

EXTERNAL CONSULTATION ON THE PROPOSED CHANGE OF SCOPE OR CESSATION OF THE “DEFENCE INFLATION ESTIMATES” NATIONAL STATISTIC

Introduction

On 13th June 2017, the Ministry of Defence (MOD) opened a public consultation with users about proposals for changing the scope or ceasing publication of the ‘Defence Inflation Estimates’ National Statistic. Primarily, the consultation sought users’ views on how the publication was being used and whether proposals to reduce the scope or ceasing the publication had any impact on users’ needs.

Consultation Outcome

Eleven responses were received from users during the consultation period, which ended on 11th July 2017.

All eleven responders objected to the proposed cessation of the report, with six responders favouring the publication remaining in its current format and five supporting a reduction in the scope. Specific detail from the majority of responders about how the report was being used and what the impact would be if the report was ceased was lacking. MOD followed up with seven responders to acquire further information about how the report was specifically being used and only one provided more detail.

Taking into account the feedback received, the decision has been taken to cease external publication of the report. The following issues were raised in the consultation responses and are accompanied by a response from the MOD.

1. The publication helps to inform the public debate on Defence inflation

Public interest in the annual report 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 and Parliamentary Questions (PQs) for information on data relating to Defence inflation has also decreased; no PQ or FOI requests have been received on this topic in the last two years. This has been interpreted as there being limited interest in the information published by the MOD for informing the public debate.

2. The publication is a valuable resource for the cost forecasting community

There was concern about the number of responders who stated the publication was being used for cost forecasting/estimating. The estimates produced by MOD are most suited to be used for reviewing historic trends and making general comparisons with other measures of inflation but aren’t appropriate to be used as the basis for forecasts without further information. Incorrect use of the statistics was a key driver in the MOD’s decision to cease external publication.

3. The publication is critically important for Defence industry planning for clients in both MOD and defence contractors

In its current guise, it’s unclear how the publication can be used for Defence industry planning as the estimates provided are at a fairly high level. Further detail was sought from responders about specifically what information they use and how it informs industry planning but no further details were forthcoming.

The Defence Inflation publication was originally developed to inform the MOD in planning for budget and Spending Round negotiations with HM Treasury, dealing with parliamentary interest in the MOD’s expenditure and allocating budgets. Following consultation with internal stakeholders, it was apparent that the Defence Inflation publication was just one of many sources of evidence being used by the MOD in

planning decisions and was not a crucial component. Unconstrained by requirements that must be met in order to publish a National Statistic, the team responsible for producing the publication will now be able to channel more resource into providing the MOD with the specific inflation analysis they require to better inform planning decisions.

4. The publication helps to assess the magnitude of real resources allocated to Defence spending.

The MOD will continue to undertake internal analysis of the historical level of defence inflation to ensure the Department have a comprehensive understanding of the rate and drivers of inflation in the Defence sector. This will provide the Department with the information they require to inform budgetary negotiations with the Treasury about real resources being allocated. Elements of this internal analysis will be available for external users through the submission of Freedom of Information requests.

The last publication was released on 26 January 2017 and there will be no further iterations of the report.