

The Government's
Expenditure Plans 2007-2008





MINISTRY OF DEFENCE

**THE GOVERNMENT'S
EXPENDITURE PLANS 2007-08**

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

July 2007

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1. INTRODUCTION

This report provides details of the Government's plans for Defence expenditure for 2007-08, as set in Spending Review 2004. Together with the Ministry of Defence's Annual Report and Accounts, it forms part of a series of reports published by all Government Departments.

DEPARTMENTAL REPORTING

All Government Departments are required by HM Treasury to provide an annual report to Parliament to set out future expenditure plans and also report progress in meeting key Public Service Agreement (PSA) targets in the context of the Budget and Pre-Budget statements.

In the MoD, this requirement is met through the annual publication of two documents, the Government's Expenditure Plans and the Annual Performance Report and Accounts. This report sets out the Department's forward-looking high level plans over the remainder of the 2004 Spending Review period (2007/08). The Annual Report and Accounts published in parallel to this document, will provide a retrospective report of how the Department has performed against PSA targets and the final Resource Accounts for the preceding financial year (2006-07).

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

- UK Defence Statistics 2006 (September 2006);
<http://www.dasa.mod.uk/natstats/ukds/2006/ukds.html>
- MoD Annual Report and Accounts 2005/06 (HC 1394, July 2006);
<http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/AnnualReports/MODAnnualReports0506/ModAnnualReportAndAccounts200506.html>
- Departmental Plan 2005-2009 (December 2005);
<http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/BusinessPlans/ModDepartmentalPlan20052009.htm>
- Departmental Framework document (November 2005);
<http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/PolicyStrategyandPlanning/DepartmentalFrameworkdocument.htm>
- Defence Departmental Investment Strategy (March 2005);
<http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/PolicyStrategyandPlanning/DefenceDepartmentalInvestmentStrategy.htm>
- The Spending Review 2004 White Paper (Cm 6237, July 2004);
http://www.hm-treasury.gov.uk/media/749/F2/sr2004_ch13.pdf
- Delivering Security in a Changing World: Future Capabilities (Cm 6269, July 2004);
<http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/PolicyStrategyandPlanning/DeliveringSecurityInAChangingWorldFutureCapabilitiescm6269.htm>
- The Defence White Paper (Cm 6041, December 2003);
<http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/PolicyStrategyandPlanning/DeliveringSecurityInAChangingWorldDefenceWhitePaper2003.htm>

2. THE PURPOSE OF THE MINISTRY OF DEFENCE AND THE ARMED FORCES

AIM

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

A force for good in the world

We achieve this aim by working together on our core task to produce battle-winning people and equipment that are:

- fit for the challenge of today.
- ready for the tasks of tomorrow.
- capable of building for the future.

VISION AND PUBLIC SERVICE AGREEMENT

The Defence Vision is reflected in the three objectives and six targets of the Department's Public Service Agreement (PSA). The PSA represents a contract between the Department and the taxpayer as to what we will deliver.

MoD PUBLIC SERVICE AGREEMENT 2005/06 TO 2007/08

Objective I: Achieve success in the military tasks 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. By 2008, deliver improved effectiveness of UK and international support for conflict prevention by addressing long-term structural causes of conflict, managing regional and national tension and violence, and supporting post-conflict reconstruction, where the UK can make a significant contribution, in particular Africa, Asia, Balkans and the Middle East. *(Joint target with the Foreign and Commonwealth Office and the Department For International Development.)*

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

3. Generate forces which can be deployed, sustained and recovered at the scales of effort required to meet the Government's strategic objectives.
4. Play a leading role in the development of the European Security Agenda, and enhance capabilities to undertake timely and effective security operations, by successfully encouraging a more efficient and effective NATO, a more coherent and effective European Security and Defence Policy (ESDP) operating in strategic partnership with NATO, and enhanced European defence capabilities. *(Joint target with the Foreign and Commonwealth Office.)*
5. Recruit, train, motivate and retain sufficient military personnel to provide the military capability necessary to meet the Government's strategic objectives.

Objective III: Build for the future.

6. Deliver the equipment programme to time and cost.

In addition, the Department agreed an efficiency target for the same period covering total annual efficiency gains of at least £2.8 billion by 2007-08, of which three-quarters will be cash-releasing, to be re-invested in defence capability and further modernisation initiatives.

The Department's PSA for 2005-06 to 2007-08 was published in the White Paper "Spending Review 2004: Public Service Agreements 2005-08" (Cm 6238, July 2004, available at www.hm-treasury.gov.uk). Further performance reporting can be found in the Department's Annual Report and Accounts and every quarter on the MoD and HM Treasury websites at www.mod.uk and www.hm-treasury.gov.uk.

3. THE STRUCTURE OF THE MINISTRY OF DEFENCE

POLITICAL CONTROL

The Secretary of State for Defence is responsible for the formulation and conduct of defence policy, and for providing the means by which it is conducted. He is supported by: a Minister of State for the Armed Forces; a Minister of State for Defence Equipment & Support; and a Parliamentary Under-Secretary of State and Minister for Veterans. The Secretary of State and his three ministerial colleagues are accountable to Parliament – which votes public money to the MoD for defence purposes.

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 Under Secretary. They share equal responsibility for much of the Department's business and their roles reflect the importance of both military and civilian advice on operational, political, financial and administrative matters. The Permanent Under Secretary is the Government's principal civilian adviser on Defence and has primary responsibility for defence policy, finance and the administration of the Department. 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 DEFENCE COUNCIL

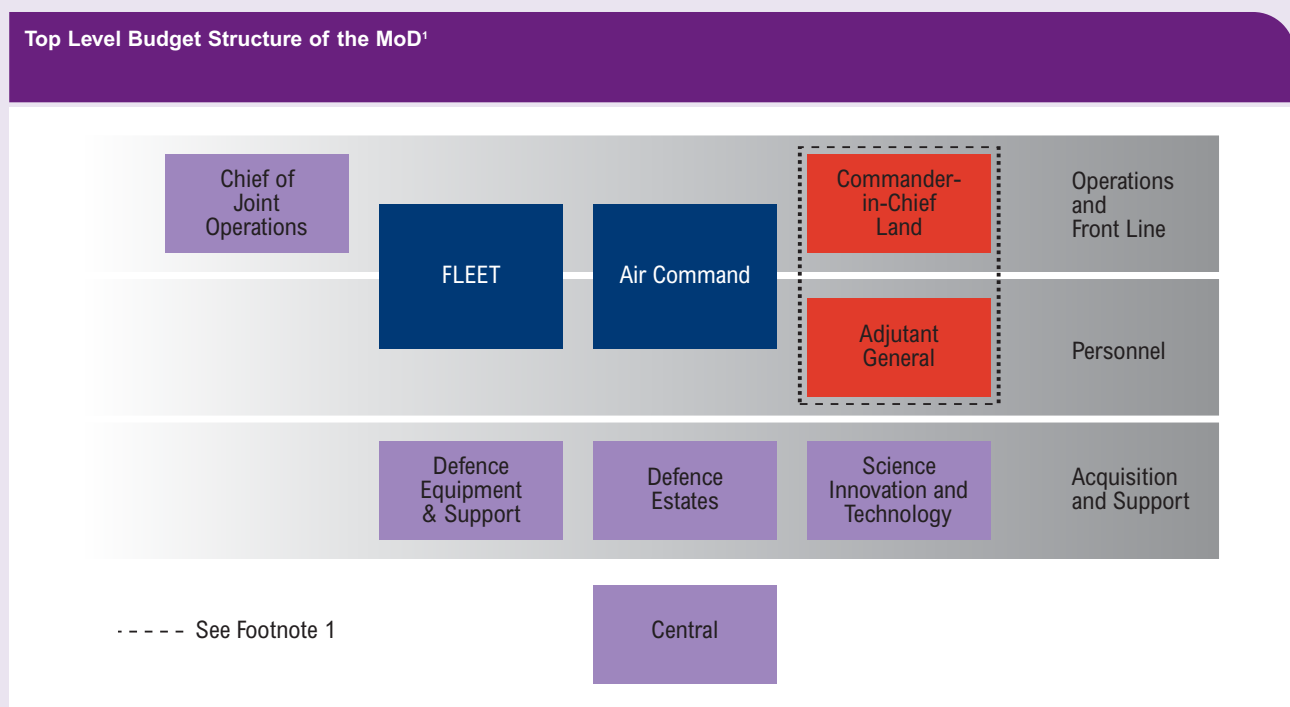
The Defence Council is the senior Departmental committee. It is chaired by the Secretary of State, and comprises the other Ministers, the Permanent Under Secretary, the Chief of the Defence Staff and senior military officers and officials at the head of the Armed Services and the Department's major corporate functions. It provides the formal legal basis for the conduct of defence in the UK through a range of powers vested in it by statute and Letters Patent.

THE DEFENCE MANAGEMENT BOARD

The Defence Management Board is the highest non-ministerial committee in the MoD. Chaired by the Permanent Under Secretary, it is the main corporate board of the MoD, providing senior level leadership and strategic management of Defence. Its role is to deliver the Defence Aim set out in the Public Service Agreement and it owns the Defence Vision. The Board is made up of the non-Ministerial members of the Defence Council, and three external, independent non-executive members.

TOP LEVEL BUDGETS

The delivery of Defence outputs falls to Top Level Budget holders – Service Commanders-in-Chief and the heads of other major delivery organisations. Top Level Budget holders are responsible for the delivery of specific outputs – typically elements of military capability or supporting services to other Top Level Budgets. At the conclusion of each planning round, the outputs and the related resources for each Top Level Budget are set out in Service Delivery Agreements between the Permanent Under Secretary and the Chief of the Defence Staff and the Top Level Budget holder, or Service Chief where appropriate.



TOP LEVEL BUDGET ROLES

Central TLB

The role of the Central TLB is to provide the framework to enable MoD to act as both a Department of State and as the Strategic Headquarters of the Armed Forces. It provides three key functions: Head Office – strategy and policy, allocation of resources against objectives and targets, monitoring performance, and setting standards; Military Capability – providing centrally managed force elements at defined readiness states (including Special Forces, medical and intelligence services); and Corporate Services – delivering cost-effective and efficient centralised Corporate Services to the wider Department, e.g. finance and personnel services.

Chief of Joint Operations (CJO)

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

Fleet

The single Fleet TLB was formed on 1 April 2006 by merging the former TLBs of Commander in Chief Fleet (CINCFLEET) and Second Sea Lord/Commander-in-Chief Naval Home Command (2SL/CNH). Headed by Commander-in-Chief Fleet, the TLB is responsible for providing warships and trained crews and Royal Marines to CJO at agreed readiness states. CINCFLEET maintains an operational command and control capability, in particular for the nuclear deterrent force. This TLB is also responsible for the provision of personnel: recruitment; individual and collective training; and career management.

Air Command

The Air Command TLB was formed on 1 April 2007 as a result of merger of the RAF's Personnel and Training Command (PTC) and Strike Command (STC). Air Command is responsible for providing aircraft, trained aircrews and other force elements to CJO at agreed readiness states. In order to do this it undertakes a wide range of functions including providing the recruitment and training of RAF personnel. It undertakes the basic flying training for all three services. In addition, it maintains aircraft and aircrew for Quick Reaction Alert to defend UK airspace and conduct Search and Rescue Operations.

¹CinC LAND and the Adjutant General are scheduled to combine by 2008/09.

Land Command^{2,3}

LAND is responsible for providing the land component military capability (Army formations and equipment) to CJO at agreed readiness states through collective training and the generation of military capability of units, brigades and divisions.

Adjutant General (AG)²

AG is responsible for providing trained officers and soldiers, principally to allow CinC LAND to meet commitments to CJO and other TLBs. AG is also responsible for recruitment into the Army and for individual training.

Defence Equipment and Support (DE&S)

DE&S is a new TLB established through the merger of the Defence Procurement Agency and the Defence Logistics Organisation. It was formed on 1 April 2007 to become an integrated procurement and support organisation. The role of this TLB is to equip and support the UK's armed forces for current and future operations. It acquires and supports through-life, including disposal, equipment and services ranging from ships, aircraft, vehicles and weapons, to electronic systems and information systems.

Science | Innovation | Technology (SIT)

The prime output of this TLB ensures the Department has access to sound technical advice and technology to support military operations and future strategic capabilities, including nuclear and missile defence issues and policy, provision of technical support and adaptation of equipment for defence requirements.

Defence Estates (DE)

DE is responsible for managing and developing the defence estate in a sustainable manner, in line with acknowledged best practice and Government policy.

DEFENCE AGENCIES AND TRADING FUNDS

The MoD has five Trading Funds and eight On-Vote Defence Agencies. All Trading Funds and Agencies have Framework Documents which set out their role, responsibilities and delegations. Each organisation also publishes separate Key Targets, Corporate Plans and Annual Reports and Accounts.

The MoD's five Trading Funds⁴ are ABRO (Army Base Repair Organisation), DARA (Defence Aviation Repair Agency), the Met Office, the UK Hydrographic Office and Dstl (Defence Science and Technology Laboratory). The Trading Funds lie outside the Department's TLB structure and provide services to other parts of the MoD and external customers on a repayment basis. The MoD is likely to remain the largest single customer for all Trading Funds.

MoD's eight On-Vote Agencies each have a TLB "Owner" which offers strategic direction and funding. These agencies provide a range of intermediate outputs (e.g. storage and distribution services) or corporate services to other parts of the MoD (e.g. payroll or personnel vetting services). They are different from most other government agencies in that the majority of their customers tend to be internal rather than external.

²CinC LAND and the Adjutant General are scheduled to combine by 2008/09.

³General Officer Commanding Northern Ireland (GOCNI) TLB was subsumed by the Land Command TLB on 2 April 2007.

⁴ABRO and DARA are scheduled to combine by the end of 2007

4. SPENDING PLANS

The spending plans for the Department outlined in this report for the financial year 2007-08 are based on the Government's Spending Review 2004, which set budgets from 2004-05 to 2007-08. The key points were:

- the Defence Budget would increase by £3.7 bn over 2004/05 to 2007/08, representing 1.4% average annual real terms growth.
- MoD committed itself to achieving £2.8 bn of efficiencies by 2007/08, of which three-quarters would be cash-releasing, to be re-invested in defence capability and further modernisation initiatives. This includes, under the Gershon review, a reduction of 15,000 posts by 2007/08 – over 10,000 civilian posts and 5,000 service posts in administrative and support functions.
- MoD also committed to relocating some 3,900 civilian and service posts out of London and the South East by 2010.

The 2003 Defence White Paper provided an assessment of the future strategic environment and the key security challenges facing defence: the threat from international terrorism; the proliferation of weapons of mass destruction; and the consequences of failed and failing states. Against this baseline, a further White Paper – Delivering Security in a Changing World: Future Capabilities – was published in July 2004, setting out significant force structure changes designed to ensure that the UK's Armed Forces are best equipped to meet the changing international security environment. These changes are underpinned by the budget settlement obtained in the 2004 Spending Review, which enables a shift in investment in military capability towards greater deployability, better targeted action and swifter outcomes, complemented by investment in the defence estate and business modernisation.

THE DATA

The MoD's Main Estimates, and detailed Supplementary Budgetary Information, were published separately (2007-08 Main Supply Estimates (HC 438 April 2007) and Supplementary Budgetary Information (Cm 7079 April 2007)). The financial tables in this report use figures based on Resource Accounting and Budgeting (RAB) and cover the full range of resources within the MoD's Main Estimates; including:

- Provision of defence capability – Covering the Department's operating costs and the equipment programme;
- Conflict prevention – Covering the cost of peacekeeping operations; and
- War pensions and allowances – Covering the cost of the payments themselves.⁵

In addition, the financial tables include a separate Estimate for Armed Forces retired pay and pensions. Unless otherwise stated, the tables in this report include non-cash charges such as depreciation and capital charges in the Departmental Expenditure Limits (DELs). Annually Managed Expenditure (AME) (War Pensions and Allowances and Armed Forces Retired Pay and Pensions) remains outside DEL and is shown separately. Financial data for 2006-07 is expressed estimated outturn. Final outturn figures can be found in the Annual Report and Accounts. As in previous years, tables are included showing key information on costs and staff numbers.

THE COMPREHENSIVE SPENDING REVIEW (CSR) 2007

Forward spending plans and associated performance targets beyond 2007-08 will be set as part of the Government's CSR, which will conclude in 2007. Further information concerning CSR 2007 can be found on the HM Treasury website at www.hm-treasury.gov.uk/spending_review/spend_csr07/spend_csr07_index.cfm

⁵The costs of pension administration are contained within provision of defence capability

5. DEFENCE INVESTMENT STRATEGY

Capital investment in the MoD consists of fighting equipment, capital spares, high value munitions, and infrastructure (land, buildings, Information Technology, plant, etc.) required to achieve its PSA objectives. To ensure best value for money in the delivery of these objectives, the Department uses both direct investment and indirect investment under Public Private Partnerships (PPP) or Private Finance Initiatives (PFI).

The Department's plans for capital investment for the period covered by this document are described in greater detail in the Defence Departmental Investment Strategy (a link to this document is given in Chapter 1).

INVESTMENT PLANS

The Department's investment plans are summarised as follows:

Capability modernisation: The 2004 Defence White Paper built on the SDR by setting out the future capability needs of the Armed Forces, as they move to an effects-based approach to warfare. The Defence equipment programme is constructed to provide the equipment capability for the Armed Forces to deliver the overall military effect required. The emphasis is on capabilities that improve military effectiveness, deliver efficiency improvements and exploit technological advances.

Non-equipment: In conjunction with equipment procurement, defence also invests in non-equipment, such as the defence estate, business modernisation and IT/communications. Examples of non-equipment projects include Allenby/Connaught, a 35-year PFI project which aims to deliver nearly 11,000 single room en-suite bed spaces and Defence Information Infrastructure, which is rationalising the 6,000 IT applications to a figure below 1,000 and enabling many paper-based processes to be replaced by equivalent electronic services.

Further examples of the Department's long-term investments are set out in Table vii of this report.

ASSET MANAGEMENT

MoD's asset base is large, diverse, geographically dispersed and varies significantly in age. At any time there are many items approaching the end of their useful life and many others entering service with, in the case of fighting equipment and buildings, a life of perhaps 25-50 years. Management of our assets is therefore a substantial task. More detail on MoD assets can be found in the Departmental Investment Strategy.

ASSET DISPOSALS

The Department is committed to ensuring it does not hold estate assets which are no longer required to meet operational needs. This responsibility is exercised by Defence Estates, whose strategy is to provide an estate of the right size and quality which is managed and developed effectively in line with acknowledged best practice, and is sensitive to social and environmental considerations. This involves managing the defence estate as a corporate asset and focusing the MoD's activities onto fewer, larger sites, allowing the disposal of land, building and facilities, although this may be offset to an extent by some acquisition or new build at 'core' sites.

The scope for the disposal of assets is restricted by operational requirements, which directly or indirectly drive the need for all MoD's holdings. Practical constraints such as marketability, legal and regulatory requirements (listed buildings, environmental regulations, limitations on arms transfers, etc) also impact on disposals.

WIDER MARKETS INITIATIVE

The aim of the Wider Markets Initiative is the commercial exploitation of the Department's assets which need to be retained but are not fully used. Subject to certain conditions, the revenue generated can be used as extra income to fund departmental activities.

Much of MoD's Wider Markets income comes from numerous small local arrangements for the loan of manpower, equipment, land and facilities. Wider Markets projects in MoD include:

- The Defence Communication Services Agency's contract with Arqiva to exploit the Boxer Communication Towers.
- The Royal Navy's contract, in partnership with Flagship, with Network Rail for Engineering Apprentice Training at HMS SULTAN.
- The provision of surplus bulk oil storage capacity at Campbeltown and Loch Ewe to a Dutch trading company, the revenue from which more than offsets the total running costs of all four of MOD's Scottish Fuel Depots.
- Exploitation of our intellectual property.
- Sale of surplus training capacity.
- Letting of land.
- Making available sites and facilities for filming purposes

6. PUBLIC SPENDING

Table i sets out, in resource terms, a summary of expenditure from 2001/02 to 2007/08. This is split into consumption of resources and capital spending. A detailed breakdown of each is provided at tables ii and iii respectively. The total Departmental spending is shown by Request for Resources (RfR).

The format has been expanded this year to provide greater detail on Resource Budget, Capital Budget, total Departmental spending and near cash. Resource expenditure consists of operating cost items such as pay, equipment, support costs, fuel and administrative expenses. Also included are non-cash items such as depreciation, cost of capital and movements in the level of provisions. The total resource budget is the sum of Resource Departmental Expenditure Limit (Resource DEL⁶) and Resource Annually Managed Expenditure (Resource AME⁷). Capital expenditure consists of the purchase of fixed assets, income from the disposal of fixed assets and the repayment of the capital element of loans to trading funds. The total capital budget is the sum of Capital DEL⁸ and Capital AME⁹.

The figures reported in last year's publication have been restated to take account of technical accounting changes (see paragraphs 6.25 and 6.30 of HM Treasury's Consolidated Budgeting Guidance 2007/08). Historic figures have been adjusted to enable comparison with the 2007/08 plan.

Table i: Total Departmental Spending							
	2001-02 Outturn Restated £000	2002-03 Outturn Restated ^(a) £000	2003-04 Outturn Restated £000	2004-05 Outturn Restated £000	2005-06 Outturn Restated £000	2006-07 Estimated Outturn ^(b) £000	2007-08 Plans £000
Consumption of Resources by Activity:							
Resource budget:							
Resource DEL							
Provision of Defence Capability (RfR1)	31,799,075	35,377,606	30,168,505	30,388,966	32,372,705	32,308,263	32,786,950
Unprogrammed Operations/ Conflict Prevention Costs (RfR2) ^(c)	530,016	1,117,429	1,233,155	938,181	1,055,850	1,386,588	44,303
War Pensions & Allowances, etc (RfR3)	-	-	-	-	-	-	-
Total resource budget DEL	32,329,091	36,495,035	31,401,660	31,327,147	33,428,555	33,694,851	32,831,253
<i>of which: Near-cash</i>	18,284,281	19,618,803	21,245,356	21,660,321	22,375,692	23,176,597	21,971,239
Resource AME ^(d)							
Provision of Defence Capability (RfR1)	35,680	1,668,011	200,052	55,883	-58,321	116,164	32,460
War Pensions & Allowances, etc (RfR3)	1,237,535	1,165,411	1,116,047	1,109,521	1,068,595	1,039,950	1,027,007
Armed Forces Pay & Pensions etc (AFPS RfR1) ^(e)	3,208,776	3,317,558	3,481,851	3,294,300	4,314,545	4,283,738	5,095,638
Total resource budget AME	4,481,991	6,150,980	4,797,950	4,459,704	5,324,819	5,439,852	6,155,105
<i>of which: Near-cash</i>	2,641,465	2,493,190	2,442,614	2,153,971	2,635,489	2,584,516	2,658,025
Total resource budget	36,811,082	42,646,015	36,199,610	35,786,851	38,753,374	39,134,703	38,986,358

⁶Resource DEL is a control on current costs

⁷Resource AME is a category of expenditure for programmes that are demand-led such as pensions and exceptionally volatile items that cannot be controlled by the Department

⁸Capital DEL is a control on capital costs.

⁹Capital AME is a category of expenditure for the capital element of loans and repayments for self financing public corporations.

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Table i: Total Departmental Spending <i>continued</i>							
	2001-02 Outturn Restated £000	2002-03 Outturn Restated ^(a) £000	2003-04 Outturn Restated £000	2004-05 Outturn Restated £000	2005-06 Outturn Restated £000	2006-07 Estimated Outturn ^(b) £000	2007-08 Plans £000
Consumption of Resources by Activity:							
<i>of which:</i> Depreciation	7,420,972	13,259,461	6,312,729	5,039,294	6,586,707	6,888,341	6,821,537
Capital budget:							
Capital DEL							
Provision of Defence Capability (RfR1)	5,791,109	5,796,042	5,741,300	6,526,831	6,198,989	6,690,220	7,548,370
Unprogrammed Operations/ Conflict Prevention Costs (RfR2)	56,069	318,690	260,275	173,842	211,243	371,114	-
War Pensions & Allowances, etc (RfR3)	-	-	-	-	-	-	-
Total capital budget DEL	5,847,178	6,114,732	6,001,575	6,700,673	6,410,232	7,061,334	7,548,370
<i>of which:</i> Depreciation							
Capital AME							
Provision of Defence Capability (RfR1)	110,880	-49,900	-4,214	-	-	-4,683	-
Total capital budget AME	110,880	-49,900	-4,214	-	-	-4,683	-
Total capital budget	5,958,058	6,064,832	5,997,361	6,700,673	6,410,232	7,056,651	7,548,370
Total Departmental Spending:							
Provision of Defence Capability (RfR1)	30,315,772	29,532,298	29,792,914	31,932,386	31,926,666	32,221,623	33,546,243
Unprogrammed Operations/ Conflict Prevention Costs (RfR2)	586,085	1,436,119	1,493,430	1,112,023	1,267,093	1,757,702	44,303
War Pensions & Allowances, etc (RfR3)	1,237,535	1,165,411	1,116,047	1,109,521	1,068,595	1,039,950	1,027,007
Armed Forces Pay & Pensions etc (AFPS RfR1)	3,208,776	3,317,558	3,481,851	3,294,300	4,314,545	4,283,738	5,095,638
Total Departmental Spending ^(c)	35,348,168	35,451,386	35,884,242	37,448,230	38,576,899	39,303,013	39,713,191
<i>of which:</i>							
Total DEL	30,755,297	29,350,306	31,101,528	32,988,526	33,252,080	33,868,615	33,561,172
Total AME	4,592,871	6,101,080	4,782,714	4,459,704	5,324,819	5,434,398	6,152,019

Notes:

^(a) In 2002/03 Provision of Defence Capability includes an unusually large increase in non-cash expenditure as a result of HM Treasury's asset management policy. This was principally due to the write-off of surplus defence assets.

^(b) Estimated outturn for 2006/07 is based on the Department's forecast position at the end of January 2007.

^(c) Conflict Prevention costs (RfR2) relates to the joint funding pools which the Department holds with the Department for International Development and the Foreign and Commonwealth Office. These costs fluctuate significantly due to changes in demand for military involvement in such activities, we therefore do not plan for these costs in the Spending Review. Instead, planned programme expenditure is requested through the Estimates process each year.

^(d) Resource AME includes programmes that are demand-led, such as War Pensions (RfR3) and Armed Forces Pensions, and exceptionally, volatile items that cannot be controlled by the Department. AME also includes programmes that are so large that the Department could not be expected to absorb the effects of volatility within them, such as cash release of nuclear provisions.

^(e) Armed Forces Pay & Pensions covers the payment of the pensions to Service personnel. As a consequence of adopting Financial Reporting Standard 17 'Retirement Benefits', since 2005/06, the resource accounts of pension schemes have undergone technical changes to cost attribution. As a result, historical figures may vary from those published in previous expenditure plans.

^(f) Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

7. CONSUMPTION OF RESOURCES BY ACTIVITY

Table ii provides a breakdown of the Department's resource spending plans for 2001/02 to 2007/08, by Request for Resources (RfR) and by Top Level Budget Holder (TLB) in their functional groups. The figures are shown net of receipts.

The format has been expanded this year to show Resource Budget analysed between DEL and AME¹⁰. The Estimated outturn for 2006/07 is based on the Department's forecast position at the end of January 2007. The figures reported in last year's publication have been restated to take account of technical accounting changes (see paragraphs 6.25 and 6.30 of HM Treasury's Consolidated Budgeting Guidance 2007/08). Historic figures have been adjusted to enable comparison with the 2007/08 plan.

Table ii: Resource Budget DEL and AME							
Consumption of Resources by Activity:	2001-02 Outturn Restated £000	2002-03 Outturn Restated £000	2003-04 Outturn Restated £000	2004-05 Outturn Restated £000	2005-06 Outturn Restated £000	2006-07 Estimated Outturn £000	2007-08 Plans £000
Resource DEL							
Provision of Defence capability (RfR1) ^(a)	31,799,075	35,377,606	30,168,505	30,388,966	32,372,705	32,308,263	32,786,950
<i>of which:</i>							
Operations	13,707,317	15,579,100	12,873,919	13,566,689	14,394,778	9,152,455	10,054,975
<i>of which:</i>							
Fleet ^(b)	-	-	-	-	-	2,148,384	2,111,736
Commander-in-Chief Fleet ^(c)	3,614,715	4,606,270	3,242,352	3,578,155	3,557,908	-	-
General Officer Commanding (Northern Ireland) ^(c)	614,994	694,966	649,331	625,910	579,713	394,422	-
Commander-in-Chief Land Command ^(c)	4,892,740	5,226,541	5,078,630	5,317,456	5,634,752	4,308,230	5,785,716
Commander-in-Chief Strike Command	4,124,331	4,544,127	3,385,301	3,492,795	4,043,496	1,911,713	1,738,680
Chief of Joint Operations	460,537	507,196	518,305	552,373	578,909	389,706	418,843
Personnel	3,322,832	3,503,758	3,428,680	3,723,139	3,646,575	2,388,834	1,552,980
<i>of which:</i>							
2nd Sea Lord/Commander-in-Chief Naval Home Command ^(b)	680,383	724,969	692,632	796,523	777,735	-	-
Adjutant General (Personnel & Training command) ^(c)	1,712,670	1,719,112	1,742,925	1,799,433	1,963,288	1,593,124	782,805
Commander-in-Chief Personnel & Training Command	929,779	1,059,677	993,123	1,127,183	905,552	795,710	770,175

¹⁰See footnote to Table i

The Government's Expenditure Plans 2007-08

Table ii: Resource Budget DEL and AME *continued*

Consumption of Resources by Activity:	2001-02 Outturn Restated £000	2002-03 Outturn Restated £000	2003-04 Outturn Restated £000	2004-05 Outturn Restated £000	2005-06 Outturn Restated £000	2006-07 Estimated Outturn £000	2007-08 Plans £000
Logistics	8,996,108	10,467,452	7,769,177	6,699,910	7,549,898	13,155,346	-
<i>of which:</i>							
Chief of Defence Logistics ^(a)	8,996,108	10,467,452	7,769,177	6,699,910	7,549,898	13,155,346	-
Central	2,619,800	2,546,257	2,788,588	3,300,857	4,023,126	4,835,971	4,892,133
<i>of which:</i>							
Central	2,619,800	2,546,257	2,788,588	3,300,857	2,860,754	2,204,803	2,194,547
Defence Estates	-	-	-	-	1,162,372	2,631,168	2,497,586
Departmental Unallocated Provision ^(a)	-	-	-	-	-	-	200,000
Procurement	3,153,018	3,281,039	3,308,141	3,098,371	2,758,328	2,775,657	16,286,862
<i>of which:</i>							
Defence Procurement Agency ^(a)	2,708,268	2,854,985	2,888,141	2,589,104	2,256,723	2,247,905	-
Corporate Science & Technology	444,750	426,054	420,000	509,267	501,605	527,752	541,118
Defence Equipment & Support ^(a)	-	-	-	-	-	-	15,745,744
Unprogrammed Operations/ Conflict Prevention Costs (RfR2) ^(a)	530,016	1,117,429	1,233,155	938,181	1,055,850	1,386,588	44,303
War Pensions & Allowances etc (RfR3)	-	-	-	-	-	-	-
Total resource budget DEL	32,329,091	36,495,035	31,401,660	31,327,147	33,428,555	33,694,851	32,831,253
<i>of which: ^(a)</i>							
Near-cash	18,284,281	19,618,803	21,245,356	21,660,321	22,375,692	23,176,597	21,971,239
<i>of which:</i>							
Pay	9,421,897	10,029,322	10,696,080	10,765,686	11,219,648	11,294,152	11,048,454
Procurement	8,904,487	9,777,663	10,546,928	10,919,794	11,353,185	12,157,396	11,162,568
Grants and subsidies	228,204	186,212	129,857	164,108	128,548	134,585	180,862
Depreciation	7,420,972	13,259,461	6,301,707	5,039,294	6,586,707	6,887,570	6,818,451
Resource AME							
Provision of Defence capability (RfR1)	35,680	1,668,011	200,052	55,883	-58,321	116,164	32,460
<i>of which:</i>							
Operations	-	-9,198	3,590	-2,037	35,727	7,420	3,599
<i>of which:</i>							
Commander-in-Chief Fleet ^(b)	-	-8,771	-1,516	1,110	35,727	-	-
General Officer Commanding (Northern Ireland) ^(c)	-	-427	-	-	-	-	-
Chief of Joint Operations	-	-	5,106	-3,147	-	7,420	3,599
Logistics	-	134,975	849	23,062	18,709	85,501	-
<i>of which:</i>							
Chief of Defence Logistics ^(a)	-	134,975	849	23,062	18,709	85,501	-
Central	35,680	79,220	20,178	1,164	-1,926	4,373	3,899
<i>of which:</i>							
Central	35,680	79,220	20,178	1,164	-1,926	4,373	3,899

Table ii: Resource Budget DEL and AME *continued*

Consumption of Resources by Activity:	2001-02 Outturn Restated £000	2002-03 Outturn Restated £000	2003-04 Outturn Restated £000	2004-05 Outturn Restated £000	2005-06 Outturn Restated £000	2006-07 Estimated Outturn £000	2007-08 Plans £000
Procurement	-	1,463,014	175,435	33,694	-110,831	18,870	24,962
<i>of which:</i>							
Defence Procurement Agency ^(d)	-	1,463,014	175,435	33,694	-110,831	18,870	-
Defence Equipment & Support ^(d)	-	-	-	-	-	-	24,962
War Pensions & Allowances etc (RfR3)	1,237,535	1,165,411	1,116,047	1,109,521	1,068,595	1,039,920	1,027,007
Armed Forces Pay & Pensions etc (AFPS RfR1) ^(e)	3,208,776	3,317,558	3,481,851	3,294,300	4,314,545	4,283,738	5,095,638
Total resource budget AME	4,481,991	6,150,980	4,797,950	4,459,704	5,324,819	5,439,822	6,155,105
<i>of which:</i>							
Near-cash	2,641,465	2,493,190	2,442,614	2,153,971	2,635,489	2,584,516	2,658,025
<i>of which:</i>							
Pay	-	-	-	-	-	-	-
Procurement	8,066	-	-	94,645	143,749	-	-
Grants and subsidies	1,229,954	1,165,010	1,116,109	1,109,506	1,065,407	1,040,001	1,026,982
Depreciation	-	-	11,022	-	-	771	3,086
Total resource budget	36,811,082	42,646,015	36,199,610	35,786,851	38,753,374	39,134,673	38,986,358

Notes:

- ^(a) During 2006/07 the Department centralised fixed asset management under four single balance sheet owners, which are now held within two TLBs; Defence Estates (DE) and Defence Equipment and Support (DE&S). This has affected the Indirect Resource DEL attribution between the TLBs when compared to last year's Expenditure Plan.
- ^(b) In 2006/07 the two Royal Navy TLBs, Commander in Chief Fleet and 2nd Sea Lord were combined into a single TLB called 'Fleet'. Balances for prior years are shown against the old organisations.
- ^(c) From 2007/08 the General Officer Commanding Northern Ireland TLB and elements of the Adjutant General's TLB have been included in Land TLB. Balances for prior years are shown against the old organisations.
- ^(d) From 2007/08 The Defence Procurement Agency and the Defence Logistics Organisation have been merged to form Defence Equipment and Support. Balances for prior years are shown against the old organisations.
- ^(e) The Departmental Unallocated Provision (DUP) is part of the DEL that Departments hold back to deal with unforeseen pressures, in accordance with the Consolidated Budgetary Guidance issued by HM Treasury.
- ^(f) Conflict Prevention costs (RfR2) fluctuate significantly due to changes in demand for military involvement in such activities. As a result we do not plan for these costs in the Spending Review. This relates to the joint funding pools which the Department holds with the Department for International Development and the Foreign and Commonwealth Office. Each year the planned programme expenditure is requested through the Estimates process.
- ^(g) Armed Forces Pay & Pensions covers the payment of the pensions to Service personnel. As a consequence of adopting Financial Reporting Standard 17 'Retirement Benefits', since 2005/06, the resource accounts of pension schemes has undergone technical changes to cost attribution. As a result, historical figures may vary from those published in previous expenditure plans.

8. CAPITAL EXPENDITURE BY ACTIVITY

Table iii provides a breakdown of the Department's capital spending plans for 2001/02 to 2007/08, by Request for Resources (RfR) and by Top Level Budget Holder (TLB) in their functional groups. The figures are shown net of receipts.

The format has been expanded this year to show Capital Budget analysed between DEL and AME¹¹. The Estimated outturn for 2006/07 is based on the Department's forecast position at the end of January 2007. The figures reported in last year's publication have been restated to take account of technical accounting changes (see paragraphs 6.25 and 6.30 of HM Treasury's Consolidated Budgeting Guidance 2007/08). Historic figures have been adjusted to enable comparison with the 2007/08 plan.

Table iii: Capital Budget DEL and AME							
Capital spending by Activity:	2001-02 Outturn Restated £000	2002-03 Outturn Restated £000	2003-04 Outturn Restated £000	2004-05 Outturn Restated £000	2005-06 Outturn Restated £000	2006-07 Estimated Outturn £000	2007-08 Plans £000
Capital DEL							
Provision of Defence capability (RfR1)	5,791,109	5,796,042	5,741,300	6,526,831	6,198,989	6,690,220	7,548,370
<i>of which:</i>							
Operations	204,653	251,254	334,403	251,967	127,239	107,501	430,714
<i>of which:</i>							
Fleet ⁽¹⁾	-	-	-	-	-	17,900	50,458
Commander-in-Chief Fleet ^(a)	15,644	15,941	37,391	17,000	24,136	-	-
General Officer Commanding (Northern Ireland) ^(b)	23,371	108,208	43,329	28,000	5,585	2,448	-
Commander-in-Chief Land Command ^(b)	60,524	30,132	185,673	153,000	60,489	72,254	239,111
Commander-in-Chief Strike Command	79,219	68,544	40,367	28,000	18,420	8,524	79,823
Chief of Joint Operations	25,895	28,429	27,643	25,967	18,609	6,375	61,322
Personnel	57,638	55,542	75,509	69,345	42,597	27,326	58,018
<i>of which:</i>							
2nd Sea Lord/Commander-in-Chief Naval Home Command ^(a)	10,809	15,749	28,390	23,000	10,978	592	-
Adjutant General (Personnel & Training command) ^(b)	29,505	24,820	28,996	22,345	18,081	15,247	29,151
Commander-in-Chief Personnel & Training Command	17,324	14,973	18,123	24,000	13,538	11,487	28,867
Logistics	1,284,414	1,216,856	1,198,241	1,285,015	1,011,494	1,153,997	-
<i>of which:</i>							
Chief of Defence Logistics ^(c)	1,284,414	1,216,856	1,198,241	1,285,015	1,011,494	1,153,997	-
Central	-103,276	-108,852	-162,391	305,947	-234,833	132,704	-95,983
<i>of which:</i>							
Central	-103,276	-108,852	-162,391	305,947	-360,655	49,192	14,545
Defence Estates ^(d)	-	-	-	-	125,822	83,512	-110,528
Procurement	4,347,680	4,381,242	4,295,538	4,614,557	5,252,492	5,268,692	7,155,621
<i>of which:</i>							
Defence Procurement Agency ^(c)	4,347,680	4,381,242	4,295,538	4,614,557	5,252,492	5,268,692	-
Corporate Science & Technology	-	-	-	-	-	-	-
Defence Equipment & Support ^(e)	-	-	-	-	-	-	7,155,621
Unprogrammed Operations/ Conflict Prevention Costs (RfR2) ^(e)	56,069	318,690	260,275	173,842	211,243	371,114	-
War Pensions & Allowances etc (RfR3)	-	-	-	-	-	-	-
Total capital budget DEL	5,847,178	6,114,732	6,001,575	6,700,673	6,410,232	7,061,334	7,548,370

¹¹See footnotes to Table i

Table iii: Capital Budget DEL and AME *continued*

	2001-02 Outturn Restated £000	2002-03 Outturn Restated £000	2003-04 Outturn Restated £000	2004-05 Outturn Restated £000	2005-06 Outturn Restated £000	2006-07 Estimated Outturn £000	2007-08 Plans £000
Capital spending by Activity:							
<i>of which:</i>							
Capital expenditure on fixed assets net of sales	5,849,079	6,109,408	6,006,201	6,774,403	6,442,621	7,064,526	7,599,299
Net lending to private sector	-1,901	5,324	-4,626	-73,730	-75,567	-4,080	-50,929
Capital support to public corporations	-	-	-	-	-	-	-
Capital support to local authorities	-	-	-	-	-	-	-
Capital AME							
Provision of Defence capability (RfR1)	110,880	-49,900	-4,214	-	-	-4,683	-
<i>of which:</i>							
Operations	157,582	-	-	-	-	-	-
<i>of which:</i>							
Commander-in-Chief Fleet ^(a)	157,582	-	-	-	-	-	-
Logistics	3,298	-	-	-	-	-	-
<i>of which:</i>							
Chief of Defence Logistics ^(c)	3,298	-	-	-	-	-	-
Central	-50,000	-49,900	-4,214	-	-	-4,683	-
<i>of which:</i>							
Central	-50,000	-49,900	-4,214	-	-	-4,683	-
Total capital budget AME	110,880	-49,900	-4,214	-	-	-4,683	-
Total capital budget	5,958,058	6,064,832	5,997,361	6,700,673	6,410,232	7,056,651	7,548,370
<i>of which:</i>							
Capital expenditure on fixed assets net of sales	6,009,959	6,109,408	6,006,201	6,774,403	6,442,621	7,064,526	7,599,299
Less depreciation	7,420,972	13,259,461	6,312,729	5,039,294	6,586,707	6,888,341	6,821,537
Net capital expenditure on tangible fixed assets	-1,411,013	-7,150,053	-306,528	1,735,109	-144,086	176,185	777,762

Notes:

- ^(a) In 2006/07 the two Royal Navy TLBs, Commander in Chief Fleet and 2nd Sea Lord were combined into a single TLB called 'FLEET'. Balances for prior years are shown against the old organisations.
- ^(b) From 2007/08 the General Officer Commanding Northern Ireland TLB and elements of the Adjutant General's TLB have been included in Land TLB. Balances for prior years are shown against the old organisations.
- ^(c) From 2007/08 the Defence Procurement Agency and the Defence Logistics Organisation have been merged to form Defence Equipment and Support. Balances for prior years are shown against the old organisations.
- ^(d) The figure for Defence Estates is negative, because the planned disposal receipts are higher than planned expenditure.
- ^(e) Conflict prevention costs fluctuate significantly due to changes in demand for military involvement in such activities. As a result we do not plan for these costs in the Spending Review.

9. MOD CAPITAL EMPLOYED

Table iv sets out total capital employed by the Department.

From 2004/05, all categories of fixed assets, except Intangibles, Assets in the Course of Construction and Capital Spares, are subject to a quinquennial revaluation, which is being conducted on a rolling basis and is due to be completed in 2007. Plan figures for 2007/08 have been compiled with a projected estimate of this revaluation. They are therefore subject to future variation.

Table iv: MoD Capital Employed							
	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Estimated Outturn	2007-08 Plans
Assets on Balance Sheet:	£m	£m	£m	£m	£m	£m	£m
Fixed Assets	88,339	86,312	87,345	92,630	95,272	97,957	97,602
<i>of which:</i>							
Land and Buildings	14,348	15,342	15,299	18,122	18,457	18,703	18,511
Fighting Equipment	27,281	26,526	27,157	30,565	31,489	31,480	33,093
Plant, Machinery and Vehicles	4,142	4,296	3,453	3,475	3,274	2,788	2,206
IT and Communications Equipment	828	814	897	1,033	986	880	576
Assets Under Construction	13,984	12,511	13,177	12,457	13,657	15,614	14,152
Transport ^(a)	-	-	-	3,982	3,912	4,037	3,725
Capital Spares ^(b)	7,558	6,955	6,754	-	-	-	-
Intangible Assets	19,527	19,438	20,187	22,648	22,983	23,950	24,842
Investments	671	430	421	347	514	505	497
Current assets	8,285	7,955	9,306	9,405	9,991	11,346	9,325
<i>of which:</i>							
Stock & work in progress	6,396	5,337	6,318	6,095	6,052	6,180	5,932
Debtors	1,257	2,202	2,676	2,871	2,921	4,508	2,898
Cash at bank and in hand	632	416	312	438	1,018	658	494
Creditors (< 1 year) ^(c)	-4,662	-5,384	-5,663	-6,076	-6,449	-6,916	-5,006
Creditors (> 1 year)	-448	-450	-452	-810	-1,058	-1,028	-868
Provisions	-5,112	-6,994	-9,389	-9,503	-6,275	-6,299	-5,437
Capital employed within Main Department	86,402	81,439	81,147	85,645	91,481	95,060	95,616
NDPBs' Net Assets (Royal Hospital Chelsea)	331	331	331	339	339	302	302
Total capital employed in departmental group	86,733	81,770	81,478	85,984	91,820	95,362	95,918

Notes:

^(a) From 2004/05 Transport has been recorded as a separate category.

^(b) From 2004/05 Capital Spares has not been recorded as a separate category and costs are now included within either Transport or Fighting Equipment.

^(c) Includes PFI contracts.

10. STAFF NUMBERS

Table v sets out the number of staff employed within the Department. Figures shown are spot figures as at 1st April, consistent with the UK Defence Statistics and other MoD publications.

Figures for UK Based Civilians include all permanent and casual personnel, Royal Fleet Auxiliary staff and Trading Fund personnel. In addition, forecasts are only calculated for aggregated data as separate forecasts are not available.

	01 Apr 01 Actual	01 Apr 02 Actual	01 Apr 03 Actual	01 Apr 04 Actual	01 Apr 05 Actual	01 Apr 06 Provisional	01 Apr 07 Forecast	01 Apr 08 Forecast
Service Personnel ⁽²⁾	215,000	214,500	217,000	216,700	210,100	204,500	198,400 ⁽³⁾	194,500 ⁽⁴⁾
UK Based Civilians	104,800	96,000	93,700	93,600	92,800	88,800	83,800	82,100
UK Based Civilians Permanent	103,300	94,300	92,400	92,500	91,600	87,600	82,800	...
UK Based Civilians Casual	1,500	1,700	1,300	1,200	1,200	1,200	1,000	...
Locally Engaged Civilians (Non Operational) ⁽⁵⁾	13,300	12,500	12,800	13,200	12,800	11,800	11,900	11,000
Locally Engaged Civilians (Operational) ⁽⁵⁾	~	1,600	1,100	2,200	2,900	3,300	2,300	2,400
Civilian Personnel Trading Funds ⁽⁶⁾	18,800	12,400	12,200	11,400	10,800	10,700	10,100	10,100
Civilian Personnel ⁽⁷⁾	118,200	110,100	107,600	109,000	108,500	103,900	98,000	95,200
Total MoD Manpower	333,200	324,600	324,600	325,800	318,600	308,400	296,400	289,700
Volunteer Reserves & Auxiliary Forces ⁽⁸⁾⁽⁹⁾	47,300	46,300	45,300	44,900	43,400	42,300	42,800	42,800

~ denotes less than 100

.. denotes not available

Notes:

⁽¹⁾ Totals and sub-totals have been rounded separately and so may not appear to be the sums of their parts.

⁽²⁾ Service manpower totals exclude Volunteer Reserves and Auxiliaries, but include Gurkhas, Full Time Reserve Service, Home Service battalions of the Royal Irish Regiment (RIRISH HS) and locally engaged personnel. Figures are for trained and untrained personnel, with the exception of RIRISH, where only trained personnel are included. (Untrained RIRISH personnel numbers are negligible).

⁽³⁾ As at 1st April 2007 data for Service personnel are provisional and subject to review.

⁽⁴⁾ Projections for untrained Service personnel are included. Since forecasts are not available for these personnel, strength at 1st April 2007 has been rolled forward for 2008. FTRS and Gurkhas figures are based on Q3 Defence Management Board forecasts for 2008. All RIRISH (HS) personnel will have been disbanded by 1st April 2008.

⁽⁵⁾ From 1st April 2006 the methods for data capture of LECs have been amended. This is also reflected in forecast figures.

⁽⁶⁾ These figures are included in the UK Based Civilians figures. From 1st 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 QinetiQ plc. Updated forecasts are not available for Trading Funds, and strengths at 1st April 2007 have therefore been projected forward for 1st April 2008.

⁽⁷⁾ Civilian personnel figures are the sum of all permanent and casual personnel, Royal Fleet Auxiliary staff, Trading Fund personnel and Locally Engaged Civilians, and are given in Full Time Equivalent terms (part timers count proportionately according to hours worked)

⁽⁸⁾ Includes Army Officer Training Corps and non-regular permanent staff and excludes University Air Squadron, University Royal Naval Units and FTRS.

⁽⁹⁾ Forecasts are not available for Volunteer Reserves or Auxiliary Forces, strengths at 1 April 2006 have therefore been projected forward for future years.

11. NON-DEPARTMENTAL PUBLIC BODIES: EXECUTIVE BODIES

The Department has six executive Non-Departmental Public Bodies and one Public Corporation. Planned expenditure is outlined below.

Table vi: Non-Departmental Public Bodies: Executive Bodies		
Name of Body	2006-07 Estimated Outturn £000	2007-08 Plans £000
Total Gross Expenditure of Body		
Royal Naval Museum	1,407	1,490
Fleet Air Arm Museum	1,928	1,986
Royal Navy Submarine Museum	780	800
Royal Marines Museum	890	886
National Army Museum	6,029	6,254
Royal Air Force Museum	9,116	7,500
Oil and Pipelines Agency ⁽¹⁾	1,730	1,840
Funding from the Defence Budget		
Royal Naval Museum	898	872
Fleet Air Arm Museum	598	612
Royal Navy Submarine Museum	562	576
Royal Marines Museum	745	764
National Army Museum	5,303	5,455
Royal Air Force Museum	6,791	7,019
Oil and Pipelines Agency ⁽¹⁾	–	–

Notes:

⁽¹⁾ The Oil Pipelines Agency (OPA) is formally classified as a public corporation for Government and national accounts. The running costs of the OPA are not normally 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.

12. LONG-TERM INVESTMENT PROJECTS

To achieve its PSA objectives and ensure best value for money in the delivery of our long term projects, the Department uses both direct and indirect investment, including the use of Public Private Partnerships (PPP) and Private Finance Initiatives (PFI) across a wide range of non-equipment works, information technology and services projects.

Table vii details the top ten approved post Main Gate non-equipment projects by value including their estimated in-year expenditure. Projects which will reach completion before the start of 2007-08 have not been shown.

PFI

The PFI remains a key component in the delivery of innovative and efficient services for defence to provide best value for money. The Department remains committed to involving the private sector, where appropriate, and using PFI where the requirement is for long-term services based around the provision or refurbishment of a capital asset which can be funded by third party finance.

During 2006-2007, the Department signed one further PFI deal with a capital value of almost £162 million, bringing its total number to 51¹² with a total capital investment of £5.8 billion. PFI remains the cornerstone of the Department's wide-ranging Private Public Partnerships (PPP) programme with a diverse portfolio of projects, worth an estimated capital value of £4-6 billion, in procurement.

Further details on MoD projects can be found in the following publications:

- Defence Departmental Investment Strategy (March 2005);
- UK Defence Statistics 2006, September 2006 (Table 1.15);
- Major Projects Report (HC23-1, November 2006);
- Ministry of Defence Annual Report and Accounts.

¹²The Department has reviewed the projects referenced in the HMT PFI list which is published at http://www.hm-treasury.gov.uk/documents/public_private_partnerships/ppp_pfi_stats.cfm. The review determined 5 deals previously reported as PFI deals fell outside the scope of PFI and were variants of either leasing or PPP.

Table vii: Approved Long Term Non-Equipment Investment Projects

	Description	Approved Cost (£m)	Approved in Service Date (ISD)	Estimated Duration from ISD (Yrs)	Estimated Cost in 2007/08 (£m)
Projects					
Allenby/Connaught	PFI to redevelop barracks in Aldershot and around Salisbury Plain.	8,544	2007	35	208
DII Future Programme	Defence Information Infrastructure (increment 1 and 2a)	5,060	2009 ⁽¹⁾	10	542
Main Building charges	PFI providing major redevelopment of the Main Building (MB), decant offices during development and fully serviced office accommodation in MB and the Old War Office building to 2030	2,439 ⁽²⁾	2004	26	92
Regional Prime Contracts	5 individual contracts, providing property management for bases across the regions	2,363	2004-06 ⁽³⁾	7	329
Aquatrine	PFI to provide water and sewerage services to the majority of the defence estate.	2,349	2005 ⁽⁴⁾	25	79
Colchester	PFI signed in 2004 for a fully serviced garrison.	2,264	2012	35	49
DFTS(F)	PPP to extending the current contract for delivering defence fixed telecommunication services	1,786 ⁽²⁾	2005	7	177
Corsham 09 Programme	PFI for the provision of a new estate development for the Defence Communications Services Agency on Basil Hill	869	2010	22	14
Project SLAM Phase 1	Modernising selected Single Living Accommodation across the three Services	786	2004	6	103
Housing Prime	Maintenance for Service Families Accommodation in England and Wales.	689	2006	7	105

Notes:

⁽¹⁾ This refers to the expected completion of rollout for both Increment 1 and 2a

⁽²⁾ The approval figure has been updated to reflect outturn prices.

⁽³⁾ This refers to five projects, the first coming into service in 2004, and the last in 2006.

⁽⁴⁾ ISD for final package in the three package programme.



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