
Armed Forces Retired Pay, Pensions etc

Introduction

1. This Estimate provides for the payment of retired pay, pensions and lump sum benefits to persons covered by the Armed Forces Pension 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. Additionally with effect from 6 April 2005, there will be two new schemes funded from this Estimate: the Armed Forces Pension Scheme (AFPS 05) and Armed Forces Compensation Scheme (AFCS). The rules governing both these schemes are set out in the Armed Forces (Pensions and Compensation) Act, 2004.
2. 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 of the AFPS. Such benefits include short service gratuities, resettlement grants, and pensions for locally engaged personnel;
 - (d) the accruing superannuation liability charges (ASLCs) receipts for Armed Forces Personnel. The related expenditure is borne on the main Ministry of Defence Estimate under Provision of Defence Capability (RfR 1);
 - (e) this Estimate also provides for the payment of injury benefits to adult instructors of the Cadet Forces;
 - (f) this Estimate also provides for the payment of Early Departure costs for Armed Forces Personnel under the AFPS 05 scheme;
3. 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).
4. There is an overall increase of £9,930,073,000 to the non-budget items. This is due to the increase of the value of the provisions held on the Balance Sheet as a result of the change in the discount rate.
5. Supporting information relating to expenditure contained in this Estimate is included in the Government's Expenditure Plans 2005-06 to 2007-08.
6. Symbols are explained in the Introduction to this booklet.

Part I

	£
Request for Resources 1: Armed Forces retired pay, pensions etc	14,375,527,000
Total net resource requirement	14,375,527,000
Net cash requirement	1,429,522,000

Amounts required in the year ending 31 March 2006 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
	£	£	£
RfR 1	14,375,527,000	1,568,152,000	12,807,375,000
Total net resource requirement	14,375,527,000	1,568,152,000	12,807,375,000
Net cash requirement	1,429,522,000	748,122,000	681,400,000

Part II: Subhead detail

£'000

2005-06						2004-05 Provision	2003-04 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
RfR 1: Armed Forces retired pay, pensions etc									
-	15,648,093	57,672	15,705,765	1,330,238	14,375,527	-	-	3,853,507	3,597,451
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A Retired pay, pensions and other payments to service personnel and their dependants									
-	5,718,020	57,672	5,775,692	1,330,238	4,445,454	-	-	3,853,507	3,597,451
Non-budget									
B Retired pay, pensions and other payments to service personnel and their dependants									
-	9,930,073	-	9,930,073	-	9,930,073	-	-	-	-
Total for Estimate:									
-	15,648,093	57,672	15,705,765	1,330,238	14,375,527	-	-	3,853,507	3,597,451

Part II: Resource to cash reconciliation

	£'000		
	2005-06 Provision	2004-05 Provision	2003-04 Outturn
Net Total Resources	14,375,527	3,853,507	3,597,451
Voted capital items			
Capital	-	-	-
Less Non-operating A-in-A	-	-	-
Total net voted capital	-	-	-
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	-	-	-
Depreciation	-	-	-
New provisions and adjustments to previous provisions	-15,648,093	-5,042,985	-4,702,319
Profit (+) / loss (-) on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-	-	-
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-261	503	76
Increase (-) / Decrease (+) in creditors	-157,964	-14,973	18,719
Use of provisions	2,860,313	2,700,426	2,546,973
Total accruals to cash adjustments	-12,946,005	-2,357,029	-2,136,551
Excess cash to be CFERd	-	-	-
Net Cash Requirement	1,429,522	1,496,478	1,460,900

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):-

	£'000					
	2005-06 Provision		2004-05 Provision		2003-04 Outturn	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income not classified as AinA	-	-	-	-	557	557
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	-	-	-	-	-	-
Total	-	-	-	-	557	557

Notes to the Main Estimate

Forecast Combined Revenue Account

	£'000		
	Provision 2005-06	Provision 2004-05	Outturn 2003-04
Net programme costs, Request for Resources 1			
Income			
Contributions received	1,324,224	1,252,388	1,225,290
Transfers in	5,638	4,175	4,356
Other income receivable	376	275	354
	<u>1,330,238</u>	<u>1,256,838</u>	<u>1,230,557</u>
Expenditure			
Increase in liability	1,660,476	1,256,563	1,345,803
Interest on scheme liability	4,057,544	3,786,422	3,356,516
Other expenditure	57,672	67,360	125,132
Change in discount rate	9,930,073	—	—
	<u>15,705,765</u>	<u>5,110,345</u>	<u>4,827,451</u>
Total net programme costs	<u>14,375,527</u>	<u>3,853,507</u>	<u>3,596,894</u>
Net Operating Cost	14,375,527	3,853,507	3,596,894
<i>of which:</i>			
Net Resource Outturn	14,375,527	3,853,507	3,597,451
<i>less</i>			
Prior period adjustments	—	—	—
<i>Plus</i>			
CFERs	—	—	-557
Non-voted	—	—	—
Resource Budget Outturn	4,387,782	3,795,579	3,597,451

Notes to the Main Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2005-06 Provision	2004-05 Provision	2003-04 Outturn
Net Resource Outturn (Estimates)	14,375,527	3,853,507	3,597,451
<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	—	—	-557
Other adjustments	—	—	—
Net Operating Cost (Accounts)	14,375,527	3,853,507	3,596,894
<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	-9,930,073	—	—
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	—	—	557
resource consumption of non departmental public bodies	—	—	—
unallocated resource provision	—	—	—
Other adjustments	-57,672	-57,928	—
Resource Budget Outturn (Budget)	4,387,782	3,795,579	3,597,451
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	—	—	—
Annually Managed Expenditure (AME)	4,387,782	3,795,579	3,597,451

Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2005-06 Provision	2004-05 Provision	2003-04 Outturn
Net Voted Capital Outturn (Estimates)	—	—	—
<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	—	—	—
Capital Budget Outturn (Budget)	—	—	—
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	—	—	—
Annually Managed Expenditure (AME)	—	—	—

Notes to the Main Estimate (*continued*)

Explanation of Accounting Officer responsibilities

In accordance with the Government Resources and Accounts Act 2000 the Treasury has made the following Accounting Officer appointment for the Request for Resources within this Estimate

Request for Resources 1: Sir Kevin Tebbit, Principal Accounting Officer and the Permanent Head of the Ministry of Defence

Sir Kevin Tebbit, as the Principal Accounting Officer (PAO) of the Ministry of Defence has personal responsibility for the proper presentation of the Armed Forces Retired Pay, Pensions etc. resource accounts as prescribed in legislation or by the Treasury and their transmission to the Comptroller and Auditor General. The PAO as the permanent head, in addition to the responsibilities for the assigned RfR, remains in general overall charge of the Ministry of Defence.

The responsibilities of an Accounting Officer are set out in Annex 4.1 of Government Accounting. In essence these responsibilities include a personal responsibility for the propriety and regularity of the public finances for which they are answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all available resources. In addition, the Accounting Officer must ensure that there is a sound system of internal control to support the achievement of the Armed Forces Retired Pay, Pensions etc. policies, aims and objectives; and should regularly review the effectiveness of that system.

Notes to the Main Estimate (*continued*)

Analysis of appropriations in aid (A in A)

	£'000					
	2005-06 provision		2004-05 provision		2003-04 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
RfR 1: Armed Forces retired pay, pensions etc						
Contributions receivable	1,324,224	—	1,252,388	—	1,225,290	—
Transfers In	5,638	—	4,175	—	4,356	—
Other Income	376	—	275	—	354	—
Total RfR 1	1,330,238*	—	1,256,838	—	1,230,000	—
<i>of which: Administration Budgets</i>	—	—	—	—	—	—

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

Analysis of Consolidated Fund Extra Receipts (CFERs)

	£'000					
	2005-06 provision		2004-05 provision		2003-04 outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Excess Appropriations in Aid Δ	—	—	—	—	557	557
Total	—	—	—	—	557	557

Notes to the Main Estimate (*continued*)

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

The total net resources sought for 2005-06 of £14,375,527,000 is 273.1 per cent higher than the final net provision and forecast outturn for 2004-05 of £3,853,507,000.

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

	2005-06 provision	2004-05 provision	2003-04 outturn
	1,330,238	1,256,838	1,230,000

