



House of Commons
Defence Committee

**Cost of military
operations: Spring
Supplementary Estimate
2006–07: Government
Response to the
Committee's Tenth Report
of Session 2006–07**

Twelfth Special Report of Session 2006–07

*Ordered by The House of Commons
to be printed 22 May 2007*

HC 558
Published on 25 May 2007
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The Defence Committee

The Defence Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Ministry of Defence and its associated public bodies.

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The current staff of the Committee are Philippa Helme (Clerk), Eliot Wilson (Second Clerk), Ian Rogers (Audit Adviser), Stephen Jones (Committee Specialist), Adrian Jenner (Inquiry Manager), Richard Dawson (Committee Assistant), Camilla Brace (Secretary) and Stewart McIlvenna (Senior Office Clerk).

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Report

The Defence Committee published its Tenth Report of Session 2006–07, the Cost of military operations: Spring Supplementary Estimate 2006–07 on 12 March 2007, as House of Commons Paper HC 379. The Government's response to this report was received on 21 May 2007. This is appended below.

Appendix: Government response

The Government welcomes the Committee's report on the Ministry of Defence Spring Supplementary Estimates 2006/07, published on 12th March 2007, as HC 379. The Estimate sought Parliamentary approval for funding, additional to the MoD's core budget for 2006/07, including further funding for the cost of operations in Iraq and Afghanistan, and full funding for the cost of operations in the Balkans. The Government's response to the conclusions and recommendations contained in the Committee's report is set out below.

1. In our view, the term “conflict prevention” is confusing, as it appears to cover military operations of all kinds, from war-fighting to peace-keeping operations. (Paragraph 3)

“Conflict prevention” is a generic term used to describe the Department's Request for Resources 2 (RfR2). The Department notes the Committee's comments, and is currently reviewing the layout of the Estimate with a view to providing greater clarity in future Estimates.

2. While we accept that it is difficult for the MoD to provide accurate estimates of the costs of operations at the beginning of the financial year, we cannot see how this can be a sufficient reason for making no forecast at all. We recommend that the MoD reflect the forecast costs of operations in Iraq and Afghanistan in its Main Estimates for 2007–08. The MoD could usefully include in its Estimates Memorandum (which we would intend to publish) an account of its planning assumptions for the costs of these operations. (Paragraph 4)

3. We remain of the opinion that provision for all operations should be made in the MoD's Main Estimates, rather than left to Supplementary Estimates. (Paragraph 5)

The Department's position remains as set out in HC1136 and HC1601. Requests for resources for Conflict Prevention have normally been made in the Supplementary Estimates because costs are difficult to forecast in fast moving operational circumstances: Supplementary Estimates are the first occasion when the Department can reach a reasonably firm conclusion on likely costs.

Cost of Operations in Iraq

4. While it was expected that the Spring Supplementary Estimate would request additional funding for operations in Iraq, the scale of the increase is surprising... The cost of operations in Iraq in the current year appears to be over 10% higher than the MoD was expecting last November. (Paragraph 8)

The Department does not consider this surprising, since the additional costs are a reflection of the inherent unpredictability of operations and the difficulty of forecasting detailed costs accurately in advance.

5. It is striking that the cost of operations in Iraq in 2006–07 is now expected to exceed the outturn cost in 2005–06 by £44 million... We call on the MoD to explain in its

response to this report why it expects the costs of operations in Iraq to be greater this year than last despite the reduced number of UK Forces in that theatre . (Paragraph 11)

The reasons for the increase in forecast costs for 2006/7 in Iraq compared with 2005/6 are set out at Table 2 of the Committee's report. They include the introduction of the new operational allowance (£28M); increased fuel costs resulting from higher prices and a change to the sourcing arrangements (£28M); and additional capital expenditure (£35M) on Urgent Operational Requirements.

Estimated costs of operations in other theatres

6. We recommend that the MoD clarify in its response to this report in which other theatres it has been carrying out conflict prevention operations during 2006–07. (Paragraph 18)

The £4.2M referred to in paragraph 18 represents the MoD's contribution to the tri-departmental (MoD, FCO and DfID) Conflict Prevention Pools. This contribution is particularly focused on Security Sector Reform and Capacity Building in targeted countries and involves military and civilian mentoring, training and support, both in the UK and overseas. The Conflict Prevention Pools fund programmes in North and sub-Saharan Africa, Iraq, Afghanistan, the Balkans, Latin America and the Caribbean, Sri Lanka, India and Pakistan, Indonesia, East Timor, the Middle East, Nepal, and Russia and the Commonwealth of Independent States.

Votes A

7. We recommend that the MoD clarify in its response to this report what it sees as the purpose of the Votes A, and how the maxima stated relate to the actual strengths of the Armed Forces. (Paragraph 22)

Votes A represent the uppermost limits for Service manpower. They do not predict actual strengths nor are they used directly to manage the numbers employed in the Armed Forces.

Votes A maxima for Regulars are based on 110% of the highest recorded actual strength for the previous year in each Service manpower category and are amended to take into consideration any planned change to manpower levels (for example, the effect of the Government's 2004 Future Capabilities White Paper). To this calculation, a contingency percentage is applied to avoid the Vote being breached due to brief fluctuations in manpower levels. For Reserves a similar approach is followed.