



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: DefStrat-Econ-ESES-DEA-StatTL@mod.uk

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 also tables presenting the MOD's commitment to conflict prevention, value of our non-current assets, external income earned by MOD and expenditure on external assistance. The data are consistent with that published in the MOD Annual Report and Accounts, and are produced as part of the transparency and accountability of the MOD to Parliament and the public.

The figures are expressed in Current Prices unless otherwise specified.

Key Points and Trends

- In 2013/14, Defence Spending (Resource DEL plus Capital DEL minus Depreciation and Impairments) totalled £34.6 billion which is similar to 2012/13.
- In 2013/14 Defence was ranked as 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.
- Estimated MOD Equipment Expenditure for 2013/14 was £15.2 billion. This was an increase of almost £1.3 billion from 2012/13 and shows MOD Equipment Expenditure, and particularly Equipment Support and R&D, returning to a level similar to 2011/12.
- In 2012/13, MOD net expenditure on R&D activity, identified as meeting the Frascati international definition for new, novel and innovative R&D, totalled just under £1.5 billion. This was about £150 million higher than in 2011/12 and halts the gradual decline in expenditure on R&D which started after 2005/06 when expenditure was at £2,243 million.
- As at 31 March 2014, the total net value of assets owned by MOD (Non-Current Assets) was £119 billion. This total has been relatively constant for the past 5 years.
- In 2013/14 MOD earned just over £1.2 billion in external income, a fall of nearly £250 million from 2012/13 and the lowest total since income was first reported in this bulletin in 2004/05. Most recently the fall can be attributed to reducing dividends and income from the Trading Funds and the receipt of donated assets.

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, please 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:

<https://www.gov.uk/government/organisations/ministry-of-defence/about/statistics#freedom-of-information-requests>

Other contact points within Defence Economics and Defence Statistics are:

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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.

The figures are expressed in Current Prices unless otherwise specified.

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. As Finance Statistical Bulletins are 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's 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 (ARAc), and is produced as part of the transparency and accountability of the Ministry of Defence to Parliament and the public.

The following is an explanation of some of the terminology used in the tables:

What is the DEL?

Departmental Expenditure Limits (DEL): These are fiscal limits, set by the Spending Review, for discretionary spending within the Department – effectively the majority of our 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 Standard (IFRS).

Resource DEL (RDEL) – Current expenditure and receipts. These include Personnel, Equipment Support, Inventory and Infrastructure.

- *Cash Resource DEL* – These items have an effect on the Net Cash Requirement of the Department.

- *Non Cash Resource DEL* – Mainly Depreciation and Impairment of Property Plant and Equipment. 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* is expenditure on equipment that may have other civilian uses e.g. a building or IT equipment.

- *Single Use Military Equipment (SUME)* CDEL is expenditure on equipment which only has a military role, e.g. a warship (Dual Use military equipment counts as Fiscal CDEL).

SUME although Capital for the purposes of MOD budgets and accounts was regarded as current expenditure in the National Accounts produced by the Office for National Statistics (ONS) under the ESA95 framework.

Total DEL - HM Treasury's preferred measure of Government spending. 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 or wider definitions of Defence 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 and Development (OECD), UN etc not directed by MOD.

PESA 2014 represents a snapshot of the MOD ARAc data at July 2014, when usually the Accounts have been fully audited and presented before Parliament. This process did not finish until November 2014 for MOD, so there may be timing differences in some of the data presented, which can be expected to be overwritten by PESA 2015.

There are also several other international statistical frameworks of Defence spend 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 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 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 2013/14 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 for all identified operations since 2004/05.

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

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, minus Depreciation and Impairments and from 2009/10 Fixed Assets Written On/Off have also been removed. 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 and takes account of movements in working capital levels (debtors, creditors, stock) whilst excluding all non-cash costs. The NCR is the nearest comparable figure to the cash totals presented prior to 2001/02 and is used with the cash figure to present the time series in [Chart to Table 1.03.01](#).

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

Please refer to the [Resource Accounting & Budgeting section](#) 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 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 2007/08	Outturn 2008/09	Outturn 2009/10	Outturn 2010/11	Outturn 2011/12	Outturn 2012/13	Outturn 2013/14
Defence Spending²	* II	33 164	37 387	38 579 II	40 246 II	39 461 II	37 169	34 260	34 559
Departmental Expenditure Limits		23 552 II	43 634	45 473 II	47 647 II	48 463 II	46 994	43 718	44 020
Resource DEL³	.. II	32 911	35 689	36 715 II	38 572 II	39 084 II	37 980	35 874	36 448
<i>of which:</i>									
Depreciation/Impairments/Fixed Assets Written On/Off ⁴	* II	6 587	6 247	6 894 II	7 401 II	9 002 II	9 825	9 458	9 462
Cost of Capital Charge ⁵	* II	3 106	3 371	3 626 II	3 828 II	* II	*	*	*
Capital DEL⁶	.. II	6 840	7 945	8 758 II	9 075 II	9 379 II	9 014	7 843	7 572
Annually Managed Expenditure(AME)^{7,8,9,10}	.. II	890	510	214 II	2 417 II	7 881 II	957 ^r	1 831 ^r	835
<i>of which:</i>									
Resource AME	*	*	*	*	*	* II	967	1 867	963
Capital AME	*	*	*	*	*	* II	-10	- 35	- 129
Cash		23 552 II	*	* II	* II	* II	*	*	*
Net Cash Requirement	.. II	30 603	33 486	36 431 II	37 425 II	37 645 II	37 608	36 838	36 217
Defence Spending ² at Constant 2013/14 Prices ¹¹	* II	39 933	42 584	42 866 II	43 591 II	41 590 II	38 485	34 892	34 559

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](#)
- Capital DEL includes expenditure on the purchase of fixed assets (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](#)
- Revisions in 2011/12 and 2012/13 are the result of the inclusion of Capital AME numbers into the total AME figure. The AME figure previously reported was only the Resource AME element.
- Conversion to constant 2013/14 prices uses the latest available forecast GDP deflator series produced by [HM Treasury](#) dated 6 October 2014.

Chart to Table

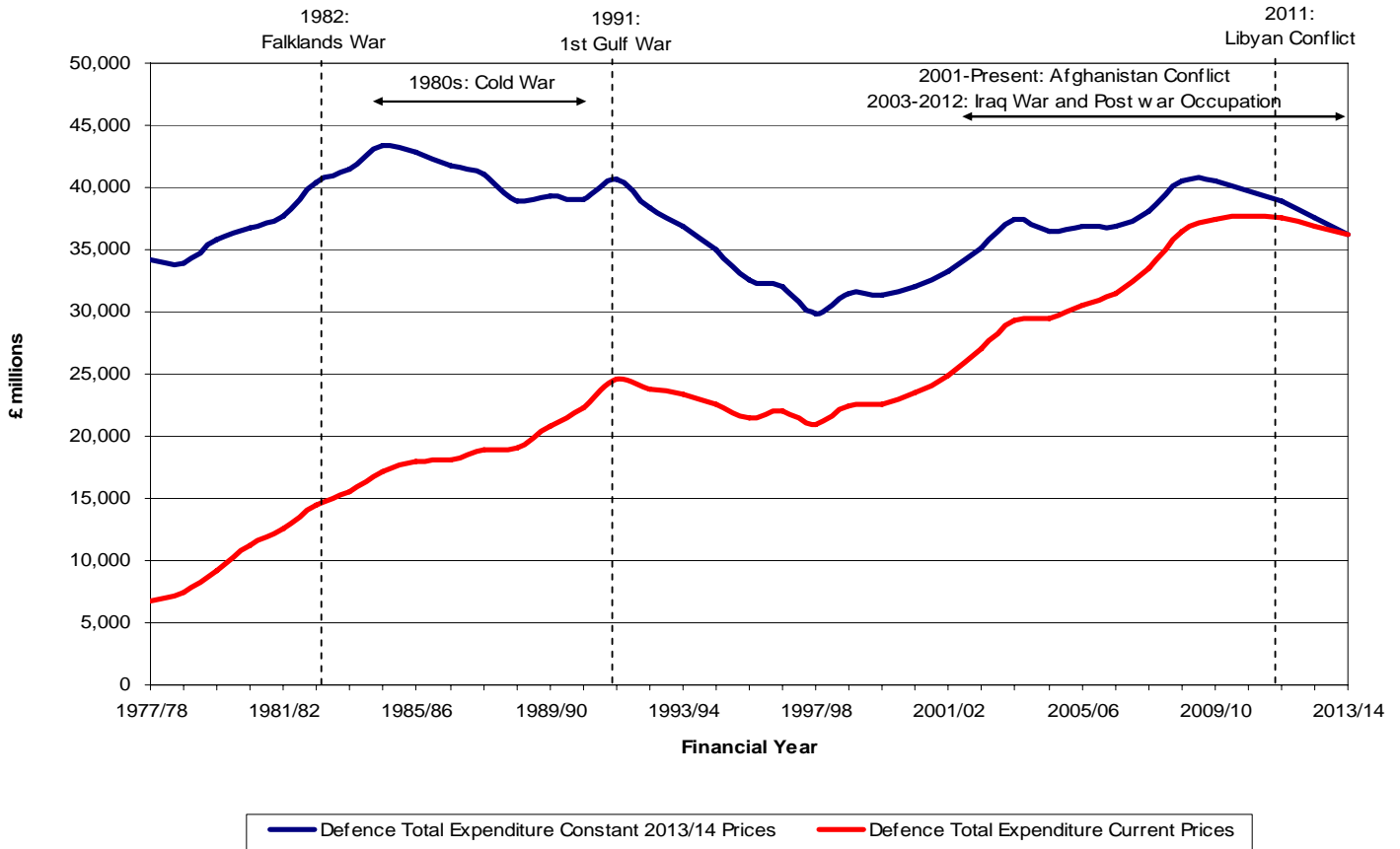
1.03.01

UK Defence Expenditure: 1977/78 to 2013/14^{1,2,3}

The Chart below shows the MOD Cash Figures from 1977/78 until 2000/01, then from 2001/02 onwards the Net Cash Requirement (NCR) is used. 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 (debtors, creditors, stock) whilst excluding all non-cash costs. This makes the NCR the closest comparable figure to the cash totals previously calculated and enables presentation of a longer time series.

There were real term increases up to the mid-1980s to reflect NATO's commitments in the Cold War, a fall proceeded thereafter due to the 'Peace Dividend' with the Gulf War in 1991 causing a temporary rise. More recently, since 2000 defence expenditure has increased quite sharply due to the recent conflicts in Iraq and Afghanistan. Since 2011 however, a decrease in expenditure has occurred which is forecast to continue in the future.

This chart includes expenditure on Conflict Prevention.



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 2013/14 prices uses the latest available GDP deflator series published by [HM Treasury](#) dated 6 October 2014.
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**.

Tables

1.03.02

Public Expenditure by Departmental Grouping

This table and charts (taken from Table 1.3 and Table 1.8 of [Public Spending Statistics: July 2014](#) produced by HM Treasury (HMT)) examine 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.

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.

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.

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](#).

Chart

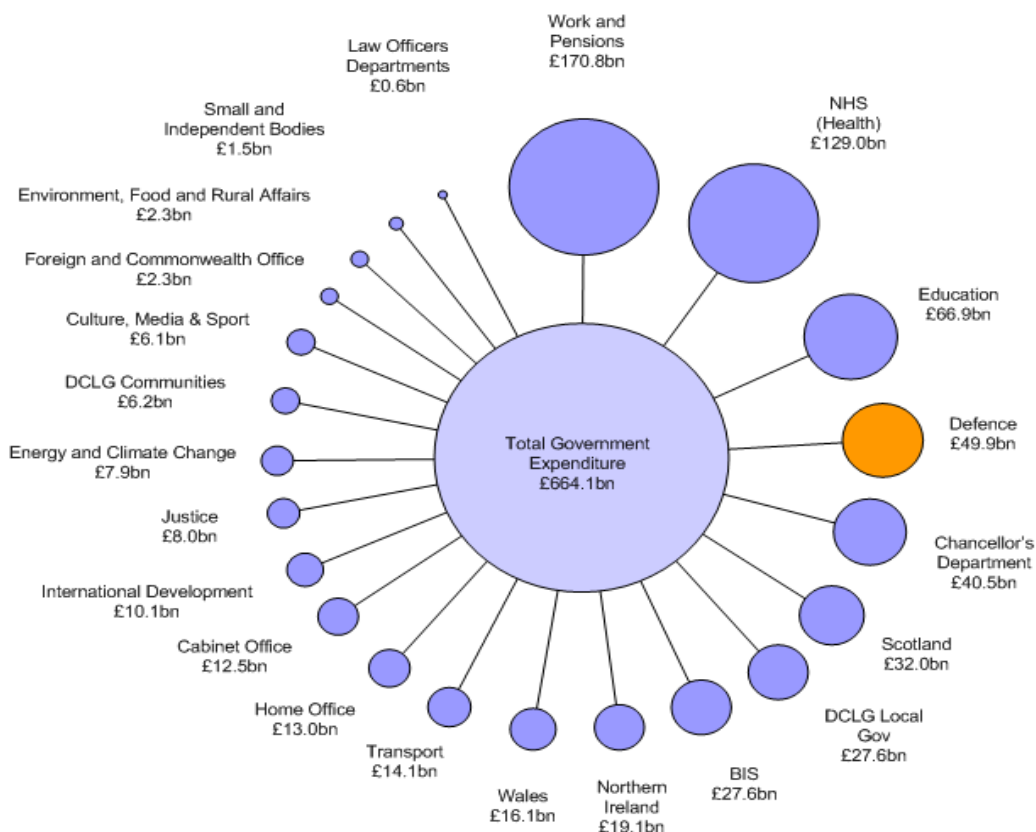
1.03.02a

Public Expenditure by Departmental Grouping: 2013/14

This table (taken from Table 1.3 and Table 1.8 of [Public Spending Statistics: July 2014](#) 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.

Defence expenditure as shown in the Public Spending Statistics cannot be directly compared to the Defence spending figure in Table 1.03.01 of this bulletin as they use different definitions. The difference can be attributed in part to HMT's inclusion of Depreciation/Impairments/Fixed Assets Written On/Off, which accounts for an additional £9.5 billion, and the Armed Forces Pension Scheme (AFPS), which adds a further £5.2 billion to AME.

Under HMT Accounting, Defence spending during 2013/14 was around £49.9 billion, this was a slight decrease of just over £1.1 billion from 2012/13. Defence was the fourth highest spending area of UK Government during 2013/14, only Work and Pensions (just under three and a half times that of Defence), followed by NHS (Health) (over two and a half times) and Education (just over 1.3 times) were higher. The Chancellor's Departments saw the highest rise in expenditure with an increase of £16.4 billion, up from £24.1 billion in 2012/13 to £40.5 billion in 2013/14; this was due mainly to financial sector interventions.



**Table
1.03.02b**

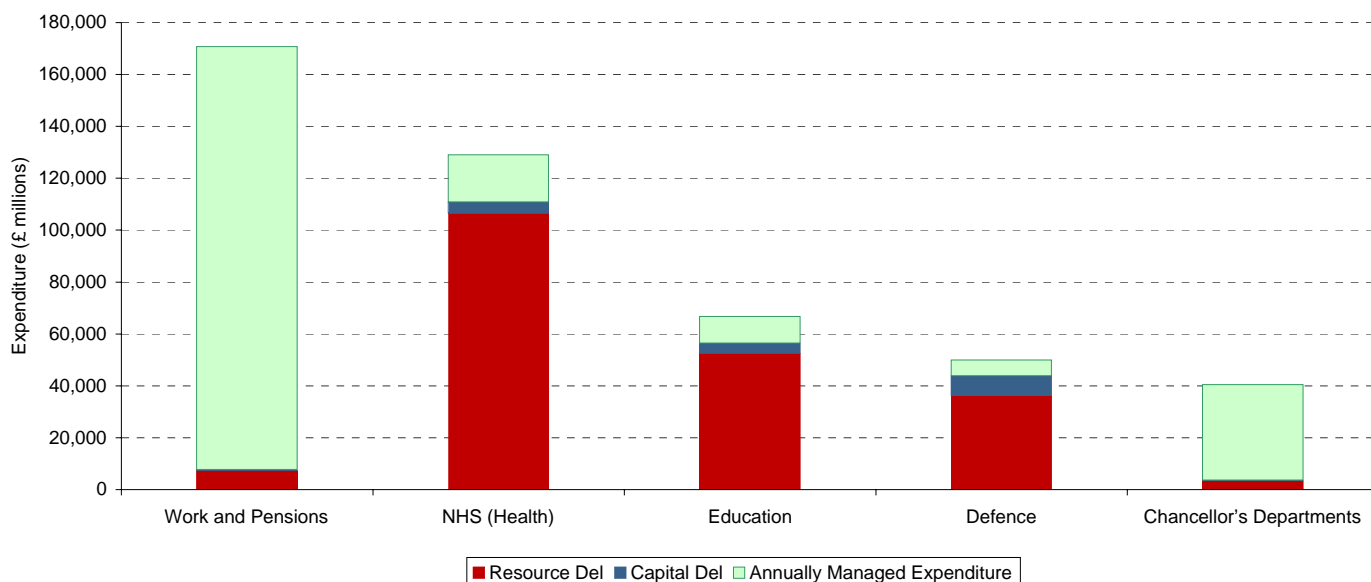
Public Expenditure for Top Five Departmental Groups

	Outturn 2009-10	Outturn 2010-11	Outturn 2011-12	Outturn 2012-13 ¹	Current Prices (£ billion) Outturn 2013-14 ²
Total Resource DEL	338.0^r	350.8^r	345.8^r	343.4^r	338.8
<i>Of which:</i>					
Education	49.3 ^r	50.4 ^r	50.2 ^r	50.8 ^r	52.5
NHS (Health)	94.4	97.5	100.3	102.6 ^r	106.5
Chancellor's Departments	4.2	4.0	3.9	3.5	3.4
Defence	34.9	39.0	38.0	35.9	36.2
Work and Pensions	13.6 ^r	13.9 ^r	12.4 ^r	12.3 ^r	7.4
	Outturn 2009-10	Outturn 2010-11	Outturn 2011-12	Outturn 2012-13 ¹	Current Prices (£ billion) Outturn 2013-14 ²
Total Capital DEL	57.0	49.8^r	42.3	39.0^r	42.0
<i>Of which:</i>					
Education	7.4	7.1 ^r	5.0	4.3 ^r	3.9
NHS (Health)	5.2	4.2	3.8	3.8	4.3
Chancellor's Departments	0.3	0.2	0.3	0.2	0.2
Defence	9.1	9.3	9.0	7.8	7.6
Work and Pensions	0.3	0.4 ^r	0.3	0.4	0.2
Departmental Expenditure Limits (RDEL + CDEL)	395.0^r	400.7^r	388.1^r	382.3^r	380.8
	Outturn 2009-10	Outturn 2010-11 ^{3,4}	Outturn 2011-12	Outturn 2012-13 ¹	Current Prices (£ billion) Outturn 2013-14 ²
Total Departmental AME	260.0^r	166.2^r	248.3^r	258.7^r	283.2
<i>Of which:</i>					
Education	10.4	-10.4 ^r	11.8	10.7 ^r	10.5
NHS (Health)	16.2	-11.0	19.6	18.9 ^r	18.2
Chancellor's Departments	51.5	25.9	19.6	20.4	36.9
Defence ⁵	7.9	-0.9	8.0	7.3	6.2
<i>Of which: Defence (Excluding AFPS)⁶</i>	2.4	7.9	1.0	1.8 ^r	0.8
Work and Pensions	141.8 ^r	146.4 ^r	154.4 ^r	160.7 ^r	163.1

Source: HMT Public Spending Statistics: July 2014 (Table 1.3 and Table 1.8)

**Chart to Table
1.03.02b**

Public Expenditure for Top Five Departmental Groups: 2013/14



- For 2012/13, data has been revised as final outturn replaces provisional estimates.
- In 2013/14, AME and DEL for a number of departments (primarily DCLG and DWP) were affected by the localisation of council tax benefit and business rates.
- 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.
- 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 and explains the negative numbers appearing in the 2010/11 AME figures.
- Previously the figures for Defence's departmental AME were adjusted to remove contributions to the Armed Forces Pensions Scheme. This table now aligns with the presentation in Public Spending Statistics and includes the Armed Forces Pensions Scheme.
- The figures for Defence (excluding AFPS) align with data displayed in Table 1.03.01 and Table 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 & 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, and 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](#) 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 accounting changes from 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](#).

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	Outturn 2013/14
Defence Spending	37 169	34 260	34 559
Departmental Expenditure Limits (DEL)	46 994	43 718	44 020
Cash Resource DEL	37 980	35 874	36 448
Personnel Costs	12 846	11 921	11 473
of which: Service Personnel Costs ¹	10 101	9 598	9 156
Civilian Personnel Costs ²	2 745	2 323	2 318
Infrastructure Costs ³	4 580	4 594	4 707
Inventory Consumption ⁴	2 535	2 312	2 161
Equipment Support Costs ⁵	6 256	5 588	6 411
Other Costs & Services ⁶	1 850	1 923	2 027
Receipts & Other Income ⁷	-1 327	-1 277	-1 196
Depreciation & Impairment ⁸	9 825	9 458	9 462
Cash Release of Provisions ⁹	348	239	178
Research & Development Costs ¹⁰	833	944	988
Conflict Pool	46	44	50
Arm's Length Bodies ¹¹	187	127	187
Capital DEL¹²	9 014	7 843	7 572
Single Use Military Equipment ¹³	5 284	4 768	4 528
Other (Fiscal) ¹⁴	3 883	3 141	3 091
Asset/Estate Disposal Costs	- 150	- 64	- 44
New Loans and Loan Repayments	- 5	- 6	- 6
Arm's Length Bodies	2	3	3
Annually Managed Expenditure (AME)¹⁵	957^r	1 831^r	835
Resource AME	967	1 867	963
Depreciation & Impairment	510	1 062	- 208
Provisions	- 460	318	148
Cash Release of Provisions	- 345	- 239	- 203
Movement on Fair Value of Financial Instruments	347	- 183	368
War Pensions Benefits	916	908	859
Capital AME	- 10	- 35	- 129
Provision Costs (Release)	- 10	- 35	- 129

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

1. Military and other ranks pay and other allowances; SCAPE; Employer's National Insurance Contributions (ERNIC).
2. Civilian pay and other allowances; pension contributions; Employer's National Insurance Contributions (ERNIC).
3. Property management; service charges; IT & communications costs; utilities costs.
4. Munitions; stores; fuel (marine & aviation); clothing; other materials consumed e.g. stationary, sundries, general stores etc.
5. Equipment support costs, including leases & hire charges for plant, machinery and transport.
6. Travel & subsistence; professional services & fees; training.
7. Receipts from various sources; costs recoveries; dividends; interest.
8. Depreciation & impairments on Non-Current Assets (Property, SUME, dual purpose).
9. Nuclear and non nuclear provisions e.g. staff redundancies, legal costs, environmental, etc.
10. 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.
11. 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.
12. Expenditure on the acquisition of Non-Current Assets.
13. Single Use Military Equipment (SUME) are assets which only have a military use, such as tanks and fighter aircraft. Dual use items i.e. those that also have a civilian use are recorded under the other category.
14. Expenditure on Property, Plant and dual use military equipment that could be used by civilian organisations for the production of goods and services.
15. Revisions in 2011/12 and 2012/13 are the result of the inclusion of Capital AME numbers into the total AME figure. The AME figure previously reported was only the Resource AME element.

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 & 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 into 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)						
	2007/08	2008/09	2009/10 ²	2010/11 ²	2011/12 ²	2012/13	2013/14
Estimated MOD Equipment Expenditure	12 380	13 386 	13 174 	13 994 	15 368	13 918	15 178
<i>Of which:</i>							
Capital Expenditure on Equipment ^{3,4}	5 401	6 669	6 469	6 815	6 777	6 332	6 394
Equipment Support ^{5,6}	4 272	4 292	4 212	4 689	6 256	5 588	6 411
Research & Development ⁷	2 707	2 426	2 493	2 490	2 334	1 998	2 373
<i>Of which:</i>							
Frascati Defined R&D ^{8,9,10}	2 139	1 991	1 752	1 693	1 306	1 460	..
Other R&D ¹¹	568	435	741	797	1 028	538	..

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 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 accounting changes resulting from the publication of the Strategic Defence & Security Review 2010, which have led to significant presentational changes in the reporting of the accounts since 2010/11.
- 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, 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.
- Since 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. This has improved the coverage of equipment expenditure reported in the table 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 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 & 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 2 sets of figures, we now display the Frascati defined 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.
- Please see Table 1.03.05 for details of how these figures have been compiled.
- 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 the net R&D expenditure.
- No Frascati defined net R&D figures or Other R&D figures for 2013/14 are currently available. The survey to collect this data was undertaken during Autumn 2014 and will be published in the September 2015 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

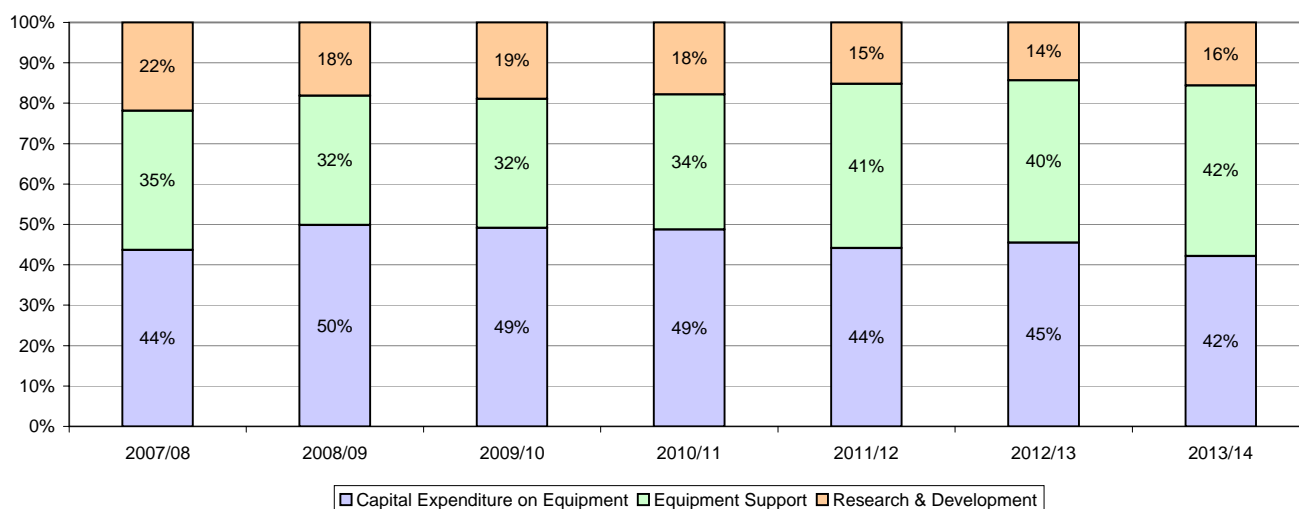


Table 1.03.05 MOD Research & Development Expenditure Outturn

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 (i.e. R&D considered to be new, novel or innovative), which align to National Accounts definitions.

An explanation of the break in series between 2000/01 and 2005/06 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	2005/06	Inclusive of non-recoverable VAT at Current Prices (£ million)					
			2007/08	2008/09	2009/10	2010/11	2011/12 ³	2012/13
Total Gross Expenditure on R&D	2 321	2 318	2 220	2 074	1 839	1 782	1 348	1 504
<i>Of which:</i>								
Intramural	932	365	279	262	288	226	158	150
Extramural	1 389	1 953	1 941	1 812	1 551	1 556	1 190	1 353
Receipts⁴	81	75	81	83	87	89	42	44
<i>Of which used:</i>								
Intramurally	45	74	74	75	80	72	27	27
Extramurally	36	1	7	8	7	16	15	17
Total Net Expenditure on R&D	2 240	2 243	2 139	1 991	1 752	1 693	1 306	1 460

Research	2000/01	2005/06	Inclusive of non-recoverable VAT at Current Prices (£ million)					
			2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Total Gross Expenditure on Research	612	626	672	622	614	575	553	565
<i>Of which:</i>								
Intramural	400	171	197	186	204	163	106	101
Extramural	212	455	474	436	410	412	447	464
Receipts⁴	45	28	37	37	39	41	-	-
<i>Of which used:</i>								
Intramurally	45	27	37	36	38	40	-	-
Extramurally	-	1	1	1	1	1	-	-
Total Net Expenditure on Research	566	598	635	584	575	534	553	565

Development	2000/01	2005/06	Inclusive of non-recoverable VAT at Current Prices (£ million)					
			2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Total Gross Expenditure on Development	1 709	1 693	1 549	1 452	1 225	1 207	795	939
<i>Of which:</i>								
Intramural	532	194	82	76	83	63	52	49
Extramural	1 177	1 499	1 467	1 376	1 142	1 143	743	890
Receipts⁴	36	47	44	46	49	48	42	44
<i>Of which used:</i>								
Intramurally	-	47	37	39	42	32	27	27
Extramurally	36	-	6	7	7	15	15	17
Total Net Expenditure on Development	1 673	1 645	1 505	1 406	1 177	1 159	753	895

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 2003/04 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 moved from the MOD to become 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 1.03.06a 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 1.03.06b shows the annual audited costs of operations since 2004/05.

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](#).

	Wider Gulf			Afghanistan			Libya ¹	Mali ²	Conflict Pool ³			Total ⁴
	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2011/12	2012/13	2013/14	2013/14
Total Cost by Operation	37	57	40	3 458	2 673	1 877	213	17	46	44	50	1 966
Total Resource	35	26	37	2 705	2 190	1 751	188	17	46	44	50	1 838
<i>of which:</i>												
Total Cash Resource:												
Service Manpower	5	2	2	269	195	107	4	-	17	18	19	128
Civilian Manpower	-	5	-	25	17	14	1	-	1	1	1	15
Infrastructure costs	8	4	15	192	159	147	14	2	2	1	2	164
Equipment support	14	11	13	585	411	332	30	12	-	-	-3	342
Research and Development	-	-	-	-	-	17	-	-	-	-	-	17
Other costs and services	4	8	6	475	370	213	13	1	25	25	34	253
Receipts and Other Income ⁵	-	-	-	-38	-26	-27	-4	-2	1	-	-	-27
Inventory/Other Consumption	3	-5	1	758	563	395	34	5	-	-	-2	393
Cash Release of Provision	-	-	-	3	2	3	-	-	-	-	-	3
Total Non Cash Resource:												
Depreciation, amortisation (including UOR ⁶) and fixed asset write-off	-	-	-	442	492	543	97	-	-	-	-	543
Other Costs ⁷	-	-	-	-6	8	7	-	-	-	-	-	7
Total Capital Costs	2	32	3	750	474	123	25	-	-	-	-	126
Total Annually Managed Expenditure⁸	-	-	-	4	9	3	-	-	-	-	-	3

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

- 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 formal conflict operations ceased, expenditure in Mali has been subsumed into the Conflict Pool or the Deployed Military Activity Pool (DMAP).
- The Conflict Pool includes the Balkans, Stabilisation Aid Fund and the Programme Pool.
- In 2013/14, the Total also included costs of around £130 thousand paid from the Deployed Military Activity Pool (DMAP).
- 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 inventory 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.

Table 1.03.06b Annual Audited Cost of Operations^{1,2}

	Inclusive of non-recoverable VAT at Current Prices (£ million)									
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14 ³
TOTAL	1 064	1 220	1 750	2 987	4 026	4 218	3 985	3 754	2 792	1 966
<i>of which:</i>										
Operations in Wider Gulf ¹	910	958	956	1 457	1 381	342	127	37	57	40
Operations in Afghanistan	67	199	738	1 504	2 623	3 821	3 777	3 458	2 673	1 877
Operations in Libya	-	-	-	-	-	-	21	213	-	-
Operations in Mali	-	-	-	-	-	-	-	-	17	-
Operations in Balkans ²	87	63	56	26	22	*	*	*	*	*
Conflict Pool ²	*	*	*	*	*	55	60	46	44	50

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.
- Since 2009/10 the Conflict Pool has included the Balkans, Stabilisation Aid Fund and the Programme Pool.
- In 2013/14, the Total also included costs of around £130 thousand paid from the Deployed Military Activity Pool (DMAP).

Table 1.03.07 MOD Non-Current Assets: 2009/10 - 2013/14¹

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 - 2013/14. 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	31-Mar-14
Total Non-Current Assets	122 663	117 783	121 815	120 437	119 027
Property, Plant and Equipment	92 387	89 038	92 813	92 277	93 091
<i>Of which:</i>					
Land & Buildings	23 458	23 371	25 721	25 710	27 374
Plant & Machinery	2 158	1 944	1 861	2 052	1 918
Transport	7 568	8 480	8 542	8 765	8 894
IT & Comms Equipment	2 855	2 728	2 483	2 519	2 630
SUME ²	35 897	35 726	34 607	35 726	33 324
AUC ³ SUME	14 978	12 055	13 629	12 080	12 322
AUC ³ Other	5 473	4 735	5 969	5 425	6 629
Intangible Assets⁴	29 134	27 529	27 851	27 418	24 918
Receivables due after more than one year⁵	962	1 047	988	605	915
Financial Assets^{5,6}	180	169	164	136	103

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.
- 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 is now included as a separate category.
- 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.

Chart to Table 1.03.07

MOD Non-Current Assets by Category: 31 March 2014

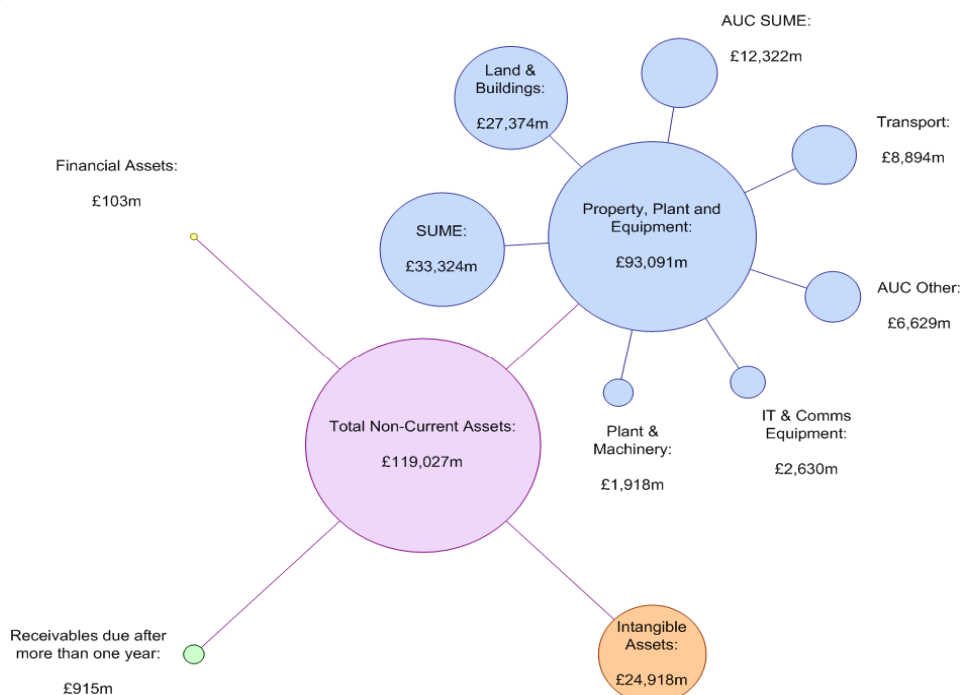


Table 1.03.08 External Income Earned by MOD

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](#).

Departmental Group - Income Earned	2005/06	Inclusive of non-recoverable VAT at Current Prices (£ million)						
		2007/08	2008/09	2009/10	2010/11	2011/12 ¹	2012/13	2013/14
Departmental Group - Income Earned	1 391	1 394	1 479	1 409	1 316	1 406	1 494	1 246
Rental income - property	49	34	34	30	29	29	30	26
Receipts - personnel	415	413	393	373	357	344	342	318
Receipts - sale of fuel	57	101	108	79	72	128	138	126
Donated Assets ²	26	109	4
Receipts - supplies and services	290	259	379	330	314	317	301	297
Receipts - NATO/UN/US Forces/Foreign Govts	316	368	330	411	342	325	264	286
Reverse tasking ³	26	32	26	35	35	35	38	33
Dividends and income from investment property ⁴	39	40	57	24	42	35	31	48
Other ⁴	198	149	153	126	126	168	241	107

Source: Defence Economics and Defence Resources

1. 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.
2. 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.
3. Receipts for invoiced goods and/or services supplied to the MOD Trading Funds and QinetiQ Group PLC by MOD.
4. 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: 2013/14

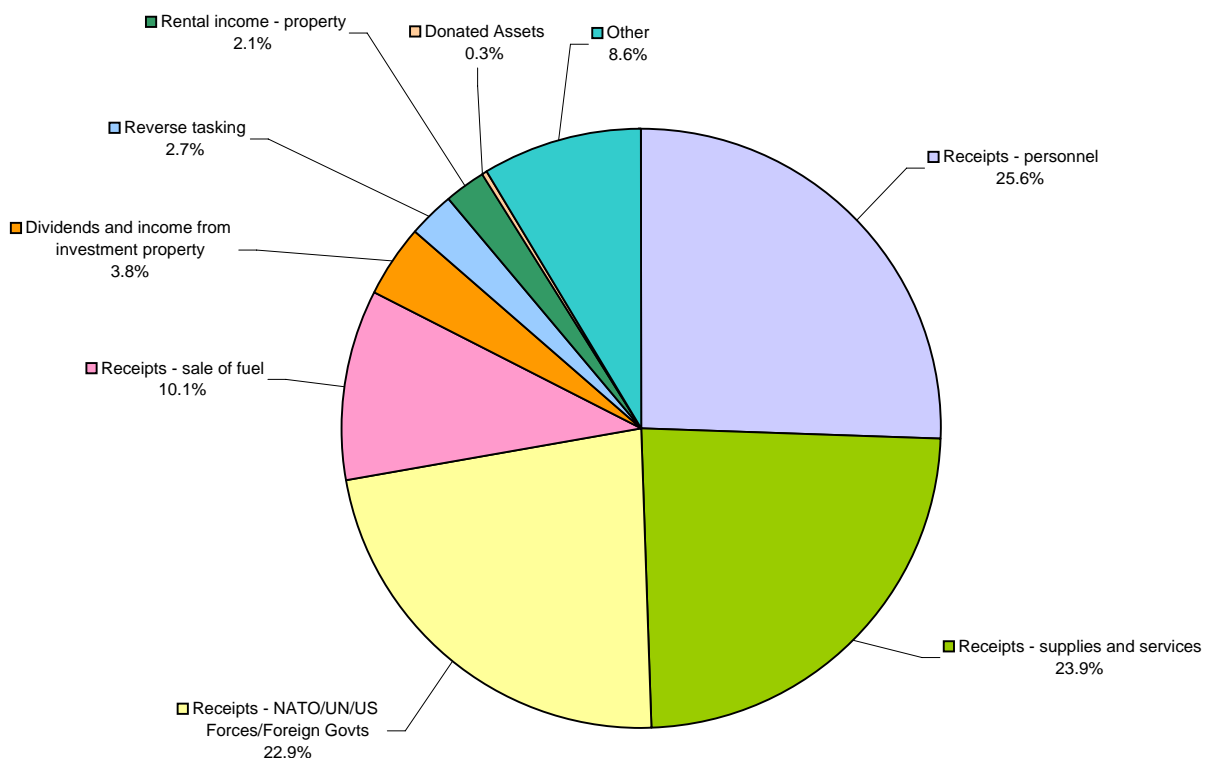


Table 1.03.09 MOD Expenditure on External Assistance¹

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 2013/14.

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	2013/14 ²
Total	79	26	19	45	88
Total By Category³					
Strategy	7	1	1	6	14
Finance	13	5	2	2	18
Legal	6	2	3	10	12
HR and Training	2	1	-	-	-
Organisation and Change Management	4	4	8	16	24
Marketing and Communication	1	-	-	-	-
Programme and Project Management	6	3	-	5	16
Technical	3	3	2	3	2
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. The variation between the 2013/14 figure (£87.9 million) quoted above and that disclosed in Table 4, page 132 of the [MOD Annual Report and Accounts \(AR&A\) 2013/14](#) (£17.139 million) arises from a Treasury reclassification of some elements of expenditure on External Assistance so that they do not constitute "Other Administration Costs" in that year. Any variations between this publication and the MOD's Annual Report & Accounts in years before 2013-14 reflect the additional inclusion of expenditure by the MOD's three Trading Funds in this publication for completeness. Expenditure by the Trading Funds is not included in the MOD's central accounts but is reported individually by each of the Trading Funds in their own Annual Reports and Accounts.
3. 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.

Chart to Table 1.03.09 MOD Expenditure on External Assistance

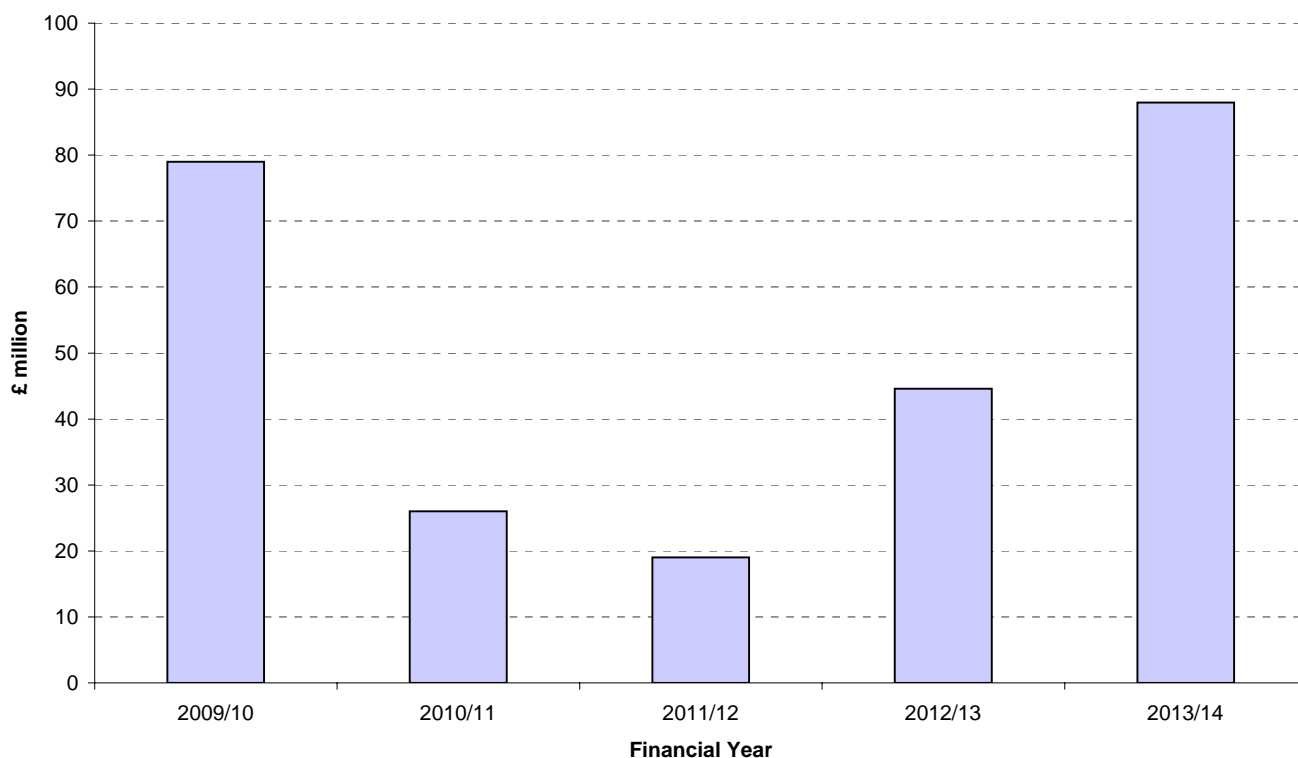


Table 1.03.10 MOD Input Indicators

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](#).

All indicators will be reviewed and updated for Annual Report and Accounts (ARAc) 2014/15.

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

Input Indicators	Unit of Measurement	2010/11	2011/12	2012/13	2013/14
Additional cost of operations in Afghanistan, per Service person deployed ¹	£ thousand	397	364	297	233
Additional cost of new equipment (Urgent Operational Requirements (UORs)) for operations in Afghanistan, per Service person deployed ²	£ thousand	61	60	37	11
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	-0.22
Cost of major Force Elements (FE): Ship ⁴	£ million	31	34	34	34 ^e
Cost of major Force Elements: Brigade ⁴	£ million	534	661	654	668 ^e
Cost of major Force Elements: Aircraft (fixed wing) ⁴	£ million	7	8	8	8 ^e
Cost of major Force Elements: Helicopter ⁴	£ million	2	3	4	4 ^e
Direct personnel costs, per Service person ⁵	£ thousand	50	52	55	53

Source: MOD Annual Report & Accounts

1. This is the Net Additional Cost of Military Operations in Afghanistan (including Urgent Operational Requirements) over the year, divided by the average endorsed manpower level (9,000 from 1 Apr 13 to 31 Dec 13 reducing to 5,200 from 1 Jan 14 to 31 Mar 14). This figure is lower in 2013/14 due to authorised reductions in manpower and base closures as a result of progress on the ground, increased Afghan National Security Force capability and the rate of transition.
2. This is the total spend on UORs over the year, divided by the average endorsed manpower level (9,000 from 1 Apr 13 to 31 Dec 13 reducing to 5,200 from 1 Jan 14 to 31 Mar 14). This figure is significantly lower in 2013/14 representing the completion of the major UOR projects (such as protected mobility vehicles) and in line with authorised reductions in manpower and base closures as a result of progress on the ground, increased Afghan National Security Force capability and the rate of transition.
3. This figure is the average percentage by which the forecast costs of the Department's largest equipment procurement projects have varied over the year. This year the figure is negative, meaning that the forecast cost of these projects has fallen on average by 0.22%.
4. This figure is calculated by attributing Defence expenditure to each of the major Force Elements. This figure can no longer be calculated due to changes in the structure of Defence procurement. The figures provided for 2013/14 are therefore estimates based on a proportional uplift of previous figures.
5. This shows the average costs of each of the armed forces personnel who have been employed on a full time basis over the financial year. It has remained similar between 2012/13 and 2013/14.

Glossary of Terms and Abbreviations used in Annual Statistical Series 1

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**.

AFPCS The Armed Forces Pension and Compensation Scheme.

Arms Length Bodies From 2012/13, 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, Independent Monitoring Board for the Corrective Training Centre Colchester, 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 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.

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.

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.]

COFOG see **Classification of the Functions of Government**.

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 2013/14 prices".

Core Department Entities within the MOD Departmental Boundary but excluding the 3 Trading Funds (DSTL, DSG and UKHO).

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. On 1 Apr 2014 DBS merged with the Services Personnel & Veterans Agency and now has responsibility for managing HR processes for Military personnel including pay and pensions. 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 is a 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. Its focus remains solely on the delivery of the Defence Industrial and Technology Strategies by being a flexible, responsive, operationally excellent organisation that provides a cost competitive in-house maintenance, repair, overhaul and upgrade capability in support of the Armed Forces.

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**.

DSG see **Defence Support Group**.

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

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.

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.]

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.

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.

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.

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**.

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.

PESA see **Public Expenditure Statistical Analyses**.

PFI see **Private Finance Initiative**.

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.

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**

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.

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.

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.

UKHO see **UK Hydrographic Office**.

UK Hydrographic Office was formed as a Trading Fund of the MOD in 1996 and 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.

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.