



House of Commons
Defence Committee

**MoD Winter
Supplementary
Estimate 2009–10:
Government response
to the Committee's
Second Report of
Session 2009–10**

Third Special Report of Session 2009–10

*Ordered by the House of Commons
to be printed 9 March 2010*

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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Linda Gilroy MP (*Labour, Plymouth Sutton*)
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Mrs Madeleine Moon (*Labour, Bridgend*)
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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 Kevan Jones MP (*Labour, Durham North*)
Mr Mark Lancaster MP (*Conservative, North East Milton Keynes*)
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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 Mike Hennessy (Clerk), Georgina Holmes-Skelton (Second Clerk), Karen Jackson (Audit Adviser), Judy Goodall (Inquiry Manager), Richard Dawson (Senior Committee Assistant), Christine McGrane (Committee Assistant) and Miguel Boo Fraga (Committee Support Assistant).

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. Media inquiries should be addressed to Alex Paterson on 020 7219 1589.

Third Special Report

The Defence Committee published its Second Report of Session 2009–10 on *MoD Winter Supplementary Estimate 2009–10* on 10 December 2009, as House of Commons Paper HC 150. The Government's response to this Report was received on 8 February 2010. This is appended.

Government response

The Government welcomes the Committee's report on the Ministry of Defence Winter Supplementary Estimates 2009–10, published on 10 December 2009, as HC 150. The Government's response to the conclusions and recommendations, which were contained in the Committee's Report, is set out below.

1. (Recommendation 1) We are grateful to the MoD for developing with us a new timetable for forecasts and formal approval of monies for operations over the course of this Parliament. (Paragraph 3)

The MoD is committed to providing Parliament with the latest forecast of the cost of operations at the earliest opportunity.

2. (Recommendation 2) We hope that the House's scrutiny of the Supplementary Estimates will be taken up in the new Parliament: increasing the capacity of select committees to conduct more detailed financial scrutiny in a more reasonable time table must be a key component of reviving the role of Parliament. (Paragraph 5)

After discussions between relevant Commons committees and the Government, changes to House of Commons Standing Orders in 2004 increased the period between presentation of Supplementary Estimates and the related vote from 8 to 14 days. Given the various constraints on timing at all stages of the Estimates process, the Government's position is that it is very difficult to extend this further.

In the slightly longer term, the Clear Line of Sight project—which aims to simplify and better align public spending controls, is led by the Treasury, and on which the Liaison Committee published a favourable report in July 2009—will require changes to the Supply Estimate process. The Liaison Committee report itself recommended changes to the number of Estimates Days and other issues related to financial scrutiny. The Government's response, whilst noting that some issues were for the House itself, made it clear that it was willing to consider appropriate changes.

3. (Recommendation 3) Although we understand that HM Treasury cannot write a blank cheque for the MoD even in the current circumstances that obtain in Afghanistan, we would like further information from the MoD as to the circumstances in which the change of practice relating to the costs of Urgent Operational Requirements might impact on the MoD's core budget in future. (Paragraph 13)

The MoD recognises the very substantial spend on UORs from the Reserve. However, it may be appropriate to fund operational equipment partly or wholly by Defence for a number of reasons including:

- “Bring forwards”—where there are existing funded programmes in the MoD's future equipment plan these may be brought forward for urgent operational reasons. These capabilities will have widespread operational benefit in the long term. If Reserve funding is used to accelerate delivery, it may be subject to repayment.

- Equipment known to have longer term benefit—on occasions when an urgent capability is theatre specific but will also bring long-term benefit to the MoD—the Treasury may fund part of the requirement, in recognition of the urgency to bring the capability into operations, with MoD also contributing to the cost.
- Part UOR—requirements that partially meet the UOR criteria may be partially met by Treasury funding, with MoD also providing a contribution.

This does not change the position that Urgent Operational Requirements are funded in-year from the Reserve but it does give MoD time to undertake the necessary planning action.

Military operations drive the scale of the estimate rather than the availability of funds. However, it is right that we should work with the Treasury to plan the Government's spending commitments by estimating our requirements as accurately as possible, especially so in the current financial climate. Consequently we are currently working with the Treasury on an estimate for financial year 2010–11 that will be just that—an estimate—not a limit to in-year Reserve funding for Urgent Operational Requirements.

4. (Recommendation 4) In its response to this Report, the MoD should confirm that the MoD is contributing to the Protected Mobility Package now because the assets obtained or improved under this process are more likely than other UORs to have a potential use in theatres other than Afghanistan. (Paragraph 16)

The Protected Mobility Package is a prime example of a UOR that will have long term utility for Defence. We expect to benefit from the vehicles procured as part of the package in the future beyond their initial role in Afghanistan as part of the core-equipment fleet and in future operations. Consequently MoD is contributing to the cost.

5. (Recommendation 5) In its response to this Report the MoD should set out to what extent and under what conditions the HM Treasury contribution to the Protected Mobility Package might change should its cost rise significantly, leaving the MoD otherwise to bear a greater proportion of the costs than previously anticipated. (Paragraph 16)

The Protected Mobility Package is worth £600-700 million of which the HMT contribution is limited to £500 million. We have agreed to meet all additional costs in recognition of the wider long-term utility of these vehicles. This arrangement also acts as an incentive for MoD to drive down the cost of urgent equipment procurement and ensure rapid delivery within budget.

6. (Recommendation 6) While there will always be need for reprioritisation and redistribution of funds between programmes, it seems unwise to cut the research budget, especially in such an area as C4ISTAR which is so very crucial not only to the MoD's future capability but also to the success of current operations. We call on the MoD to provide enough information for us to understand the reasons for the strategic reprioritisation of research, the exact state of funding for its research programmes, and the extent of any cuts to those programmes. (Paragraph 22)

There have been major changes to the global availability of high quality science and technology. MoD is adapting to this broader availability and has developed an approach to better access and exploit sources of innovation—increasingly from small businesses and academia. While the Department must balance resources to best effect across Defence, it continues to recognise the importance of long-term Research & Development and its impact on capability. This is clearly demonstrated in the support of Science & Technology to current operations.

The current planning assumption is that the Science, Innovation, and Technology budget will be approximately £439 million in 2010–11 and there are currently no plans to reduce this at this stage. The Department’s Research & Development spend is currently around £2 billion a year, of which the overwhelming proportion is unaffected. Any reduction in funding is carefully considered by the Defence Research & Development Board, with priority given to projects that will enable the Department to maintain overall military capability. The scope of future research programmes in C4ISTAR has reduced compared to previous plans, as a consequence of the recent reduction in research expenditure.

7. (Recommendation 7) We recommend that the House of Commons approve the request for resources set out in the MoD’s Winter Supplementary Estimates. The sums requested serve to maintain the capability of the MoD to sustain operations in theatre and to meet other future challenges. (Paragraph 23)

We welcome the Committee’s continued support.

