

Ministry of Defence

Introduction

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

		Amount (£)	
		<u>Increases</u>	<u>Reductions</u>
<u>Changes in Resources</u>			
RfR 1: Provision of Defence Capability			
<u>Section</u>	<u>Reason for Change</u>		
<u>Changes related to movements in budgets</u>			
<u>Take up of DEL End-Year Flexibility</u>			
A2,B2,D2, E2,G2,H2, I2I,J2,V2	1. To take up MoD End Year Indirect Resource Flexibility (Sections A,B,D,E,G,H,I,J and V) to reflect TLB forecasts of outturn.	1,621,874,000	
<u>Take up of Departmental Unallocated Provision (DUP)</u>			
I2	1. To draw down the Department's Unallocated Resource Provision (DUP) by transferring Non-Voted depreciation and provisions into Voted DEL to meet Top Level Budget forecasts of Indirect Resource Expenditure (Section I).	200,000,000	
<u>Resource transfers to/from another Request for Resource</u>			
I2	1. To effect a transfer of budgetary cover from RfR1 Indirect Resource to RfR 2 to cover depreciation and cost of capital charges associated with fixed assets purchased under Urgent Operational Requirement arrangements in Iraq and Afghanistan (Sections I and RfR2B).		-424,000,000
<u>Transfers of Budgetary cover to/from other Government Departments</u>			
I2	1. To effect a resource transfer out to the Department for Business, Enterprise and Regulatory Reform (BERR) being the MoD's contribution to BERR's annual operating costs relating to the transfer of nuclear liabilities 2006/07.		-750,000
<u>Other increases: Annually Managed Expenditure (AME)</u>			
W2	1. Additional AME cover to reflect Defence Estates forecast of the impact of the 06/07 MoD estate revaluation exercise (Section W).	50,000,000	
<u>Other Changes</u>			
<u>Resource transfers within the Request for Resources</u>			
A5,B5,D5, E5,G5,H5, I5,J5,V5	1. To increase operating Appropriations in Aid by £257,577,000 to reflect current TLB forecasts of outturn offset by corresponding changes to gross Resource spending.		

A2,B2, A3,B3 2. To recognise Grant in Aid payments to the Marine Society and Sea Cadets of £8,255,000 and to the Council of Reserve Forces and Cadets Association of £53,497,000 by reducing other current Resources and increasing grants within the Resource DEL with no overall change.

A2,B2,D2, E2,G2,H2, I2,J2,V2 3. To revise sub-head provisions to reflect revisions in allocations between Top Level Budget Holders to match required Defence outputs, with no overall impact on Resource DEL.

Total	1,871,874,000	-424,750,000
Total change in resources for RfR1		1,447,124,000

RfR 2: Operations and Peace Keeping

<u>Section</u>	<u>Reason for change</u>	<u>Increases</u>	<u>Reductions</u>
<u>Changes related to movements in budgets</u>			
<u>Special Reserve claims</u>			
B2,B5	1. To increase the net Direct Resource costs of peace-keeping in Iraq (£275,000,000) and Afghanistan (£291,000,000).	566,000,000	
<u>Resource transfers within the Request for Resources</u>			
B2	1. To effect a transfer of budgetary cover from RfR1 Indirect Resource to cover depreciation and cost of capital charges associated with fixed assets purchased under Urgent Operational Requirement arrangements in Iraq (£199,000,000) and and Afghanistan (£225,000,000).	424,000,000	
<u>Transfers of Budgetary cover to/from other Government Departments</u>			
A2, B2	1. To effect transfers in from the Foreign & Commonwealth Office in respect of the Balkans Conflict Prevention Pool net costs of £31,000,000; and for the Global Rest of the World Conflict Prevention Pool costs of £1,500,000.	32,500,000	
		Total	1,022,500,000
		Total Change in Resources for RfR2	1,022,500,000

RfR3: War Pensions and Allowances, etc

<u>Section</u>	<u>Reason for change</u>	<u>Increases</u>	<u>Reductions</u>
<u>changes in Annually Managed Expenditure (AME)</u>			
A3	1. To increase War Pensions Benefits costs to cover forecasted additional War Pensions Benefits expenditure.	3,000,000	
		Total	3,000,000
		Total change in resources for RfR3	3,000,000
		Total change in resources for Estimate	2,472,624,000

Changes in Capital**RfR 1: Provision of Defence Capability**

<u>Section</u>	<u>Reason for change</u>	<u>Increases</u>	<u>Reductions</u>
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Changes related to movements in budgetsTake up of End Year Flexibility

G7	1. To take up 2006/07 Capital End Year Flexibility relating to the Department's sale of QinetiQ as agreed with Treasury.	40,000,000	
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A7,B7,D7, E7,G7,H7,I 7, J7,V7	2. To revise sub-head provisions to reflect revisions in allocations between Top Level Budget Holders to match required Defence outputs, with no overall impact on Capital DEL.		
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Other changesChanges in Annually Managed Expenditure (AME)

W8	1. To recognise the Chelsea Barracks sale accounting treatment of the proceeds(receipt) of £959M, which will be paid to the MoD in agreed stages (Section W).		-709,000,000
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Resource transfers within the Request for Resources

B8,H8,I8, L8,N8	1. To increase Non-operating Appropriations in Aid by £130,646,000 (sections B,H,I, L and N) to reflect current TLB forecasts of outturn, offset by corresponding changes to gross Capital Spending.		
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RfR 2: Operations and Peace Keeping

<u>Section</u>	<u>Reason for change</u>		
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Changes related to movements in budgetsSpecial Reserve claims

B7	1. To increase the RfR to reflect the capital costs of peace keeping in Iraq (£219,000,000) and Afghanistan (£161,650,000).	380,650,000	
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Transfers of Budgetary cover in from/to other GovernmentDepartments

B7	1. To effect a Capital transfer in from the Foreign and Commonwealth Office in respect of their contribution to the Command and Communications flight UOR to Afghanistan.	7,350,000	
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	<u>Total</u>	428,000,000	-709,000,000
Total change in Capital for Estimate			-281,000,000

2. As a result of the above and non-cash adjustments, there is an increase in the net cash requirement of £894,351,000.

3. Symbols are explained in the Introduction to this booklet.

Ministry of Defence

Part I

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RfR 1: Provision of Defence Capability	1,447,124,000
RfR 2: Operations and Peace Keeping	1,022,500,000
RfR3: War Pensions and Allowances, etc	3,000,000
Total additional net resource requirement	2,472,624,000
Additional net cash requirement	894,351,000

SUPPLEMENTARY amounts required in the year ending 31 March 2008 for expenditure by the Ministry of Defence on:

RfR 1: Provision of Defence Capability

Personnel costs of the Armed Forces and their reserves and 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 development and production of equipment and weapon systems for the Armed Forces; purchases for sale abroad; research etc. by contract; sundry procurement services including those on repayment terms; land and buildings works services; contingent liabilities; services provided by other Government departments; sundry services; subscriptions, 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: Operations and Peace Keeping

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.

RfR3: War Pensions and Allowances, etc

Pensions and other payments/allowances for disablement or death arising out of war or 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

Resources	Present Net Provision	Change in Gross Provision	Change in A in A	Change in Net Provision	£'000
					New Net Provision
RfR 1: Provision of Defence Capability					
Spending in Departmental Expenditure Limits (DEL)					
<i>Central Government spending</i>					
RfR 1 - A Fleet	2,201,645	17,619	14,282	3,337	2,204,982
RfR 1 - B Commander-in-Chief Land Command	5,870,411	-253,645	-113,134	-140,511	5,729,900
RfR 1 - D Chief of Joint Operations	411,072	-29,732	5,584	-35,316	375,756
RfR 1 - E Adjutant General	681,959	114,466	5,020	109,446	791,405
RfR 1 - G Central	2,270,569	67,736	45,419	22,317	2,292,886
RfR 1 - H Defence Estates	2,600,550	244,363	254,694	-10,331	2,590,219
RfR 1 - I Defence Equipment and Support	15,796,933	1,573,419	71,675	1,501,744	17,298,677
RfR 1 - J Science Innovation Technology	540,273	4,036	-	4,036	544,309
RfR 1 - V Commander in Chief Air Command	2,704,829	-83,561	-25,963	-57,598	2,647,231
Spending in Annually Managed Expenditure (AME)					
<i>Central Government spending</i>					
RfR 1 - W Defence Estates	-	50,000	-	50,000	50,000
Total RfR 1		1,704,701	257,577	1,447,124	
RfR 2: Operations and Peace Keeping					
Spending in Departmental Expenditure Limits (DEL)					
<i>Central Government spending</i>					
RfR 2 - B Programme Rest of the World	1,330,240	1,046,534	24,034	1,022,500	2,352,740
Total RfR 2		1,046,534	24,034	1,022,500	
RfR3: War Pensions and Allowances, etc					
Spending in Annually Managed Expenditure (AME)					
<i>Central Government spending</i>					
RfR 3 - A War Pensions Benefits Programme costs	1,026,507	3,000	-	3,000	1,029,507
Total RfR 3		3,000	-	3,000	
Total Changes to RfRs		2,754,235	281,611	2,472,624	

Capital and Cash	Present Provision	Change in Provision	£000
			New Provision
Total Capital Expenditure	8,097,884	558,646	8,656,530
Non-Operating A in A	404,354	839,646	1,244,000
Net cash requirement	33,835,747	894,351	34,730,098

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								
-	35,820,198	285,066	36,105,264	1,475,504	34,629,760	7,664,530	1,244,000	
Spending in Departmental Expenditure Limits (DEL)								
Central Government spending								
A Fleet								
-	2,244,941	10,041	2,254,982	50,000	2,204,982	3,533	-	
B Commander-in-Chief Land Command								
-	5,815,160	53,740	5,868,900	139,000	5,729,900	156,467	-	
C Commander-in-Chief Strike Command								
-	-	-	-	-	-	-	-	
D Chief of Joint Operations								
-	405,756	-	405,756	30,000	375,756	38,316	-	
E Adjutant General								
-	805,618	3,787	809,405	18,000	791,405	-11,827	-	
F Personnel and Training Command								
-	-	-	-	-	-	-	-	
G Central								
-	2,454,012	190,874	2,644,886	352,000	2,292,886	54,398	250	
H Defence Estates								
-	3,023,219	-	3,023,219	433,000	2,590,219	411,500	453,000	
I Defence Equipment and Support								
-	17,597,652	1,025	17,598,677	300,000	17,298,677	7,009,164	30,821	
J Science Innovation Technology								
-	540,208	4,101	544,309	-	544,309	84	-	
K Loans and grants to and repayments from the Hydrographic Office								
-	-	-	-	-	-	-	421	
L Loans and grants to and repayments from DARA								
-	-	-	-	-	-	-	65,812	
M Loans and grants to and repayments from ABRO								
-	-	-	-	-	-	-	2,154	
N Loans and grants to and repayments from Met Office								
-	-	-	-	-	-	-	-17,458	
Spending in Annually Managed Expenditure (AME)								
Central Government spending								
O Chief of Joint Operations								
-	3,599	-	3,599	-	3,599	-	-	
P Central								
-	-12	8,411	8,399	4,500	3,899	-	-	
Q Defence Equipment and Support								
-	83,696	-	83,696	-	83,696	-	-	

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									
R	Adjutant General	-	-	9,314	9,314	-	9,314	-	-
S	Central	-	-	750	750	-	750	-	-
T	Defence Equipment and Support	-	-	-	-	4	-4	-	-
U	Defence Estates	-	3,141	-	3,141	-	3,141	1,904	-
Spending in Departmental Expenditure Limits (DEL)									
<i>Central Government spending</i>									
V	Commander in Chief Air Command	-	2,793,208	3,023	2,796,231	149,000	2,647,231	991	-
Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
W	Defence Estates	-	50,000	-	50,000	-	50,000	-	709,000
RfR 2: Operations and Peace Keeping									
-	2,405,837	-	2,405,837	24,034	2,381,803	992,000	-	-	
Spending in Departmental Expenditure Limits (DEL)									
<i>Central Government spending</i>									
A	Programme Sub-Saharan Africa	-	29,063	-	29,063	-	29,063	-	-
B	Programme Rest of the World	-	2,376,774	-	2,376,774	24,034	2,352,740	992,000	-
RfR3: War Pensions and Allowances, etc									
-	-575	1,030,582	1,030,007	-	1,030,007	-	-	-	
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A	War Pensions Benefits Programme costs	-	-575	1,030,082	1,029,507	-	1,029,507	-	-
B	War Pensions Benefits Programme costs - Far Eastern Prisoners of War	-	-	500	500	-	500	-	-
Total for Estimate:									
-	38,225,460	1,315,648	39,541,108	1,499,538	38,041,570	8,656,530	1,244,000		

Part II: Resource to cash reconciliation

	<u>Present</u>	<u>Increase (+)/ Decrease (-)</u>	<u>£'000</u> <u>Revised</u>
Net Resource Requirement	35,568,946	2,472,624	38,041,570
Voted capital items			
Capital	8,097,884	558,646	8,656,530
<i>Less:</i> Non-operating A in A	<u>404,354</u>	<u>839,646</u>	<u>1,244,000</u>
Total net voted capital	7,693,530	-281,000	7,412,530
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	-3,465,193	-47,000	-3,512,193
Depreciation	-6,621,537	-1,649,874	-8,271,411
New provisions and adjustments to previous provisions	-392,370	-175,399	-567,769
Profit/loss on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-	-	-
Increase(+)/decrease (-) in stock	-474,518	-	-474,518
Increase(+)/decrease (-) in debtors	474,947	575,000	1,049,947
Increase(-)/decrease (+) in creditors	552,798	-	552,798
Use of provisions	499,144	<u>-</u>	<u>499,144</u>
Total accruals to cash adjustments	-9,426,729	-1,297,273	-10,724,002
Excess cash to be CFERd	-	-	-
Net Cash Requirement	33,835,747	894,351	34,730,098

Part III: Extra receipts payable to the Consolidated Fund

As in existing provision

Forecast Operating Cost Statement

	£'000
	2007-08 provision
Net Programme Costs	
RfR1	34,629,760
RfR2	2,381,803
RfR3	1,030,007
Non-voted expenditure	-
Total Net Programme costs	38,041,570
Total Net Operating Cost	38,041,570
<i>of which:</i>	
Net Resource Requirement	38,041,570
Non-voted expenditure	-
Consolidated Fund Extra Receipts	-
Resource Budget	38,052,723

Notes to the Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000
	2007-08 Provision
Net Resource Requirement (Estimates)	38,041,570
<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	-
Other adjustments	-
Net Operating Costs (Accounts)	38,041,570
<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	-3,887
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
Resource consumption of non-departmental public bodies	15,040
unallocated resource provision	-
Other adjustments	-
Resource Budget (Budget)	38,052,723
<i>of which:</i>	
Departmental Expenditure Limit (DEL)	36,940,256
Annually Managed Expenditure (AME)	1,112,467

Reconciliation of capital expenditure between Estimates and Budgets

	£'000
	2007-08 Provision
Net Voted Capital (Estimates)	7,412,530
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
capital spending by non departmental public bodies	744
capital grants	-
European Union income related to capital grants	-
supported capital expenditure (revenue)	-
capital spending by levy funded bodies	-
unallocated capital provision	-
Other adjustments	-1,904
Capital Budget (Budget)	7,411,370
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	8,120,370
Annually Managed Expenditure (AME)	-709,000

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 Bill Jeffrey, Permanent Head of the Department
Request for Resources 2	Sir Bill Jeffrey, Permanent Head of the Department
Request for Resources 3	Sir Bill Jeffrey, Permanent Head of the Department

Sir Bill Jeffrey as the Accounting Officer (AO) of the Ministry of Defence 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 Ministry of Defence.

The responsibilities of an Accounting Officer are set out in chapter 3 of Managing Public Money. 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 Estimate (*continued*)

Analysis of operating appropriations in aid (A in A)

£'000

 2007-08
 Provision

RfR 1: Provision of Defence Capability

Programme	1,475,504
<i>of which:</i>	
Sale of goods and services	1,441,626
EU income	4
Interest and dividends	33,874

Total RfR1	1,475,504 †
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† Amount that may be applied as operating appropriations in aid in addition to the net total, arising from: the recovery of income from fees and income charges.

RfR 2: Operations and Peace Keeping

Programme	24,034
<i>of which:</i>	
Sale of goods and services	24,034

Total RfR2	24,034 †
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† Amount that may be applied as operating appropriations in aid in addition to the net total, arising from: the recovery of income from fees and income charges.

Total Operating A in A	1,499,538
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Analysis of non - operating appropriations in aid (A in A)

 2007-08
 Provision

RfR 1: Provision of Defence Capability

Programme	1,244,000
<i>of which:</i>	
Sale of assets	1,193,071
Loan etc., repayments	50,929

Total RfR1	1,244,000 †
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† 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 Non - operating A in A	1,244,000
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Notes to the Estimate (*continued*)

Departmental Expenditure Limits and Administration Budgets

	Change		New DEL		£'000
	Voted	Non-voted	Voted	Non-voted	Total
Resource DEL	2,419,624	-200,000	36,857,168	83,088	36,940,256
<i>of which: †</i>					
<i>Administration budget †</i>	-	-	-	-	-
<i>Near-cash in RDEL</i>	597,750	30,989	24,417,425	511,932	24,929,357
Capital ††	428,000	-	8,119,626	744	8,120,370
Less Depreciation †††	-1,599,874	200,000	-8,218,325	-	-8,218,325
Total	1,247,750	-	36,758,469	83,832	36,842,301

† The total of 'Administration budget' and 'Near-cash in Resource DEL' figures may well be greater than total resource DEL, due to the definitions overlapping.

†† Capital DEL includes items treated as resource in Estimates and accounts but which are treated as Capital DEL in budgets.

††† 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
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	2,034,538

