



National Audit Office

**REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL**

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Ministry of Defence

Carrier Strike: Supplementary Report

Summary

1 The core of Carrier Strike capability¹ comprises aircraft carriers and the aircraft that operate from them. The 1998 Strategic Defence Review committed to procuring “two larger, more versatile, carriers capable of carrying a more powerful force, including a future carrier-borne aircraft to replace the Harrier”. In 2002, the Ministry of Defence selected the Short Take-Off and Vertical Landing (STOVL) version of the United States-led Joint Strike Fighter (JSF) as the preferred aircraft to replace the Harrier. The policy decisions in the 2010 Strategic Defence and Security Review have significantly affected the delivery of Carrier Strike and the role it will be expected to fulfil over the next 50 years. In July 2011, we published a report² examining whether the strategic decision to re-focus investment in both the carriers and the linked combat aircraft was well informed, and whether the Ministry of Defence has plans to cost-effectively deliver the Carrier Strike capability now required.

Access to Cabinet Office papers

2 The 2010 Strategic Defence and Security Review was different to previous reviews which were run largely by the Ministry of Defence and covered only defence-related issues. The Review was cross-departmental. Leadership rested with the newly formed National Security Council, a Cabinet Committee chaired by the Prime Minister. The key Strategic Defence and Security Review policy decisions relating to Carrier Strike were taken by this Committee. In preparing our July 2011 report we saw the Ministry of Defence’s submissions to the National Security Secretariat in the Cabinet Office. But, despite several requests, we were not given access to the documentation held by the National Security Secretariat. We considered that access to this documentation would help us to form a view on whether the policy decisions taken by the National Security Council were well informed or how the Accounting Officer for defence was able to reach a strategic judgement on the value for money of the Carrier Strike decision.

3 Following concerns raised by the Committee of Public Accounts and in Parliament more generally, on 5 September 2011, the Secretary to the Cabinet and Head of the Home Civil Service wrote to us agreeing that we should have access to the four key National Security Council papers relating to the Strategic Defence and Security Review decisions on Carrier Strike.³

¹ The Ministry of Defence defines the principal role for Carrier Strike as being to provide an expeditionary offensive air capability to contribute to focused intervention, power projection and peace enforcement operations.
² Comptroller and Auditor General, *Ministry of Defence: Carrier Strike*, Session 2010–2012, HC 1092, National Audit Office, 7 July 2011.
³ The papers were relevant extracts from the briefings prepared by the National Security Secretariat for the National Security Council meetings on 28 September and 7 October 2010 and the minutes of these two meetings.

4 The National Audit Act 1983 provides for the Comptroller and Auditor General to have a right of access to all such documents as he may reasonably require for carrying out value for money examinations. By convention the Comptroller and Auditor General does not have an automatic right of access to policy papers (including policy focused Cabinet Committee papers) and historically in cases where the Comptroller and Auditor General has needed to understand the policy intention in order to reach a judgement on value for money, access to policy papers has been discussed on a case-by-case basis. In his letter, the Secretary to the Cabinet and Head of the Home Civil Service reaffirmed this general principle.

5 On the basis of the evidence from the four key National Security Council papers we were given access to, this short report sets out how the cost, affordability, military capability and industrial implications of the Carrier Strike options were synthesised to support the National Security Council deliberations. It does not examine any other developments relevant to Carrier Strike which have happened since July 2011.

Conclusion

6 As a result of our review of the National Security Council papers we have revisited the relevant part of our value for money conclusion. For the sake of clarity our complete value for money conclusion is set out in **Box 1** overleaf. The key change is that, having had access to the relevant papers, we can now conclude that the strategic policy decision to re-focus investment in both the carriers and the linked combat aircraft was well informed. It will only become apparent whether the Ministry of Defence can secure value for money in implementing the strategic policy decision when it fully develops and costs detailed delivery plans to support robust investment decisions, probably in late 2012.

7 The briefing papers prepared by the National Security Secretariat set out a range of options for the future of Carrier Strike. The papers examined the implications for affordability, military capability and interoperability with allies of each option and were supported by detailed analyses of the industrial implications and the choice between retaining Harrier or Tornado aircraft. A key decision was around commitment to the Joint Strike Fighter which had the most radical capability implications and would have the greatest impact on budget projections.

8 The briefings were concise and clear and the data supporting the analyses was consistent with that which we had previously examined in the Ministry of Defence. The minutes of the key National Security Council meetings record that the relevant issues were discussed and the implications of each assessed.

Box 1

National Audit Office Value for Money Conclusion on Carrier Strike

The Strategic Defence and Security Review was conducted over a period of five months. Relatively early on during the Review, the National Security Strategy provided a policy baseline against which to plan future force structures. The Review was conducted in parallel with the Spending Review and the likely level of funding was only agreed at the end of the process. The Ministry of Defence, therefore, had to identify, cost and prioritise alternative capability options in an environment of considerable uncertainty. In our view, this is not an ideal situation in which to have to take strategic decisions – including those relating to Carrier Strike.

The outcome of the Strategic Defence and Security Review affects Carrier Strike in two ways, both of which could adversely affect the achievement of value for money. First, the Review is unaffordable unless there is a real terms increase in defence funding in the latter half of the decade. We are worried that the continuing difficulties the Ministry of Defence is facing in balancing its budget leaves Carrier Strike vulnerable to further changes in strategic direction as a result of broader corporate decisions taken to address this generic problem.

Second, the Review decision radically changed the Carrier Strike concept and introduced a decade-long capability gap. The Carrier Strike decision was part of a wider set of strategic decisions on force structures and affordability. We do not question the merits of this policy judgement and note that it was taken on an informed basis which could have given the Accounting Officer for defence confidence that the overall strategic direction was sound and could offer value for money.

As we look forward, taking these two elements together, we are deeply concerned, however, about the risks to the achievement of value for money on what were previously relatively mature projects with understood risks and funded mitigation plans. The Strategic Defence and Security Review decision introduced significant levels of technical, cost and schedule uncertainty, thinking on the way the carriers will be used in operation is still evolving and there are major risks reconstituting Carrier Strike capability after a decade without it. We note that the Ministry of Defence will not have matured its understanding of the consequences of implementing the Review decision until two years after it was taken. At that point, it will more fully understand whether it has been able to develop delivery plans to enable it to achieve value for money from an investment in Carrier Strike which will significantly exceed £10 billion.
