



# Ministry of Defence

MINISTRY OF DEFENCE

## The Government's Expenditure Plans



2004/2005 - 2005/2006





MINISTRY OF DEFENCE

**THE GOVERNMENT'S  
EXPENDITURE PLANS  
2004-05 TO 2005-06**

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

2004

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# Introduction

This report provides details of the Government's plans for defence expenditure for the two years 2004-05 to 2005-06, as set in Spending Review 2002 (and subsequent technical adjustments). Together with the Ministry of Defence's Performance Report 2002/03 (HC 1125, October 2003), it forms part of a series of reports published by all Government Departments.

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

- The Spending Review 2002 White Paper (Cm 5571, July 2002).
- UK Defence Statistics 2003 (September 2003)
- The Defence White Paper (Cm 6041, December 2003)

This report does not reflect the outcome of Spending Review 2004 or the force structure changes announced by the Secretary of State for Defence on 21 July 2004. These will be covered in next year's Government's Expenditure Plans 2005-06 to 2007-08. Information can be found in:

- The Spending Review 2004 White Paper (Cm 6237, July 2004)
- Delivering Security in a Changing World: Future Capability (Cm 6269, July 2004)

# The role of the Ministry of Defence and the Armed Forces

## Aim

To deliver security for the people of the United Kingdom and the Overseas Territories, by defending them, including against terrorism, and to act as a force for good by strengthening international peace and stability.

## Role

The Defence White Paper, *Delivering Security in a Changing World*<sup>1</sup>, which the Secretary of State for Defence published in December 2003, provided a comprehensive statement of Defence policy, building on the expeditionary strategy first articulated in the 1998 Strategic Defence Review (SDR)<sup>2</sup> and the conclusions reached in the SDR New Chapter<sup>3</sup> of 2002, and adapted to reflect recent operational experience and the changing security environment. While much of the SDR remains entirely valid today, we are now better able to appreciate the nature of the challenges that have come to face us since the end of the Cold War: the threats posed by international terrorism and the proliferation of weapons of mass destruction, and the consequences of failed and failing states.

Experience of the pattern of operations since the SDR demonstrates that we should plan to be able to support three concurrent small and medium scale operations, at least one of which is an enduring peace support operation. In building this into our planning, we must ensure that our Armed Forces still retain the ability to adapt themselves at longer notice for the much less frequent, but more demanding, large scale operations, such as Operation TELIC in Iraq. This is in addition to our standing military tasks and overseas commitments.

The removal of Saddam from power and the threat that he posed to the Iraqi people, the region and the wider world, was remarkably swift. Decades of neglect left a country in no state to govern itself and its essential infrastructure at breaking point. The UK as an Occupying Power in Iraq, with the full range of responsibilities that implies, has played a major role in the redevelopment of Iraq. British Forces and civil servants have been involved in thousands of projects in areas ranging from judicial reform and police training to water treatment and electricity generation.

Our aim remains that Iraq become a stable, united and law abiding state, within its present borders, no longer posing a threat to its neighbours or to international security, abiding by all its international obligations and providing effective representative government for its own people. 30 June 2004 was a major milestone on the road to achieving this objective. From that point the UK ceased to be Occupying Power and became a member of the UN-mandated Multinational Force in support of the sovereign Iraqi Interim Government. At the time of the transfer of authority there remained around 9,200 British Forces committed to operations in Iraq. How long there remains a British presence in Iraq depends upon the Iraqi Government. They will need a great deal of support in developing their own security forces and the UK is committed to doing so for as long as it is needed and wanted.

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<sup>1</sup> Defence White Paper, *Delivering Security in a Changing World* (Cm 6041).

<sup>2</sup> Strategic Defence Review White Paper (Cm 3999).

<sup>3</sup> SDR: A New Chapter (Cm 5566).

Where military action is used, it is clear that it is most effective when it is brought to bear through multinational coalitions or alliances. The ability to operate alongside others, particularly with our NATO and European allies and partners, is at a premium. We therefore plan to maintain a broad spectrum of capabilities to ensure that we are able to conduct both national operations and be the lead or framework nation for coalition operations, at small to medium scale. But we do not envisage having to generate large-scale capabilities across the same spectrum given that, in the most demanding operation, it is highly unlikely that the United States would not be involved (either leading a coalition or as part of NATO).

Defence policy also puts the emphasis on prevention rather than cure; early engagement in potentially unstable areas of the world can prevent the need for dangerous and costly intervention later. The Government's Global Conflict Prevention Pool (run jointly by the Ministry of Defence, the Foreign & Commonwealth Office and the Department for International Development) makes funding available for measures such as security sector reform and post-conflict recovery, which help to tackle the underlying causes of instability in many of the world's potential flash points. In recent years, the Armed Forces have made a significant contribution to peace support operations in Bosnia, Kosovo, Sierra Leone, East Timor and the Democratic Republic of Congo. More widely, the Ministry of Defence has undertaken Defence Diplomacy activities to encourage the responsible development of military capabilities. These commitments have proved crucial in the support of stability in numerous countries.

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 as required to other Government Departments – during the foot and mouth crisis and the firemen's dispute, for example. They may also be called on to evacuate British citizens from countries where their safety might be at risk.



# The Structure of the MOD

## A Brief History

From 1946 to 1964 there were five Departments of State involved in Defence: the Admiralty, the War Office, the Air Ministry, the Ministry of Aviation and the then smaller Ministry of Defence<sup>4</sup>. In 1964 the Admiralty, the War Office, the Air Ministry, and the MOD were amalgamated. The defence functions of the Ministry of Aviation Supply (as it had then become) were absorbed into the MOD in 1971. The aims of having Defence functions under a single Ministry were to simplify the chain of command, reduce duplication of effort across the three Services, encourage an integrated approach to operations and to improve the quality of Defence advice (rather than single Service advice) to politicians.

## Political Control

The Secretary of State for Defence is responsible for the formulation and conduct of defence policy, and for providing the means by which it is conducted. He is supported by a Minister of State for the Armed Forces, a Parliamentary Under-Secretary of State and Minister for Defence Procurement and by a Parliamentary Under-Secretary of State and Minister for Veterans. The Secretary of State and his three Ministerial colleagues are accountable to Parliament – which votes public money to the MOD for defence purposes – for all defence matters. Parliament exercises its oversight through Parliamentary Questions; debates in both Houses of Parliament on defence-related issues; the House of Commons Public Accounts Committee (PAC), which is responsible for investigating the Department's use of public funds; and the House of Commons Defence Committee (HCDC), which conducts inquiries on a wide range of defence issues.

## The Principal Advisers

Ministers are supported by the senior management of the MOD, headed jointly by the (military) Chief of the Defence Staff and the (civilian) Permanent Secretary. Neither of these is subordinate to the other. They share responsibility for much of the Department's business and their roles reflect the importance of both military and civilian advice on political, financial, administrative and operational matters.

The Permanent Secretary is the Government's principal civilian adviser on Defence and has the primary responsibility for policy, finance and administration in the Department. He is the MOD's Accounting Officer, reflecting his responsibility to the Secretary of State for the overall organisation, management and staffing of the Department and for financial procedures and other matters. He is also personally accountable to Parliament for the expenditure of all public money voted for Defence purposes.

The Chief of the Defence Staff (CDS) is the professional head of the Armed Forces and the principal military adviser to the Secretary of State and the Government. The chain of command for the planning and conduct of military operations flows from the Cabinet and the Secretary of State to CDS, and from him to operational commanders at various levels.

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<sup>4</sup> The pre-1964 Ministry of Defence was established to continue co-ordination of defence activity after the war. Taking the central role in formulation of unified defence policy, its executive control over the single Service Ministries grew until formal unification became the next logical step in 1964.

## The Defence Council

The formal legal basis for the conduct of Defence in the UK rests on a range of powers vested by statute and Letters Patent in the Defence Council, chaired by the Secretary of State for Defence. Boards for each Service, (the Admiralty, Army and Air Force Boards) report to the Defence Council. The Defence Council, currently comprises four Defence Ministers and ten senior officials:

MINISTERS	SENIOR OFFICIALS
The Secretary of State for Defence	Chief of the Defence Staff (CDS)
The Minister of State for the Armed Forces	Permanent Secretary (PUS)
The Parliamentary Under Secretary of State and Minister for Defence Procurement	Chief of the Naval Staff (CNS)
The Parliamentary Under Secretary of State and Minister for Veterans	Chief of the General Staff (CGS)
	Chief of the Air Staff (CAS)
	Vice Chief of the Defence Staff (VCDS)
	Chief Scientific Adviser (CSA)
	2nd Permanent Secretary (2nd PUS)
	Chief of Defence Procurement (CDP)
	Chief of Defence Logistics (CDL)

## The Defence Management Board

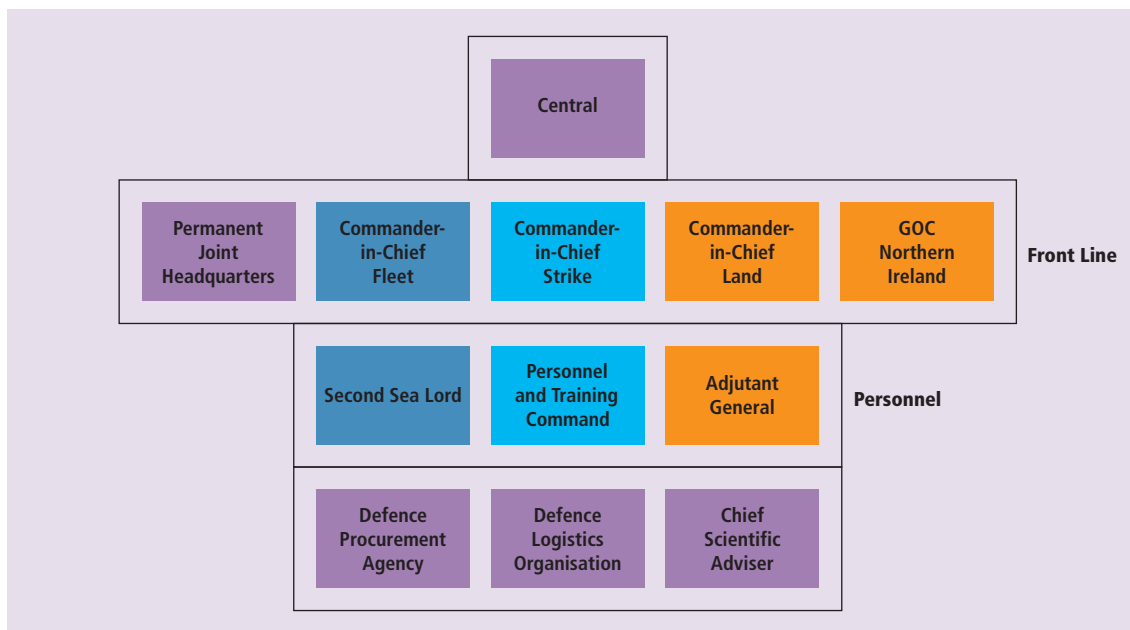
The Defence Management Board (DMB) is the highest, non-Ministerial committee in the MOD. Chaired by the PUS, and comprising the ten non-Ministerial members of the Defence Council, as well as the Finance Director and two non-executive members, it acts as the main executive board of the MOD, providing senior level leadership and strategic management of Defence. It is responsible for:

- **Providing strategic direction**, vision and values;
- **Objectives and targets** – establishing the key priorities and defence capabilities necessary to deliver the MOD's Departmental objectives;
- **Resource allocation and strategic balance of investment** to match Defence priorities and objectives: and
- **Performance management** – managing and driving corporate performance.

## Top Level Budgets

Most defence activity takes place outside the MOD head office and is managed through twelve Top Level Budget (TLB) holders and five Trading Funds. The Permanent Secretary grants each TLB-holder extensive delegated powers over his/her resources of cash, personnel and land. Each TLB holder has a 'contract' with the MOD head office, known as a Service Delivery Agreement, which specifies the outputs required of that TLB, the resources they are given to deliver these outputs, and the underpinning performance management regime.

## Top Level Budget Structure of the MOD



## Top Level Budget Roles

### Central TLB

The Central TLB has responsibility for the MOD Head Office, covering Defence policy as well as Departmental policy on the equipment programme, resources, finance, personnel and security. However, a significant proportion of Central TLB involves non-Head Office functions. The Central TLB provides a diverse range of corporate services for the MOD as a whole. These include pay, estate management, bill payment, consultancy services, accountancy, some training, statistical analysis, central IT systems, public relations, defence exports and policing. The Central TLB's remit also encompasses the management of Service housing, the provision of medical services, and our Special Forces.

## Front Line TLBs

The following 5 TLBs are directly responsible for the planning and management of military operations and the delivery of frontline capability.

### Chief of Joint Operations (CJO)

With a few exceptions, CJO is responsible for running all military operations from his headquarters (the Permanent Joint Headquarters) in Northwood. Military assets are assigned to CJO only for the duration of the operation. In addition to his operational responsibilities, CJO is responsible for the Sovereign Base Areas in Cyprus and British forces in Gibraltar and the Falkland Islands.

### Commander-in-Chief Fleet (CINCFLEET)

CINCFLEET is responsible for delivery of warships and trained crews to CJO at agreed readiness states. CINCFLEET maintains an operational command and control capability, in particular for the nuclear deterrent force.

### Land Command (LAND)

LAND performs a similar role to CINCFLEET within the context of trained Army formations and equipment.

### Strike Command (STC)

Strike Command is the RAF's operational TLB, providing aircraft and trained aircrews to CJO.

### General Officer Commanding Northern Ireland (GOCNI)

GOCNI is responsible for military aid to the civil power and counter terrorist operations in Northern Ireland. Although it is a joint-Service TLB, GOCNI is mainly staffed by the Army which provides the bulk of the Service personnel committed to Northern Ireland.

## Military Manpower TLBs

### 2nd Sea Lord (2SL)/Commander-in-Chief Naval Home Command (CNH)

2nd Sea Lord is responsible for providing the 'raw material' of trained naval officers, sailors and Royal Marines to CINCFLEET, to allow him to meet his commitment to CJO, and to other TLBs. 2SL deals with recruitment into the Navy and individual training. Bringing individuals together into coherent ships' crews remains the responsibility of CINCFLEET.

### Adjutant General (AG)

AG performs a similar function to 2SL for the Army, as well as providing education services to children of all members of the Services on long-term foreign postings.

### Royal Air Force Personnel and Training Command (RAF PTC)

PTC provides trained RAF personnel to Strike Command and other TLBs.

## **Equipment Procurement TLB**

### **Defence Procurement Agency (DPA)**

Responsibility for the procurement of equipment to meet new requirements lies with the Defence Procurement Agency (DPA), located mainly at Abbey Wood, Bristol.

## **Logistics Support TLB**

### **Defence Logistics Organisation (DLO)**

The DLO provides logistic support to the frontline of all three services.

## **The corporate Science and Technology TLB**

### **Chief Scientific Adviser (CSA)**

This TLB, headed by the Chief Scientific Adviser, was formed on 1 April 2004 from a merger of two existing budgetary areas. The prime output of this TLB is the delivery of expert advice and the development of scientific and technological solutions to satisfy the MOD's needs and problems.

### **Defence Agencies and Trading Funds**

The MOD has five Trading Funds and 26 On-Vote Defence Agencies. These were set up as part of the Government's Next Steps programme, to improve the effectiveness and efficiency of service delivery to customers. The aim was to emphasise performance standards, greater freedom and exposure to commercial disciplines, customer focus, delegation of authority and personal accountability. All Trading Funds and Agencies have a framework document that sets out their role, responsibilities and delegations. Each organisation also publishes separate Key Targets, Corporate Plans and Annual Reports and Accounts.

The MOD's five Trading Funds are the Army Base Repair Organisation, the Defence Aviation and Repair Agency, the Met Office, the Hydrographic Office and the Defence Science and Technology Laboratory. The Trading Funds lie outside the Department's TLB structure and provide services on repayment to other parts of the MOD and to external customers. The MOD is likely to remain the largest single customer for most of these Trading Funds.

MOD's 26 on vote agencies each have a TLB "Owner" who provides strategic direction and funding. These agencies provide a range of intermediate outputs (e.g. trained military personnel or storage and distribution services) or corporate services to other parts of MOD (e.g. payroll or personnel vetting services). They are different to most other Government agencies in that the majority of their customers tend to be internal (for example other parts of the Department or the Armed Forces) rather than external (for example the general public).

# Public Service Agreement

The Department's Public Service Agreement for 2003-04 to 2005-06 was published in the White Paper "Spending Review 2002: Public Service Agreements 2003-06" (Cm 5571, July 2002, available at <http://www.hm-treasury.gov.uk>). It sets out the objectives, key targets and resources for the Department for that period. Progress against the Public Service Agreement is published annually in the Department's Performance Report. Performance against the previous PSA was described in the Department's Performance Report 2002/03 (HC 1125, October 2003). The slightly revised Public Service Agreement for 2005-06 to 2007-08 arising from Spending Review 2004 will be reflected in next year's Government's Expenditure Plans 2005-06 to 2007-08.

## Aim

As described earlier, the MOD's PSA targets support its aim to:

"To deliver security for the people of the United Kingdom and the Overseas Territories, by defending them, including against terrorism, and act as a force for good by strengthening international peace and security."

## Objectives and performance targets

The MOD has agreed three specific objectives:

**Objective I:** Achieve success in the military tasks that we undertake at home and abroad.

1. Achieve the objectives established by Ministers for Operations and Military Tasks in which the United Kingdom's Armed Forces are involved, including those providing support to our civil communities.
2. Improve the effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and a reduction in potential sources of future conflict, where the UK can make a significant contribution. JOINT TARGET WITH DfID AND FCO.

**Objective II:** Be ready to respond to tasks that might arise.

3. By 2006, ensure that a minimum of 90% of high readiness forces are at their required states of readiness with no critical weaknesses.
4. Recruit, train, motivate and retain the personnel needed to meet the manning requirement of the Armed Forces, so that by the end of 2004, the Royal Navy and RAF achieve, and thereafter maintain, manning balance, and that by the end of 2005 the Army achieves, and thereafter maintains, manning balance.
5. Strengthen European security through an enlarged and modernised NATO, an effective EU military crisis management capacity and enhanced European defence capabilities. JOINT TARGET WITH FCO.

**Objective III: Build for the future.**

6. Develop and deliver to time and cost targets military capability for the future, including battle-winning technology, equipment and systems matched to the changing strategic environment.

**Value for money**

7. Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability. Year-on-year output efficiency gains of 2.5% will be made each year from 2002-03 to 2005-06, including through a 20% output efficiency gain in the Defence Logistics Organisation.

**Who is responsible for delivery?**

The Secretary of State for Defence is responsible for delivery of this PSA. MOD and the Foreign and Commonwealth Office share responsibility for delivery of target 5 on NATO and European security, whilst MOD, the Foreign and Commonwealth Office and the Department for International Development share responsibility for target 2 on conflict prevention.

# Summary of PSA Performance

The following summarises the MOD's performance as at 31 March 2004 (i.e. fourth quarter performance), against the objectives and targets specified in the Spending Review 2002 Public Service Agreement.

Quarterly performance reports are published in full on the Treasury website at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

A complete account of Defence-related performance and activity for financial year 2003-04 will be published in the MOD Annual Report and Accounts at the end of September 2004.

PSA Target	Assessment at 31 March 2004
<b>Objective 1 – To achieve success in the military tasks that we undertake at home and abroad.</b>	
1. Achieve the objectives established by Ministers for Operations and Military Tasks in which the United Kingdom's Armed Forces are involved, including those providing support to our civil communities.	Operational objectives in Iraq, the Balkans, and Afghanistan were met. Troops were provided for UN operations in Sierra Leone, Ethiopia and Eritrea, the DRC, Cyprus, Georgia, the Persian Gulf and Liberia. During the period 31 Dec 03-31 March 04, some 20% of regular forces were deployed on operations or other military tasks (expressed as man-day equivalents for each Service).
2. Improve effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and a reduction in potential sources of future conflict, where the UK can make a significant contribution. (Joint target with DfID and FCO).	Not assessed, as international data on numbers of people affected by violent conflict since Oct 03 is not yet available.  MOD continued to work to support conflict prevention initiatives across the globe. Under the Defence Diplomacy programme, Defence Advisory Teams and UK military training teams undertook a wide-range of conflict prevention work.
<b>Objective II – To be ready to respond to the tasks that might arise.</b>	
3. By 2006 ensure that a minimum of 90% of high readiness forces are at their required states of readiness with no critical weakness.	From April 2003, reporting against Target 3 has covered forces at all readiness states, not just high readiness forces.  93% of all Force Elements were at the required state of readiness with no critical weaknesses reported.
4. Recruit, train, motivate and retain the personnel needed to meet the manning requirement of the Armed Forces, so that by the end of 2004 the Royal Navy and RAF achieve, and thereafter maintain, manning balance, and that by the end of 2005 the Army achieves, and thereafter maintains, manning balance.  [Manning balance is defined as between -2% and +1% of the requirement, and is measured against the target prevailing at the time. Since the total manning requirement of whole Service manning is a dynamic, this target will itself tend to fluctuate over the PSA period.]	Trained strength as a percentage of the requirement was: Navy 97.7%; Army 97.2%; RAF 98.5%. Shortfalls continued in some specialist areas.
5. Strengthen European security through an enlarged and modernised NATO, an effective EU military crisis management capacity and enhanced European defence capabilities. (Joint target with FCO.)	Good progress made. The NATO Response Force is on track to provide full capability by October 06. Informal planning started for EU follow-on mission in Bosnia, initially to be led by the UK. Progress made in improving rapid response capabilities of EU Member States. Overarching vision for Headline Goal 2010 agreed.



Objective III – To build for the future.	
<p>6. Develop and deliver to time and cost targets military capability for the future, including battle-winning technology, equipment and systems, matched to the changing strategic environment.</p>	<p>Target not met this year, primarily owing to cost overruns and delays on pre-SMART acquisition projects. Future years' performance should see a reduction in overruns and delays as improved estimating and risk management processes become embedded.</p>
<p>7. Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability. Year-on-year output efficiency gains of 2.5% will be made each year from 2002/03 to 2005/06, including through a 20% output efficiency gain in the DLO.</p>	<p>On track. This target has a number of supporting indicators, of which DLO performance constitutes the major element (68%).</p>

# Spending Plans

The spending plans for the Department set out in this report for the financial years 2004-05 to 2005-06 are based upon the Government's Spending Review 2002, which set budgets from 2003-04 to 2005-06. They also take account of subsequent developments, including costs arising from operations (which are borne by the cross-Departmental Conflict Prevention funds or by the Government's central Reserve), transfers of resources into and out of the Department and movements of resources from one financial year to another. Spending Review 2004, announced on 12 July 2004, set out spending plans for 2005-06 to 2007-08 and will be reflected in next year's Government's Expenditure Plans 2005-06 to 2007-08.

The SDR 'New Chapter' work identified additional capabilities that are necessary to ensure that our Armed Forces are able to respond to a changed world. MOD's Spending Review 2002 settlement provided £1 billion of new capital and £0.5 billion of new resources for these new capabilities. The plans announced in Spending Review 2004 build on these.

Our plans reflect the priority we attach to the successful accomplishment of the operations and other military tasks that the Armed Forces undertake, and the consequent imperative of ensuring that our Forces have the people and equipment they need in order to be prepared for the tasks that may arise in both the near future and the longer term. We therefore invest heavily in the recruitment, training, motivation and retention of Service personnel, in the infrastructure within which they live and work and in the acquisition and support of the fighting equipment they need to do their job.

## The Data

The MOD's Main Estimates, and detailed Supplementary Budgetary Information, have been published separately (2004-05 Main Supply Estimates (HC466 April 2004) and Supplementary Budgetary Information (Command Paper 1633 April 2004).

The financial tables in this report use figures based on Resource Accounting and Budgeting (RAB). RAB was introduced across central government in two stages. Stage one came into force at the beginning of financial year 2001-02. Under stage one costs accrue as they are incurred, rather than when payment is made. Major non-cash items – depreciation and impairments, cost of capital charges and provisions – were treated as Annually Managed Expenditure (AME), outside the Departmental Expenditure Limits (DELs) by which resources are controlled. Under Stage Two of RAB, which came into force at the beginning of financial year 2003-04 most of this non-cash AME is included in the Resource DEL. Unless otherwise stated the tables in this report include non-cash AME in the DELs. Cash expenditure in AME (War Pensions and Allowances and Armed Forces Retired Pay and Pensions) remains outside the DEL and is shown separately.

Because RAB data is available only from 1999-00, the scope of the main tables is limited to the period from 1999-00 to 2005-06, the last year covered by Spending Review 2002.

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 described in greater detail in the Defence Investment Strategy (published in December 2002, and available at <http://www.mod.uk>). It describes the range of capital assets owned and operated by the Department, existing plans for additions to and disposals from the asset base, the contribution of Public-Private Partnerships, and the Department's strategies in key areas such as equipment acquisition, logistic support, estate management and e-government.

Existing capital base (as at 31 March 2003)	£M
Land and Buildings	15,342
Fighting Equipment	26,526
Assets in the course of construction	12,511
Capital Spares	6,955
Plant, machinery and vehicles	4,296
Information Technology and Communications Equipment	814
Intangible assets	19,438
Investments	430
<b>Total</b>	<b>86,312</b>

The Defence Investment Strategy also sets out the systems and procedures used to scrutinise proposals for capital investment, and to manage and evaluate programmes. The creation in April 2002 of an Investment Approvals Board (replacing the Equipment Approvals Committee) expanded the role of the Department's senior approvals body to include responsibility for the scrutiny and approvals processes for all investment decisions. A major part of the Board's task will be to ensure that proposals for Defence investments across the Department are soundly based and deliverable through robust project management and Smart Acquisition processes.

## Asset disposals

The Department is committed to ensuring that it does not hold assets which are no longer required to meet operational needs. In Spending Review 2000 the MOD agreed a gross disposal target of £700M, which we exceeded by £110M. In Spending Review 2002 a target of a further £575 million in gross receipts was agreed.

## The Wider Markets Initiative

The Wider Markets Initiative encourages Departments to exploit irreducible spare capacity on a commercial basis. The Department is committed to taking a proactive approach to exploiting opportunities. Examples include the marketing of spare training capacity and spare physical capacity on MOD sites to external organisations, the provision of maintenance and repair services to private sector customers, and the exploitation of spare capacity on MOD communications towers for commercial telecommunications use.

# Public Spending

This table sets out, in resource terms, a summary of expenditure from 1999-00 to 2005-06. This is split into consumption of resources, and capital spending. It does not reflect any changes arising out of Spending Review 2004.

£'000	1999-00 Outturn <sup>[2]</sup>	2000-01 Outturn <sup>[2]</sup>	2001-02 Outturn <sup>[2]</sup>	2002-03 Outturn <sup>[2,3]</sup>	2003-04 Estimated Outturn	2004-05 Plan	2005-06 Plan
<b>Consumption of Resources:</b>							
Provision for Defence capability	30,949,623	33,091,155	31,839,494	36,974,338	30,810,237	31,366,675	32,354,109
Unprogrammed operations/conflict prevention <sup>[4,5]</sup>	379,102	302,614	530,016	1,130,429	1,413,610	50,360	0
War pensions and allowances	1,255,523	1,411,782	1,237,535	1,165,411	1,158,005	1,151,221	1,082,818
Armed forces pay and pensions <sup>[6]</sup>	2,897,979	3,007,874	3,208,776	3,317,558	3,591,753	3,484,782	3,587,722
<b>Total resource budget</b>	<b>35,482,227</b>	<b>37,813,425</b>	<b>36,815,821</b>	<b>42,587,736</b>	<b>36,973,605</b>	<b>36,053,038</b>	<b>37,024,699</b>
of which Resource DEL <sup>[7]</sup>	31,328,725	33,393,725	32,333,830	36,436,756	32,303,907	31,590,433	32,538,870
<b>Capital spending:</b>							
Provision for Defence capability	3,962,712	5,312,004	5,890,323	5,780,827	6,081,422	6,299,000	6,864,800
Unprogrammed operations/conflict prevention <sup>[4,5]</sup>	88,324	79,425	56,069	318,690	334,000	–	–
<b>Total capital budget</b>	<b>4,051,036</b>	<b>5,391,429</b>	<b>5,946,392</b>	<b>6,099,517</b>	<b>6,415,422</b>	<b>6,299,000</b>	<b>6,864,800</b>
of which Capital DEL <sup>[7]</sup>	4,051,036	5,391,429	5,835,512	6,149,417	6,415,422	6,327,000	6,880,000
<b>Total public spending <sup>[8]</sup></b>	<b>33,635,523</b>	<b>35,885,439</b>	<b>35,341,241</b>	<b>35,427,792</b>	<b>35,955,715</b>	<b>34,302,780</b>	<b>35,283,402</b>
Notes:							
<sup>[1]</sup> Figures are presented on the basis of SR2002 accounting treatment and historic figures may vary from those in previous Expenditure Plans.							
<sup>[2]</sup> Figures for years up to and including 2001-02 have not been restated to reflect the Treasury Discount Rate change and are therefore not comparable to the following years.							
<sup>[3]</sup> Includes an unusually large increase in non-cash expenditure in line with asset management policy agreed with Her Majesty's Treasury.							
<sup>[4]</sup> As unprogrammed operations/conflict prevention costs fluctuate significantly in-year due to changes in demand for military involvement in such activities, this year the Department will ask Parliament to vote on more accurate figures in the Supplementary Estimates. The current figure therefore only includes planned programme funding.							
<sup>[5]</sup> Operational and conflict prevention costs are only estimated one year in advance.							
<sup>[6]</sup> As a consequence of adopting Financial Reporting Standard 17 'Retirement Benefits', the Resource Accounts of pension schemes administered by central government now account for the accruing cost of providing pensions rather than just the benefits payable and contributions receivable. There have been other technical changes to cost attribution. Historic figures may vary from previous expenditure plans.							
<sup>[7]</sup> Departmental Expenditure Limits (DELs), set as part of the 2002 Spending Review plus operational and conflict prevention costs. DELs in 99-00 and 00-01 are illustrative, as Departments were controlled in cash terms in those years.							
<sup>[8]</sup> Total public spending calculated as the total of the resource budget plus the capital budget, less depreciation.							

# Consumption of Resources by Activity

Table 2 gives a functional breakdown of the Department's resource spending plans from 1999-00 to 2005-06.

£'000	1999-00 Outturn <sup>[1]</sup>	2000-01 Outturn <sup>[1]</sup>	2001-02 Outturn <sup>[1]</sup>	2002-03 Outturn <sup>[1,2]</sup>	2003-04 Estimated Outturn	2004-05 Plan	2005-06 Plan
<b>Consumption of Resources by Activity:</b>							
Provision of Defence capability	30,949,623	33,091,155	31,839,494	36,974,338	30,810,237	31,366,675	32,354,109
of which:							
<b>Front Line</b>	<b>13,133,306</b>	<b>13,640,920</b>	<b>13,784,077</b>	<b>15,576,532</b>	<b>13,190,613</b>	<b>14,575,482</b>	<b>15,275,694</b>
of which:							
Commander-in-Chief Fleet	3,754,304	3,815,576	3,636,056	4,597,475	3,362,067	3,738,568	3,905,794
General Officer Commanding (Northern Ireland)	653,848	646,993	614,237	695,775	656,399	650,446	677,970
Commander-in-Chief Land Command	4,283,145	4,823,263	4,945,023	5,227,393	5,110,107	5,562,042	5,923,009
Commander-in-Chief Strike Command	4,023,814	3,879,633	4,128,258	4,546,080	3,567,979	4,147,987	4,289,063
Chief of Joint Operations	418,195	475,455	460,503	509,809	494,061	476,439	479,858
<b>Personnel</b>	<b>2,914,506</b>	<b>3,160,022</b>	<b>3,321,203</b>	<b>3,500,024</b>	<b>3,456,447</b>	<b>3,388,477</b>	<b>3,468,942</b>
of which:							
2nd Sea Lord/Commander-in-Chief Naval Home Command	646,362	669,285	684,056	725,301	691,566	673,111	687,922
Adjutant General	1,505,846	1,601,636	1,709,922	1,717,792	1,739,682	1,739,538	1,785,565
Commander-in-Chief Personnel and Training Command	762,298	889,101	927,225	1,056,931	1,025,199	975,828	995,455
<b>Logistics</b>	<b>8,918,238</b>	<b>10,875,849</b>	<b>8,964,801</b>	<b>10,598,111</b>	<b>8,397,845</b>	<b>7,806,915</b>	<b>7,601,710</b>
of which:							
Chief of Defence Logistics	8,918,238	10,875,849	8,964,801	10,598,111	8,397,845	7,806,915	7,601,710
<b>Central</b>	<b>2,680,719</b>	<b>2,689,311</b>	<b>2,615,070</b>	<b>2,564,140</b>	<b>2,616,754</b>	<b>2,952,559</b>	<b>3,255,345</b>
of which:							
Central	2,680,719	2,689,311	2,615,070	2,564,140	2,516,754	2,782,559	3,055,345
Departmental Unallocated Provision <sup>[3]</sup>					100,000	170,000	200,000
<b>Procurement</b>	<b>3,302,854</b>	<b>2,725,053</b>	<b>3,154,343</b>	<b>4,735,531</b>	<b>3,148,578</b>	<b>2,643,242</b>	<b>2,752,418</b>
of which:							
Defence Procurement Agency	2,859,477	2,324,178	2,709,593	4,307,948	2,689,021	2,151,809	2,240,675
Corporate Science and Technology <sup>[4]</sup>	443,377	400,875	444,750	427,583	459,557	491,433	511,743
<b>Operations/Conflict Prevention <sup>[5,6]</sup></b>	<b>379,102</b>	<b>302,614</b>	<b>530,016</b>	<b>1,130,429</b>	<b>1,413,610</b>	<b>50,360</b>	<b>0</b>
<b>Armed Forces Pay and Pensions</b>	<b>2,897,979</b>	<b>3,007,874</b>	<b>3,208,776</b>	<b>3,317,558</b>	<b>3,591,753</b>	<b>3,484,782</b>	<b>3,587,772</b>
<b>War Pensions and Allowances</b>	<b>1,255,523</b>	<b>1,411,782</b>	<b>1,237,535</b>	<b>1,165,411</b>	<b>1,158,005</b>	<b>1,151,221</b>	<b>1,082,818</b>
<b>Total Resource Budget</b>	<b>35,482,227</b>	<b>37,813,425</b>	<b>36,815,821</b>	<b>42,587,736</b>	<b>36,973,605</b>	<b>36,053,038</b>	<b>37,024,699</b>

Notes:

<sup>[1]</sup> Figures for years upto and including 2001-02 have not been restated to reflect the Treasury Discount Rate change and are therefore not comparable to those for the plan years.

<sup>[2]</sup> Includes an unusually large increase of non-cash expenditure in line with asset management policy agreed with Her Majesty's Treasury.

<sup>[3]</sup> A Departmental Unallocated Provision has been established to provide flexibility to manage potential non-cash pressures such as impairments and write downs

<sup>[4]</sup> Corporate Science and Technology Budget replaces the Major Customers' Research Budget and research costs that were previously included within the Central Budget.

<sup>[5]</sup> As Operations/conflict prevention prevention costs fluctuate significantly in-year due to changes in demand for military involvement in those activities, this year the Department will ask Parliament to vote on more accurate figures in the Supplementary Estimates. The 2004-05 figure therefore only includes planned programme funding.

<sup>[6]</sup> Operational and conflict prevention costs are only estimated one year in advance.

# Capital Expenditure by Activity

Table 3 gives a functional breakdown of the MOD's investment or capital spending plans from 1999-00 to 2005-06.

£'000	1999-00 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Estimated Outturn	2004-05 Plan	2005-06 Plan
<b>Capital Spending by activity: <sup>[1]</sup></b>							
Provision of Defence capability	3,962,712	5,312,004	5,890,323	5,780,827	6,081,422	6,299,000	6,864,800
of which:							
Front Line	-37,463	-91,186	285,475	244,842	318,150	306,000	305,000
of which:							
Commander-in-Chief Fleet	31,818	17,366	151,885	15,965	35,548	30,000	18,200
General Officer Commanding (Northern Ireland)	8,746	14,430	24,128	107,190	35,549	29,000	29,200
Commander-in-Chief Land Command	-24,571	58,354	8,241	29,280	172,118	179,000	180,200
Commander-in-Chief Strike Command	-88,313	-187,951	75,292	66,591	43,133	38,000	46,200
Chief of Joint Operations	34,857	6,615	25,929	25,816	31,802	30,000	29,200
Personnel	83,161	50,619	56,051	55,113	78,965	57,000	50,000
of which:							
2nd Sea Lord/Commander-in-Chief Naval Home Command	7,967	1,214	7,136	15,417	28,650	19,000	7,000
Adjutant General	50,093	35,707	31,713	24,820	28,384	15,000	22,000
Commander-in-Chief Personnel and Training Command	25,101	13,698	17,202	14,876	21,931	23,000	21,000
Logistics	-722,741	1,059,227	1,319,019	1,221,172	1,352,776	1,141,000	1,228,881
of which:							
Chief of Defence Logistics	-722,741	1,059,227	1,319,019	1,221,172	1,352,776	1,141,000	1,228,881
Central	-25,426	-166,050	-116,577	-121,593	-59,717	282,000	45,000
of which:							
Central	-25,426	-166,050	-116,577	-121,593	-59,717	282,000	45,000
Procurement	4,665,181	4,459,394	4,346,355	4,381,293	4,391,248	4,513,000	5,236,000
of which:							
Defence Procurement Agency	4,665,181	4,452,731	4,346,355	4,381,293	4,391,228	4,513,000	5,236,000
Corporate Science and Technology <sup>[2]</sup>	0	6,663	0	0	20	0	0
Unprogrammed Operations/Conflict Prevention <sup>[3]</sup>	88,324	79,425	56,069	318,690	334,000	–	–
<b>Total Capital Budget</b>	<b>4,051,036</b>	<b>5,391,429</b>	<b>5,946,392</b>	<b>6,099,517</b>	<b>6,415,422</b>	<b>6,299,000</b>	<b>6,864,800</b>

Notes:

<sup>[1]</sup> Where the value of disposals exceeds the value of additions the figure will be negative.

<sup>[2]</sup> Corporate Science and Technology Budget replaces the Major Customers' Research Budget and research costs that were previously included within the Central Budget.

<sup>[3]</sup> As unprogrammed operations/conflict prevention costs fluctuate significantly in-year due to changes in demand for military involvement in such activities, this year the Department will ask Parliament to vote on more accurate figures in the Supplementary Estimates. The current figure therefore only includes planned programme funding.

# MOD Capital Employed

Table 4 sets out Total Capital Employed by the department.

Table 4: MOD Capital Employed							
£M	1999-00 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Estimated Outturn	2004-05 Plans	2005-06 Plans
<b>Assets on Balance Sheet:</b>							
<b>Fixed Assets</b>	<b>87,532</b>	<b>87,779</b>	<b>88,339</b>	<b>86,312</b>	<b>87,098</b>	<b>91,024</b>	<b>92,914</b>
of which:							
Land and Buildings	14,060	14,377	14,348	15,342	15,293	16,401	16,611
Fighting Equipment	28,420	27,492	27,281	26,526	26,896	27,897	28,551
Plant, Machinery and Vehicles	4,938	4,648	4,142	4,296	3,411	3,956	3,842
IT and Communications Equipment	1,010	875	828	814	919	1,270	1,948
Assets in the Course of Construction	10,375	11,888	13,984	12,511	13,339	12,856	12,370
Capital Spares	8,988	8,207	7,558	6,955	6,866	6,840	6,568
Intangible Assets	19,331	19,901	19,527	19,438	19,954	21,415	22,660
Investments	410	391	671	430	421	389	364
<b>Current assets</b>	<b>8,036</b>	<b>7,822</b>	<b>8,285</b>	<b>7,955</b>	<b>8,955</b>	<b>8,109</b>	<b>8,203</b>
of which:							
Stock & work in progress	6,724	6,515	6,396	5,337	6,188	5,470	5,571
Debtors	920	1004	1,257	2,202	2,700	2,160	2,134
Cash at bank and in hand	392	303	632	416	68	479	498
Creditors (< 1 year)	-3,827	-4,218	-4,662	-5,384	-5,746	-4,603	-4,685
Creditors (> 1 year) <sup>[3]</sup>	-430	-397	-448	-450	-515	-1,236	-1,278
Provisions <sup>[1]</sup>	-4,405	-4,337	-5,112	-6,994	-9,368	-9,228	-9,241
<b>Capital employed within Main Department</b>	<b>86,906</b>	<b>86,649</b>	<b>86,402</b>	<b>81,440</b>	<b>80,425</b>	<b>84,066</b>	<b>85,913</b>
NDPBs' Net Assets	264	335	331	331	331	331	331
<b>Total capital employed in departmental group</b>	<b>87,170</b>	<b>86,984</b>	<b>86,733</b>	<b>81,771</b>	<b>80,756</b>	<b>84,397</b>	<b>86,244</b>
Note:							
<sup>[1]</sup> Outturn figures for years 1999-00 to 2001-02 are restated Departmental Resources Accounts figures.							
<sup>[2]</sup> Figures for years up to and including 2001-02 have not been restated to reflect the Treasury Discount Rate change and are therefore not comparable to those for the plan years.							
<sup>[3]</sup> Includes PFI Contracts.							

# Staff Numbers

Table 5 sets out the number of staff employed within the Department.

<b>Table 5:</b>							
<b>Staff Years</b> <sup>[1,2]</sup>	<b>1999-00 Outturn</b>	<b>2000-01 Outturn</b>	<b>2001-02 Outturn</b>	<b>2002-03 Outturn</b>	<b>2003-04 Estimated Outturn</b>	<b>2004-05 Plans</b>	<b>2005-06 Plans</b>
<b>Service Personnel</b> <sup>[3]</sup>	217,400	216,000	214,700	215,800	217,000	216,100	215,000
UK Based Civilians	100,600	99,400	91,900	89,000	88,700	86,600	85,300
Locally Engaged Civilians <sup>[4]</sup>	14,800	14,000	13,700	14,000	14,600	12,600	12,400
<b>Total Civilians</b> <sup>[5]</sup>	<b>115,400</b>	<b>113,400</b>	<b>105,600</b>	<b>103,000</b>	<b>103,300</b>	<b>99,200</b>	<b>97,700</b>
<b>Total MoD Manpower</b>	<b>332,800</b>	<b>329,400</b>	<b>320,300</b>	<b>318,800</b>	<b>320,300</b>	<b>315,300</b>	<b>312,700</b>
<b>Within Trading Funds</b> <sup>[6]</sup> (Civilians also included in UKBC total numbers)							
ABRO <sup>[7]</sup>	–	–	–	2,600	1,900	1,900	1,900
DARA <sup>[8]</sup>	–	–	4,400	4,300	3,700	3,500	3,200
DERA/DSTL(9)	10,900	11,200	5,000	3,000	3,300	3,400	3,400
Hydrographic Office	800	800	900	900	1,000	1,000	1,000
Meteorological Office	2,100	2,200	2,100	2,000	1,900	1,800	1,800
<b>Total TF Staff</b>	<b>13,800</b>	<b>14,300</b>	<b>12,300</b>	<b>12,800</b>	<b>11,800</b>	<b>11,600</b>	<b>11,300</b>
UKBC – Casuals	1,600	1,500	1,500	1,500	1,000	1,000	1,000
Volunteer Reserves & Auxiliary Forces	54,700	49,600	47,100	45,800	46,100	47,300	47,300
Notes:							
<sup>[1]</sup> All figures are averaged over each year and reflect, in the case of forward years, TLB holders' planning assumptions, not manpower targets. Some figures vary slightly from those reported last year due to a minor change in the way that they are calculated. They are now consistent with the "spot" figures shown in other MOD and Office for National Statistics Publications. The figures published do not reflect the changes announced in the Command Paper "Delivering Security in a Changing World: Future Capabilities" published in July 2004 (Cm 6269).							
<sup>[2]</sup> Totals and sub-totals have been rounded separately and so may not appear to be the sums of their parts.							
<sup>[3]</sup> Service manpower totals exclude Volunteer Reserves and Auxiliaries, but include officer cadets and locally engaged personnel such as Gurkhas. The figures also include full- and part- time personnel in the Home Service battalions of the Royal Irish Regiment.							
<sup>[4]</sup> Figures include Locally Engaged Civilians employed on operations.							
<sup>[5]</sup> Civilian manpower totals exclude casuals, staff on loan and personnel working for the United States Air Force, but include civilian personnel employed by the MOD Trading Funds. Figures reflect the contractorisation of the Atomic Weapons Establishment.							
<sup>[6]</sup> Data has been categorised according to the organisational structure in place at the time.							
<sup>[7]</sup> Army Base Repair Organisation (ABRO) became a Trading Fund on 1 April 2002.							
<sup>[8]</sup> Defence Aviation Repair Agency (DARA) became a Trading Fund on 1 April 2001.							
<sup>[9]</sup> From 1 April 1995, DERA assumed responsibility for the Defence Research Agency (DRA), the Defence Test and Evaluation Organisation (DTEO), the Center for Defence Analysis (CDA) and the Chemical and Biological Defence Establishment (CBDE). From 1 July 2001 the figures shown reflect the manpower numbers of the Defence Science and Technology Laboratory (DSTL), and do not include the staff who transferred to the privatised QinetiQ.							



# Trends in Defence Spending

£M	1999-00 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Estimated	2004-05 Plans Outturn	2005-06 Plans
Cash Provision <sup>[2]</sup>	22,105	23,170	–	–	–	–	–
Total DEL <sup>[3,4]</sup>	–	–	–	–	29,538	29,818	30,813
Stage One RAB/Near Cash <sup>[5]</sup>	–	–	23,888	24,314	26,171	26,590	27,596
<b>As a % of GDP:</b>							
Cash Provision:	2.40%	2.40%	–	–	–	–	–
<b>Provision in real terms at 2004-05 prices:</b>							
Cash Provision:	25,024	25,852	–	–	–	–	–
Total DEL <sup>[3]</sup>	–	–	–	–	30,220	29,818	30,055
Stage One RAB/ Near Cash:	–	–	25,972	25,569	26,775	26,590	26,917
<b>Year-on-year % change in real terms:</b> <sup>[6]</sup>							
Cash Provision:	–	2.50%	–	–	–	–	–
Stage One RAB/Near Cash	–	–	–	– 1.55%	4.72%	– 0.60%	1.23%
<b>Cost of unprogrammed operation/ conflict prevention at outturn prices:</b> <sup>[7]</sup>							
Cash:	467	382	–	–	–	–	–
Total DEL:	–	–	551	1,913	1,748	50	–
Notes:							
<sup>[1]</sup> Figures may vary from previous Government Expenditure Plans as definitional changes have been made to bring them into line with the Departmental Resource and Accounts.							
<sup>[2]</sup> From 1998-99 to 2000-01 the department was controlled in cash, not DELs.							
<sup>[3]</sup> Under Stage 1 Resource Accounting and Budgeting (RAB), for years 2001-02 to 2002-03 the major non-cash items – depreciation and impairments, cost of capital charges and provisions - were treated as Annually Managed Expenditure (AME) outside the DEL. Under Stage 2 RAB, from 2003-04 onwards this non-cash AME is included within the Resource DEL.							
<sup>[4]</sup> Total DEL defined as the sum of Resource and Capital DELs, less depreciation and impairments.							
<sup>[5]</sup> The Near Cash figure from 2003-2004 excludes charges for the cost of capital and depreciation, as well as other changes such as provisions, to allow comparison with Stage One RAB data from 2001-02 to 2002-03.							
<sup>[6]</sup> No figure is shown for 2001-02 because meaningful year-on-year comparison is not possible in the light of the transition from cash to RAB in that year.							
<sup>[7]</sup> These are additional to the figures for cash provision/DELs in previous rows. The figure for 2002-03 includes provision for activity in Afghanistan, Bosnia, Kosovo and Iraq. It also includes for the purposes of comparison, the Sustainability Fund of £500M to meet the wider impact of the recent high rate of operational activity. Conflict Prevention expenditure falling outside the DEL (£35.488M and £36.148M in Resource AME in 2001-02 and 2002-03 respectively) has been excluded from this table.							

# 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 7.

Table 7: 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 Commons approval
Non-Statutory Liabilities	RfR	Value
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
Termination liabilities arising out of MOD's association with the Research Council under the Joint Grants Scheme.	RfR1	Up to £17.620M
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	£70.529M <sup>[1]</sup>
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 Navy, Army and RAF museums.	RfR1	£1.489M
Contractorisation of AWE: indemnity to Hunting-BRAE Ltd in respect of nuclear risks under the Nuclear Installations Act 1965. <sup>[2]</sup>	RfR1	Up to £140M per incident
Indemnities to Devonport Royal Dockyards Ltd. (DRDL) in respect of nuclear risks under the Nuclear Installations Act 1965.	RfR1	Unlimited
Indemnities to Babcock Group in respect of nuclear risks under the Nuclear Installations Act 1965.	RfR1	Unquantifiable
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	Unquantifiable
Product liability to BAE SYSTEMS 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	£18.209M
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	£21.946M
Indemnity to Rolls Royce Power Engineering, Derby for risks associated with the handling of fissile materials.	RfR1	Up to £140M per incident
Standard shipbuilding indemnity (in lieu of insurance) to GEC Marconi as part of the ASTUTE Class contract against loss damage and liability incurred by the submarine builder.	RfR1	Unquantifiable
Indemnity to AWE Management Ltd and AWE Plc in respect of non-Nuclear Installations Act 1965 nuclear risks resulting from claims for damage to property or death and personal injury to a third party.	RfR1	Unquantifiable
Indemnity to AWE Management Ltd in respect of non-nuclear risks covering Employer's Liability, property damage and business interruption, public and product liability.	RfR1	Unquantifiable
Indemnity to AWE Management Ltd and AWE Plc in respect of an employee having a claim on personal insurance policy repudiated because of that employee's involvement with Nuclear Accident Response Team Activities.	RfR1	Unquantifiable
Residual Commercial Contracts claims liability arising out of the disbanding of DERA as an MOD trading fund and the formation of QinetiQ <sup>[3]</sup> on 1 July 2001.	RfR1	Unquantifiable
Residual employee disease liability arising out of the disbanding of DERA as an MOD trading fund and the formation of QinetiQ on 1 July 2001.	RfR1	Unquantifiable
Residual public liability arising out of the disbanding of DERA as an MOD trading fund and the formation of QinetiQ on 1 July 2001.	RfR1	Unquantifiable
<p>Notes:</p> <p><sup>[1]</sup> Represents sterling equivalent of 102M Euros which is subject to exchange rate movements.</p> <p><sup>[2]</sup> AWE contingent liabilities will last for 10 years after the end of the contract.</p> <p><sup>[3]</sup> QinetiQ must meet the first £250K of losses incurred in each calendar year.</p>		

## Public Private Partnerships/ Private Finance Initiative

The Department seeks to involve the private sector in the delivery of efficient services. Asset use can be maximised through Public Private Partnerships (PPP), under which we get better quality of service and better value for money. 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 (PFI) also continues to play an important role in the provision of defence services. During 2003-2004, the Department signed five further PFI deals with a capital value of £1.9 billion, bringing its total number to 50 with capital investment totalling £4.2 billion. The Department will continue to use PPP/PFI as a major element of its efficiency strategy and, subject to demonstration of best value for money, further projects will be identified in due course.

£M	2003-04 Estimated Outturn	2004-05 Plans	2005-06 Plans
Estimated Capital Spending of projects on contract	518	778	453
Capital Value of projects at preferred bidder stage	1,800	96	243
Revenue costs	521	603	647

# Non-Departmental Public Bodies: Executive Bodies

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

**Table 9: Non-Departmental Public Bodies: Executive Bodies**

£'000	2003-04 Estimated Outturn	2004-05 Plans	2005-06 Plans
<b>Name of Body</b>			
<b>Total Gross Expenditure of Body</b>			
Royal Naval Museum	1,310	1,310	1,180
Fleet Air Arm Museum	1,700	1,850	1,950
Royal Navy Submarine Museum	690	674	783
Royal Marines Museum	730	760	820
National Army Museum	4,886	4,996	5,223
Royal Air Force Museum	7,000	7,152	6,979
Oil and Pipelines Agency <sup>[1]</sup>	1,880	1,927	1,610
<b>Funding from the Defence Budget</b>			
Royal Naval Museum	1,144	1,018	892
Fleet Air Arm Museum	563	578	592
Royal Navy Submarine Museum	530	543	557
Royal Marines Museum	704	722	740
National Army Museum	4,542	4,589	4,748
Royal Air Force Museum	6,615	6,467	6,318
Oil and Pipelines Agency <sup>[1]</sup>	–	–	–
<p>Note:</p> <p><sup>[1]</sup> 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.</p>			

## Long-term projects

Table 10 details the top ten major long term works and information technology projects by value which will be on site in 2004-05. Only those projects on site in 2004-05 are identified in the table. Projects which will reach completion before the start of 2004-05 or which are due to start on site after 2004-05 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:

- UK Defence Statistics 2003 dated September 2003 (Table 1.16).
- Report by the Comptroller and Auditor General (HC 195) dated 23 January 2004.
- Ministry of Defence Performance Report 2002/03 (HC 1125, October 2003).

Table 10: Long-term Projects								
Project	Year of Start/ Original Estimate of Year of Completion <sup>[3]</sup>	Current Estimate of Year of Completion	Current Estimates of Expenditure <sup>[1]</sup>					Total
			Original Estimate of Expenditure	Spent in Past Years	Estimated Provision for 2004-05	To be Spent in Future Years		
<b>Capital Works Projects</b>								
1. SSN Berthing Facility	2003-04/2007/08	2007/08	Works	122,738	9,956	19,752	93,030	122,738
2. Woodbridge Hawker rebuild and refurbishment of existing barracks for close support engineer regiment	2002-03/2003/04	2008/09	Works	93,551	4,088	30,567	58,896	93,551
3. Otterburn, Infrastructure Development	2003-04/2006-07	2006/07	Works	55,023	26,167	24,358	4,318	55,023
4. Tidworth – rebuild of existing barracks for armoured infantry battalion	2002-03/2003-04	2007/08	Works	49,187	33,415	14,036	1,736	49,187
5. Portsmouth Western Jetties Stage Two	2004-05/2006-07	2006/07	Works	31,912	224	10,266	31,688	21,198
6. Portsmouth Caissons Refit Requirement	2003-04/2012-13	2012/13	Works	30,787	2,000	2,999	25,788	30,787
7. RAF St Athan re-role for armoured regiment	2004-05/2009-10	2009/10	Works	30,212	19	0	30,193	30,212
8. Clyde Single Living Accommodation Neptune	2002-03/2003-04	2007/08	Works	44,000	3,000	12,000	29,000	44,000
9. Southampton – Refurb/New Single Living Accommodation	2003-04/2003-04	2004/05	Works	36,736	330	22,425	14,184	36,939
10. Project Emma Portsmouth – Junior Ranks Living Accommodation	2002-03/2004-05	2004/05	Works	25,600	16,853	2,531	0	19,384

Information Technology Projects									
1. Joint Personnel Administration <sup>[4]</sup>	2000-01/2007-08	2007/08	IT	125,000	21,043	43,840	113,302	178,185	
2. Defence Information Infrastructure (Head Office)	2003-04/2006/07	2006/07	IT	99,481	40,399	45,095	13,390	98,884	
3. Defence Information Infrastructure (Convergence)	2003-04/2004-05	2004/05	IT	58,982	20,282	38,700	0	58,982	
4. Corporate Head Office Technology System	1991-92/2005-06	2005/06	IT	819,400	723,111	36,382	18,403	777,896	
5. Defence Resource Management Programme	2003/2013	2013	IT	200,000	20,000	20,000	160,000	200,000	
6. Joint Asset Management & Engineering Solutions 1	2004/2014	2014	IT	30,740	0	10,700	20,040	30,740	
7. Follow up to initial purchase payment system	2003-04/2010-11	2010/11	IT	118,000	3,687	8,949	31,831	118,000	
8. NAVYSTAR (Naval Sector IT infrastructure Project)	1995-96/2005-06	2008/09	IT	58,360	44,209	7,738	6,413	58,360	
9. CASH	1994-95/2005-06	2005/06	IT	129,500	122,591	4,738	2,171	129,500	
10. Navynet	1991-92/2005-06	2005/06	IT	63,769	56,927	3,754	3,088	63,769	
Notes:									
<sup>[1]</sup> Figures include the total external expenditure of the projects – including for example hardware, fees, software, consultancy and costs of support staff. They do not include internal running costs. The planned expenditure figures include a number of variable costs for elements such as support.									
<sup>[2]</sup> Expenditure in previous years is shown in outturn prices, expenditure in 2004/05 and in future years shown in 2004/05 prices.									
<sup>[3]</sup> Programme start and end dates generally refer to contract start and end dates.									

# Export of Defence Equipment

The Government fully supports responsible defence exports, enforced by strict export controls, which strengthen the defence of our friends and allies overseas, contribute to our defence through strengthening our defence industry and help reduce the cost of the defence budget. 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 11 below.

Table 11: Export of Defence Equipment		
£'000	Expenses	Receipts
<b>Administration &amp; Sales Promotion</b>		
Provision for the administrative expenses of the Defence Export Services Organisation's staff in the Central TLB		
Administrative expenses	58,370	44,670
Promotion of sales	1,989	1,050
<b>Total</b>	<b>60,359</b>	<b>45,720</b>
<b>Procurement &amp; overseas sales of equipment <sup>[1]</sup></b>		
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	3,330	8,641
<b>Total</b>	<b>3,330</b>	<b>8,641</b>
<b>Disposal Sales <sup>[1]</sup></b>		
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.		
	588	4,871
Note:		
<sup>[1]</sup> Receipts of £11.970M generated by the disposal Services Agency through UK and overseas disposal sales are included in the above totals.		



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