that this company is incapable of performing, develop an alternative that can replace it?

Stephen Lovegrove: I am very happy to do that and to report back to the Committee. It is, of course, a contract that is signed by the Army rather than the MoD, so I would need to consult with the Chief of the General Staff.

Q113 **Chair:** Yes, but somewhere along the line—we cannot just keep shifting it around between different elements of the pyramid.

Stephen Lovegrove: I totally understand.

Q114 **Mrs Moon:** May I suggest that you pop down to Bridgend where I have a military training college? The youngsters get up at God knows what time in the morning to travel into Bridgend, where they do physical training and skills training. They are desperate, and on the wall you see every youngster's name, where they are in the application process, and where the problems are. Time and again, youngsters who are incredibly eager to join the Army are being fobbed off. They make phone calls that cost a fortune; they are told they will be called back, but the callbacks never come. They are promised medicals but they are cancelled. It is an absolute shocking nightmare, and a shocking message to the youth of this country that when they are willing to put their life on the line and join the Army, they are treated in this way. Please come and look at the wall and see the progress and where the problems are in the pipeline.

Stephen Lovegrove: When I am next in Wales I will happily take up your invitation.

Chair: Okay, I think we have got that message across loud and clear. Madeleine, will you take us on please?

Q115 **Mrs Moon:** Yes. Have you now dropped the target of reducing civil servants by 30% by 2020?

Stephen Lovegrove: The 30% target is something that we have been wrestling with for some time. To a certain extent, it is a sort of arbitrary target that goes against the concept that we are working with, which is about the whole force and that defence outputs are delivered by a combination of Regulars, Reserves, civil servants, contractors, and other members of the defence community. It would be fair to say that within the MoD we are much more motivated by the financial targets associated with manpower efficiencies, which are broadly £310 million to 2020, and the general point that I made at the beginning of today's session, which is that we are trying to move into a rather more radical and profound approach to efficiencies than merely targeting a single, slightly arbitrary number. The 30% number is in the SDSR. It has not been formally rescinded as a



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matter of policy, but the Treasury is content with the approach we are taking on this, which is to identify the money—that is the important point—rather than the number of bodies.

Since 2010 we have made some very big reductions in the civilian headcount. It is down 35% since 2010, which is obviously a lot, as I think everybody would accept. To reiterate, we are more interested in more profound issues of efficiency; we are more interested in issues to do with value for money. Some of the decisions that were made on simple outsourcing arrangements around, for instance, the Ministry of Defence guards, we have overturned on the basis that we do not think it is a good value for money exercise and was probably being driven by a set of targets that were not good for defence or the people involved.

That is the situation—slightly nuanced, I appreciate—but to reiterate, we are being driven more by real efficiencies and pounds, shillings and pence rather than the numbers of bodies.

Q116 Mrs Moon: Sorry, but can you repeat that last sentence: you are focusing on pounds, shillings and pence rather than bodies?

Stephen Lovegrove: What was not written in the SDSR '15 document was that there was an associated financial target for headcount reductions. That target ended up being around £310 million between 2015 and 2020. For me, that is a much more important target than a 30% headcount reduction, and the agreement we have reached with the Treasury is that we will put the focus and priority on that financial target rather than one the headcount target.

Q117 Mrs Moon: I think we welcome that, because, quite honestly, I think there has been a huge misrepresentation of the highly skilled individuals who are part of the civil service workforce. There has been some fantasy that these are people who sit in Departments reading papers and scribbling.

Stephen Lovegrove: That's me.

Mrs Moon: Indeed. What key skills shortfalls do you have now? That is the thing that really worries us. That target failed to address the vital nature of the skills of some of the people who we were arbitrarily saying we were going to throw out?

Stephen Lovegrove: Well, I have great sympathy with that approach. I have to say that the 30% headcount reduction did not have a good effect on morale, because most units thought to themselves, "One in three of us is going to be shown the door at some point." That has not been a comfortable position to manage.

You asked very pertinently about skillsets. In any number of areas, we believe we need to improve; I will take a few at random. We definitely need to improve project management. We definitely need to improve our skillsets around cyber in a host of different ways. We will need to improve commercial and finance, although we have already made a lot of difference on this. There are a lot of identified areas. We are going at this



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through the rolling out of the functional model in the Department. In that sense, it is a bit of an echo of what has been happening more broadly across the civil service, led by the Cabinet Office, to drive standards and to provide career choice, but also provide a more attractive job offer for the types of people who have the skills that we feel we lack at the moment. This is intensive work. Ms Little may want to talk about it as she is sponsoring much of the functional leadership work.

Cat Little: You have mentioned some of our core skills in functional areas. As a functional leader, I am responsible for finance and for our commercial skillsets. They are the two most mature professions within the Department. What matters to us is that we have the right operating model, the right blend of skills and that that is sustainable over a period of time, and that people have the right qualifications and the right experience and are incentivised to have a long-term career within government.

If I take commercial for example, some of the big changes we have made include setting accreditation standards for the whole of the government commercial function. We now have ambitious plans to accredit all our staff by 2020 on a range of skills, depending on what level they are at and what we expect them to do. In finance, you will not see in the future accountants responsible for vast sums of money who do not have the appropriate professional qualifications. I care deeply about that. Accountancy in some of the technical work that we do needs experience and the professional skillset to be able to do it properly. Being able to do that is going to take us time. We are investing in new skills as well—In finance, we have created a whole new analytical function dedicated to finance. These folk are both statisticians and analysts as well as financially qualified.

To be fit for the future, we are probably going to have to elevate and invest in the levels of skills. We probably need more qualified people at higher grades. We have to compete with the private sector. The Permanent Secretary alluded to the fact that we are nearing full employment. That means I am competing with the private sector, with the Big Four and other big commercial organisations. To do that, we need the full force of our pay and remuneration and the value and the offer that we have within Government. I think we are making good strides towards it, but there is more work to do.

Q118 **Mrs Moon:** Well, let's hope that some of the new highly skilled financial people will look at the whole concept of outsourcing the solid support ship contract; let's hope that.

Two years on, we were promised an annual estates report. Where is it?

Lieutenant General Sir Mark Poffley: The intention is that at the back end of this year there will be a report. We submitted a report in July of this year—MinDVP submitted it—in which we declared where we were, particularly in the context of new announceables, centring around Linton-on-Ouse and Scampton. The anticipation is that we will bring forward an



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update on where we are on the defence estates optimisation programme at the turn of the year.

Q119 **Mrs Moon:** In the meantime, what are you doing for those who are directly involved in this—the men and women whose home life depends on the quality of that estate and whose capacity to feel confident to go out through the door and do their job means that they must not have somebody at home saying, “The heating’s not working. The place is falling down.”?

Lieutenant General Sir Mark Poffley: Indeed so. What we have done is engaged in an agenda to sharpen up that intimate contact with the client, for want of a better expression, at grassroots level. That is through the DIO. So again, there is more contact with individuals so that they can escalate their concerns at an appropriate level. Most significantly, what we have done is delegated the capital budget for each of the frontline commands down to the frontline commands, and we have been shadowing the use of their cash budget, too, over the course of this year, so that they get a feel for how they may be able to attend particularly to things like maintenance concerns—capital looking after life-cycle replacement, and cash tackling maintenance. That delegation allows each of the frontline commands to make local decisions, and of course, in reorganising the Defence Infrastructure Organisation more towards a regionally focused basis, you are getting local connections and therefore facilitating that customer interface.

Q120 **Mrs Moon:** How long has that delegation been in place?

Lieutenant General Sir Mark Poffley: We took the capital budget across to frontline commands in April this year, and the cash budget will go across in April next year.

Q121 **Mrs Moon:** What is your current assessment of it? Is it improving the situation on people’s complaints? Are you getting fewer complaints? Is there any assessment to date that you can give us?

Cat Little: It is probably worth my just saying a little bit more about the delegation. We are six months into quite a complex transfer of budgets. What we have found is that commands on the whole are starting to feel better able to prioritise how they use expenditure, which is really important because they are so much closer to the feedback and what people are saying. However, we have had some challenges, because we have had to reorganise information for commands to be able to make prioritisation choices, to be able to make sure that they can invest in the things they want to invest in. It is really early days, and I am not in any way saying that this has been in place long enough for us to assess it properly.

Stephen Lovegrove: We had a session with the Defence Infrastructure Organisation yesterday—it was one of the quarterly reporting sessions—and we had some discussion along these lines. I think the view from the chief executive of the DIO was that this is definitely the right thing to have done; it is definitely showing signs that it is changing the behaviours and



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approaches being taken down at the commands, but it is quite early days. So cautious optimism is, I think, the right phrase.

Lieutenant General Sir Mark Poffley: We were never going to get catastrophic success in this. At the end of the day, the shortfall that we have been living with as a legacy problem must take time to roll through. We simply will not be able to mobilise in the very short term to be able to tackle that in a significant way. It will take a number of years to get back to the sustainable position, but the hands of the frontline commands are now all over this, which means they can make those local decisions and trade across the complete portfolio of their business.

Q122 **Mrs Moon:** Have you learned a lesson?

Lieutenant General Sir Mark Poffley: I personally was never in need of one. I was always committed to the notion that you need to get this down at a local level, but I recognise that the Department certainly understands the value of localism, let's call it that.

Stephen Lovegrove: I think DIO has certainly learned a lesson.

Q123 **Mrs Moon:** Because it really has been an absolute, utter waste of money, to the detriment of our personnel.

Stephen Lovegrove: Through some of the conversations we are having with Annington at the moment, we are absolutely determined to make sure that as much of the money that we devote to accommodation and the living standards of servicemen and women really goes into that rather than anything else. The point is well taken.

Q124 **Mrs Moon:** Another bad contract with the private sector.

Stephen Lovegrove: I am sorry?

Mrs Moon: Another bad contract with the private sector.

Stephen Lovegrove: Annington? I have been very straightforward in my view of that particular contract. I think it was a very bad contract, yes.

Johnny Mercer: Mr Lovegrove, do you recognise anything in this story? The defence rebasing strategy comes out in 2016: a massive impact in Plymouth, the Citadel and Stonehouse. Clearly, there was a general understanding that these were old barracks; we want barracks where the guys and girls are going to be able to have hot water. We want world-class barracks for world-class servicepeople.

Ruth Smeeth: Hot water?

Johnny Mercer: Hot water would be a good start in some of them, I think it is fair to say. Then the last Secretary of State goes and visits RMB Chivenor. He goes down there—he's never been there before—and goes, "This is a lovely site, this is a really lovely site, I think this is fantastic and this could be the start of something special." He goes back to London and tells them to rewrite that plan and come up with different options for rebasing the Commandos. Do you recognise anything in that story?



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Stephen Lovegrove: I confess, I do not recognise that particular story.

Q125 **Johnny Mercer:** Okay, so the problem I have is with the disruption to these families that goes on when you come out with this. I know you get this and you're a good Permanent Secretary, so you're going to say you understand and your intention and so on, but this is two and a half years now that these guys don't know where they are going to send their kids to school when they turn 11. I have got to be honest: all this other stuff, it just simply ain't good enough. It paints a picture that people are our finest asset but actually you put them right at the bottom, which I know you don't want to do.

Stephen Lovegrove: I really do not want to do that.

Q126 **Johnny Mercer:** So why does it keep happening?

Stephen Lovegrove: I will take that particular instance away. We must try and give as much certainty to serving men and women as we possibly can. There was a situation yesterday, in fact, involving your regiment, where I travelled down to Wiltshire to have a discussion with some counterparties. I said that one of the things we are going to do here is not to make a decision that is going to compromise the lifestyles and the life choices of the men and women who live on that barracks. We will do that where we can. I am sure we get it wrong more often than I would like. I will certainly look into the situation that you are talking about, but trust me: we are committed to minimising that as much as we can.

Q127 **Johnny Mercer:** Okay. If you could let us know about that thing in Plymouth, because that is the heart of the military community who do not know where they are going or what they are doing for so long.

Stephen Lovegrove: Uncertainty on that level for two years is obviously profoundly to be regretted. I will look into that.

Johnny Mercer: Thank you.

Q128 **Ruth Smeeth:** My last set of questions was about Capita, and now I am moving on to post-Carillion. Apparently, I get the private sector bashing today. How is Amey doing?

Mr Francois: She's fine.

Cat Little: That's me.

Q129 **Ruth Smeeth:** Is it meeting its contract targets?

Cat Little: Generally, at the moment, yes.

Q130 **Ruth Smeeth:** Meeting all the contract targets for the service and the accommodation contract?

Cat Little: As far as I am aware, for the contracts that they took over in August. We have been through quite a complicated process of transferring our prime and national housing contracts from the joint venture with Carillion over to sole provision by Amey. August was when we actually signed these new contracts. I cannot confirm that every single contract



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detail is being complied with at this stage, but as far as I am aware, we have not had any deterioration in service based on our normal service levels throughout that whole period.

Q131 **Ruth Smeeth:** Can we get an update after the first quarter that they have taken over the contract, to see whether they are still keeping up with their targets?

Cat Little: Yes.

Q132 **Ruth Smeeth:** Can we confirm this? When we last raised this issue it had been made clear that you were not going to have to pay twice for any services. Can we confirm that you have not had to repay Amey for work that had already been done?

Cat Little: I can confirm that now. We have not paid or duplicated any more money for services that were already contracted for under the joint venture with Carillion.

Q133 **Ruth Smeeth:** Have any services or projects, as we have seen elsewhere with the collapse of Carillion—such as hospitals—had to be delayed or cancelled, from SFA but also more broadly? Have you had to cancel any projects?

Cat Little: We haven't cancelled any but we have got three direct work contracts that were with Carillion where we have had to seek alternative provision. That has inevitably delayed some of the activity in those programmes.

Ruth Smeeth: What programmes are they?

Cat Little: There are a couple that are at a higher classification that I am unable to talk about here, but I would be happy to give you a separate briefing on the three that are directly involved.

Q134 **Ruth Smeeth:** Okay. Written into their contract, do they only have a timescale in order to catch up?

Cat Little: They were directly—

Q135 **Ruth Smeeth:** With Carillion, so they have not necessarily gone to Amey.

Cat Little: We now have to go into a new procurement process to ensure that there are transitional arrangements to deliver those contracts. They are mainly building and works contracts.

Q136 **Ruth Smeeth:** If they are of a high classification, I think we would like a briefing.

Lieutenant General Sir Mark Poffley: We can do that.

Ruth Smeeth: Because if there are delays it is then what that would mean.

Cat Little: I am very happy to do that.



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Q137 Mr Francois: The armed forces continuous attitudes survey—from memory, the most recent one—said that the satisfaction rating on the maintenance of military accommodation from our personnel was 29%. So less than a third of them are satisfied by the way that we look after the houses that they and their families live in.

A little over a year ago, 15,000 regulars left the armed forces but 13,000 joined. We are now a little under 6% short of establishment in the armed forces. As we have already mentioned this afternoon, in certain pinch point trades that is far worse.

We know from the AFCAS that the state of service family accommodation and singles accommodation, which in some cases is even worse, is one of the reasons that people now leave the armed forces. So, not only is the way these people are treated morally wrong, but it is also now affecting our ability to fight, because we are losing very good people who just get sick of it. What are you doing about this?

Lieutenant General Sir Mark Poffley: This goes to the heart of how to change the approach of the DIO, and how to free up money, frankly, from the rest of the programme to tackle the deficiency that is a legacy problem in certain maintenance challenges.

The second component of this is that we need to ensure that we drive forward with the estate rationalisation that is inherent and fundamental to the defence estates optimisation programme—so, reduce the amount of the built estate to the barest minimum, maximise on utilisation and then drive out any surplus requirement to continue to maintain estate that we frankly do not need.

That is an aggressive process but, as Mr Mercer just pointed out, it is always liable to new ideas, new changes, and the MDP is yet another series of changes that will undoubtedly have some impacts on that programme.

The key thing is that in driving it back down to the frontline commands to make the single services responsible for their own estate, and making sure that they do not use the estate as a regulator, which is what had happened in the past—which is in part why we ended up where we were in terms of the condition of the estate more broadly—we need to apply very close scrutiny to that programme. In order to do so, we intend to establish a dedicated programme office inside the Ministry of Defence, headed up by a two star who would now start to manage this as a programme in the same way as we do for the major programmes such as the carrier enabled power projection programme, which has demonstrated the real utility of getting the programmatics right and having the right level of supervision at the head office level.

If you take those initiatives—again, there is no quick fix here. At the end of the day we are still looking at significant shortfalls in cash to get after the problem, and we have still got to make sure that the industrial partners are able to deliver on that, so matching those two together will be important. But at least we have now got an understanding of the



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problem. The defence estate optimisation programme has categories where we ought to be rationalising the estate, and therefore reducing the demand considerably. Again, putting a decent and robust management structure on top of it to make sure you can drive through that change is where we are.

Q138 **Mr Francois:** Johnny gave a very good case study of where you did exactly what you are talking about and then changed your mind halfway through.

Lieutenant General Sir Mark Poffley: We haven't changed our mind necessarily on Chivenor, but we recognise we have got to do some work to clarify the position for people in Chivenor.

Q139 **Mr Francois:** Forgive me; Johnny is the constituency MP. I think he would know whether or not there is a problem in his own constituency. There is clearly confusion in his part of the world about what you are trying to do.

Lieutenant General Sir Mark Poffley: I absolutely acknowledge that we need to clarify that position.

Q140 **Mr Francois:** That's the first point. DIO is known universally throughout the Ministry of Defence, as you will know, as "DI NO". That is its nickname, among others, because it consistently has an attitude of why it cannot do things rather than why it can. Within the rest of the Ministry of Defence, let us be honest, it is regarded with thinly veiled contempt. Nobody respects it. It does not do a very good job. You have now got a contractor that still finds it difficult to do simple things like fixing boilers. This has been a problem for years. But housing associations do that day in, day out, and have done for four decades. We all know that from our own constituency casework. If someone's boiler is bust, the housing association turns up the following day to fix it. It's bread and butter for them. Why can't you make that happen?

Lieutenant General Sir Mark Poffley: The work to transform and, frankly, professionalise the Defence Infrastructure Organisation is under way. The chief executive is making progress on that and he is starting to produce a more robust system that will meet the sorts of dilemmas that you present. But again, this is not something that can happen overnight. It will take time and he is making progress.

Q141 **Mr Francois:** You cannot professionalise the DIO. It's broken, and everyone in Defence knows it. Just go down to the sergeants' mess and ask them what they think of the DIO. For God's sake, everybody knows. Look, Stephen, although you come here and we give you a pretty hard time, in this Committee we all respect you, believe it or not. We do. I am not patronising you. I am looking you in the eye, Sir. We believe you are a decent and capable man whose heart is in the right place. That is the view of the members of this Committee. But please, Sir, they are walking out of the door now because this problem has been going on for years and the families are sick and tired of it. We have got an era of full employment, or near full employment. There are far more options in the economy, and people have had enough of being treated like that. You can no longer send a man overseas to fight and call him a hero, which he is,



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and then while he is overseas risking his life it takes his wife a month to get the shower fixed, so his kids shower in cold water. This has gone on for years and it has to stop. I implore you: get out of the main building, get round some of the units, see how appalling this is and, in order that more people do not leave, please, Sir, do something about it.

Stephen Lovegrove: That's a challenge I am very happy to accept. We know that this is a problem. I think General Poffley put his finger on one of the issues, which is that when historically there has been financial pressure in the MoD, which there very often is, often the go-to answer has been the maintenance of the estate. We are reaping the whirlwind of those decisions.

Mr Francois: That is absolutely true.

Stephen Lovegrove: We are aware of it. I accept the challenge: we will redouble our efforts.

Mr Francois: All right.

Q142 **Ruth Smeeth:** May I look at the next steps for this? We have new facilities for management contracts that are about to be negotiated. We would have been coming towards the review point of the CarillionAmey contract and would be starting this process all over again. The charities that work with service families suggest that there is probably a 20% underspend on what we should have spent on the contract in the first place, which is why we have ended up in this place. Whatever it is, though, we did not spend enough on the original contract. What lessons are we looking to learn—and who are you consulting in order to learn them—from the failures of the contract that we have just lived through?

Cat Little: That is almost exactly the conversation we have been having with both the infrastructure team and the DIO as part of our preparation for the next round of contracts. One of the specific things that we have asked for, ahead of any next-stage decisions, is to go through all these lessons learned and how we are building in to the commercial arrangements of the contracts and changes, because we did not have a good contract—

Ruth Smeeth: No.

Cat Little: —stating the blindingly obvious. There are lots of things that we need to do. We think we need to look at different ways of parcelling the contracts, different ways of flexing so that we can scale and manage the new delegated model. We think we need a different range of providers—just having one provider over a whole national contract is probably not the right thing to do. We need to make sure that we have got some competition and we break it down into different lots on a regional basis. Those are some of the things that we are thinking about from a commercial perspective. We have not yet got into the next stage of decision making—but I would just reassure you that the lessons learned are being codified and being actioned.



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Stephen Lovegrove: It sounds as though we should be talking to some of the housing associations—*[Interruption]*

Q143 **Ruth Smeeth:** Excuse me—it is my question. I think that we should be talking not only to the housing providers about how they do this on housing stock of thousands and thousands and do it well—and the apprenticeships they do and everything associated with it—but to the families, about the reality of the contracts. My concern—this was easier for the last contract—is that the SLAM accommodation was new, or was still considered to be new, and required no maintenance. That is not the case when it comes up now. So you almost took a free ride on huge chunks of your maintenance bill that you won't be able to do this time, and they aren't represented by family groups because they are single personnel. So you have got a whole swath of additional reasons—forgive my cynicism, but our experience of this contract and previous procurement exercises means that I am not convinced that the person in charge of this specific contract will not forget and not engage with the groups that actually have to live there.

Cat Little: I really do hope that we codify, and set in stone, our lessons learned and the expectations of what has to change. I think we have touched on this, but want to make it really explicit, that there is a whole system of issues here, right from the commercial contracts and mechanisms we use to the delivery organisations, to the armed forces on the frontline as an intelligent customer of the services we are drawing down on. There is also the Department's responsibility to set the strategy, the balance of investment priorities, and the policy choices to enable us to make the best of the whole of the system. We have talked about Annington; we haven't touched on a future accommodation model, or the Help to Buy scheme. There are so many complex bits of this and I think the big challenge that we have got—which we are trying to simplify ahead of the spending review, because that is our real opportunity to re-baseline and set some clear policy and direction for our housing strategy—is: how do we simplify and make this so much easier for our personnel to actually engage and have some choice in the system?

Q144 **Ruth Smeeth:** I beg you to talk to them and their families, because that is the bit that is missing. In the nicest possible way, if I had to do what we are doing, with the salaries and our expectations of them, and the fact that there are fewer of them, which means that they are having to work harder and cover other people's jobs where they don't need to, and then there is no hot water at home for potentially weeks, why would I stay? Given the overall package, it is not surprising that we are struggling to recruit. I beg you to do that. I probably should have declared my chairmanship of the APPG on the Armed Forces Covenant at that point. Still, though, I beg you to do it properly.

Cat Little *Indicated assent.*

Q145 **Martin Docherty-Hughes:** As you know, general housing is completely devolved to Holyrood. Therefore my concern—the dog in this fight, for me—is that when you are reviewing housing positions across these



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islands you do so in reflection of what happens in Wales as well, and in Northern Ireland. As an MP for a Scottish constituency, in terms of the tenure we have ended the right to buy in Scotland.

Mrs Moon: And in Wales.

Martin Docherty-Hughes: And in Wales. Also, what is critical for me is that in Scotland we also have the Scottish housing quality standard, which every social landlord and public sector landlord had to meet to be a housing landlord. So you could easily pick up legislation and regulation. It is easy to say, "We will do this and we will do that," but without formal regulatory oversight, either within the Department or—from my perspective as a Scottish constituency MP—with the full involvement of the Scottish housing regulator North of the border, then all of this is just talk. If there is an overview that you are willing to work with regulators in England, in Wales and in Northern Ireland, that is great. But at least learn the lessons of what is happening across some parts of the UK, where there have been substantial improvements with cross-party support. The regulation for the Scottish housing regulator is formally supported by all the parties in the Scottish Parliament. So please tell me that you will be looking to the regulator in Scotland, and that you will look at the Scottish housing quality standard, because it is there; it is in black and white; you can download it quite quickly from the Scottish Government website. It is not new; it has been around for a long time.

Q146 **Chair:** Thank you very much. We were going to ask a question about retaining estates in Germany, but we have had a very full letter from the Secretary of State. However, we would like to know whether there will be further decisions on the UK presence in Germany as part of the MDP. Before you answer that, Madeleine has a specific point that she would like to put.

Mrs Moon: I do. I was very pleased to read this letter. I thought that this was one of your better decisions.

Lieutenant General Sir Mark Poffley: I was clutching at straws here that on one issue, hopefully—

Q147 **Mrs Moon:** So here it is. Well done; eminently sensible. It is a good decision, and one that is important not just for the UK, but that will have repercussions for the defence of the NATO alliance, so I am very pleased with that. I do not need you to go into figures, but can I have some confirmation that you are looking at the financial volume of the repairs and maintenance for the M3 bridging capability through to end of service, which I think is 2027-30, in reaching operational readiness? We have had some in storage that might actually need to be moved forward into readiness. Can I have some assurance that we are going to be looking at that as part of the discussions that we are having with the Germans?

Lieutenant General Sir Mark Poffley: We have to. At the start of the session the Permanent Secretary referred to the narrative around mobilising, in other words making sure that those components of our force structure that were most pertinent would indeed be a feature, one of



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which would be that joint squadron in Minden with the M3 rigs. We need to look at bridging more broadly, and look at multinational relationships—particularly with the Bundeswehr—more broadly. That is work that is certainly going on, and I can therefore give you that assurance that we will be looking to make sure that is sustainable.

Q148 Mrs Moon: So that is about looking at long-term repair and maintenance, but also bringing into capability those that are currently not.

Lieutenant General Sir Mark Poffley: Yes. Certainly in terms of repair and maintenance: whether or not, long term, an M3 rig is the right solution, there will inevitably be a joint squadron at Minden for the foreseeable future. It is the heart of our starting a more profound bilateral relationship with the Bundeswehr. I do not have to hand the precise number of platforms that we are going to operate, but I can come back to you and give you confirmation of that.

Mrs Moon: Thank you, especially as this is a positive.

Lieutenant General Sir Mark Poffley: It is a really good thing.

Mrs Moon: Yes, it is.

Q149 Chair: Might there be more references to Germany in the MDP?

Lieutenant General Sir Mark Poffley: We are looking very closely at the posture of defence more broadly. Quite clearly, as the Germans—like ourselves—are looking to attend to the threat profile facing us, it makes sense that we are collaborating in many ways. Certainly from an army-to-army point of view there is a desire to rehabilitate the relationship.

Chair: Well, with Russia doing massive military exercises, not to mention certain other things that are rather unspeakable, it does seem to be rather against the trend to be pulling back too much from Europe.

Lieutenant General Sir Mark Poffley: Indeed so.

Q150 Gavin Robinson: May I turn to the statute of limitations? I am not sure who wishes to take those questions—whether it is you, Stephen, or Sir Mark. There has been the establishment of a dedicated team to look into the issue as to how we protect service personnel—either veterans or current personnel. Could you tell us a bit about that team: the size of that team, the resources dedicated to the team, the remit of the team and the timescale for the team to return to us?

Stephen Lovegrove: The team lives within a part of the Department called DJEP, which is about defence judicial engagement, effectively, and it is very much prompted by concern broadly, which I know is shared in this Committee, about exercising the appropriate, proper and full duty of care to serving men and women. Clearly, they are bound by the rule of law, as you would expect, but we very much take the view that subjecting serving men and women, or retired serving men and women, to repeated investigations is a very bad idea indeed and extremely damaging in a



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variety of different ways. We are committed to offering them greater legal protection.

I am not 100% sure of the exact size of the team in DJEP. I think it is about a dozen, but I would have to get back to you on that. We very much appreciate the work that has been done by the Committee on the statute of limitations point. As you know, this is something which is extremely close to the Secretary of State's heart.

- Q151 **Chair:** When we were talking about Germany, I should have mentioned that we will be putting that helpful letter from the Secretary of State on our website. On the statute of limitations, we had a very useful meeting with senior members of that team. A number of us—not officially as the Committee—have also benefited from an official meeting with the Attorney General. We hope that there is good liaison between the team and the Attorney General on this matter.

Stephen Lovegrove: Very much so—and also with colleagues in Northern Ireland.

Chair: Right. We are not just talking about Northern Ireland, of course, because it will go from one thing to another to another, as we know only too well.

Stephen Lovegrove: Absolutely.

- Q152 **Gavin Robinson:** I asked you about a dedicated team, but I guess from what you have suggested that there is not actually a dedicated team fully engaged on this issue alone, but that the issue forms part of their wider role in judicial engagements.

Stephen Lovegrove: I would have to get back to you on that but I can assure you that there will be people who will be spending 100% of their time on this. They will be part of a broader team within DJEP.

- Q153 **Gavin Robinson:** Sure. But what engagement has there been? When you say "with Northern Ireland", what does that mean?

Stephen Lovegrove: Clearly, some of the most contentious issues have arisen in Northern Ireland. Clearly, that is where some of the most difficult cases lie. It is certainly where a good deal of our manpower looking at these kinds of issues, and indeed expense—not that that is in any shape or form driving what we are doing here—also falls. There is a particular Irish component, but as the Chair says, we are very conscious that that is just a—

- Q154 **Gavin Robinson:** Forgive me. I get that; as a Northern Ireland Member of Parliament, I understand that fully, but who is it you have engaged with in Northern Ireland?

Stephen Lovegrove: I have personally had conversations with Jonathan Stephens, who is my—

Gavin Robinson: Your counterpart in the Northern Ireland Office?



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Stephen Lovegrove: I have engaged with my counterpart in the Northern Ireland Office. The last time I was there, I also went and had a session with my counterpart in Stormont, so it is a broad engagement.

Q155 **Gavin Robinson:** Do you mean within the Department of Justice in Northern Ireland? I am struggling to think what counterpart you might have in Northern Ireland terms.

Stephen Lovegrove: I think it would have been; yes. I can provide you with the name if you like.

Q156 **Gavin Robinson:** That's grand. You will have picked up on the publicity around suggested options in *The Daily Telegraph* and the *Daily Express* last week. Do you have any comment to make?

Stephen Lovegrove: I am afraid I am unsighted on those.

Q157 **Gavin Robinson:** Can you give me some certainty that any engagement with the Attorney General that is engaged here and applies to England and Wales has read-across with the Attorney General in Northern Ireland? Clearly if you serve this country, prosecutions could arise from your service in Northern Ireland, but if you serve this country and you originate from any constituent part of this country, it is important that there is uniformity of approach across the varying legal jurisdictions that we have.

Stephen Lovegrove: I can give you that assurance. There are lots of interfaces but we are very aware of the issues of equality, equity and not wanting to set any very uncomfortable precedents.

Q158 **Gavin Robinson:** What I am asking, really, is: is the Attorney General for Northern Ireland as well briefed as the Attorney General in England and Wales, and on board with solutions that are being considered?

Stephen Lovegrove: I cannot answer that question right now. If it was helpful, I am sure that the relevant specialists in the Department could come and give you a private brief. I am not fully sighted on all the points.

Q159 **Gavin Robinson:** More generally, then, do you think it would be unlikely that we would be able to proceed with a solution which only applied to certain parts of the United Kingdom and not others?

Stephen Lovegrove: I think we would be very nervous about that.

Q160 **Johnny Mercer:** Sorry, Mr Lovegrove, it is my turn to give you a bit of a hard time. If I understand this correctly, you have asked DJEP, who oversaw the paying out to civilians in Iraq taxpayers' money without even speaking to soldiers involved in those incidents, to do a massive handbrake turn and come up with something that is going to protect British soldiers from historical allegations.

Stephen Lovegrove: I have to confess, Mr Mercer, I am less sure as to the point of that question—

Q161 **Johnny Mercer:** The point is that you have asked an individual or a



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department—forget the individual: you have asked a department and a set of staff who, over many years, have decided to believe the likes of Phil Shiner over servicemen and women, without even talking to them, to suddenly come back to you now you have got a Secretary of State for Defence who says he does not agree with this process. By the way, the previous one said that as well. You have asked that same group of people to now come up with legislation that is going to protect our servicemen and women.

Stephen Lovegrove: I am afraid I do not accept the characterisation of those individuals in that way.

Q162 **Johnny Mercer:** Sorry, that is not a characterisation of those individuals. That is a fact on the record for an inquiry this Committee did and we have to hold you to account.

Stephen Lovegrove: IHAT was set up by Parliament and it was—

Q163 **Johnny Mercer:** We are not talking about that. We are talking about the department in your Department, that you are the Permanent Secretary for, that made a decision—it was not a court order—without the Secretary of State, to pay out to Iraqi civilians without even speaking to the soldiers concerned. You have now asked them—or the Secretary of State has now asked those very same people to legislate to protect veterans of Northern Ireland.

Stephen Lovegrove: If you are asking do I have confidence in my officials in this area—

Johnny Mercer: Of course you are going to say yes.

Stephen Lovegrove: I am going to say yes.

Q164 **Johnny Mercer:** But can you confirm to me you have asked the same team to do that job?

Stephen Lovegrove: They are working within the same part of the Department, yes, and I have no criticism of those individuals or that team—

Johnny Mercer: I do not expect you to criticise individuals.

Stephen Lovegrove: In exercising and following through policy.

Q165 **Chair:** Stephen, just a brief point of clarification, before Johnny carries on: the team that has been set up specifically now—the dedicated team—I think the Committee would like to know whether there is overlap between the membership of that team and the people who were responsible for the rather discredited policies in relation to IHAT.

Stephen Lovegrove: Chair, could I consider that point?

Q166 **Chair:** Yes, fine.



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Stephen Lovegrove: But I am deeply reluctant to accept any criticism of those officials or for them to find themselves under what I would consider to be inappropriate censure or pressure.

Chair: I do not think it adds anything to name individuals, or anything like that, and we do not propose to do so. What we want to know is that, clearly, the people who are looking at this problem that has gone on and on are doing so, as it were, with a fresh pair of eyes.

Stephen Lovegrove: Chair, I would like to consider that request.

Chair: All right. Johnny, anything further?

Q167 **Johnny Mercer:** Why wasn't this done after the IHAT process was closed overnight? Why have you left it another two years?

Stephen Lovegrove: I am afraid I can't answer that question. I would imagine it is the result of ministerial impetus. It is certainly going to be one of the things—

Q168 **Johnny Mercer:** Okay, I will be honest with you. If you are sat there as a young man or woman, or an older veteran—a guy lives down my way who is 77 years old, charged with murder. Everybody else who was there is dead. He has liver cancer and will die before he goes to court, charged with murder—thank you for your service.

Stephen Lovegrove: I think you should be under no illusion about how seriously the Ministry of Defence takes its obligations to serving men and women who have given incredible service over many years. I am not going to comment on individual cases, but we are absolutely going out of our way to give them as much support as we possibly can.

Q169 **Johnny Mercer:** I should hope so too, Stephen. That is the crux of the problem. The horse has bolted. These guys' lives have been trashed. Two years ago, when you were the Permanent Secretary, you had the chance to look at that IHAT thing—forgive me, if you look at that report and think that your Department got everything right, we may be in different ballparks. Do you not accept there is anything wrong with that process? If so, why did you not then decide to address it?

Stephen Lovegrove: The IHAT process was closed down at the moment at which it was appropriate to close it down. As I say, the IHAT process had to go through the processes that it went through. It was directed by Parliament, as I am sure you will remember. There was no alternative but for us to do the things that we did in IHAT. When it was ready to be closed down, it was closed down and all the remaining cases, such as they are, which have been handed over to the service police, will be finished by the end of the year.

Q170 **Johnny Mercer:** So it is a coincidence that after that prolonged campaign that I personally ran, we then had an inquiry here and highlighted some appalling treatment and it was closed down 36 hours later. Are you saying that is just a coincidence; that was always the plan?



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Stephen Lovegrove: It was closed down at an appropriate moment. That is what I am saying.

Q171 **Johnny Mercer:** Do you see that is not really credible?

Stephen Lovegrove: It was closed down at an appropriate moment.

Q172 **Johnny Mercer:** It is very difficult for servicemen and women out there. This is not about me. This is about my role holding you to account. For the servicemen and women out there, what you have said there is entirely not credible. *[Interruption.]* Forgive me, overlay that with asking DJEP, who have done this process, to suddenly reverse-turn their thinking, and think we are now going to protect servicemen and women is equally not credible in any way.

Stephen Lovegrove: These are legal procedures.

Q173 **Johnny Mercer:** That is not good enough.

Stephen Lovegrove: I am sorry if my answer—

Q174 **Johnny Mercer:** Legal procedures are something that any official can come out with. We absolutely abide by the law, but your officials have made decisions that they did not need to take. This is all about accountability and honesty. You know that has taken place.

Stephen Lovegrove: I have nothing more to offer on this particular subject, I am afraid.

Q175 **Chair:** Would it be fair to say, Stephen, that the approach that is now being taken is that whatever officials may have felt they had to do under the pre-existing legal framework, part at least of the role of the dedicated group is to come up with suggestions for how the legal framework might be changed so as to avoid these absurd and atrocious outcomes in the future?

Stephen Lovegrove: We will be looking at the full range of policy choices that can be presented to Ministers to avoid undue and repeated investigations and to make sure that the legal defences are absolutely available to men and women who have served in defence.

Chair: Okay, we are not going to prolong this too long.

Q176 **Gavin Robinson:** With the greatest respect and I accept the point that you have made, it needs to go further than that. The approach thus far from the Ministry of Defence, looking at every individual case in isolation, is doing the armed services and individual veterans a huge disservice. The failure to take an overview of how one case impacts another, of how disclosure in one case impacts another and of whether legal representatives representing one veteran have any understanding of what is happening in the circumstances of another veteran is going to lead to huge problems. There needs to be not just thoughtful consideration of support for individual veterans but an overview of the totality of experience and of the evidence you hold and the information you can disclose.



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Stephen Lovegrove: Precisely some of these types of issues are some of the questions that are being discussed at the moment.

Chair: We are in a Gordian knot-cutting situation. We want to be, at least.

Q177 **Johnny Mercer:** Do you have any regrets at all about the way your Department has handled historical allegations against British servicemen and women?

Stephen Lovegrove: I certainly regret if there has been needless pain and disquiet caused by any of this process. Whether or not that translates to whether Ministers could have taken different decisions given the legal advice that was presented to them at the time I think is a different question.

Q178 **Johnny Mercer:** Your answer was very clever. You said “if there has been”, so you don’t think there have been mistakes made in this process?

Stephen Lovegrove: The role of officials is to provide advice that is sound in policy and legal terms. Ministers then make decisions as a result of that.

Johnny Mercer: I am well aware of how it works.

Stephen Lovegrove: I am not aware at all that the advice that has been provided to Ministers throughout this whole area has been anything other than soundly based. Do I regret if unnecessary pain has been caused? Yes, of course I do.

Q179 **Johnny Mercer:** Well, of course we all regret that. Nobody wants unnecessary pain, do they? This is about professionalism. We expect them to behave by professional standards; we therefore expect civil servants to abide by the same. If you cannot see that that has not happened, then I suggest we need to have a meeting with the Chair, or something similar, and I will go through this whole inquiry with you.

Stephen Lovegrove: I am at this point unprepared to accept that there has been anything other than a high level of professionalism from the civil servants involved in this area.

Chair: Mark—the last word on this.

Q180 **Mr Francois:** Stephen, having said what a decent bloke you are, I am afraid we are now back to giving you a hard time. What has happened to a lot of our veterans, not just in Northern Ireland but in Iraq and Afghanistan, is a disgrace. There is no other word for it. There is no other country on earth that would treat the people who fought for its Government and its country in this way. What we have done to some of these people is unforgivable. I do not think you are the primary culprits. Certainly at the moment, the NIO are the ones sucking up to Sinn Féin-IRA, because they are desperate to get them back into the Executive. That is not the Ministry of Defence; that is an issue a number of us have with the NIO.

We now have three strands, in effect. One is this Committee’s inquiry,



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following on from the very good work that Johnny and his team did; one is your team in the Ministry of Defence; and one is the fact that the Prime Minister has tasked the Attorney General, with whom, as you have heard, some of us have met, to try to find a way through this problem. There are three attempts—genuine attempts, I believe—to try to come up with something.

May I take this opportunity to tell you, in all candour, that I think the only reason we have got this far is the work of this Committee and Back-Bench anger? “The establishment” was quite prepared to sell these soldiers down the river for a quiet life and to try to keep people like Sinn Féin in their box. It is also fair to tell you that that anger on the Back Benches is growing rapidly, as you will see evidenced in the next couple of weeks. A number of us are absolutely resolved that we will not let this drop, and we will do whatever is necessary to get a solution to this.

Can you give us any comfort or assurance that your team in the Ministry of Defence, assigned by the Secretary of State, whom we understand argued the right case in Cabinet but was overruled by the Prime Minister and the Northern Ireland Secretary—that is an open secret—is making some kind of material progress that can lead to a solution to this problem?

Stephen Lovegrove: I can assure you that the team in the Ministry of Defence is performing its duties professionally under the guidance of the Secretary of State. I would accept the premise of your observation, which is that this area is a broader question than just for the Ministry of Defence. You have mentioned a number of other interested parties. I am obviously not either qualified or at liberty to talk about some of those conversations. I can assure you, however, that the Secretary of State’s views on this matter are well known, and that he has expressed them very forcefully to officials in the Department and they will be working to that direction.

Q181 **Mr Francois:** My last point. If you move out of the Westminster parliamentary and legal bubble, there is something that another MP taught me years ago, which he calls the 100 people test. This is not a scientific MORI poll but, in simple terms, if you stop 100 people walking down a high street in any town in this country and ask, “Do you think what we are doing to our veterans is right?” about 98 of them would say no. That is ordinary, decent people expressing an opinion, which sometimes comes up against the bureaucratisation of the establishment and Whitehall. Those 98 out of 100 people are right. Ultimately, this is not a legal question; it is a moral question. It is a question of whether it is right to allow these people to be pursued for having upheld law and order and defended their country and its interests, sometimes halfway around the world. You stop 98, 99, even 100 people and they will say, “No, it’s not right.” It is morally wrong, so why have we not put it right yet?

Stephen Lovegrove: I accept the force of what you say and, indeed, I accept probably the point about 98 out of 100. We absolutely understand our obligations to current and former serving men and women and we are



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doing our best to put it right now. That is the best that I can do, sitting here right now.

Q182 **Johnny Mercer:** I can happily walk you through the points where your officials are culpable for what has happened. I will happily sit down and walk you through that if you are saying that you are unaware of that, just to help the learning process. No one is interested in the individuals involved in this—no one could care less—but we have to get this process right.

Stephen Lovegrove: We are committed to getting this process right.

Q183 **Chair:** I think it would be fair to say that it is a question of political will to make it happen as well.

Stephen Lovegrove: I think that that will certainly be the case.

Chair: We have got just two more groups of questions, one led by Martin and one by Madeleine. It has been a very long session, so can we try and wrap this up reasonably rapidly now?

Martin Docherty-Hughes: You shouldn't have given me these two questions, then.

Chair: Run them together as much as you can.

Q184 **Martin Docherty-Hughes:** I will indeed, Chair. In terms of the MoD's GP IT system, is it fit for purpose?

Cat Little: Very simply, there have been well reported circumstances where the IT system has not had optimal performance. Of course, making sure you have information available for treating our service personnel is a very serious and high priority for us. In terms of what we are doing about it, we are in the middle of a procurement process to put in place a new medical IT system. That is known as Programme CORTISONE and it is due to deliver in July 2022. We are doing that as quickly as we can to upgrade and build a new IT system. That is fully funded and part of our priorities for the programme. In the meantime, we have got a dedicated team that is there to respond to any service issues that people find. We are doing some remedial work to improve the system performance and we have also instructed clinical staff not to take non-emergency appointments if we cannot access the system. In reality, a very small fraction of the complaints coming through are specifically to do with the IT system. We know that there are some flaws in it, and we are doing our best to rectify them.

Q185 **Martin Docherty-Hughes:** Let me take you up on that. You said they had been reported. The BMA have made it clear that they have told the surgeon-general and the Department for two years that the present system has been jeopardising patient care. Do you recognise that statement from the BMA?

Cat Little: The surgeon-general has said very clearly that we recognise that the system needs to be improved, which is why we have a new IT programme being invested in. We do not have, and I do not recognise



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there being, clear links between the IT system and patient care being in any way jeopardised. That is certainly not what the data tells us.

Q186 Martin Docherty-Hughes: I am sure that the data would not, because GPs have been telling the BMA that they do not go on the recording process because they have to do it by phone and it takes 45 minutes. If you are a GP and you have a clinic full of patients, of military personnel, like GPs in the NHS across the length and breadth of these islands, you are not going to spend 45 minutes of your day per IT issue complaining about the IT system—that happens quite a lot in Parliament, as Members will know. So I recognise that you will not have the numbers.

My next question is, who is building the new system for 2022? Is it CGI, which is the Canadian multinational that did the previous system—the same system that is causing the issues?

Cat Little: We are currently in a procurement process; we have not yet selected. One of the—*[Interruption.]* We are going through an open competition. One of the interesting things here is that, obviously, medical IT systems are not unusual—there are lots out there. There are plenty that we could buy off the shelf. So part of our decision-making process is to use tried and tested technology that we believe we can use, that is fit for purpose for the medical system that we have in place.

Q187 Martin Docherty-Hughes: Will the Department be talking to NHS structures across the UK?

Cat Little: Yes, we will.

Q188 Martin Docherty-Hughes: In terms of the previous contract—the CGI contract—if the BMA have said that they contacted the surgeon-general and the Department over a two-year period, clearly that contract would have had key performance indicators. When did someone in the Department recognise that something was wrong, or was it the fact that there was a near collapse in August that highlighted the issue? And if someone did not recognise it—this is the second time, Chair, that I have mentioned the office of the surgeon-general in this Committee—why not?

Cat Little: I am afraid that I do not know the details of how we have responded to the specific commercial clauses, but I am happy to provide you with more detail.

Q189 Mr Francois: For a long period, the previous surgeon-general was off sick, ironically, and then took medical retirement, as I understand it. It then took a while to replace him with a new surgeon-general. So, for quite a long period of time, when these complaints were being made, the post was in effect vacant, and that is why, I think, the system was very slow to react. It was Deborah Haynes of *The Times*, now of Sky, who broke the story. Do you deny the basis of the story that she broke, or do you acknowledge that there are real problems and you are trying to do something about them?

Lieutenant General Sir Mark Poffley: I think we would acknowledge that the sort of dynamic that Mr Docherty-Hughes has described may well



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be in place. I think the trick for us is, have we got the evidence to actually take forward action on it? What I do know is that the current surgeon-general is in active conversations with the BMA to get underneath that dynamic and to work through a work plan to solve an interim measure if that is what is needed, absent this contract being approved.

Q190 Martin Docherty-Hughes: I hope that the improvements that are going to be made will be reported back to the Committee. That would be helpful.

To link two elements of this, one of the doctors who works in the GP practices in the Department has stated that this is the biggest threat to patient safety that they have encountered in 20 years, and that actually it is worse than Lariam. So there are two elements. First, that is an issue the Committee needs to be aware of. Secondly, can you assure us that Lariam has not been prescribed without doctors having full access to an individual's medical history? Or would you like to report back to us? I think that is the easiest way to do it.

Lieutenant General Sir Mark Poffley: Intuitively, I find that it would be remarkable if that were the case, but I cannot give you an assurance and therefore we will go and check.

Q191 Martin Docherty-Hughes: I can't imagine a doctor doing that. They would probably get struck off, but let's just make sure.

That takes us into something that, I am sad to say, as a Member for my constituency, comes up too often: asbestos. Can the Department tell me how long they have known about asbestos in Sea King helicopters?

Lieutenant General Sir Mark Poffley: My understanding is that that has come to light relatively recently, but again, we would need to go away and give you a precise date at which that was notified to us.

Q192 Martin Docherty-Hughes: I think the answer is going to be exactly the same for the next two sections. I take it that you do not have an estimate for the numbers of service personnel and also ancillaries and family members who may have been impacted by exposure to asbestos.

Lieutenant General Sir Mark Poffley: Not at this stage, but what we have done is advertise the fact that we are aware that there was asbestos in some components of the Sea King helicopter.

Q193 Martin Docherty-Hughes: This is why I say to the Chair that he maybe should not have given me this question. I represent a constituency that is the centre of asbestos-related conditions, not only in Scotland, not only in the UK, but across Europe—specifically one part of it, my home town of Clydebank, but there is also a huge impact on Dumbarton and the Vale of Leven. I am going to ask what I think are some very important and pertinent questions, and I will be quick and succinct, Chair.

Chair: But try to combine them.

Martin Docherty-Hughes: I will, because they have profound implications not just for service personnel but for medical personnel, ancillary staff working on the aircraft, and family members of those



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ancillary staff and service personnel. If you have fibres on a consistent basis—and the aircraft were in use, I believe, from 1969 until this year—what happens if specific types of asbestos get on to clothing? An old analogy I always hear is that a conductress on a tram—what we call in the West of Scotland a clippie—going from Greenock on the South of the River Clyde into the city centre, died of mesothelioma years later, because her overalls ensured that she had mesothelioma. This is how big asbestos is as an issue, and I am sure you appreciate that.

I am looking for clarity on when it was known. Is there a view about the impact not only on service personnel flying in the equipment, but on their families, the ancillary staff who worked on the equipment and even those who cleaned the aircraft? Coming from a shipyard town, you would be amazed how many women died of mesothelioma from cleaning ships built on the Clyde—thousands. So this starts a process for me that is extremely important. In Australia, they have even stated that they accept that Petty Officer Greg Lukes from New South Wales clearly died round about 2014 because of his exposure to asbestos-related substances from this type of aircraft.

I have two final points on this: first, that due consideration will be given to full compensation if anyone has been impacted by asbestos-related conditions due to this. I am looking for clarity on that, and I am sure that the Committee would as well. Again, that is not just about the service personnel. Secondly, that, given that Westland collapsed—some Members may have been here when it collapsed; I don't know—there are still opportunities to take Westland's insurers to court if that should arise. Finally, I want some commitment from the Department that if anyone has been impacted to the level of pleural plaques, given the fact that if you contract pleural plaques in Scotland you will get compensation and not in England and Wales and Northern Ireland, the Ministry will take the opportunity to say, "We will pay out on pleural plaques no matter where in the UK you got that condition."

Lieutenant General Sir Mark Poffley: There is quite a lot of detail in there, which I think demonstrates that we are probably at the foothills of understanding this issue at the level of complexity that you have described. I have to say that I am going to have to take away quite a lot of that and come back to you with some judgments about how we as a Department should now respond formally to the circumstances that we have found. We are trying to make an assessment of the number of people being affected, but quite clearly, the experience that you have had in Scotland may indeed be very useful to us, so we would welcome some further engagement. I know Madeleine has had a similar issue.

Q194 **Martin Docherty-Hughes:** Are we looking at a timeframe for the report that the Department is already undertaking?

Lieutenant General Sir Mark Poffley: I cannot give you that at the moment, because I simply do not have the detail of the level of work that they have already completed, but again, I am very happy to come back and give you that data.



Martin Docherty-Hughes: A response would be very useful.

Chair: Martin, thank you for combining all that detail in that way. Madeleine, would you mind doing the same with the last couple of questions?

Q195 **Mrs Moon:** I certainly can. So far, you have not done too well on accommodation, recruitment, GP support, fleet solid support supply ships, competition, budget failures and gaps, single-source recruitment, or asbestosis and single-source helicopters. Let us go forward with our final couple of quick questions, where hopefully we are going to get positive feedback.

With the sale of HMS Ocean, when she goes, are we still going to have the capability to provide active and efficient hurricane support in the Caribbean? What are you going to replace that with, and what did you learn from the operation last year?

Lieutenant General Sir Mark Poffley: Just to clarify, HMS Ocean was deployed last year beyond the ready contingency that we already have, which was provided by the Royal Fleet Auxiliary Mounts Bay. She was deployed there as a helicopter carrier; she actually spent quite a lot of time doing other things, both in command and control and offloading stores for other assets to take ashore.

I think implicit in your question is, "How do we replace a landing platform helicopter such as Ocean in the future?" I am delighted to give you some good news: we have now cleared HMS Queen Elizabeth for conducting that role. She is currently on the eastern seaboard, doing first of class flying trials for fixed-wing, and she is already cleared to undertake the role of a landing platform helicopter. That gives us the capability that we had with HMS Ocean, and a bit more—albeit she is a different vessel.

What we have learned from last year's experience is twofold. First, the positioning of a platform like the RFA Mounts Bay is crucial, and indeed, she has been repositioned again this year into the Caribbean. There have been extensive cross-Government rehearsals as a consequence of the experience last year, and again, those have tested everybody's readiness and their understanding of the sorts of issues that are likely to occur in these circumstances. The UK has led a multi-national Caribbean co-ordination centre alongside the Caribbean Disaster Emergency Management Agency, and that has been located in Barbados. We have deployed early the recce and liaison teams from the permanent joint headquarters into the Caribbean this year to do some preparatory planning alongside the local authorities.

Along with our international partners, most notably the French, we sense that we have been much better prepared for this. Hurricane Isaac, as it came out earlier in the year, actually tested quite a lot of those procedures. Incidentally, the proximity of HMS Queen Elizabeth forced the issue as to "Would you use her in that sort of role?" Now, we have not this year, nor indeed do we anticipate doing so, because that would be a distraction from her completing her first of class flying trials.



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Q196 Mrs Moon: The final question is around an area of work where not many people realise how critical the Ministry of Defence is: your environmental work. Often, you are at the cutting edge of some of the environmental work that you do, not only across the estate but in areas such as preventing poaching in Africa. To cut things short—because I know the Chair is eager for us to do that—would you write to us with an update on the work that you are doing, particularly around poaching in Africa, but also around migrating birds in Cyprus?

I know you have managed to dramatically cut the number of birds trapped on the RAF sovereign base area in Cyprus, from 900,000 down to, I think, 260,000. That is fantastic, except we are talking about poachers invading a sovereign base area to plant trees and pipelines. It is a little scary that that number of people can get on to the sovereign base area. Can you come back to us and tell us what you are doing, but also address the security issues of that sovereign base area? It increasingly alarms me that that many people can get on to the base area to plant those trees and lay those pipelines, so can you come back to us on those questions?

Lieutenant General Sir Mark Poffley: Yes. Just to very quickly reassure you, that security issue is being addressed, but I will formally write back to you, both on that and on the anti-poaching activity in Africa.

Mr Francois: I think you have finished the preliminary questions now.

Q197 Chair: I think it is only fair to ask whether there is any last thing that any of you would like to say to us that we have not covered—anything that is printable, at any rate.

Stephen Lovegrove: I would just like to say that I hope, Mrs Moon, we did not give quite as disappointing a range of answers as you indicated.

Mrs Moon: Your answers were not a disappointment; the problems, and the depth of those problems, are what worry and concern this Committee.

Stephen Lovegrove: I understand that, and nobody at this table—nor, indeed, in the MoD—is under any illusions about the range of practical, financial, capability, geopolitical, or indeed moral questions that the Department faces. You have my commitment and our commitment that all of these things are being addressed to the absolute best of our ability.

Chair: Thank you very much. On that concluding note, the session is ended.