



House of Commons  
Defence Committee

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# Costs of operations in Iraq and Afghanistan: Winter Supplementary Estimate 2007–08

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**Second Report of Session 2007–08**

*Report, together with formal minutes and  
written evidence*

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## 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.

### Current membership

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at: [www.parliament.uk/defcom](http://www.parliament.uk/defcom).

### Committee staff

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

### Contacts

All correspondence should be addressed to the Clerk of the Defence Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5745; the Committee's email address is [defcom@parliament.uk](mailto:defcom@parliament.uk). Media inquiries should be addressed to Alex Paterson on 020 7219 1589.

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## Summary

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The Winter Supplementary Estimate presented by the Ministry of Defence (MoD) requests additional provision of £2,033 million, of which £1,919 million is to meet the estimated additional costs of operations in Iraq and Afghanistan in the financial year 2007–08.

The MoD waits until the Winter Supplementary Estimates (in November) to present to Parliament the estimated costs of military operations in Iraq and Afghanistan, as the unpredictable nature of operations makes it difficult to forecast their cost with accuracy at the beginning of the financial year. We continue to argue that the estimated costs of military operations should be set out in the Main Estimates (in April); but, as a compromise, we recommend that the MoD provide in its estimates memorandum for the Main Estimates an account of its planning assumptions for the costs of military operations in the financial year ahead.

The report contains the information provided by the MoD in support of the Winter Supplementary Estimate, including a breakdown of the anticipated costs of operations in Iraq and Afghanistan. The actual cost of operations is likely to exceed the amount requested in the Winter Supplementary Estimate, as it does not provide for indirect resource costs or the cost of operations in the Balkans.

The cost of operations in both Iraq and Afghanistan has increased this year. The 39% increase in the cost of operations in Afghanistan is not very surprising, but the MoD needs to give more information about the capital programmes involved. While the 2% increase in the cost of operations in Iraq may seem surprising, given the drawdown in UK Forces over the year, it appears to be largely explained by the investment in facilities at Basra Airport and in force protection. The MoD needs to explain why military personnel costs for Iraq are expected to fall by only 5%.

The report also considers the outturn information on the actual costs of operations in 2006–07, as presented in the MoD's Annual Report and Accounts. The outturn was less than had been provided for in the Estimates, but variation is understandable, given the unpredictability of military operations.

We recommend that the House of Commons approves the Winter Supplementary Estimate, given the importance of ensuring that our Forces in Iraq and Afghanistan are properly resourced.



# Report

## Introduction

1. The Winter Supplementary Estimates for the Financial Year 2007-08 were laid before the House of Commons on 15 November 2007.<sup>1</sup> The Ministry of Defence (MoD) is seeking a net increase in resources and capital expenditure of £2,033.439 million—in cash terms a net increase of £2,158.439 million.<sup>2</sup> Table 1 provides a breakdown of the requested increase in expenditure.

**Table 1: Changes in Resource and Capital Expenditure**

	£ million
<b>Resource Expenditure</b>	
Provision of Defence Capability (RfR1)	574.439
Operations and Peacekeeping	1,315.000
<b>Total Net Request for Resources</b>	<b>1,889.439</b>
<b>Capital Expenditure</b>	
Provision of Defence Capability (RfR1)	– 460.000
Operations and Peacekeeping (RfR2)	604.000
<b>Total Net Request for Capital</b>	<b>144.000</b>
<b>Total Change</b>	<b>2,033.439</b>

Source: Ministry of Defence<sup>3</sup>

2. In our report on the Spring Supplementary Estimate 2006–07, we expressed our concern that use of the term “conflict prevention” to describe Request for Resources 2 (RfR2) was misleading, as it covered military operations of all kinds, from war-fighting to peacekeeping operations.<sup>4</sup> The Government agreed to take this into account as it reviewed the layout of the Estimate.<sup>5</sup> **We commend the MoD for renaming Request for Resources 2 “Operations and Peacekeeping”, which more accurately describes what it covers.**

1 HM Treasury, *Central Government Supply Estimates 2007–08 Winter Supplementary Estimates*, HC 29, November 2007

2 HC (2007–08) 29, pp 240–241

3 Ev 1, Table 1

4 Defence Committee, Tenth Report of Session 2006–07, *Cost of military operations: Spring Supplementary Estimate 2006–07*, HC 379, para 3

5 Defence Committee, Twelfth Special Report of Session 2006–07, *Cost of military operations: Spring Supplementary Estimate 2006–07: Government Response to the Committee’s Tenth Report of Session 2006–07*, HC 558, Appendix , response to recommendation 1

3. Most of the additional funds requested in the MoD's Winter Supplementary Estimate are to meet the additional costs of operations in Iraq and Afghanistan, which the MoD estimates to be £1,919 million—comprising £1,315 million in resources and £604 million in capital—in the current financial year.<sup>6</sup>

4. It is expected that the House of Commons will be asked to approve the Winter Supplementary Estimates on Wednesday 5 December.

## Approval of expenditure for operations in Iraq and Afghanistan

5. The MoD does not make provision for the cost of operations in the Main Estimates, on the ground that the unpredictable nature of operations makes it difficult to forecast their cost with accuracy at the beginning of the financial year. Until last year, it waited until the Spring Supplementary Estimates in February to present estimated costs of these operations: now, it presents these costs at the Winter Supplementary Estimates.

6. We have repeatedly recommended that provision for operations be made in the Main Estimates.<sup>7</sup> Our report on the Main Estimates 2007–08 stated that:

We remain of the view—set out in previous reports—that the MoD should include estimated costs of military operations in its Main Estimates, rather than waiting for the Supplementary Estimates. We acknowledge that these estimates would be subject to change, but point out that the Estimates process is designed to allow for changes in forecast expenditure over the year. Military operations are not unique in being subject to uncertainty and fast-moving circumstances. Under the present practice, the MoD is incurring costs in the current financial year on military operations, without parliamentary approval and without even providing Parliament with an outline indication of the costs likely to be incurred. This is entirely unacceptable and we cannot understand why the MoD fails to see this. We recommend that—at least—the MoD provide in its estimates memorandum for the Main Estimates an account of its planning assumptions for the costs of military operations in the financial year ahead.<sup>8</sup>

The Government's response stated:

We recognise the Committee's continuing concerns regarding their recommendation that the Department seek inclusion of the cost of operations in Iraq and Afghanistan in Defence Main Estimates, or at least outline our plans in the Main Estimates memoranda. We have reviewed this in response to the Committee's previous recommendations. We also recognise that the Committee does not agree with that conclusion. Ministers have made clear to Parliament that the additional costs of military operations are difficult to forecast at the start of the year, which is why the MoD provides two updated estimates to Parliament in the Winter and the

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6 HC (2007–08) 29, p 243

7 For example, Defence Committee, Fourth Report of Session 2005–06, *Costs of peacekeeping in Iraq and Afghanistan: Spring Supplementary Estimate 2005–06*, HC 980, para 15; Ninth Report of Session 2005–06, *Ministry of Defence Main Estimates 2006–07*, HC 1366, para 9

8 Defence Committee, Twelfth Report of Session 2006–07, *Ministry of Defence Main Estimates 2007–08*, HC 835, para 18

Spring. The Department needs to ensure that the figures presented to Parliament are taut and realistic against the background of changing operational circumstances. The Winter Supplementary Estimates are the first occasion when the Department can present a reasonably firm estimate of likely operational costs.<sup>9</sup>

**7. We continue to believe that the estimated costs of military operations should be presented in the Main Estimates. We are disappointed that the Government has not been persuaded of this. We reiterate our compromise suggestion that—at least—the MoD provide in its estimates memorandum for the Main Estimates an account of its planning assumptions for the costs of military operations in the financial year ahead. Notwithstanding the uncertainty of cost estimates at the beginning of the financial year, the MoD must surely have planning assumptions. We can see no reason why these should not be shared with Parliament. We expect the MoD to respond fully to this recommendation in its response to this Report.**

### Approval of the costs of Balkans operations

8. Provision for the cost of operations in the Balkans is made in the Main Estimates presented by the Foreign and Commonwealth Office (FCO). Some of this is transferred to the MoD in the Spring Supplementary Estimates.

9. We have repeatedly recommended that provision for Balkans operations be set out in the MoD's Main Estimate.<sup>10</sup> In its response to our report on the Winter Supplementary Estimate 2006–07, the Government said that it would reconsider this in the preparation of the Main Estimates 2007–08.<sup>11</sup> Our report on the Main Estimates 2007–08 expressed disappointment that this had not been done.<sup>12</sup> The Government's response to our report on the Main Estimates 2007–08 stated that the MoD would consult with the other Government Departments involved on the impact that making such a change would have on current long-established collective conflict prevention management arrangements.<sup>13</sup> **We repeat our earlier recommendation that provision for operations in the Balkans should be set out in the MoD's Main Estimate, and hope that this will be done in the Main Estimates 2008–09.**

10. In the meantime, it is still not clear to us why the transfer to the MoD has to wait for the Spring Supplementary Estimates, rather than appearing in this Winter Supplementary Estimate, alongside the costs of operations in Iraq and Afghanistan. **Unless the MoD can present, in the response to this report, a compelling reason for continuing current practice, we shall expect provision for operations in the Balkans to be made in the MoD's Winter Supplementary Estimate 2008–09—if not already made in the Main Estimates.**

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9 Defence Committee, Fifteenth Special Report of Session 2006–07, *Ministry of Defence Main Estimates 2007–08: Government Response to the Committee's Twelfth Report of Session 2006–07*, HC 1026, Appendix, para 5.

10 HC (2005–06) 980, para 17

11 HC (2005–06) 1601, para 3

12 HC (2006–07) 835, para 20

13 HC (2006–07) 1026, para 6

## Estimated cost of operations in 2007–08

11. The Winter Supplementary Estimate estimates the additional costs of operations in Iraq and Afghanistan in 2007–08 as £1,315 million in resources and £604 million in capital.<sup>14</sup> These are the net *additional* costs incurred as a consequence of the operations, not including the costs which would have been incurred regardless, such as wages and salaries.<sup>15</sup> The MoD's estimates memorandum breaks these costs down as shown in Table 2 below.

Table 2: Estimated net additional costs of operations in Iraq and Afghanistan for 2007–08

Operation	Direct Resource DEL £m	Capital DEL £m	Total Estimate 2007–08 £m	Total Outturn 2006–07 £m (includes IRDEL)
Iraq	729	226	955	956
Afghanistan	586	378	964	742
<b>Total</b>	<b>1,315</b>	<b>604</b>	<b>1,919</b>	<b>1,698</b>

Source: Ministry of Defence<sup>16</sup>

Note: The 2006–07 outturn figures do not include £4.6 million of receipts connected to Afghanistan operations that were surrendered to the Exchequer, and therefore do not match those in Table 5 which include such receipts.

**The forecast net additional costs of operations in 2007–08 are £955 million for Iraq and £964 million for Afghanistan.**

12. The MoD's estimates memorandum provides a further breakdown by cost type.<sup>17</sup> Table 3 below compares the figures provided in the estimates memorandum with the outturn figures for 2006–07, as stated in the MoD's Annual Report and Accounts 2006–07. Table 3 does not include indirect resource costs for 2006–07, as they are not yet forecast for 2007–08 (see paragraph 17 below).

Table 3: The cost of operations in Iraq and Afghanistan: comparison with 2006–07

Cost Type	Iraq Actual £ m 2006–07	Iraq Forecast £ m 2007–08	% change	Afghanistan Actual £ m 2006–07	Afghanistan Forecast £ m 2007–08	% change
<b>Resource–Direct</b>						
Military personnel	100	95	- 5	50	62	+ 24
Civilian personnel	15	12	- 20	4	6	+ 50
Stock/other consumption	218	169	- 22	164	138	- 16

14 Ev 4, Table 5; Ministry of Defence, *Ministry of Defence Annual Report and Accounts 2006–07*, HC 697, p 238, para 2.2

15 Ev 7, para 12

16 Ev 5, Table 7

17 Ev 4–5, Table 6

Infrastructure costs	83	106	+ 28	101	95	- 6
Equipment support costs	206	234	+ 14	112	185	+ 65
Other costs and services	137	108	- 21	89	103	+ 16
Income generated/(foregone)	5	5	0	(2)	(3)	- 50
<b>Total</b>	<b>764</b>	<b>729</b>	<b>- 5</b>	<b>518</b>	<b>586</b>	<b>+ 13</b>
<b>Capital</b>						
Capital Additions	169	226	+ 34	178	378	+ 112
<b>Total</b>	<b>169</b>	<b>226</b>	<b>+ 34</b>	<b>178</b>	<b>378</b>	<b>+ 112</b>
<b>Grand Total</b>	<b>933</b>	<b>955</b>	<b>+ 2</b>	<b>696</b>	<b>964</b>	<b>+ 39</b>

Source: Ministry of Defence

Note: The grand total does not include indirect resource costs

13. The cost of operations in Afghanistan is forecast to increase by 39% in the current year. Given the increase in UK Forces in Afghanistan in the current year, and the continuing high operational tempo, this is perhaps not very surprising. It is striking, however, that three-quarters of the increase is attributable to capital additions. We recommend that, in the response to this report, the MoD provide more detail on the capital programmes involved.

14. It may seem surprising that the cost of operations in Iraq is forecast to increase in the current year by 2%, despite the drawdown in UK Forces over the year. The increase is accounted for by large increases in infrastructure costs, equipment support costs and capital additions. In its supplementary memorandum, the MoD explains that:

The centralisation of MoD's operating base in Iraq to Basra Airport has required substantial building/infrastructure work resulting in higher costs. The increase in both Equipment Support and Capital Additions is the result of higher levels of Urgent Operational Requirements, mainly to meet force protection requirements. This includes measures to provide greater protection to the Warrior AFV [Armoured Fighting Vehicle] and the procurement of Protected Patrol Vehicles to replace vehicles such as the SNATCH Land Rover.<sup>18</sup>

The requirement to invest in facilities at Basra Airport, and to improve force protection, appears to explain the increase in the cost of operations in Iraq this year.

15. It is, however, a little surprising that the military personnel costs for Iraq are expected to fall by only 5% this year, despite the considerable drawdown of UK Forces over the year. And it is striking that the forecast military personnel costs for Iraq (£95

**million) considerably exceed those for Afghanistan (£62 million).** We asked the MoD why the military personnel costs for Iraq continued to exceed those for Afghanistan. The MoD's supplementary memorandum states:

At the beginning of the current year Iraq had appreciably higher manpower levels than Afghanistan. However, by mid year these had reduced to a point where both had similar levels. The result is a higher annual forecast cost for Iraq.<sup>19</sup>

We find this surprising. According to the MoD's website, UK Forces in Afghanistan are currently over 6,000 strong and will increase to around 7,700 "over the course of the year". It states that UK Forces in Iraq were 5,500 at the end of May 2007, are expected to be 4,500 by Christmas 2007 and will fall to around 2,500 "from next Spring".<sup>20</sup> **We recommend that, in the response to this report, the MoD explain in more detail why military personnel costs for Iraq are expected to fall by only 5% in the current year.**

16. The MoD's Estimates memorandum states that the MoD has not included a contingency in the Winter Supplementary Estimate. It warns that "Because of the unknown volatility of operations, in particular the need for Urgent Operational Requirements, the Department may seek additional provision in the Spring Supplementary Estimates".<sup>21</sup>

17. The Estimates memorandum also states that indirect resource costs, or the "non-cash" costs of operations (stock write-off, provisions, depreciation, cost of capital charges etc), which are particularly hard to forecast, will be included in the Spring Supplementary Estimate. This could be significant. In 2006–07, the outturn indirect resource costs for Iraq and Afghanistan operations were £65 million.<sup>22</sup>

18. The Spring Supplementary Estimate will also include provision for peacekeeping and operations in the Balkans, by a budgetary transfer from the FCO.<sup>23</sup> The MoD's current estimate of the costs of Balkans operations this year is £20 million, but it warns that the tempo of operations there may change later in the year.<sup>24</sup>

**19. It is likely that the actual additional costs of military operations in 2007–08 will exceed the amounts requested in the Winter Supplementary Estimate, and that the MoD will be required to ask for more money for operations in the Spring Supplementary Estimates.**

## Outturn costs of operations in 2006–07

20. The outturn costs for operations in 2006–07 was £1,797 million, of which £957 million was for operations in Iraq, £742 million for operations in Afghanistan, £56 million for

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19 Ev 9

20 Ministry of Defence Factsheets, *Operations in Afghanistan: British Forces and Operations in Iraq: Facts and Figures*, [www.mod.uk](http://www.mod.uk)

21 Ev 4, para 5.1

22 HC (2006–07) 697, p 238, para 2.3

23 Ev 5, para 8.1

24 Ev 9

operations in the Balkans (Bosnia and Kosovo) and £42 million for conflict prevention activity under the Global and African pools. The MoD's Annual Report and Accounts 2006–07 breaks this down, as shown in Table 4 below.

**Table 4: Costs of operations 2006–07**

Operation	2006–07			2005–06
	Net Resource Outturn £000	Capital Costs £000	Total £000	Restated Outturn £000
<b>Peace Keeping Expenditure</b>				
Afghanistan	564,096	178,208	742,304	199,348
Iraq	786,715	169,447	956,162	957,598
<b>Programme Expenditure</b>				
Balkans	55,878	543	56,421	62,853
Global pool	12,193	-	12,193	16,937
African pool	29,538	-	29,538	30,355
<b>Total RfR2</b>	<b>1,448,420</b>	<b>348,198</b>	<b>1,796,618</b>	<b>1,267,091</b>
Total Estimate	1,427,526	449,000	1,876,526	1,431,273
Difference – savings/(excess)	(20,894)	100,802	79,908	164,182

Source: Ministry of Defence<sup>25</sup>

Note: The 2006–07 outturn figures do not include £4.6 million of receipts connected to Afghanistan and £0.5 million of receipts connected to the Balkans operations that were surrendered to the Exchequer, and therefore do not match those in Table 5 which includes such receipts.

21. The Annual Report and Accounts 2006–07 also provides a more detailed breakdown, and compares cost outturn with the sums allocated by the Department for different lines of expenditure, as shown in Table 5 below.<sup>26</sup>

25 HC (2006–07) 697, p 238, para 2.2

26 HC (2006–07) 697, pp 238–239, para 2.3





22. As last year, we note that **the outturn for 2006–07 operations was less than the sums planned by the Department: the MoD over-estimated the cost of its operations and peacekeeping by £75 million (4%). This comprised an underspend on capital costs of £101 million, offset by a resource overspend of £26 million.** The overspending on the Department's resources budget allocations for operations also meant that the MoD spent more than the provision formally approved by Parliament on the 2006–07 Conflict Prevention Estimate. The Request for Resources 2 Estimate was overspent by £21 million, including £28 million for the 'Rest of the World Peacekeeping' expenditure subhead which covers Iraq and Afghanistan.<sup>27</sup> This required the Comptroller and Auditor General (C&AG) to qualify the MoD's Resource Accounts.<sup>28</sup>

23. The MoD explains, in the Annual Report and Accounts, that the difference between the outturn and the Estimate, or 'Excess Vote', was for the following reasons:

The excess in non-cash costs, such as depreciation charges for military equipment and the firing of guided weapons, missiles and bombs in Afghanistan were higher than forecasted at the time the Estimates were prepared. This is the direct result of the increased tempo of the operation in the Helmand Province in the south of the country.

When the capital estimate was prepared, it was based on UORs [Urgent Operational Requirements] that had been financially approved. Not all UORs were subsequently delivered prior to the end of the financial year resulting in an underspend against capital costs.<sup>29</sup>

The C&AG's audit report gives some additional information, including that the missiles in question were Hellfire missiles.<sup>30</sup>

**24. We welcome the inclusion in the Annual Report and Accounts of an explanation of the variation between voted provision and outturn for 2006–07. Given the unpredictability of military operations, it is understandable that there should be variation between the Estimates and the outturn. However, we look to the MoD to ensure that its estimates are as robust as possible and, in particular, that the estimates on capital costs should be based on realistic expectations of when Urgent Operational Requirements will be delivered.**

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27 HC (2006–07) 697, p 236

28 HC (2006–07) 697, pp 217–222

29 HC (2006–07) 697, p 239, para 2.5

30 HC (2006–07) 697, p 221, para 19

## Conclusion

25. We recommend that the House of Commons approve the request for resources set out in the MoD's Winter Supplementary Estimate. The £1,919 million requested to meet the forecast cost of operations in Iraq and Afghanistan in 2007–08 is a large amount of public money, but it is essential that our Armed Forces are properly resourced to carry out the task which they have been given. The sum requested includes investment in new equipment and force protection, which has been welcomed by all sides of the House.

## Conclusions and recommendations

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1. We commend the MoD for renaming Request for Resources 2 “Operations and Peacekeeping”, which more accurately describes what it covers. (Paragraph 2)
2. We continue to believe that the estimated costs of military operations should be presented in the Main Estimates. We are disappointed that the Government has not been persuaded of this. We reiterate our compromise suggestion that—at least—the MoD provide in its estimates memorandum for the Main Estimates an account of its planning assumptions for the costs of military operations in the financial year ahead. Notwithstanding the uncertainty of cost estimates at the beginning of the financial year, the MoD must surely have planning assumptions. We can see no reason why these should not be shared with Parliament. We expect the MoD to respond fully to this recommendation in its response to this Report. (Paragraph 7)
3. We repeat our earlier recommendation that provision for operations in the Balkans should be set out in the MoD’s Main Estimate, and hope that this will be done in the Main Estimates 2008–09. (Paragraph 9)
4. Unless the MoD can present, in the response to this report, a compelling reason for continuing current practice, we shall expect provision for operations in the Balkans to be made in the MoD’s Winter Supplementary Estimate 2008–09—if not already made in the Main Estimates. (Paragraph 10)
5. The Winter Supplementary Estimate estimates the additional costs of operations in Iraq and Afghanistan in 2007–08 as £1,315 million in resources and £604 million in capital. ... The forecast net additional costs of operations in 2007–08 are £955 million for Iraq and £964 million for Afghanistan. (Paragraph 11)
6. The cost of operations in Afghanistan is forecast to increase by 39% in the current year. Given the increase in UK Forces in Afghanistan in the current year, and the continuing high operational tempo, this is perhaps not very surprising. It is striking, however, that three-quarters of the increase is attributable to capital additions. We recommend that, in the response to this report, the MoD provide more detail on the capital programmes involved. (Paragraph 13)
7. It may seem surprising that the cost of operations in Iraq is forecast to increase in the current year by 2%, despite the drawdown in UK Forces over the year. The increase is accounted for by large increases in infrastructure costs, equipment support costs and capital additions. ... The requirement to invest in facilities at Basra Airport, and to improve force protection, appears to explain the increase in the cost of operations in Iraq this year. (Paragraph 14)
8. It is, however, a little surprising that the military personnel costs for Iraq are expected to fall by only 5% this year, despite the considerable drawdown of UK Forces over the year. And it is striking that the forecast military personnel costs for Iraq (£95 million) considerably exceed those for Afghanistan (£62 million). ... We

recommend that, in the response to this report, the MoD explain in more detail why military personnel costs for Iraq are expected to fall by only 5% in the current year. (Paragraph 15)

9. It is likely that the actual additional costs of military operations in 2007–08 will exceed the amounts requested in the Winter Supplementary Estimate, and that the MoD will be required to ask for more money for operations in the Spring Supplementary Estimates. (Paragraph 19)
10. The outturn for 2006–07 operations was less than the sums planned by the Department: the MoD over-estimated the cost of its operations and peacekeeping by £75 million (4%). This comprised an underspend on capital costs of £101 million, offset by a resource overspend of £26 million. (Paragraph 22)
11. We welcome the inclusion in the Annual Report and Accounts of an explanation of the variation between voted provision and outturn for 2006–07. Given the unpredictability of military operations, it is understandable that there should be variation between the Estimates and the outturn. However, we look to the MoD to ensure that its estimates are as robust as possible and, in particular, that the estimates on capital costs should be based on realistic expectations of when Urgent Operational Requirements will be delivered. (Paragraph 24)
12. We recommend that the House of Commons approve the request for resources set out in the MoD's Winter Supplementary Estimate. The £1,919 million requested to meet the forecast cost of operations in Iraq and Afghanistan in 2007–08 is a large amount of public money, but it is essential that our Armed Forces are properly resourced to carry out the task which they have been given. The sum requested includes investment in new equipment and force protection, which has been welcomed by all sides of the House. (Paragraph 25)

## Annex: List of Abbreviations used in the Report and Evidence

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AFV	Armoured Fighting Vehicle
AME	Annually Managed Expenditure
C&AG	Comptroller and Auditor General
CDEL	Capital Department Expenditure Limit
CILOR	Contribution in Lieu of Rates
DE&S	Defence Equipment and Support
DEL	Departmental Expenditure Limit
DUP	Departmental Unallocated Provision
EYF	End Year Flexibility
FCO	Foreign and Commonwealth Office
GCHQ	Government Communications Headquarters
HCDC	House of Commons Defence Committee
HMRC	Her Majesty's Revenue and Customs
IRDEL	Indirect Resource Departmental Expenditure Limit
MoD	Ministry of Defence
NAO	National Audit Office
PSA	Public Service Agreement
RDEL	Resource Departmental Expenditure Limit
RfR	Request for Resources
SBSO	Single Balance Sheet Owner
SUME	Single Use Military Equipment
TLB	Top Level Budget
UOR	Urgent Operational Requirement
WSE	Winter Supplementary Estimates

# Formal Minutes

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**Tuesday 27 November 2007**

[AFTERNOON SITTING]

Members present:

Mr James Arbuthnot, in the Chair

Mr David Crausby	Mr Bernard Jenkin
Linda Gilroy	Mr Brian Jenkins
Mr David Hamilton	Robert Key
Mr Adam Holloway	Willie Rennie

## **Costs of operations in Iraq and Afghanistan: Winter Supplementary Estimate 2007–08**

Draft Report (Costs of operations in Iraq and Afghanistan: Winter Supplementary Estimate 2007–08), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 25 read and agreed to.

Annexes (Summary and List of Abbreviations) agreed to.

*Resolved*, That the Report be the Second Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report, together with written evidence reported and ordered be published on 20 November.

[Adjourned till Wednesday 28 November at 10.00 am]

## List of written evidence

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Memorandum from the Ministry of Defence

Ev 1, 8

# Defence Committee Reports in this Parliament

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The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

## Session 2005–06

First Report	Armed Forces Bill	HC 747 ( <i>HC 1021</i> )
Second Report	Future Carrier and Joint Combat Aircraft Programmes	HC 554 ( <i>HC 926</i> )
Third Report	Delivering Front Line Capability to the RAF	HC 557 ( <i>HC 1000</i> )
Fourth Report	Costs of peace-keeping in Iraq and Afghanistan: Spring Supplementary Estimate 2005–06	HC 980 ( <i>HC 1136</i> )
Fifth Report	The UK deployment to Afghanistan	HC 558 ( <i>HC 1211</i> )
Sixth Report	Ministry of Defence Annual Report and Accounts 2004–05	HC 822 ( <i>HC 1293</i> )
Seventh Report	The Defence Industrial Strategy	HC 824 ( <i>HC 1488</i> )
Eighth Report	The Future of the UK's Strategic Nuclear Deterrent: the Strategic Context	HC 986 ( <i>HC 1558</i> )
Ninth Report	Ministry of Defence Main Estimates 2006–07	HC 1366 ( <i>HC 1601</i> )
Tenth Report	The work of the Met Office	HC 823 ( <i>HC 1602</i> )
Eleventh Report	Educating Service Children	HC 1054 ( <i>HC 58</i> )
Twelfth Report	Strategic Export Controls: Annual Report for 2004, Quarterly Reports for 2005, Licensing Policy and Parliamentary Scrutiny	HC 873 ( <i>Cm 6954</i> )
Thirteenth Report	UK Operations in Iraq	HC 1241 ( <i>HC 1603</i> )
Fourteenth Report	Armed Forces Bill: proposal for a Service Complaints Commissioner	HC 1711 ( <i>HC 180</i> )

**Session 2006–07**

First Report	Defence Procurement 2006	HC 56 ( <i>HC 318</i> )
Second Report	Ministry of Defence Annual Report and Accounts 2005–06	HC 57 ( <i>HC 376</i> )
Third Report	Costs of operations in Iraq and Afghanistan: Winter Supplementary Estimate 2006–07	HC 129 ( <i>HC 317</i> )
Fourth Report	The Future of the UK’s Strategic Nuclear Deterrent: the Manufacturing and Skills Base	HC 59 ( <i>HC 304</i> )
Fifth Report	The work of the Committee in 2005 and 2006	HC 233 ( <i>HC 344</i> )
Sixth Report	The Defence Industrial Strategy: update	HC 177 ( <i>HC 481</i> )
Seventh Report	The Army’s requirement for armoured vehicles: the FRES programme	HC 159 ( <i>HC 511</i> )
Eighth Report	The work of the Defence Science and Technology Laboratory and the funding of defence research	HC 84 ( <i>HC 512</i> )
Ninth Report	The Future of the UK’s Strategic Nuclear Deterrent: the White Paper	HC 225-I and –II ( <i>HC 551</i> )
Tenth Report	Cost of military operations: Spring Supplementary Estimate 2006–07	HC 379 ( <i>HC 558</i> )
Eleventh Report	Strategic Lift	HC 462 ( <i>HC1025</i> )
Twelfth Report	Ministry of Defence Main Estimates 2007–08	HC 835 ( <i>HC 1026</i> )
Thirteenth Report	UK operations in Afghanistan	HC 408 ( <i>HC 1024</i> )
Fourteenth Report	Strategic Export Controls: 2007 Review	HC 117 ( <i>Cm 7260</i> )
Fifteenth Report	The work of Defence Estates	HC 535 ( <i>HC 109</i> )

**Session 2007–08**

First Report	UK land operations in Iraq 2007	HC 110
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# Written evidence

## Memorandum from the Ministry of Defence

### 1. INTRODUCTION

1.1 This Memorandum covers the Winter Supplementary Estimate for the Ministry of Defence (MoD). The Department's spending plans for 2007–08 are based upon the outcome of the Government's Spending Review 2004. This Estimates Memorandum should be read in conjunction with the Winter Supplementary Estimate and the Department's Main Estimate (07/08).

1.2 The Introduction to the Estimate lists the changes being made since the Main Estimate. This is shown by Request for Resources (RfR<sup>1</sup>), and the section number shown in brackets after the detail for each change is a reference to the line(s) that are affected by the change in Part II of the Estimate.

1.3 There is no change to the Armed Forces Retired pay, Pensions vote.

### 2. SUMMARY OF RESOURCES SOUGHT IN THE ESTIMATE

2.1 The Introduction to the Estimate shows a net increase in Voted DEL resources of £1,889.379 million from £32,548.165 million at Main Estimates to £34,437.544 million. There is an increase in RfR1 (Provision of Defence Capability) resources of £574.439 million, which is primarily due to near cash resource requirements funded by a transfer from CDEL, EYF take up, PES transfers, and additional income; and an increase in RfR2 (Operations and Peace Keeping<sup>2</sup>) resources of £1,315 million, which is additional funding for Iraq and Afghanistan. Further details are provided at Para's 4 and 5. There are net changes in capital of £144 million which mainly relate to RfR1 near cash flexing, Capital EYF take up, and cash release of non-nuclear provisions funding. The RfR2 request relates to additional funding of £604 million for operations in Iraq and Afghanistan. The changes are summarised in the following tables:

**Table 1**

#### CHANGES IN RESOURCE AND CAPITAL EXPENDITURE

<i>Resource Expenditure</i>	<i>£ m</i>
Provision of Defence Capability (RfR1)	574.439
Operations and Peace Keeping (RfR2)	1,315.000
<b>Total Net Request for Resources</b>	<b>1,889.439<sup>3</sup></b>

  

<i>Capital Expenditure</i>	<i>£ m</i>
Provision of Defence Capability (RfR1)	(460.000)
Operations and Peace Keeping (RfR2)	604.000
<b>Total Net Request for Capital</b>	<b>144.000</b>

  

	<i>£ m</i>
<b>Total Change in Capital and Resource</b>	<b>2,033.439</b>

2.2 The total change in the Estimate is £2,033.439 million which generates an additional net cash requirement of £2,158.439 million. The cash requirement is analysed in the following table, and a reconciliation between the changes in the Estimate and the net cash requirement is shown in Part II of the Estimate, "Resource to Cash Reconciliation".

<sup>1</sup> For detail on the different Requests for Resources, see Annex 1.

<sup>2</sup> Now re-named from Conflict Prevention to Operations and Peace Keeping.

<sup>3</sup> This includes a £60,000 increase in Grant-in-Aid for Royal Irish Benevolent Fund.

Table 2

## CHANGE IN VOTED CASH REQUIREMENT

	<i>£ m</i>
Near Cash (Voted) in Resource DEL	1,889.379
Near Cash in Capital DEL	144.000
Accruals to cash adjustments	125.000
Non Budget (Grants)	0.060
<b>Net Cash Requirement</b>	<b>2,158.439</b>

2.3 The most significant changes to the Defence Expenditure Limits (DEL) are:

- net transfers in of £43.439 million from other Government Departments under RfR1 (Table 4), the main transfer being funding for GCHQ support services;
- increase in RfR2 of £1,315 million Resource DEL and £604 million Capital DEL to reflect the forecast costs of peace keeping operations in Iraq and Afghanistan;
- the take up of Resource End Year Flexibility (EYF) of £21 million and Capital EYF of £65 million;
- £55 million relating to additional income being made available as Resource DEL in year;
- transfer of £455 million from Capital DEL to Direct Resource DEL to reflect latest forecast spending patterns;
- the reduction of £70 million in voted capital DEL to fund non-voted Near Cash cash release of non-nuclear provisions (which are not part of Voted Resource DEL).

## 3. DETAILED EXPLANATION OF CHANGES

3.1 Part I of the Estimate summarises the changes described above and provides detail about the costs included in each RfR.

3.2 Part II of the Estimate shows the changes proposed in the Estimate, by Top Level Budget Holder (TLB). This shows the present net position (the position at Main Estimates), the changes in the position, and the new net provision (Winter Supplementary Estimates). Again this is set out by Request for Resources. The transfers and other changes outlined in the Introduction to the Estimate are analysed in this section of the Memorandum.

3.3 The table below shows how the Winter Supplementary Estimate is compiled, identifying changes since 2007–08 Main Estimates.

Table 3

## SHOWING CHANGES TO VOTED RESOURCES AND CAPITAL AT WINTER SUPPLEMENTARY ESTIMATES

<i>£ million</i>	<i>Direct R DEL</i>	<i>Indirect R DEL</i>	<i>Total R DEL</i>	<i>AME</i>	<i>Non budget Near cash</i>	<i>Total Net Resources</i>	<i>Net Capital DEL</i>	<i>Capital Non Budget</i>	<i>Total Net Capital</i>
[1]	1	2	3	4	5	6	7	8	9
RfR1 Provision at Main Estimates	21,886.2	10,617.7	32,503.9	91.2	13.1	32,608.2	7,547.6	1.9	7,549.5
Transfers In	47.6		47.6			47.6			
Transfers Out	-4.1		-4.1			-4.1			
Switch from CDEL to Direct RDEL	455.0		455.0			455.0	-455.0		-455.0
EYF	21.0		21.0			21.0	65.0		65.0
Project Income	55.0		55.0			55.0			
Switch Voted to Non-Voted re cash release of provisions							-70.0		-70.0
<b>RfR1 at Winter Supplementary Estimates</b>	<b>22,460.7</b>	<b>10,617.7</b>	<b>33,078.4</b>	<b>91.2</b>	<b>13.1</b>	<b>33,182.7</b>	<b>7,087.6</b>	<b>1.9</b>	<b>7,089.5</b>
RfR2 Provision at Main Estimates	44.3	0.0	44.3			44.3	0.0		0.0

<i>£ million</i>	<i>Direct R DEL</i>	<i>Indirect R DEL</i>	<i>Total R DEL</i>	<i>Non budget AME Near cash</i>	<i>Total Net Resources</i>	<i>Net Capital DEL</i>	<i>Capital Non Budget</i>	<i>Total Net Capital</i>
Additional Provision at Winter Supplementary Estimates	1,315.0		1,315.0		1,315.0	604.0		604.0
<b>RfR2 at Winter Supplementary Estimates</b>	<b>1,359.3</b>	<b>0.0</b>	<b>1,359.3</b>		<b>1,359.3</b>	<b>604.0</b>		<b>604.0</b>
RfR3 Provision at Main Estimates				1,027.0	1,027.0			
Additional Provision <b>RfR3 at Winter Estimates</b>				0.0	0.0			
<b>Winter Supplementary Estimates</b>				<b>1,027.0</b>	<b>1,027.0</b>			
<b>Total*</b>	<b>23,820.0</b>	<b>10,617.7</b>	<b>34,437.7</b>	<b>1,118.2</b>	<b>35,569.0</b>	<b>7,691.6</b>	<b>1.9</b>	<b>7,693.5</b>

[1] Definitions of the column headings are shown at Annex 1.

[2] Minimal differences may occur due to roundings.

#### 4. RfR1 PROVISION OF DEFENCE CAPABILITY—EXPLANATION OF CHANGES

##### *Transfers In/Out*

4.1 The Estimate includes three transfers in from Other Government Departments and two transfers out, which are detailed in Table 4.

**Table 4**

##### SHOWING TRANSFERS BETWEEN MoD AND OTHER GOVERNMENT DEPARTMENTS

<i>Transfers Out</i>	<i>RfR</i>	<i>£ m</i>	<i>Purpose</i>
Department of Culture, Media, and Sport	1	(0.149)	Contribution to the Leeds Armouries Museum Pattern Room staffing costs.
Department of Trade and Industry	1	(4.000)	Contribution to the Global Partnership against the spread of weapons and materials of Mass Destruction.
<i>Transfers In</i>			
Department for Environment, Food and Rural Affairs	1	4.863	Contribution to the National Meteorological Programme and Severe Weather Warning Service.
Cabinet Office	1	0.200	Contribution to the future funding for the expansion of the Parliamentary Counsel Office.
Security and Intelligence Services Agency	1	42.525	Support services funding for GCHQ.
<b>Total Net Transfers In</b>		<b>43.439</b>	

##### *Transfer from Capital Resource DEL to Direct Resource DEL—£455 million*

4.2 The Department has requested £455 million flexibility from CDEL to Resource Near Cash to reflect forecast actual spending patterns this year.

##### *End Year Flexibility: £21 million RDEL; £65 million CDEL*

4.3 The Department has agreed with the Treasury, and has taken up the EYF it requires, for Direct Resource and Capital spend. The Resource EYF funds have been allocated to Defence Equipment and Support so that Defence Modernisation Fund projects can continue until completion (eg Defence Information Infrastructure and the Management of Joint-Deployed Inventories system which tracks equipment and stores in theatre). The Capital EYF funds have been used to fund in part the purchase of additional Mastiff armoured personnel carriers. Any requirement for further draw downs of EYF funds will be requested at Spring Supplementary Estimates.

*Other Changes: Additional Income £55 million*

4.4 MoD has brought to account accumulated additional project income of £55 million in the current year.

*Funding for Cash Release of Non Nuclear Provisions: £70 million*

4.5 Under arrangements agreed in SR 04, increases in planned cash release of provisions (which score as non-voted DEL) must be offset against valid near cash provision. This relates to an increase in cash release payments to cover military and civilian redundancies in Northern Ireland and DE&S restructuring, and will be offset against capital DEL.

*Increases in Non Budget Items*

4.6 There is an increase in Grants in Aid for the Royal Irish Benevolent Fund of £60,000, which provides help to members of the Irish Home Service and their dependents. This has been funded internally by a re-allocation from Resource DEL to Non Budget, in the Land TLB.

*AME Items*

4.7 There is no change at Winter Supplementary Estimates.

*Neutral Transfers*

4.8 The changes under these sub-headings reflect alterations to TLB allocations of Resource and Capital funding to bring the allocations into line with responsibility transfers between TLBs, and other adjustments to reflect the defence outputs planned since the start of the year, but which require funding adjustments to deliver as the year progresses. These comprise a number of individual changes. These changes do not represent substantive adjustments to our planned outputs. Examples are the transfer of funds from "customer" TLBs to Defence Estates for estate projects.

## 5. REQUEST FOR RESOURCES 2: OPERATIONS AND PEACE KEEPING

5.1 The Winter Supplementary Estimate requests an additional £955 million for peace keeping operations in Iraq and £964 million for peace keeping operations in Afghanistan. This is summarised in Table 5 below, with a more detailed analysis is shown in Table 6. (The Department has not included a contingency in this Estimate.) Because of the unknown volatility of operations, in particular the need for Urgent Operation Requirements, the Department may seek additional provision in the Spring Supplementary Estimates.

**Table 5**SUMMARY CONFLICT PREVENTION CLAIM FOR AFGHANISTAN AND IRAQ  
AT 2007–08 WSE

<i>Operation</i>	<i>Direct Resource DEL £m</i>	<i>Capital DEL £m</i>	<i>Total WSE claim 2007–08 £m</i>
Iraq	729	226	955
Afghanistan	586	378	964
<b>Total</b>	<b>1,315</b>	<b>604</b>	<b>1,919</b>

5.2 The current estimate (rather than the forecast cost) for operations in Iraq and Afghanistan for the 2007–08 Winter Supplementary Estimates is shown in Table 6.

**Table 6**

## THE ESTIMATED COST OF OPERATIONS IN AFGHANISTAN AND IRAQ AT WSE 2007–08

<i>Cost Type</i>	<i>Iraq £m</i>	<i>Afghanistan £m</i>
<i>Direct Resource</i>		
DEL Civilian Personnel	12	6
Military Personnel	95	62
Stock/Other Consumption	169	138
Infrastructure Costs	106	95
Equipment Support Costs	234	185

<i>Cost Type</i>	<i>Iraq £m</i>	<i>Afghanistan £m</i>
Other Costs and Services	108	103
Income Generated/Foregone (Net)	5	- 3
<b>Total Direct Resource DEL</b>	<b>729</b>	<b>586</b>
<i>Capital DEL</i>		
Capital Additions	226	378
<b>Total Capital DEL</b>	<b>226</b>	<b>378</b>
<b>Total Estimate</b>	<b>955</b>	<b>964</b>

5.3 The total conflict prevention claim for 2007–08 Winter Supplementary Estimates is set out in Table 7.

**Table 7**

TOTAL CONFLICT PREVENTION CLAIM FOR 2007–08 WSE

<i>Operation</i>	<i>Direct Resource DEL £m</i>	<i>Capital DEL £m</i>	<i>Total Estimate 2007–08 £m</i>	<i>Total Outturn 2006–07 £m (Includes IRDEL)</i>
Iraq	729	226	955	956
Afghanistan	586	378	964	742
<b>Total</b>	<b>1,315</b>	<b>604</b>	<b>1,919</b>	<b>1,698</b>

6. RfR3 WAR PENSION BENEFIT

6.1 Any additional request will be presented at Spring Supplementary Estimates.

7. THE DEPARTMENTAL EXPENDITURE LIMIT (DEL)

7.1 Table 8 shows the DEL from 2004–05 to 2007–08 for all RfRs. The Total DEL is calculated by adding Resource DEL to Capital DEL and deducting depreciation, (which forms part of Resource DEL). The figures are for voted and Non-voted DEL; the Non voted DEL figure for 2007–08 is £83.832 million net of depreciation, and this is shown in more detail in the Notes to the Winter Supplementary Estimate.

**Table 8**

CHANGES TO MOD DEPARTMENTAL EXPENDITURE LIMITS

	<i>2004–05 SSE £m</i>	<i>2005–06 SSE £m</i>	<i>2006–07 SSE £m</i>	<i>2007–08 ME £m</i>	<i>2007–08 WSE</i>
Resource DEL	32,831	33,727	34,104	32,831	34,721
Capital DEL	6,662	6,798	7,448	7,548	7,692
Depreciation	-8,049	-8,168	-7,401	-6,818	-6,818
<b>Total DEL</b>	<b>31,444</b>	<b>32,357</b>	<b>34,151</b>	<b>33,561</b>	<b>35,595</b>

8. ADDITIONAL RESOURCES THAT WILL BE REQUESTED IN SPRING SUPPLEMENTARY ESTIMATES

8.1 The Department plans to request the following major additional resources in the Spring Supplementary round:

- The Indirect Resource DEL claim for RfR2. These “non-cash” costs of operations are particularly difficult to forecast;
- The usual RfR2 claim for peace keeping and operations in the Balkans funded by a budgetary transfer from the FCO under long-standing global pool peace keeping arrangements);
- Any additional direct resource and capital funding for RfR2 resulting from changes in operational tempo later in the current year.

The Department will also re-align TLB Sub Head provisions for DEL, AME and Non Budget to reflect the latest forecasts of outturn with no impact on overall RfR1 resource.

## 9. ADMINISTRATION COSTS LIMIT

9.1 The Department is not currently subject to an Administration Costs Limit. The MoD will implement an Administration budgetary regime in 2008–09.

## 10. PROVISIONS AND CONTINGENT LIABILITIES

10.1 There are no increased provisions at Winter Supplementary Estimates.

## 11. MACHINERY OF GOVERNMENT CHANGES

11.1 A Machinery of Government Change was effected 1 April 2007. This relates to the Contribution in Lieu of Rates (CILOR) for MoD estate in Gibraltar, formerly administered by HM Revenue and Customs (HMRC). Operating appropriations in aid are increased by £2,059,000, with a corresponding gross resource cost increase also of £2,059,000. The net resource requirement and the net cash requirement are unaffected.

## 12. NET ADDITIONAL CASH REQUIREMENT

12.1 The Net Cash impact for the Winter Supplementary Estimate is an increased requirement of £2,158 million, of which £1,889 million relates to Resource DEL and £144 million to Capital DEL.

## Annex 1

### A. DEFINITION OF TERMS

#### 1. *Direct Resource Departmental Expenditure Limits (RDEL)*

This is a control aggregate within the resource budget. It excludes the non-cash items such as depreciation, cost of capital and movement in provisions. Direct Resource DEL is also known as “near cash in the resource budget”.

#### 2. *Indirect Resource DEL (IRDEL)*

This covers items such as depreciation, cost of capital charges, movement in provisions, and the notional auditors’ fees for the National Audit Office (NAO). This is also known as non-cash.

#### 3. *Total Resource DEL*

This is the sum of Direct and Indirect Resource DEL.

#### 4. *Annually Managed Expenditure (AME)*

Annually Managed Expenditure (AME) includes Programmes that are demand-led, such as War Pensions (RfR3) and exceptionally volatile items that cannot be controlled by the Department. AME also includes Programmes that are so large that the Department could not be expected to absorb the effects of volatility within them, such as cash release of nuclear provisions.

5. *Non-Budget*

Items of expenditure which are included in the Estimate, but are outside of DEL and AME eg Grants in Aid, Royal Hospital Chelsea. This is a Parliamentary control but not a Treasury control.

6. *Total Net Resources*

This is the net of items 1 to 5.

7. *Capital Departmental Expenditure Limit (CDEL)*

This is for new investment, including Capital additions, disposals, and the capital repayment of loans.

8. *Capital AME*

Includes the capital element of the loan repayments for self-financing public corporations, such as QinetiQ.

9. *Total Net Capital*

This is the sum of the above capital items.

10. *Total Near Cash*

This is the total accrued expenditure spend and is the sum of Direct RDEL and Capital DEL.

11. *Request for Resources 1*

Provision of Defence Capability, provides for expenditure primarily to meet the Ministry of Defence's operational support and logistics services costs and the costs of providing the equipment capability required by defence policy.

12. *Request for Resources 2*

Request for Resources 2 provides primarily for the additional costs of peace keeping and operations. These are the net additional costs incurred: the costs that the Department would have incurred regardless of the operation taking place, such as wages and salaries are recorded against RfR1.

13. *Request for Resources 3*

War Pensions and Allowances, etc provides primarily for the payments of pensions and allowances for disablement or death arising out of war or service in the Armed Forces after 2 September 1939, and associated non-cash items.

14. *Single Use Military Equipment (SUME)*

Single use military equipment is equipment that only has a single fighting application eg a tank, rather than dual use eg aircraft that could be used for transport purposes. Fighting equipment includes guided weapons, missiles and bombs, and associated costs (eg capital spares, assets in the course of construction and intangible development costs).

B: LIST OF ABBREVIATIONS USED IN THE ESTIMATE

AME	Annually Managed Expenditure
DE	Defence Estates
DE and S	Defence Equipment and Support
DUP	Departmental Unallocated Provision
EYF	End Year Flexibility
FCO	Foreign and Commonwealth Office
FDSCi	Future Defence Supply Chain initiative
MoD	Ministry of Defence
NAO	National Audit Office

RfR	Request for Resources
SBSO	Single Balance Sheet Owner
SSE	Spring Supplementary Estimates
SUME	Single Use Military Equipment
UK	United Kingdom
WSE	Winter Supplementary Estimates

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### Further memorandum from the Ministry of Defence

#### WINTER SUPPLEMENTARY ESTIMATES 2007-08 AND ESTIMATES MEMORANDUM—MOD RESPONSE TO HCDC QUESTIONS

Set out below are the Department's responses to questions raised by the Select Committee arising from the Winter Supplementary Estimate and the Department's Estimates Memorandum.

*How do the changes in provision sought in the Estimate affect MoD's performance against the PSA targets?*

Response:

The changes in provision sought are not linked to our overall achievement of the Department's PSA targets but rather to enable delivery across the range of outputs in accordance with our plans. Any reduction in RfR2 allocations would undermine our ability to prosecute operations in Iraq and Afghanistan (PSA1).

*Why have the infrastructure costs, equipment support costs and capital additions for Iraq increased this year? Please give examples of projects funded.*

Response:

The centralisation of MoD's operating base in Iraq to Basra Airport has required substantial building/infrastructure work resulting in higher costs. The increase in both Equipment Support and Capital Additions is the result of higher levels of Urgent Operational Requirements, mainly to meet force protection requirements. This includes measures to provide greater protection for the Warrior AFV and the procurement of Protected Patrol Vehicles to replace vehicles such as the SNATCH Land Rover.

*Why do the military personnel costs for Iraq continue to exceed those for Afghanistan?*

Response:

At the beginning of the current year Iraq had appreciably higher manpower levels than Afghanistan. However, by mid year these had reduced to a point where both had similar levels. The result is a higher annual forecast cost for Iraq. As manpower levels and associated costs in Iraq decrease it is expected that they will reduce below Afghanistan levels.

*What are the anticipated costs of operations in the Balkans?*

Response:

The forecast, and funding, for operations in the Balkans comes from the peace keeping element of the Global Pools. Full, and robust, forecast figures for Global Pool activities are not available until the Spring Supplementary Estimates. Early indications are that the Balkans costs will be in the region of £20M, but this is not a definitive figure at this time because the tempo of operations may change later in the year.

23 November 2007