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How the UOR Process Functioned During the Campaign in Iraq

During the course of operations in Iraq from 2003 to 2010, over £1.8Bn was approved from the Treasury Reserve for Urgent Operational Requirements, money which was used to procure, modify or speed up the procurement of an enormous range of equipment. The process provided a streamlined and flexible framework which ensured that the correct equipment was delivered rapidly to troops in Theatre.

The fundamental elements of the UOR process remained broadly the same throughout operations in Iraq. It was the responsibility of staff in Theatre and (in the build up to the operation) staff in the single service front line commands to identify a capability gap which could not be met from within existing equipment holdings. They would then raise an Urgent Statement of User Requirement (USUR) which was submitted to the Permanent Joint Headquarters (PJHQ) to be authorised. Science Advisors deployed in Iraq ensured that emerging threats were identified quickly and assessed accurately and provided technical expertise as capability gaps and requirements were developed.

Staff in PJHQ could (and did) raise USURs themselves if they became of aware capability gaps. This activity was informed by expert assessments of the threats UK forces faced (and were likely to face) in Theatre provided by the Defence Intelligence Staff, as well as assessments from and the Defence Science and Technology Laboratory on the protection levels and performance characteristics of existing equipment.

The USURs were then passed to the Ministry of Defence Head Office to be scrutinised by staff in the Directorate for Capability Resources and Scrutiny (DCRS) and, if the requirement was assessed to be valid, it was allocated a unique UOR number, which enabled the formal commencement of rapid procurement action.

In parallel with this, staff in the relevant capability branch working for the Deputy Chief of the Defence Staff for Equipment Capability (DCDS(EC)) would, in conjunction with the staff in the Defence Procurement Agency (subsequently the Defence Equipment and Support organisation (DE&S)), would start to develop a business case. It was the responsibility of the capability branch to refine the requirement set for the equipment, define the range of options available to the Department (such as procuring new equipment, modifying existing or accelerating an existing project), select a preferred option and to make the appropriate trades between equipment performance, cost and time. It was the responsibility of staff in the DPA to develop a deliverable procurement strategy and to negotiate with industry.

Once it was complete the business case was submitted to DCRS who would scrutinise the business case to assess whether it constituted a legitimate call on the Treasury Reserve. The criteria used to assess this evolved over the course of operations in Iraq, but broadly speaking the requirement had to be:

- unforeseen,
- specific to the theatre of operations (eg as a result of specific climatic conditions)
- and the solution had to deliver within 12-18 months (once TELIC was an enduring operation).

Page 8 of the NAO Report on the Rapid Procurement of Capability to Support Operations dated 2004 sets out the criteria used during the war fighting phase to assess which operational requirements qualified for Treasury funding. A formal record of the criteria

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used by MOD and HMT after this point can be found in the MOD's CSR07 settlement letter (which has been previously provided to the Inquiry).

During the run up to operations in Iraq DCRS approved all UORs on behalf of HMT to ensure that the procurement activity could proceed as rapidly as possible. Staff in DCRS would then retrospectively submit a list of the UORs approved to Treasury officials every week to provide them with visibility of what was going on.

Subsequently, DCRS retained a delegation to authorise Reserve funding for UORs under £10M, but any business case over this threshold required formal Treasury approval. Throughout the conflict, the Treasury was the ultimate arbiter on whether a requirement met the criteria for the scheme and therefore qualified as a UOR and received funding from the Treasury Reserve. Any business case under £10M which MOD staff judged to be either novel (such as new technologies) or contentious (in relation to the UOR criteria) were routinely brought to HMT officials' attention.

Business cases could be either entirely or partially funded by Defence, where both Departments agreed that the requirement did not fully meet the criteria for the UOR scheme. Sometimes Defence contributed through the mechanism of a 'bring forward' in which HMT would fund the capability upfront with Defence repaying HMT at a subsequent date (usually two years later). This arrangement existed right at the start of operations and examples of business cases funded in this way can be found in the 2004 NAO Report on The Rapid Procurement of Capability to Support Operations.

Once the business case was approved, staff in the Defence Procurement Agency were responsible for procuring the equipment, while DCDS(EC)'s staff retained oversight of the other lines of development necessary to bring the equipment into service, such as training (which was delivered by the relevant single service front line command) and logistics (which was the responsibility of the Defence Logistics Organisation). With the formation of the DE&S in 2007, the responsibility for procurement and support of UORs coalesced in one organisation.

A formal review of the UORs' effectiveness was routinely carried out during the equipment's first year in service with the aim of deciding whether to take the equipment into the core MOD equipment programme once the operation was complete.

How the UOR Process Evolved During the Campaign in Iraq

The evolution of UOR process during operations in Iraq can be usefully grouped into three phases: the pre-war period (July 2002 – March 2003), the period between March 2003 and March 2007 in which UORs were controlled on the basis of overall approval levels, and the period from March 2007 onwards where an annual UOR estimate was agreed between MOD and HMT. Throughout these three periods no UOR was rejected by HMT, although MOD and HMT officials did assess the scope of each requirement on an individual basis.

The Pre-war Period

HMT first authorised MOD access to the Treasury Reserve for Operation TELIC on 9 December 2002. An initial allocation £150M was agreed between the two Departments which covered all net additional costs (including equipment procurement and modification). This was increased to £350M in total on 23 December 2002 (Chancellor to Hoon dated 09

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December 2002; CST to Hoon dated 23 December 2002). On 17 March, HMT agreed an additional £60M for 'in-Theatre' UORs.

During this period, HMT de facto delegated approval authority on UORs to DCRS in MOD to ensure that no unnecessary delay was built into the delivery of the equipment to troops in Theatre. Weekly updates of approved UORs were provided to Treasury officials to provide HMT with reassurance that the allocated money was being spent appropriately.

In January 2003 the Under Secretary for Defence Procurement (Lord Bach) was given responsibility for the UOR process and received weekly written updates on UOR progress and held regular meetings to work through key blockages and issues. The Chiefs of Staff also maintained close oversight of the UOR process, and received regular updates at OPCOS on key capability gaps through the Command Chain, as well as in supporting notes and briefing.

The majority of UORs in this period were either modifications to existing equipment so that it could function more effectively in Iraqi conditions or the speeding up of pre-existing procurement programmes so that equipment would deliver in time for the start of the conflict (documents such as Annex B "Key UOR Delivery Matrix" to DCDS(EC)/6/2 dated 21 March 2003 provide a comprehensive list of UORs, the 2004 NAO Report on 'The Rapid Procurement of Capability to Support Operations provides analysis on pg13/14/15).

March 2003 – 2007

UOR activity continued after the end of the war fighting phase, albeit at a reduced level initially. Over this period, UOR activity was monitored by HMT using an approvals based system, in which the Chief Secretary approved incremental increases to the overall UOR envelope as demand necessitated it. The two Departments worked closely together to ensure that this regime did not result in delays to the delivery of capability.

Individual business cases under £10M continued to be scrutinised and approved by MOD officials. However all business cases over £10M during this period were discussed with HMT officials and had to be approved by them. This was usually done through regular weekly meetings, depending on the urgency of the case.

Three important organisational changes were made during this period which affected the UOR process. The first was the formation of the Directorate of Joint Capability in the MOD head office in January 2004. From this point onwards, military staff in the Directorate of Joint Capability scrutinised UOR requirements alongside staff in DCRS. The second was the formation of the Equipment Capability cell in Theatre in February 2005 which was designed to provide a focus for equipment issues within the Divisional Headquarters so that new equipment requirements were identified early and correctly and arriving UOR equipment was deployed effectively. The third was the creation of a military post within the Defence Diplomacy and Intelligence team in the Treasury in April 2005. The post holder was responsible for the day-to-day management of the UOR approvals process for HMT, and was expected to provide an expert view, ensuring the process functioned as smoothly (and rapidly) as possible.

This period saw the peak of UOR procurement for operations in Iraq. UORs became more complex and there was a shift towards the procurement of new platforms (such as MASTIFF 1) or the introduction of new capabilities for existing platforms (such as the fitting of new defensive aid systems to the MOD's battlefield helicopter fleet).

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March 2007 – end of hostilities

As part of the MOD's Comprehensive Spending Review 07 settlement, MOD and HMT agreed to introduce a new control framework for UOR expenditure in which MOD and HMT would agree an annual estimate of UOR expenditure for both Iraq and Afghanistan for the following financial year. The 2008/09 estimate was eventually set at £850M, of which around £120M was expected to be UOR expenditure for equipment for Iraq. MOD and HMT agreed that any overspend against the £850M estimate would be met in full in year by the Treasury Reserve, with MOD paying back half of the overspend in two years' time. In the event this estimate was not exceeded and no payback was required. For FY09/10 the estimate was set at £635M, with any overspend being paid back by MOD in full to HMT in two years' time. This estimate was subsequently raised in year to £736M and then to £950M following negotiations between the two Departments. Again, no payback was required.

This period saw a continuing effort to improve the tracking of UOR financial data and delivery information. Lessons from the extremely rapid introduction of Mastiff 1 into Theatre, particularly around spares, were also fed back into the process and were used to inform new UOR business cases for Afghanistan.

Overall UOR activity for Iraq declined rapidly during this period, with new UORs being predominantly linked to the indirect fire threat to the Combined Operating Base in Basrah or naval activity in the North Arabian Gulf.

When were the rules governing UOR procurement changed to allow the purchase of a training margin; were any representations made to HM Treasury between the start of operations in Iraq in 2003 and the end of 2006 for training margins to be part of the Urgent Operational Requirement process?

Our search of the available records indicates that no formal representations were made to HM Treasury seeking a change to the UOR rules to allow the purchase of training of margins, either in 2006 or prior to that point.

Where it was judged appropriate, training margins were procured through the UOR process from the early days of operations in Iraq. For example, the Treasury Reserve funded a night enhancement package for an element of the MOD's Chinook helicopter fleet, which included sufficient platforms to allow pilots to train on helicopters in the UK.

During this period, the vast majority of Land related UORs were modifications to existing platforms procured through the Equipment Programme, typified by projects to fit sand filters to Challenger tanks and to up armour Snatch Land Rovers and Warrior in response to the evolving threat in Theatre. Training prior to deployment was carried out using the extensive existing fleets of similar (although unmodified) equipment and the training risk carried was judged at the time to be tolerable

Training margins were discussed with HMT officials as new business cases were submitted. The first formal record we have uncovered (which has been previously provided to the Inquiry) of a representation to HM Treasury to fund a training fleet from the Reserve for a Land platform, is the business case for the first buy of Mastiff (ref: EC-GM/8/3/1907 dated 20 July 2006). Mastiff was the first significant new protected vehicle fleet procured

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through the UOR process for the Army and as a result it was clear that the nucleus of a training fleet would be needed since there was no wider pool of vehicles to draw on. HM Treasury accepted these arguments and funded the training fleet of 18 vehicles requested.

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