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# Armed Forces Retired Pay, Pensions, etc.

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## Introduction

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

**RfR 1: Armed Forces retired pay, pensions, etc.**

**Increases:**

1. Revised AME forecast: to provide an additional £13,090,000 in respect of the interest on scheme liabilities due to the change in the discount rate and subsequent increase to the opening balance of the pension scheme liability. The increase resulted from a revised Government Actuarial Department (GAD) assessment. (RfR 1 - A).
  2. Revised Non-Budget forecast: to provide an additional £69,927,000 in respect of the change in the discount rate and the increase to the opening balance of the pension scheme liability. The increase resulted from a revised Government Actuarial Department (GAD) assessment. (RfR1 -B).
  3. An additional cash requirement of £ 293,698,000 resulting from higher than budgeted creditor repayments.
2. As a result of these changes there is an increase in the net cash requirement of £ 293,698,000 .
  3. Symbols are explained in the Introduction to this booklet.

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**Part I**

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<b>RfR 1: Armed Forces retired pay, pensions, etc.</b>	<b>83,017,000</b>
Total additional net resource requirement	83,017,000
<b>Additional net cash requirement</b>	<b>293,698,000</b>

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

**RfR 1: Armed Forces retired pay, pensions, etc.**

Payment of retired pay, pensions and lump sum benefits to persons covered by the scheme

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

## Part II: Changes proposed

Resources	Present Net Provision	Change in Gross Provision	Change in A in A	Change in Net Provision	£'000 New Net Provision
<b>RfR 1: Armed Forces retired pay, pensions, etc.</b>					
<b>Spending in Annually Managed Expenditure (AME)</b>					
RfR 1 - A Retired pay, pensions and other payments to service personnel and their dependants	4,445,454	13,090	-	13,090	4,458,544
<b>Non-budget</b>					
RfR 1 - B Retired pay, pensions and other payments to service personnel and their dependants	9,930,073	69,927	-	69,927	10,000,000
<b>Total RfR 1</b>		<b>83,017</b>	<b>-</b>	<b>83,017</b>	

	Present Provision	Change in Provision	£000 New Provision
<b>Capital and Cash</b>			
Total Capital Expenditure	-	-	-
Non-Operating A in A	-	-	-
<b>Net cash requirement</b>	<b>1,429,522</b>	<b>293,698</b>	<b>1,723,220</b>

## 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	
<b>RfR 1: Armed Forces retired pay, pensions, etc.</b>								
-	15,788,782	-	15,788,782	1,330,238	14,458,544	-	-	
<b>Spending in Annually Managed Expenditure (AME)</b>								
<i>Central government spending</i>								
A Retired pay, pensions and other payments to service personnel and their dependants								
-	5,788,782	-	5,788,782	1,330,238	4,458,544	-	-	
<b>Non-budget</b>								
B Retired pay, pensions and other payments to service personnel and their dependants								
-	10,000,000	-	10,000,000	-	10,000,000	-	-	
<b>Total for Estimate:</b>								
-	15,788,782	-	15,788,782	1,330,238	14,458,544	-	-	

## Part II: Resource to cash reconciliation

	<u>Present</u>	<u>Increase (+)/ Decrease (-)</u>	<u>£'000</u> <u>Revised</u>
<b>Net total Resources</b>	<b>14,375,527</b>	<b>83,017</b>	<b>14,458,544</b>
<b>Voted capital items</b>			
Capital expenditure	-	-	-
<i>Less:</i> non-operating A in A	-	-	-
<b>Total net voted capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Accruals to cash adjustment</b>			
Adjustments to remove non-cash items:			
Cost of Capital charges	-	-	-
Depreciation	-	-	-
New provisions and adjustments to previous provisions	-15,648,093	-140,689	-15,788,782
Profit/loss on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-	-	-
Increase(+)/decrease (-) in stock	-	-	-
Increase(+)/decrease (-) in debtors	-261	619	358
Increase(-)/decrease (+) in creditors	-157,964	315,546	157,582
Use of provisions	2,860,313	35,205	2,895,518
<b>Total accruals to cash adjustments</b>	<b>-12,946,005</b>	<b>210,681</b>	<b>-12,735,324</b>
<b>Excess cash to be CFERd</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash requirement</b>	<b>1,429,522</b>	<b>293,698</b>	<b>1,723,220</b>

## Part III: Extra receipts payable to the Consolidated Fund

As in existing provision

## Forecast Combined Revenue Account

	£'000
	2005-06 provision
<b>Income</b>	
Contributions received	1,324,224
Transfers in	5,638
Other income receivable	376
<b>Total Net Administration Costs</b>	<b>1,330,238</b>
<b>Expenditure</b>	
Increase in liability	1,713,801
Interest on scheme liability	4,074,981
Other expenditure	-
Change in discount rate	10,000,000
<b>Total Net Programme costs</b>	<b>15,788,782</b>
<b>Total Net Operating Cost</b>	<b>14,458,544</b>
<i>of which:</i>	
<b>Net Resource Outturn</b>	<b>14,458,544</b>
CFERs	-
Non-voted expenditure	-
<b>Resource Budget Outturn</b>	<b>4,458,544</b>

## Notes to the Estimate

### Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000
	2005-06 Provision
<b>Net Resource Outturn (Estimates)</b>	<b>14,458,544</b>
<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	-
<b>Net Operating Costs (Accounts)</b>	<b>14,458,544</b>
<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	-10,000,000
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
resource consumption of non departmental public bodies	-
unallocated resource provision	-
Other adjustments	-
<b>Resource Budget Outturn (Budget)</b>	<b>4,458,544</b>
<i>of which:</i>	
Departmental Expenditure Limit (DEL)	-
Annually Managed Expenditure (AME)	4,458,544

### Reconciliation of capital expenditure between Estimates and Budgets

	£'000
	2005-06 Provision
<b>Net Voted Capital Outturn (Estimates)</b>	<b>-</b>
<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	-
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	-
<b>Capital Budget Outturn (Budget)</b>	<b>-</b>
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	-
Annually Managed Expenditure (AME)	-

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## 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, permanent head of the Ministry of Defence

Sir Kevin Tebbit, as the Principal Accounting Officer (PAO) of the Ministry of Defence has personal responsibility for the proper presentation of the Armed Forces Retired Pay, Pensions, etc. 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 RfR, 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 Armed Forces Retired Pay, Pensions, etc.'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	
	Operating A in A	Non operating A in A
<b>RfR 1: Armed Forces retired pay, pensions, etc.</b>		
Contributions receivable	1,324,224	-
Transfers In	5,638	-
Other income	376	-
<b>Total RfR 1</b>	<b>1,330,238</b> *	-
<i>of which: Administration budgets</i>		-

\* Amount that may be applied as 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).

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**Notes to the Estimate (*continued*)****Cash which may be retained to offset expenditure****£'000**

1,330,238

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