

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>			
RfR1: 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>			
I2	1. To take up 2006/2007 Resource End Year Flexibility of £21,000,000 (Section I).	21,000,000	
<u>Machinery of Government Changes</u>			
H2	1. To recognise a machinery of Government change relating to a Contribution in Lieu of Rates (CILOR) for MoD Estate in Gibraltar, comprising £2,059,000 income and £2,059,000 payments (Section H) formerly undertaken by HM Revenue and Customs, effective 1st April 2007.		-
<u>Transfers of Budgetary cover to/from other Government Departments</u>			
G2	1. To effect a Resource transfer in from the Department for Environment, Food and Rural Affairs as a contribution to the National Meteorological Programme and Severe Weather Warning Service (Section G).	4,863,000	
G2	2. 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 G).	200,000	
G2	3. To effect a Resource transfer in from the Security and Intelligence Services Agency in respect of support services funding for GCHQ (Section G).	42,525,000	
I2	4. To effect a Resource transfer out to the Department of Culture, Media and Sport as a contribution to the Leeds Armouries Museum Pattern Room staffing costs (Section I).		-149,000
G2	5. To effect a Resource transfer out to the Department of Business, Enterprise and Regulatory Reform as a contribution to the Global Partnership against the spread of weapons and materials of Mass Destruction (Section G).		-4,000,000
<u>Transfers from Capital spending to Resource spending</u>			
I2,7	1. To transfer £455,000,000 Capital Resource to Direct Resource within RfR1 (Section I), relating to Single Use Military Equipment (SUME) flexibility.	455,000,000	

Introduction (continued)**Other Changes**

G2	1. To use £55,000,000 of additional income that will be paid to the Consolidated Fund (Part III) with a corresponding increase in Direct RDEL available to the Department (Section G).	55,000,000	
E2/R2	2. To recognise a Grant in Aid payment to the Royal Irish Benevolent Fund of £60,000, which provides help to members of the Irish Home Service or their dependents, by increasing Non-Budget expenditure and reducing DEL (Sections E and R).		-
A2- J2,V2	3 To revise sub-head provisions (A to J and V) to reflect revisions in allocations between Top Level Budget Holders to match required defence outputs, with no overall impact on RDEL.		-
V2-7	4. With effect from 1st April 2007, Commander-in-Chief Strike Command and Personnel and Training Command were merged to form the new Commander- in- Chief Air Command TLB.		-
	Total change in resources for RfR1	<u>574,439,000</u>	- 574,439,000

RfR2: 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>			
Peace keeping operations:			
B2	1. To increase the RfR2 to reflect the net costs of peace keeping in Iraq (£729,000,000) and Afghanistan (£586,000,000) (Section B).	1,315,000,000	
	Total change in resources for RfR2	<u>Total</u> <u>1,315,000,000</u>	- 1,315,000,000
Total change in resources for Estimate			1,889,439,000

Introduction (*continued*)

Changes in Capital

RfR1: Provision of Defence Capability

<u>Section</u>	<u>Reason for change</u>	<u>Increases</u>	<u>Reductions</u>
<u>Changes related to movements in budgets</u>			
<u>Take up of End Year Flexibility</u>			
I7	1. To take up 2006/2007 Capital End Year Flexibility of £65,000,000 (Section I).	65,000,000	
<u>Transfers from Capital to Resources</u>			
I7	1. To transfer £455,000,000 Capital Resource to Direct Resource within RfR1 (Section I) relating to Single Use Military Equipment (SUME) flexibility.		-455,000,000
I7	2. To transfer £70,000,000 from Voted Capital DEL to Non-Voted Near Cash Resource DEL to cover planned cash release of provision payments (Section I).		-70,000,000
<u>Other changes</u>			
<u>Resource transfers within the Request for Resources - Neutral</u>			
	1. To revise sub-head provisions (A to J and V) to reflect revisions in allocations between Top Level Budget Holders to match required defence outputs, with no overall impact on RDEL.		-

RfR2: Operations and Peace Keeping ††

Section Reason for change

<u>Changes related to movements in budgets</u>			
<u>Special Reserve claims</u>			
Peace keeping operations:			
B7	1. To increase the RfR2 to reflect the Capital costs of peace keeping in Iraq (£226,000,000) and Afghanistan (£378,000,000) (Section B).	604,000,000	
		<u>Total</u>	
		Total change in Capital for Estimate	144,000,000

2. As a result of the above and non-cash adjustments, there is an increase in the net cash requirement of £2,158,439,000.

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

Ministry of Defence

Part I

£

RfR1: Provision of Defence Capability	†	574,439,000
RfR2: Operations and Peace Keeping ††		1,315,000,000
RfR3: War Pensions and Allowances, etc		-
Total additional net resource requirement		1,889,439,000
Additional net cash requirement		2,158,439,000

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

RfR1: 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.

RfR2: 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.

† The Contribution in lieu of rates (CILOR) function (Section H, RfR 1) was transferred from HMRC to MoD on 1st April 2007. Within the overall changes sought in this Estimate, the specific changes relating to this machinery of government change are:

- the net resource requirement is unaffected;
- operating appropriations in aid in RfR 1 are increased by £ 2,059,000;
- the net cash requirement is unaffected.

†† In the Main Estimate the RfR title was 'Conflict Prevention'.

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
RfR1: Provision of Defence Capability					
Spending in Departmental Expenditure Limits (DEL)					
RfR 1 - A Fleet	2,111,526	90,119	-	90,119	2,201,645
RfR 1 - B Commander-in-Chief Land Command	5,785,716	84,695	-	84,695	5,870,411
RfR 1 - C Commander-in-Chief Strike Command	1,738,680	-1,763,141	-24,461	-1,738,680	-
RfR 1 - D Chief of Joint Operations	418,843	-7,771	-	-7,771	411,072
RfR 1 - E Adjutant General	758,661	-76,702	-	-76,702	681,959
RfR 1 - F Personnel and Training Command	770,175	-920,677	-150,502	-770,175	-
RfR 1 - G Central	2,194,547	76,022	-	76,022	2,270,569
RfR 1 - H Defence Estates	2,497,586	105,023	2,059	102,964	2,600,550
RfR 1 - I Defence Equipment and Support	15,687,010	109,923	-	109,923	15,796,933
RfR 1 - J Science Innovation Technology	541,118	-845	-	-845	540,273
Spending in Annually Managed Expenditure (AME)					
Non-Budget					
RfR 1 - R Adjutant General	9,254	60	-	60	83,756
Spending in Departmental Expenditure Limits (DEL)					
<i>Central Government spending</i>					
RfR 1 - V Commander in Chief Air Command	-	2,879,792	174,963	2,704,829	2,704,829
Total RfR1		576,498	2,059	574,439	
RfR2: Operations and Peace Keeping					
Spending in Departmental Expenditure Limits (DEL)					
RfR 2 - B Programme Rest of the World	15,240	1,315,000	-	1,315,000	1,330,240
Total RfR2		1,315,000	-	1,315,000	
Total Changes to RfRs		1,891,498	2,059	1,889,439	

	Present Provision	Change in Provision	£000 New Provision
Capital and Cash			
Total Capital Expenditure	7,953,884	144,000	8,097,884
Non-Operating A in A	404,354	-	404,354
Net cash requirement	31,677,308	2,158,439	33,835,747

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	
RfR1: Provision of Defence Capability								
-	34,177,249	223,314	34,400,563	1,217,927	33,182,636	7,493,884	404,354	
Spending in Departmental Expenditure Limits (DEL)								
<i>Central Government spending</i>								
A Fleet								
-	2,235,577	1,786	2,237,363	35,718	2,201,645	44,054	-	
B Commander-in-Chief Land Command								
-	6,122,302	243	6,122,545	252,134	5,870,411	217,436	-57	
C Commander-in-Chief Strike Command								
-	-	-	-	-	-	-	-	
D Chief of Joint Operations								
-	435,488	-	435,488	24,416	411,072	51,488	-	
E Adjutant General								
-	691,152	3,787	694,939	12,980	681,959	19,592	-	
F Personnel and Training Command								
-	-	-	-	-	-	-	-	
G Central								
-	2,386,276	190,874	2,577,150	306,581	2,270,569	-	250	
H Defence Estates								
-	2,778,856	-	2,778,856	178,306	2,600,550	242,472	353,000	
I Defence Equipment and Support								
-	16,024,233	1,025	16,025,258	228,325	15,796,933	6,858,759	232	
J Science Innovation Technology								
-	536,172	4,101	540,273	-	540,273	-	-	
K Loans and grants to and repayments from the Hydrographic Office								
-	-	-	-	-	-	-	421	
L Loans and grants to and repayments from DARA								
-	-	-	-	-	-	-	55,812	
M Loans and grants to and repayments from ABRO								
-	-	-	-	-	-	-	2,154	
N Loans and grants to and repayments from Met Office								
-	-	-	-	-	-	-	-7,458	
Spending in Annually Managed Expenditure (AME)								
<i>Central Government spending</i>								
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	-	2,876,769	3,023	2,879,792	174,963	2,704,829	58,179	-
RfR2: Operations and Peace Keeping									
-	1,359,303	-	1,359,303	-	1,359,303	-	1,359,303	604,000	-
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	-	1,330,240	-	1,330,240	-	1,330,240	604,000	-
RfR3: War Pensions and Allowances, etc									
-	-575	1,027,582	1,027,007	-	1,027,007	-	1,027,007	-	-
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A	War Pensions Benefits Programme costs	-	-575	1,027,082	1,026,507	-	1,026,507	-	-
A	War Pensions Benefits Programme costs - Far Eastern Prisoners of War	-	-	500	500	-	500	-	-
Total for Estimate:									
-	35,535,977	1,250,896	36,786,873	1,217,927	35,568,946	-	35,568,946	8,097,884	404,354

Part II: Resource to cash reconciliation

	Present	Increase (+)/ Decrease (-)	£'000 Revised
Net Resource Requirement	33,679,507	1,889,439	35,568,946
Voted capital items			
Capital	7,953,884	144,000	8,097,884
<i>Less: Non-operating A in A</i>	<i>404,354</i>	<i>-</i>	<i>404,354</i>
Total net voted capital	7,549,530	144,000	7,693,530
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	-3,465,193	-	-3,465,193
Depreciation	-6,621,537	-	-6,621,537
New provisions and adjustments to previous provisions	-392,370	-	-392,370
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	-	474,947
Increase(-)/decrease (+) in creditors	497,798	55,000	552,798
Use of provisions	429,144	70,000	499,144
Total accruals to cash adjustments	-9,551,729	125,000	-9,426,729
Excess cash to be CFERd	-	-	-
Net Cash Requirement	31,677,308	2,158,439	33,835,747

Part III: Extra receipts payable to the Consolidated Fund

In addition to Appropriations in aid, the following income and receipts relate to the department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Present provision		New provision	
	Income	Receipts	Income	Receipts
Operating income not classified as A in A	-	-	55,000	<i>55,000</i>
Non-operating income not classified as A in A	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-
Excess receipts to be surrendered to the Consolidated Fund	-	-	-	-
Total	-	-	55,000	<i>55,000</i>

Forecast Operating Cost Statement

	£'000
	2007-08 provision
Net Programme Costs	
RfR1	33,182,636
RfR2	1,359,303
RfR3	1,027,007
Non-voted expenditure	-
Total Net Programme costs	35,568,946
Total Net Operating Cost	35,568,946
<i>of which:</i>	
Net Resource Requirement	35,568,946
Non-voted expenditure	-
Consolidated Fund Extra Receipts	-
Resource Budget	35,780,099

Notes to the Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000
	2007-08 Provision
Net Resource Requirement (Estimates)	35,568,946
<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)	35,568,946
<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	200,000
Other adjustments	-
Resource Budget (Budget)	35,780,099
<i>of which:</i>	
Departmental Expenditure Limit (DEL)	34,720,632
Annually Managed Expenditure (AME)	1,059,467

Reconciliation of capital expenditure between Estimates and Budgets

	£'000
	2007-08 Provision
Net Voted Capital (Estimates)	7,693,530
<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)	7,692,370
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	7,692,370
Annually Managed Expenditure (AME)	-

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

2007-08
Provision

RfR1: Provision of Defence Capability

Programme	1,217,927
<i>of which:</i>	
Sale of goods and services	1,184,049
EU income	4
Interest and dividends	33,874

Total RfR1	1,217,927 †
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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	1,217,927
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Analysis of non - operating appropriations in aid (A in A)

2007-08
Provision

RfR1: Provision of Defence Capability

Programme	404,354
<i>of which:</i>	
Sale of assets	353,425
Loan etc., repayments	50,929

Total RfR1	404,354 †
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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	404,354
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Notes to the Estimate (*continued*)

Analysis of Consolidated Fund extra receipts

		£'000	
		2007-08 provision	
		Income	Receipts
Additional income	Φ	55,000	55,000
Total		55,000	55,000

Departmental Expenditure Limits and Administration Budgets

	Change		New DEL		£'000
	Voted	Non-voted	Voted	Non-voted	Total
Resource DEL	1,889,379	-	34,437,544	283,088	34,720,632
<i>of which: †</i>					
Administration budget*	-	-	-	-	-
Near-cash in RDEL	1,889,379	440,000	23,819,675	480,943	24,300,618
Capital ††	144,000	-	7,691,626	744	7,692,370
Less Depreciation †††	-	-	-6,618,451	-200,000	-6,818,451
Total	2,033,379	-	35,510,719	83,832	35,594,551

† 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	1,622,281

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	120
RfR1 - G	Army Sports Control Board	409
RfR1 - H	RAF Sports Control Sports Board	85
RfR1 - I	The Royal British Legion	241
RfR1 - I	Skillforce - Scotland/Wales	242
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	♥	2,991
RfR1 - G	National Army Museum	♥	5,365
RfR1 - G	Royal Hospital, Chelsea	♥	9,258
RfR1 - H	Royal Air Force Museum	♥	7,019
RfR1 - I	Commonwealth War Graves Commission	♥	34,799
