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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.

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

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	1999-00 outturn	2000-01 estimated outturn	2001-02 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
MINISTRY OF DEFENCE

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

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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.

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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

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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

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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.

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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
			Total			40,570		
Projects costing £25,000,000 or more			Total			0		
Projects costing less than £25,000,000								
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 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
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
<u>Operating Costs</u>						
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 £000	2000-01 £000	1999-00 £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

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

**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 and income received 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

TOTAL

Accruals to cash adjustment -18,000

1,408,000

Net cash required

£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

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

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