
Armed Forces retired pay, pensions etc

Introduction

1. This Estimate provides for the payment of retired pay, pensions and lump benefits to persons covered by the Armed Forces Pensions Scheme (AFPS), the rules for which are set out in the Royal Navy Orders in Council, the Army Pensions Warrant and the Queen's Regulations for the Royal Air Force. This Estimate also incorporates the two schemes: the Armed Forces Pensions Scheme (AFPS05) and the Armed Forces Compensation Scheme (AFCS). The rules governing both these schemes are set out in the Armed Forces (Pensions and Compensation) Act, 2004.
2. Provision is also made for:
 - a) expenditure and receipts on transfer payments for personnel transferring outside the Armed Forces;
 - b) income from transfer payments and purchase of added years etc, and the increases payable in accordance with the Annual Review Orders;
 - c) the Superannuation Contribution Accruing for Past Experience (SCAPE) receipts for Armed Forces Personnel. The related expenditure is borne on the main Ministry of Defence Estimate under Provision of Defence Capability (RfR1)
 - d) this Estimate also provides for the payment of Early Departure costs for Armed Forces Personnel under the AFPS 05 scheme;
 - e) this Estimate also includes the associated non-cash items such as provisions.
3. The Ministry of Defence is responsible for administering the AFPS; the related staff and other costs are borne on the Ministry of Defence Estimate, Provision of Defence Capability (RfR1).
4. Supporting information relating to expenditure contained in this Estimate is included in Government's expenditure Plans 2007-08 to 2008-09 Ministry of Defence (Cm 6822).
5. Symbols are explained in the Introduction to this booklet.

Armed Forces retired pay, pensions etc

Part I

	£
Request for Resources 1: Armed Forces retired pay, pensions etc	5,095,638,000
Total net resource requirement	5,095,638,000
Net cash requirement	1,689,057,000

Amounts required in the year ending 31 March 2008 for expenditure by the Armed Forces retired pay, pensions etc on:

RfR 1: Armed Forces retired pay, pensions etc

Payment of retired pay, pensions and lump sum benefits and associated non-cash items to persons covered by the scheme.

The **Armed Forces retired pay, pensions etc** will account for this Estimate.

	Net total	Allocated in Vote on Account	Balance to complete
RfR 1	5,095,638,000	2,064,898,000	3,030,740,000
Total net resource requirement	5,095,638,000	2,064,898,000	3,030,740,000
Net cash requirement	1,689,057,000	712,966,000	976,091,000

Part II: Subhead detail

£'000

2007-08 Provision						2006-07 Provision	2005-06 Outturn		
Resources						Capital	Non- operating	Net Total	Net Total
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	A in A	Resources	Resources
1	2	3	4	5	6	7	8	9	10
RfR 1: Armed Forces retired pay, pensions etc									
-	-	6,565,888	6,565,888	1,470,250	5,095,638	-	-	4,588,662	12,559,370
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A Retired pay, pensions and other payments to service personnel and their dependants									
-	-	6,565,888	6,565,888	1,470,250	5,095,638	-	-	4,588,662	4,359,370
Non-Budget									
<i>Retired pay, pensions and other payments to service personnel and their dependants</i>									
-	-	-	-	-	-	-	-	-	8,200,000
Total for Estimate:									
-	-	6,565,888	6,565,888	1,470,250	5,095,638	-	-	4,588,662	12,559,370

Part II: Resource to cash reconciliation

	£'000		
	2007-08 Provision	2006-07 Provision	2005-06 Outturn
Net Resource Requirement	5,095,638	4,588,662	12,559,370
Voted capital items			
Capital	-	-	-
Less Non-operating A-in-A	-	-	-
Total net voted capital	-	-	-
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	-	-	-
Depreciation	-	-	-
New provisions and adjustments to previous provisions	-6,541,865	-6,027,648	-13,896,470
Profit/loss on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-	-	-
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	90	-10,318	12,391
Increase (-) / Decrease (+) in creditors	-5,310	-12,220	148,631
Use of provisions	3,140,504	3,056,367	2,870,137
Total accruals to cash adjustments	-3,406,581	-2,993,819	-10,865,311
Excess cash to be CFERd	-	-	-
Net Cash Requirement	1,689,057	1,594,843	1,694,059

Part III: Extra receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	£'000					
	2007-08		2006-07		2005-06	
	Provision		Provision		Outturn	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income not classified as A in A	-	-	-	-	44,825	<i>44,825</i>
Non-operating income not classified as A in A	-	-	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-	-	-
Excess cash receipts to be surrendered to the Consolidated Fund	-	-	-	-	-	-
Total	-	-	-	-	44,825	<i>44,825</i>

Forecast Combined Revenue Account

	£'000		
	2007-08 Provision	2006-07 Provision	2005-06 Outturn
Net Programme Costs			
RfR 1	5,095,638	4,588,662	12,514,545
<i>of which:</i>			
Income			
Contributions received	1,466,373	1,427,281	1,405,108
Transfers in	3,619	4,613	4,717
Other income receivable	258	200	237
Total Income	1,470,250	1,432,094	1,410,062
Expenditure			
Increase in liability	2,199,692	1,779,841	9,884,440
Interest on scheme liability	4,342,173	4,247,807	3,980,063
Other expenditure	24,023	-6,892	28,137
Total Expenditure	6,565,888	6,020,756	13,892,640
Total Net Programme costs	5,095,638	4,588,662	12,514,545
Total Net Operating Cost	5,095,638	4,588,662	12,514,545
<i>of which:</i>			
Net Resource Requirement	5,095,638	4,588,662	12,559,370
Non-voted expenditure	-	-	-
Consolidated Fund Extra Receipts	-	-	-44,825
Resource Budget	5,095,638	4,588,662	4,314,545

Notes to the Main Estimate (*continued*)

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2007-08 Provision	2006-07 Provision	2005-06 Outturn
Net Resource Requirement (Estimates)	5,095,638	4,588,662	12,559,370
<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 in the OCS	-	-	-44,825
Other adjustments	-	-	-
Net Operating Cost (Accounts)	5,095,638	4,588,662	12,514,545
<i>Adjustments to remove:</i>			
Gains / losses from sale of capital assets	-	-	-
Capital grants	-	-	-
European Union income related to capital grants	-	-	-
Voted expenditure outside the budget	-	-	-8,200,000
<i>Adjustments to additionally include:</i>			
Other Consolidated Fund Extra Receipts	-	-	-
Resource consumption of non departmental public bodies	-	-	-
Unallocated resource provision	-	-	-
Other adjustments	-	-	-
Resource Budget (Budget)	5,095,638	4,588,662	4,314,545
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	-	-	-
Annually Managed Expenditure (AME)	5,095,638	4,588,662	4,314,545

Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2007-08 Provision	2006-07 Provision	2005-06 Outturn
Net Voted Capital (Estimates)	-	-	-
<i>Adjustments to additionally include:</i>			
Other Consolidated Fund Extra Receipts	-	-	-
Capital spending by non-departmental public bodies	-	-	-
Capital grants	-	-	-
European Union income related to capital grants	-	-	-
Supported capital expenditure (revenue)	-	-	-
Capital spending by levy funded bodies	-	-	-
Unallocated capital provision	-	-	-
Other adjustments	-	-	-
Capital Budget (Budget)	-	-	-
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	-	-	-
Annually Managed Expenditure (AME)	-	-	-

Notes to the Main 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 appointment for the Request for Resources within this Estimate.

Request for Resources 1: Bill Jeffrey, Permanent Head of Department

Bill Jeffrey as the Accounting Officer of the Armed Forces retired pay, pensions etc has personal responsibility for the proper presentation of the department's resource accounts as prescribed in legislation, or by the Treasury, and their transmission to the Comptroller and Auditor General. The AO as the permanent head, remains in general overall charge of the Armed Forces retired pay, pensions etc.

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 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 the available resources. In addition, the Accounting Officer must ensure that there is a sound system of internal control to support the achievement of the organisation's policies, aims and objectives and should regularly review the effectiveness of that system.

Notes to the Main Estimate (*continued*)

Analysis of operating appropriations in aid (A in A)

	£'000		
	2007-08 Provision	2006-07 Provision	2005-06 Outturn
RfR 1: Armed Forces retired pay, pensions etc			
Programme	1,470,250	1,432,094	1,365,237
<i>of which:</i>			
Pension scheme related income	1,470,250	1,432,094	1,410,062
CFERs	-	-	-44,825
Total RfR 1	1,470,250†	1,432,094	1,365,237
<i>† Amount that may be applied as operating appropriations in aid in addition to the net total arising from: accruing superannuation liability charges and pension enhancements and transfers into the Armed Forces Pension Scheme (AFPS).</i>			
Total Operating A in A	1,470,250	1,432,094	1,365,237

Notes to the Main Estimate (*continued*)

Analysis of Consolidated Fund extra receipts

	£'000					
	2007-08		2006-07		2005-06	
	Provision		Provision		Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Excess cash Δ	-	-	-	-	44,825	44,825
Total	-	-	-	-	44,825	44,825

Notes to the Main Estimate (*continued*)

Comparison of provision sought with final provision and forecast outturn for the previous year

The total net resource sought for 2007-08 of £5,095,638,000 is 11.0 per cent higher than the final net provision for 2006-07 of £4,588,662,000 and 19.0 per cent higher than the forecast outturn for 2006-07 of £4,283,739,000.

Cash which may be retained to offset expenditure

	£'000		
	2007-08 Provision	2006-07 Provision	2005-06 Outturn
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.	1,470,250	1,432,094	1,365,237

