



**The Government's
Expenditure Plans
2001/2002 to 2003/2004**

MINISTRY OF DEFENCE

*Presented to Parliament by the Secretary of State
for Defence and the Chief Secretary to the
Treasury by Command of Her Majesty
April 2001*

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THE GOVERNMENT'S EXPENDITURE PLAN

2001-02 TO 2003-04:

MINISTRY OF DEFENCE

INTRODUCTION

This report provides details of the Government's plans for defence expenditure for the three years 2001-02 to 2003-04. Together with the Ministry of Defence's Performance Report 1999/2000 (Cm 5000, December 2000), it forms part of a series of Departmental Reports.

Other related sources of information on the strategy, goals and performance of the Department include:

- The Spending Review 2000 White Paper (Cm 4808, July 2000).
- UK Defence Statistics 2000.
- The Departmental Investment Strategy for the Ministry of Defence (November 2000).
- Defence Policy 2001.
- The MOD website, at <http://www.mod.uk>.

THE ROLE OF THE MINISTRY OF DEFENCE AND THE CAPABILITIES OF THE ARMED FORCES

Defence serves the aims of foreign and security policy. It provides a range of tools to support the Government's vision of Britain's role as strong in defence; resolute in standing up for British interests and an advocate of human rights and democracy the world over; a reliable and powerful ally; and a leader in Europe and the international community.

The Strategic Defence Review remodelled Britain's defence policy and Armed Forces to meet the challenges of the 21st Century. In doing so, it reflected assessments of the strategic context, now and into the future. The UK's national security and defence depend fundamentally on the security of Europe as a whole. Many of our most important economic and other wider international interests also depend on European stability. NATO is, and will continue to be, the primary means of ensuring British and European collective security and defence. Its vitality and effectiveness, and continuing US engagement in Europe, are therefore essential priorities for the British Government. The development of the European Union also plays a crucial complementary role to NATO in bringing security and stability, principally through political and economic processes. Although NATO remains Europe's principal guarantor of defence and security and, in particular, is responsible for collective defence (Article 5), the development of a capacity for the European Union to undertake crisis management operations in support of the Common Foreign and Security Policy is a high priority.

Our Armed Forces also contribute to the peacetime security of the United Kingdom and to the security of the Overseas Territories. They do this within the UK by, for example, supporting the police in Northern Ireland in maintaining law and order and combating terrorism. They also provide assistance to other Government Departments in a number of ways, such as supporting counter-drugs activities, fishery protection and assisting communities in emergencies. They may also be called on to evacuate British citizens from countries where their safety might be at risk.

Rather than responding to a security emergency when it has escalated, it is clearly better to prevent it arising, or escalating, in the first place. The Armed Forces are therefore engaged in a range of stability-building and conflict prevention activities under the label 'Defence Diplomacy'. Britain contributes alongside other nations to peace support operations. Members of the Armed Forces and civilians in the Department are involved in a number of initiatives to help dispel hostility, build and maintain trust, and assist other states in the development of democratically accountable armed forces. In addition, the Armed Forces can, at the request of the Foreign and Commonwealth Office or Department for International Development, contribute to humanitarian and disaster relief operations, either on a national basis or as part of a co-ordinated international effort.

The Strategic Defence Review reshaped the Armed Forces to give them greater capability in responding to the security requirements of the future. The plans set out in this report underpin the goal of achieving by 2005 the force structure agreed in the Review, subject to any changes needed to respond to international developments. The benchmark for planning remains the ability, in addition to providing whatever military support is required to continuing commitments, to be able:

- To respond to a major international crisis which might require a military effort and combat operations of a similar scale and duration to the Gulf War; or
- To undertake a more extended overseas deployment on a lesser scale (as over the past few years in Bosnia) while retaining the ability to mount a second, substantial deployment which might involve a combat brigade and supporting naval and air forces if this were made necessary by a second crisis. We would not, however, expect both deployments to involve warfighting or to maintain them simultaneously for longer than six months.

The 'worst case' single military contingency for which we need to plan is the participation of British forces in high intensity warfighting operations in a regional conflict. This would require deployment of forces at a similar scale to those involved in the Gulf War. We must therefore continue to structure our forces so that they are capable, as part of a coalition, of being successful against all potential opponents in a large scale warfighting operation. But events have shown that there is a higher probability of the Armed Forces undertaking smaller, but frequent, often simultaneous and sometimes prolonged operations, which can be more demanding than preparing for a single worst-case conflict.

To fulfil these missions, Britain's Armed Forces will continue to need a full range of war-fighting capabilities. They need to be able to deploy early, for strategic effect, to seek to reduce the risk of a crisis escalating. Once there, they need to be capable of offensive, mobile operations. Forces need therefore to be more deployable, and more mobile on the battlefield. And a key requirement will be firepower, with an increasing emphasis on precision and range to maximise military impact whilst minimising civilian casualties. At sea, the emphasis will continue to move from large-scale open-ocean maritime warfare to littoral operations and force projection. Air power will also be a crucial contributor to success. Air superiority will be essential for a wide range of deployed operations. Long-range air attack will continue to be important as an integral part of war-fighting and as a coercive instrument to support political objectives. And central to the effectiveness of military operations will be the ability to gather information about an opponent and use it to maximum effect.

PUBLIC SERVICE AGREEMENT

The Department's Public Service Agreement was published in the White Paper "*Spending Review 2000: Public Service Agreements 2001-04*" (Cm 4808, July 2000, available at <http://www.hm-treasury.gov.uk>). It sets out the objectives, key targets and resources for the Department for the period 2001-02 to 2003-04 to implement the Strategic Defence Review and policies outlined above. The Secretary of State for Defence is responsible overall for its delivery, working for some of these targets in conjunction with the Secretary of State for Foreign and Commonwealth Affairs and the Secretary of State for International Development. Progress against the Public Service Agreement will be published annually in the Department's Performance Report. Performance against the previous PSA was published in the Department's Performance Report 1999/2000 (Cm 5000, Dec 2000).

SPENDING PLANS

The agreed spending plans for the Department set out in this report for the financial years 2001-02 to 2003-04 have as their starting point the defence programme agreed by the Government to underpin the conclusions reached in the Strategic Defence Review. That programme sought to build on the strengths of the Armed Forces whilst making substantial new investment in areas of weakness, in order to maximise the effectiveness of the Armed Forces in meeting the security challenges of the future. It also funded a continuing, major programme of purchases of new fighting equipment.

The Government believes that events since then have demonstrated clearly the broad validity of that programme. But it is clearly right that its implementation should take account of developments since then, especially lessons learned in operations. The plans in this report thus also reflect the outcome of Spending Review 2000, which provided substantial additional funding to help address the equipment lessons learned from the Kosovo campaign, as well as a major programme to upgrade the accommodation provided for Service personnel and their families.

The Data

Following the introduction of resource accounting and budgeting (RAB), there have been a number of changes to the core tables in this year's report. RAB provides a more accurate measure of Departmental expenditure by matching costs to time, taking account of the full consumption and investment of arms-length bodies such as public corporations, and measuring the full costs of government activity, including non-cash expenditure such as depreciation, cost of capital charges and provisions.

The aim of the tables is to provide a detailed analysis of departmental expenditure plans in resource terms, showing:

- Resource consumption and capital investment.
- Voted and non-Voted expenditure.
- Expenditure in both Departmental Expenditure Limits (DELs) and Annually-Managed Expenditure (AME).

Following the decision to introduce resource budgeting in two stages, the major non-cash items – depreciation; cost of capital charges, and provisions – score in AME for the years (2001-02 to 2003-4) covered by Spending Review 2000. Throughout the tables, non-cash expenditure in AME is distinguished from Armed Forces Retired Pay and Pensions which, while cash expenditure, is also categorised as AME. In Stage 2 of resource budgeting, which is scheduled for the 2002 Spending Review, the non-cash costs in AME will score in DEL.

Because RAB data is at present available only from 1999-00, the scope of the resource tables is limited to the period from 1999-00 to 2003-04, the last year covered by Spending Review 2000. However, Table 11 sets out DEL in cash terms from 1998-99 to 2001-02. Table 12 shows the cash to RAB reconciliation for DEL numbers for 1999-00 and 2000-01 (1998-99 figures are not shown as this was a trial year).

In some tables the total figures will not equal the sum of the components because of roundings.

As in previous years, tables are included showing key information on costs and staff numbers.

DEFENCE INVESTMENT STRATEGY

The Department's plans for capital investment for the period covered by this document are laid out in greater detail in the Defence Investment Strategy (published in November 2000, and available at <http://www.mod.uk>). As with this report, the Strategy reflects the outcome of Spending Review 2000. It describes the range of capital assets owned and operated by the Department, what outputs are supported by capital investment and the contribution of Public-Private Partnerships.

Capital investment in fixed assets makes up over 23% of the Department's spending, and contributes to the delivery of each of the Department's objectives.

EXISTING CAPITAL BASE (as at 1 April 2000)

| | £ million |
|---|---------------|
| Land and Buildings | 13,726 |
| Fighting Equipment | 28,563 |
| Assets in the course of construction | 9,306 |
| Capital Spares | 9,216 |
| Plant, machinery and vehicles | 4,747 |
| Information Technology and Communications Equipment | 1,216 |
| Total | 66,774 |

The Defence Investment Strategy also sets out the rigorous systems and procedures the Department has in place to ensure that the right decisions are taken to deliver relevant defence outputs in the most cost-effective manner. These have recently been developed further with the introduction of the Smart Procurement initiative, with its goals of buying equipment quicker, better and cheaper. In addition, a number of structural changes have been made within the Department, including the creation of the Defence Procurement Agency and the Defence Logistics Organisation, aimed at ensuring that the Department is as effectively organised as possible in buying, managing and supporting equipment.

Asset disposals

The Department is committed to ensuring that its estate is no larger than is necessary to meet operational needs. Surplus land and buildings are sold by Defence Estates, an Agency of the Department.

The Department has agreed a challenging target of achieving receipts of over £600m from the sale of assets between April 2001 and March 2004.

The Wider Markets Initiative

The Wider Markets Initiative encourages Departments to exploit irreducible spare capacity on a commercial basis. Activities which have traditionally earned useful receipts are the sale of charts, maps and meteorological services; and the provision of education and training services. Examples of the development of new markets are the use of land, buildings and manpower by film and TV companies, and the exploitation of Intellectual Property Rights in software programmes and CD-ROMS. More recently, project teams have sought to use innovative partnering arrangements with the private sector to maximise opportunities and to develop new sources of revenue.

The Capital Modernisation Fund and Invest to Save Budget

The Capital Modernisation Fund is a Treasury scheme established to provide funding for innovative capital-intensive projects that fulfil wider Government aims. In April 2000, the Department was awarded £15m to undertake three projects: research into the application of tele-medicine; improvements to the flood and severe weather warning system; and the development of a portable humanitarian mine detector.

The Invest to Save Budget is a Treasury-run fund established to develop projects which bring together two or more public sector bodies to deliver services in an innovative and efficient fashion. In March 2001, the Department was awarded £3.46m to undertake three projects: using retired military instructors to provide Key Skills training to young people in schools; using data from the Meteorological Office and National Health Service to develop a workload forecasting system for the Health Service; and developing an e-Trade exchange for the Disposals Sales Agency, enabling it to develop the electronic marketing and disposal of surplus equipment across the public sector.

RESOURCE PLANS SUMMARY

This table sets out, in resource terms, a summary of expenditure from 1999-00 to 2003-04. The first part shows total expenditure in DEL and AME for the department, including the new non-cash AME items introduced by RAB. This is then split into resource and capital expenditure, the former showing what the department consumes in current spending and the latter showing planned investment expenditure.

The "Total Resource Budget" and "Total Capital Budget" figures illustrate, in resource terms, total DEL and AME expenditure in the department's budget. This includes expenditure such as the resource needs and investment in public corporations which, while within the Department's budget, is outside the Department's accounting boundary; and some of which is not Voted by Parliament.

"Net operating costs" and "Capital expenditure in accounts" show the expenditure covered in the departmental resource accounts while "Net total resources (Voted)" and "Net Capital expenditure (Voted)" show the resources and capital expenditure voted by Parliament in Estimates. Reconciliation between the budgeting accounting and Parliamentary Estimates aggregates are shown in Tables 6 and 7 for resource and capital expenditure.

TABLE 1. RESOURCE PLANS SUMMARY

| £ millions | 1999-00 outturn | 2000-01 estimated outturn | 2001-02 plans | 2002-03 plans | 2003-04 plans |
|---|--------------------|---------------------------------|------------------|------------------|------------------|
| Total Spending in DEL | 24,095 | 23,303 | 23,769 | 24,187 | 24,965 |
| Total Spending in AME | 12,868 | 12,242 | 12,723 | 14,039 | 14,815 |
| Armed Forces Retired Pay And Pensions (included in AME above) | 1,231 | 1,335 | 1,426 | 1,504 | 1,561 |
| Non-cash element of Spending in AME | 11,637 | 10,907 | 11,297 | 12,535 | 13,254 |

Notes:

1. Figures from 2001-02 derive from Spending Review 2000 adjusted by subsequent transfers to and from other Departments.
2. The DEL figures for 2001-02 will be increased by £250m as a result of the implementation of the DERA PPP.
3. The DEL and AME figures for 2001-02 include Conflict Prevention funding received by the MOD. This is not included in the figures for 2002-03 or 2003-04.
4. Figures for 2000-01 take account of the Spring Supplementary Estimate including the unprogrammed cost of operations.

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

Consumption – The Resource Budget

| £ million | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Resource DEL | 18,150 | 18,068 | 18,265 | 18,474 | 18,718 |
| Resource AME | 11,637 | 10,907 | 11,297 | 12,535 | 13,254 |
| Of which: | | | | | |
| Non-cash items in Resource AME | 11,637 | 10,907 | 11,297 | 12,535 | 13,254 |
| Total Resource budget | 29,787 | 28,975 | 29,561 | 31,008 | 31,973 |
| Adjustment to reach operating costs | 0 | 6 | 32 | -11 | 21 |
| Net Operating Costs | 29,787 | 28,981 | 29,593 | 30,997 | 31,994 |
| Accounting adjustment | 1,886 | - | - | - | - |
| Net Total Resources (Voted) | 31,673 | 28,981 | 29,593 | 30,997 | 31,994 |

Investment – The Capital Budget

| £ million | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|--------------|--------------|--------------|--------------|--------------|
| Capital DEL | 5,945 | 5,235 | 5,505 | 5,713 | 6,247 |
| Total Capital budget | 5,945 | 5,235 | 5,505 | 5,713 | 6,247 |
| Recorded as an adjustment to reach Voted capital | -20 | -35 | -106 | -39 | -63 |
| Net Capital Expenditure (Voted) | 5,925 | 5,201 | 5,400 | 5,674 | 6,184 |
| Accounting adjustment | -1,886 | - | - | - | - |
| Total | 4,040 | 5,201 | 5,400 | 5,674 | 6,184 |

Notes:

1. Table 1 summarises information on spending plans, accounts and Estimates across the Ministry of Defence. The information is presented in more detail in Tables 4 to 7.

CASH REQUIREMENT

Under RAB, Parliament votes both a net resource requirement for departmental expenditure, reflecting the total Voted provision sought in resource terms, and the cash requirement needed to fund this commitment. The Voted net cash requirement represents the Parliamentary limit for the Ministry of Defence in cash terms and the limit for the amount of cash which can be drawn down for use by the Department in the year.

The Voted net cash requirement is calculated by removing non-cash costs from net operating costs, adjusting for accruals/cash differences such as timing, and then stripping out the part of the departmental cash requirement that is not Voted.

The net Voted cash requirement is shown from 1999-00 to the year for which the Current Estimate has been submitted, 2001-02.

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

TABLE 2. DEPARTMENTAL VOTED CASH REQUIREMENT

| £ millions | 1999-00 outturn | 2000-01 estimated outturn | 2001-02 plans |
|--|--------------------|---------------------------------|------------------|
| <u>Defence Capability and Conflict Prevention (1)</u> | | | |
| Net operating costs | 31,674 | 28,981 | 29,593 |
| Capital expenditure | 4,040 | 5,201 | 5,400 |
| Less non-cash items | (11,921) | (10,853) | (11,321) |
| Adjust for movements in working capital | (1,130) | 155 | 348 |
| Adjust for transfers from provision | (183) | 14 | 186 |
| Departmental Cash Requirement | | | |
| Less non-voted cash requirement | - | - | - |
| Net Cash Requirement (Voted) | 22,480 | 23,498 | 24,206 |
| <u>Armed Forces Retired Pay and Pensions</u> | | | |
| Net operating costs | 1,231 | 1,335 | 1,426 |
| Capital expenditure | - | - | - |
| Less non-cash items | - | - | - |
| Adjust for movements in working capital | 6 | 17 | -18 |
| Net Cash Requirement (Voted) | 1,237 | 1,352 | 1,408 |

Notes:

1. Cash for Conflict Prevention is included in the data for 2001-02 only.

TOTAL CAPITAL EMPLOYED

RAB gives a much clearer picture of the capital assets used by a department. This is used as the basis for calculating the cost of capital charges paid by departments to reflect the economic costs of holding the assets. Table 3 sets out Total Capital Employed by the department within the accounting boundary, and by its sponsored bodies outside the boundary.

TABLE 3. TOTAL CAPITAL EMPLOYED

| £ millions | 1999-00 outturn | 2000-01 estimated outturn | 2001-02 plans | 2002-03 plans | 2003-04 plans |
|---|--------------------|---------------------------------|------------------|------------------|------------------|
| NET ASSETS/LIABILITIES | | | | | |
| Within the departmental account | 86,633 | 85,964 | 89,822 | 90,948 | 91,300 |
| Investment outside accounting Boundary | 746 | 803 | 787 | 799 | 801 |
| Total Capital Employed | 87,379 | 86,767 | 90,609 | 91,747 | 92,101 |

CONSUMPTION: ANALYSIS OF RESOURCE BUDGET SPENDING PLANS

Table 4 gives a detailed breakdown of the resource or current spending plans from 1999-00 to 2001-02. The functional splits by which resources are allocated match those in the Main Resource Estimates, split into DEL and AME. Non-Voted expenditure is shown with a brief description of its functions. Non-cash expenditure in AME is shown by category – depreciation, cost of capital charge, and changes in provisions and other charges.

As in previous years, this table gives a breakdown of departmental expenditure into spending by the Central Government sector and Public Corporations.

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

TABLE 4. CONSUMPTION: ANALYSIS OF RESOURCE BUDGET SPENDING PLANS

| RESOURCE BUDGET | <u>1999-00</u> outturn | <u>2000-01</u> estimated outturn | <u>2001-02</u> plans |
|--|---|--|-------------------------|
| £ millions | | | |
| <u>Departmental Expenditure Limits (DEL)</u> | | | |
| RfR1- Provision of Defence Capability | | | |
| Commander in Chief Fleet | 1,282 | 1,350 | 1,352 |
| Delivery of an operationally capable Fleet which comprises the Submarine Flotilla, the Surface Flotilla, the Naval Aviation Command, the Royal Marines Command, the Royal Fleet Auxiliary Command and Headquarters and related infrastructure. | Costs related to personnel, stores and services, equipment, transportation, fuels and utilities, lands, buildings and works, and general administrative expenses. | | |
| General Officer Commanding (Northern Ireland) | 530 | 526 | 488 |
| Provision of appropriate resources for the effective deployment of forces and the direction of military operations in Northern Ireland in support of the police. | Costs related to personnel, stores and services, equipment, transportation, fuels and utilities, lands, buildings and works, and general administrative expenses. | | |
| Command in Chief Land Command | 3,062 | 3,660 | 3,591 |
| Provision of operationally effective ground forces and battlefield helicopters for all defence roles, whether in the UK, the NATO region, or world-wide. | Costs related to personnel, stores and services, equipment, transportation, fuels and utilities, lands, buildings and works, and general administrative expenses. Other expenditure includes costs related to reserve and cadet forces, and contributions to certain international activities. | | |
| Air Officer Commanding-in-Chief RAF Strike Command | 1,942 | 1,905 | 1,950 |
| Provision of operationally capable air forces for the effective defence of the UK and the protection of dependent territories, to contribute to NATO and allied air force structures, and to support the promotion of the UK's national and international defence interests. | Costs related to personnel, stores and services, equipment, transportation, fuels and utilities, lands, buildings and works, and general administrative expenses. | | |
| Chief of Joint Operations | 410 | 339 | 319 |
| Achieving MOD strategic and operational objectives through the effective application of allocated Joint operational capability; planning and conducting Military Tasks as directed; commanding and administering UK forces deployed overseas on current Joint and potentially Joint operations and Joint exercises and within the Overseas Commands (Cyprus, Gibraltar and the Falkland Islands); contributing to the formulation of Defence policy and plans as part of the Defence Crisis Management Organisation; maintaining the operational readiness of joint Task Force HQs and the Joint Rapid Reaction Force. | Costs related to personnel and general administrative expenses for the maintenance of the Overseas Commands and Cyprus Sovereign Base Areas including lands, buildings, works services and the married quarters estate. Other expenditure includes provision for the in-theatre costs of Joint operations and exercises overseas and for the maintenance of the Joint operational command, control and communications capability. | | |

**THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE**

| RESOURCE BUDGET | 1999-00 outturn | 2000-01 estimated outturn | 2001-02 plans |
|---|--|--|-------------------------|
| £ millions | | | |
| Chief of Defence Logistics | 3,786 | 3,517 | 3,421 |
| Supporting the services in peace, crisis and war through the provision of logistic support, policy and plans and provision of in-service management of equipment, weapons and ammunition. Provision of capable and safe ships, submarines and aircraft to support the Fleet. Provision of weapons and ammunition; storage and distribution; design, production and issue of clothing; postal and courier services; transport and movements; and engineering logistic resources to sustain the Army. Provision and development of MOD Communications and Information Services. Management of all support for RAF aircraft, communications, airborne and ground systems. In addition, to provide joint service support for rationalised ranges of material. | Costs relating to ship and submarine repair, aircraft repair; procurement of spares and repairs for equipment; stores and distribution; clothing; contracted out operational and technical support services; food; personnel; infrastructure and estate; transportation; telecommunications; information technology; works services and property management; salvage and mooring services; plant and machinery; RAF third line aircraft and avionics repair; Central European Pipeline System, fuel utilities and other general administrative expenses. | | |
| 2nd Sea Lord/Commander in Chief Naval Home Command | 579 | 591 | 588 |
| Ensuring that sufficient motivated Naval manpower, trained to the required standards, is available and is deployed in peace, crisis, major crisis and war. The primary outputs are filled billets, trained regular and reserve personnel, policy on terms and conditions of service, and personnel support. | Costs related to personnel, stores and services, equipment, transportation, fuels and utilities, lands, buildings and works, and general administrative expenses. Other expenditure includes certain special payments and grants in aid. | | |
| Adjutant General (Personnel & Training Command) | 1,258 | 1,294 | 1,368 |
| Manning the Army with individually trained, well motivated men and women, retention and conditions of service matters; the provision of medical, education, chaplaincy, provost, legal, staff and personnel support services, and welfare policy for Army personnel and their dependants; the development of training policy for all Army personnel including TA, and the provision of individual training and associated facilities. | Costs related to personnel, stores and services, equipment, transportation, fuels and utilities, lands, buildings and works, and general administrative expenses. Other expenditure includes certain special payments and grants in aid. | | |
| Air Officer Commanding in Chief RAF Personnel and Training Command | 576 | 651 | 747 |
| Manning the Royal Air Force with sufficient, well motivated, appropriately trained personnel in times of peace, crisis and war. Primary outputs are trained regular and reserve personnel, career management, policy on terms and conditions of service, training, ceremonial, welfare, provost, legal, primary health care, nursing and chaplaincy matters, operational support and preparedness for crisis and war. | Costs related to personnel, stores and services, equipment, transportation, fuels and utilities, lands, buildings and works, and general administrative expenses. Other expenditure includes certain special payments and grants in aid. | | |

**THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE**

| RESOURCE BUDGET | 1999-00 outturn | 2000-01 estimated outturn | 2001-02 plans |
|--|---|--|-------------------------|
| £ millions | | | |
| Central | 2,319 | 2,085 | 1,928 |
| <p>The Central TLB provides contributions to the formulation of UK defence policy; the construction of an annual defence programme, to give effect to defence policy, plans, and commitments appropriate to the Government's security objectives and international obligations, within available resources; monitoring the delivery of the programme in-year; scrutiny of major equipment projects in the context of the overall defence programme, promoting efficient and effective management throughout the Department; providing central support and services, including the defence export, estate, central civilian management, security, policing and accountancy services, necessary for departmental objectives to be met; ensuring that the current and future effectiveness of the Armed Forces, including plans for operational deployments and transition to war, is consistent with the Government's defence strategy; provision of intelligence assessments, arms control monitoring, future information technology strategy, and defence medical services; responsibility for certain central and joint service agencies. For accounting purposes, costs of the Chief Scientific Advisor (CSA), his staff and related expenditure, are included within the Central TLB. CSA is responsible for providing scientific advice as a contribution to the formulation of defence policy, including proposals for the procurement of defence equipment and managing the corporate research programme. Also, for accounting purposes, the costs of the Defence Exports Services Organisation are included in the Central TLB. The Head of Defence Export Services is responsible for promoting, within the Government's defence export policies, overseas sales of the products and services of British Defence Industry.</p> | <p>Costs related to personnel and general administrative expenses. Other expenditure includes corporate provisions for civilian redundancy; compensation payments, legal costs and insurance; rent and maintenance of the civil element of the defence estate, rent and maintenance of service families married quarters in UK; medical supplies; certain special payments and grants in aid and subscription contributions and expenditure on certain international activities.</p> <p>The loans and grants to the Meteorological Office and DSTL, shown as sections AO and AP of RfR1, are the responsibility of this TLB holder.</p> | | |
| Defence Procurement Agency | 1,954 | 1,716 | 1,647 |
| <p>Procurement by the Defence Procurement Agency of new equipment and associated weapons, communications, information and training equipment for the three services including major upgrade programmes of existing equipment and systems.</p> | <p>Costs related to personnel, capital works, nuclear programme and general administrative expenses. Costs relating to the acquisition of new surface ships/submarines and associated weapons; strategic systems; tanks, armoured vehicles and other land based fighting equipment; fixed and rotary wing aircraft, weapons and electronic systems; communications information and simulation systems, and major upgrades of existing equipment managed by the Defence Procurement Agency.</p> | | |
| Major Customer Research Budgets | 451 | 434 | 458 |
| <p>This Vote Section covers the provision of independent scientific and technical advice on User Requirement Documents, threat assessments, technology demonstration and operational analysis relevant to future equipment programmes including Strategic Deployment, Manoeuvre, Strike and Information Superiority and the maintenance and development of the defence science and technology base to further knowledge in areas of key interest and to enable the exploitation of advanced technology areas likely to give potential long term benefit to MOD.</p> | | | |
| Total RfR1 | 18,150 | 18,068 | 17,857 |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
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| RESOURCE BUDGET | <u>1999-00</u> outturn | <u>2000-01</u> estimated outturn | <u>2001-02</u> plans |
|--|---------------------------|--|-------------------------|
| £ millions | | | |
| RfR2- Conflict Prevention | | | |
| Africa | - | - | 26 |
| Global | - | - | 156 |
| Total RfR2 | - | - | 182 |
| Non-voted expenditure (1) | - | - | 226 |
| Total DEL | 18,150 | 18,068 | 18,265 |
| Of which: | | | |
| Central government spending | 18,150 | 18,068 | 18,300 |
| Public Corporations | - | - | -35 |
| Of which: | | | |
| Voted | 18,150 | 18,068 | 18,038 |
| Non-voted (1) | | | 226 |
| <u>Annually Managed Expenditure (AME)</u> | | | |
| RfR1 | | | |
| Commander in Chief Fleet | 2,475 | 2,611 | 2,663 |
| General Officer Commanding (Northern Ireland) | 118 | 95 | 114 |
| Commander in Chief Land Command | 1,161 | 1,244 | 1,402 |
| Air Officer Commanding in Chief RAF Strike Command | 2,004 | 1,987 | 2,181 |
| Chief of Joint Operations | 107 | 91 | 110 |
| Chief of Defence Logistics | 3,623 | 2,895 | 3,493 |
| 2 nd Sea Lord/Commander in Chief Naval Home Cmd | 67 | 81 | 67 |
| Adjutant General (Personnel & Training Command) | 241 | 239 | 244 |
| Air Officer Commanding in Chief RAF Personnel and Training Command | 181 | 124 | 133 |
| Central | 495 | 278 | 237 |
| Defence Procurement Agency | 1,174 | 1,268 | 918 |
| Major Customers Research Budget | -7 | -7 | -7 |
| Total RfR1 | 11,637 | 10,907 | 11,556 |
| RfR2 – Conflict Prevention | - | - | 3 |
| Non Voted Expenditure | - | - | -261 |
| Total AME | 11,637 | 10,907 | 11,297 |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

| RESOURCE BUDGET | <u>1999-00</u> outturn | <u>2000-01</u> estimated outturn | <u>2001-02</u> plans |
|--|---------------------------|--|-------------------------|
| £ millions | | | |
| Of which: | | | |
| Central government spending | 11,637 | 10,907 | 11,297 |
| Of which: | | | |
| Voted | 11,637 | 10,907 | 11,558 |
| Non-voted | - | - | -261 |
| Of which non-cash items in AME | | | |
| Of which: | | | |
| Changes in Provision and other charges | 571 | 59 | -19 |
| Cost of Capital Charges | 5,123 | 5,007 | 5,176 |
| Depreciation | 5,943 | 5,840 | 6,140 |
| Annually Managed Expenditure (AME) | | | |
| RfR 1 Armed Forces Retired Pay and Pensions | 1,231 | 1,335 | 1,426 |
| Non-voted expenditure | - | - | - |
| TOTAL AME RfR 1 | 1,231 | 1,335 | 1,426 |
| Of which: | | | |
| Central government spending | 1,231 | 1,335 | 1,426 |
| Of which: | | | |
| Voted | 1,231 | 1,335 | 1,426 |

Notes:

1. Non-voted expenditure is the cash release of provision offset by profits of Departmental trading funds (shown subsequently as "Public Corporations"). It only applies to the control regime for 2001-02 and beyond, so no figures appear for previous years.

INVESTMENT: ANALYSIS OF CAPITAL BUDGET SPENDING PLANS

Table 5 gives a detailed breakdown of the investment or capital spending plans from 1999-00 to 2001-02. The functional splits by which resources are allocated match those in the Main Resource Estimates, split into DEL and AME. Non-Voted expenditure is shown with a brief description as to its functions.

As in previous years, this table gives a breakdown of departmental expenditure into spending by the Central Government sector and Public Corporations.

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
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TABLE 5: INVESTMENT: ANALYSIS OF CAPITAL BUDGET SPENDING PLANS

| CAPITAL BUDGET | <u>1999-00</u> outturn | <u>2000-01</u> estimated outturn | <u>2001-02</u> plans |
|--|---------------------------|--|-------------------------|
| £ millions | | | |
| <u>Departmental Expenditure Limits (DEL)</u> | | | |
| RfR1- Provision of Defence Capability | | | |
| Commander in Chief Fleet | 35 | 37 | 22 |
| General Officer Commanding (Northern Ireland) | 56 | 28 | 27 |
| Command in Chief Land Command | 57 | 100 | 119 |
| Air Office Commanding-in-Chief RAF Strike Command | 32 | 85 | 95 |
| Chief of Joint Operations | 38 | 32 | 22 |
| Chief of Defence Logistics | 946 | 775 | 612 |
| 2 nd Sea Lord/Commander in Chief Naval Home Command | 10 | 18 | 10 |
| Adjutant General (Personnel & Training Command) | 54 | 33 | 52 |
| Air Officer Commanding in Chief RAF Personnel and Training Command | 29 | 29 | 20 |
| Central | -69 | -177 | -63 |
| Defence Procurement Agency | 4,759 | 4,269 | 4,477 |
| Major Customer Research Budgets | - | 7 | - |
| Total RfR1 | 5,945 | 5,235 | 5,394 |
| RfR2- Conflict Prevention | | | |
| Africa | - | - | - |
| Global | - | - | 13 |
| Total RfR2 | - | - | 13 |
| Non-voted expenditure (1) | - | - | 98 |
| TOTAL DEL | 5,945 | 5,235 | 5,505 |
| Of which: | | | |
| Central government spending | 5,945 | 5,235 | 5,407 |
| Public Corporations | - | - | 98 |
| Of which: | | | |
| Voted | 5,945 | 5,235 | 5,407 |
| Non-voted | - | - | 98 |

Notes:

(1) Non-voted expenditure is capital investment by Departmental trading funds.

RECONCILIATION OF RESOURCE EXPENDITURE BETWEEN ACCOUNTS, ESTIMATES AND BUDGETS

This is a technical table showing the inter-relationship between the three totals for accounts, Estimates and budgets. The outturn against the total Voted by Parliament in the Estimates is shown first. The net operating cost figure in the accounts include items which are not part of the resource total voted by Parliament, such as non-Voted expenditure within the departmental accounting boundary, and receipts surrendered to the Consolidated Fund.

The budgeting total reflects the spending authority for the department with the Government's framework for expenditure control. This is an administrative limit imposed by the Government on the Department and its sponsored bodies. So the resource budget outturn total includes a number of categories of expenditure which are not included in, or scored differently from, the totals recorded for Voted Estimates and the Departments' accounts.

The main adjustments from the net operating cost in the accounts to the outturn against resource budget total are:

- Further adjustments for receipts surrendered to the Consolidated Fund, where these score differently in accounts and in budgets;
- The budget scores the full resource consumption of sponsored bodies (public corporations), whilst the Estimate scores only voted grants to those bodies;
- Gains and losses on asset disposals pass through the accounts and Estimates on the resource side but are recycled through the capital budget under the transitional resource budget regime.
- European Union income is Voted but is not included within Departmental budgets.

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
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TABLE 6. RECONCILIATION OF RESOURCE EXPENDITURE BETWEEN ACCOUNTS, ESTIMATES AND BUDGETS

| £ millions | 1999-00 Outturn | 2000-01 Estimated outturn | 2001-02 Plans |
|--|--------------------|---------------------------------|------------------|
| Defence Capability/Conflict Prevention | | | |
| Net Resource Outturn (Estimates) | 31,674 | 28,981 | 29,593 |
| Net Operating Cost (Accounts) | 31,674 | 28,981 | 29,593 |
| <i>Adjustments for:</i> | | | |
| Full resource consumption of public Corporations | - | 15 | (27) |
| Recorded as gains/losses from sale of Capital assets | (1,886) | (20) | - |
| European Union income and related Adjustments | 3 | - | - |
| Voted expenditure outside the budget | (4) | (1) | (4) |
| Resource Budget Outturn (budget) | 29,787 | 28,975 | 29,561 |
| Of which Departmental Expenditure Limits (DEL) | 18,150 | 18,068 | 18,265 |
| Of which Annually Managed Expenditure (AME) | 11,637 | 10,907 | 11,297 |
| Armed Forces Retired Pay and Pensions | | | |
| Net Resource Outturn (Estimates) | 1,231 | 1,335 | 1,426 |
| <i>Adjustments for:</i> | | | |
| CFERs in the OCS | (31) | - | - |
| Net Operating Cost (Accounts) | 1,200 | 1,335 | 1,426 |
| <i>Adjustments for:</i> | | | |
| Other CFERs | 31 | - | - |
| Resource Budget Outturn (budget) | 1,231 | 1,335 | 1,426 |
| Of which Departmental Expenditure Limits (DEL) | - | - | - |
| Of which Annually Managed Expenditure (AME) | 1,231 | 1,335 | 1,426 |

RECONCILIATION OF CAPITAL EXPENDITURE BETWEEN ACCOUNTS, ESTIMATES AND BUDGETS

The table shows the inter-relationship between the three totals for capital expenditure.

The adjustments from Voted Estimates totals to the capital expenditure in the accounts are broadly the same as they are on the resource side. The main adjustments from the capital expenditure in the accounts to the outturn against the capital budget are as follows:

- the capital budget scores the full capital expenditure of public corporations, including expenditure not funded by Vote;
- gains and losses on asset disposals pass through the accounts and Estimates on the resource side, but are recycled through the capital budget under the transitional resource budgeting regime;
- European Union income is not included in the budget, but is in the Estimate.

TABLE 7. RECONCILIATION OF CAPITAL EXPENDITURE BETWEEN ACCOUNTS, ESTIMATES AND BUDGETS

| £ millions | 1999-00 | 2000-01 | 2001-02 |
|---|---------|---------|---------|
| Net Voted Capital Outturn (Estimates) | 4,040 | 5,201 | 5,400 |
| Full capital expenditure by public corporations | 21 | 19 | 107 |
| Transactions recorded as gains/losses from sale of capital assets | 1,886 | 20 | - |
| Other adjustments | (1) | (5) | (1) |
| Capital Budget Outturn | 5,945 | 5,235 | 5,505 |
| of which: | | | |
| Departmental Expenditure Limits (DEL) | 5,945 | 5,235 | 5,505 |
| Annually Managed Expenditure (AME) | - | - | - |

LOCAL AUTHORITY EXPENDITURE

TABLE 8. LOCAL AUTHORITY EXPENDITURE

The MOD does not have any Local Authority expenditure and this table is therefore omitted.

ANALYSIS OF RESOURCE COSTS AND STAFF NUMBERS

TABLE 9. ANALYSIS OF RESOURCE DEL COSTS

| £ million | 1999-2000 Outturn | 2000-01 Estimated Outturn | 2001-02 Plans |
|-------------------------------|----------------------|------------------------------|------------------|
| Pay | 8,848 | 9,255 | 9,533 |
| Other | 10,128 | 10,135 | 9,978 |
| Total | 18,976 | 19,390 | 19,511 |
| Related Receipts | (984) | (1,322) | (1,248) |
| Net Resource DEL Costs | 18,150 | 18,068 | 18,265 |

TABLE 10. STAFF NUMBERS (1)

| | 1996-97 outturn | 1997-98 outturn | 1998-99 outturn | 1999-00 outturn | 2000-01 estimated outturn | 2001-02 plans | 2002-03 plans | 2003-04 plans |
|--|--------------------|--------------------|--------------------|--------------------|---------------------------------|------------------|------------------|------------------|
| Service Personnel (2) | 226,300 | 218,700 | 217,500 | 217,600 | 218,100 | 219,200 | 220,300 | 221,400 |
| UK Based Civilians (UKBCs)(2) | 109,600 | 106,400 | 102,700 | 101,400 | 99,500 | 97,600 | 96,500 | 95,000 |
| Locally Engaged Civilians (LECs) | 16,300 | 15,400 | 14,900 | 13,900 | 15,500 | 15,300 | 15,200 | 15,200 |
| Total Civilians | 125,900 | 121,800 | 117,600 | 115,300 | 115,000 | 112,900 | 111,700 | 110,200 |
| Total MOD Manpower | 352,200 | 340,500 | 335,100 | 332,900 | 333,100 | 332,100 | 332,000 | 331,600 |
| Within Trading Funds (civilians also included in UKBC total numbers) | | | | | | | | |
| DERA (3) | 12,440 | 11,540 | 11,190 | 11,090 | 11,050 | 10,900 | 10,900 | 10,000 |
| Meteorological Office | 2,110 | 2,110 | 2,060 | 2,230 | 2,090 | 2,070 | 2,070 | 2,070 |
| Hydrographic Office | 850 | 850 | 860 | 850 | 850 | 830 | 830 | 830 |
| UKBC Casuals | 3,500 | 2,800 | 2,200 | 2,100 | 1,000 | 1,000 | 1,000 | 1,000 |
| Volunteer Reserves & Auxiliary Forces | 62,271 | 62,454 | 62,358 | 54,900 | 48,470 | 48,720 | 48,440 | 48,310 |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES MINISTRY OF DEFENCE

Notes:

1. All figures are averages and reflect, in the case of forward years, TLB holders' planning assumptions, not manpower targets. TLB holders' objectives are set by cost rather than headcount discipline. The averages have been compiled on a consistent basis to the "spot" figures shown in other MOD and Office for National Statistics Publications.
2. Civilian manpower totals exclude casuals, staff on loan and personnel working for the USAF, but include personnel employed by the MOD Trading Funds. Figures reflect the contractorisation of the Atomic Weapons Establishment. Service manpower totals exclude reservists, but include officer cadets and locally engaged personnel such as Gurkhas. The figures also include full and part time personnel in the Home Service regiments of the Royal Irish Regiment.
3. From 1 April 1995, DERA assumed responsibility for the Defence Research Agency (DRA), the Defence Test and Evaluation Organisation (DTEO), the Centre for Defence Analysis (CDA) and the Chemical and Biological Defence Establishment (CBDE). DERA figures do not yet reflect the planned PPP, and therefore are for the existing structure of the Trading Fund, rather than DSTL (MOD-retained DERA) (Figures not yet available and the date of PPP is not yet certain.)
4. Data for 1998-99 has been categorised according to the existing organisation in 2000-01 and included for indicative purposes only.

DEL & AME CASH OUTTURN 1998-99 TO 2000-01

For the purposes of allowing comparisons to be made with previous expenditure over a longer period, a table showing outturn in cash terms is included from 1998-99 to 2000-01. 2000-01 is the last year where outturn will be expressed in cash terms.

TABLE 11. DEL & AME CASH OUTURNS 1998-99 TO 2000-01

| £ millions | 1998-99 outturn | 1999-00 outturn | 2000-01 estimated outturn |
|---|--------------------|--------------------|---------------------------------|
| DEPARTMENTAL EXPENDITURE LIMITS | | | |
| Current Budget | | | |
| Commander in Chief Fleet | 1,028 | 1,041 | 1,055 |
| General Officer Commanding (Northern Ireland) | 458 | 488 | 487 |
| Commander in Chief Land Cmd | 2,697 | 2,793 | 2,995 |
| AOC in C RAF Strike Command | 1,637 | 1,634 | 1,577 |
| Chief of Joint Operations | 341 | 371 | 342 |
| Chief of Defence Logistics | 4,216 | 4,147 | 4,804 |
| 2 nd Sea Lord/Commander in Chief Naval Home Command | 515 | 545 | 553 |
| Adjutant General (Personnel and Training Command) | 1,033 | 1,140 | 1,236 |
| Air Officer Commanding in Chief RAF Personnel and Training Command | 553 | 566 | 673 |
| Central | 1,874 | 1,986 | 1,792 |
| Defence Procurement Agency | 6,056 | 6,165 | 5,989 |
| Major Customers Research Budget | 460 | 458 | 434 |
| Capital Budget | | | |
| Commander in Chief Fleet | 62 | 42 | 44 |
| General Officer Commanding (Northern Ireland) | 54 | 40 | 46 |
| Commander in Chief Land Cmd | 169 | 141 | 179 |
| AOC in C RAF Strike Command | 135 | 114 | 97 |
| Chief of Joint Operations | 27 | 44 | 59 |
| Chief of Defence Logistics | 817 | 785 | 806 |
| 2 nd Sea Lord/Commander in Chief Naval Home Command | 34 | 30 | 27 |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
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| £ millions | 1998-99 outturn | 1999-00 outturn | 2000-01 estimated outturn |
|--|--------------------|--------------------|---------------------------------|
| Adjutant General (Personnel and Training Command) | 69 | 82 | 97 |
| Air Officer Commanding in Chief RAF Personnel and Training Command | 41 | 37 | 35 |
| Central | 199 | (107) | 117 |
| Defence Procurement Agency | 40 | 22 | 24 |
| Major Customers Research Budget | - | - | 1 |
| DERA loan repayment | (29) | (8) | (8) |
| Meteorological Office loan repayment | (9) | (12) | (9) |
| Hydrographic Office loan repayment | (0) | (0) | (3) |
| Total spending in DEL | 22,475 | 22,544 | 23,449 |

DEPARTMENTAL AME

Current Budget

| | | | |
|-------------------------------------|--------------|--------------|--------------|
| Armed Forces Retired Pay & Pensions | 1,168 | 1,231 | 1,322 |
| Total spending in AME | 1,168 | 1,231 | 1,322 |

Notes:

1. Data for 1998-99 and 1999-00 has been categorised according to the existing organisation in 2000-01 and included for indicative purposes only.

RECONCILIATION OF RAB AND CASH BUDGETS, 1999-2000 TO 2000-01

This table reconciles the new resource based outturn figures with previous cash numbers for both the resource and capital budgets, in both DEL and AME. The main differences between the cash and the resource based system are:

- timing adjustments, reflecting the fact that under RAB costs are scored when the economic activity takes place, not when it is paid for;
- classification switches from resources to capital, and vice-versa as a result of the new accounting and budgeting rules;
- the inclusion of capital charges on the department's civil estate in the resource DEL;
- scoring adjustments to reflect the full resource consumption and capital investment of NDPBs and public corporations, including switching capital spending by financed public corporations generated by the corporations themselves from AME into DEL; and
- the inclusion of non-cash costs in AME.

TABLE 12. RECONCILIATION OF RAB AND CASH BUDGETS, 1999-00 AND 2000-01

| £ millions | 1999-00 outturn | 2000-01 estimated outturn |
|---|--------------------|---------------------------------|
| DEL Current Budget – Cash | 21,334 | 21,937 |
| Timing adjustments | -1,130 | 156 |
| Switches from current to capital budget | -2,293 | -3,627 |
| Switches from capital to resource budget | - | - |
| Capital charges on the civil estate | - | - |
| NDPBs – scoring adjustments | - | - |
| Public corporations – scoring adjustments | - | - |
| Other adjustments | 239 | -398 |
| Other budgeting changes | - | - |
| Resource Budget DEL | 18,150 | 18,068 |
| DEL Capital Budget – Cash | 1,210 | 1,512 |
| Timing Adjustments | - | - |
| Switches from current to capital budget | 2,293 | 3,627 |
| NDPBs – scoring adjustments | - | - |
| Public corporations – scoring adjustments | 122 | 98 |
| Other budgeting changes | 2,320 | - |
| Capital Budget DEL | 5,945 | 5,237 |
| Total DEL under cash | 22,544 | 23,449 |
| Total DEL under RAB | 24,095 | 23,305 |

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| £ millions | 1999-00 outturn | 2000-01 estimated outturn |
|---|--------------------|---------------------------------|
| AME Current Budget – Cash | 1,231 | 1,335 |
| Timing adjustments | - | - |
| Self Financing Public Corporations – scoring adjustments | - | - |
| Public corporations – scoring adjustments | - | - |
| Other adjustments | 11,637 | 10,907 |
| Other budgeting changes | -7 | -94 |
| Resource Budget Departmental AME | 12,861 | 12,148 |
| Non cash items in Resource AME | 11,630 | 10,785 |

TRENDS IN DEFENCE SPENDING

TABLE 13. TRENDS IN DEFENCE SPENDING

| £Million | 96-97 Outturn | 97-98 Outturn | 98-99 Outturn | 99-00 Outturn | 00-01 Estimated Outturn | 01-02 Plans | 02-03 Plans | 03-04 Plans |
|---|------------------|------------------|------------------|------------------|-------------------------------|----------------|----------------|----------------|
| Cash Provision | 22,098 | 21,413 | 22,314 | 22,112 | 23,124 | - | - | - |
| Resource Provision | - | - | - | - | 22,977 | 23,574 | 24,187 | 24,965 |
| As a %age of GDP: | | | | | | | | |
| Cash | 2.9 | 2.6 | 2.6 | 2.4 | 2.4 | - | - | - |
| Resource | - | - | - | - | 2.4 | - | - | - |
| Provision in real terms (2001-02) prices: | | | | | | | | |
| Cash | 24,952 | 23,512 | 23,821 | 23,062 | 23,702 | - | - | - |
| Resource | - | - | - | - | 23,552 | 23,574 | 23,597 | 23,762 |
| Year-on-year change in real terms: | | | | | | | | |
| Cash | - | -5.8 | +1.3 | -3.2 | +2.8 | - | - | - |
| Resource | - | - | - | - | - | +0.1 | +0.1 | +0.7 |
| Unprogrammed Cost of Operations in outturn prices | 247 | 197 | 161 | 433 | 328 | | | |
| Conflict Prevention Budget | | | | | | 195 | | |

Notes:

1. Percentage of GDP not calculated for future years as HM Treasury do not project GDP beyond the current financial year.

APPROPRIATIONS IN AID 2001-02

Appropriations in aid, which are shown in table 14 below, are receipts arising in the course of the Department's business which, with the authority of Parliament, it is permitted to use to offset expenditure.

TABLE 14. APPROPRIATIONS IN AID 2001-02

| | £ Millions (receipts) |
|--|-----------------------|
| Commander in Chief Fleet | 22 |
| General Officer Commanding (Northern Ireland) | 9 |
| Commander in Chief Land Command | 176 |
| Air Officer Commanding in Chief RAF Strike Command | 39 |
| Chief of Joint Operations | 26 |
| Chief of Defence Logistics | 338 |
| 2 nd Sea Lord/Commander in Chief Naval Home Command | 46 |
| Adjutant General (Personnel and Training Command) | 52 |
| Air Officer Commanding in Chief RAF Personnel and Training Command | 146 |
| Central | 550 |
| Defence Procurement Agency | 16 |
| Major Customer Research Budgets | 0 |
| Repayments from the Hydrographic Office | 0 |
| Repayments from the Meteorological Office | 1 |
| Repayments from the Defence Evaluation and Research Agency | 8 |
| Total – Defence Capability | 1,429 |
| Armed Forces Retired Pay and Pensions | 1,017 |
| Total – Retired Pay and Pensions | 1,017 |

CONSOLIDATED FUND EXTRA RECEIPTS

Some receipts are not appropriated in aid but are surrendered to the Consolidated Fund as Consolidated Fund Extra Receipts (CFERs). These include interest credited to the Department, Interest payments on voted loans and receipts from special sales of assets. CFERs expected in 2001-2002 are set out in table 15 below.

TABLE 15. CONSOLIDATED FUND EXTRA RECEIPTS 2001-2002

| RfR | Description | £ Millions |
|--------------|--|--------------|
| 1 | Accrued interest on bank loans and short term deposits and interest receivable on trading fund loans etc. Receipts relating to accrued interest on advances held by an agency or a foreign Government for contractual purposes and receipts rising from sales of certain assets etc. | 7,790 |
| Total | | 7,790 |

CONTINGENT LIABILITIES

A contingent liability occurs where there is a risk of incurring a financial obligation to pay another party or parties in the future, depending on whether a particular set of circumstances arises. Those above £100,000 are shown in table 16.

TABLE 16: CONTINGENT LIABILITIES IN EXCESS OF £100,000

| Statutory Liabilities | RfR | Value |
|--|------|---|
| Statutory liabilities in relation to the operation of International Military Services Ltd. | RfR1 | Up to £50M, or £100M with Parliamentary approval |
| Non-Statutory Liabilities | RfR | Value |
| Liability in respect of assurances given to an overseas Government relative to a sales contract for certain military equipment and spares between that Government and International Military Services Ltd. | RfR1 | £1M |
| Residual liability for the remediation of unidentified contamination in parts of the former Rosyth Naval Base which has been sold to Rosyth 2000 plc. | RfR1 | up to £1.0M |
| Liability to the Saudi Arabian Government to destroy UK supplied JP233s and provide ex-RAF Paveway 3s following signature and ratification by HMG of the Ottawa Convention on landmines. | RfR1 | up to £17.0M |
| Termination liabilities arising out of MOD's association with the Research Council under the Joint Grants Scheme. | RfR1 | up to £10.0M |
| Indemnity given to the Federal Republic of Germany in respect of additional costs which might be incurred by Daimler Chrysler Aerospace in the event of delays in the development of the European Collaborative Radar 90 for the Eurofighter 2000. | RfR1 | £68.7M subject to exchange rate variations |
| Indemnity given in relation to the disposal of Gruinard Island in the event of claims arising from the outbreak of specific strains of Anthrax on the island. | RfR1 | Unquantifiable |
| Liabilities arising from the insurance risk of exhibits on loan to Army and Navy museums. | RfR1 | £1.217M |
| Contractorisation of AWE: indemnity to Hunting BRAE Ltd in respect of nuclear risks under the Nuclear Installations Act 1965. | RfR1 | Up to £140M per incident |
| Contractorisation of Atomic Weapons Establishment (AWE): indemnity to Hunting BRAE Ltd. In respect of the non-Nuclear Installations Act nuclear risks resulting from claims for damage to property or death and personal injury to a third party. | RfR1 | Unquantifiable |
| Contractorisation of AWE: indemnity to Hunting BRAE Ltd in respect of non-nuclear risks, covering employers liability, property damage and business interruption, public and product liability. | RfR1 | Unquantifiable |

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| Non-Statutory Liabilities | RfR | Value |
|--|------|--------------------------|
| Indemnities to Devonport Royal Dockyards Ltd. (DRDL) in respect of nuclear risks under the Nuclear Installations Act 1965. | RfR1 | Up to £140M per incident |
| Indemnities to Babcock Group in respect of nuclear risks under the Nuclear Installations Act 1965. | RfR1 | Up to £140M per incident |
| Indemnities to DRDL and to the Babcock Group in respect of non-nuclear risks resulting from claims for damage to property or death and personal injury to a third party. | RfR1 | Up to £140M per incident |
| Product liability to British Aerospace in respect of work carried out by third party contractors on aircraft for which Bae are Design Authority and for which BAe, at MOD's request provide the third party contractor with design advice and verification. | RfR1 | Unquantifiable |
| Liabilities arising from the sale of Married Quarters estate to Annington Group: to continue to provide utilities – mainly electricity, gas, water and sewerage services on repayment terms to sites that are surrendered in the first 25 to 28 years which depend on adjacent bases for these services; or to contribute to the cost of installing “public” utility services up to a maximum of £25m across the estate. | RfR1 | £25.0M |
| Indemnity to SERCO to meet the cost of redundancy liability for ex-MOD staff transferred to the company with the contract for the operation and maintenance of Tracking and Surveillance Radar, Telemetry equipment and other services at Royal Artillery Ranges Hebrides. | RfR1 | £1.41M |
| Liability arising out of an agreement with NAAFI to compensate the company for any overall losses resulting from the actions or policies of MOD leading to a cessation of certain core requirements. | RfR1 | £20.4M |
| Indemnity to BAe Systems (formerly GEC Marconi and Vickers Shipbuilding and Engineering Ltd (VSEL), Barrow) for third party risks. | RfR1 | Up to £140M per incident |
| Standard indemnity to BAe Systems (formerly GEC Marconi and VSEL) in respect of fissile material intended for use on the VANGUARD and ASTUTE classes contract. | RfR1 | Unquantifiable |
| Waste management, decommissioning and dismantling costs associated with the MOD's nuclear activities on certain MOD operated sites and sites currently operated by: Atomic Weapons Establishment Management Ltd, British Nuclear Fuels Limited, Nuclear Industries Radioactive Waste Executive, Rolls Royce & Associates and UK Atomic Energy Authority. | RfR1 | £31.826M |

PUBLIC PRIVATE PARTNERSHIPS/PRIVATE FINANCE INITIATIVE

The Ministry of Defence seeks to involve the private sector in the delivery of efficient services. Asset use can be maximised through Public Private Partnerships (PPP), whereby we get a better quality service for optimal value. PPPs cover a range of service acquisition techniques including strategic partnering in which private sector partners help make best use of assets including the exploitation of spare capacity. The Private Finance Initiative also continues to play an important role in the provision of defence services. During 2000-2001, the MOD signed 9 further PFI deals with a capital value of £579 million, bringing the total number within the department to 36 with capital investment totalling £1.8 billion. We will continue to use PPP/PFI as a major element of our efficiency strategy, and further projects will be identified in due course.

TABLE 17. PRIVATE FINANCE INITIATIVES

| £ million | 2001-02 Estimated Outturn | 2002-03 plans | 2003-04 plans |
|---|---------------------------------|------------------|------------------|
| Estimated Capital Spending Capital Value | 147 | 200 | 100 |
| Capital Value Projects at preferred bidder stage | 228 | 293 | 280 |
| Revenue costs | 458 | 477 | 523 |

NON-DEPARTMENTAL PUBLIC BODIES: EXECUTIVE BODIES

The Department has seven executive Non-Departmental Public Bodies and their planned expenditure is outlined below.

TABLE 18. NON-DEPARTMENTAL PUBLIC BODIES: EXECUTIVE BODIES

| Name of Body | Total Gross Expenditure of Body (£ millions) | | | |
|---|---|------------------|------------------|------------------|
| | 2000-01 Estimated Outturn | 2001-02 plans | 2002-03 plans | 2003-04 plans |
| Royal Naval Museum | 1.320 | 1.220 | 1.230 | 1.260 |
| Fleet Air Arm Museum | 2.200 | 1.800 | 1.800 | 1.850 |
| Royal Navy Submarine Museum | 1.160 | 1.300 | 2.400 | 0.980 |
| Royal Marines Museum | 0.740 | 0.750 | 0.760 | 0.780 |
| National Army Museum | 4.684 | 4.566 | 3.920 | 4.007 |
| Royal Air Force Museum | 6.076 | 6.686 | 12.373 | 6.700 |
| Oil and Pipelines Agency ⁽¹⁾ | 1.606 | 1.670 | 1.670 | 1.670 |
| Funding from the Defence Budget | | | | |
| Royal Naval Museum | 0.950 | 0.870 | 0.890 | 0.910 |
| Fleet Air Arm Museum | 0.510 | 0.520 | 0.540 | 0.550 |
| Royal Navy Submarine Museum | 0.440 | 0.560 | 0.570 | 0.580 |
| Royal Marines Museum | 0.620 | 0.600 | 0.620 | 0.640 |
| National Army Museum | 4.684 | 4.566 | 3.920 | 4.007 |
| Royal Air Force Museum | 4.975 | 4.625 | 4.364 | 4.848 |
| Oil and Pipelines Agency ⁽¹⁾ | - | - | - | - |

Notes:

1. The running costs of the Oil and Pipelines Agency (OPA) are no longer funded from the Defence Budget. It is funded from any surplus obtained from the operation of the Government Pipeline and Storage System by the OPA. Should a surplus not be generated then MOD would have to bear the cost.

LONG TERM PROJECTS

Table 19 details Top Level Budget Holders' major long term works and information technology projects with an individual value of £25 million or more on site in 2001-02. Only those projects on site in 2001-02 are identified in the table. Projects which will reach completion before the start of 2001-02 or which are due to start on site after 2001-02 are not shown, though there may be relatively minor expenditure on these projects in the form of fees, equipment, enabling works etc, or following completion of the work on site.

Further details on MOD Projects can be found in the following publications:

- House of Commons Defence Committee's tenth report on Major Equipment Projects (ref: 528) dated 28 June 2000;
- UK Defence Statistics 2000 dated September 2000 (Table 1.17);
- Report by the Comptroller and Auditor General (HC 970) dated 22 November 2000.

TABLE 19. LONG TERM PROJECTS

| Project | Year of Start/ Original estimate of year of completion | Current estimate of year of completion | £ thousand at 2001-02 prices | | | | | Total |
|---|---|--|----------------------------------|--|---------------------------------|-----------------------------|----------------|----------------|
| | | | Original estimate of expenditure | Current estimates of Expenditure Spent in past years | Estimated provision for 2001-02 | To be spent in future years | | |
| Adjutant General | | | | | | | | |
| 1. Command and Control Information Technology (1) | 1996-97/2000-01 | 2001-02 | works | 21,134 | 15,578 | 3,173 | 3,176 | 21,927 |
| | | | fees | 12,577 | 8,465 | 479 | 676 | 9,620 |
| | | | subtotal | 33,711 | 24,043 | 3,652 | 3,852 | 31,547 |
| 2. Army Information Infrastructures Programme (AIIIP) (2) | 2001-02/2004-05 | 2004-05 | works | 62,209 | 0 | 20,944 | 41,265 | 62,209 |
| | | | fees | 108,089 | 0 | 15,974 | 92,115 | 108,089 |
| | | | subtotal | 170,298 | 0 | 36,918 | 133,380 | 170,298 |
| Projects costing £25,000,000 or more | | | Total | | | 40,570 | | |
| Projects costing less than £25,000,000 | | | Total | | | 0 | | |
| Total Adjutant General | | | | | | 40,570 | | |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

| Project | Year of Start/ Original estimate of year of completion | Current estimate of year of completion | Original estimate of expenditure | | Spent in past years | Estimated provision for 2001-02 | To be spent in future years | Total |
|--|---|--|----------------------------------|----------------------------------|----------------------------------|---------------------------------|--------------------------------|----------------------------------|
| Commander-in-Chief Land Command | | | | | | | | |
| 3. Tidworth – rebuild of existing barracks for armoured infantry battalion (3) | 2001-02/2003-04 | 2003-04 | works fees subtotal | 39,984 726 40,710 | 0 31 31 | 9,788 197 9,985 | 30,196 498 30,694 | 39,984 726 40,710 |
| 4. Aldershot – Construction of new barracks for mechanised infantry battalion (4) | 2000-01/2001-02 | 2002-03 | works fees subtotal | 47,424 2,043 49,467 | 8,218 1,661 9,879 | 20,363 276 20,639 | 18,843 106 18,949 | 47,424 2,043 49,467 |
| 5. Woodbridge – rebuild and refurbishment of existing barracks for close support engineer regiment (3) | 2001-02/2002-03 | 2002-03 | works fees subtotal | 32,415 170 32,585 | 0 21 21 | 7,164 149 7,313 | 25,251 0 25,251 | 32,415 170 32,585 |
| 6. Wattisham – infrastructure works for attack helicopter deployment | 2000-01/2003-04 | 2003-04 | works fees subtotal | 28,697 773 29,470 | 7,175 363 7,538 | 12,339 139 12,478 | 9,183 271 9,454 | 28,697 773 29,470 |
| 7. Bovington – rebuild and refurbishment of existing barracks for armoured recce regiment (3) | 2001-02/2003-04 | 2003-04 | works fees subtotal | 35,236 343 35,579 | 214 91 305 | 6,633 117 6,750 | 28,389 135 28,524 | 35,236 343 35,579 |
| Projects costing £25,000,000 or more | | | Total | | | 57,165 | | |
| Projects costing less than £25,000,000 | | | Total | | | 81,629 | | |
| Total Commander-in-Chief Land Command | | | 138,794 | | | | | |
| Air Officer Commanding-in-Chief, Royal Air Force Strike Command | | | | | | | | |
| 8. Tornado Rebasing | 1999-00/2002-03 | 2002-03 | works fees subtotal | 36,826 1,912 38,738 | 26,767 1,655 28,422 | 9,520 201 9,721 | 539 56 595 | 36,826 1,912 38,738 |
| Projects costing £25,000,000 or more | | | Total | | | 9,721 | | |
| Projects costing less than £25,000,000 | | | Total | | | 75,229 | | |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

| Project | Year of Start/ Original estimate of year of completion | Current estimate of year of completion | Original estimate of expenditure | Spent in past years | Estimated provision for 2001-02 | To be spent in future years | Total | |
|---|---|--|----------------------------------|--------------------------------------|-------------------------------------|---------------------------------|----------------------------------|-------------------------------------|
| Total Air Officer Commanding-in-Chief, Royal Air Force Strike Command | | | 84,950 | | | | | |
| Chief of Defence Logistics | | | | | | | | |
| 9. Portsmouth – Refurbishment of Western Jetties (5) (1) | 1998-99/2006-07 | 2008-09 | Works Fees Subtotal | 76,578 5,939 82,517 | 25,762 1,494 27,256 | 388 73 461 | 62,268 5,700 67,968 | 88,418 7,267 95,685 |
| 10. NAVYSTAR (Naval Sector IT infrastructure project) | 1996-97/2006-07 | 2008-09 | works fees subtotal | 77,965 960 78,925 | 22,334 3,736 26,070 | 6,264 528 6,792 | 34,371 8,721 43,092 | 62,969 12,985 75,954 |
| 11. ACCESS (Aircraft Computerised Equipment Support System) (1) | 1997-98/2000-01 | 2004-05 | works fees subtotal | 0 35,272 35,272 | 0 23,468 23,468 | 0 5,524 5,524 | 0 13,631 13,631 | 0 42,623 42,623 |
| 12. Logistics Information Technology Strategy (LITS) – Tranche 1 (1) (6) | 1992-93/2002-03 | 2003-04 | works fees subtotal | 229,003 180,162 409,165 | 220,052 65,550 285,602 | 7,912 8,217 16,129 | 0 14,434 14,434 | 227,964 88,201 316,165 |
| 13. Logistics Information Technology Strategy (LITS) – Tranche 2 (10) | 1999-00/2004-05 | 2004-05 | works fees subtotal | 0 0 0 | 0 0 0 | 0 0 0 | 0 0 0 | 0 0 0 |
| 14. Provision of an Internet Protocol based wide area network to support lines of business. | 2001-02/2004-05 | 2004-05 | works fees subtotal | 93,577 0 93,577 | 0 0 0 | 25,044 0 25,044 | 68,533 0 68,533 | 93,577 0 93,577 |
| Projects costing £25,000,000 or more | | | Total | | 53,950 | | | |
| Projects costing less than £25,000,000 (7) | | | Total | | 101,887 | | | |
| Total Chief of Defence Logistics | | | 155,837 | | | | | |
| 2nd Permanent Under Secretary of State | | | | | | | | |
| 15. Tidworth, Matthews and Avon – Married Quarters demolition and rebuild (4) (7) | 2000-01/2003-04 | 2003-04 | works fees subtotal | 44,918 1,761 46,679 | 8,028 766 8,794 | 14,694 350 15,044 | 20,692 865 21,557 | 43,414 1,981 45,395 |
| 16. Middle Wallop – Married Quarters demolition and rebuild (8) | 2000-01/2003-04 | 2003-04 | works fees subtotal | 25,062 1,449 26,511 | 2,290 708 2,998 | 8,035 264 8,299 | 13,923 471 14,394 | 24,248 1,443 25,691 |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

| Project | Year of Start/ Original estimate of year of completion | Current estimate of year of completion | Original estimate of expenditure | | Spent in past years | Estimated provision for 2001-02 | To be spent in future years | Total |
|--|---|--|----------------------------------|---------------|---------------------|---------------------------------|-----------------------------|---------------|
| Projects costing £25,000,000 or more | | | Total | | | 23,343 | | |
| Projects costing less than £25,000,000 | | | Total | | | 56,606 | | |
| Total 2nd Permanent Under Secretary of State | | | 79,949 | | | | | |
| Defence Procurement Agency Operating Costs and Nuclear Warhead and Fissile Material programme | | | | | | | | |
| 17. ASPECT (PE future computer project) | 1995-96/2002-03 | 2002-03 | works | 14,657 | 14,754 | 0 | 0 | 14,754 |
| | | | fees | 46,953 | 38,584 | 5,317 | 3,281 | 47,182 |
| | | | subtotal | 61,610 | 53,338 | 5,317 | 3,281 | 61,936 |
| Projects costing £25,000,000 or more | | | | | | 5,317 | | |
| Projects costing less than £25,000,000 (9) | | | | | | 9,652 | | |
| Total DPA Operating Costs and Nuclear Warhead and Fissile Material programme | | | | | | | | |
| | | | 14,969 | | | | | |

Notes: This is an update to the Long Term Projects (Works and IT) Table (Table 12) published in last year's Report (Cm 4608).

- Unless otherwise stated, dates shown for year of start/year of completion refer to the main contract. The original estimate of expenditure is the approved estimated cost at the date of letting the main contract, where this stage has been reached. Where this is not yet the case, the cost is based on the pre-tender estimate or, failing that, the estimate of final sketch plan stage. See note 5 for the exception to this rule.

1. The current estimated year of completion has been revised from that shown in last year's Statement.
2. The original estimate of expenditure for this project is based on the pre-tender estimate.
3. The original estimate of expenditure for this project is based on the estimate of the final sketch plan.
4. A revision has been made to the Year of Start from that shown in last year's Statement.
5. The original estimate of expenditure for the "Refurbishment of Western Jetties" project is derived partly from rough order of costs estimates.
6. Support costs beyond 2003-04 have incorrectly been included in previous year's submissions. These costs do not form part of the project contract and have therefore been removed.
7. The original estimate of expenditure for this project shown in last year's Statement was incorrectly stated as it excluded the costs of approved enhancements. This has been corrected for the current table.
8. This project did not appear in last year's table as the cost was below £25 million. The costs have now been revised following the letting of the main contract.
9. Certain projects are not separately identified for security or commercial reasons. The total cost of these projects are, however, included in the totals for projects costing less than £25 million.
10. LITS Tranche 2 has now been subsumed within the Defence Stores Management System (DSMS) which does not meet the criteria for inclusion within this table.

EXPORT OF DEFENCE EQUIPMENT

The Defence Export Services Organisation within the Ministry of Defence is tasked with promoting the export of British defence equipment. Provision for the administrative expenses of the Defence Export Services Organisation, for procurement and overseas sales of equipment, and management of sales of surplus defence equipment in the United Kingdom and overseas by the Disposal Services Agency of the Defence Export Services Organisation are detailed in table 21 below.

TABLE 20. EXPORT OF DEFENCE EQUIPMENT

| Administration & Sales Promotion | £ thousand | |
|--|---------------|---------------|
| | Expenses | Receipts |
| Provision for the administrative expenses of the Defence Export Services Organisation's staff in the Central TLB | | |
| Administrative expenses | 47,520 | 31,364 |
| Promotion of sales | 2,518 | 1,646 |
| Interest support | --- | --- |
| Departmental expenses and receipts arising from staff on loan | --- | --- |
| Total | 50,038 | 33,010 |

Procurement & overseas sales of equipment ⁽¹⁾

Provision made for procurement explicitly to meet orders from, And for receipts from overseas sales to, foreign Governments (including those for items made available from service stocks)

| | | |
|---|--------------|---------------|
| Chief of Defence Logistics/Defence Procurement Agency | 2,140 | 29,564 |
| Total | 2,140 | 29,564 |

Disposal Sales ⁽¹⁾

The Defence Export Services Organisation, through its Disposal Services Agency, manages certain sales of surplus Defence Equipment in the United Kingdom and overseas. Provision for Associated direct expenditure and for receipts from such sales is Made in the budgets of the Chief of Defence Logistics and the Central TLBs.

| | | |
|--|------------|---------------|
| | 120 | 16,453 |
|--|------------|---------------|

Notes:

1. Receipts of £44.67m generated by the Disposal Services Agency through overseas and disposal sales are included in the above totals.

MAIN ESTIMATES 2001-2002: MINISTRY OF DEFENCE

RfR1: Provision of Defence Capability

Introduction

1. RfR1 provides for expenditure primarily to meet the Ministry of Defence's (MOD) operational, support and logistics services costs and the costs of providing the equipment capability required by defence policy. It reflects the way in which the MOD manages its expenditure. Each of the eleven Top Level Budget (TLB) holders included in this RfR has been allocated an individual RfR section (A to K, M to W, and Y to AI) consistent with expenditure and income for which the TLB holder is responsible and accountable within the Department. Information on the responsibilities of each TLB holder and the type of expenditure they incur is contained in the main body of this Command Paper. Sections L, X and AJ provide for expenditure on applied strategic research.

2. Supporting information relating to expenditure contained in the Vote, including details of contingent liabilities valued in excess of £100,000, and analysis of appropriations in aid is contained in the main body of this Command Paper.

3. The provision sought for 2001-2002 is expressed in resource terms. This includes the depreciation charge on fixed assets and a cost of capital charge on the net assets of the department. A breakdown of the forecast outturn for 2001-2002 is given in Tables 4 and 5 of this Command Paper.

4. Dividend payments received from the Department's Trading Funds will be appropriated in aid. Interest on loans provided by the Department to the Trading Funds will continue to be surrendered to the Consolidated Fund in accordance with Government Accounting.

5. Grants in aid above £1 million included in this Estimate are: Section G – Naval and maritime museums ♥ £2.550 million; Section H – National Army Museum ♥ £4.684 million; Royal Hospital Chelsea ♥ £8.458 million; Section I – Royal Air Force Museum ♥ £4.625 million; Section J – Commonwealth War Graves Commission ♦ £23.468 million.

6. International Subscriptions above £1 million included in this Estimate are: Section J – UK Contribution to the Comprehensive Test Ban Treaty verification regime £2.916 million; European Meteorological Satellite Programme £7.980 million; NATO military budgets £70.350 million; NATO infrastructure projects £57.594 million and WEU Satellite £1.200 million.

7. Section AH includes £0.487 million in respect of the VAT paid by the Commonwealth War Graves Commission for UK

expenditure; £5.045 million in respect of payments and interest charges under the Armed Forces (Housing Loan) Acts, and £3.018 million in respect of capital loan repayments and interest charges in respect of a finance lease for the provision of married quarters at RAF Lossiemouth. All of these sums are classified as expenditure outside Departmental Expenditure Limits.

8. Some advances made periodically for the UK share of costs of collaborative projects will be charged to the Vote at the time of issue and MOD will be provided with periodic statements of actual expenditure incurred.

RfR2: Conflict Prevention

9. This RfR provides for the payment of such sums as are agreed by the Conflict Prevention Expenditure sub-committee in support of operational activity in the following regions:

- (a) expenditure in support of government endorsed activity in Sub-Saharan Africa;
- (b) expenditure in support of government endorsed activity in the Rest of the World;

10. The provision sought for 2001-2002 was formerly included within Class VI, Vote 1.

11. Further details of the expenditure of this RfR are included in the main body of this Command Paper.

12. The Ministry of Defence is responsible for administering the funding for this Estimate.

13. The Ministry of Defence Departmental Expenditure Limit is £23,769,498,000.

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

| | |
|--|---------------------------|
| Part I | £ |
| RfR1: Provision of Defence Capability | 29,409,367,000 |
| RfR2: Conflict Prevention | 184,259,000 |
| Total net resource requirement | 29,593,626,000 |
| Net Cash Requirement | 24,205,998,000 |

Amounts required in the year ending 31 March 2002 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 costs; plant and machinery; nuclear warhead and fissile material programme; 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; lands 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; set-up costs and loans to, and income from, trading funds and other non cash items.

RfR2: 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 non cash items.

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

| | Net Total £ | Allocated in Vote on Account £ | Balance to Complete £ |
|--------------------------------|----------------|--------------------------------------|-----------------------------|
| Total RfR1 | 29,409,367,000 | 13,233,577,000 | 16,175,790,000 |
| Total RfR2 | 184,259,000 | 84,150,000 | 100,109,000 |
| Total net resource requirement | 29,593,626,000 | 13,317,727,000 | 16,275,899,000 |
| Net Cash Requirement | 24,205,998,000 | 10,890,534,000 | 13,315,464,000 |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

Part II: Subhead detail

£'000

Resources..... Capital..... 2000-2001 1999-2000
Provision Outturn

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|-------|------------------|--------|----------------|------|-----------|---------|-----------------------|------------------------|------------------------|
| | Admin | Other Current | Grants | Gross Total | AinA | Net total | Capital | Non-Operating AinA | Net total resources | Net total resources |

RfR1: Provision of Defence Capability

Totals for RfR1

- **30,506,157 159,010 30,665,167 1,255,800 29,409,367 5,559,947 173,413 28,980,969 31,674,023**

SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS:

Central Government Spending

| | | | | | | | | | | |
|---|---|-----------|---------|-----------|---------|------------------|-----------|---------|-----------|-----------|
| ★ A: Commander-in-Chief Fleet | - | 1,373,909 | - | 1,373,909 | 22,130 | 1,351,779 | 22,600 | 220 | 1,349,912 | 1,281,987 |
| ★ B: General Officer Commanding (Northern Ireland) | - | 495,879 | - | 495,879 | 7,877 | 488,002 | 28,710 | 1,260 | 525,981 | 530,364 |
| ★ C: Commander-in-Chief Land Command | - | 3,765,991 | 585 | 3,766,576 | 175,738 | 3,590,838 | 118,620 | 20 | 3,660,252 | 3,061,833 |
| ★ D: Air Officer Commanding-in-Chief RAF Strike Command | - | 1,989,570 | - | 1,989,570 | 39,490 | 1,950,080 | 94,731 | - | 1,904,594 | 1,942,164 |
| ★ E: Chief of Joint Operations | - | 343,494 | - | 343,494 | 24,759 | 318,735 | 23,940 | 1,550 | 339,144 | 410,267 |
| ★ F: Chief of Defence Logistics | - | 3,720,310 | 9,302 | 3,729,612 | 308,647 | 3,420,965 | 638,864 | 27,004 | 3,516,682 | 3,786,330 |
| ★ G: 2nd Sea Lord/Commander-in-Chief Naval Home Command | - | 633,683 | - | 633,683 | 45,245 | 588,438 | 10,740 | 940 | 591,014 | 578,554 |
| ★ H: Adjutant General (Personnel & Training Command) | - | 1,420,043 | - | 1,420,043 | 51,959 | 1,368,084 | 51,940 | - | 1,294,142 | 1,258,492 |
| ★ I: Air Officer Commanding-in-Chief RAF Personnel and Training Command | - | 892,611 | - | 892,611 | 145,463 | 747,148 | 20,430 | 140 | 651,223 | 576,053 |
| ★ J: Central | - | 2,189,939 | 148,636 | 2,338,575 | 411,026 | 1,927,549 | 70,951 | 133,533 | 2,085,050 | 2,319,122 |
| ★ K: Defence Procurement Agency | - | 1,663,155 | - | 1,663,155 | 16,080 | 1,647,075 | 4,477,077 | - | 1,716,281 | 1,954,443 |
| ★ L: Major customers' research budgets | - | 458,196 | - | 458,196 | - | 458,196 | - | - | 433,884 | 450,538 |

SPENDING IN ANUALLY MANAGED EXPENDITURE

Central Government Spending/Non Cash Items

| | | | | | | | | | | |
|---|---|-----------|---|-----------|---|------------------|---|---|-----------|-----------|
| ★ M: Commander-in-Chief Fleet | - | 2,662,819 | - | 2,662,819 | - | 2,662,819 | - | - | 2,611,339 | 2,474,611 |
| ★ N: General Officer Commanding (Northern Ireland) | - | 114,145 | - | 114,145 | - | 114,145 | - | - | 94,999 | 117,573 |
| ★ O: Commander-in-Chief Land Command | - | 1,402,165 | - | 1,402,165 | - | 1,402,165 | - | - | 1,244,221 | 1,160,649 |
| ★ P: Air Officer Commanding-in-Chief RAF Strike Command | - | 2,180,629 | - | 2,180,629 | - | 2,180,629 | - | - | 1,987,120 | 2,004,237 |
| ★ Q: Chief of Joint Operations | - | 109,889 | - | 109,889 | - | 109,889 | - | - | 90,648 | 107,471 |
| ★ R: Chief of Defence Logistics | - | 3,493,041 | - | 3,493,041 | - | 3,493,041 | - | - | 2,895,397 | 3,622,788 |
| ★ S: 2nd Sea Lord/Commander-in-Chief Naval Home Command | - | 67,320 | - | 67,320 | - | 67,320 | - | - | 80,531 | 66,984 |
| ★ T: Adjutant General (Personnel & Training Command) | - | 244,446 | - | 244,446 | - | 244,446 | - | - | 238,885 | 240,838 |
| ★ U: Air Officer Commanding in Chief RAF Personnel & Training Command | - | 132,924 | - | 132,924 | - | 132,924 | - | - | 123,636 | 181,120 |
| ★ V: Central | - | 237,248 | - | 237,248 | - | 237,248 | - | - | 278,368 | 494,837 |
| ★ W: Defence Procurement Agency | - | 917,541 | - | 917,541 | - | 917,541 | - | - | 1,268,183 | 1,173,548 |
| ★ X: Major Customers Research Budgets | - | -6,665 | - | -6,665 | - | -6,665 | - | - | -6,702 | -7,161 |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

Part II: Subhead detail-----continued

£'000

Resources..... Capital..... 2000-2001 1999-2000
Provision Outturn

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--|-------|------------------|--------|----------------|------|-----------|---------|-----------------------|------------------------|------------------------|
| | Admin | Other current | Grants | Gross total | AinA | Net total | Capital | Non-Operating AinA | Net total resources | Net total resources |

OTHER SPENDING OUTSIDE DEPARTMENTAL EXPENDITURE LIMITS:

| | | | | | | | | | | |
|--|---|-------|-----|-------|-------|--------|-------|-------|---------|-----------|
| ★ Y: Commander-in-Chief Fleet | - | - | - | - | - | - | - | - | 131 | 3,265 |
| ★ Z: General Officer Commanding (Northern Ireland) | - | - | - | - | - | - | - | - | -1,231 | 46,361 |
| ★ AA: Commander-in-Chief Land Command | - | - | - | - | - | - | - | - | -1,733 | 81,702 |
| ★ AB: Air Officer Commanding-in-Chief RAF Strike Command | - | - | - | - | - | - | - | - | -4,000 | 120,195 |
| ★ AC: Chief of Joint Operations | - | - | - | - | - | - | - | - | 1,477 | 2,535 |
| ★ AD: Chief of Defence Logistics | - | - | - | - | 2,386 | -2,386 | - | - | 37,563 | 1,664,713 |
| ★ AE: 2nd Sea Lord/Commander-in-Chief Naval Home Command | - | - | - | - | - | - | - | - | 34 | 5,163 |
| ★ AF: Adjutant General (Personnel & Training Command) | - | - | - | - | - | - | - | - | - | 4,002 |
| ★ AG: Air Officer Commanding-in-Chief RAF Personnel and Training Command | - | - | - | - | - | - | - | - | - | 3,560 |
| ★ AH: Central | - | 3,875 | 487 | 4,362 | 5,000 | -638 | 1,344 | - | -29,723 | -49,806 |
| ★ AI: Defence Procurement Agency | - | - | - | - | - | - | - | - | 3,667 | 4,691 |
| ★ AJ: Major customers' research budgets | - | - | - | - | - | - | - | - | - | - |
| ★ AK: Loans and grants to and repayments from the Hydrographic Office | - | - | - | - | - | - | - | 460 | - | - |
| ★ AL: Loans and grants to and repayments from the Meteorological Office | - | - | - | - | - | - | - | 700 | - | - |
| ★ AM: Loans and grants to and repayments from DERA | - | - | - | - | - | - | - | 7,586 | - | - |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

Part II: Subhead detail-----continued

£'000

| Resources..... | Capital..... | | | | | 2000-2001 Provision | 1999-2000 Outturn | | |
|---|-------------------|----------------|-------------------|------------------|-------------------|------------------------|---------------------------|------------------------|------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Admin | Other current | Grants | Gross total | AinA | Net total | Capital | Non- Operating AinA | Net total resources | Net total resources |
| RfR2: Conflict Prevention | | | | | | | | | |
| Totals for RfR2 | | | | | | | | | |
| - | 184,259 | - | 184,259 | - | 184,259 | 13,234 | - | - | - |
| SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS | | | | | | | | | |
| <i>Central Government Spending</i> | | | | | | | | | |
| A: Sub-Saharan Africa – Programme expenditure | | | | | | | | | |
| - | 22,857 | - | 22,857 | - | 22,857 | - | - | - | - |
| B: Rest of the World – Programme expenditure | | | | | | | | | |
| - | 14,661 | - | 14,661 | - | 14,661 | - | - | - | - |
| C: Sub-Saharan Africa – Peacekeeping | | | | | | | | | |
| - | 2,574 | - | 2,574 | - | 2,574 | - | - | - | - |
| D: Rest of the World -- Peacekeeping | | | | | | | | | |
| - | 141,479 | - | 141,479 | - | 141,479 | 13,234 | - | - | - |
| SPENDING IN ANNUALLY MANGED EXPENDITURE | | | | | | | | | |
| <i>Central Government's spending/Non Cash Items</i> | | | | | | | | | |
| E: Sub-Saharan Africa | | | | | | | | | |
| - | 300 | - | 300 | - | 300 | - | - | - | - |
| F: Rest of the World | | | | | | | | | |
| - | 2,388 | - | 2,388 | - | 2,388 | - | - | - | - |
| TOTAL | 30,690,416 | 159,010 | 30,849,426 | 1,255,800 | 29,593,626 | 5,573,181 | 173,413 | 28,980,969 | 31,674,023 |

Accruals to cash adjustment -10,787,396

Net cash required 24,205,998

| <i>Resource to cash reconciliation</i> | | £000 |
|--|----------------|--------------------|
| Net total resources | | 29,593,626 |
| Voted capital items: | | |
| Capital | 5,573,181 | |
| Less non-operating AinA | <u>173,413</u> | 5,399,768 |
| Accruals to cash adjustments: | | |
| Cost of Capital charges | -5,176,388 | |
| Depreciation | -6,139,973 | |
| Other non-cash items | -5,000 | |
| Increase (+)/decrease (-) in stock | -126,000 | |
| Increase (+)/decrease (-) in debtors | 104,000 | |
| Increase (-)/decrease (+) in creditors | 370,000 | |
| Increase (-)/decrease (+) in provision | 185,965 | |
| Excess cash to be CFERd | - | |
| | ----- | |
| | | -10,787,396 |
| Net cash required | | 24,205,998 |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

Part III – CONSOLIDATED FUND EXTRA RECEIPTS

| | 2001-02 | | 2000-01 | | 1999-00 | |
|---|--------------|--------------|--------------|--------------|---------------|---------------|
| | Income | Receipts | Income | Receipts | Income | Receipts |
| Operating income is not classified as AinA | - | - | - | - | - | - |
| Non-operating income not classified as AinA | - | - | - | - | - | - |
| Other income not classified as AinA | 7,790 | 7,790 | 9,622 | 9,622 | 50,668 | 50,668 |
| | 7,790 | 7,790 | 9,622 | 9,622 | 50,668 | 50,668 |

Notes:

The following subheads contain provision sought under the sole authority of Part I of the Confirming Act.

| | £ 000 |
|---|-------|
| F Grant in Aid to the Scott Polar Research Institute ■ | 0 |
| G Royal Navy and Royal Marine Sports Control Board ■ | 105 |
| H Army Sports Control Board ■ | 0 |
| I RAF Sports Control Board ■ | 77 |
| J The Royal British Legion ■ | 381 |
| J Subscription to the European Meteorological Satellite Programme ■ | 7980 |
| J Subscription to the Association of Army Chiefs of Staff of France, Italy, Spain, the Netherlands, Germany, Belgium, United Kingdom and Luxembourg (FINABEL) ■ | 0 |
| J Contributions to Export Credit Guarantee Department (ECGD) in the connection with credit arrangements for certain defence export sales ■ | 0 |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

Forecast Operating Cost Statement

for the year ended 31 March 2002

| | Provision 2001-02 | | Provision 2000-01 | | Provision 1999-00 | |
|--------------------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Operating Costs | | | | | | |
| RfR1 | | | | | | |
| Expenditure | 30,665,167 | | 30,340,765 | | 32,661,131 | |
| Income | <u>-1,255,800</u> | | <u>-1,359,796</u> | | <u>-987,108</u> | |
| | | 29,409,367 | | 28,980,969 | | 31,674,023 |
| RfR2 | | | | | | |
| Expenditure | 184,259 | | - | | - | |
| Income | - | | - | | - | |
| | <u>184,259</u> | | <u>-</u> | | <u>-</u> | |
| Net Operating Costs | | <u>29,593,626</u> | | <u>28,980,969</u> | | <u>31,674,023</u> |
| Net Resource Outturn | | <u>29,593,626</u> | | <u>28,980,969</u> | | <u>31,674,023</u> |
| Resource Budget Outturn | | <u>29,561,450</u> | | <u>28,974,784</u> | | <u>29,787,642</u> |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

Forecast Cash Flow Statement

for the year ended 31 March 2002

| | 2001-02 plans £000 | 2000-01 provision £000 | 1999-00 outturn £000 |
|--|--------------------------|------------------------------|----------------------------|
| Net cash outflow from operating activities (I) | -18,806,230 | -18,277,180 | -16,554,926 |
| Capital expenditure and financial investment (II) | -5,399,768 | -5,472,604 | -5,925,471 |
| Inflows in respect of activities outside the scope of the department's operations | 7,790 | 9,622 | 50,668 |
| Payments to the Consolidated Fund | -7,790 | -9,622 | -50,668 |
| Financing (III) | 24,205,998 | 23,749,784 | 22,480,397 |
| Increase/decrease in cash in the period | - | - | - |
| Note I: Reconciliation of operating cost to operating cash flows | | | |
| Net Operating Cost | 29,593,626 | 28,980,969 | 31,674,023 |
| Adjust for non-cash transactions | -11,396,694 | -10,859,080 | -13,988,345 |
| Adjust for movements in working capital other than cash | 348,000 | 155,291 | -1,130,252 |
| Adjust for transfers in provision | 261,298 | - | - |
| Adjust for total accruals to cash adjustments for non-voted expenditure | - | - | - |
| Accruals to cash adjustments for CFERs that pass through the OCS | - | - | - |
| Net cash outflow from operating activities | 18,806,230 | 18,277,180 | 16,554,926 |
| Note II: Analysis of capital expenditure and financial investment | | | |
| Purchases of fixed assets | 5,571,837 | 5,788,538 | 6,107,799 |
| Proceeds from disposal of fixed assets | -164,667 | -301,454 | -162,601 |
| Loans to other bodies | -7,402 | -14,480 | -19,727 |
| Net Cash outflow from investing activities | 5,399,768 | 5,472,604 | 5,925,471 |
| Note III: Analysis of financing and Cash Requirement | | | |
| From Consolidated Fund (Supply) | 24,205,998 | 23,749,784 | 22,480,397 |
| Increase (-)/decrease (+) in cash | - | - | - |
| CFERs received but not paid over | - | - | - |
| CFERs received in prior year paid over | - | - | - |
| | ----- | ----- | ----- |
| Total cash requirement for the department | 24,205,998 | 23,749,784 | 22,480,397 |
| Non-Supply Cash required | - | - | - |
| Net cash requirement | 24,205,998 | 23,749,784 | 22,480,397 |

**Forecast Reconciliation of Net Operating Cost to Net Resource Outturn
and Resource Budget Outturn**

for the year ended 31 March 2002

| | 2001-02 £000 | 2000-01 £000 | 1999-00 £000 |
|---|-------------------|-------------------|-------------------|
| Net Operating Cost | 29,593,626 | 28,980,969 | 31,674,023 |
| Net Resource Outturn | 29,593,626 | 28,980,969 | 31,674,023 |
| <i>Adjustment for Public Corporations and Trading Funds:</i> | | | |
| • Reverse the deduction of dividend, interest received Income and Profit from Public Corporations and Trading Funds | -27,814 | 15,000 | - |
| <i>Adjustment related to Income from Sale of Capital Assets:</i> | | | |
| • Reverse the deduction of gains and deduct the losses Incurred on disposal of assets | - | -20,182 | -1,885,139 |
| <i>EU Related Transactions:</i> | | | |
| • Reverse the deduction of EU income | - | 23 | 3,156 |
| • Remove other expenditure shown in Estimates under the heading "Other Expenditure Outside DEL" that is outside the Resource Budget | -4,362 | -1,026 | -4,398 |
| Resource Budget Outturn | 29,561,450 | 28,974,784 | 29,787,642 |
| Of which: | | | |
| RfR1 | | | |
| Departmental Expenditure Limit (DEL) | 18,082,987 | 18,068,159 | 18,150,147 |
| Annually Managed Expenditure (AME) | 11,294,204 | 10,906,625 | 11,637,495 |
| RfR2 | | | |
| Departmental Expenditure Limit (DEL) | 181,571 | - | - |
| Annually Managed Expenditure (AME) | 2,688 | - | - |

Explanation of Accounting Officer Responsibilities

The Treasury has appointed the Permanent Head of the Ministry of Defence, Mr Kevin Tebbit, as the Accounting Officer of the Department with responsibility for preparing the Department's Estimate of Defence Capability (RfR1) and Conflict Prevention (RfR2).

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping such proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Government Accounting*.

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

Appropriations in Aid

| Detail | 2001-2002 | | 2000-2001 | | 1999-2000 | |
|---|-------------------|-----------------------|-------------------|-----------------------|-------------------|-----------------------|
| | Operating AinA | Non-operating AinA | Operating AinA | Non-operating AinA | Operating AinA | Non-operating AinA |
| RfR1: Provision for defence capability | | | | | | |
| *Income from Supplies and Services | 881,177 | - | 748,367 | - | 608,981 | - |
| *Loan and Rental Income | 225,406 | - | 226,591 | - | 184,388 | - |
| *Interest Received | 215 | - | 210 | - | 171 | - |
| *Other Income | 149,002 | - | 384,628 | - | 193,568 | - |
| - | | | | | | |
| **Income from sale of Fixed Assets | - | 173,413 | - | 340,702 | - | 2,068,597 |
| **Less income not classified as AinA (DRAc) | - | - | - | - | - | - |
| Total | 1,255,800 | 173,413 | 1,359,796 | 340,702 | 987,108 | 2,068,597 |

* Amount that may be applied as appropriations in aid in addition to the net total, arising from the recovery of income from fees, income from charges and reimbursement for services provided towards administering the National Insurance Fund.

** Amount that may be applied as non-operating appropriations in aid, arising from the recovery of income from the sale of fixed assets and from the sale of land.

Consolidated Fund Extra Receipts (CFERs)

| | 2001-02 provision | | 2000-01 provision | |
|--|----------------------|----------|----------------------|----------|
| | Income | Receipts | Income | Receipts |
| Accrued interest on bank loans and short term bank deposits and interest receivable on trading fund loans etc. Receipts relating to accrued interest on advances held by an agency of a foreign Government for contractual purposes and receipts arising from sales of certain assets etc. | 7,790 | 7,790 | 9,622 | 9,622 |

Armed Forces Retired Pay, Pensions etc

Introduction

1. This Estimate provides for the payment of retired pay, pensions and lump sum benefits to persons covered by the Armed Forces Pensions Scheme (AFPS), the rules for which are set out in the Royal Navy Orders in Council, the Army Pensions Warrant and the Queen's Regulations for the Royal Air Force. Provision is also made for:

(a) expenditure and receipts on transfer payments for personnel transferring outside the Armed Forces;

(b) income from transfer payments and purchase of added years, etc, and the increases payable in accordance with the Annual Review Orders;

(c) payment of those benefits outside the AFPS. Such benefits include short service gratuities, resettlement grants, and pensions for inter-war pensions and locally engaged personnel;

(d) the accruing superannuation liability charges (ASLC) receipts for armed forces personnel. The related expenditure is borne on Provision of Defence Capability, RfR 1.

(e) this Estimate also provides for the payment of injury benefits to adult instructors of the cadet forces.

2. Details of the expenditure and appropriations in aid of this Estimate are included in the main body of this Command Paper.

3. It has been assumed that pensions averaging £5,652 will be paid to 336,000 retired armed forces personnel, compared to an average of £5,702 paid to 295,000 retired armed forces personnel in 2000-2001.

4. The Ministry of Defence is responsible for administering the AFPS; the related staff and other costs are borne on Provision of Defence Capability, RfR1.

Armed Forces Retired Pay, Pensions etc

Part I

| | |
|--|----------------|
| RfR1: Armed Forces Retired Pay, Pensions etc | £1,426,000,000 |
| Net cash requirement | £1,408,000,000 |

Amounts required in the year ending 31 March 2002 for expenditure by the Ministry of Defence on:

RfR1: Armed Forces Retired Pay and 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.

| | Net Total £ | Allocated in Vote on Account £ | Balance to Complete £ |
|----------------------|----------------|--------------------------------------|-----------------------------|
| RfR1 | 1,426,000,000 | 641,700,000 | 784,300,000 |
| Net cash requirement | 1,408,000,000 | 648,165,000 | 759,835,000 |

THE GOVERNMENT'S EXPENDITURE PLAN AND MAIN ESTIMATES
MINISTRY OF DEFENCE

Part II: Subhead detail

£'000

| Resources..... | | | | Capital..... | | | 2000-2001 Provision | 1999-2000 Outturn | |
|--|------------------|--------|----------------|--------------|-----------|---------|---------------------------|------------------------|------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Admin | Other current | Grants | Gross Total | AinA | Net total | Capital | Non- Operating AinA | Net total resources | Net total resources |
| RfR1: Payment of retired pay, pensions and lump sum benefits to persons covered by the scheme | | | | | | | | | |
| | 2,440,000 | | 2,440,000 | 1,014,000 | 1,426,000 | | | 1,322,344 | 1,231,000 |
| SPENDING IN ANNUALLY MANAGED EXPENDITURE: <i>Central Government's Own Expenditure</i> | | | | | | | | | |
| A: Retired pay and other payments to Service personnel and their dependants | | | | | | | | | |
| | 2,440,000 | | 2,440,000 | 1,014,000 | 1,426,000 | | | 1,322,344 | 1,231,000 |

| | |
|-----------------------------|------------------|
| Accruals to cash adjustment | -18,000 |
| Net cash required | 1,408,000 |

| £000 | |
|--|------------------|
| <i>Resource to cash reconciliation</i> | |
| Net total resources | 1,426,000 |
| Voted capital items: | |
| Capital | |
| Less non-operating AinA | _____ |
| Accruals to cash adjustments: | |
| Cost of Capital charges | |
| Depreciation | |
| Other non-cash items | |
| Increase (+)/decrease (-) in stock | |
| Increase (+)/decrease (-) in debtors | |
| Increase (-)/decrease (+) in creditors | -18,000 |
| Increase (-)/decrease (+) in provision | |
| Excess cash to be CFERd | _____ |
| | - 18,000 |
| Net cash required | 1,408,000 |

Part III: Extra Receipts payable to the Consolidated Fund (£000)

| | 2001-02 | | 2000-01 | | 1999-00 | |
|---|---------|----------|---------|----------|---------------|---------------|
| | Income | Receipts | Income | Receipts | Income | Receipts |
| Operating income is not classified as AinA | - | - | - | - | - | - |
| Non-operating income not classified as AinA | - | - | - | - | - | - |
| Other income not classified as AinA | - | - | - | - | 31,219 | 31,219 |
| | - | - | - | - | 31,219 | 31,219 |

No extra income or receipts are expected in 2000-01 or in 2001-02

Resource Main Estimate 2001-02

Forecast Combined Revenue Account

for the year ended 31 March 2002

| | Provision 2001-02 | | Provision 2000-01 | |
|---|----------------------|------------------|----------------------|------------------|
| | £000 | £000 | £000 | £000 |
| Programme Costs | | | | |
| Voted Expenditure | | | | |
| Income | | | | |
| Contributions receivable | -1,012,329 | | -1,045,651 | |
| Transfers in | -1,554 | | -1,624 | |
| Other income | -117 | | -272 | |
| | | -1,014,000 | | -1,047,547 |
| Expenditure | | | | |
| Benefits payable | 2,387,117 | | 2,335,918 | |
| Leavers | 21,279 | | 20,176 | |
| Other expenditure | 31,604 | | 13,797 | |
| | | 2,440,000 | | 2,369,891 |
| Net Programme Costs | | 1,426,000 | | 1,322,344 |
| Total Net Outgoings for the Year | | 1,426,000 | | 1,322,344 |
| Net Resource Outturn | | 1,426,000 | | 1,322,344 |
| Resource Budget Outturn | | 1,426,000 | | 1,322,344 |

Explanation of Accounting Officer Responsibilities

The Treasury has appointed the Permanent Head of the Ministry of Defence, Mr Kevin Tebbit, as the Accounting Officer of the Department with responsibility for preparing the Department's Estimate of the Armed Forces Pensions Scheme.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Government Accounting*.

GLOSSARY

| | |
|-------|------------------------------------|
| AME | Annually Managed Expenditure |
| CFERs | Consolidated Fund Extra Receipts |
| CFSP | Common Foreign and Security Policy |
| CMF | Capital Modernisation Fund |
| CSA | Chief Scientific Advisor |
| DEL | Departmental Expenditure Limit |
| DIS | Defence Investment Strategy |
| DRAc | Departmental Resource Accounts |
| ISB | Invest to Save Budget |
| NDPBs | Non Departmental Public Bodies |
| OCS | Operating Cost Statement |
| OPA | Oil and Pipelines Agency |
| PFI | Private Finance Initiative |
| PPP | Public Private Partnership |
| PSAs | Public Service Agreements |
| RAB | Resource Accounting and Budgeting |
| RfR | Request for Resources |
| SDR | Strategic Defence Review |
| TLB | Top Level Budget |