

Ministry of Defence

Introduction

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

Amount £

Changes in Resources

RfR 1: Provision of Defence Capability

Increases:

Drawdown of DUP

1. To draw down part of 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 (Sections F and K). 250,000,000

Transfers in from other Government Departments

1. To effect a Resource transfer in from the Department of Culture, Media and Sport as a contribution to the National Meteorological Programme and Severe Weather Warning Service (Section I) 3,080,000

Other increases: Non-Budget

1. To increase Non-Budget grants and expenditure to reflect increased grant-in-aid and loan repayments (Sections V, W, X). 801,000

Other increases: Annually Managed Expenditure

1. To increase Annually Managed Expenditure to reflect changes to the latest TLB forecasts of outturn, principally relating to nuclear provisions (Sections P, R, Q, S and T) 31,943,000

Decreases:

Transfer of budgetary cover to another RfR

1. To effect a transfer of budgetary cover from RfR 1 Indirect Resource to RfR 2 Indirect Resource to cover cost of capital and depreciation charges associated with fixed assets purchased under Urgent Operational Requirement arrangements (Section F) -42,000,000

Transfer out to other Government Departments

1. To effect a transfer out to the Cabinet Office for the expansion and capability of the Security and Intelligence Agencies (Section I). -750,000

Neutral Changes:

Transfers within the RfR

1. To transfer £150,000,000 from non-cash to near cash (Section F) in respect of increased logistical costs. -

2. To increase operating Appropriations in Aid by £115,000,000 to reflect current TLB forecasts of outturn (Sections A5, F5, I5 and K5) offset by corresponding changes to gross Resource spending (Sections A2, F2, I2 and K2). -

Total Change in Resources for RfR 1 243,074,000

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

Peace-keeping Operations

1. To increase the RfR 2 to reflect the net costs of peace-keeping in Iraq and Afghanistan (Section C). 241,000,000

Transfer of budgetary cover from RfR 1

1. To effect a transfer of budgetary cover from RfR 1 Indirect Resource to cover cost of capital and depreciation charges associated with fixed assets purchased under Urgent Operational Requirement arrangements (Section C). 42,000,000

Transfers in from other Government Departments

1. To effect transfers in from the Foreign & Commonwealth Office in respect of the Balkans Conflict Prevention Pool net costs of £ 53,000,000; and for Global Rest of the World Conflict Prevention Pool costs of £ 4,200,000 (Section B). 57,200,000

Total Change in Resources for RfR 2 340,200,000

RfR 3: War Pensions and Allowances, etc**Increases:**Other increases AME forecast

1. To increase War Pension Benefits Programme costs to cover additional War Pensions Benefits expenditure (Section A). 10,000,000

Total Change in Resources for RfR 3 10,000,000

Total Change in Resources for Estimate 593,274,000

Changes in Capital**RfR 2: Conflict Prevention****Increases:**Special reserve: Peace-Keeping Operations

1. To increase RfR 2 to reflect Capital costs of peace-keeping in Iraq and Afghanistan (Section C). 89,000,000

Neutral Changes:Transfers within the RfR

1. To increase Non-operating Appropriations in Aid by £108,800,000 (Sections I8 and K8) to reflect current TLB forecasts of outturn, offset by corresponding changes to gross Capital Spending (Sections I7 and K7).

Total Change in Capital for Estimate 89,000,000

2. As a result of the above and non-cash adjustments, there is an increase in the net cash requirement of £550,331,000.
3. Symbols are explained in the Introduction to this booklet.

Part I

£

RfR 1: Provision of Defence Capability	243,074,000
RfR 2: Conflict Prevention	340,200,000
RfR 3: War Pensions and Allowances, etc	10,000,000
Total additional net resource requirement	593,274,000
Additional net cash requirement	550,331,000

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	2,222,766	-63,390	10,000	-73,390	2,149,376
RfR 1 - B General Officer Commanding (Northern Ireland)	400,507	9,735	-	9,735	410,242
RfR 1 - C Commander in Chief Land Command	4,322,963	-12,082	-	-12,082	4,310,881
RfR 1 - D Commander in Chief Strike Command	2,046,374	-136,707	-	-136,707	1,909,667
RfR 1 - E Chief of Joint Operations	359,790	-799	-	-799	358,991
RfR 1 - F Chief of Defence Logistics	13,144,017	104,968	51,000	53,968	13,197,985
RfR 1 - G Adjutant General (Personnel and Training Command)	1,592,065	-29,572	-	-29,572	1,562,493
RfR 1 - H Commander-in-Chief Personnel and Training Command	859,363	-47,185	-	-47,185	812,178
RfR 1 - I Central	2,194,878	66,443	52,000	14,443	2,209,321
RfR 1 - J Defence Estates	2,370,484	198,984	-	198,984	2,569,468
RfR 1 - K Defence Procurement Agency	1,876,908	233,062	2,000	231,062	2,107,970
RfR 1 - L Corporate Science and Technology	525,526	1,873	-	1,873	527,399
Spending in Annually Managed Expenditure (AME)					
RfR 1 - Q Chief of Defence Logistics	9,910	166,565	-	166,565	176,475
RfR 1 - R Chief of Joint Operations	-4,000	11,420	-	11,420	7,420
RfR 1 - S Central	2,360	2,042	-	2,042	4,402
RfR 1 - T Defence Procurement Agency	175,505	-148,084	-	-148,084	27,421
Non-Budget					
RfR 1 - V Adjutant General (Personnel and Training Command)	9,152	80	-	80	9,232
RfR 1 - W Central	578	172	-	172	750
RfR 1 - X Defence Estates	2,700	549	-	549	3,249
Total RfR 1		358,074	115,000	243,074	
RfR 2: Conflict Prevention					
Spending in Departmental Expenditure Limits (DEL)					
RfR 2 - B Programme Rest of the World	15,840	67,114	9,914	57,200	73,040
RfR 2 - C Peace Keeping Rest of the World	1,040,000	288,643	5,643	283,000	1,323,000
Total RfR 2		355,757	15,557	340,200	

RfR 3: War Pensions and Allowances, etc
Spending in Annually Managed Expenditure (AME)

RfR 3 - A	War Pensions Benefits Programme costs	1,036,661	10,000	-	10,000	1,046,661
	Total RfR 3		10,000	-	10,000	
	Total Changes to RfRs		723,831	130,557	593,274	

		£000	
	Present Provision	Change in Provision	New Provision
Capital and Cash			
Total Capital Expenditure	7,798,268	197,800	7,996,068
Non-Operating A in A	447,352	108,800	556,152
Net cash requirement	33,195,920	550,331	33,746,251

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								
-	33,566,571	260,812	33,827,383	1,478,181	32,349,202	7,547,068	556,152	
Spending in Departmental Expenditure Limits (DEL)								
<i>Central Government spending</i>								
A Fleet								
-	2,189,170	7,927	2,197,097	47,721	2,149,376	19,817	-	
B General Officer Commanding (Northern Ireland)								
-	411,731	-	411,731	1,489	410,242	3,560	47	
C Commander in Chief Land Command								
-	4,413,815	86	4,413,901	103,020	4,310,881	78,326	-	
D Commander in Chief Strike Command								
-	1,956,315	-	1,956,315	46,648	1,909,667	15,233	-	
E Chief of Joint Operations								
-	387,948	15	387,963	28,972	358,991	11,024	220	
F Chief of Defence Logistics								
-	13,538,219	13,293	13,551,512	353,527	13,197,985	1,271,056	40,313	
G Adjutant General (Personnel and Training Command)								
-	1,583,063	6,549	1,589,612	27,119	1,562,493	5,436	-	
H Commander-in-Chief Personnel and Training Command								
-	921,319	7,343	928,662	116,484	812,178	22,201	-	
I Central								
-	2,365,637	200,876	2,566,513	357,192	2,209,321	46,125	4,100	
J Defence Estates								
-	2,948,777	-	2,948,777	379,309	2,569,468	504,022	392,449	
K Defence Procurement Agency								
-	2,124,670	-	2,124,670	16,700	2,107,970	5,570,268	104,700	
L Corporate Science and Technology								
-	524,486	2,913	527,399	-	527,399	-	-	
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								
-	176,475	-	176,475	-	176,475	-	-	

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	-	-	7,420	7,420	-	7,420	-	-
S	Central	-	-6	4,408	4,402	-	4,402	-	-
T	Defence Procurement Agency	-	27,421	-	27,421	-	27,421	-	-
U	QinetiQ	-	-	-	-	-	-	-	7,000
Non-Budget									
V	Adjutant General (Personnel and Training Command)	-	-	9,232	9,232	-	9,232	-	-
W	Central	-	-	750	750	-	750	-	-
X	Defence Estates	-	3,249	-	3,249	-	3,249	-	-
RfR 2: Conflict Prevention									
		-	1,443,083	-	1,443,083	15,557	1,427,526	449,000	-
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	-	82,954	-	82,954	9,914	73,040	-	-
C	Peace Keeping Rest of the World	-	1,328,643	-	1,328,643	5,643	1,323,000	449,000	-
RfR 3: War Pensions and Allowances, etc									
		-	-643	1,048,304	1,047,661	-	1,047,661	-	-
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A	War Pensions Benefits Programme costs	-	-643	1,047,304	1,046,661	-	1,046,661	-	-
B	War Pensions Benefits Programme costs - Far Eastern Prisoners of War	-	-	1,000	1,000	-	1,000	-	-
Total for Estimate:									
		-	35,009,011	1,309,116	36,318,127	1,493,738	34,824,389	7,996,068	556,152

Part II: Resource to cash reconciliation

	<u>Present</u>	<u>Increase (+)/ Decrease (-)</u>	<u>£'000</u> <u>Revised</u>
Net Resource Requirement	34,231,115	593,274	34,824,389
Voted capital items			
Capital	7,798,268	197,800	7,996,068
<i>Less:</i> Non-operating A in A	<u>447,352</u>	<u>108,800</u>	<u>556,152</u>
Total net voted capital	7,350,916	89,000	7,439,916
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	-2,807,894	-	-2,807,894
Depreciation	-7,081,000	-100,000	-7,181,000
New provisions and adjustments to previous provisions	-581,078	-31,943	-613,021
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	-8,386,111	-131,943	-8,518,054
Excess cash to be CFERd	-	-	-
Net Cash Requirement	33,195,920	550,331	33,746,251

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	32,349,202
RfR2	1,427,526
RfR3	1,047,661
Non-voted expenditure	-
Total Net Programme costs	34,824,389
Total Net Operating Cost	34,824,389
<i>of which:</i>	
Net Resource Requirement	34,824,389
Non-voted expenditure	-
Consolidated Fund Extra Receipts	-
Resource Budget	35,055,894

Notes to the Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000
	2006-07 Provision
Net Resource Requirement (Estimates)	34,824,389
<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)	34,824,389
<i>Adjustments to remove:</i>	
capital grants	-
European Union income related to capital grants	-
voted expenditure outside the budget	-3,999
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
resource consumption of non departmental public bodies	15,504
unallocated resource provision	220,000
Other adjustments	-
Resource Budget (Budget)	35,055,894
<i>of which:</i>	
Departmental Expenditure Limit (DEL)	34,104,047
Annually Managed Expenditure (AME)	951,847

Reconciliation of capital expenditure between Estimates and Budgets

	£'000
	2006-07 Provision
Net Voted Capital (Estimates)	7,439,916
<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)	7,440,660
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	7,447,660
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	1,478,181
<i>of which:</i>	
Sale of goods and services	1,452,635
Interest and dividends	25,546

Total RfR1	1,478,181 †
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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.

RfR 2: Conflict Prevention

Programme:	15,557
<i>of which:</i>	
Sale of goods and services	15,557
Interest and dividends	-

Total RfR2	15,557 †
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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	1,493,738
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Analysis of non - operating appropriations in aid (A in A)

2006-07
Provision

RfR 1: Provision of Defence Capability

Programme	556,152
<i>of which:</i>	
Sale of assets	541,829
Loan etc., repayments	14,323

Total RfR1	556,152 †
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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	556,152
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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	550,530	-250,000	33,553,497	550,550	34,104,047
<i>of which:</i>					
<i>Administration budget*</i>	-	-	-	-	-
<i>Near-cash in RDEL</i>	450,530	-	22,898,385	318,984	23,217,369
Capital**	89,000	-	7,446,916	744	7,447,660
Less Depreciation†	-100,000	250,000	-7,181,000	-220,000	-7,401,000
Total	539,530	-	33,819,413	331,294	34,150,707

*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
2,049,890

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 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
			<hr/> 57,962 <hr/>