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MINISTRY OF DEFENCE  
Northumberland House  
Telephone (Direct Dialling)  
(Exchange)  
(Fax)  
David Williams  
Director Capabilities Resources and Scrutiny

031002  
25726  
✓

AMAINCDS  
CCOF  
Action Required

Copy to:

B/F: F 612 2m

EXCL No.  
24/3/11

3/10

Our Reference: D/DCRS/13/1

**STRICTLY PERSONAL**

DDI Team  
HM Treasury  
1 Horse Guards Road  
London SW1

2 October 2002

**UOR CRITERIA**

I attach a set of criteria for agreeing that Urgent Operational Requirements linked to possible operations against Iraq might be funded from the Reserve (initially against the £150M ceiling agreed between the Chancellor and the Secretary of State for Defence). These are based on similar criteria adopted for the 'war against international terrorism' last year, and reflect our conversations over the past few days. I should be grateful to know that you are content with these criteria.

We also need to agree a form of words for inclusion in UOR business cases to cover the question of funding. Again, based on experience from Op Veritas and our recent discussions, I propose the following:

*The Treasury has agreed that, in principle, the costs of UORs demonstrably needed for the campaign against Iraq will be reimbursed from the Reserve. Where UOR action allows savings to be realised elsewhere in the defence*

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*programme, these should be identified and netted off against the cost of the UOR. Compensating savings do not, however, need to be identified for the net additional costs of the UOR".*

Are you content with that?

Finally, as we also discussed, until such time as the normal DGFM/CFC financial reporting mechanisms are established (which will allow us to attribute non-UOR additional costs incurred to potential operations against Iraq), we may need, as an interim measure, to score some pressing non-UOR expenditure against the initial £150M ceiling. Such expenditure would be approved in the normal way (i.e. subject to scrutiny and approval by SFOs in the relevant TLB) and would additionally need to be agreed by either Carole Tolley, D RP Centre, or myself as meriting inclusion against the £150M initially available from the Reserve. Any such costs would be included for the time being in the DCRS running tally that we will send you, but would be separately identified. Once the CFC reporting mechanisms are in place, I would then propose to remove these costs from our tally against the £150M and let them be reported in the usual way.

[Signed]

DAVID WILLIAMS

Internal copies to:

MA/VCDS  
MA/DCDS(C)  
MA/DCDS(EC)  
ACDS(RP)  
DG RP  
DGE  
DGFM  
D RP Centre  
DD Def RP  
DEP AD CS  
Sec(O)1

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### UOR Criteria

1. The following rules and criteria need to be observed if Iraq-related UORs are to qualify for funding from the Reserve:

In terms of the **process** for handling UORs and ensuring adequate Treasury engagement...

- a. The Treasury should have full visibility of all Iraq-related UOR proposals, in sufficient time to raise any questions they might have. Specifically, Treasury officials will be copied business cases, as they are being staffed, for individual UORs involving acquisition costs of £5M or over (and may request sight, on an individual case by case basis, of the supporting documentation for UORs below this threshold). A consolidated list covering the full range of approved UORs and their costs will be forwarded to the Treasury by DCRS, initially on a weekly basis.
- b. All UOR procurements should be subject to rigorous scrutiny by MOD to ensure maximum VFM. Normal procurement procedures, eg competitive tendering, should be followed wherever possible. The responsibility for VFM would in all cases remain with MOD Accounting Officers.
- c. The Treasury will have sight of MOD's internal UOR approvals guidance.
- d. Treasury officials will be apprised of major developments in the concept of operations and associated planning works (including duration and possible follow-on commitments) subject to usual considerations relating to operational security.
- e. The Treasury would retain the right to require approval to be sought at Ministerial level in any case where considered necessary; but would expect to exercise this right only in exceptional cases.

...and in terms of the **coverage and content of the UORs** themselves:

- f. Any procurement listed as a UOR must be required either to enable or conduct potential operations against Iraq (in accordance with developing Government intent and as required in campaign plans), and must be available within a suitable timeframe to meet that operational need.
- g. Each UOR business case should include a brief statement of the military need; a firm cost estimate (including a breakdown by RDEL/CDEL and by financial year); and a note of whether the equipment or service in question was already in the forward Equipment Plan/Short Term Plan – and if so, when its acquisition was originally planned to take place.