

## Proposed Change of Scope or Cessation of the “Defence Inflation Estimates” National Statistic

### SUMMARY

The Ministry of Defence (MOD) currently publishes the Defence Inflation Estimates on an annual basis. We are now seeking external users’ views on a series of options for reducing the scope of the publication or ceasing it completely.

### BACKGROUND

The Defence inflation statistic measures the average change in pay and prices of goods and services that make up the Defence budget, with quality and quantity held constant. Following the latest release in January 2017, the publication presents estimates of UK Defence inflation for the financial years 2005/06 to 2015/16.

The publication covers three main components of Defence expenditure – Defence contracts, labour costs and cash offices – and an overall Defence inflation measure that is a weighted average of all three.

The main motivation for the development of a measure of Defence inflation was to inform parliamentary and national debate on Defence expenditure.

### REASONS FOR THE PROPOSED CHANGE

Defence Economics are proposing to either reduce the scope or cease this National Statistic for the following reasons:

- a. At the time the metric was created (September 2010), the statistics were produced to assist the Department in planning for budget and Spending Round negotiations with HM Treasury, dealing with parliamentary interest in the Department’s expenditure and allocating budgets. Following consultation with the key stakeholders in Finance and Commercial areas, limited evidence was presented of the publication being used for its stated aims.
- b. Interest in this annual publication has diminished; this is evidenced by the number of web hits on the publication falling from 1,615 in 2014/15 to 981 in 2015/16. The numbers of Freedom of Information (FOI) requests, Parliamentary Questions (PQs) and internal MOD requests for information on data relating to Defence inflation is low; no PQ or FOI requests have been received on this topic in the last two years

External users are invited to provide feedback on the following option:

- a. *Option 1 – Do nothing*  
Continue with the annual publication in its current format and make no alterations to the content.
- b. *Option 2 – Remove Cash Offices<sup>1</sup> section and simplify the contracts analysis*  
Cash Office expenditure accounts for less than 2% of the total Defence expenditure and therefore has very little impact on the overall Defence inflation

---

<sup>1</sup> Cash offices operate in British embassies and MOD bases around the World and are responsible for maintaining imprest accounts and making payments to personnel which cannot be made by other means.

measure. Contracts analysis could be simplified by dropping the analysis of low value and high value miscellaneous contracts. This is the most complex and time consuming part of the contracts process, but the least used. We will still be able to produce a reasonable estimate of inflation in defence contracts using fixed price and high value firm price contracts.

*c. Option 3 – Cease publishing the Defence Inflation Estimates*

If it's deemed that the report is of limited use to internal stakeholders, and subject to the outcome of an external consultation, we will stop publishing the statistic.

## **TIMINGS**

This consultation will run for **four weeks**, 13 June 2017 to 11 July 2017. This consultation complies with the Government's Code of Practice on Consultations.

Once feedback has been received from external users, a final decision will be made about whether to continue, reduce or cease the publication.

## **RESPONDING TO THE CONSULTATION**

Considering the reasons for the proposed changes, we now invite the feedback of our external data users and are keen to know what impact the reduction or cessation of this publication will have on you.

Ways to respond

If you have any comments on the proposed changes please send:

By email to: DefStrat-Stat-ESES-PQFOI@mod.gov.uk

By post to:

Defence Economics (Price Indices)  
Ministry of Defence  
Oak 0 West, #6028  
Abbey Wood North  
Bristol  
BS34 8JH

When sending your comments please include contact details (your name and either e mail address, postal address or telephone number) so that we can follow up if clarification is needed.