



MINISTRY OF DEFENCE



ministry of defence



The Government's Expenditure Plans

2003/2004 - 2005/2006

This document is part of a series of Departmental Reports (Cm 5901 to 5931) which, along with the Main Estimates 2003-04, the document Public Expenditure Statistical Analyses 2003, and the Supplementary Budgetary Information 2003-04, present the Government's expenditure plans for 2003-2006.

The complete series of Departmental Reports and Public Expenditure Statistical Analyses 2003 is also available as a set at a discounted price.



MINISTRY OF DEFENCE

**THE GOVERNMENT'S
EXPENDITURE PLANS
2003-04 TO 2005-06**

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

May 2003

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Introduction

This report provides details of the Government's plans for defence expenditure for the three years 2003-04 to 2005-06. Together with the Ministry of Defence's Performance Report 2001/02 (Cm 5661, November 2002), it forms part of a series of reports published by all Government Departments.

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

- UK Defence Statistics 2002 (September 2002); and
- The Departmental Investment Strategy for the Ministry of Defence (December 2002).

These documents and other background information can be found at the MOD website, <http://www.mod.uk>. The Spending Review 2002 White Paper (Cm 5571, July 2002), which includes details of the MOD's performance targets can be found at the HM Treasury website, <http://www.hm-treasury.gov.uk>.

The role of the Ministry of Defence and the Armed Forces

Aim

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

Role

The MOD serves the Government's vision of the UK's role in the world. This is that we should be: strong in defence; resolute in standing up for British interests; an advocate of human rights and democracy the world over; a reliable and powerful ally; and a leader in Europe and the international community. A striking example of this vision in practice is our military action against Saddam's régime to remove the threat posed by Iraq's illegal weapons of mass destruction to the Iraqi people, the region and the wider world.

The UK's national security and defence depend fundamentally on the security of Europe as a whole. NATO is, and will continue to be, the primary means of ensuring British and European collective security and defence. A strong NATO with both our European and our North American allies fully engaged is therefore a high priority for the British Government. But we also recognise that it is important for the European Union to develop its own capacity to undertake crisis management operations in support of the Common Foreign and Security Policy.

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.

Defence policy has put increased emphasis on prevention rather than cure. Early engagement in potentially unstable areas of the world can prevent the need for dangerous and costly intervention later. The Armed Forces are therefore engaged in a range of stability-building and conflict prevention activities. Our Armed Forces contribute alongside those of other nations to a range of peace support operations, notably in the Balkans, Sierra Leone and Afghanistan. Members of the Armed Forces and civilians in the Department are also involved in a number of initiatives, which the Department captures under the term 'Defence Diplomacy', to help dispel hostility, build and maintain trust, and assist other states in the development of democratically accountable armed forces. These activities contribute to the delivery of several conflict prevention strategies, which are agreed between the Ministry of Defence, the Foreign and Commonwealth Office and the Department for International Development. In addition, the Armed Forces can, at the request of the FCO or DfID, and subject to the availability of the necessary people and equipment, contribute to humanitarian and disaster relief operations, either on a national basis or as part of a co-ordinated international effort.

Defence policy has, since 1998, been guided by the Strategic Defence Review (SDR)¹, which remodelled the UK's Armed Forces to meet the challenges of the 21st Century, reflecting the global strategic context at the time. The terrorist attacks of 11 September 2001 and subsequent operations in the campaign against terrorism have had far-reaching effects on that strategic context. The Secretary of State for Defence commissioned a 'New Chapter'² to the SDR to ensure that we have the right concepts, the right capabilities and the right forces to meet the additional challenges we now face. The New Chapter, the results of which were published in 2002, reinforced the main conclusions of the SDR, but highlighted new elements necessary to seize fleeting opportunities to engage terrorists, to deal with them in remote areas and cater for their possible acquisition of chemical, biological, radiological and nuclear devices.

The plans set out in this report build on the capabilities agreed in the SDR to give the Armed Forces the agility to respond to the demanding new context.

The 'worst case' single military contingency envisaged in the SDR is the participation of British forces in high intensity warfighting operations in a regional conflict. 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 large or medium scale warfighting operations, such as the one in which we have recently engaged in Iraq. While we have not yet completed our full assessment of the lessons from that operation, initial indications are that it has been consistent with our planning assumptions. But there are also signs that smaller, but more frequent and sometimes prolonged operations are becoming increasingly prevalent. We believe that that we will need to undertake an increasing number of find-and-strike operations at the same time as prevention or stabilisation operations. These operations may be in widely geographically separated locations and are in some ways more demanding than preparing for a single worst-case conflict. We therefore need to ensure that we have sufficient critical enabling assets to support anticipated levels of concurrency.

¹ The Strategic Defence Review White Paper (Cm 3999 HMSO).

² SDR: A New Chapter (Cm 5566 HMSO).

The Structure of the MOD

A Brief History

From 1946 to 1964 there were five Departments of State involved in Defence: the Admiralty, the War Office, the Air Ministry, the Ministry of Aviation and the then smaller Ministry of Defence³. In 1964 the Admiralty, the War Office, the Air Ministry, and the MOD were amalgamated. The defence functions of the Ministry of Aviation Supply (as it had then become) were absorbed into the MOD in 1971. The aims of having Defence functions under a single Ministry were to simplify the chain of command, reduce duplication of effort across the three Services, encourage an integrated approach to operations (a philosophy known today as 'joinery') and to improve the quality of Defence advice (rather than Single Service advice) to politicians. Since 1964, the role of the MOD has been reviewed on several occasions, most recently with the Strategic Defence Review of 1998.

Political Control

The Secretary of State for Defence is responsible for the formulation and conduct of defence policy, and for providing the means by which it is conducted. He is supported by a Minister of State for the Armed Forces, dealing with operational and policy issues; a Parliamentary Under-Secretary of State and Minister for Defence Procurement dealing with equipment development, acquisition and defence exports; and by a Parliamentary Under-Secretary of State and Minister for Veterans who takes responsibility for Service and civilian personnel policy, veterans, environmental and regulatory issues. The Secretary of State and his three Ministerial colleagues are accountable to Parliament – which votes public money to the MOD for defence purposes – for all defence matters. Parliament exercises its oversight through Parliamentary Questions⁴; debates in both Houses of Parliament on defence-related issues; the House of Commons Public Accounts Committee (PAC), which is responsible for investigating the Department's use of public funds; and the House of Commons Defence Committee (HCDC), which conducts inquiries on a wide range of defence issues.

The Principal Advisers

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

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

³ The pre-1964 Ministry of Defence was established to continue co-ordination of defence activity after the war. Taking the central role in formulation of unified defence policy, its executive control over the single service ministries grew until formal unification became the next logical step in 1964.

⁴ Parliamentary questions can be submitted in oral or written form via the Lords or the Commons. Although different protocols apply depending on the origination and format of the question, in all cases, the Department must provide a draft answer that will allow the Minister to reply accurately, truthfully and concisely.

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

The Defence Council

The formal legal basis for the conduct of defence in the UK rests on a range of powers vested by statute and Letters Patent in the Defence Council, chaired by the Secretary of State for Defence. Boards for each Service, (the Admiralty, Army and Air Force Boards) report to the Defence Council. These Service Boards exercise a wide range of formal and statutory powers relating to the administration of their Service and its personnel. The Defence Council, which is chaired by the Secretary of State, currently comprises four Defence Ministers and ten senior officials:

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

The Defence Management Board

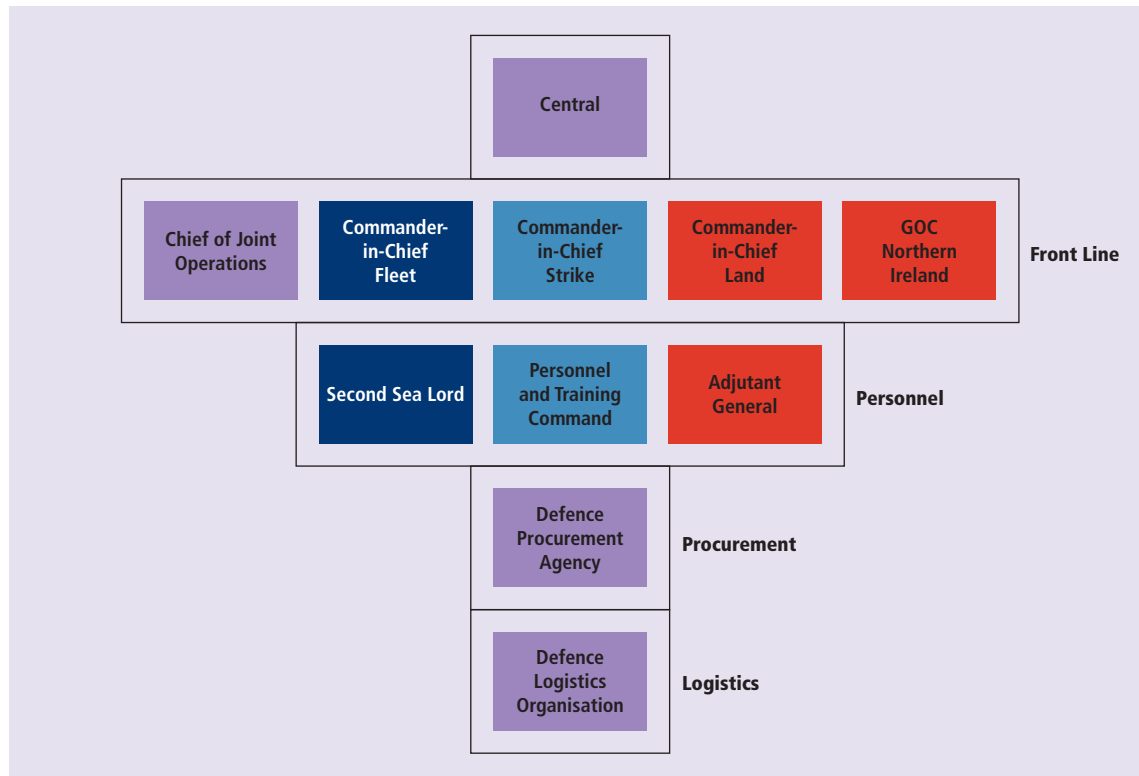
The Defence Management Board (DMB) is the highest, non-ministerial committee in the MOD. Chaired by the PUS, and comprising the ten non-ministerial members of the Defence Council, together with a non-executive member and the non-executive chair of the Defence Audit Committee. It acts as the main executive board of the MOD, providing senior level leadership and strategic management of Defence. It is responsible for:

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

Top Level Budgets

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

Top Level Budget Structure of the MOD⁵



Top Level Budget Roles

Central TLB

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

Front Line TLBs

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

⁵ Dark blue indicating predominantly Naval TLBs, red indicating predominantly Army TLBs, light blue representing predominantly RAF TLBs and purple representing Joint TLBs.

Chief of Joint Operations (CJO)

With a few exceptions, CJO is responsible for running all military operations from his headquarters (the Permanent Joint Headquarters) in Northwood. The exceptions are in operations so large that a more senior officer is required, or those undertaken predominantly by one Service such that it makes sense for the operation to be commanded by the front line TLB led by that Service (CINCFLEET, Land Command, or Strike Command – see below). Military assets are assigned to CJO only for the duration of the operation. In addition to his operational responsibilities, CJO is responsible for the Sovereign Base Areas in Cyprus and British forces in Gibraltar and the Falkland Islands.

Commander-in-Chief Fleet (CINCFLEET)

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

Land Command (LAND)

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

Strike Command (STC)

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

General Officer Commanding Northern Ireland (GOCNI)

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

Military Manpower TLBs

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

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

Adjutant General (AG)

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

Royal Air Force Personnel and Training Command (RAF PTC)

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

Equipment Procurement TLB

Defence Procurement Agency (DPA)

Responsibility for the procurement of equipment to meet new requirements lies with the Defence Procurement Agency (DPA), located mainly at Abbey Wood, Bristol. Launched on 1 April 1999, the DPA is organised in accordance with the principles underlying the Strategic Defence Review and the Smart Acquisition programme.

Logistics Support TLB

Defence Logistics Organisation (DLO)

The Strategic Defence Review emphasised the increasing need for joint forces to meet the more varied challenges of the modern world. A key to achieving these better, joint capabilities is to modernise the logistic support to the front line to make it more flexible, more effective and more efficient. To achieve this, a new post of the Chief of Defence Logistics (CDL) was created with the task of bringing together the logistics support organisations in the Royal Navy, Army and Royal Air Force and Centre staff to form a new Defence Logistics Organisation. The DLO was formed on 1 April 1999. It includes a number of Defence Agencies. Working together under the banner of Smart Acquisition the DLO and DPA aim to enhance the UK's defence capability by acquiring and supporting effective equipment and services in a shorter timescale and at the best cost.

Defence Agencies

The MOD has numerous Defence Agencies (currently 35 in total) established to improve the effectiveness and efficiency of service delivery to customers. In this case, customers are often external (e.g. members of the general public, industry and commerce) as well as internal (other parts of the Department or Armed Forces). The majority of MOD civilian staff work within Defence Agencies. The key features of Agencies are:

- clear statements of role, objectives and responsibilities – set out in a Framework Document;
- clear and simple lines of accountability, responsibility and authority;
- the appointment of a Chief Executive with managerial freedom to achieve best value, and personal accountability for the delivery of results;
- individual tailoring of organisations promoting a customer focused approach to the provision of services; and
- pressure for improvement through the development of clear and rigorous targets, arrangements for reporting on performance and appropriate rewards and sanctions.

There are 2 main types of Defence Agency:

- 'On Vote' Agencies – These fall within the organisation of their relevant TLB and receive their annual budget from the TLB's allocation from the Department.
- 'Trading Fund' Agencies – which operate off the vote system, earning their income by selling products and services to the Department and external customers. The MOD is likely to remain the largest single customer of most of the Trading Funds.

There are now five Defence Agencies that operate as Trading Funds; the Defence Aviation Repair Agency, the Defence Science and Technology Laboratory, the Meteorological Office, the UK Hydrographic Office and the Army Base Repair Organisation.

Public Service Agreement

The Department's latest Public Service Agreement was published in the White Paper 'Spending Review 2002: Public Service Agreements 2003-06' (Cm 5571, July 2002, available at <http://www.hm-treasury.gov.uk>). It sets out the objectives, key targets and resources for the Department for the period 2003-04 to 2005-06. Progress against the Public Service Agreement is published regularly on the Treasury website. A full report will be published annually in the Department's Performance Report.

Aim

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

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

Objectives and performance targets

The MOD have agreed three specific objectives:

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

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

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

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

Objective III: Build for the future.

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

Value for money

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

Who is responsible for delivery?

The Secretary of State for Defence is responsible for delivery of this PSA.

MOD and the Foreign and Commonwealth Office share responsibility for delivery of target 5 on NATO and European security, whilst MOD, the Foreign and Commonwealth Office and the Department for International Development share responsibility for target 2 on conflict prevention.

Summary of Mid-year Performance

Performance against the previous PSA to the end of 2001-02 was described in the Department's Performance Report 2001/02 (Cm 5661, November 2002). The following table summarises the MOD's performance at the mid-year point of 2002-03, against the objectives and targets specified in that PSA.

A complete account of Defence-related performance and activity for financial year 2002/03 will be published in the MOD Performance Report later this year.

2001-02 to 2003-04 PSA Target	Assessment at 30 September 2002
Objective 1 – Operations and Readiness	
<p>1. By 2005, ensure that a minimum of 90% of rapidly available units are at required states of readiness.</p>	<p>Of those force elements intended to be rapidly available (i.e. those held at very high, high or medium readiness), the proportion at medium readiness or above was: Navy/Marines: 93%, Army: 93%, Air Force: 95%.</p> <p>Many elements of the Joint Rapid Reaction Forces were in place at their required states of readiness and have operated successfully but a number of shortfalls remained.</p>
<p>2. Recruit, retain and motivate the personnel needed to meet the manning requirement of the Armed Forces, so that by March 2004, the Navy and Air Force achieve full manning, and the Army meet 97% of its manning requirement.</p> <p>Full manning is defined as +1%/-2% of the requirement.</p>	<p>Trained strength as a percentage of the requirement was: Navy 96.9%; Army 95%; RAF 98.3%.</p> <p>Shortfalls continued in some specialist areas. Action was continued under the Armed Forces Overarching Personnel Strategy to address them.</p>
<p>3. Achieve the objectives established by Ministers for military operations in which the UK's Armed Forces are involved.</p>	<p>Operational objectives in Afghanistan, Bosnia, Kosovo, Sierra Leone, Northern Ireland and the Middle East were successfully achieved. Planning was underway to provide cover during the firefighters' strike.</p>
Objective II – Defence Policy	
<p>4. Working with NATO Allies, implement the decisions of the NATO Washington Summit, including the new Strategic Concept and the Defence Capabilities Initiative, and help to adapt NATO to the new strategic environment.</p>	<p>A new capabilities initiative linked with the proposed NATO Response Force, was being prepared and was later subject to major decisions at the Prague Summit in November. A review of the command structure was also in preparation. The UK supported the Secretary General's work to modernise NATO's internal structures and processes.</p>
<p>5. Work with partners so that the European Union (EU) can, by 2003, deploy forces of up to Corps level (50-60,000 personnel) within 60 days, capable of undertaking the full range of Petersberg tasks (from disaster relief to large scale peace-support operations) in and around Europe.</p>	<p>In May 2002, the first Crisis Management Exercise was held to test procedures before a decision to launch an operation. It was a great success.</p> <p>Effective EU relationships with NATO that are acceptable to all members are essential. Agreement on key areas of substance was reached by the summer but it remains unclear when, or whether, further progress will be possible.</p>
<p>6. Improved effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number people whose lives are affected by violent conflict and by a reduction in potential sources of future conflict, where the UK can make a significant contribution. Joint target with DfID and FCO.</p>	<p>This target is reported on annually. However, the MOD continued to work with the Foreign and Commonwealth Office and Department for International Development on activities in support of agreed priorities and strategies.</p>

Objective III – Battle-Winning Equipment	
<p>7. Develop and deliver battle-winning equipment to time, cost and capability requirement targets that will enable the Armed Forces to provide the military capability required of them now and in the future.</p>	<p>All Major Projects approved under Smart Acquisition procedures were reported as within approvals for cost, time and quality and 99% of key user requirements were expected to be met. In-service dates for two major projects (Typhoon and Astute) were however revised due to technical factors.</p>
Value For Money	
<p>8. Achieve value for money through delivering efficiency savings of 3% a year, benefits of the Smart Procurement Initiative of £750 million over the period 2001-02 to 2003-04, and continuing the drive for the optimum utilisation of the defence asset base, with disposals of over £600 million of assets by March 2004.</p>	<p>A new efficiency system, which will capture output gains as well as input savings, was formally agreed with HM Treasury as part of Spending Review 2002.</p> <p>The MOD remained on course to deliver the £750M Smart Acquisition target and in-year gross estate disposal receipts currently stand at £79.6M. Forecast of equipment disposals outturn for 2002/03 was £21M against a target of £25M.</p>

Spending Plans

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

The SDR 'New Chapter' work identified additional capabilities that are necessary to ensure that our Armed Forces are able to respond to a changed world. MOD's Spending Review 2002 settlement provided £1 billion of new capital and £0.5 billion of new resources for these new capabilities. The spending plans set out over the next few pages will allow us to continue the modernisation process launched by the SDR to enable the Armed Forces to meet the challenges they face today and into the future.

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

The Data

The report follows the framework established in 2002-03. The Main Estimates, and detailed Supplementary Budgetary Information, have been published separately (2003-04 Main Supply Estimates (HC 648) and Supplementary Budgetary Information (Cm 5797, May 2003) enabling this document to provide a streamlined presentation of spending plans.

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

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

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

Defence Investment Strategy

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

Existing capital base (as at 31 March 2002)	£M
Land and Buildings	14,348
Fighting Equipment	27,281
Assets in the course of construction	13,984
Capital Spares	7,558
Plant, machinery and vehicles	4,142
Information Technology and Communications Equipment	828
Intangible assets	19,527
Investments	671
Total	88,339

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

Asset disposals

The Department is committed to ensuring that it does not hold assets which are no longer required to meet operational needs. In Spending Review 2000 the MOD agreed a gross disposal target of £700M, which was exceeded by £110M. In Spending Review 2002 a target of a further £575 million in gross receipts was agreed. Stage Two of RAB will reinforce incentives to dispose of surplus assets, in order to save the associated depreciation and cost of capital charges and thus release resources for other priorities.

The Wider Markets Initiative

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

Public Spending

This table sets out, in resource terms, a summary of expenditure from 1999-00 to 2005-06. This is split into consumption of resources, and capital spending.

£'000	1999-00 Outturn ^[2]	2000-01 Outturn ^[2]	2001-02 Outturn ^[2]	2002-03 Estimated Outturn ^[2,3]	2003-04 Plans	2004-05 Plans	2005-06 Plans
Consumption of Resources:							
Provision of Defence capability	30,949,623	33,091,155	31,838,389	42,208,938	30,708,227	31,326,735	32,079,672
Operations/conflict prevention ^[4,5]	379,102	302,614	530,016	1,139,834	36,700	–	–
War pensions and allowances	1,255,523	1,411,782	1,237,535	1,186,720	1,158,005	1,106,874	1,068,923
Armed forces retired pay and pensions ^[6]	2,898,091	3,008,128	3,209,122	3,277,232	3,393,752	3,512,984	3,634,122
Total resource budget	35,482,339	37,813,679	36,815,062	47,812,724	35,296,684	35,946,593	36,782,717
of which							
Resource DEL ^[7,8]	31,328,725	33,393,725	32,332,725	41,360,752	30,751,882	31,461,536	32,277,700
Capital spending:							
Provision for Defence capability	3,962,712	5,312,004	5,899,703	5,772,098	6,127,800	6,377,200	7,025,500
Operations/conflict prevention ^[4,5]	88,324	79,425	56,069	503,852	0	–	–
Total capital budget	4,051,036	5,391,429	5,955,772	6,275,950	6,127,800	6,377,200	7,025,500
of which							
Capital DEL ^[7]	4,051,036	5,391,429	5,848,190	6,327,950	6,127,800	6,405,200	7,040,700
Total public spending ^[9]	33,635,635	35,885,693	35,299,020	38,710,807	33,786,597	34,274,535	35,202,121

Notes:

^[1] Figures are presented on the basis of SR2002 accounting treatment and historic figures may vary from those in previous Expenditure Plans. Differences include the treatment of sales of fixed assets and the accounting treatment of trading funds.

^[2] Figures for years up to and including 2002-03 have not been restated to reflect the Treasury Discount Rate change and are therefore not comparable to those for the plan years.

^[3] Includes an unusually large increase of £10.3Bn in non-cash expenditure in line with agreed asset management policy.

^[4] As Operations/conflict prevention costs fluctuate significantly in-year due to changes in demand for military involvement in such activities, this year the Department will ask Parliament to vote on more accurate figures in the Supplementary Estimates. The 2003-04 figure therefore only includes planned programme funding.

^[5] Operational and conflict prevention costs are only estimated one year in advance.

^[6] As a consequence of adopting Financial Reporting Standard 17 'Retirement Benefits', the Resource Accounts of pension schemes administered by central government now account for the accruing cost of providing pensions rather than just the benefits payable and contributions receivable.

^[7] Departmental Expenditure Limits (DELs), set as part of the 2002 Spending Review. DELs in 99-00 and 00-01 are illustrative, as Departments were controlled in cash terms in those years.

^[8] of which, resource 'Near Cash' equivalent 18,151,813 19,239,007 18,540,255 20,161,493 19,780,801 20,184,591 20,455,124
This figure excludes charges for cost of capital and depreciation, as well as other changes such as provisions, to allow comparison with Stage One RAB Data.

^[9] Total public spending calculated as the total of the resource budget plus the capital budget, less depreciation and impairments.

Consumption of Resources by Activity

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

£'000	1999-00 Outturn ^[1]	2000-01 Outturn ^[1]	2001-02 Outturn ^[1]	2002-03 Estimated Outturn ^[1,2]	2003-04 Plans	2004-05 Plans	2005-06 Plans
Consumption of Resources by Activity:							
Provision of Defence capability	30,949,623	33,091,155	31,838,389	42,208,938	30,708,227	31,326,735	32,079,672
of which:							
Front Line	13,133,306	13,640,920	13,784,077	17,930,081	13,887,080	14,107,367	14,624,103
of which:							
Commander-in-Chief Fleet General Officer Commanding Northern Ireland	3,754,304	3,815,576	3,636,056	5,863,220	3,658,132	3,588,698	3,728,092
Commander-in-Chief Land Command	653,848	646,993	614,237	765,891	647,135	671,038	697,915
Commander-in-Chief Strike Command	4,283,145	4,823,263	4,945,023	5,651,602	5,152,057	5,404,388	5,695,866
Chief of Joint Operations	4,023,814	3,879,633	4,128,258	5,108,198	3,929,988	3,955,908	4,005,156
	418,195	475,455	460,503	541,170	499,768	487,335	497,074
Personnel	2,914,506	3,160,022	3,321,203	3,631,589	3,414,207	3,442,038	3,526,766
of which:							
2nd Sea Lord/Commander-in-Chief Naval Home Command	646,362	669,285	684,056	724,135	693,935	712,242	732,845
Adjutant General	1,505,846	1,601,636	1,709,922	1,809,215	1,701,831	1,727,975	1,769,866
Commander-in-Chief Personnel and Training Command	762,298	889,101	927,225	1,098,239	1,018,441	1,001,821	1,024,055
Logistics	8,918,238	10,875,849	8,964,801	12,189,071	8,493,619	8,374,268	8,359,596
of which:							
Chief of Defence Logistics	8,918,238	10,875,849	8,964,801	12,189,071	8,493,619	8,374,268	8,359,596
Central	2,680,719	2,689,311	2,644,562	3,008,276	2,495,747	2,687,915	2,883,774
of which:							
Central Departmental Unallocated Provision ^[3]	2,680,719	2,689,311	2,644,562	3,008,276	2,395,747 100,000	2,517,915 170,000	2,683,774 200,000
Procurement	3,302,854	2,725,053	3,123,746	5,449,921	2,417,574	2,715,147	2,685,433
of which:							
Defence Procurement Agency	2,859,477	2,324,178	2,709,593	5,033,081	1,968,385	2,261,630	2,220,858
Major Customers' Research Budget	443,377	400,875	414,153	416,840	449,189	453,517	464,575
Operations/Conflict Prevention ^[4,5]	379,102	302,614	530,016	1,139,834	36,700	-	-
Armed Forces Retired Pay and Pensions	2,898,091	3,008,128	3,209,122	3,277,232	3,393,752	3,512,984	3,634,122
War Pensions and Allowances	1,255,523	1,411,782	1,237,535	1,186,720	1,158,005	1,106,874	1,068,923
Total Resource Budget	35,482,339	37,813,679	36,815,062	47,812,724	35,296,684	35,946,593	36,782,717

Notes:

^[1] Figures for years up to and including 2002-03 have not been restated to reflect the Treasury Discount Rate change and are therefore not comparable to those for the plan years.

^[2] Includes an unusually large increase of £10.3Bn in non-cash expenditure in line with agreed asset management policy.

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

^[4] As Operations/conflict prevention costs fluctuate significantly in-year due to changes in demand for military involvement in such activities, this year the Department will ask Parliament to vote on more accurate figures in the Supplementary Estimates. The 2003-04 figure therefore only includes planned programme funding.

^[5] Operational and conflict prevention costs are only estimated one year in advance.

Capital Expenditure by Activity

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

£'000	1999-00 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Estimated Outturn	2003-04 Plans	2004-05 Plans	2005-06 Plans
Capital Spending by activity: ^[1]							
Provision of Defence capability	3,962,712	5,312,004	5,899,703	5,772,098	6,127,800	6,377,200	7,025,500
of which:							
Front Line	-37,463	-91,186	288,605	213,635	335,681	338,456	359,301
of which:							
Commander-in-Chief Fleet General Officer Commanding Northern Ireland	31,818	17,366	155,016	18,984	37,242	25,666	22,175
Commander-in-Chief Land Command	-24,571	58,354	8,241	71,180	169,413	171,565	170,445
Commander-in-Chief Strike Command	-88,313	-187,951	75,292	66,816	55,633	63,116	65,441
Chief of Joint Operations	34,857	6,615	25,928	24,802	38,093	43,526	61,507
Personnel	83,161	50,619	56,052	45,204	77,438	79,344	92,566
of which:							
2nd Sea Lord/Commander-in-Chief Naval Home Command	7,967	1,214	7,136	12,600	9,050	9,106	9,277
Adjutant General	50,093	35,707	31,714	17,974	46,173	44,905	59,181
Commander-in-Chief Personnel and Training Command	25,101	13,698	17,202	14,630	22,215	25,333	24,108
Logistics	-722,741	1,059,227	1,315,721	1,257,165	1,137,994	932,266	922,397
of which:							
Chief of Defence Logistics	-722,741	1,059,227	1,315,721	1,257,165	1,137,994	932,266	922,397
Central	-25,426	-166,050	-116,411	-129,463	-40,465	106,782	-4,218
of which:							
Central	-25,426	-166,050	-116,411	-129,463	-40,465	106,782	-4,218
Procurement	4,665,181	4,459,394	4,355,736	4,385,557	4,617,152	4,920,352	5,655,454
of which:							
Defence Procurement Agency	4,665,181	4,452,731	4,355,736	4,384,679	4,617,152	4,920,352	5,655,454
Major Customers' Research Budget	0	6,663	0	878	0	0	0
Operations/Conflict Prevention ^[2,3]	88,324	79,425	56,069	503,852	0	-	-
Total Capital Budget	4,051,036	5,391,429	5,955,772	6,275,950	6,127,800	6,377,200	7,025,500

Notes:

^[1] Where the value of disposals exceeds the value of additions the figure will be negative.

^[2] As Operations/conflict prevention costs fluctuate significantly in-year due to changes in demand for military involvement in such activities, this year the Department will ask Parliament to vote on more accurate figures in the Supplementary Estimates. The 2003-04 figure therefore only includes planned programme funding.

^[3] Operational and conflict prevention costs are only estimated one year in advance.

MOD Capital Employed

Table 4 sets out Total Capital Employed by the department.

Table 4: Ministry of Defence Capital Employed							
£M	1999-00 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Estimated Outturn	2003-04 Plans	2004-05 Plans	2005-06 Plans
Assets on Balance Sheet:							
Fixed Assets	86,721	87,125	88,339	85,690	86,089	87,292	88,360
of which:							
Land and Buildings	13,963	14,377	14,348	14,376	14,698	15,162	15,348
Fighting Equipment	28,026	27,496	27,281	25,732	27,434	27,129	26,978
Plant, Machinery and Vehicles	4,776	4,636	4,142	3,784	3,653	3,605	3,187
IT and Communications Equipment	1,118	874	828	613	837	978	1467
Assets in the Course of Construction	10,335	11,257	13,984	13,268	12,953	12,935	13,354
Capital Spares	8,554	8,193	7,558	7,550	6,537	6,201	6,052
Intangible Assets	19,539	19,901	19,527	19,909	19,464	20,783	21,488
Investments	410	391	671	458	513	499	486
Current Assets	8,520	7,507	8,259	8,980	9,201	8,986	8,952
of which:							
Stock & work in progress	7,195	6,214	6,396	6,566	6,136	5,871	5,758
Debtors	933	994	1,231	1,698	2,632	2,670	2,737
Cash at bank and in hand	392	299	632	716	432	445	457
Creditors (< 1 year)	-3,828	-4,210	-4,624	-5,646	-3,497	-3,375	-3,995
Creditors (> 1 year)	-375	-397	-448	-370	-442	-439	-438
Provisions ^[1]	-4,405	-4,337	-4,971	-6,719	-10,019	-10,104	-10,097
Capital employed within Main Department	86,633	85,688	86,555	81,935	81,332	82,360	82,782
NDPBs' Net Assets	266	264	335	333	334	327	353
Total capital employed in Departmental group	86,899	85,952	86,890	82,268	81,666	82,687	83,135
Note:							
^[1] Figures for years up to and including 2002-03 have not been restated to reflect the Treasury Discount Rate change and are therefore not comparable to those for the plan years.							

Staff Numbers

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

Table 5: Manpower: Outturn and Assumptions								
Staff Years ^[1,2]	1998-99 Outturn	1999-00 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Estimated Outturn	2003-04 Plans	2004-05 Plans	2005-06 Plans
Service Personnel ^[3]	218,300	217,400	216,000	214,700	214,400	213,900	214,900	215,100
UK Based Civilians	102,600	100,600	99,400	91,900	89,300	87,600	86,500	86,000
Locally Engaged Civilians	14,900	14,800	14,000	13,700	14,000	13,000	13,000	13,000
Total Civilians ^[4]	117,400	115,400	113,400	105,600	103,300	100,600	99,500	99,000
Total MoD Manpower	335,700	332,800	329,400	320,300	317,700	314,500	314,400	314,100
Within Trading Funds ^[5] (Civilians also included in UKBC total numbers)								
ABRO ^[6]	-	-	-	-	2,600	2,600	2,600	2,600
DARA ^[7]	-	-	-	4,400	4,300	3,700	3,500	3,500
DERA/DSTL ^[8]	10,700	10,900	11,200	5,000	3,000	3,100	3,100	3,100
Hydrographic Office	800	800	800	900	900	900	900	900
Meteorological Office	2,100	2,100	2,200	2,100	2,000	1,900	1,800	1,800
Total TF Staff	13,500	13,800	14,300	12,300	12,900	12,100	11,900	11,900
UKBC – Casuals	2,000	1,600	1,500	1,500	1,500	1,500	1,500	1,500
Volunteer Reserves & Auxiliary Forces	59,900	54,100	49,000	46,600	46,000	46,700	46,700	46,700

Notes:

^[1] All figures are averaged over each year and reflect, in the case of forward years, TLB holders' planning assumptions, not manpower targets. Some figures vary slightly from those reported last year due to a minor change in the way that they are calculated. They are now consistent with the "spot" figures shown in other MOD and Office for National Statistics Publications.

^[2] Totals and sub-totals have been rounded separately and so may not appear to be the sums of their parts.

^[3] Service manpower totals exclude Volunteer Reserves and Auxiliaries, but include officer cadets and locally engaged personnel such as Gurkhas. The figures also include full- and part- time personnel in the Home Service battalions of the Royal Irish Regiment.

^[4] Civilian manpower totals exclude casuals, staff on loan and personnel working for the United States Air Force, but include civilian personnel employed by the MOD Trading Funds. Figures reflect the contractorisation of the Atomic Weapons Establishment.

^[5] Data has been categorised according to the organisational structure in place at the time.

^[6] Army Base Repair Organisation (ABRO) became a Trading Fund on 1 April 2002.

^[7] Defence Aviation Repair Agency (DARA) became a Trading Fund on 1 April 2001.

^[8] From 1 April 1995, DERA assumed responsibility for the Defence Research Agency (DRA), the Defence Test and Evaluation Organisation (DTEO), the Center for Defence Analysis (CDA) and the Chemical and Biological Defence Establishment (CBDE). From 1 July 2001 the figures shown reflect the manpower numbers of the Defence Science and Technology Laboratory (DSTL), and do not include the staff who transferred to the privatised QinetiQ.

Trends in Defence Spending

£M	1998-99 Outturn	1999-00 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Estimated Outturn	2003-04 Plans	2004-05 Plans	2005-06 Plans
Cash Provision: ^[1]	22,321	22,105	23,170	-	-	-	-	-
Resource DEL: ^[2]	-	-	-	17,990	18,054	30,715	31,462	32,278
Capital DEL:	-	-	-	5,848	6,328	6,128	6,405	7,041
Total DEL: ^[3]	-	-	-	-	-	29,242	29,817	30,712
Near Cash: ^[4]	-	-	-	-	-	25,872	26,590	27,496
As a % of GDP:								
Cash Provision:	2.6%	2.4%	2.4%	-	-	-	-	-
Resource + Capital DELs:	-	-	-	2.4%	-	-	-	-
Provision in real terms at 2003-04 prices:								
Cash Provision:	25,362	24,523	25,135	-	-	-	-	-
Resource DEL:	-	-	-	19,039	18,551	30,715	30,694	30,723
Capital DEL:	-	-	-	6,189	6,502	6,128	6,249	6,701
Stage One RAB/Near Cash:	-	-	-	25,228	25,053	25,872	25,941	26,171
Year-on-year % change in real terms: ^[5]								
Cash Provision:	4.7%	-3.3%	2.5%	-	-	-	-	-
Stage One RAB/Near Cash:	-	-	-	-	-0.7%	3.3%	0.3%	0.9%
Cost of unprogrammed operation/ conflict prevention at outturn prices: ^[6]								
Cash:	161	467	382	-	-	-	-	-
Resource DEL:	-	-	-	551	2,108	37	-	-
Notes:								
^[1]	From 1998-99 to 2000-01 the department was controlled in cash, not Departmental Expenditure Limits (DELs).							
^[2]	Under Stage One Resource Accounting and Budgeting (RAB), for years 2001-02 to 2002-03 the major non-cash items – depreciation and impairments, cost of capital charges and provisions – were treated as Annually Managed Expenditure (AME) outside the DEL. Under Stage Two RAB, from 2003-04 onwards these non-cash costs are included within the DEL.							
^[3]	Total DEL defined as the sum of Resource and Capital DELs, less depreciation and impairments.							
^[4]	The Near Cash figure excludes charges for cost of capital and depreciation, as well as other changes such as provisions, to allow comparison with Stage One RAB data.							
^[5]	No figure is shown for 2001-02 because meaningful year-on-year comparison is not possible in the light of the transition from cash to RAB in that year.							
^[6]	These are additional to the figures for cash provision/DELs in previous rows. The figure for 2002-03 includes provision for activity in Afghanistan, Bosnia, Kosovo and Iraq. It also includes, for the purposes of comparison, the Sustainability Fund of £500M to meet the wider impact of the recent high rate of operational activity. Conflict Prevention expenditure falling outside the DEL (£35.488M and £36.148M in Resource AME in 2001-02 and 2002-03 respectively) has been excluded from this table.							

Contingent Liabilities

A contingent liability occurs where there is a risk of incurring a financial obligation to pay another party or parties in the future, depending on whether a particular set of circumstances arises. Those above £100,000 are shown in Table 7.

Table 7: Contingent Liabilities in Excess of £100,000		
Statutory Liabilities	RfR	Value
Statutory liabilities in relation to the operation of International Military Services Ltd.	RfR1	Up to £50M, or £100M with Commons approval
Non-Statutory Liabilities	RfR	Value
Residual liability for the remediation of unidentified contamination in parts of the former Rosyth Naval Base which has been sold to Rosyth 2000 plc.	RfR1	Up to £1.0M
Liability to the Saudi 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 £6.068M
Termination liabilities arising out of MOD's association with the Research Council under the Joint Grants Scheme.	RfR1	Up to £16.100M
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 Typhoon.	RfR1	£63.852M ^[1]
Indemnity given in relation to the disposal of Gruinard Island in the event of claims arising from the outbreak of specific strains of Anthrax on the island.	RfR1	Unquantifiable
Liabilities arising from the insurance risk of exhibits on loan to Navy, Army and RAF museums.	RfR1	£1.452M
Contractorisation of AWE: indemnity to Hunting-BRAE Ltd in respect of nuclear risks under the Nuclear Installations Act 1965. ^[2]	RfR1	Up to £140M per incident
Indemnities to Devonport Royal Dockyards Ltd. (DRDL) in respect of nuclear risks under the Nuclear Installations Act 1965.	RfR1	Unlimited
Indemnities to Babcock Group in respect of nuclear risks under the Nuclear Installations Act 1965.	RfR1	Unquantifiable
Indemnities to DRDL and to the Babcock Group in respect of non-nuclear risks resulting from claims for damage to property or death and personal injury to a third party.	RfR1	Unquantifiable
Product liability to BAE SYSTEMS in respect of work carried out by third party contractors on aircraft for which BAE are Design Authority and for which BAE, at MOD's request provide the third party contractor with design advice and verification.	RfR1	Unquantifiable
Liabilities arising from the sale of Married Quarters estate to Annington Group: to continue to provide utilities – mainly electricity, gas, water and sewerage services on repayment terms to sites that are surrendered in the first 25 to 28 years which depend on adjacent bases for these services; or to contribute to the cost of installing "public" utility services up to a maximum of £25m across the estate.	RfR1	£18.5M
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	£16.556M
Indemnity to Rolls Royce Power Engineering, Derby for risks associated with the handling of fissile materials.	RfR1	Up to £140M per incident
Standard shipbuilding indemnity (in lieu of insurance) to GEC Marconi as part of the ASTUTE Class contract against loss damage and liability incurred by the submarine builder.	RfR1	Unquantifiable
Indemnity to AWE Management Ltd and AWE Plc in respect of non-Nuclear Installations Act 1965 nuclear risks resulting from claims for damage to property or death and personal injury to a third party.	RfR1	Unquantifiable
Indemnity to AWE Management Ltd in respect of non- nuclear risks resulting from claims for damage to property or death and personal injury to a third party.	RfR1	Unquantifiable
Indemnity to AWE Management Ltd and AWE Plc in respect of an employee having a claim on personal insurance policy repudiated because of that employee's involvement with Nuclear Accident Response Team Activities.	RfR1	Unquantifiable
Residual Commercial Contracts claims liability arising out of the disbanding of DERA as a MOD trading fund and the formation of QinetiQ ^[3] on 1 July 2001.	RfR1	Unquantifiable
Residual employee disease liability arising out of the disbanding of DERA as a MOD trading fund and the formation of QinetiQ on July 2001.	RfR1	Unquantifiable
Residual public liability arising out of the disbanding of DERA as a MOD trading fund and the formation of QinetiQ on 1 July 2002.	RfR1	Unquantifiable
Residual liability for environmental contamination arising out of the disbanding of DERA as a MoD Trading fund and the formation of QinetiQ on 1 July 2002.	RfR1	Unquantifiable
<p>Notes:</p> <p>^[1] Represents sterling equivalent of 102M Euros which is subject to exchange rate movements.</p> <p>^[2] AWE contingent liabilities will last for 10 years after the end of the contract.</p> <p>^[3] QinetiQ must meet the first £250K of losses incurred in each calendar year.</p>		

Public Private Partnerships/ Private Finance Initiative

The Department seeks to involve the private sector in the delivery of efficient services. Asset use can be maximised through Public Private Partnerships (PPP), under which we get better quality of service and better value for money. PPPs cover a range of service acquisition techniques, including strategic partnering in which private sector partners help make best use of assets including the exploitation of spare capacity. The Private Finance Initiative (PFI) also continues to play an important role in the provision of defence services. During 2002-2003, the Department signed three further PFI deals with a capital value of £270 million, bringing its total number to 45 with capital investment totalling £2.4 billion. The Department will continue to use PPP/PFI as a major element of its efficiency strategy and, subject to demonstration of best value for money, further projects will be identified in due course.

£M	2002-03 Estimated Outturn	2003-04 Plans	2004-05 Plans	2005-06 Plans
Estimated Capital Spending of projects on contract	163	175	0	0
Capital Value of projects at preferred bidder stage	0	1504	293	0
Revenue costs	282	420	859	889

Non-Departmental Public Bodies: Executive Bodies

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

Table 9: Non-Departmental Public Bodies: Executive Bodies

£'000	2002-03 Estimated Outturn	2003-04 Plans	2004-05 Plans	2005-06 Plans
Name of Body				
Total Gross Expenditure of Body				
Royal Naval Museum	1,320	1,310	1,310	1,310
Fleet Air Arm Museum	1,700	1,700	1,850	1,900
Royal Navy Submarine Museum	670	690	740	780
Royal Marines Museum	700	730	760	790
National Army Museum	4,800	3,920	4,007	4,107
Royal Air Force Museum	11,392	7,658	6,372	7,220
Oil and Pipelines Agency ^[1]	1,850	1,880	1,927	1,997
Funding from the Defence Budget				
Royal Naval Museum	900	924	946	969
Fleet Air Arm Museum	542	556	570	584
Royal Navy Submarine Museum	497	410	522	535
Royal Marines Museum	671	688	705	723
National Army Museum	4,800	3,920	4,007	4,107
Royal Air Force Museum	6,039	6,208	6,142	6,290
Oil and Pipelines Agency ^[1]	-	-	-	-
<p>Note:</p> <p>^[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.</p>				

Long-term projects

Table 10 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 2003-04. Only those projects on site in 2003-04 are identified in the table. Projects which will reach completion before the start of 2003-04 or which are due to start on site after 2003-04 are not shown, though there may be relatively minor expenditure on these projects in the form of fees, equipment, enabling works etc, or following completion of the work on site.

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

- UK Defence Statistics 2002 dated September 2002 (Table 1.16).
- Report by the Comptroller and Auditor General (HC 91) dated 4 December 2002.
- Ministry of Defence Performance Report 2001/2002 (Cm 5661) dated November 2002.

Table 10: Long-term Projects								
£'000 (2003-04 prices)		Current Estimate of Year of Completion	Current Estimates of Expenditure					Total
Project	Year of Start/ Original Estimate of Year of Completion		Original Estimate of Expenditure	Spent in Past Years	Estimated Provision for 2003-04	To be Spent in Future Years		
GOC NI								
Projects costing £25,000,000 or more ^[1]			Total		0			
Projects Costing less than £25,000,000 ^[2]			Total		30,800			
Total GOC NI					30,800			
Central								
1. Middle Wallop – Married Quarters demolition and rebuild ^[3]	2000-01 / 2003-04	2003-04	works	23,611	18,913	10,205	3,541	32,658
			fees	1,246	1,360	200	58	1,618
			subtotal	24,857	20,273	10,405	3,598	34,276
2. New Accounting Systems Integrator contract (ASI) ^[4]	2001-02 / 2003-04	2003-04	works	7,775	5,068	2,707	0	7,775
			fees	69,971	45,613	24,358	0	69,971
			subtotal	77,746	50,681	27,065	0	77,746
3. Tidworth – Mathew & Avon – Married Quarters demolition and rebuild ^[5]	2000-01 / 2003-04	2004-05	works	47,261	28,738	15,256	2,745	46,739
			fees	1,852	1,371	414	281	2,066
			subtotal	49,113	30,109	15,670	3,026	48,805
Projects costing 25,000,000 or more			Total			53,140		
Projects costing less Than £25,000,000 ^[2]			Total			20,463		
Total Central						73,603		

Adjutant General								
Projects costing 25,000,000 or more ^[1]			Total			0		
Projects costing less than £25,000,000 ^[2]			Total			19,521		
Total Adjutant General						19,521		
Commander-in-Chief Land Command								
4. Tidworth – rebuild of existing barracks for armoured infantry battalion ^[6,7]	2002-03 / 2003-04	2004-05	works	49,187	4,074	32,721	12,115	48,910
			fees	90	60	7	25	92
			subtotal	49,277	4,134	32,728	12,140	49,002
5. Woodbridge Hawker – rebuild and refurbishment of existing barracks for close support engineer regiment ^[5,8,9,10,11]	2002-03 / 2003-04	2004-05	works	34,073	0	0	88,697	88,697
			fees	183	123	2,535	4,670	7,328
			subtotal	34,256	123	2,535	93,367	96,025
6. Wattisham – infrastructure works for attack helicopter deployment ^[12,13]	2000-01 / 2003-04	2003-04	works	28,697	29,091	7,796	2,017	38,904
			fees	773	787	115	72	974
			subtotal	29,470	29,878	7,911	2,089	39,878
7. British Forces Germany – PUMA – Upgrade and modernisation of the worst Single Living and Federally-owned Service families accommodation ^[14]	2002-03 / 2011-12	2011-12	works	0	0	0	0	0
			fees	0	0	0	0	0
			subtotal	0	0	0	0	0
8. AIRWAVE – The AIRWAVE service is the proposal to meet Land Command's commercial radio requirements for the foreseeable future ^[15]	2002-03 / 2020-21	2020-21	works	0	0	0	0	0
			fees	64,588	100	1,902	62,586	64,588
			subtotal	64,588	100	1,902	62,586	64,588
9. Otterburn – AS90/MLRS Infrastructure development ^[8,16]	2002-03 / 2001-02	2005-06	works	54,755	0	21,653	32,018	53,671
			fees	15,879	13,536	2,034	1,138	16,708
			subtotal	70,634	13,536	23,687	33,156	70,379
10. Southampton – Refurb/New Single Living Accommodation. ^[17]	2003-04 / 2003-04	2004-05	works	36,736	68	22,296	13,990	36,354
			fees	580	262	129	194	585
			subtotal	37,316	330	22,425	14,184	36,939

11. Edinburgh Glencorse – Rerole for Inf Bn (Lt). ^[17]	2003-04 / 2005-06	2004-05	works	31,594	0	15,004	16,166	31,170
			fees	914	458	260	202	920
			subtotal	32,508	458	15,264	16,368	32,090
Projects costing £25,000,000 or more			Total			106,452		
Projects costing less than £25,000,000 ^[2]			Total			132,280		
Total Commander-in-Chief Land Command						238,732		
Chief of Defence Logistics								
12. Portsmouth – Refurbishment of Western Jetties. ^[18,19]	1998-99 / 2006-07	2008-09	works	78,492	26,131	0	63,825	89,956
			fees	6,087	1,597	30	5,789	7,416
			subtotal	84,579	27,728	30	69,614	97,372
13. NAVYSTAR (Naval Sector IT infrastructure project). ^[20]	1996-97 / 2006-07	2008-09	works	81,726	35,869	6,689	29,795	72,354
			fees	1,007	5,545	691	2,458	8,693
			subtotal	82,733	41,414	7,380	32,253	81,047
14. Logistics Information Technology Strategy (LITS) – Tranche 1. ^[13]	1992-93 / 2002-03	2003-04	works	240,596	238,002	0	0	238,002
			fees	189,283	86,811	9,091	0	95,902
			subtotal	429,879	324,813	9,091	0	333,904
15. EMMA, Phase 1 HMS NELSON Junior Rates Single Living Accommodation (JRSLA). ^[8]	2002-03 / 2004-05	2004-05	works	22,500	6,113	16,923	1,816	24,852
			fees	3,330	332	340	306	978
			subtotal	25,830	6,445	17,263	2,122	25,830
16. Devonport – Remote ammunition facility Tamar (Raft). ^[21]	2001-02 / 2004-05	2004-05	works	26,138	24,760	0	0	24,760
			fees	2,962	4,247	0	0	4,247
			subtotal	29,100	29,007	0	0	29,007
17. Defence Information Infrastructure (Army). ^[13,22,23]	2002-03 / 2004-05	2005-06	works	38,841	4,869	13,562	15,354	33,785
			fees	32,279	5,259	9,251	20,696	35,206
			subtotal	71,120	10,128	22,813	36,050	68,991
Projects costing £ 25,000,000 or more			Total			56,577		
Projects costing less than £25,000,000 ^[2]			Total			71,086		
Total Chief of Defence Logistics						127,663		

Air Officer Commanding-in-Chief, RAF Strike Command								
18. Typhoon Infrastructure Works ^[24,25,26]	2002-03 / 2007-08	2007-08	works	38,294	4,382	23,365	25,081	52,828
			fees	2,322	1,636	710	1,292	3,638
			subtotal	40,616	6,018	24,075	26,373	56,466
Projects costing £25,000,000 or more			Total			24,075		
Projects costing less than £25,000,000 ^[2]			Total			24,731		
Total Air Officer Commanding-in-Chief, RAF Strike Command						48,806		
2nd Sea Lord								
Projects costing £25,000,000 or more ^[1]			Total			0		
Projects Costing less than £25,000,000 ^[2]			Total			893		
Total 2nd Sea Lord						893		
Commander-in Chief Fleet								
Projects costing £25,000,000 or more ^[1]			Total			0		
Projects Costing less than £25,000,000 ^[2]			Total			31,938		
Total Commander-in-Chief Fleet						31,938		
Chief Joint Operations								
Projects costing £25,000,000 or more ^[1]			Total			0		
Projects Costing less than £25,000,000 ^[2]			Total			33,453		
Total Chief Joint Operations						33,453		

Notes: This is an update to the Long Term Projects (Works and IT) Table (Table 10) published in last year's Report (Cm 5412).

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 at final sketch plan stage. See notes 18, 20 and 24 for the exceptions to this rule.

^[1] TLB has no projects with an individual value of £25m or more.

^[2] 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.

^[3] The original estimate of expenditure for this project was based on the estimate of the final sketch plan. However, the costs were incorrectly represented in FY 02/03.

^[4] This project appeared for the first time in this table in 02-03, as a decision to place a new contract was not taken in time to include it in 01-02 Statement.

^[5] The current estimated year of completion has been revised from that shown in last year's Statement.

- ^[6] Contract has been awarded to Prime Contractor and construction has commenced. This project has become a pilot for the Prime Contract procurement route.
- ^[7] The growth in costs is due to the difference between the financial basis of the initial and final approvals, and the major sub-contractor raising its prices.
- ^[8] The original estimate of expenditure for this project is based on the pre-tender estimate.
- ^[9] The original estimated year of completion has been revised from that shown in last year's statement.
- ^[10] The growth in the cost estimates for Woodbridge are due to a re-scoped requirement.
- ^[11] Project is to be procured through a prime contract.
- ^[12] Increase in total cost is due to contract amendment to include additional works.
- ^[13] The original estimate of expenditure is based on the approved estimate of cost at date of letting the main contract.
- ^[14] Was incorrectly included in last year's table as PUMA is a programme of smaller works projects and not a single project.
- ^[15] This project contains no works expenditure as no capital purchase involved due to a leasing agreement.
- ^[16] The project completion date has been delayed pending the outcome of a public enquiry. The contract has now been let.
- ^[17] The original estimate of expenditure is based on the estimate at final sketch plan.
- ^[18] The original estimate of expenditure for the 'Refurbishment of Western Jetties' project is derived partly from rough order of costs estimates.
- ^[19] Awaiting contractual agreement before construction starts on next phase of project.
- ^[20] The original estimate of expenditure for this project is based upon the business approvals.
- ^[21] This project appeared for the first time in this table in 02-03 statement, having been incorrectly omitted from 01-02 statement. However, the project is now in abeyance following review of safety and risk assessments.
- ^[22] Responsibility and funding for this project transferred from Adjutant General to Chief of Defence Logistics with effect from 01 April 02.
- ^[23] The reduction in total cost reflects the separation of the UNICOM and CASH elements of the project which were included in last years statement (Defence Information Infrastructure).
- ^[24] The original estimate of expenditure for this project is based on pre and post option study costs.
- ^[25] Project was previously known as Eurofighter Infrastructure Works.
- ^[26] Principle reason for an increase in cost this year is due to clearer definition of the requirement as planning has progressed on individual works.

Export of Defence Equipment

The Government fully supports responsible defence exports, enforced by strict export controls, which strengthen the defence of our friends and allies overseas, contribute to our defence through strengthening our defence industry and help reduce the cost of our own defence. The Defence Export Services Organisation within the Ministry of Defence is tasked with promoting the export of British defence equipment. Provision for the administrative expenses of the Defence Export Services Organisation, for procurement and overseas sales of equipment, and management of sales of surplus defence equipment in the United Kingdom and overseas by the Disposal Services Agency of the Defence Export Services Organisation are detailed in Table 11 below.

Table 11: Export of Defence Equipment		
£'000	Expenses	Receipts
Administration & Sales Promotion		
Provision for the administrative expenses of the Defence Export Services Organisation's staff in the Central TLB		
Administrative expenses	59,486	43,829
Promotion of sales	2,178	1,050
Total	61,664	44,879
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	3,215	8,447
Total	3,215	8,447
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 TLB.		
	575	7,545
Note:		
^[1] Receipts of £14.644M generated by the Disposal Services Agency through overseas sales and disposals are included in the above totals.		



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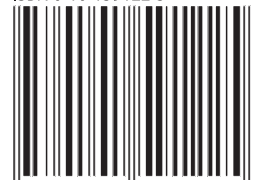
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