



House of Commons
Defence Committee

**Ministry of Defence Main
Estimates 2007–08:
Government Response to
the Committee's Twelfth
Report of Session 2006–07**

**Fifteenth Special Report of Session
2006–07**

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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

Rt Hon James Arbuthnot MP (*Conservative, North East Hampshire*) (Chairman)
Mr David S Borrow MP (*Labour, South Ribble*)
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The following Members were also Members of the Committee during the Parliament.

Mr Colin Breed MP (*Liberal Democrat, South East Cornwall*)
Derek Conway MP (*Conservative, Old Bexley and Sidcup*)
Mr Mark Lancaster MP (*Conservative, North East Milton Keynes*)
Mr Desmond Swayne MP (*Conservative, New Forest West*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publications

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

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), Sheryl Dinsdale (Secretary) and Stewart McIlvenna (Senior Office Clerk).

Contacts

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Report

The Defence Committee published its Twelfth Report of Session 2006–07 on the Ministry of Defence Main Estimates 2007–08 on 9 July 2007, as House of Commons Paper HC 835. The Government's response to this report was received on 20 September 2007. This is appended below.

Appendix: Government Response

1. The Government welcomes the Committee's report on the Ministry of Defence Main Estimates 2007–08 published on 9 July 2007. The Estimates sought Parliamentary approval for the MoD's core budget for 2007–08. The Estimates did not include the costs of operations, which the Department will seek later in the year, in the Winter Supplementary Estimates as before. The Government's response to the conclusions and recommendations contained in the Committee's report is set out below.

We commend the MoD for improving the format of its Estimates memoranda, and for engaging positively with the Committee over its presentation of financial information. Its response to our additional questions is helpful and thorough. (Paragraph 4)

2. We welcome the Committee's support for the Main Estimates. We also welcome its recognition that we have included substantially more information in the Estimates Memoranda in response to the Committee's previous recommendations.

We welcome the MoD's intention to provide greater clarity in the Estimates. The headings used should be readily understandable, and it should be clear where the costs of military operations—which cannot fairly be described as conflict prevention—are accounted for. (Paragraph 10)

3. We will continue to make improvements to our presentation of data as requested by the Committee.

In 2006–07, the MoD brought forward the presentation of estimates on the costs of operations in Iraq and Afghanistan to the Winter Supplementary Estimates, rather than waiting for the Spring Supplementary Estimates as in the past. We trust that this will continue. (Paragraph 16)

4. As for 2006–07, we intend to make a request for resources for the cost of operations in Iraq and Afghanistan in the Winter Supplementary Estimates.

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. We expect a considered response to this recommendation in the Government's response to this report. (Paragraph 18)

Because the Main Estimates contain no provision for operations in Iraq and Afghanistan, they greatly underestimate the total expected cost of the MoD's conflict prevention activities. (Paragraph 19)

5. 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 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.

It is disappointing that the Government has not accepted our recommendation that provision for operations in the Balkans be set out in the MoD's Main Estimate, instead of in the FCO's Estimate. We note that the Government current estimate of the cost of operations in the Balkans in 2007–08 is £22.5 million. (Paragraph 20)

6. We note that the Committee believes provision for the operations in the Balkans should be included in the MoD's Main Estimates. As previously stated we will continue to 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.

We recommend that the House of Commons approve the MoD's Main Estimate, and have identified no issues which require a debate before it does so. But the House should be aware that, because of the omission of the costs of military operations in Iraq and Afghanistan, the Main Estimates greatly underestimate the total expected cost of the MoD's activities in 2007–08. (Paragraph 21)

7. We welcome the Committee's support for the Main Estimates.