



The [Finance & Economics Statistical Bulletin series](#) 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 MOD spending to that of other departments and countries.

Departmental Resources sets out Defence spending over time and by type of expenditure, comparing it to other areas of government. This bulletin presents expenditure on equipment, Research & Development (R&D), MOD's commitment to conflict prevention, value of our non-current assets, external income earned by MOD and expenditure on consultancy. The statistics are consistent with the [MOD Annual Report and Accounts](#), and are produced as part of the transparency and accountability of the MOD to Parliament and the public.

Key Points and Trends

£36.6bn	Defence spending (Resource DEL plus Capital DEL minus Depreciation) in 2017/18. An increase at current prices from 2016/17, when the total was £35.3 billion.
5th	Largest area of Government expenditure (Resource DEL plus Capital DEL plus AME). The fifth highest spending area of UK Government during 2017/18, down from fourth in 2016/17. The Department for Business, Energy and Industrial Strategy rose to fourth in 2017/18.
£11.4bn	Service and civilian personnel costs in 2017/18. An increase of £40 million from 2016/17.
£15.8bn	Estimated MOD Equipment Expenditure in 2017/18. An increase of £24 million from 2016/17.
£1.6bn	MOD net expenditure on Research & Development in 2016/17. A decrease of £13 million from 2015/16.
£0.9bn	Cost of operations and peacekeeping in 2017/18. An increase of £181 million from 2016/17.
£135bn	Total net value of non-current assets owned by MOD as at 31 March 2018. An increase of £4.4 billion from 31 March 2017.
£1.4bn	External income earned by MOD in 2017/18. An increase of £22 million from 2016/17.

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Background quality report: [Background Quality Report](#)

Would you 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 DefStrat-Stat-Enquiries-Mailbox@mod.gov.uk

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Other bulletins in this series can be found [here](#).

Supplementary tables containing all data presented in this publication can be found [here](#).

Introduction

This Bulletin provides statistics on the composition and scope of the Department's expenditure. It is produced as part of the transparency and accountability of the Ministry of Defence to Parliament and the public. Detailed statistics and historic time series can be found in the related [Excel tables](#).

Context

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

- Set the context for other information on Defence;
- Assist in understanding the impact of changes in Defence policy;
- Look at trends in Defence expenditure not reported in the MOD Annual Report & Accounts.

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 shall continue to be observed.

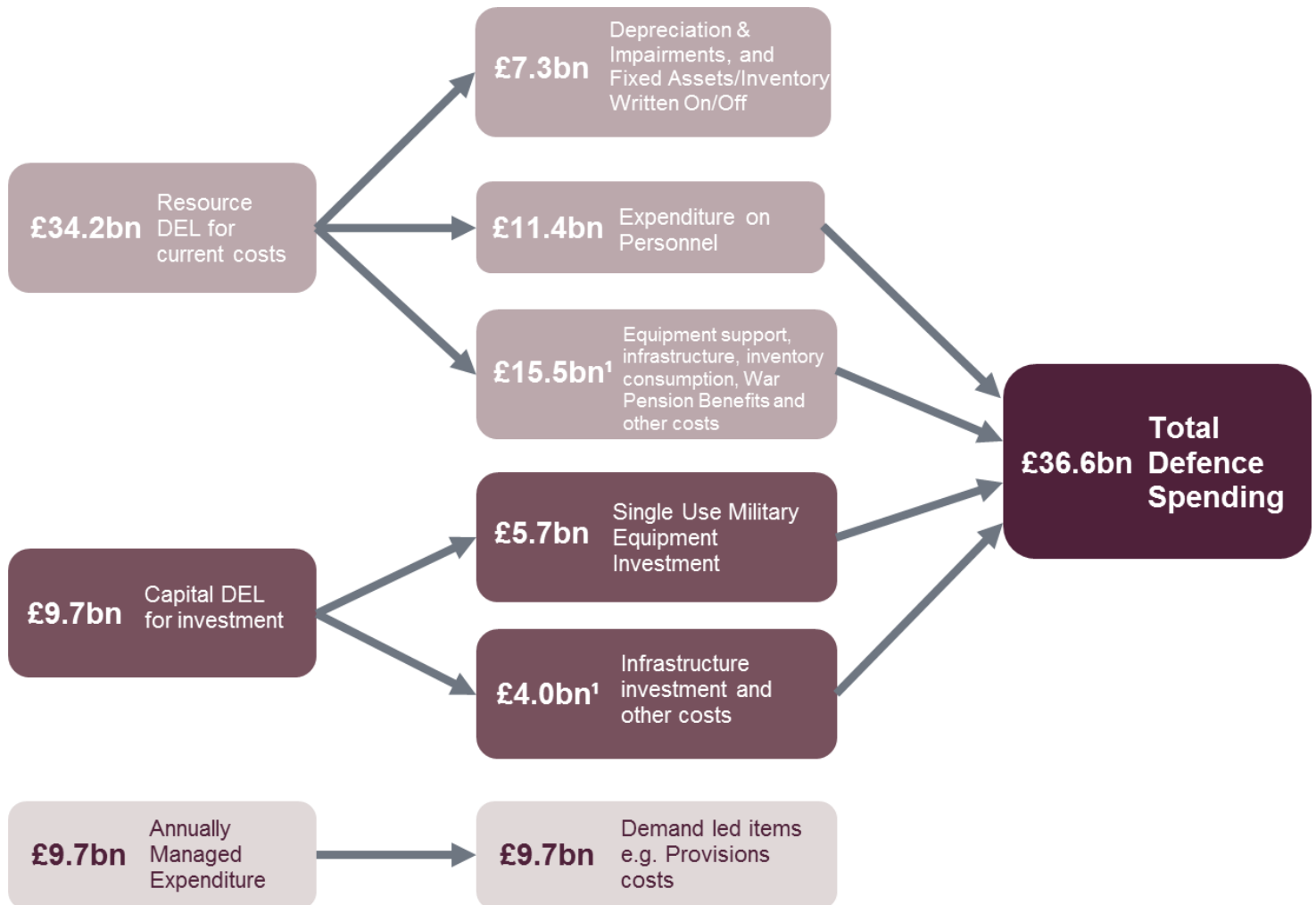
Defence Expenditure Outturn – Defence Spending

Defence Expenditure Limits (DELs) are expenditure which is subject to limits set in Spending Reviews, and which it is assumed Government departments can control. Separate DELs are set for each Government Department’s Resource and Capital spending each year.

DELs are made up of Resource DEL (RDEL), money that is spent on day to day resources and administration costs, and Capital DEL (CDEL), money that is spent on investment and things that will create growth in the future. Departmental spending which is not part of DEL is included in the departmental Annually Managed Expenditure (AME), which is typically demand-led items such as social security benefits, certain pension allowances and tax credits for individuals. Both resource and capital budgets are divided into DEL and departmental AME.

Defence Spending is presented as the sum of resource and capital expenditure, minus depreciation and impairments and fixed assets written on/off. This definition is consistent with HM Treasury (HMT) guidance, reflecting the resources required plus the net investment, but avoids double counting the writing down of the existing capital stock and cash outlay on new assets. **Defence spending** calculations are set out below and in **2017/18 totalled £36.6 billion**, which is an increase of £1.3 billion when compared to the 2016/17 position.

Figure 1: Defence Spending 2017/18 (£bn)



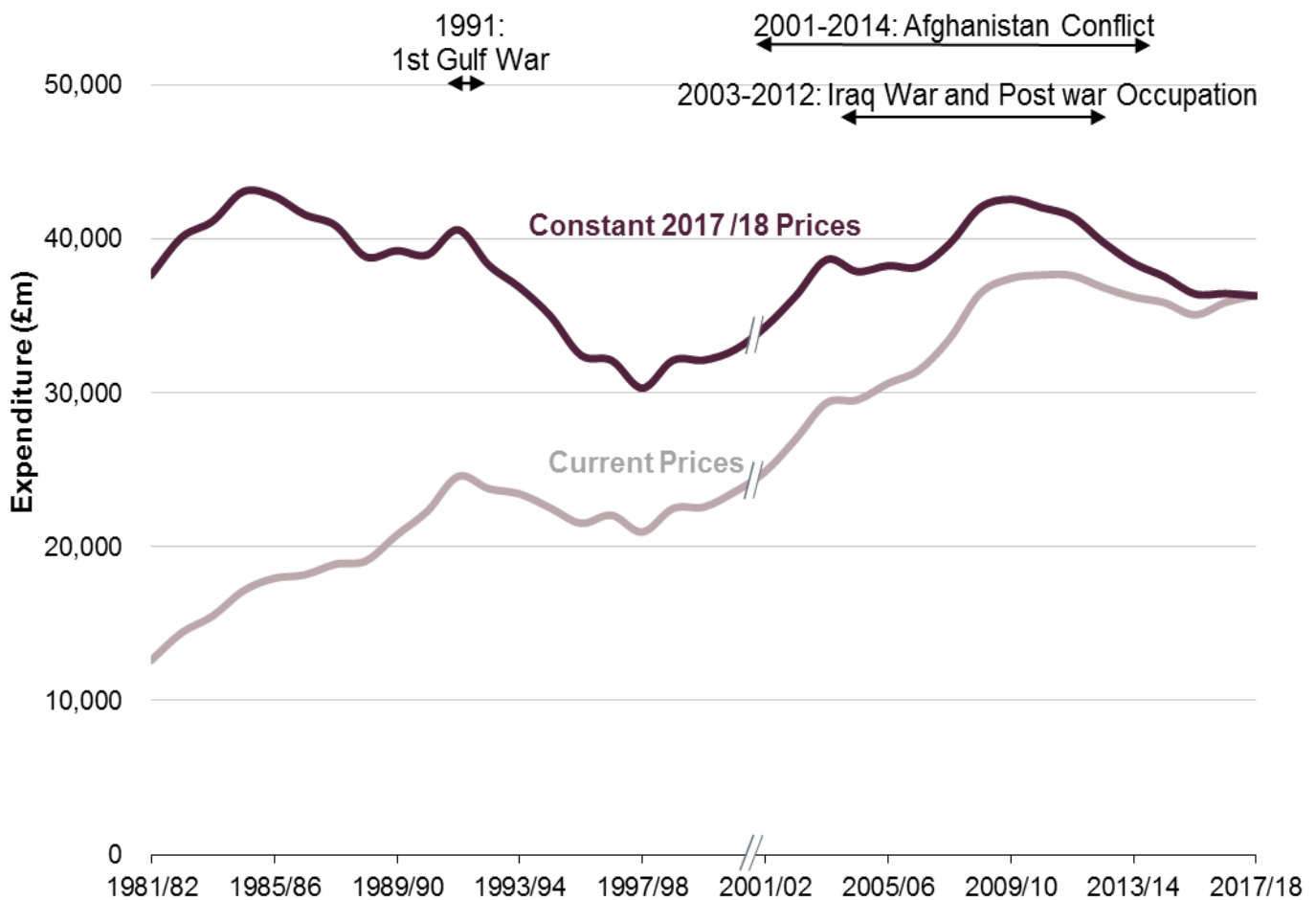
Source: Departmental Resource Accounts

Defence Expenditure Outturn Over Time

This section outlines changes in Defence expenditure over time. The chart below presents the MOD cash figures from 1980/81 until 2000/01 and then, from 2001/02 onwards, the net cash requirement (NCR). The NCR is the actual money that MOD requests from the Government in order to fund its activities and takes account of movements in working capital levels (e.g. debtors, creditors, stock) whilst excluding all non-cash costs (e.g. depreciation). The NCR is the closest comparable figure to the cash totals previously estimated, enabling presentation of a longer time series, but is not directly comparable to the defence spending estimate presented in the previous section. Estimates are presented in current prices and at constant 2017/18 prices.

There were real term increases up to the mid-1980s to reflect NATO's commitments in the Cold War. This was followed by a fall due to the 'Peace Dividend', with the Gulf War in 1991 causing a temporary rise. More recently, between 2000 and 2010, defence expenditure increased quite sharply due to the conflicts in Iraq and Afghanistan. However, since 2011 defence expenditure has fallen in both real and actual terms, although small increases, in current prices, have occurred since 2016/17 when using the NCR.

Figure 2: UK Defence Expenditure 1981/82 to 2017/18^{1,2,3,4}



Source: Departmental Resource Accounts

¹ Figures presented in the chart are Cash Figures until 2000/01. From 2001/02 onwards the Net Cash Requirement has been presented.

² Conversion to constant 2017/18 prices uses the latest available forecast GDP deflator series published by [HM Treasury](#) dated 29 June 2018.

³ All historical data are sourced from [UK Defence Statistics Chapter 1](#) or, more recently, from the [Departmental Resources Statistical bulletins](#).

⁴ This chart includes expenditure on Conflict Prevention.

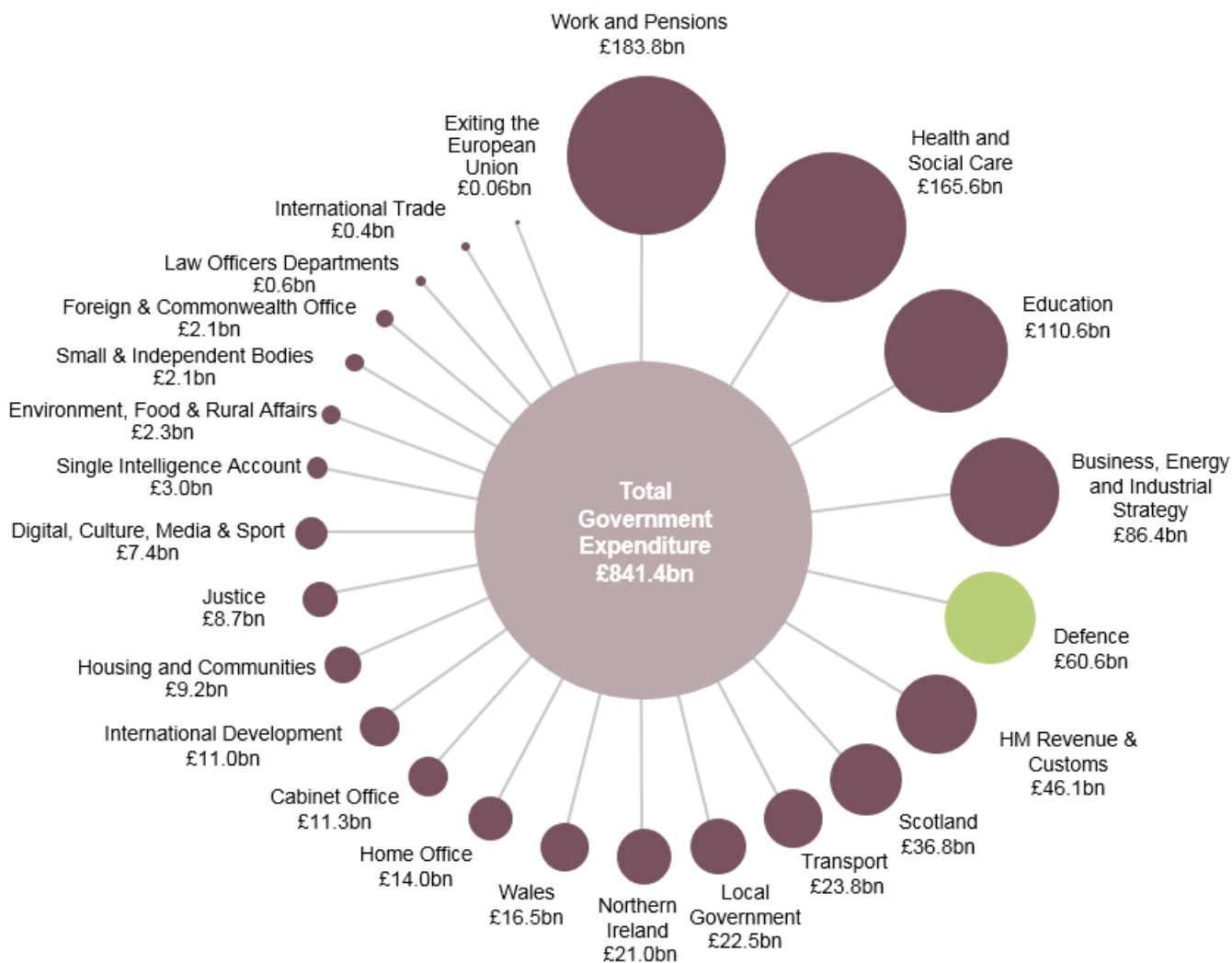
Public Expenditure by Departmental Grouping

This section examines expenditure on defence within the wider public expenditure framework. It presents total expenditure by Departmental Grouping, comprised of Resource and Capital Departmental Expenditure Limits, and Annually Managed Expenditure (AME).

Defence expenditure as presented in the [HMT Public Spending Statistical Analyses](#) cannot be directly compared to the Defence spending estimates presented in the previous section, as they use different definitions. The difference can be attributed in part to HMT inclusion of depreciation, impairments and fixed assets written on/off, which accounts for an additional £7.3 billion, and the Armed Forces Pension Scheme (AFPS) which adds a further £7.0 billion to AME.

Under HMT accounting, Defence spending during 2017/18 was around £60.6 billion; an increase of £11.9 billion compared with 2016/17. Defence was the fifth highest spending area of UK Government during 2017/18, down from fourth in 2016/17. The change in position was caused by accounting changes where a large Resource AME charge of £75 billion was incurred by the Department for Business, Energy and Industrial Strategy in 2017/18 in respect of the Nuclear Decommissioning Authority.

Figure 3: Public Expenditure by Departmental Grouping 2017/18¹



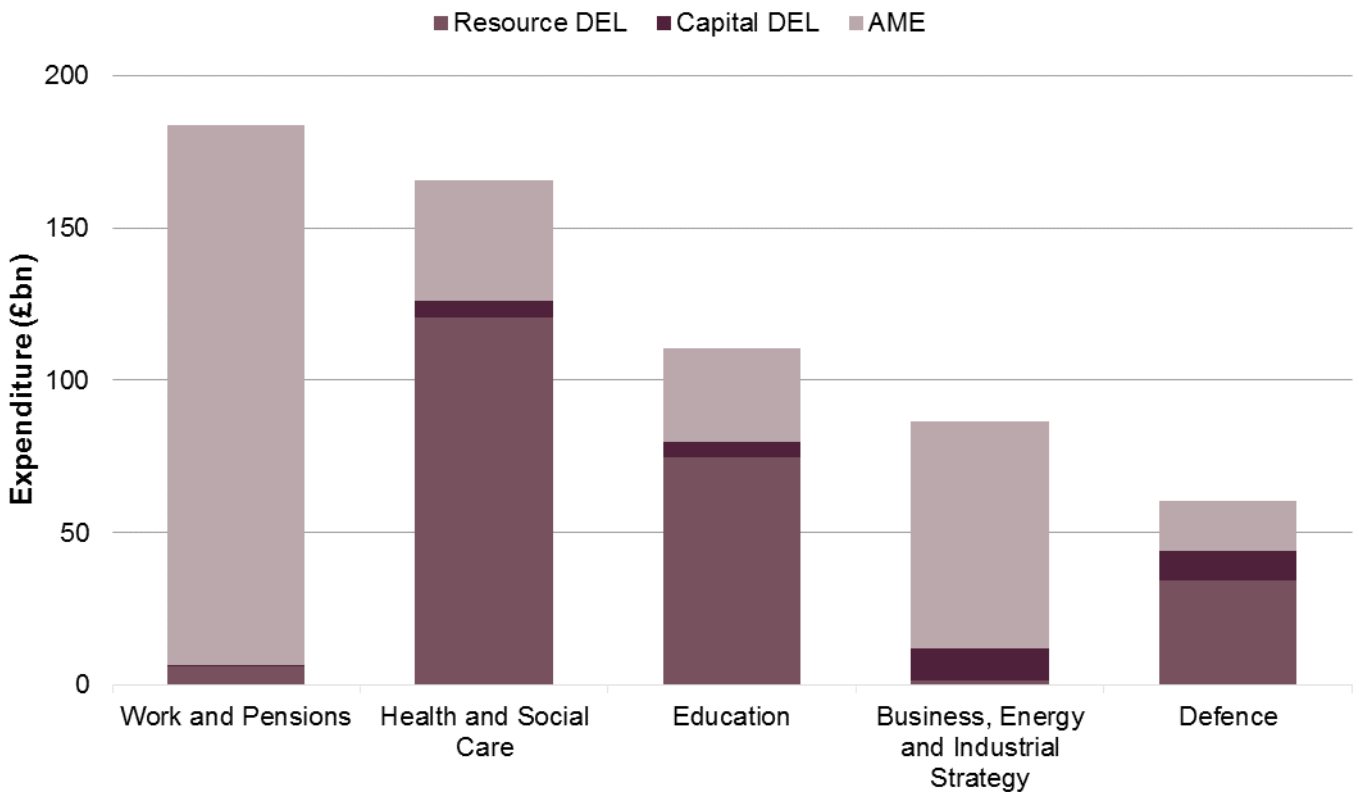
Source: HMT Public Spending Statistics July 2018

¹ Since 2010/11 transactions conducted by the HM Treasury in Annually Managed Expenditure and Capital Departmental Expenditure Limits have been affected by financial sector interventions and in 2017/18 has resulted in overall expenditure of -£4.2 billion. More information about this can be found on page 37 of [HMT Public Spending Statistical Analyses](#).

Public Expenditure for Top Five Departmental Groups

An analysis of the top five spending departments shows a breakdown of the component parts of their expenditure. Interestingly, in the cases of both Work and Pensions, and Business, Energy and Industrial Strategy, over 90% and over 85% respectively of their expenditure is demand led Annually Managed Expenditure. In Work and Pensions this is spend on areas such as social security benefits, certain pension allowances and tax credits for individuals. In Business, Energy and Industrial Strategy the high level of Annually Managed Expenditure reflects a significant change in the accounting valuation of provisions, as a result of a change to the discount rate which determines the present value of expected future costs. In the case of Health and Social Care, and Education nearly 75% and 70% respectively of their expenditure is Resource DEL associated with running costs such as staffing, infrastructure and inventory consumption. In contrast, Defence has one of the largest Capital DEL expenditures across Government, with 16% of total spend in 2017/18 being on capital items such as large equipment projects.

Figure 4: Public Expenditure for Top 5 Departmental Groups in 2017/18



Source: HMT Public Spending Statistics July 2018

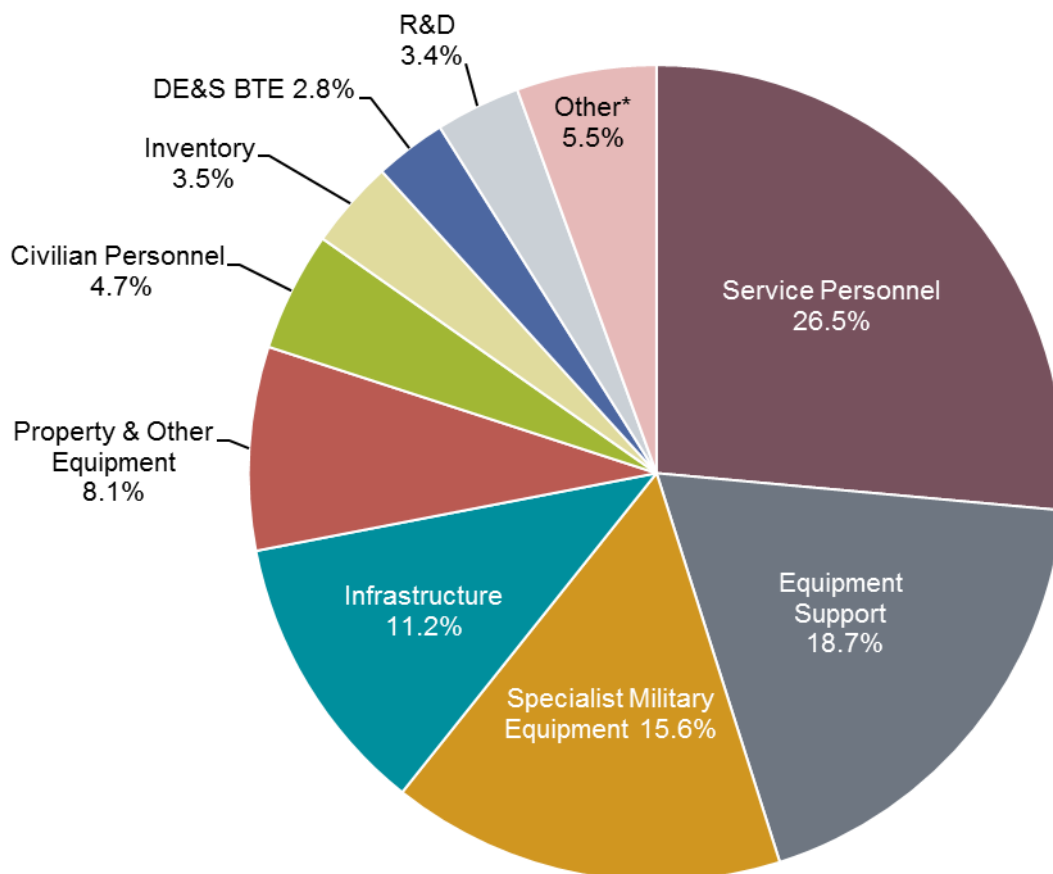
Defence Expenditure by Commodity Block

This section presents a breakdown of Resource and Capital DEL 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, and enables a clearer understanding of the MOD's plans and expenditure over the Spending Review period.

Please refer to the [Resource Accounting & Budgeting section of UK Defence Statistics 2012](#) to view background information relating to the introduction of the International Financial Reporting Standards (IFRS), the implementation of the Clear Line of Sight (CLOs) Alignment project and accounting changes from 2011/12, which led to presentational changes to the reporting of MOD accounts.

In 2017/18, 31.2 per cent of MOD expenditure was on personnel costs – (Military, 26.5%) and (civilian, 4.7%). There was also significant expenditure on MOD capital projects, covering procurement of equipment, which can only be used for military purposes (Specialist Military Equipment, 15.6%), and procurement of multi-purpose equipment and property (Property & Other Equipment, 8.1%). Additionally, the support and maintenance costs for all MOD equipment totalled 18.7% of MOD expenditure.

Figure 5: Defence Expenditure by Commodity Block in 2017/18



*Other includes travel & subsistence, professional services & fees, training, receipts from various sources, costs recoveries, dividends, interest, release of provisions, Conflict Stability and Security Fund, War Pension Benefits and spend on Arm's Length Bodies.

Source: Departmental Resource Accounts

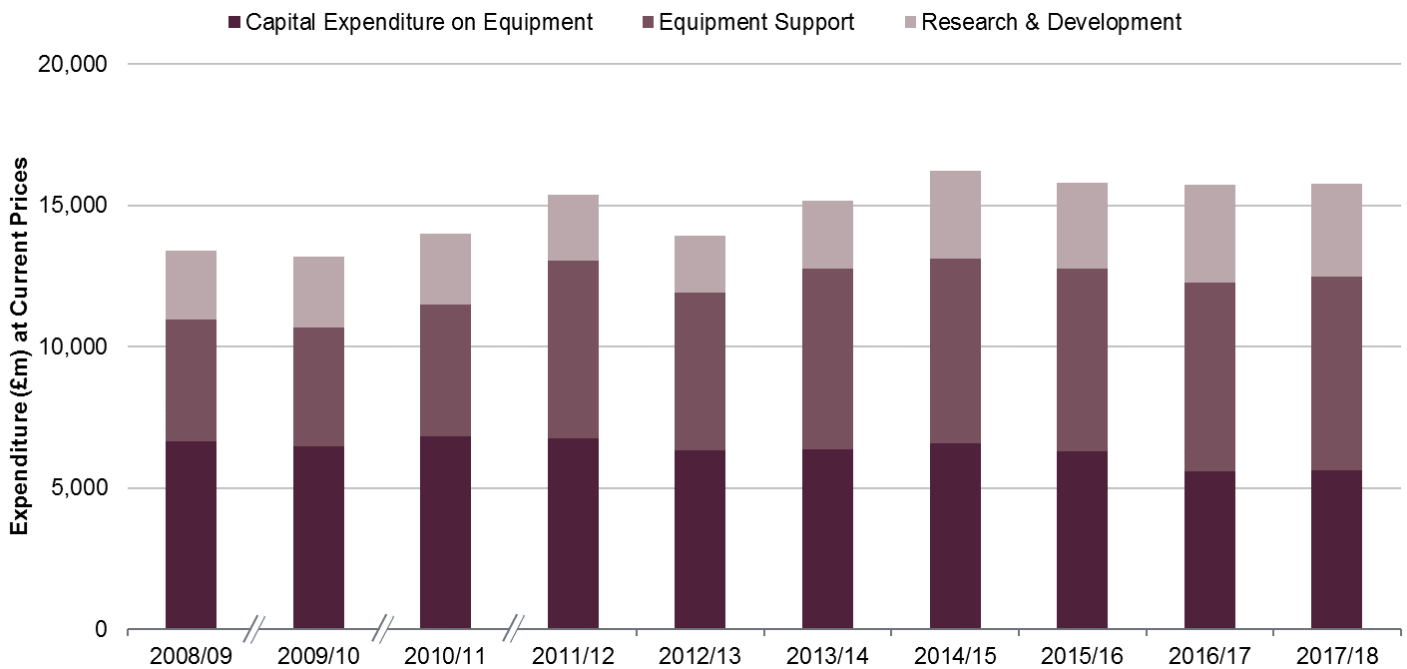
Estimated MOD Equipment Expenditure

This section presents estimates of MOD equipment expenditure broken down 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 (R&D), 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 into the MOD Accounts has meant that the equipment support costs category has been extended to include operating leases and equipment support Private Finance Initiatives (PFI) that had previously been reported separately.

In 2017/18, estimated MOD expenditure on equipment was £15.8 billion, a small increase (£24 million) on the reported figure for 2016/17. Capital Expenditure on Equipment remained stable at £5.6 billion in 2017/18, while Equipment Support increased by £0.2 billion to £6.8 billion, and Research and Development decreased by £0.2 billion to £3.3 billion.

Figure 6: Estimated MOD Equipment Expenditure 2008/09 to 2017/18¹



Source: Departmental Resource Accounts

¹ The breaks in series highlighted between 2008/09 and 2011/12 were caused by the introduction of the International Financial Reporting Standards (IFRS) and the Clear Line of Sight (CLoS) Alignment project. More details can be found in Table 4 of the [Excel tables](#).

MOD Research and Development Expenditure

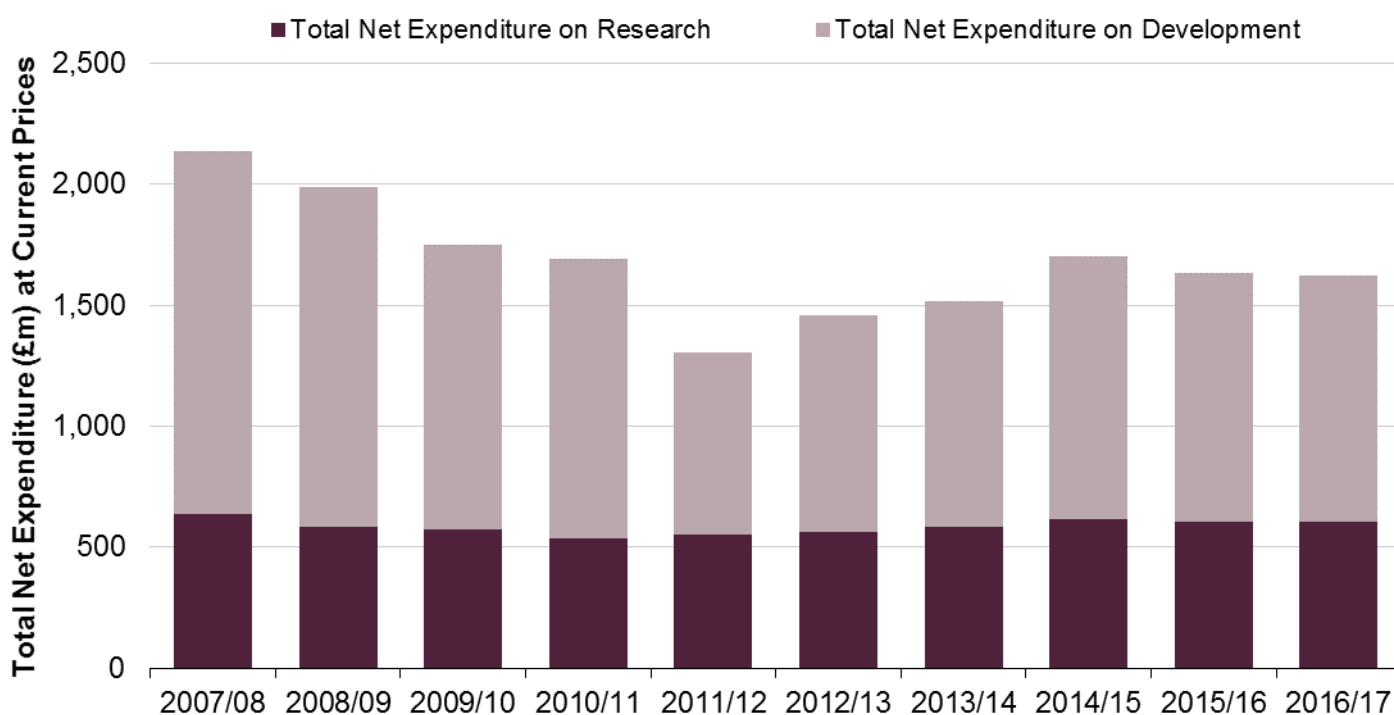
This section details MOD annual expenditure on Research and Development (R&D) activity. Expenditure is broken down into intramural (i.e. R&D activity undertaken within the Department) and extramural (i.e. R&D activity undertaken outside the Department). Statistics on R&D expenditure provide an important 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 35% of UK Central Government spending on R&D.

The data included in this section are derived from an annual survey of MOD R&D expenditure conducted by MOD and using information from MOD accounting systems. The survey seeks to classify R&D activity within the Organisation for Economic Co-operation & Development's (OECD) Frascati Guidelines (i.e. R&D considered to be new, novel or innovative), which align to [National Accounts](#) definitions.

Since 2007/08 total net expenditure on research has remained relatively stable between £530 million and £640 million, principally the result of a set budget fully allocated to research. In contrast there was a steady decline in Total Net Expenditure on Development spend from £1,505 million in 2007/08 to £753 million in 2011/12. Since 2011/12 Development spend has begun to increase again as a number of large value projects have moved into their development phase.

In 2016/17, MOD net expenditure on R&D activity, identified as meeting the Frascati international definition for new, novel and innovative R&D, **totalled £1.6 billion**. This was about £13 million lower than in 2015/16.

Figure 7: MOD Research & Development Expenditure 2007/08 to 2016/17¹



Source: MOD (Defence Expenditure Analysis)

¹ 2017/18 figures are not available until the completion of a survey run by MOD for the Office for National Statistics to identify R&D expenditure in the Annual Report and Accounts that meets the Frascati international definition of R&D.

MOD Operations and Peacekeeping Costs

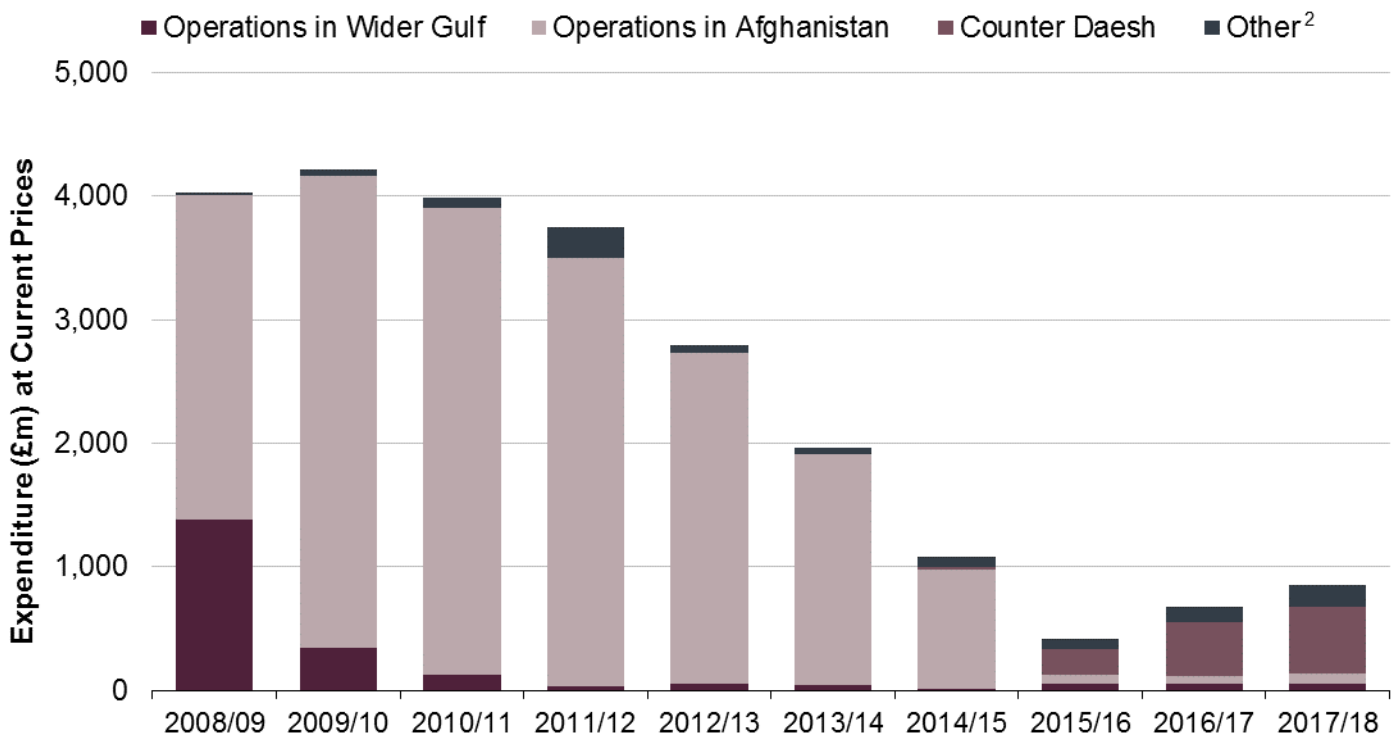
This section presents a breakdown of the total costs in recent years for MOD operations against Daesh, in Afghanistan, in the Wider Gulf and in other areas such as Libya, Mali and the Balkans. Also included is expenditure from the Conflict Stability and Security Fund (CSSF), which has replaced the Conflict Pool, the Deployed Military Activity Pool (DMAP), Enhanced Intelligence Surveillance and Reconnaissance (Enhanced ISR), EU Counter Migrant Smugglers, Enhanced Forward Presence (EFP) and NATO reassurance and Relief for Hurricane Irma. CSSF is the Government’s mechanism for funding conflict prevention, stabilisation, security and peacekeeping activities, under the strategic direction of the National Security Council. DMAP is a joint HM Treasury and MOD initiative to make resources available to fund the initial and short term costs of any unforeseen military activities, as authorised by the National Security Council.

These costs cover the net additional costs¹ (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 pay, or savings from cancelled training exercises, are deducted from the total cost of the operation.

The chart shows a peak in expenditure on operations in 2009/10 as a result of operations in Afghanistan. Total expenditure on operations in 2017/18 has fallen by nearly £3.4 billion (80%) from the peak in 2009/10.

In 2017/18 a total of £0.9 billion was spent on operations, an increase of £181 million from 2016/17, mainly due to an increase in Counter Daesh expenditure to £541 million, which represented 63% of the total spend on operations in 2017/18.

Figure 8: Annual Audited Cost of Operations 2008/09 to 2017/18²



Source: Departmental Resource Accounts

¹ A further breakdown of these costs can be found in table 6a of the [Excel tables](#).

² Other includes operations in Libya, Mali and the Balkans, Conflict Stability and Security Fund (CSSF), Deployed Military Activity Pool (DMAP), Enhanced Intelligence Surveillance and Reconnaissance (Enhanced ISR), Enhanced Forward Presence and NATO Reassurance, Hurricane Irma Relief and EU Counter Migrant Smugglers.

MOD Non-Current Assets

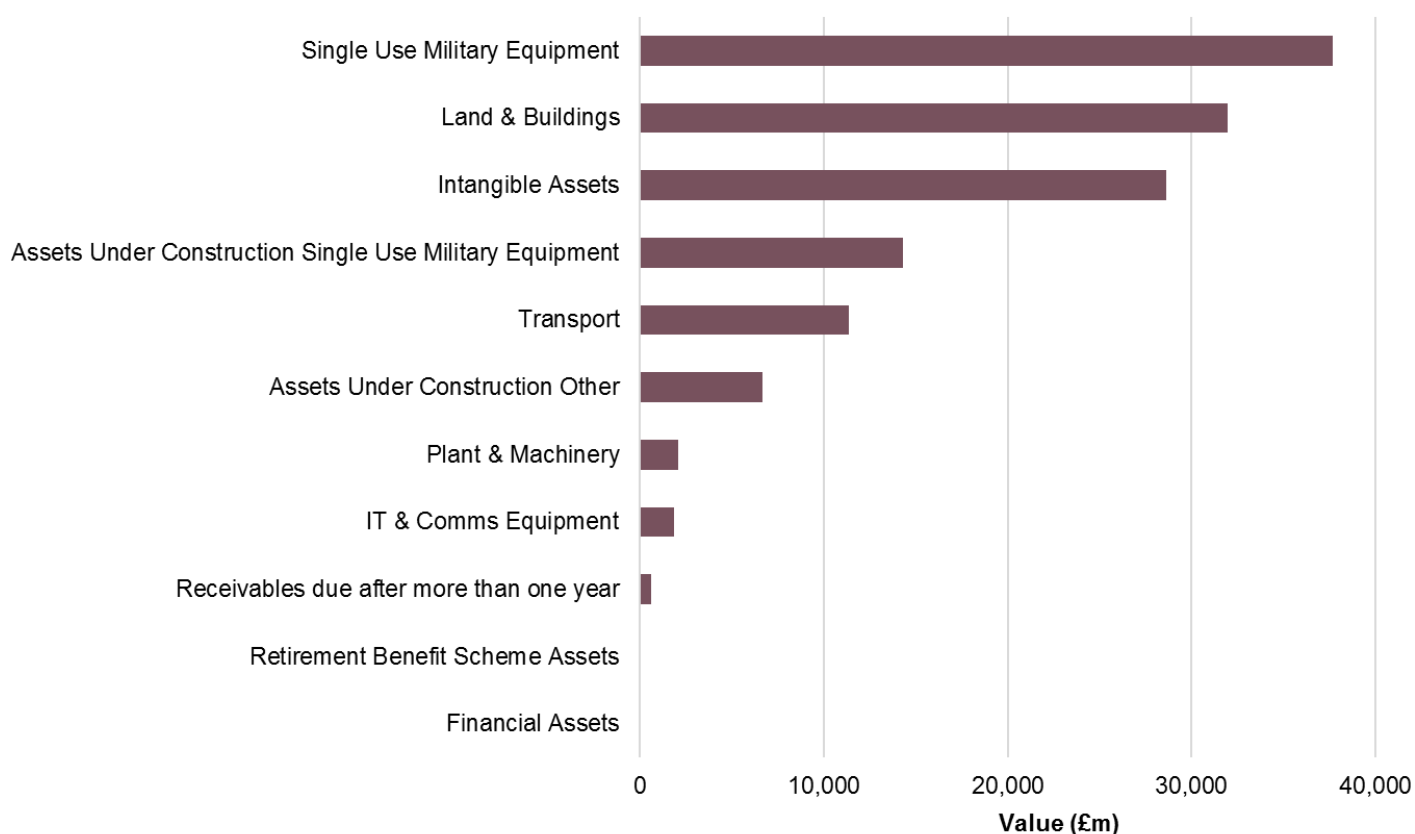
This section presents a detailed breakdown of the net book value of MOD's non-current assets by category. Non-current assets (formerly known as "fixed assets") are assets, tangible or intangible, acquired for continued and long-term use by the MOD. They include assets such as land, buildings and equipment.

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.

This valuation method complies with financial reporting standards with values being on an existing use basis rather than 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.

As at 31 March 2018, the value of MOD non-current assets stood at £135 billion, which is a rise of £4.4 billion compared to the figure for the previous year. The largest value non-current assets were Single Use Military Equipment at £37.7 billion and Land and Buildings worth £31.9 billion. The smallest values were Retirement Benefit Scheme at £16 million and Financial Assets at £13 million.

Figure 9: MOD Non-Current Assets at 31 March 2018



Source: Departmental Resource Accounts

External Income Earned by MOD

This section 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.

In 2017/18, the MOD earned nearly £1.4 billion in external income, an increase of £22 million from 2016/17. The receipts from the sale of Property, Plant and Equipment (PPE) assets and intangible assets were separately identified for the first time in 2016/17. When compared to 2016/17, the categories with the largest percentage changes were Sale of Fuel, which increased by 394% and Investment and Dividends, which decreased by 74%.

Figure 10: MOD Income Earned in 2017/18

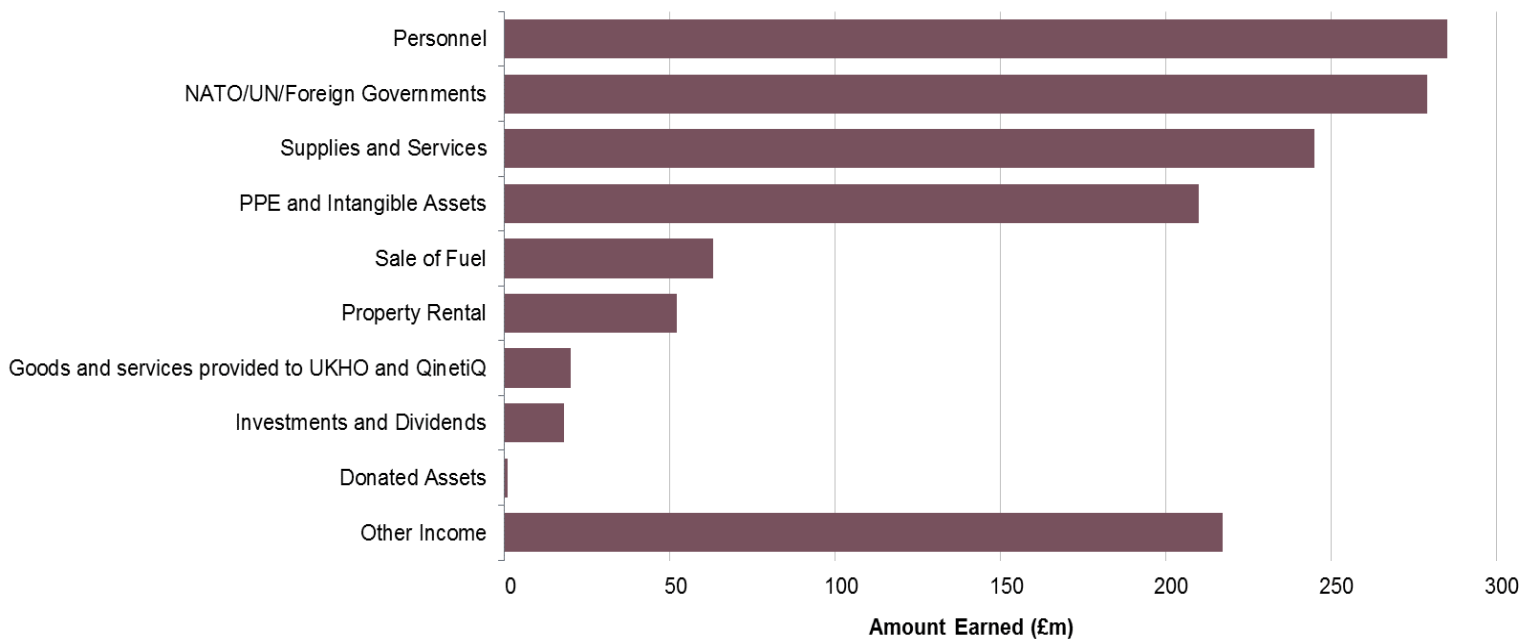
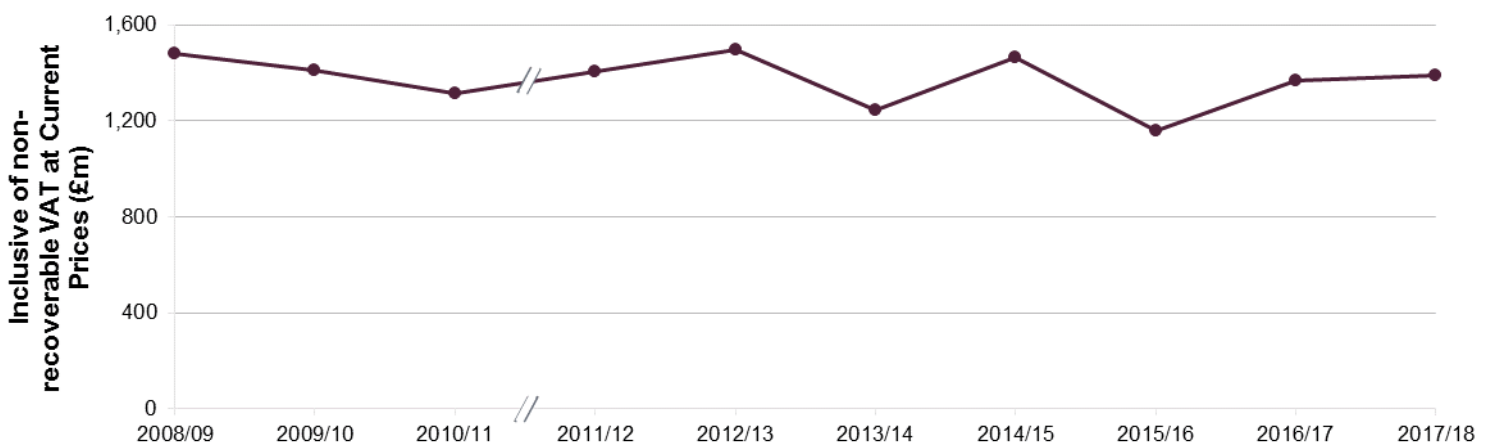


Figure 11: MOD Total Income Earned 2008/09 - 2017/18¹



Source: Departmental Resource Accounts

¹ From 2011/12, the notional cost of a donated asset is treated as income and not a credit to the reserves.

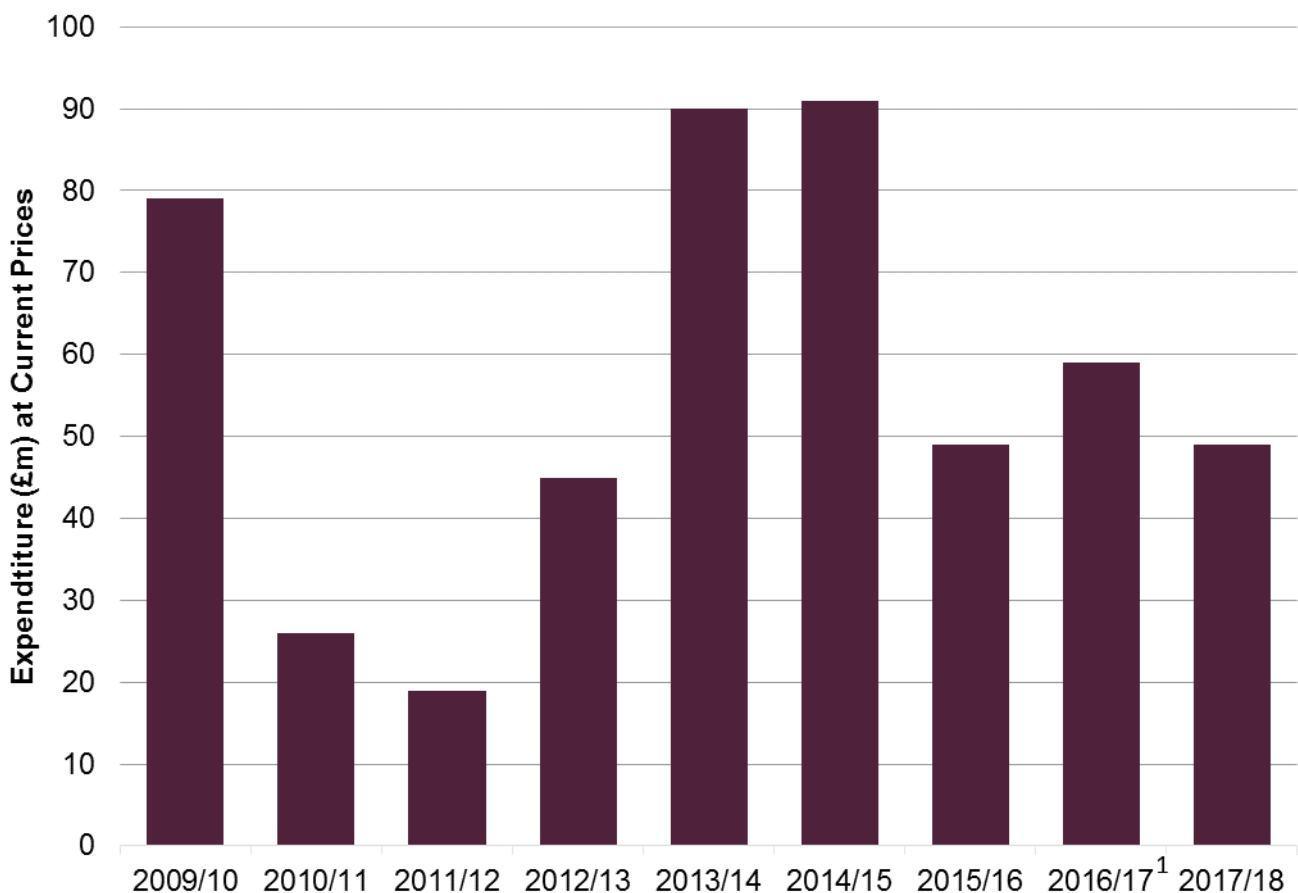
MOD Expenditure on Consultancy

Consultancy 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, where the service is provided by non-MOD personnel.

In 2017/18, the **MOD spent just under £50 million on consultancy**; a decrease of £10 million from 2016/17. There are standard Cabinet Office categories for reporting Consultancy and in 2017/18 MOD expenditure was highest on Strategy (£21 million) and Programme and Project Management (£12 million). The biggest decrease in spending on consultancy can be found in Finance (down £12 million from 2016/17).

Increased spending levels on consultancy, in 2013/14 and 2014/15, mainly reflected the implementation of the [Levene Reforms](#). Over the past few years, to help achieve the level of transformation necessary, MOD has needed, for the short term, to bring in specialist skills from outside the Department which cannot be found among the permanent workforce of the Department or elsewhere within Central Government.

Figure 12: MOD Expenditure on Consultancy 2009/10 to 2017/18¹



Source: Departmental Resource Accounts

¹ The 2016/17 total for consultancy expenditure shown in this table is slightly lower than the figure published on Page 113 of the 2016/17 MOD Annual Report and Accounts in order to ensure a consistency in the time series displayed in this visualisation.

Methodology

This short section on methodology sets out processes and methods used in the compilation of some of the tables and charts presented in this bulletin. More detailed explanations of the data sources and methodologies used can be found in the related [Excel tables](#) and in the [Background Quality Report](#).

Resource Accounting & Budgeting

Although most of the terminology used in this bulletin appears in the glossary it is thought that a summary of the terminology used in relation to MOD expenditure would be useful:

What is the DEL?

Departmental Expenditure Limits (DEL): These are fiscal limits, set during the Government Spending Review process, for discretionary spending within the Department – effectively the majority of MOD's budget. They are made up of **Resource DEL** and **Capital DEL** and are both planned, budgeted and accounted for on an accruals basis in accordance with International Financial Reporting Standards (IFRS).

Resource DEL (RDEL): This is split into two categories:

- *Cash Resource DEL:* Current expenditure and receipts. These include personnel, equipment support, inventory, infrastructure and other cash costs. These items have an effect on the Net Cash Requirement of the Department.
- *Non Cash Resource DEL:* Depreciation and impairment of property, plant, equipment and intangibles. The budgets for these are referred to as ringfenced by HM Treasury (HMT).

Capital DEL (CDEL): Non-current expenditure and receipts, both intangible and tangible. There are two broad sub categories.

- *Fiscal CDEL:* Expenditure on equipment that may have other civilian uses e.g. a building or IT equipment.
- *Single Use Military Equipment (SUME):* Expenditure on equipment which only has a military role, e.g. a warship. Dual Use Military Equipment is included in Fiscal CDEL.

With the adoption of the ESA 10 Framework, in September 2014, SUME has now become Capital both for MOD accounts purposes and National Accounts produced by the Office for National Statistics (ONS). Previously, under ESA 95, it had been Capital for the purposes of MOD budgets and accounts and was reported as current expenditure in the National Accounts.

Total DEL: Total DEL is calculated by adding Resource DEL and Capital DEL less Depreciation and Impairments. This is almost the same as the MOD term 'Near Cash'. **See glossary for full Definitions.**

What is presented in this Bulletin is only the MOD element of Defence in the HMT framework, and does not include the significant Armed Forces Pension and Compensation Scheme (AFPCS) costs. Nor is it based on wider definitions of Defence used across Central Government in other frameworks such as the Spend on Services or Classification Of the Functions Of Government (COFOG) which are presented in the HMT Public Expenditure Statistical Analyses (PESA) document. These frameworks have strong and objective governance by HMT, ONS, Organisation for Economic Co-operation & Development (OECD), UN etc, not directed by MOD.

There are also several other international statistical frameworks of Defence spending outside the formal HMT Budgetary Framework and National Accounts. In view of the differences between this and national definitions, the figures shown may appear to diverge considerably from those which are quoted by national authorities or given in national budgets at both total or commodity breakout level. Furthermore the reporting cycle may have timelines different to the UK budgetary and financial cycle so there may be considerable timing differences.

IMPORTANT NOTE: Please refer to the [Resource Accounting & Budgeting section of UK Defence Statistics 2012](#) to view information relating to the introduction of the International Financial Reporting Standards (IFRS), the implementation of the Clear Line of Sight (CLoS) alignment project and accounting changes in 2011/12, which have led to presentational changes to the reporting of MOD accounts.

There have been no significant changes to the way the 2017/18 accounts have been produced.

Research and Development (R&D)

Defence Statistics runs an annual survey of MOD expenditure on Research and Development (R&D). The survey response is sent to the Office for National Statistics (ONS) who use the data to produce cross Government statistics on R&D, and the UK estimates are used in international comparisons of R&D expenditure.

The survey seeks to identify elements of R&D that meet the international definition of R&D called Frascati. All government departments and overseas countries conduct their surveys based on the Frascati definition.

In short, Frascati seeks to identify expenditure on R&D that is new, novel or innovative and this definition is narrower than the definition used to identify R&D in the MOD Annual Report & Accounts. The survey seeks to identify the new, novel or innovative work from the total R&D expenditure reported in the Annual Report & Accounts, which will include updates and alterations to existing equipment, correcting faults found in the pre-production stage and trial production, which do not meet the Frascati definition.

MOD Equipment Expenditure

Estimates of MOD equipment expenditure have been calculated to indicate expenditure on acquisition, maintenance, repair and update of items such as plant, machinery, vehicles and fighting equipment plus associated R&D (using the wider definition of R&D used in the MOD Annual Report & Accounts) and administrative computers. This is a wider definition than used in the MOD Equipment and Equipment Support Plans.

The overall equipment expenditure total is made up of three figures. The first two (equipment support and R&D) are numbers reported in the MOD Annual Report & Accounts while some aggregating of data is used to compile the capital expenditure on equipment. This number is taken from the following categories of in-year expenditure reported in the MOD Annual Report & Accounts which are all pan-MOD totals: Assets Under Construction (AUC) Single Use Military Equipment (SUME), plant & machinery, SUME Fighting Equipment, transport, IT & communications. In addition the equipment element of Assets Under Construction – Other is also incorporated into the total after identified expenditure on non-equipment elements such as dwellings and infrastructure have been removed.

Glossary

Arm's Length Bodies In 2017/18, included within the Departmental Grouping (Non-Departmental Public Bodies and Other Bodies) are; the RAF Museum, the National Army Museum, the National Museum of the Royal Navy, the Royal Hospital Chelsea, Commonwealth War Graves Commission, Independent Monitoring Board for the Corrective Training Centre Colchester, the Single Source Regulations Office, Advisory Group on Military Medicine, Central Advisory Committee on Pensions and Compensation and Defence Scientific Advisory Council.

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.

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

Classification of the Functions of Government (COFOG) classifies government expenditure data from the System of National Accounts by the purpose for which the funds are used.

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. In 2015/16 the Conflict Pool was renamed the **Conflict Stability and Security Fund (CSSF)**.

Conflict Stability and Security Fund (CSSF), from 2015/16, is the Government's mechanism for funding conflict prevention, stabilisation, security and peacekeeping activities, under the strategic direction of the the National Security Council.

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 2017/18 prices".

Core Department Entities within MOD Departmental Boundary but excluding the Trading Fund UKHO.

Cost of Capital Charge is an annual non-cash charge applied to each Department's 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.

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 Equipment & Support Bespoke Trading Entity (DE&S BTE) became an arm's-length body of the MOD on 1 April 2014. DE&S BTE has a distinct operating cost cap as a financial control and reporting mechanism. This is to reflect its Arm's Length management from the MOD Head Office and exclusion from the MOD's Administration targets. The DE&S BTE is an Executive Agency in terms of classification by the ONS but will still be part of the MOD Vote and will publish separate plans and annual accounts at the end of each Financial Year.

Defence Science and Technology Laboratory (DSTL) was a former Trading Fund of MOD, created in July 2001. It supplies impartial scientific and technical research and advice to MOD and other government departments. In April 2017 it ceased to be a Trading Fund and became an On-Vote Defence Agency of MOD.

Defence Support Group (DSG) was a former Trading Fund of the MOD created following the merger of Army Base Repair Organisation (ABRO) and Defence Aviation Repair Agency (DARA) on 1 April 2008. On 1 April 2015 the land repair and maintenance business was sold to Babcock. The remaining part of the business, the Air division and Electronics and Components division, stayed under MOD ownership.

Departmental Annually Managed Expenditure (AME) 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 and cost of capital charges.

Departmental Expenditure Limit (DEL) 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' Arm's Length Bodies. **See Arm's Length Bodies.**

Departmental Resource Accounts (DRAc) 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.

Deployed Military Activity Pool (DMAP) is a joint HM Treasury and MOD initiative to make available resources to fund the initial and short term costs of any unforeseen military activities, as authorised by the National Security Council.

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.

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**.

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.

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.” See also **Tangible Assets**.

International Financial Reporting Standards (IFRS) are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. [See [Resource Accounting & Budgeting Section](#) in Chapter 1 of UK Defence Statistics 2012 for further information.]

Ministry of Defence (MOD) is the United Kingdom Government Department responsible for implementation of Government defence policy. It 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 manages day to day running of the armed forces, contingency planning and defence procurement.

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.

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.

Office for National Statistics (ONS) is responsible for the production of a wide range of independent economic and social statistics. The statistics are there to improve 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.

Operating Cost Statement is the Public Sector's equivalent of a commercial organisation's Profit and Loss Account. It provides detail of the cost of the operations of a Management Grouping in the period, net of receipt income, and identifies the net resource outturn.

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.

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 (such as buildings, vehicles, equipment and water systems) 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.

QinetiQ Formerly part of the Defence Evaluation and Research Agency (DERA). QinetiQ became a limited company in July 2001. UK government holds a Special Share, through the Secretary of State for Defence, which confers certain rights to protect UK defence and security interests.

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

Resource Accounting (RAB) is the accounting system that has been used since 2001/02 and comprises a set of accruals accounting techniques for reporting on central government expenditure and a framework for analysing expenditure by organisational aims and objectives, relating these to outputs where possible.

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.](#)]

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

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

Tangible Assets are physical assets such as land, vehicles or equipment. See also **Intangible Assets**.

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 free to negotiate their own terms and conditions with their staff. For this reason their grading structures do not always match that of the rest of the Ministry. From 2017/18 there is now only one MOD Trading Fund - UK Hydrographic Office.

UK Hydrographic Office (UKHO) was formed as a Trading Fund of the MOD in 1996 and is responsible for the provision of global hydrographic products and services to UK Defence and commercial mariners. In addition, UKHO discharges the UK's obligation to provide hydrographic products and services needed for safe navigation in UK waters.

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.

Further Information

Symbols

|| discontinuity in time series

Rounding

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

Revisions

Corrections to the published statistics will be made if errors are found, or if figures change as a result of improvements to methodology or changes to definitions. When making corrections, we will follow the Ministry of Defence [Statistics Revisions and Corrections Policy](#). All corrected figures will be identified by the symbol “r”, and an explanation will be given of the reason for and size of the revision. Corrections which would have a significant impact on the utility of the statistics will be corrected as soon as possible, by reissuing the publication. Minor errors will also be corrected, but for convenience these corrections may be timed to coincide with the next annual release of the publication.

Contact Us

Defence Statistics welcomes feedback on our statistical products. If you have any comments or questions about this publication or about our statistics in general, you can contact us as follows:

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If you require information which is not available within this or other available publications, you may wish to submit a Request for Information under the Freedom of Information Act 2000 to the Ministry of Defence via the following link:

<https://www.gov.uk/make-a-freedom-of-information-request/the-freedom-of-information-act>

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