



House of Commons
Defence Committee

**Costs of operations in Iraq
and Afghanistan: Winter
Supplementary Estimate
2006–07: Government
Response to the
Committee’s Third Report of
Session 2006–07**

**Fourth 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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Willie Rennie MP (*Liberal Democrat, Dunfermline and West Fife*)
John Smith MP (*Labour, Vale of Glamorgan*)

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), Adrian Jenner (Inquiry Manager), Richard Dawson (Committee Assistant), Sheryl Dinsdale (Secretary) and Stewart McIlvenna (Senior Office Clerk).

Contacts

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Report

The Defence Committee published its Third Report of Session 2006–07 on the cost of operations in Iraq and Afghanistan: Winter Supplementary Estimate 2006–07 on 7 December 2006, as House of Commons Paper HC 129. The Government's response to this report was received on 7 February 2007. This is appended below.

Appendix: Government response

1. The Government is pleased to present its response to the House of Commons Defence Committee's report on the Department's Winter Supplementary Estimate. The Supplementary Estimate sought approval for changes in and additions to the core budget for 2006–07, primarily the costs of operations in Iraq and Afghanistan.

Military operations are by their nature unpredictable and it would be understandable if estimates made at the beginning of the financial year required revision. But the MoD will undoubtedly have made internal planning assumptions about the costs of the operations in Iraq and Afghanistan and we believe these should be shared with Parliament.

2. As the Department explained in its response to a similar recommendation in a previous Committee report (HC980), the Government does not routinely publish Departmental expenditure data in year. Parliamentary approval for the costs of operations is sought in Supplementary Estimates and actual expenditure, audited by the National Audit Office, is published in the Annual Report and Accounts.

While we commend the MoD for bringing forward the presentation of estimates on the cost of operations in Iraq and Afghanistan to the Winter Supplementary Estimates, we still consider that there ought to be provision for the cost of commenced operations in the Main Estimates. We repeat our earlier recommendation that the MoD consider this. We expect this change to be made unless a more compelling argument can be offered for not doing so.

3. In the Estimates Day debate on the Department's Spring Supplementary Estimates in March 2006, the Minister for the Armed Forces stated that it was the Department's practice to request provision in Supplementary Estimates, because costs are difficult to forecast in fast moving operational circumstances. The Supplementary Estimates are the first occasion when the Department can present a reasonably firm conclusion (Hansard 20 March 2006, col 35–75).

We repeat our earlier recommendation that provision for operations in the Balkans should in future be set out in the MoD's Main Estimate, and hope that this will be done in the Main Estimates 2007–08.

4. The Government will reconsider this in the preparation of Main Estimates for 2007/08.

It seems likely, therefore, that the actual additional costs of operations in Iraq and Afghanistan in 2006–07 will exceed the amounts requested in the Winter Supplementary Estimate.

5. The Department accepts the Committee's observation. It will be reviewing the forecast cost of operations in Iraq and Afghanistan prior to the Spring Supplementary Estimates, and will request further funding at this stage if it is required.

We commend the MoD for including considerably more detail on the cost of operations in the Annual Report and Accounts 2005–06, and recommend that it continue this practice in future.

6. The Department will continue to provide more detail on the cost of operations in future publications of the Annual Report and Accounts.

The outturn for 2005–06 was significantly less than the final voted provision: the MoD over-estimated the cost of operations by £165 million (12%)... Where there is significant variation in the cost of operations between voted provision and outturn in future, we shall expect the Annual Report and Accounts to contain some explanation of it, just as there is for significant variations against budgets in other parts of the Defence Estimate. However, we fully accept that, if the MoD agrees to publish estimates of the additional costs of commenced operations at the beginning of the financial year, as we recommend, the scope for error in those estimates might be increased. We accept that in following this approach the MoD might subsequently need to seek additional funds to correct its initial estimates, by seeking a Supplementary Estimate later in the year.

7. The Department will provide an explanation of variance between the voted provision in the Estimates and its final outturn in the 2006–07 Annual Report and Accounts.

We welcome the MoD's proposal of financial incentives to aid retention in the Royal Marines. We shall be monitoring the retention figures closely.

8. The Department has noted the Committee's observation.