



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**





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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*

*Ordered by The House of Commons  
to be printed 27 November 2007*

## 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*)  
Mr David Crausby MP (*Labour, Bolton North East*)  
Linda Gilroy MP (*Labour, Plymouth Sutton*)  
Mr David Hamilton MP (*Labour, Midlothian*)  
Mr Mike Hancock MP (*Liberal Democrat, Portsmouth South*)  
Mr Dai Havard MP (*Labour, Merthyr Tydfil and Rhymney*)  
Mr Adam Holloway MP (*Conservative, Gravesham*)  
Mr Bernard Jenkin MP (*Conservative, North Essex*)  
Mr Brian Jenkins MP (*Labour, Tamworth*)  
Mr Kevan Jones MP (*Labour, Durham North*)  
Robert Key MP (*Conservative, Salisbury*)  
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](http://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](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

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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.

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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> )
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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> )
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**Session 2006–07**

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Fourth Report	The Future of the UK's Strategic Nuclear Deterrent: the Manufacturing and Skills Base	HC 59 ( <i>HC 304</i> )
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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> )
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