

The Secretary of State for Defence has won his first victory. He has succeeded in splitting off the defence element from the National Security and Capability Review (NSCR). The Modernising Defence Plan buys the MOD time. But Williamson and his new Minister for procurement Guto Bebb haven't solved the problem. The defence budget is out of balance, due to inadequate funding. The 2% headline figure includes efficiency savings that drive perverse incentives, writes Nick Watts..

The NSCR is a well-established Whitehall ruse last seen when the Blair Government introduced a 'New Chapter' to its 1998 Strategic Defence Review (SDR) of 1998 following the terrorist attacks of September 2001. The 'New Chapter' [1] was unveiled in July 2002. It sought to 'refresh' the 1998 SDR in the light of the events of the previous September.

In its review of the New Chapter, the House of Commons Defence Committees (HCDC) report [2], published in May 2003 noted that it was "...untidy and unbalanced...". In part this may be ascribed to the speed with which the review was undertaken. The HCDC also noted that some parts of the consultation process (concerning the use of reserves) was still ongoing when the paper was published.

The comparison between the present NSCR /MDP and the New Chapter of 2002 is illustrative of the problems besetting the MOD, even after the Levene reforms have taken effect. The challenge in 2002 was how best to fit the armed forces and their existing capability to a new threat. Subsequent events as the Iraq and Afghanistan campaigns unfolded demonstrate that the MOD was not agile enough in its response.

The NSCR was originally a 'fiscally neutral' exercise to ensure that the MOD and the Security Services are able to adapt to a threat landscape which is evolving at a rapid rate. Facing both a terrorist threat and the rise of a resurgent Russia, the threat picture looks troubling. Lead from the Cabinet Office by the National Security Advisor, the NSCR looked like an attempt by bureaucrats to play a three card trick to convince politicians that the existing budget settled in the 2015 Comprehensive Spending Review (CSR) was adequate for the nation's needs.

The Chief of the General Staff's speech at RUSI on 22 January drew attention to the threat from Russia. His prescription involved both kinetic and platform based solutions as well as investment in increased digital capability to enable speedier situation awareness and fire control. He also mentioned making smarter use of the Reserves in areas such as Information Operations and Cyber Security.

Underlying his remarks is the consequence of the devaluation of Sterling which has affected the price the MOD pays for the equipment it wants to buy, mostly from the US. The public sector pay cap which makes recruitment and more importantly retention a constant concern. These challenges would be manageable were it not for the 'efficiency savings' which the previous Secretary of State agreed to.

The Public Accounts Committee (PAC) expressed concern about the ambitious Equipment Programme (EP) which the MOD embarked upon as a result of the 2015 SDSR [3].
"..Maintaining affordability is now heavily reliant on a highly ambitious, but still under-developed, programme of efficiency savings from within the Plan and the wider Defence budget..."

The National Audit Office (NAO) also warned [4] that "...The affordability of the Plan is now at greater risk than at any time since reporting was introduced in 2012 and the Department faces the risk that in future it may have to return to a situation where affordability of the portfolio is maintained by delaying or reducing the scope of projects. The cost of the new commitments included in the Review considerably exceeds the net increase in funding for the Plan."

Delaying or 're-profiling' equipment acquisition adds both time and cost to the EP. It also affects the MOD's ability to field balanced forces. The NAO has also recently reported the extent to which RN warships are being cannibalised to keep front line levels at an adequate level [5]. All of this is symptomatic of a Department that is robbing Peter to pay Paul, to achieve in-year savings. What economists call perverse incentives. The travails of the 2010 SDSR and the associated reforms of DE&S and MOD were supposed to have fixed this.

The MDP will need to set out a way forward which enables the MoD to respond to a changing

threat landscape. It will need to recruit and retain talent as well as enabling realistic training. It will need to establish adequate reserves of equipment and ammunition. If Britain's armed forces are to play a role in the Government's Global Britain agenda, they must be well trained and equipped. Never again must British forces be labelled as 'the borrowers' as they were when they arrived in Afghanistan.

[1] Cm 5566. The Strategic Defence Review: A New Chapter. July 2002.

[2] HC 93-I. House of Commons Defence Committee. A New Chapter to the Strategic Defence Review. May 2003.

[3] HC 957. Public Accounts Committee. The Defence Equipment Plan. April 2017

[4] HC 914. National Audit Office. The Equipment Plan 2016 to 2026. January 2017

[5] HC 525. National Audit Office. Investigation into equipment cannibalisation in the Royal Navy November 2017

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