

Ministry of Defence

Introduction

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

	Amount £
<u>Changes in resources</u>	
RfR 1: Provision of defence capability	
Increases:	
<u>Take up of End Year Flexibility</u>	
1. To take up 2005/2006 Resource End Year Flexibility (Sections A2,F2,G2,I2,J2).	120,000,000
<u>Transfers in from other government departments</u>	
1. To effect a Resource transfer in from the Cabinet Office in respect of future funding arrangements for the expansion of the Parliamentary Counsel Office (Section I2).	72,000
2. To effect a Resource transfer in from the DTI as contribution to the Principal Non-industrial Superannuation Scheme (PNISS) also known as the United Kingdom Atomic Energy Authority (UKAEA) pension scheme (Section I2).	200,000
Neutral Changes:	
<u>Transfers within the RfR</u>	
1. To transfer £ 100,000,000 from non-cash to near cash (Section I2) and to redistribute to section D2 in respect of increased fuel costs and to cover increased logistical costs (section F2).	-
2. To reduce operating Appropriations in Aid by £ 28,195,000 to reflect current TLB forecasts of outturn, offset by corresponding changes to gross Resource spending (Sections A2 to L2).	-
Total change in resources for RfR 1	120,272,000
RfR 2: Conflict prevention	
Increases:	
<u>Other increases</u>	
Peace-keeping Operations	
1. To increase the RfR 2 to reflect the costs of peace-keeping in Iraq and Afghanistan (Section C2).	1,040,000,000
Total change in resources for RfR 2	1,040,000,000
RfR 3: War Pensions and Allowances, etc	
Increases:	
<u>Other increases</u>	
AME forecast	
1. To increase the RfR 3 to reflect the latest forecast of outturn (Sections A2, A3).	7,210,000
2. To increase RfR 3 to reflect the latest forecast of outturn (Section B3).	500,000
Total change in resources for RfR 3	7,710,000
Total change in resources for Estimate	1,167,982,000

Changes in capital**RfR 1: Provision of defence capability****Increases:**Take up of End Year Flexibility

- | | |
|--|------------|
| 1. To take up 2005/06 Capital End Year Flexibility (Sections F7 and K7). | 72,000,000 |
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Neutral Changes:Transfers within the RfR

- | | |
|---|---|
| 1. To increase Capital Non-operating Appropriations in Aid by £ 425,790,000 (sections A8 to L8) to reflect current TLB forecasts of outturn, offset by corresponding changes to gross Capital spending (sections A7 to L7) with no overall impact on Capital DEL. | - |
|---|---|

RfR 2: Conflict Prevention**Increases:**Other increases

- | | |
|--|-------------|
| 1. To increase RfR 2 to reflect Capital costs of peace-keeping in Iraq and Afghanistan (Section C7). | 360,000,000 |
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Total change in capital for Estimate	432,000,000
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2. As a result of the above and non-cash adjustments, there is an increase in the net cash requirement of £1,699,982,000.

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

Part I

£

RfR 1: Provision of defence capability	120,272,000
RfR 2: Conflict prevention	1,040,000,000
RfR 3: War Pensions and Allowances, etc	7,710,000
Total additional net resource requirement	1,167,982,000
Additional net cash requirement	1,699,982,000

SUPPLEMENTARY amounts required in the year ending 31 March 2007 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: 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/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

£'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 Fleet	4,198,374	-1,996,241	-20,633	-1,975,608	2,222,766
RfR 1 - B General Officer Commanding (Northern Ireland)	571,374	-170,527	340	-170,867	400,507
RfR 1 - C Commander in Chief Land Command	5,718,578	-1,495,027	-99,412	-1,395,615	4,322,963
RfR 1 - D Commander in Chief Strike Command	3,729,740	-1,664,272	19,094	-1,683,366	2,046,374
RfR 1 - E Chief of Joint Operations	522,487	-162,255	442	-162,697	359,790
RfR 1 - F Chief of Defence Logistics	7,307,121	5,820,577	-16,319	5,836,896	13,144,017
RfR 1 - G Adjutant General (Personnel and Training Command)	1,782,924	-208,814	-17,955	-190,859	1,592,065
RfR 1 - H Commander-in-Chief Personnel and Training Command	926,466	-117,258	-50,155	-67,103	859,363
RfR 1 - I Central	3,317,841	-1,105,653	17,310	-1,122,963	2,194,878
RfR 1 - J Defence Estates	901,756	1,598,752	130,024	1,468,728	2,370,484
RfR 1 - K Defence Procurement Agency	2,284,508	-398,531	9,069	-407,600	1,876,908
RfR 1 - L Corporate Science and Technology	534,200	-8,674	-	-8,674	525,526
RfR 1 - X Defence Estates	2,700	-	-	-	2,700
Total RfR 1		92,077	-28,195	120,272	
RfR 2: Conflict prevention					
Spending in Departmental Expenditure Limits (DEL)					
RfR 2 - C Peace Keeping Rest of the World	-	1,040,000	-	1,040,000	1,040,000
Total RfR 2		1,040,000	-	1,040,000	
RfR 3: War Pensions and Allowances, etc					
Spending in Annually Managed Expenditure (AME)					
RfR 3 - A War Pensions Benefits Programme costs	1,029,451	7,210	-	7,210	1,036,661
RfR 3 - B War Pensions Benefits Programme costs - Far Eastern Prisoners of War	500	500	-	500	1,000
Total RfR 3		7,710	-	7,710	
Total Changes to RfRs		1,139,787	-28,195	1,167,982	

			£000
	Present Provision	Change in Provision	New Provision
Capital and Cash			
Total Capital Expenditure	6,940,478	857,790	7,798,268
Non-Operating A in A	21,562	425,790	447,352
Net cash requirement	31,495,938	1,699,982	33,195,920

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								
-	33,216,211	253,098	33,469,309	1,363,181	32,106,128	7,438,268	447,352	
Spending in Departmental Expenditure Limits (DEL)								
<i>Central Government spending</i>								
A Fleet								
-	2,252,560	7,927	2,260,487	37,721	2,222,766	20,768	-	
B General Officer Commanding (Northern Ireland)								
-	401,996	-	401,996	1,489	400,507	3,560	47	
C Commander in Chief Land Command								
-	4,425,897	86	4,425,983	103,020	4,322,963	92,637	-	
D Commander in Chief Strike Command								
-	2,093,022	-	2,093,022	46,648	2,046,374	42,363	-	
E Chief of Joint Operations								
-	388,747	15	388,762	28,972	359,790	25,609	220	
F Chief of Defence Logistics								
-	13,433,251	13,293	13,446,544	302,527	13,144,017	1,552,929	40,313	
G Adjutant General (Personnel and Training Command)								
-	1,612,635	6,549	1,619,184	27,119	1,592,065	8,968	-	
H Commander-in-Chief Personnel and Training Command								
-	968,504	7,343	975,847	116,484	859,363	39,617	-	
I Central								
-	2,299,194	200,876	2,500,070	305,192	2,194,878	36,302	-	
J Defence Estates								
-	2,749,793	-	2,749,793	379,309	2,370,484	427,730	392,449	
K Defence Procurement Agency								
-	1,891,608	-	1,891,608	14,700	1,876,908	5,187,785	-	
L Corporate Science and Technology								
-	522,613	2,913	525,526	-	525,526	-	-	
M Hydrographic Office								
-	-	-	-	-	-	-	329	
N DARA								
-	-	-	-	-	-	-	4,840	
O ABRO								
-	-	-	-	-	-	-	2,154	
Spending in Annually Managed Expenditure (AME)								
<i>Central Government spending</i>								
P Fleet								
-	-5,718	-	-5,718	-	-5,718	-	-	
Q Chief of Defence Logistics								
-	9,910	-	9,910	-	9,910	-	-	

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	
R	Chief of Joint Operations	-	-6,000	2,000	-4,000	-	-4,000	-	-
S	Central	-	-6	2,366	2,360	-	2,360	-	-
T	Defence Procurement Agency	-	175,505	-	175,505	-	175,505	-	-
U	QinetiQ	-	-	-	-	-	-	-	7,000
Non-Budget									
V	Adjutant General (Personnel and Training Command)	-	-	9,152	9,152	-	9,152	-	-
W	Central	-	-	578	578	-	578	-	-
X	Defence Estates	-	2,700	-	2,700	-	2,700	-	-
RfR 2: Conflict prevention		-	1,087,326	-	1,087,326	-	1,087,326	360,000	-
Spending in Departmental Expenditure Limits (DEL)									
<i>Central Government spending</i>									
A	Programme Sub-Saharan Africa	-	31,486	-	31,486	-	31,486	-	-
B	Programme Rest of the World	-	15,840	-	15,840	-	15,840	-	-
C	Peace Keeping Rest of the World	-	1,040,000	-	1,040,000	-	1,040,000	360,000	-
RfR 3: War Pensions and Allowances, etc		-	-643	1,038,304	1,037,661	-	1,037,661	-	-
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A	War Pensions Benefits Programme costs	-	-643	1,037,304	1,036,661	-	1,036,661	-	-
B	War Pensions Benefits Programme costs - Far Eastern Prisoners of War	-	-	1,000	1,000	-	1,000	-	-
Total for Estimate:		-	34,302,894	1,291,402	35,594,296	1,363,181	34,231,115	7,798,268	447,352

Part II: Resource to cash reconciliation

	<u>Present</u>	<u>Increase (+)/ Decrease (-)</u>	<u>£'000</u> <u>Revised</u>
Net Resource Requirement	33,063,133	1,167,982	34,231,115
Voted capital items			
Capital	6,940,478	857,790	7,798,268
<i>Less:</i> Non-operating A in A	<u>21,562</u>	<u>425,790</u>	<u>447,352</u>
Total net voted capital	6,918,916	432,000	7,350,916
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	-2,907,894	100,000	-2,807,894
Depreciation	-7,081,000	-	-7,081,000
New provisions and adjustments to previous provisions	-581,078	-	-581,078
Profit/loss on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-	-	-
Increase(+)/decrease (-) in stock	558,984	-	558,984
Increase(+)/decrease (-) in debtors	490,027	-	490,027
Increase(-)/decrease (+) in creditors	450,036	-	450,036
Use of provisions	584,814	-	584,814
Total accruals to cash adjustments	-8,486,111	100,000	-8,386,111
Excess cash to be CFERd	-	-	-
Net Cash Requirement	31,495,938	1,699,982	33,195,920

Part III: Extra receipts payable to the Consolidated Fund

As in existing provision

Forecast Operating Cost Statement

	£'000
	2006-07 provision
Net Programme Costs	
RfR1	32,106,128
RfR2	1,087,326
RfR3	1,037,661
Non-voted expenditure	-
Total Net Programme costs	34,231,115
Total Net Operating Cost	34,231,115
<i>of which:</i>	
Net Resource Requirement	34,231,115
Non-voted expenditure	-
Consolidated Fund Extra Receipts	-
Resource Budget	34,713,421

Notes to the Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000
	2006-07 Provision
Net Resource Requirement (Estimates)	34,231,115
<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)	34,231,115
<i>Adjustments to remove:</i>	
capital grants	-
European Union income related to capital grants	-
voted expenditure outside the budget	-3,278
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
resource consumption of non departmental public bodies	15,584
unallocated resource provision	470,000
Other adjustments	-
Resource Budget (Budget)	34,713,421
<i>of which:</i>	
Departmental Expenditure Limit (DEL)	33,803,517
Annually Managed Expenditure (AME)	909,904

Reconciliation of capital expenditure between Estimates and Budgets

	£'000
	2006-07 Provision
Net Voted Capital (Estimates)	7,350,916
<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	-
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)	7,351,660
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	7,358,660
Annually Managed Expenditure (AME)	-7,000

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

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 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 Estimate (*continued*)

Analysis of operating appropriations in aid (A in A)

£'000

2006-07
Provision

RfR 1: Provision of defence capability

Programme	1,363,181
<i>of which:</i>	
Sale of goods and services	1,337,635
Interest and dividends	25,546

Total RfR1	1,363,181 †
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† 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.

Total Operating A in A	1,363,181
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Analysis of non - operating appropriations in aid (A in A)

2006-07
Provision

RfR 1: Provision of defence capability

Programme	447,352
<i>of which:</i>	
Sale of assets	433,029
Loan etc., repayments	14,323

Total RfR1	447,352 †
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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	447,352
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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	1,160,272	-	33,002,967	800,550	33,803,517
<i>of which:</i>					
Administration budget*	-	-	-	-	-
Near-cash in RDEL	1,260,272	-	22,447,855	318,984	22,766,839
Capital**	432,000	-	7,357,916	744	7,358,660
Less Depreciation†	-	-	-7,081,000	-470,000	-7,551,000
Total	1,592,272	-	33,279,883	331,294	33,611,177

* 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	1,810,533

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 Appropriation Act:

RfR/Section	Service	£'000
RfR1 - A	Royal Navy and Royal Marine Sports Control Board	118
RfR1 - G	Army Sports Control Board	407
RfR1 - H	RAF Sports Control Sports Board	84
RfR1 - I	The Royal British Legion	319
RfR1 - I	Skillforce - Scotland/Wales	300
RfR1 - I	The Scott Polar Institute	35
RfR3 - B	War pensions - Far Eastern Prisoners of War	500

Notes to the Estimate (*continued*)**Grants in Aid**

RfR/Section	Body		£ '000
RfR1 - A	Navy and Maritime Museums	♥	2,780
RfR1 - G	National Army Museum	♥	4,992
RfR1 - G	Royal Hospital, Chelsea	♥	9,152
RfR1 - H	Royal Air Force Museum	♥	6,628
RfR1 - I	Commonwealth War Graves Commission	♥	31,895
RfR1 - I	Skill force	♥	2,515