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# Armed Forces Retired Pay, Pensions etc

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## Introduction

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

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

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

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

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

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

2. The Ministry of Defence is responsible for administering the AFPS; the related staff and other costs are borne on the Ministry of Defence Estimate, Provision of Defence Capability (RfR 1.)

3. Supporting information relating to expenditure contained in this Estimate is included in "The Government's Expenditure Plans 2004-05 to 2005-06, Ministry of Defence (Cm 6212)".

4. Symbols are explained in the Introduction to this booklet.

**Part I**

	£
<b>Request for Resources 1: Armed forces retired pay, pensions etc</b>	<b>3,484,782,000</b>
<b>Total net resource requirement</b>	<b>3,484,782,000</b>
<b>Net cash requirement</b>	<b>1,662,493,000</b>

Amounts required in the year ending 31 March 2005 for expenditure by the Ministry of Defence on:

**RfR 1: Armed forces retired pay, pensions etc.**

Payment of retired pay, pensions and lump sum benefits to persons covered by the scheme.

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

	Net total	Allocated in Vote on Account	Balance to complete
	£	£	£
<b>RfR 1</b>	3,484,782,000	1,527,188,000	1,957,594,000
<b>Total net resource requirement</b>	3,484,782,000	1,527,188,000	1,957,594,000
<b>Net cash requirement</b>	1,662,493,000	640,008,000	1,022,485,000

**Part II: Subhead detail**

£'000

2004-05						2003-04 Provision	2002-03 Outturn		
Resources						Capital		Net Total Resources	Net Total Resources
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A		
1	2	3	4	5	6	7	8	9	10
<b>RfR 1: Armed Forces retired pay, pensions etc</b>									
-	4,705,764	9,682	4,715,446	1,230,664	3,484,782	-	-	3,591,753	3,317,558
<b>Spending in Annually Managed Expenditure (AME)</b>									
<i>Central Government spending</i>									
A Retired Pay, Pensions and other payments to Service Personnel and their dependants									
-	4,705,764	9,682	4,715,446	1,230,664	3,484,782	-	-	3,591,753	3,317,558
<b>Total for Estimate:</b>									
-	4,705,764	9,682	4,715,446	1,230,664	3,484,782	-	-	3,591,753	3,317,558

## Part II: Resource to cash reconciliation

	2004-05		2003-04		2002-03	
	Provision		Provision		Outturn	
	£'000					
<b>Net Total Resources</b>	3,484,782		3,591,753		3,317,558	
<b>Voted capital items</b>						
Capital	-	-	-	-	-	-
Less Non-operating A-in-A	-	-	-	-	-	-
<b>Total net voted capital</b>	-		-		-	
<b>Accruals to cash adjustment</b>						
Adjustments to remove non-cash items:						
Cost of Capital charges	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
New provisions and adjustments to previous provisions	-4,705,764	-4,811,844	-4,453,565	-	-	-
Profit/loss on sale of assets	-	-	-	-	-	-
Prior period adjustments	-	-	-	-	-	-
Other non-cash items	-	-	-	-	-	-
Increase (+) / Decrease (-) in stock	-	-	-	-	-	-
Increase (+) / Decrease (-) in debtors	-100	2,780	567	-	-	-
Increase (-) / Decrease (+) in creditors	41,238	9,393	15,403	-	-	-
Use of provisions	2,842,337	2,620,135	2,469,638	-	-	-
<b>Total accruals to cash adjustments</b>	-1,822,289		-2,179,536		-1,967,957	
<b>Excess cash to be CFERd</b>	-		-		-	
<b>Net Cash Requirement</b>	1,662,493		1,412,217		1,349,601	

## Part III: Extra receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):-

	2004-05		2003-04		2002-03	
	Provision		Provision		Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
	£'000					
Operating income not classified as AinA	13,927	<i>13,927</i>	-	-	3,856	<i>3,856</i>
Non-operating income not classified as AinA	-	-	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-	-	-
Excess cash receipts to be surrendered to the Consolidated Fund	-	-	-	-	-	-
<b>Total</b>	<b>13,927</b>	<b><i>13,927</i></b>	<b>-</b>	<b>-</b>	<b>3,856</b>	<b><i>3,856</i></b>

## Forecast Combined Revenue Account

£'000

	Provision 2004-2005	Provision 2003-2004	Outturn 2002-2003
<b>Contributions Receivable</b>			
Employers Contribution	-1,224,322	-1,224,656	-1,142,170
Employee contributions – normal	—	—	—
Employee contributions – purchase of added years	-1,486	-1,582	-1,328
Group and Individual Transfers in	-4,408	-3,364	-3,211
Other Income	-448	-398	-303
Income in excess of A in A to be CFER'd (accrued in year)	—	—	—
Income in excess of A in A to be CFER'd (cash rec'd in year)	-13,927	—	-3,856
	-1,244,591	-1,230,000	-1,150,868
<b>Expenditure</b>			
Injury Benefit Provision		115,600	
Injury Benefit Cash Release	-115,600		
Increase in Liability due to Employee added years and transfers in and other income	5,894	4,946	4,539
Current Service costs	1,224,322	1,224,656	1,146,026
Past Service Costs	—	—	—
Interest on Scheme Liability	3,475,548	3,466,642	3,303,000
Other pensions expenditure not charged to provision	125,282	9,909	11,005
Benefits payable (incl Transfers out)	2,726,737	2,620,135	2,469,638
Release of Provision in line with payments	-2,726,737	-2,620,135	-2,469,638
	4,715,446	4,821,753	4,464,570
<b>Net Outgoings</b>	<b>3,470,855</b>	<b>3,591,753</b>	<b>3,313,702</b>
<b>Net Operating Costs</b>	<b>3,470,855</b>	<b>3,591,753</b>	<b>3,313,702</b>
<i>of which:</i>			
<b>Net Resource Outturn</b>	<b>3,484,782</b>	<b>3,591,753</b>	<b>3,317,558</b>
<i>plus</i>			
CFERs	-13,927	—	-3,856
Not voted	—	—	—
<b>Resource Budget Outturn</b>	<b>3,484,782</b>	<b>3,591,753</b>	<b>3,317,558</b>

## Notes to the Main Estimate

### Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2004-05 Provision	2003-04 Provision	2002-03 Outturn
<b>Net Resource Outturn (Estimates)</b>	<b>3,484,782</b>	<b>3,591,753</b>	<b>3,317,558</b>
<i>Adjustments to remove:</i>			
provision voted for earlier years	—	—	—
<i>Adjustments to additionally include:</i>			
non-voted expenditure in the OCS	—	—	—
Consolidated Fund Extra Receipts in the OCS	-13,927	—	-3,856
Other adjustments	—	—	—
<b>Net Operating Cost (Accounts)</b>	<b>3,470,855</b>	<b>3,591,753</b>	<b>3,313,702</b>
<i>Adjustments to remove:</i>			
capital grants to local authorities	—	—	—
capital grants financed from the Capital Modernisation Fund	—	—	—
European Union income and related adjustments	—	—	—
voted expenditure outside the budget	—	—	—
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	13,927	—	3,856
resource consumption of non departmental public bodies	—	—	—
unallocated resource provision	—	—	—
Other adjustments	—	—	—
<b>Resource Budget Outturn (Budget)</b>	<b>3,484,782</b>	<b>3,591,753</b>	<b>3,317,558</b>
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	—	—	—
Annually Managed Expenditure (AME)	3,484,782	3,591,753	3,317,558

### Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2004-05 Provision	2003-04 Provision	2002-03 Outturn
<b>Net Voted Capital Outturn (Estimates)</b>	—	—	—
<i>Adjustments to remove:</i>			
gains / losses from sale of capital assets	—	—	—
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	—	—	—
capital spending by non-departmental public bodies	—	—	—
capital grants to local authorities	—	—	—
capital grants financed by the Capital Modernisation Fund	—	—	—
local authority credit approvals	—	—	—
capital spending by levy funded bodies	—	—	—
unallocated capital provision	—	—	—
Other adjustments	—	—	—
<b>Capital Budget Outturn (Budget)</b>	—	—	—
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	—	—	—
Annually Managed Expenditure (AME)	—	—	—

## Notes to the Main Estimate (*continued*)

### Explanation of Accounting Officer responsibilities

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

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

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## Notes to the Main Estimate (*continued*)

### Analysis of Appropriations in aid

	£'000					
	2004-05 provision		2003-04 provision		2002-03 outturn	
	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A
<b>RfR 1: Armed Forces retired pay, pensions etc</b>						
Contributions receivable	1,224,322	—	1,224,656	—	1,142,170	—
Transfers In	4,408	—	3,364	—	3,211	—
Other Income	1,934	—	1,980	—	1,631	—
<b>Total</b>	<b>1,230,664*</b>	<b>—</b>	<b>1,230,000</b>	<b>—</b>	<b>1,147,012</b>	<b>—</b>

\*Amount that may be applied as appropriations in aid in addition to the net total, arising from accruing superannuation liability contributions and pension enhancements and transfers into the Armed Forces Pension Scheme.

### Analysis of Consolidated Fund Extra Receipts (CFERs)

	£'000					
	2004-05 provision		2003-04 provision		2002-03 outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Excess Appropriations in Aid	13,927	13,927	—	—	3,856	3,856
<b>Total</b>	<b>13,927</b>	<b>13,927</b>	<b>—</b>	<b>—</b>	<b>3,856</b>	<b>3,856</b>

## Notes to the Main Estimate (*continued*)

### Comparisons of provision sought with final provision and forecast outturn for the previous year

The total net resource sought for 2004-05 of £3,484,782,000 is 3 per cent lower than the final net provision and forecast outturn for 2003-04 of £3,591,753,000.

### Cash which may be retained to offset expenditure

£'000

Cash which may be retained by the department to offset expenditure in the year due to its relationship with income (operating and non-operating) that has been or will be appropriated in aid

	<b>2004-05 provision</b>	<b>2003-04 provision</b>	<b>2002-03 outturn</b>
	1,230,664	1,230,000	1,147,012

