

Ministry of Defence

Introduction

1. This Supplementary Estimate is required for the following purposes:

RfR 1: Provision of defence capability

Increases:

Take up of End Year Flexibility

1. To take up end year flexibility of £28,281,000 Capital to cover capital spending delayed from 04/05 (Section J).
2. To take up end year flexibility totalling £ 71,719,000 Resource, of which £ 36,000,000 relates to the ring-fenced Defence Modernisation Fund (Section J).

Transfers in from other government departments

1. To effect Resource transfers in from the following governments as contributions to the National Meteorological Programme and Severe Weather Warning Service (Section J):

Department for Environment, Food and Rural Affairs	£ 4,745,000
Department for Transport	£ 3,808,000

2. To effect a Resource transfer in of £ 145,000 from the Department for Work and Pensions as a contribution to the Veterans Agency postage costs (Section J)

Transfers out to other government departments

1. To effect a Resource transfer out of £ 93,000 from MOD to the Department for Culture, Media and Sport as a contribution to the Leeds Armouries Museum Pattern Room staffing costs (Section L)

Neutral Changes:

Increased spending offset by income:

Appropriations in Aid

1. To recognise an increase in Appropriations in Aid of £ 45,886,000 Capital, relating to the repayment of a MOD loan from QinetiQ (Section J).

Internal Transfers:

1. To effect a transfer from CDEL to RDEL of £ 370,000,000.
(Sections A,B,C,D,E,F,G,H,I,J,K,L,M).
2. To increase the cash requirement by £ 350,000,000 with no impact on resources.

Introduction (*continued*)

Transfers within the RfR

1. To revise sub-head provisions A to M to reflect the above changes and revisions in allocations between Top Level Budget Holders to match required defence outputs

RfR 2: Conflict prevention

Increases:

Transfers in from other government departments

1. To effect a transfer in of £500,000 Resource from the Department for International Development in respect of the Global Conflict Prevention Pool for RfR2 Sub Sahara Africa Programme costs. (Section A).
2. As a result of these changes there is an increase in the net cash requirement of £ 459,105,000.
3. Symbols are explained in the Introduction to this booklet.

Part I

£

RfR 1: Provision of defence capability	450,324,000
RfR 2: Conflict prevention	500,000
Total additional net resource requirement	450,824,000
Additional net cash requirement	459,105,000

SUPPLEMENTARY amounts required in the year ending 31 March 2006 for expenditure by the Ministry of Defence on:

RfR 1: Provision of defence capability

Personnel costs of the Armed Forces and their cadet forces and personnel costs of Defence Ministers and of civilian staff employed by the Ministry of Defence; movements; charter of ships; logistic services for the Armed Forces; repair, maintenance, stores and supply services; associated capital facilities and works; contractors' redundancy cost; plant and machinery; nuclear warhead and fissile material programme; procurement, including research etc. by contract; sundry procurement services including those on repayment terms; land and buildings works grants and other payments including those abroad such as assistance to Foreign and Commonwealth Governments for defence related purposes and UK youth community projects; set-up costs and loans to, and income from, Trading Funds; and other associated non-cash items.

RfR 2: Conflict prevention

Conflict prevention, early warning, crisis management, conflict resolution/peacemaking, peacekeeping and peacebuilding activity and on associated strengthening of international and regional systems and capacity; and other associated non-cash items.

RfR 3: War Pensions and Allowances, etc.

Pensions and other payments/allowance for disablement or death arising out of war service in the Armed Forces after 2 September 1939, awards to surviving members of British groups held prisoner by the Japanese during the Second World War (Far Eastern Prisoners of War) or their surviving spouse and pensions and other payments in respect of service in the Armed Forces at other times; and other associated non-cash items

The **Ministry of Defence** will account for this Estimate.

Part II: Changes proposed

£'000

Resources	Present Net Provision	Change in Gross Provision	Change in A in A	Change in Net Provision	New Net Provision
RfR 1: Provision of defence capability					
Spending in Departmental Expenditure Limits (DEL)					
RfR 1 - A Commander-in-Chief Fleet	3,523,994	42,481	-	42,481	3,566,475
RfR 1 - B General Officer Commanding (Northern Ireland)	609,487	-54,520	-	-54,520	554,967
RfR 1 - C Commander-in-Chief Land Command	5,620,440	-26,609	-	-26,609	5,593,831
RfR 1 - D Commander-in-Chief Strike Command	3,672,124	161,610	-	161,610	3,833,734
RfR 1 - E Chief of Joint Operations	544,588	-36,221	-	-36,221	508,367
RfR 1 - F Chief of Defence Logistics	7,570,043	72,299	-	72,299	7,642,342
RfR 1 - G 2nd Sea Lord/Commander-in-Chief Naval Home Command	728,473	16,670	-	16,670	745,143
RfR 1 - H Adjutant General (Personnel and Training Command)	1,740,754	18,041	-	18,041	1,758,795
RfR 1 - I Commander-in-Chief Personnel and Training Command	911,004	19,251	-	19,251	930,255
RfR 1 - J Central	2,316,403	103,179	-	103,179	2,419,582
RfR 1 - K Defence Estates	974,410	51,034	-	51,034	1,025,444
RfR 1 - L Defence Procurement Agency	2,463,231	84,964	-	84,964	2,548,195
RfR 1 - M Corporate Science and Technology	503,943	-1,855	-	-1,855	502,088
Total RfR 1		450,324	-	450,324	
RfR 2: Conflict prevention					
Spending in Departmental Expenditure Limits (DEL)					
RfR 2 - A Programme Sub-Saharan Africa	30,020	500	-	500	30,520
Total RfR 2		500	-	500	
Total Changes to RfRs		450,824	-	450,824	

	Present Provision	Change in Provision	£000 New Provision
Capital and Cash			
Total Capital Expenditure	7,396,554	-295,833	7,100,721
Non-Operating A in A	533,298	45,886	579,184
Net cash requirement	29,153,073	459,105	29,612,178

Part II: Revised subhead detail including additional provision

Resources						Capital	£'000
1	2	3	4	5	6	7	8
Admin	Other current	Grants	Gross Total	A in A	Net Total	Capital	Non-operating A in A
RfR 1: Provision of defence capability							
-	35,067,270	217,494	35,284,764	1,336,570	33,948,194	7,100,721	579,184
Spending in Departmental Expenditure Limits (DEL)							
<i>Central Government spending</i>							
A Commander-in-Chief Fleet							
-	3,583,301	-	3,583,301	16,826	3,566,475	5,125	10
B General Officer Commanding (Northern Ireland)							
-	556,098	-	556,098	1,131	554,967	25,562	650
C Commander-in-Chief Land Command							
-	5,789,957	84	5,790,041	196,210	5,593,831	84,485	-
D Commander-in-Chief Strike Command							
-	3,861,397	-	3,861,397	27,663	3,833,734	26,746	-
E Chief of Joint Operations							
-	535,578	15	535,593	27,226	508,367	27,027	610
F Chief of Defence Logistics							
-	7,947,039	863	7,947,902	305,560	7,642,342	1,106,342	9,724
G 2nd Sea Lord/Commander-in-Chief Naval Home Command							
-	777,289	7,814	785,103	39,960	745,143	18,213	-
H Adjutant General (Personnel and Training Command)							
-	1,790,925	6,442	1,797,367	38,572	1,758,795	20,847	-
I Commander-in-Chief Personnel and Training Command							
-	1,081,191	7,726	1,088,917	158,662	930,255	25,198	114
J Central							
-	2,524,593	181,866	2,706,459	286,877	2,419,582	161,240	45,886
K Defence Estates							
-	1,256,620	-	1,256,620	231,176	1,025,444	633,734	498,892
L Defence Procurement Agency							
-	2,554,902	-	2,554,902	6,707	2,548,195	4,966,202	-
M Corporate Science and Technology							
-	499,175	2,913	502,088	-	502,088	-	-
N Loans and Grants to and repayments from the Hydrographic Office							
-	-	-	-	-	-	-	303
O Loans and Grants to and Repayments from DARA							
-	-	-	-	-	-	-	4,840
P Loans and Grants to and Repayments from ABRO							
-	-	-	-	-	-	-	2,155
Spending in Annually Managed Expenditure (AME)							
<i>Central Government spending</i>							
Q Commander-in-Chief Fleet							
-	34,154	-	34,154	-	34,154	-	-
R Chief of Defence Logistics							
-	27,577	-	27,577	-	27,577	-	-
S Chief of Joint Operations							
-	-4,000	-	-4,000	-	-4,000	-	-
T Central							
-	4,152	-	4,152	-	4,152	-	-
U Defence Procurement Agency							
-	175,381	-	175,381	-	175,381	-	-
V Loans and Grants to and Repyments from QinetiQ							
-	-	-	-	-	-	-	16,000

Part II: Revised subhead detail including additional provision

Resources						Capital	£'000
1	2	3	4	5	6	7	8
Admin	Other current	Grants	Gross Total	A in A	Net Total	Capital	Non-operating A in A
Non-budget							
W	Adjutant General (Personnel and Training Command)						
-	1,416	9,207	10,623	-	10,623	-	-
X	Commander-in-Chief Personnel and Training Command						
-	212	-	212	-	212	-	-
Y	Central						
-	17,488	564	18,052	-	18,052	-	-
Z	Chief of Defence Logistics						
-	169,038	-	169,038	-	169,038	-	-
AA	Commander-in-Chief Land Command						
-	5,267	-	5,267	-	5,267	-	-
AB	Chief of Joint Operations						
-	1,212	-	1,212	-	1,212	-	-
AC	Commander-in-Chief Fleet						
-	39,072	-	39,072	-	39,072	-	-
AD	Commander-in-Chief Strike Command						
-	612	-	612	-	612	-	-
AE	Defence Procurement Agency						
-	1,829,585	-	1,829,585	-	1,829,585	-	-
AF	General Officer Commanding (Northern Ireland)						
-	338	-	338	-	338	-	-
AG	2nd Sea Lord/Commander-in-Chief Naval Home Command						
-	297	-	297	-	297	-	-
AH	Defence Estates						
-	7,404	-	7,404	-	7,404	-	-
RfR 2: Conflict prevention							
-	45,540	-	45,540	-	45,540	-	-
Spending in Departmental Expenditure Limits (DEL)							
<i>Central Government spending</i>							
A	Programme Sub-Saharan Africa						
-	30,520	-	30,520	-	30,520	-	-
B	Programme Rest of the World						
-	15,020	-	15,020	-	15,020	-	-
RfR 3: War Pensions and Allowances, etc.							
-	-	1,068,972	1,068,972	-	1,068,972	-	-
Spending in Annually Managed Expenditure (AME)							
<i>Central Government spending</i>							
A	War Pensions Benefits Programme costs						
-	-	1,064,466	1,064,466	-	1,064,466	-	-
B	War Pensions Benefits Programme costs - Far Eastern Prisoners of War						
-	-	4,500	4,500	-	4,500	-	-
C	War Pensions Benefits Programme costs - British Limbless Ex-Servicemen's Association (BLESMA)						
-	-	6	6	-	6	-	-
Total for Estimate:							
-	35,112,810	1,286,466	36,399,276	1,336,570	35,062,706	7,100,721	579,184

Part II: Resource to cash reconciliation

	<u>Present</u>	<u>Increase (+)/ Decrease (-)</u>	<u>£'000</u> <u>Revised</u>
Net total Resources	34,611,882	450,824	35,062,706
Voted capital items			
Capital expenditure	7,396,554	-295,833	7,100,721
<i>Less: non-operating A in A</i>	<u>533,298</u>	<u>45,886</u>	<u>579,184</u>
Total net voted capital	6,863,256	-341,719	6,521,537
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	-2,634,067	350,000	-2,284,067
Depreciation	-7,556,000	-	-7,556,000
New provisions and adjustments to previous provisions	-2,754,874	-	-2,754,874
Profit/loss on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-	-	-
Increase(+)/decrease (-) in stock	101,322	-	101,322
Increase(+)/decrease (-) in debtors	3,243	-	3,243
Increase(-)/decrease (+) in creditors	-79,777	-	-79,777
Use of provisions	<u>598,088</u>	<u>-</u>	<u>598,088</u>
Total accruals to cash adjustments	-12,322,065	350,000	-11,972,065
Excess cash to be CFERd	-	-	-
Net cash requirement	29,153,073	459,105	29,612,178

Part III: Extra receipts payable to the Consolidated Fund

As in existing provision

Forecast Operating Cost Statement

	£'000
	2005-06 provision
Net Administration Costs	
RfR 1	-
RfR 2	-
RfR 3	-
Total Net Administration Costs	-
Net Programme Costs	
RfR 1	33,948,194
RfR 2	45,540
RfR 3	1,068,972
Total Net Programme costs	35,062,706
Total Net Operating Cost	35,062,706
<i>of which:</i>	
Net Resource Outturn	35,062,706
CFERs	-
Non-voted expenditure	-
Resource Budget Outturn	33,890,698

Notes to the Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000
	2005-06 Provision
Net Resource Outturn (Estimates)	35,062,706
<i>Adjustments to remove:</i>	
provision voted for earlier years	-
<i>Adjustments to additionally include:</i>	
non-voted expenditure in the OCS	-
Consolidated Fund extra receipts (CFERS) in the OCS	-
Other adjustments	-
Net Operating Costs (Accounts)	35,062,706
<i>Adjustments to remove:</i>	
capital grants to local authorities	-
capital grants financed from the Capital Modernisation Fund	-
European Union income and related adjustments	-
voted expenditure outside the budget	-2,072,505
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
resource consumption of non departmental public bodies	15,497
unallocated resource provision	885,000
Other adjustments	-
Resource Budget Outturn (Budget)	33,890,698
<i>of which:</i>	
Departmental Expenditure Limit (DEL)	32,956,550
Annually Managed Expenditure (AME)	934,148

Reconciliation of capital expenditure between Estimates and Budgets

	£'000
	2005-06 Provision
Net Voted Capital Outturn (Estimates)	6,521,537
<i>Adjustments to remove:</i>	
gains/losses from sale of capital assets	-
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
capital spending by non-departmental public bodies	744
capital grants to local authorities	-
capital grants financed by the Capital Modernisation Fund	-
local authority credit approvals	-
capital spending by levy funded bodies	-
unallocated capital provision	-
Other adjustments	-
Capital Budget Outturn (Budget)	6,522,281
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	6,538,281
Annually Managed Expenditure (AME)	-16,000

Notes to the Estimate (*continued*)

Explanation of Accounting Officer responsibilities

In accordance with the Government Resources and Accounts Act 2000 the Treasury has made the following Accounting Officer appointments for the Requests for Resources within this Estimate.

Request for Resources 1	Sir Kevin Tebbit, Principal Accounting Officer and permanent head of department
Request for Resources 2	Sir Kevin Tebbit, Principal Accounting Officer and permanent head of department
Request for Resources 3	Sir Kevin Tebbit, Principal Accounting Officer and permanent head of department

Sir Kevin Tebbit as the Principal Accounting Officer (PAO) of the Ministry of Defence has personal responsibility for the proper presentation of the Ministry of Defence's resource accounts as prescribed in legislation or by the Treasury and their transmission to the Comptroller and Auditor General. The PAO as the permanent head, in addition to the responsibilities for an assigned RfRs, remains in general overall charge of the Ministry of Defence.

The responsibilities of an Accounting Officer are set out in Annex 4.1 of Government Accounting. In essence these responsibilities include a personal responsibility for the propriety and regularity of the public finances for which they are answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all available resources. In addition, the Accounting Officer must ensure that there is a sound system of internal control to support the achievement of the Ministry of Defence's policies, aims, and objectives; and should regularly review the effectiveness of that system.

Notes to the Estimate (*continued*)

Analysis of appropriations in aid (A in A)

	£'000	
	2005-06 Provision	Non operating
	Operating	operating
	A in A	A in A
RfR 1: Provision of defence capability		
Income from supplies and services	992,953	-
Loan and rental income	257,107	-
Interest received	4,789	-
Trading fund dividend	12,053	-
Other income	69,668	-
Income from the sale of fixed assets	-	510,000
Loan repayments from trading funds	-	69,184
Total RfR 1	1,336,570 *	579,184 **
* Amount that may be applied as appropriations in aid in addition to the net total, arising from: the recovery of income from fees and income charges.		
** Amount that may be applied as non-operating appropriations in aid, arising from: the recovery of income from the sale of fixed assets, including land and buildings and repayment of loans from the Trading Funds.		
Total A in A	1,336,570	579,184
<i>of which: Administration budgets</i>	-	-

Notes to the Estimate (*continued*)

Departmental Expenditure Limits and Administration Budgets

As announced to the House of Commons, the Ministry of Defence's Departmental Expenditure Limit will change as follows:

	Change	New DEL		£'000
		Voted	Non-voted	Total
Resource	450,824	31,674,758	1,281,792	32,956,550
<i>of which :Administration Budget</i>	-	-	-	-
Capital	-341,719	6,537,537	744	6,538,281
Depreciation*	-	-7,556,000	-885,000	-8,441,000
Total	109,105	30,656,295	397,536	31,053,831

*Depreciation, which forms part of resource DEL, is excluded from total DEL since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.

Cash which may be retained to offset expenditure

£'000
1,915,754

Cash which may be retained by the department to offset expenditure in the year due to its relationship with income (operating and non-operating) that has been or will be appropriated in aid

Expenditure resting on the sole authority of the Appropriation Act

The following subheads contain provision sought under the sole authority of Part I of the Estimate and of the confirming

Subhead	Service		£'000
RfR1			
G:	Royal Navy and Royal Marine Sports Control Board	■	117
H:	Army Sports Control Board	■	404
I:	RAF Sports Control Board	■	83
J:	The Royal British Legion	■	308
J:	Skill force - Scotland/Wales	■	300
J:	The Scott Polar Institute	■	35
RfR3			
C:	Awards to surviving members of British groups held prisoner by the Japanese during the Second World War (Far Eastern prisoners of war) or their surviving spouse	■	4500