



Ministry of Defence



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There are two Background Quality Reports for this publication. The report on Departmental Resources can be found [here](#), and Research & Development can be found [here](#).

If you would like to be added to our contact list, so that we can inform you about updates to these statistics and consult you if we are thinking of making changes, you can subscribe to updates by emailing:
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There may be tables within this publication which are not badged as National Statistics. Please refer to the individual tables for details.

Statistical Bulletin Series 1 provides figures on the composition and scope of the Department's expenditure, information on the impact of defence spending on the wider economy, and compares the MOD's spending to that of other departments and other countries.

Statistical Bulletin 1.03 sets out Defence expenditure over time and by expenditure group, comparing it to other areas of government. There are tables presenting expenditure on equipment and Research & Development (R&D), MOD commitment to conflict prevention, value of non-current assets, external income earned by MOD, expenditure on external assistance and MOD input indicators. The data are consistent with that published in the MOD Annual Report and Accounts, and is produced as part of the transparency and accountability of the MOD to Parliament and the public.

Key Points and Trends

- In 2012/13, Defence Spending (Resource DEL plus Capital DEL minus Depreciation and Impairments) totalled £34.3 billion.
- In 2012/13 Defence was estimated to be the fourth highest area of Government expenditure (Resource DEL plus Capital DEL plus AME) behind Work and Pensions, Health and Education. This continues the position of recent years.
- In 2012/13 the main area of Resource expenditure was personnel (£11.9 billion) and the main area of Capital expenditure was Single Use Military Equipment (£4.8 billion), which largely consists of major weapons platforms under construction.
- Estimated MOD Equipment Expenditure for 2012/13 was £13.9 billion. Around £6.3 billion of this spend was on Capital Expenditure whilst £5.6 billion was on Equipment Support. The remaining £2.0 billion was on Research & Development (R&D) as reported in the Annual Report and Accounts.
- In 2011/12, MOD net expenditure on R&D activity, identified as being Frascati compliant, totalled just over £1.3 billion. Net expenditure on Research was £19 million (4%) higher than in 2010/11, despite the removal of the Met Office from the Department, but net Development was down £406 million (35%). Nearly 90% of this was spent on R&D activity undertaken outside the department (extramurally).
- As at 31 March 2013, the total net value of MOD Non-Current Assets was £120.4 billion. The largest category of assets was Single Use Military Equipment (£35.7 billion).
- In 2012/13 MOD earned just under £1.5 billion external income which is broadly in line with previous years.

Further Information

Defence Economics welcomes feedback on statistical products. If you have any comments or questions about this Statistical Bulletin or about our statistics in general, you can contact us at:

- Phone: Defence Economics (Defence Expenditure Analysis) 030 679 34531.
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If you require information which is not available within this or other available publications, you can submit a Request for Information under the Freedom of Information Act 2000 to the Ministry of Defence via the following link:

<http://www.mod.uk/DefenceInternet/ContactUs/FreedomOfInformationInformationRequest.htm>

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A National Statistics Publication

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- Meet identified user needs;
- Are well explained and readily accessible;
- Are produced according to sound methods; and
- Are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice continue to be observed.

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Tables marked as **NS** are National Statistics. Those tables without are either Official Statistics (OS) which have not been badged as National Statistics or are financial information provided for additional context. Details are provided above individual tables.

Symbols and Conventions

Symbols

}	categories merged for some years
	discontinuity in time series
~	fewer than five
*	not applicable
..	not available
p	Provisional
r	Revised
rp	revised but still provisional
e	Estimate
–	Zero or rounded to zero

Italic figures are used for percentages and other rates, except where otherwise indicated.

Rounding

Where rounding has been used, totals and sub-totals have been rounded separately, so may not equal the sums of their rounded parts.

Revisions

There are no regular planned revisions of Bulletin 1.03, although amendments to figures for earlier years may be identified during the annual compilation of Bulletin 1.03. This will be addressed in one of two ways:

- i. Where the number of figures updated in a table is small, figures will be revised and identified with the symbol "r". An explanation for the revision will be given in the footnotes to the table.
- ii. Where the number of figures updated in a table is substantial the revisions to the table, together with the reason for the revisions, will be identified in the commentary at the beginning of the relevant chapter / section, and in the commentary above affected tables. Revisions will not be identified by the symbol "r" since where there are a large number of revisions in a table this could make them more difficult to read.

Occasionally updated figures will be provided to the editor during the course of the year. Since UKDS is now published electronically it is possible to revise figures during the course of the year. However to ensure continuity and consistency, figures will only be adjusted during the year where it is likely to substantially affect interpretation and use of the figures.

Abbreviations

See Glossary.

Introduction

This Bulletin sets out Defence expenditure over time and includes breakdowns by expenditure group. Defence spending is compared to other areas of government. There are also tables presenting expenditure on equipment and Research & Development (R&D), MOD commitment to conflict prevention, the value of non-current assets, external income earned by MOD, expenditure on external assistance and MOD input indicators. The data is consistent with that published in the MOD Annual Report and Accounts, and is produced as part of the transparency and accountability of the Ministry of Defence to Parliament and the public.

IMPORTANT NOTE: Please refer to the [Resource Accounting & Budgeting section of UKDS 2012](#) to view information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLoS) Alignment project and recent accounting changes in 2011/12, which have led to presentational changes to the reporting of MOD accounts. These and other changes to the Government accounting framework will mean that the presentational challenges currently faced with reporting defence expenditure are likely to continue for the foreseeable future.

There have been no significant changes to the way that the 2012/13 accounts have been produced.

Section Contents

Table 1.03.01 presents changes in defence expenditure over time.

Table 1.03.02 examines expenditure on defence within the wider public expenditure framework.

Table 1.03.03 gives a breakdown of defence expenditure by Commodity Block from 2011/12.

Table 1.03.04 presents estimates of MOD equipment expenditure broken out by the main categories of expenditure.

Table 1.03.05 details the MOD's annual expenditure on R&D. This is broken down into intramural (within the department) and extramural (outside of the department) expenditure.

Table 1.03.06 presents the net additional costs incurred by the MOD in respect of operations and peacekeeping exercises during the past three financial years with **Table 1.03.06a** showing a time series of expenditure in Afghanistan and the Wider Gulf.

Table 1.03.07 details the net book value of MOD Non-Current Assets for the last four years.

Table 1.03.08 provides a breakdown of the revenue earned by MOD.

Table 1.03.09 details MOD expenditure on external assistance by category.

Table 1.03.10 shows information relating to MOD finance related input indicators.

At the May 2012 and 2013 Defence Statistics Internal and External customer consultation meetings, Defence Economics advised users that, following advice from the data owners, tables showing expenditure by Top Level Budget (TLB) would no longer be published in Chapter 1 of UK Defence Statistics and in the new Finance Bulletin 1.03. The rationale behind this was that a) Following the Clear Line of Sight (CLoS) initiative, the Department should aim to provide clearer and more transparent information to the reader, b) The TLB split was pretty meaningless – for example nearly all the outturn was allocated to DE&S so you could not really get a true

front line cost, and c) It should more closely align with the accounts outturn, which shows what MOD spends its money on, rather than who spends it.

Since these meetings Defence Economics has been investigating the user requirement for this information. If users wish Defence Economics to pursue this further with the data owners it would be useful if they could e-mail Defence Economics at: DefStrat-Econ-ESES-DEA-OutputMgr@mod.uk, setting out their requirement for this information and how they would use the data.

Data Quality

Background Quality Reports containing further information about the quality of methods and underlying data, along with the uses and limitations of these statistics, can be found at the following:

[Background Quality Report – Departmental Resources](#)
[Background Quality Report – Research and Development](#)

Context

The information in this chapter has a wide range of users including the media, politicians, academic researchers and the general public who use the information to:

- Understand the size and organisation of the United Kingdom's Armed Forces;
- Set the context for other information on Defence;
- Assist in understanding the impact of changes in Defence policy.

Further information on the strategic context for the statistics in this chapter can be found in documents relating to the [Strategic Defence and Security Review \(SDSR\)](#).

Table 1.03.01

Defence Expenditure Outturn¹

This table shows the changes in Defence expenditure over time following the introduction of Stage 2 [Resource Accounting & Budgeting \(RAB\)](#). Under Stage 1 RAB, introduced in 2001/02, non-cash costs such as Depreciation and Cost of Capital charge were held under AME, and did not form part of the Resource Departmental Expenditure Limit (DEL). This changed under Stage 2 RAB when non-cash costs moved to the Resource DEL. In order to give a single measure of spending on public services under full resource budgeting, the Defence Spending line is presented as the sum of the resource and capital budgets, net of Depreciation and Impairments, and from 2009/10 Fixed Assets Written On/Off have also been excluded. This reflects the resources required plus the net investment in them, but avoids double counting the writing down of the existing capital stock and the cash outlay on new assets.

The Net Cash Requirement (NCR) is the actual money that MOD requests from the Government in order to fund its activities. The NCR takes account of movements in working capital levels (debtors, creditors, stock) whilst excluding all non-cash costs.

The data are derived directly from the [MOD Departmental Resource Accounts](#).

Please refer to the [Resource Accounting & Budgeting section of UKDS 2012](#) to view important information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLoS) Alignment project and recent (and planned) accounting changes resulting from the publication of the 2010 Strategic Defence & Security Review (SDSR) which led to significant presentational changes in the reporting of the 2010/11 accounts.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Departmental Resources Statistics](#).

This table includes expenditure on Conflict Prevention.

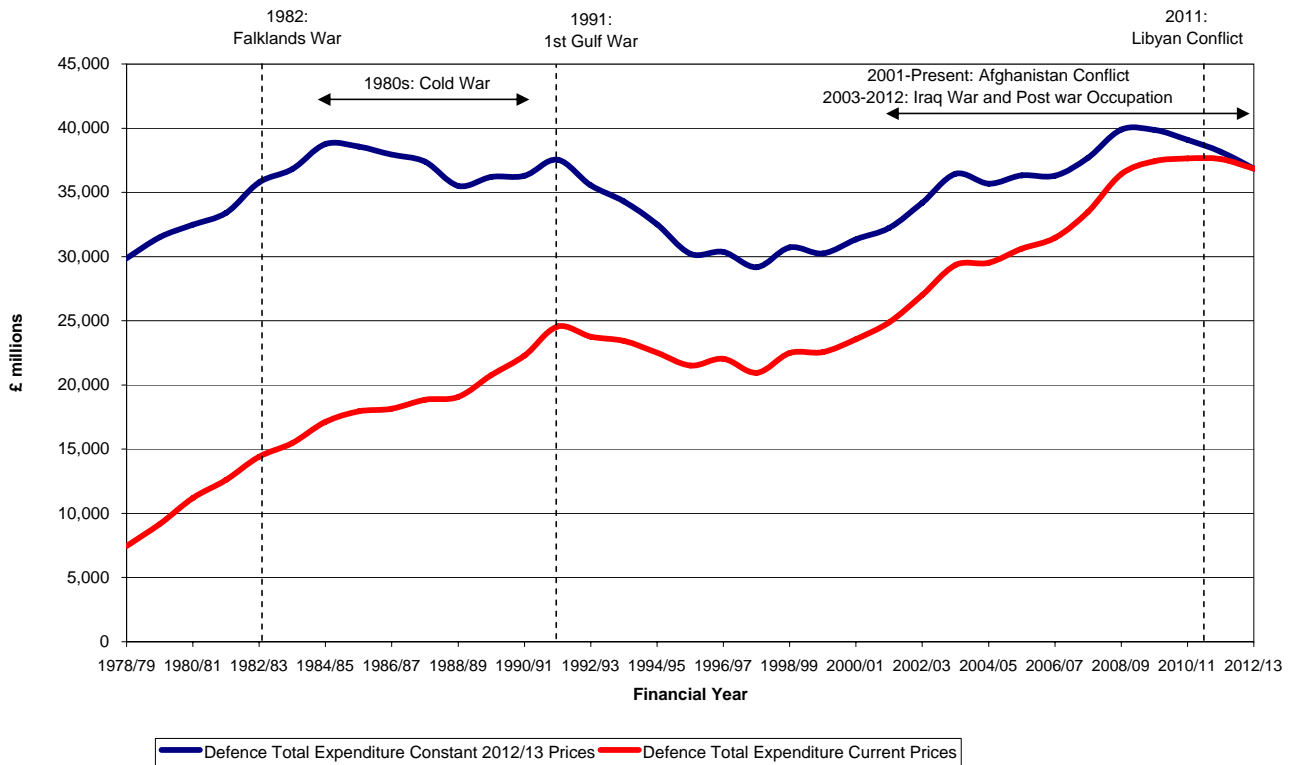
	Cash ----->	RAB Stage 2 ----->					Clear Line of Sight ----->		
		Inclusive of non-recoverable VAT at Current Prices (£ million)							
	2000/01	Outturn 2005/06	Outturn 2006/07	Outturn 2007/08	Outturn 2008/09	Outturn 2009/10	Outturn 2010/11	Outturn 2011/12	Outturn 2012/13
Defence Spending²	* II	33 164	34 045	37 387	38 579 II	40 246 II	39 461 II	37 169	34 260
Departmental Expenditure Limits	23 552 II	39 751	40 654	43 634	45 473 II	47 647 II	48 463 II	46 994	43 718
Resource DEL³	.. II	32 911	33 457	35 689	36 715 II	38 572 II	39 084 II	37 980	35 874
of which:									
Depreciation/Impairments/Fixed Assets Written On/Off ⁴	* II	6 587	6 609	6 247	6 894 II	7 401 II	9 002 II	9 825	9 458
Cost of Capital Charge ⁵	* II	3 106	3 242	3 371	3 626 II	3 828 II	* II	*	*
Capital DEL⁶	.. II	6 840	7 197	7 945	8 758 II	9 075 II	9 379 II	9 014	7 843
Annually Managed Expenditure^{7,8,9,10}	.. II	890	582	510	214 II	2 417 II	7 881 II	967 †	1 867
Cash	23 552 II	*	*	*	* II	* II	* II	*	*
Net Cash Requirement	.. II	30 603	31 454	33 486	36 431 II	37 425 II	37 645 II	37 608	36 838
Defence Spending² at Constant 2012/13 Prices¹¹	* II	39 363	39 280	42 078	42 236 II	42 876 II	40 971 II	37 729	34 260

Source: Defence Economics (Defence Expenditure Analysis) and Defence Resources

- The table includes both programme and operational expenditure on conflict prevention.
- Also referred to as Total DEL, Defence Spending in 2003/04 to 2008/09 is the sum of the Resource DEL plus Capital DEL minus Depreciation and Impairments and from 2009/10 Fixed Assets Written On/Off have also been removed from the Total DEL figure. From 2011/12 the depreciation/impairments figure now includes stock written off. This is consistent with HM Treasury guidance.
- Resource DEL includes operating cost items such as pay, equipment support costs, fuel and administrative expenditure, as well as non-cash items such as Depreciation and the Cost of Capital charge on the Department's net assets, plus stock and fixed asset write offs.
- Under HM Treasury guidance, from 2009/10 elements of Impairments are now scored under Annually Managed Expenditure (AME). Impairments are defined as an unexpected or sudden decline in the service utility of a capital asset, such as a factory, property or vehicle. This could be the result of physical damage to the asset, obsolescence due to technological innovation, or changes to the legal code. Impairments can be written off. By their nature, Impairments are market driven and cannot be controlled hence why they are scored in AME. The increase in RDEL Depreciation in 2009/10 is due to the write off of a number of MOD fixed assets.
- More information on the removal of Cost of Capital from the 2010/11 Resource DEL figures can be found in the [Resource Accounting & Budgeting section of UKDS 2012](#).
- Capital DEL includes expenditure on the purchase of fixed assets e.g. ships, tanks, planes, buildings, etc.
- Annually Managed Expenditure includes only demand led items such as war pensions.
- The large increase in AME in 2009/10 is mainly due to the movement of Impairments from Resource DEL to Annually Managed Expenditure following guidance issued by HM Treasury.
- Further details of the large increase in AME in 2010/11 can be found in the [Resource Accounting & Budgeting section of UKDS 2012](#).
- The 2011/12 AME figures have been revised following the removal from the total of Capital AME, which is a balance sheet movement which is not voted or included in the outturn.
- Conversion to constant 2012/13 prices uses the latest available forecast GDP deflator series produced by [HM Treasury](#) dated 27 June 2013.

Chart to Table 1.03.01

UK Defence Expenditure: 1978/79 to 2012/13^{1,2,3}



1. Figures presented in the chart are Cash Figures until 2000/01. From 2001/02 onwards the Net Cash Requirement has been used.
2. Conversion to constant 2012/13 prices uses the latest available forecast GDP deflator series published by [HM Treasury](#) dated 27 June 2013.
3. All historical data are sourced from Table 1.1 of UK Defence Statistics or, since 2012/13, from [Table 1.03.01 of Finance Bulletin 1.03](#).

Table 1.03.02

Public Expenditure by Departmental Grouping

This table (taken from Table 1.3 and Table 1.8 of [Public Spending Statistics: July 2013](#) produced by HMT) examines the expenditure on defence within the wider public expenditure framework. It presents Departmental Expenditure Limits (Resource and Capital) and Annually Managed Expenditure (AME) by departmental groupings.

It is not possible to show figures for all individual departments separately, so departments are grouped consistent with the presentation in Budget 2013, Spending Review 2010 and Spending Round 2013 documents. This is different from last year when departments were grouped broadly on the basis of ministerial responsibilities. A detailed list of groupings for the current presentation (Spending Review groups) and last year's presentation (PESA groups) can be found in [PESA 2013 Annex B \(Cm8663\)](#).

Annually Managed Expenditure (AME) relates to expenditure outside the Departmental Expenditure Limits (DEL) but included in Departmental Budgets. This is typically demand led items such as social security benefits, certain pension allowances and tax credits for individuals.

Departmental Expenditure Limits (DELs) are firm multi-year plans for a specific part of a department's expenditure. DEL covers all administration costs and programme expenditure except where:

- some programme spending cannot reasonably be subject to close control over a multi-year period; or
- spending relates to non-cash costs other than depreciation and impairments.

Departmental spending not in DEL is included in departmental AME. Both resource and capital budgets are divided into DEL and departmental AME.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Departmental Resources Statistics](#).

	Outturn 2008/09 ¹	Outturn 2009/10 ¹	Outturn 2010/11 ¹	Outturn 2011/12 ¹	Current Prices (£ billion) Outturn 2012/13
Total Resource DEL	317.4^r	337.7^r	350.7^r	345.6^r	342.7
<i>Of which:</i>					
Education	46.7 ^r	49.4 ^r	50.6 ^r	50.3 ^r	50.9
NHS (Health)	87.6 ^r	94.4 ^r	97.5 ^r	100.3 ^r	102.5
CLG Local Government	29.5 ^r	30.8 ^r	28.7 ^r	29.8 ^r	27.6
Home Office	9.2 ^r	9.5	12.8 ^r	12.1 ^r	11.4
Defence	32.7	34.9	39.0	38.0 ^r	35.9
Work and Pensions	7.8 ^r	8.8	8.8	7.5	7.4

	Outturn 2008/09 ¹	Outturn 2009/10 ¹	Outturn 2010/11 ¹	Provisional Outturn 2011/12 ¹	Current Prices (£ billion) Outturn 2012/13
Total Capital DEL	48.5	57.0	49.7^r	42.3^r	39.3
<i>Of which:</i>					
Education	5.5	7.4	7.0 ^r	5.0 ^r	4.4
NHS (Health)	4.4	5.2	4.2	3.8	3.8
CLG Local Government	0.1	0.3	-0.1	-	-
Home Office	0.8	1.0	0.7	0.5	0.4
Defence	8.9	9.1	9.3	9.0	7.8
Work and Pensions	0.1	0.3	0.3	0.3	0.4

	Outturn 2008/09 ^{1,3}	Outturn 2009/10 ¹	Outturn 2010/11 ^{1,4}	Provisional Outturn 2011/12 ¹	Current Prices (£ billion) Outturn 2012/13
Departmental Expenditure Limits (RDEL + CDEL)²	365.9^r	394.7^r	400.3^r	388.0^r	382.0

	Outturn 2008/09 ^{1,3}	Outturn 2009/10 ¹	Outturn 2010/11 ^{1,4}	Provisional Outturn 2011/12 ¹	Current Prices (£ billion) Outturn 2012/13
Total Departmental AME	356.8^r	260.3^r	166.6^r	249.0^r	259.5
<i>Of which:</i>					
Education	10.6 ^r	10.4	-10.5	11.8 ^r	11.6
NHS (Health)	15.0	16.2	-11.0 ^r	19.6	18.8
CLG Local Government	0.7	0.3	1.1	0.7	0.1
Home Office	0.7	0.7	0.9	1.1	1.3
Defence ⁵	6.2	7.9	-0.9	8.0 ^r	7.3
<i>Of which: Defence (Excluding AFPS)⁶</i>	0.2	2.4	7.9	1.0	1.9
Work and Pensions	131.4 ^r	142.1 ^r	146.7 ^r	154.5 ^r	160.8

	Outturn 2008/09 ¹	Outturn 2009/10 ¹	Outturn 2010/11 ¹	Provisional Outturn 2011/12 ¹	Current Prices (£ billion) Outturn 2012/13
Total departmental spending (RDEL + CDEL + AME)¹	722.7^r	655.0	566.9^r	636.9^r	641.6

Source: HMT Public Spending Statistics: July 2013 (Table 1.3 and Table 1.8)

- For 2008/09 and 2009/10 the revisions to Resource DEL and Departmental AME are mainly due to the Department of Business, Innovation and Skills revising non-cash outturn data in respect of student loans. Figures for all years reflect a switch from AME to Resource DEL in respect of the transfer of Council Tax Benefits from Work and Pensions to CLG Local Government, the Scottish Government and the Welsh Assembly Government. For 2011/12 data has been revised as final outturn replaces provisional estimates. In respect of Departmental AME, for 2010/11 the data includes outturn data from the Northern Ireland Executive to reflect the scoring of provisions for public service pensions.
- The figures here are different from Total DEL in [Public Spending Statistics: July 2013](#), which presents Total DEL as RDEL plus CDEL less depreciation.
- For more information relating to the increase in Government AME in 2008/09 please refer to the main findings in the [Departmental Resources section of UKDS 2009](#).
- In the June 2010 Budget Statement it was announced that the Government would use the CPI rather than the RPI for the indexation of public service pensions. This change has been recognised as a negative past service cost in 2010/11 in accordance with IAS 19, explaining the negative numbers appearing in the 2010/11 AME figures.
- In years prior to UKDS 2011 the figures for Defence's departmental AME were adjusted to remove contributions to the Armed Forces Pensions Scheme (AFPS). This table now aligns with the presentation in Public Spending Statistics 2013 and includes the AFPS.
- The figures for Defence (excluding AFPS) align with data displayed in [Tables 1.03.01 and 1.03.03](#) and exclude contributions to the Armed Forces Pensions Scheme.

Table 1.03.03

Defence Expenditure by Commodity Block

This table shows a breakdown of Resource and Capital DEL, and AME by Commodity Block. Under Clear Line of Sight (CLoS), the main MOD expenditure categories are now presented as Commodity Blocks. This provides a more meaningful description of the Department's planned and actual spend, which enables a clearer understanding of the MOD's plans and expenditure over the Spending Review period. For more detail on the move to Commodity Blocks please click [here](#).

Please refer to the [Resource Accounting & Budgeting section of UKDS 2012](#) to view important information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLoS) Alignment project and recent accounting changes for 2011/12, which have led to presentational changes to the reporting of MOD accounts.

Prior to 2011/12, when Commodity Block reporting was first introduced, information contained in this table was reported in Table 1.3a of UK Defence Statistics 2012. A link to the last published table can be found [here](#). A summary of expenditure, by commodity block, for the years prior to 2011/12 can be found on pages 52 and 53 of the [MOD Departmental Resource Accounts](#).

The data are derived directly from the [MOD Departmental Resource Accounts](#).

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use, can be found in the [Background Quality Report - Departmental Resources Statistics](#)

Inclusive of non-recoverable VAT at Current Prices (£ million)

	Outturn 2011/12	Outturn 2012/13
Defence Spending	37 169	34 260
Departmental Expenditure Limits (DEL)	46 994	43 718
Cash Resource DEL	37 980	35 874
Personnel Costs	12 846	11 921
of which: Service Personnel Costs ¹	10 101	9 598
Civilian Personnel Costs ²	2 745	2 323
Infrastructure Costs ³	4 580	4 594
Inventory Consumption ⁴	2 535	2 312
Equipment Support Costs ⁵	6 256	5 588
Other Costs & Services ⁶	1 850	1 923
Receipts & Other Income ⁷	-1 327	-1 277
Depreciation & Impairment ⁸	9 825	9 458
Cash Release of Provisions ⁹	348	239
Research & Development Costs ¹⁰	833	944
Conflict Pool	46	44
Arm's Length Bodies ¹¹	187	127
Capital DEL¹²	9 014	7 843
Single Use Military Equipment ¹³	5 284	4 768
Other (Fiscal) ¹⁴	3 883	3 141
Asset/Estate Disposal Costs	- 150	- 64
New Loans and Loan Repayments	- 5	- 6
Arm's Length Bodies	2	3
Annually Managed Expenditure (AME)¹⁵	967	1 867
Depreciation & Impairment	510	1 062
Provisions	- 460	318
Cash Release of Provisions	- 345	- 239
Movement on Fair Value of Financial Instruments	347	- 183
War Pensions Benefits	916	908

Source: Defence Economics (Defence Expenditure Analysis) and Defence Resources

- Military and other ranks pay and other allowances; SCAPE; Employer's National Insurance Contributions (ERNIC).
- Civilian pay and other allowances; pension contributions; Employer's National Insurance Contributions (ERNIC).
- Property management; service charges; IT & communications costs; utilities costs.
- Munitions; stores; fuel (marine & aviation); clothing; other materials consumed e.g. stationary, sundries, general stores, etc.
- Equipment support costs, including leases & hire charges for plant, machinery and transport.
- Travel & subsistence; professional services & fees; training.
- Receipts from various sources; costs recoveries; dividends; interest.
- Depreciation & impairments on Non-Current Assets (Property, SUME, dual purpose).
- Nuclear and non nuclear provisions e.g. staff redundancies, legal costs, environmental, etc.
- Research and Development expenditure is incurred mainly for the future benefit of the Department. Such expenditure is primarily incurred on the development of new Single Use Military Equipment (SUME), and on the improvement of the effectiveness and capability of existing SUME.
- Army Benevolent Fund; Council of Reserve Forces and Cadet Associations; Royal Hospital Chelsea; National Army Museum; RAF Museum; National Museum of the Royal Navy; Commonwealth War Graves Commission.
- Expenditure on the acquisition of Non-Current Assets.
- Single Use Military Equipment (SUME) are assets which only have a military use, such as tanks and fighter aircraft. Dual use items (those that also have a civilian use) are recorded under the Other category.
- Expenditure on Property, Plant and dual use military equipment that could be used by civilian organisations for the production of goods and services.
- The 2011/12 AME figures have been revised following the removal from the total of Capital AME, which is a balance sheet movement which is not voted or included in the outturn.

Table 1.03.04

Estimated MOD Equipment Expenditure¹

This table presents estimates of MOD equipment expenditure broken out by the main categories of expenditure. Aggregate MOD equipment expenditure here has been used to indicate expenditure on acquisition, maintenance, repair and update of items such as plant, machinery, vehicles and fighting equipment plus associated Research and Development, and expenditure on administrative computers. It is therefore a wider definition to that used by the MOD Equipment and Equipment Support Plans, and covers both military and non-military equipment (including dual use equipment) used by MOD service and civilian personnel. From 2011/12 the introduction of Commodity Blocks in the MOD Accounts has meant that the Equipment Support Costs Commodity category has been extended to include Operating Leases and Equipment Support PFI's that had previously been reported separately. The data are derived directly from the [MOD Departmental Resource Accounts](#).

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Departmental Resources Statistics](#).

This table is outside the scope of National Statistics because it is still under review to ensure it meets all of the high professional quality assurance standards set out in the Code of Practice for Official Statistics.

	Inclusive of non-recoverable VAT at Current Prices (£ million)						
	2006/07	2007/08	2008/09	2009/10 ²	2010/11 ²	2011/12 ^{2,3}	2012/13 ²
Estimated MOD Equipment Expenditure	11 672	12 380	13 386	13 174	13 994	15 368 [†]	13 918
Capital Expenditure on Equipment ^{4,5}	5 146	5 401	6 669	6 469	6 815	6 777 [†]	6 332
Equipment Support ^{6,7}	3 793	4 272	4 292	4 212	4 689	6 256	5 588
Research & Development ^{8,9}	2 732	2 707	2 426	2 493	2 490	2 334	1 998
<i>Of which:</i>							
Frascati Defined R&D ^{9,10,11}	2 124	2 139	1 991	1 752	1 693	1 306	..
Other R&D ^{11,12}	608	568	435	741	797	1 028	..

Source: MOD Annual Report and Accounts

- These estimates are not directly comparable to the old cash equipment procurement time series last published in 2000/01 (UKDS 2002) due to the exclusion of in year stock purchases. It is not possible to identify that element of stock purchases which wholly relates to MOD equipment.
- Please refer to the [Resource Accounting & Budgeting section of UKDS 2012](#) to view important information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLOS) Alignment project and recent accounting changes resulting from the publication of the Strategic Defence & Security Review (SDSR) 2010, which have led to significant presentational changes in the reporting of the accounts since 2010/11.
- The revision follows the correction of an error in the calculation of the 2011/12 Capital Expenditure on Equipment value and is not considered to be significant at less than 1% of the total equipment spend in the year.
- Capital Expenditure on Equipment includes those Assets Under Construction (AUC) relating to Single Use Military Equipment (SUME) only, plus in year purchases on IT and communications equipment, vehicles, SUME and plant and machinery. AUC SUME largely consist of major weapons platforms under construction in the Defence Equipment & Support (DE&S) Organisation (formerly the Defence Procurement Agency and Defence Logistics Organisation), and excludes that element of buildings under construction and land which would fall outside the wider definition of MOD equipment procurement detailed in the commentary above.
- During 2007/08, the augmentation of the MOD Chart of Accounts has enabled more detailed reporting of the 'AUC-Other' classification by category type by the DE&S Organisation. This has improved the coverage of equipment expenditure reported in the table from 2007/08 by providing a more distinct separation of equipment (particularly dual use) from non-equipment expenditure e.g. construction, land and buildings, and other administrative costs.
- Internal and contracted out costs for equipment repair and maintenance.
- From 2011/12 RDEL categories have been consolidated into new Commodity Blocks headings. The new 'Equipment Support costs' Commodity Block now includes Operating Leases and Equipment Support PFI charges that were previously reported separately.
- The data are derived from information held on MOD accounting systems relating to net expenditure on Additions to Intangible Assets and Research & Expensed Development. Development activity associated with acquiring assets is the most significant part of this expenditure. These figures do not fully align with those in Table 1.03.05 which present MOD R&D expenditure on a different basis using OECD Frascati definitions (see Defence Statistics Bulletin No. 6 & No. 9). The figures in this category are taken from the MOD Annual Report and Accounts and will include some items of R&D which fall outside these definitions, but nonetheless broadly relate to the wider definition of MOD R&D expenditure as described in the commentary above. In order to show a comparison of the two sets of figures, we have shown separately, for the first time, the Frascati defined net R&D figures from Table 1.03.05 and those items of R&D that are reported as Additions to Intangible Assets in the MOD Accounts, but which are not Frascati compliant.
- In 2011 the Meteorological Office became a Trading Fund within the Department for Business, Innovation and Skills (BIS). As a consequence of this move, from 2011/12, the amounts paid to the Meteorological Office for R&D are not included in the calculation of net R&D expenditure.
- Please see Table 1.03.05 for details of how these figures have been compiled.
- No Frascati defined net R&D figures or Other R&D figures for 2012/13 are currently available. The survey to collect this data is being undertaken during Autumn 2013 and will be published in the September 2014 Bulletin 1.03.
- This type of activity can include updates and alterations to existing equipment, testing/analysis of equipment/products for purposes of quality or quantity control, correcting faults found in the pre-production stage and trial production.

Chart to Table 1.03.04

Estimated MOD Equipment Expenditure

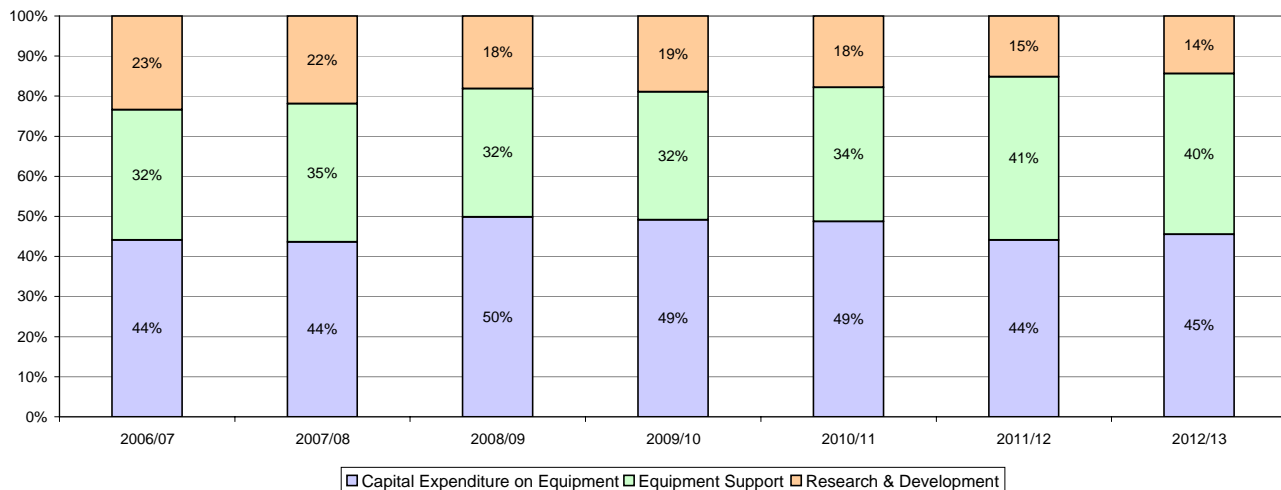


Table 1.03.05

MOD Research & Development Expenditure Outturn

This table details the MOD annual expenditure on Research and Development (R&D) activity. Expenditure is broken down into intramural (i.e. R&D activity undertaken within the Department) and extramural (i.e. R&D activity undertaken outside the Department). Statistics on R&D expenditure provide an important guide to the levels of investment in the economy, provide a key indicator of future growth and competitiveness, and allow for international comparisons to be undertaken. MOD accounts for around 40% of the UK Government's spending on R&D.

The data included in this table are derived from an annual survey of MOD R&D expenditure conducted by Defence Economics and information from MOD accounting systems. Defence Economics seek to classify R&D activity within the Organisation for Economic Co-operation & Development's (OECD) Frascati Guidelines, which align to National Accounts definitions.

An explanation of the break in series before 2004/05 can be found in [Defence Statistics Bulletin No.6](#).

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use, can be found in the [Background Quality Report - Research and Development Statistics](#).

Research & Development ^{1,2}	2000/01	Inclusive of non-recoverable VAT at Current Prices (£ million)						
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12 ³
Total Gross Expenditure on R&D	2 321	2 318	2 212	2 220	2 074	1 839	1 782	1 348
<i>Of which:</i>								
Intramural	932	365	361	279	262	288	226	158
Extramural	1 389	1 953	1 851	1 941	1 812	1 551	1 556	1 190
Receipts⁴	81	75	88	81	83	87	89	42
<i>Of which used:</i>								
Intramurally	45	74	81	74	75	80	72	27
Extramurally	36	1	7	7	8	7	16	15
Total Net Expenditure on R&D	2 240	2 243	2 124	2 139	1 991	1 752	1 693	1 306

Research	2000/01	Inclusive of non-recoverable VAT at Current Prices (£ million)						
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Total Gross Expenditure on Research	612	626	664	672	622	614	575	553
<i>Of which:</i>								
Intramural	400	171	179	197	186	204	163	106
Extramural	212	455	485	474	436	410	412	447
Receipts⁴	45	28	32	37	37	39	41	-
<i>Of which used:</i>								
Intramurally	45	27	31	37	36	38	40	-
Extramurally	-	1	1	1	1	1	1	-
Total Net Expenditure on Research	566	598	632	635	584	575	534	553

Development	2000/01	Inclusive of non-recoverable VAT at Current Prices (£ million)						
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Total Gross Expenditure on Development	1 709	1 693	1 548	1 549	1 452	1 225	1 207	795
<i>Of which:</i>								
Intramural	532	194	182	82	76	83	63	52
Extramural	1 177	1 499	1 366	1 467	1 376	1 142	1 143	743
Receipts⁴	36	47	56	44	46	49	48	42
<i>Of which used:</i>								
Intramurally	-	47	49	37	39	42	32	27
Extramurally	36	-	7	6	7	7	15	15
Total Net Expenditure on Development	1 673	1 645	1 492	1 505	1 406	1 177	1 159	753

Source: Defence Economics (Defence Expenditure Analysis)

- Since 2000/01 the Departmental Resource Accounts (DRAC) follow Statement of Standard Accounting Practice 13, "Accounting for Research and Development". The figures are calculated on a resource basis, and are consistent with the aggregate of Research & Expensed Development plus Additions to Intangible Assets. Following the 2009 quality review, figures from 2009 onwards continue to be consistent with the aggregate of Research & Expensed Development but comprise only that element of Additions to Intangible Assets (taken to represent capitalised development) which has been assessed as Frascati compliant. This table therefore comprises elements from both the Operating Cost Statement and the Balance Sheet in the MOD accounts. In [Table 1.03.04](#) we display the numbers from this table separately alongside numbers for the remainder of the aggregate of Research & Expensed Development that is considered to be non-Frascati compliant.
- On 1 July 2001 DERA was split into two organisations: the Defence Science & Technology Laboratory (Dstl) (about a quarter of DERA) stayed a Trading Fund within MOD, and QinetiQ, the remainder, became a private (extramural) company.
- In 2011 the Meteorological Office became a Trading Fund within the Department for Business, Innovation and Skills (BIS). As a consequence of this move, from 2011/12, the amounts paid to the Meteorological Office for R&D are not included in MOD receipt numbers.
- Receipts are monies received by MOD and its Trading Funds for expenditure on R&D, for example from other government departments and private industry. This money is not necessarily spent on defence-related R&D.

Table 1.03.06

MOD Operations and Peacekeeping Costs

This table shows a breakdown of the actual net operating and capital costs for MOD operations in the Wider Gulf, Afghanistan, Libya and Mali, as well as the Conflict Pool. These costs cover the net additional costs (both direct and indirect) incurred by the Department as a result of major military operations: that is, those costs over and above those that the Department would have incurred had the operation not been undertaken. For example, expenditure on wages and salaries, or savings from cancelled training exercises, are deducted from the total cost of the operation.

Table 1.03.06a shows the annual audited costs of operations in Afghanistan and the Wider Gulf since 2003/04.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use, can be found in the [Background Quality Report - Departmental Resources Statistics](#).

	Inclusive of non-recoverable VAT at Current Prices (£ million)											
	Wider Gulf ¹			Afghanistan			Libya ²		Mali ³	Conflict Pool ⁴		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Total Cost by Operation	127	37	57	3 777	3 458	2 673	21	213	17	60	46	44
Total Resource	64	35	26	2 720	2 705	2 190	21	188	17	59	46	44
<i>of which:</i>												
Total Cash Resource:												
Service Manpower	7	5	2	192	269	195	-	4	-	17	17	18
Civilian Manpower	1	-	5	28	25	17	-	1	-	1	1	1
Infrastructure costs	10	8	4	336	192	159	-	14	2	9	2	1
Equipment support	21	14	11	605	585	411	1	30	12	1	-	-
Other costs and services	10	4	8	503	475	370	1	13	1	32	25	25
Receipts and Other Income ⁵	-1	-	-	-24	-38	-26	-	-4	-2	-1	1	-
Inventory/Other Consumption	4	3	-5	784	758	563	2	34	5	-	-	-
Cash Release of Provision	7	-	-	4	3	2	-	-	-	-	-	-
Total Non Cash Resource:												
Depreciation, amortisation (including UOR ⁶) and fixed asset write-off	1	-	-	260	442	492	17	97	-	-	-	-
Other Costs ⁷	4	-	-	32	-6	8	-	-	-	-	-	-
Total Capital Costs	28	2	32	1 054	750	474	-	25	-	1	-	-
Total Annually Managed Expenditure⁸	35	-	-	3	4	9	-	-	-	-	-	-

Source: Defence Economics (Defence Expenditure Analysis) and Defence Resources

- From 2011/12, expenditure is reported as Wider Gulf, but in years prior to that date this was reported under Iraq.
- Operations in Libya began in March 2011 and ended in October 2011. In 2012/13 expenditure on weapons recuperation from Libya is included in the Wider Gulf outturn.
- Between January and March 2013, the UK provided support to French and African military forces in Mali.
- Since 2009/10 the Conflict Pool has consisted of the Balkans, Stabilisation Aid Fund and the Programme Pool.
- Negative figures on the income line represent income generated on operations e.g. support to other nations in respect of catering and medical services.
- UOR refers to Urgent Operational Requirements.
- Includes stock write off / (write on), net foreign currency surplus/deficit and inventory provisions / write offs.
- The Annually Managed Expenditure (AME) provision reflects the creation of a provision against future liabilities. This has previously been included in the non cash resource section.

Table 1.03.06a

Annual Audited Cost of Operations in Afghanistan and the Wider Gulf^{1,2}

	Inclusive of non-recoverable VAT at Current Prices (£ million)									
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
TOTAL¹	1 357	977	1 157	1 694	2 961	4 004	4 163	3 904	3 495	2 731
Operations in Wider Gulf ²	1 311	910	958	956	1 457	1 381	342	127	37	57
Operations in Afghanistan	46	67	199	738	1 504	2 623	3 821	3 777	3 458	2 673

Source: Defence Economics (Defence Expenditure Analysis) and Defence Resources

- The total figure in this table is for the two identified operations. It is not the total MOD spend on operations, which would include expenditure in the Balkans, Kosovo, Mali, Libya and on the Conflict Pool, details of which are not shown in this table.
- From 2011/12, expenditure is reported as Wider Gulf but in years prior to that date this was reported under Iraq.

Table 1.03.07

MOD Non-Current Assets: 2009/10 - 2012/13¹

This table gives a detailed breakdown of the **net book value** of the MOD's Non-Current Assets by category for the financial years 2009/10 - 2012/13. Non-Current Assets were formerly known as "Fixed Assets" in the Accounts. The MOD is one of the largest owners of Non-Current Assets in the United Kingdom. The stewardship and efficient management of the Department's assets are the responsibility of Top Level Budget (TLB) Holders. MOD Non-Current Assets are formally revalued on a five-yearly basis, but are uplifted annually using indexation.

The values presented in the table are at 31 March of the relevant financial year. The valuation method complies with financial reporting standards with values being on an existing use basis and not market value at disposal. Overseas estates for which the Crown holds no legal title, but which are used for garrison and training purposes by British Forces, are included in the MOD Non-Current Assets Register. UK bases occupied by visiting forces are also included.

The data are derived directly from the [MOD Departmental Resource Accounts](#).

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use, can be found in the [Background Quality Report - Departmental Resources Statistics](#).

	Current Prices (£ million)			
	31-Mar-10	31-Mar-11	31-Mar-12	31-Mar-13
Total Non-Current Assets	122 663^f	117 783^f	121 815^f	120 437
Tangible Non-Current Assets	92 387	89 038	92 813	92 277
<i>Of which:</i>				
Land & Buildings	23 458	23 371	25 721	25 710
Plant & Machinery	2 158	1 944	1 861	2 052
Transport	7 568	8 480	8 542	8 765
IT & Comms Equipment	2 855	2 728	2 483	2 519
SUME ²	35 897	35 726	34 607	35 726
AUC ³ SUME	14 978	12 055	13 629	12 080
AUC ³ Other	5 473	4 735	5 969	5 425
Intangible Non-Current Assets⁴	29 134	27 529	27 851	27 418
Investments^{5,6}	180	169^f	164^f	136
Receivables due after more than one year⁶	962	1 047	988	605

Source: Defence Economics(Defence Expenditure Analysis) and Defence Resources

- Figures provided are as 31 March of the financial year concerned and are taken from the MOD Non-Current Assets Register. Figures relate to the net book value of the MOD Non-Current assets. The net value of an asset is equal to its original cost (its book value) minus depreciation and amortisation costs.
- SUME refers to Single Use Military Equipment.
- AUC refers to Assets Under Construction.
- Identifiable non-monetary assets that cannot be seen, touched or physically measured, which are created through time and/or effort and that are identifiable as a separate asset.
- From 31 March 2010 the Public Dividend Capital balances, loan balances and repayments have been restated to reflect the transfer of the Meteorological Office to BIS. The value of investment property is consolidated as a result of the inclusion of Non Departmental Public Bodies (NDPB) and Other Bodies within the accounting boundary.
- Following advice from Defence Resources, and in order to be consistent with the value of the Non-Current Assets reported in the Annual Report and Accounts, the value of Receivables due after more than one year has been included as a separate category. Figures for Investments have been revised to ensure consistency.

Chart to Table 1.03.07 MOD Non-Current Assets by Category: 31 March 2013

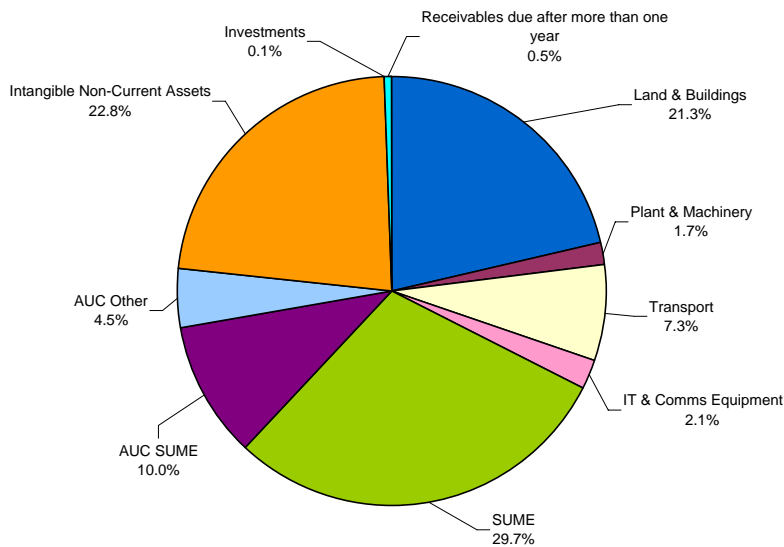


Table 1.03.08

External Income Earned by MOD

This table provides a breakdown of the revenue earned by MOD shown by income source. Where the Department has spare capacity, it provides a range of services to external organisations. The majority of these services are in the form of military support to foreign governments and other government departments. Where appropriate, costs are recovered in accordance with [Managing Public Money](#) guidance set out by HM Treasury. On a smaller scale, the Department provides services to support charities, local community initiatives, as well as commercial companies, where there is a defence interest.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use, can be found in the [Background Quality Report - Departmental Resources Statistics](#).

	Inclusive of non-recoverable VAT at Current Prices (£ million)							
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12 ¹	2012/13
Core Department Income Earned	1 391	1 429	1 394	1 479	1 409	1 316	1 406	1 494
Rental income - property	49	29	34	34	30	29	29	30
Receipts - personnel	415	429	413	393	373	357	344	342
Receipts - sale of fuel	57	106	101	108	79	72	128	138
Donated Assets ²	26	109
Receipts - supplies and services	290	353	259	379	330	314	317	301
Receipts - NATO/UN/US Forces/Foreign Govts	316	315	368	330	411	342	325	264
Reverse tasking ³	26	29	32	26	35	35	35	38
Dividends and income from investment property ⁴	39	50	40	57	24	42	35	31
Other ⁴	198	119	149	153	126	126	168	241

Source: Defence Economics and Defence Resources

- From 2011/12 the figures include income earned by the following entities now within the Departmental boundary - National Museum of the Royal Navy, National Army Museum, Royal Air Force Museum, ABF The Soldier's Charity, Council of Reserve Forces and Cadets Associations, Royal Hospital Chelsea and Commonwealth War Graves Commission.
- From 2011/12, the notional cost of a donated asset is treated as income and not a credit to the reserves. Income to the value of the donated assets is recognised in the year of donation except where the donation is subject to conditions. Where the donation is subject to conditions, income is deferred to the year in which the conditions are met.
- Receipts for invoiced goods and/or services supplied to the MOD Trading Funds and QinetiQ Group PLC by MOD.
- The income of Arm's Length Bodies is classified as dividends or other income. These include DSTL, UK Hydrographic Office and Defence Support Group.

Chart to Table 1.03.08

External Income Earned by MOD: 2012/13

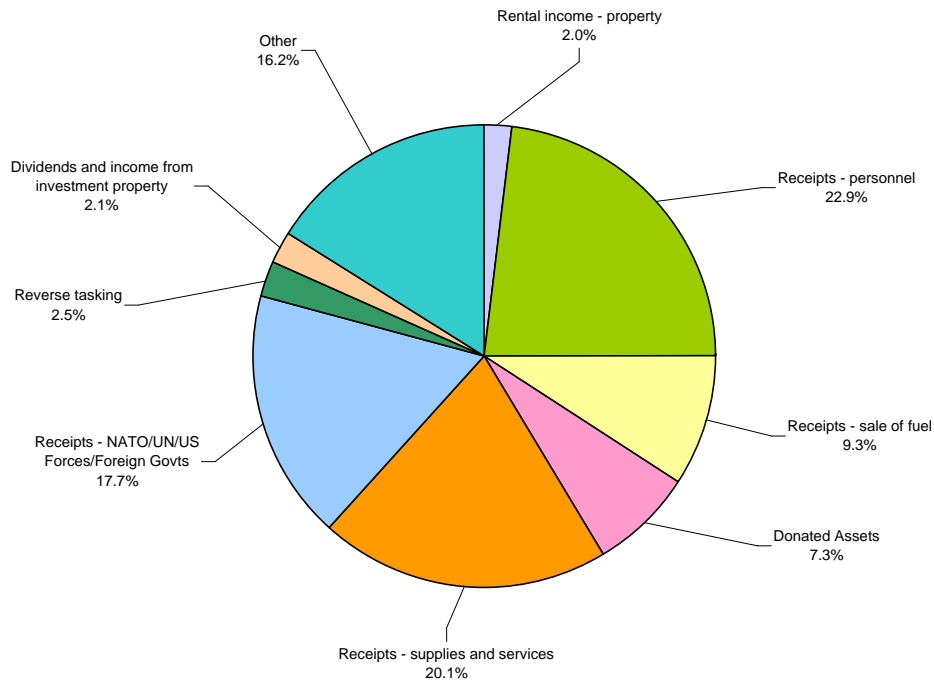


Table 1.03.09

MOD Expenditure on External Assistance¹

External Assistance is the term used by the MOD to cover a range of contracted support. It extends beyond traditional management consultancy to include other specialised services such as legal, accountancy, IT and estates specialist advice, and civilian / military training . The table below shows MOD expenditure on external assistance from 2009/10 to 2012/13.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use, can be found in the [Background Quality Report - Departmental Resources Statistics](#).

	VAT exclusive at Current Prices (£ million)			
	2009/10	2010/11	2011/12	2012/13
Total	79	26	19	45
Total By Category²	79	26	19	45
Strategy	7	1	1	6
Finance	13	5	2	2
Legal	6	2	3	10
HR and Training	2	1	-	-
Organisation and Change Management	4	4	8	16
Marketing and Communication	1	-	-	-
Programme and Project Management	6	3	-	5
Technical	3	3	2	3
IT/IS	31	3	-	-
Property	3	3	2	-
Procurement	2	-	-	2

Source: MOD Annual Report & Accounts and Arm's Length Bodies (ALB) focal points

1. Included in the figures are expenditure incurred by DSTL, UK Hydrographic Office and Defence Support Group.

2. These are standard Cabinet Office categories for reporting external assistance. Expenditure is identified from MOD (and MOD ALBs) financial systems based on expenditure recorded against Resource Accounting Codes (RACs) which most closely map to the categories shown above. In some cases, the RAC's cover work that goes beyond the scope of advisory consultancy.

Table 1.03.10

MOD Input Indicators

The [MOD Business Plan](#) for 2012-15 defines a reporting format for performance monitoring. The Plan reflects the outcome of the Strategic Defence and Security Review (SDSR) and Spending Review 2010. It sets out the top level vision and priorities for Defence and is revised annually. Key information about Defence is provided by a series of 'input' and 'impact' indicators. A selection of Financial input indicators, which show aspects of MOD performance that are considered to be of interest to the public, and that can be released without compromising security, are set out below. The full range of input/impact indicators can be found [here](#).

The data in this table are financial information provided for additional context.

Input Indicators	Unit of Measurement	2010/11	2011/12	2012/13
Additional cost of operations in Afghanistan, per Service person deployed ¹	£ thousand	397	364	297
Additional cost of of new equipment (Urgent Operational Requirements (UORs)) for operations in Afghanistan, per Service person deployed ²	£ thousand	61	60	37
Average percentage by which the cost of the MOD Equipment Programme (EP) varies compared to forecasts in year ³	per cent (%)	0.15	1.41	0.26
Cost of major Force Elements (FE): Ship ⁴	£ million	31	34	34
Cost of major Force Elements: Brigade ⁴	£ million	534	661	654
Cost of major Force Elements: Aircraft (fixed wing) ⁴	£ million	7	8	8
Cost of major Force Elements: Helicopter ⁴	£ million	2	3	4
Direct personnel costs, per Service person ⁵	£ thousand	50	52	55

Source: MOD Annual Report & Accounts

1. This is the total Net Additional Cost of Military Operations (including UORs) over the year, divided by the endorsed manpower level (9,900 for all of 2012/13). It is slightly lower this year due to reductions in the amounts spent on infrastructure and equipment prior to draw down.
2. This is the total spent on UORs over the year, divided by the endorsed manpower level (9,900 for all of 2012/13). It is substantially lower this year due to sizeable reductions in the amount spent on equipment prior to draw down.
3. This figure is the average slippage across the Department's largest projects (Category C and above) in the last year. It is a continuation of a long term trend of reduced programme delays, reflecting improvements in project and programme management.
4. This figure is calculated by attributing Defence expenditure to each of the major Force Elements. The costs have remained roughly constant.
5. This is total spend on military manpower divided by the number of Service personnel over the year. It rose slightly in 2012/13, in part reflecting the increase in pay for military personnel.

Glossary of Terms and Abbreviations

AME see **Departmental Annually Managed Expenditure**.

Appropriation Accounts report the expenditure outturn on a cash basis for the previous financial year for each vote. Under resource accounting, from 2000/01 they were replaced by **Resource Accounts Codes**.

Appropriations-in-aid are receipts used to offset expenditure. They generally arise from the provision of repayment services, the sale of surplus goods or of equipment purchased on behalf of the Defence Export Services Organisation.

Arms Length Bodies from 2011/12, included within the Departmental Grouping are; the RAF Museum, the National Army Museum, the National Museum of the Royal Navy, the Royal Hospital Chelsea, the War Graves Commission, the Army Benevolent Fund, and the Council of Reserve Forces and Cadets Associations.

Assets can be financial or non-financial. Financial assets include monetary gold, bank deposits, IMF special drawing rights, loans granted bonds, shares, accounts receivable, and the value of the government's stake in public corporations. Non-financial assets consist of fixed capital (such as buildings and vehicles), stock, land and valuables.

AUC Assets Under Construction.

Balance of Payments MOD Balance of Payments (BoP) statistics support the ONS estimate of the value of the UK's BoP, which is a measure of the UK's trading account with the rest of the world and is one of the UK's key economic statistical series.

Balance Sheet The balance sheet is a financial statement showing the assets, liabilities, and net worth of a business on a specified date.

BIS The Department for Business, Innovation and Skills.

Capital Consumption is also called depreciation and represents the amount of fixed capital used up each year.

CLoS see **Clear Line of Sight**.

Clear Line of Sight The method for reporting and controlling defence spending changed in 2010/11 (for Budgets) and in 2011/12 (for Estimates & Accounts (Outturns)) following Treasury plans to simplify the control framework. The Clear Line of Sight (CLoS) Alignment Project aims to ensure consistency in presentation as well as promoting better value for money. [See [Resource Accounting & Budgeting Section](#) in Chapter 1 of UK Defence Statistics 2012 for further information.]

Commodity Blocks Under Clear Line of Sight the main MOD expenditure categories are now presented in Commodity Blocks. These provide a more meaningful description of the Department's planned and actual spend, and include categories such as Personnel Costs, Equipment Support Costs and Infrastructure Costs.

Conflict Pool consists of early warning, crisis management, conflict resolution, peacemaking, peacekeeping and peacebuilding activity, and associated strengthening of international and regional systems and capacity. It includes expenditure on both programme and operational expenditure.

Constant Prices indicates a value from which the effects of inflation have been removed. The constant prices will refer to a year as the basis for the calculation, e.g. "constant 2012/13 prices".

Cost of Capital Charge is an annual non-cash charge applied to each departments' budget. It is currently 3.5% of the net assets of the department and is used to make departments aware of the full cost of holding assets. From 2010/11, following a change in accounting policy by HM Treasury, the notional Cost of Capital Charge is no longer included in departmental accounts.

Current Prices See **Outturn Prices**.

DASA see **Defence Analytical Services and Advice**.

DBS see **Defence Business Services**.

DBS Finance provides expert information, advice and services to and on behalf of MOD business areas. They are responsible for payments to MOD suppliers totalling more than £27 billion a year, and for recovering £2 billion of receipts in respect of MOD invoices. See also **Defence Business Services**.

DE&S see **Defence Equipment & Support**.

Defence Analytical Services and Advice (DASA) was created in July 1992 and provides National Statistics on Defence and other corporate information, forecasting and planning and consultancy, advice and research services to the MOD. It ceased to be an Agency on 1 April 2008 and was renamed Defence Analytical Service and Advice. Following a further restructuring in Apr 2013 it was split into two directorates – Defence Statistics and Defence Economics. See also **Defence Economics**.

Defence Budget Under Cash Accounting, the amount of money planned to be spent during a financial year is the defence budget. Under Resource Accounting and Budgeting (RAB), the sum of resources planned to be consumed during a financial year is the defence budget. This *excludes* the additional expenditure on current operations that are funded from year to year by HM Treasury. See **Resource Budgeting**.

Defence Business Services was established on 4 July 2011 to transform the delivery of corporate services to the Department. The services delivered initially include: Civilian HR, Finance, Information Systems and some Information Services. Also see **DBS Finance**.

Defence Economics From 1 April 13 the Directorate formerly known as DASA was split into two one-star analytical business areas within the Head Office Strategy Directorate - Defence Economics and Defence Statistics. Defence Expenditure Analysis (DEA) is part of the Economic Statistics & Equipment Support (ESES) Division within Defence Economics. See **Defence Analytical Services & Advice**.

Defence Equipment & Support (DE&S) At 1 April 2007, Defence Logistics Organisation and Defence Procurement Agency merged to form Defence Equipment & Support. DE&S equips and supports 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 services. DE&S satisfies ongoing requirements including food, clothing, medical supplies, maintenance and temporary accommodation, as well as operating HM Naval Bases and the joint supply chain for land, sea and air.

Defence Science and Technology Laboratory (DSTL) is a Trading Fund of the MOD created in July 2001. It supplies impartial scientific and technical research and advice to the MOD and other government departments.

Defence Support Group provides the MOD with secure access to assured onshore capacity and capability for the through-life maintenance, repair, overhaul, upgrade and procurement support services for defence equipment.

DEL see **Departmental Expenditure Limit**.

Departmental Annually Managed Expenditure is spending that is outside the **DEL**, but included in departmental budgets. This includes the provision for Armed Forces Pensions and non-cash items such as depreciation, cost of capital charges, and provision. Non-cash items were not subject to the same controls and are included in AME, but from 2003/04 they are also included as part of the DEL.

Departmental Expenditure Limit is a firm plan for three years for a specific part of a department's expenditure. In general the DEL will cover all running costs and all programme expenditure except, in certain cases, where spending is included in departmental AME because it cannot reasonably be subject to close control over a three year period. DELs are divided into current resource and capital budgets.

Departmental Grouping From 2011/12 the MOD accounting boundary now includes, not just the Core Department, but also the Departments' Arms Length Bodies. See **Arms Length Bodies**.

Departmental Resource Accounts The Department is required to prepare resource accounts for each financial year detailing the resources acquired, held, or disposed of, during the year, and the way it has used them during the year.

Depreciation is also termed capital consumption. Total Managed Expenditure (TME) includes public sector expenditure gross of the depreciation of capital assets used to produce non-market services. Public sector net investment deducts an aggregate charge for all depreciation (market and non-market) from gross capital spending.

Donated Asset The notional cost of a donated asset is now treated as income and not a credit to the reserves. This better reflects the receipt of an asset that is essentially free to the Department.

DRAc see **Departmental Resource Accounts**.

DSTL see **Defence Science and Technology Laboratory**.

Enabling Contract A contract which, once initially set up, can be used to procure goods and services where requirements arise on a regular basis, combining the benefits of reduced process costs and enhanced buying power resulting from a consolidation of requirements.

Estimated Prices used in the Estimates presented to Parliament, are forecasts of the prices expected to pertain when the expenditure occurs.

Frascati Manual is an internationally recognised methodology for collecting and using R&D statistics. It includes definitions of basic concepts, guidelines for collecting data and the classifications to be used in compiling statistics, which in turn allows for international comparisons to be made. See also **SSAP 13**.

GDP see **Gross Domestic Product**.

GDP Deflator see **Gross Domestic Product Deflator**.

Gross Domestic Product GDP (at market prices) is the value of goods and services produced within a country's borders in a year. Economic data are often quoted as a percentage of GDP to give an indication of trends through time and to make international comparisons easier.

Gross Domestic Product Deflator is an implicit price deflator for the Gross Domestic Product and is derived by dividing the estimate of GDP at current prices by the estimate of GDP at constant prices. The GDP Deflator is commonly used as a measure of inflation in the economy for the country to which it refers.

Holding Company refers to companies which are full or part owners of other companies. For example subsidiaries and joint ventures.

Headquarter Contracts are formal contracts set up by MOD which require a Def Form 57 to be raised.

IFRS see International Financial Reporting Standard.

Intangible Assets Most if not all of MOD's intangible assets are development costs. Under Statement of Standard Accounting Practice 13 (SSAP 13), pure research costs, and applied research costs which are not immediately linkable to a product cannot be put in the Balance Sheet as assets. Only development costs which lead to the introduction into service of new products or systems can be put on the Balance Sheet. SSAP 13 defines "development" as "use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed."

International Financial Reporting Standard are principle-based standards, interpretations and the framework adopted by the International Accounting Standards Board (IASB). [See [Resource Accounting & Budgeting Section](#) in Chapter 1 of UK Defence Statistics 2012 for further information.]

Major Projects Report (MPR) is the National Audit Office (NAO) annual report to Parliament on progress in equipment procurement. It provides a summary of each projects' current status and progress to date. It also provides comparisons on current forecast costs and in-service dates

Market Exchange Rate is a currency exchange rate determined largely by market forces.

Ministry of Defence (MOD) is the United Kingdom Government Department responsible for implementation of Government defence policy and is the headquarters of the British Armed Forces. The principal objective of the MOD is to defend the United Kingdom and its interests. The MOD also manages day to day running of the armed forces, contingency planning and defence procurement.

Miscellaneous Contracts The payment method employed by DBS Finance (the MOD's primary bill paying authority) for running service items such as the provision of utilities. Such items are covered by "miscellaneous" transactions where no 'MOD HQ Contract' exists. These agreements for goods or services will have been set up locally between the MOD Branch and the supplier, and are legally binding.

MOD see **Ministry of Defence**.

NAO see **National Audit Office**.

National Audit Office (NAO) scrutinises public spending on behalf of Parliament. It is totally independent of Government and audits the accounts of all government departments and agencies as well as a wide range of other public bodies. It reports to Parliament on the economy, efficiency and effectiveness with which government bodies have used public money.

NATO North Atlantic Treaty Organisation.

NATO Eurofighter and Tornado Management Agency (NETMA) is the prime contractor for the Eurofighter Weapon System. The arrangements for the management of the Eurofighter programme were set out in the NATO Charter dated 18 December 1995 in which the international management agencies of the Tornado and Eurofighter programmes were integrated into a single agency, NETMA. This NATO agency is essentially a multi-nation HQ project office for these two collaborative projects involving the UK, Germany, Italy and Spain. In the UK, Eurofighter is now called 'Typhoon'.

NCR see **Net Cash Requirement**.

NDPB see **Non Departmental Public Bodies**

Near Cash describes departmental resource budgets less non-cash charges. The main non-cash charges currently included in budgets are depreciation and impairments, cost of capital, stock write-off, national audit fees, bad debts, profit and loss on disposal of fixed assets, and movement in provisions. The term near cash is used rather than cash because it remains on an accruals basis and does not reflect the timing of actual cash payments.

Net Cash Requirement (NCR) is the amount of actual money that MOD requires from the government in order to fund its activities. It takes account of the movements in working capital levels (debtors, creditors and stocks) but not non-cash costs.

NETMA see **NATO Eurofighter and Tornado Management Agency**.

Non-Cash Items in Annually Managed Expenditure (AME) include various notional transactions such as depreciation and cost of capital, that appear in the operating cost statement under RAB, and are recorded in AME for the period of the Spending Review, rather than in DEL.

Non-Current Assets, previously called Fixed Assets, is the term used to describe the assets owned by MOD, with the assets being valued on an annual basis and updated each year using indexation.

Non Departmental Public Bodies are the National Museum of the Royal Navy, National Army Museum, and Royal Air Force Museum. From 2011/12 these are included as **Arm's Length Bodies** within the **Departmental Grouping**.

Novated Contract A contract which has been taken on by a new Contractor/Supplier following an agreement with the original owner of the contract.

OCCAR (Organisation Conjointe de Cooperation en Matiere d'Armement) – the Organisation for Joint Armaments Co-operation was originally set up in November 1996 by France, Italy, Germany and the UK with the aim of improving the efficiency and lowering the cost of managing co-operative defence equipment programmes involving European nations (e.g. A400M). Belgium and Spain are also now members.

OECD Organisation for Economic Co-operation and Development.

Office for National Statistics (ONS) is responsible for the production of a wide range of independent economic and social statistics, to improve our understanding of the United Kingdom's economy and society, and for planning the proper allocation of resources, policy-making and decision-making. It is the executive office of the UK Statistics Authority, a non-ministerial department which reports directly to Parliament. ONS is the UK Government's single largest statistical producer.

ONS see **Office for National Statistics**.

Operating Cost Statement is the statement in departmental resource accounts that shows the current income and expenditure on an accrual basis. It is similar to the profit and loss statement on commercial accounts. It is now called the Statement of Comprehensive Net Expenditure (SOCNE).

Outturn and **Estimated Outturn** describes expenditure actually incurred, whereas estimated outturn describes estimated expenditure on the basis of actual expenditure to date.

Outturn Prices are the prices of the period when the expenditure actually occurred; also described as **Current Prices**.

Parliamentary Annual Estimates The 'Main Estimates' start the supply procedure and are presented to Parliament around the start of the financial year to which they relate. Main Estimates are contained in the annual Departmental Reports and can be found on departmental websites.

PES Public Expenditure Survey.

PESA see **Public Expenditure Statistical Analyses**.

PFI see **Private Finance Initiative**.

Pink Book Detailed annual estimates of the UK Balance of Payments including estimates for the current account (trade in goods and services, income and current transfers), the capital account, the financial account and the International Investment position.

PPP see **Purchasing Power Parity**.

Private Finance Initiative (PFI) is a system for providing capital assets for the provision of public services. Typically, the private sector designs, builds and maintains infrastructure and other capital assets and then operates those assets to sell services to the public sector. In most cases, the capital assets are accounted for on the balance sheet of the private sector operator.

Public Expenditure Statistical Analyses (PESA) is a compendium that gathers recent outturn data, estimated outturns for the latest year, and spending plans over the entire range of UK public expenditure.

Purchasing Power Parity (PPP) is a method of measuring the relative purchasing power of different countries' currencies over the same types of goods and services. Because goods and services may cost more in one country than in another, PPP allows us to make more accurate comparisons of standards of living across countries. The estimates use price comparisons of comparable items but since not all items can be matched exactly across countries and time, the estimates are not always "robust."

QinetiQ Formerly part of the Defence Evaluation and Research Agency (DERA). From July 2001 a limited company, QinetiQ, is still partly owned by the MOD.

R&D Research and Development.

RAB see **Resource Accounting, Resource Budget, and Resource Budgeting**.

Real Defence Spending are Defence Spending figures adjusted for the effect of general price inflation relative to a base year, as measured by the GDP market price deflator.

Resource Accounting is the accounting system that has been used since 2001/02 to record expenditure in the departmental accounts and which replaced cash accounting. It applies Generally Accepted Accounting Practice (GAAP) used in private industry and other Government departments to departmental transactions. Spending is measured on an accruals basis.

Resource Budget is the sum of a department's resource Departmental Expenditure Limit and resource Annually Managed Expenditure. It is the budget for current expenditure on an accruals basis.

Resource Budgeting is the budgeting regime adopted for the spending plans set in the 2000 Spending Review. It is derived from resource accounting rules, but there are several differences in treatment between resource accounts and resource budgets. [See [Introduction to Chapter 1 of UK Defence Statistics 2012.](#)]

RfR see **Request for Resources**

RfR Request for Resources: RfR1 = Provision of Defence Capability, RfR2 = Net additional cost of operations, RfR3 = War Pensions and Allowances. These terms ceased to be used in 2011/12.

SDSR10 see **Strategic Defence and Security Review 2010**

SSAP 13 see **Statement of Standard Accounting Practices No.13**

SIC see **Standard Industrial Classification.**

Single Use Military Equipment are MOD held assets which are only suitable for military purposes (such as warships), as opposed to dual-use equipment, such as helicopters, which can also be used for non-military purposes.

Standard Industrial Classification (SIC) classifies business establishments and other statistical units by the type of economic activity in which they are engaged. The classification is maintained by the **ONS**.

Statement of Parliamentary Supply is the Parliamentary accountability statement. It reports to Parliament on resource outturn, a comparison of outturn against the 'Supply Estimate', and a summary of income not 'Appropriated in Aid' and payable to the Consolidated Fund.

Statement of Standard Accounting Practices No.13 gives guidance on the accounting policies to be followed in respect of Research and Development expenditure. This guidance aligns to the OECD Frascati definitions for measuring Research & Experimental Development. See also **Frascati Manual**.

Strategic Defence and Security Review 2010 was a review of the United Kingdom's defence and security capability which was undertaken in 2010.

SUME see **Single Use Military Equipment.**

Supply Expenditure is expenditure financed by money voted by parliament in the annual Supply Estimates: also termed Voted in Estimates.

Terms of Business Agreement (TOBA) aims to create a more disciplined interface between the key acquisition parties (e.g. MOD and DSTL), strengthening the relationship between the main parties involved in acquisition.

TOBA see **Terms of Business Agreement.**

Total Managed Expenditure (TME) is a definition of aggregate public spending derived from notional accounts. It is the consolidated sum of current and capital expenditure of central and local government, and public corporations. TME is the sum of the Departmental Expenditure Limit and Annually Managed Expenditure.

Trading Funds were introduced by the Government under the Trading Funds Act 1973 as a "means of financing trading operations of a government department which, hitherto, have been carried out on Vote". They are self-accounting units that have greater freedom, than other government departments, in managing their own financial and management activities. They are also free to negotiate their own terms and conditions with their staff and for this reason their grading structures do not always match that of the rest of the Ministry. Examples include the DSTL, UK Hydrographic Office and the Defence Support Group.

UK Hydrographic Office is responsible for surveying the seas around the UK and other areas, to aid navigation.

UK Statistics Authority (UKSA) is an independent body, and is directly accountable to Parliament. It was established on 1 April 2008. The Authority's overall objective is to promote and safeguard the quality of official statistics that serve the public good. It is also required to safeguard the comprehensiveness of official statistics, and ensure good practice in relation to official statistics. The UK Statistics Authority has three main functions: oversight of the Office for National Statistics (ONS) (its executive office), monitoring and reporting on all UK official statistics, and independent assessment of official statistics.

UK Trade & Investment Defence & Security Organisation (UKTI DSO) works with industry and overseas governments to ensure UK equipments, products and services are promoted in the best possible way and that the overseas customer's requirements are appropriately met and supported by industry through life.

Urgent Operational Requirements (UoR) are equipment items that are required urgently for a specific military operation. Where the requirement is new or unforeseen, and specific to a particular operational theatre, it is funded from the Government Reserve rather than the Defence budget.

VAT Value Added Tax.