



The [Finance & Economics Statistical Bulletin series](#) provide 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.

Departmental Resources sets out Defence expenditure over time and by expenditure group, comparing it to other areas of government. This bulletin presents expenditure on equipment and Research & Development (R&D), MOD's commitment to conflict prevention, value of our non-current assets, external income earned by MOD and expenditure on external assistance. The statistics 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.

Key Points and Trends

- ◀ £34.4bn Defence spending (Resource DEL plus Capital DEL minus Depreciation) in 2014/15.
At current prices broadly the same as in 2013/14, when the total was £34.6 billion.
- ◀ 4th Largest area of Government expenditure (Resource DEL plus Capital DEL plus AME).
Same position as in 2013/14 behind Work and Pensions, Health and Education.
- ▼ £10.9bn Service and civilian personnel costs in 2014/15.
A decrease of £570 million from 2013/14.
- ▲ £16.2bn Estimated MOD Equipment Expenditure in 2014/15.
An increase of £1.1 billion from 2013/14.
- ▲ £1.5bn MOD net expenditure on Research & Development in 2013/14.
An increase of £56 million from 2012/13.
- ▼ £1.1bn Cost of operations and peacekeeping in 2014/15.
A decrease of £887 million from 2013/14, reflecting the cessation of combat operations in Afghanistan.
- ▲ £122.7bn Total net value of non-current assets owned by MOD as at 31 March 2015.
An increase of £3.6 billion from 31 March 2014.
- ▲ £1.5bn External income earned by MOD in 2014/15.
An increase of £220 million from 2013/14.

Responsible statistician: Defence Expenditure Analysis Head of Branch
Tel: 030 679 34531
Email: DefStrat-Econ-ESES-DEA-Hd@mod.uk

Further information/mailling list: DefStrat-Econ-ESES-DEA-StatTL@mod.uk

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

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 [Def Strat-Econ-ESES-PQFOI@mod.uk](mailto:DefStrat-Econ-ESES-PQFOI@mod.uk)

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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](#).

Defence Expenditure Outturn presents changes in defence expenditure over time.

Public Expenditure by Departmental Grouping examines expenditure on defence in comparison with other government departments.

Defence Expenditure by Commodity Block gives a breakdown of defence expenditure by categories such as personnel costs, equipment support costs and infrastructure costs.

Estimated MOD Equipment Expenditure presents estimates of MOD expenditure on equipment broken down into the main categories of expenditure.

MOD Research and Development Expenditure 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.

MOD Operations and Peacekeeping Costs presents the net additional costs incurred by the MOD in respect of operations and peacekeeping exercises since 2004/05.

MOD Non-Current Assets details the net book value of the assets owned by MOD, which can be either tangible or intangible, acquired for continued and long-term use by the MOD. They include assets such as land, buildings and equipment.

External Income Earned by MOD provides a breakdown of the revenue earned by MOD.

MOD Expenditure on External Assistance details MOD expenditure on contracted support beyond traditional management consultancy into other specialised services such as legal, accountancy, IT and estates specialist advice.

MOD Input Indicators shows information relating to MOD finance input indicators.

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:

- 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;
- 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.

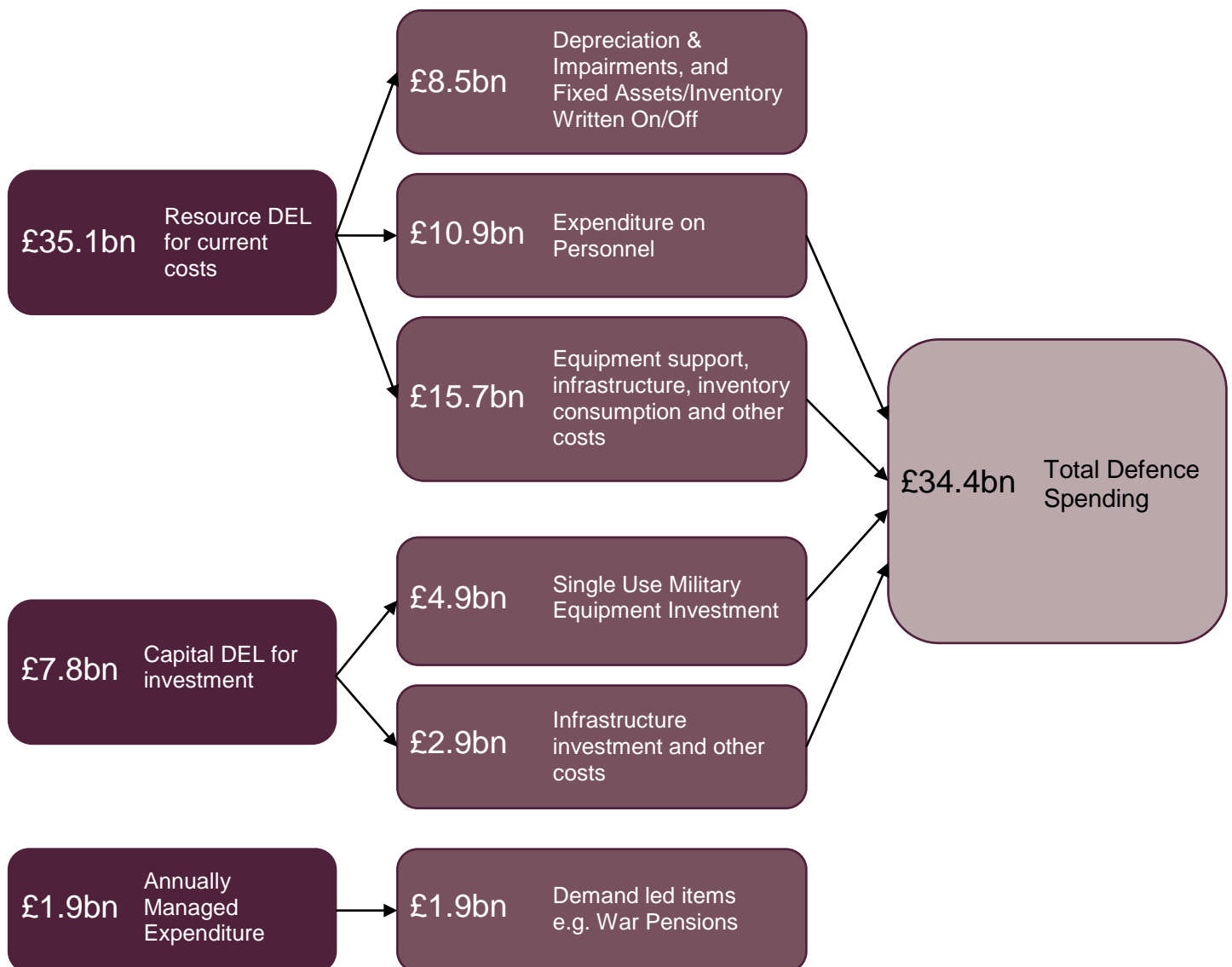
Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

Defence Expenditure Outturn – Defence Spending

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

DELs are made up of Resource DEL, which is current expenditure and receipts, and Capital DEL, which is non-current expenditure, both tangible and intangible, on equipment. 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 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 2014/15 totalled £34.4 billion**, which has remained a stable figure, in current prices, since 2012/13.

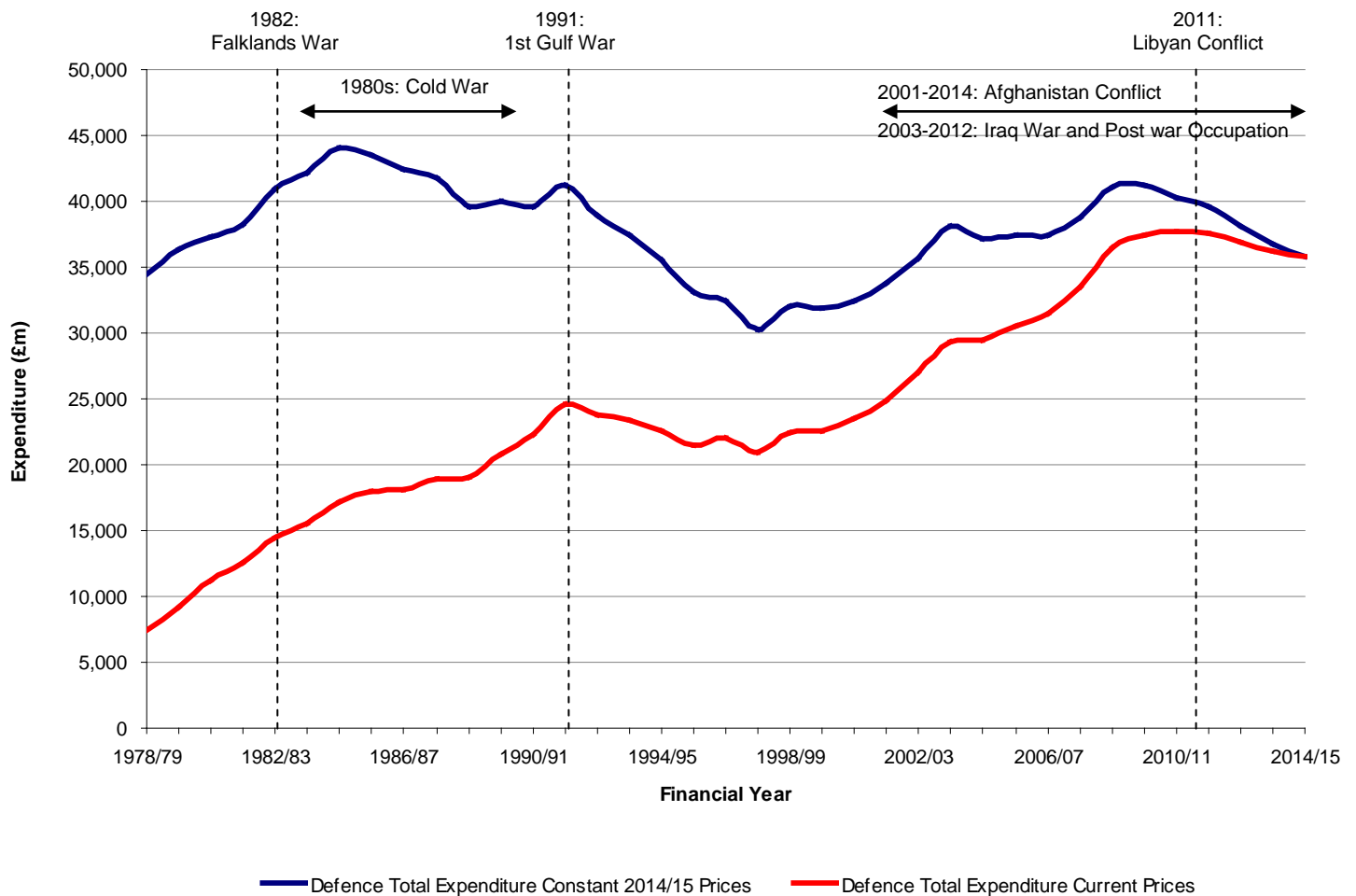


Defence Expenditure Outturn Over Time

This section outlines changes in Defence expenditure over time. The chart below presents the MOD cash figures from 1978/79 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 (red line) and at constant 2014/15 prices (blue line).

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 2011, 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.

UK Defence Expenditure 1978/79 to 2014/15^{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 2014/15 prices uses the latest available forecast GDP deflator series published by [HM Treasury](#) dated 10 July 2015.
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).

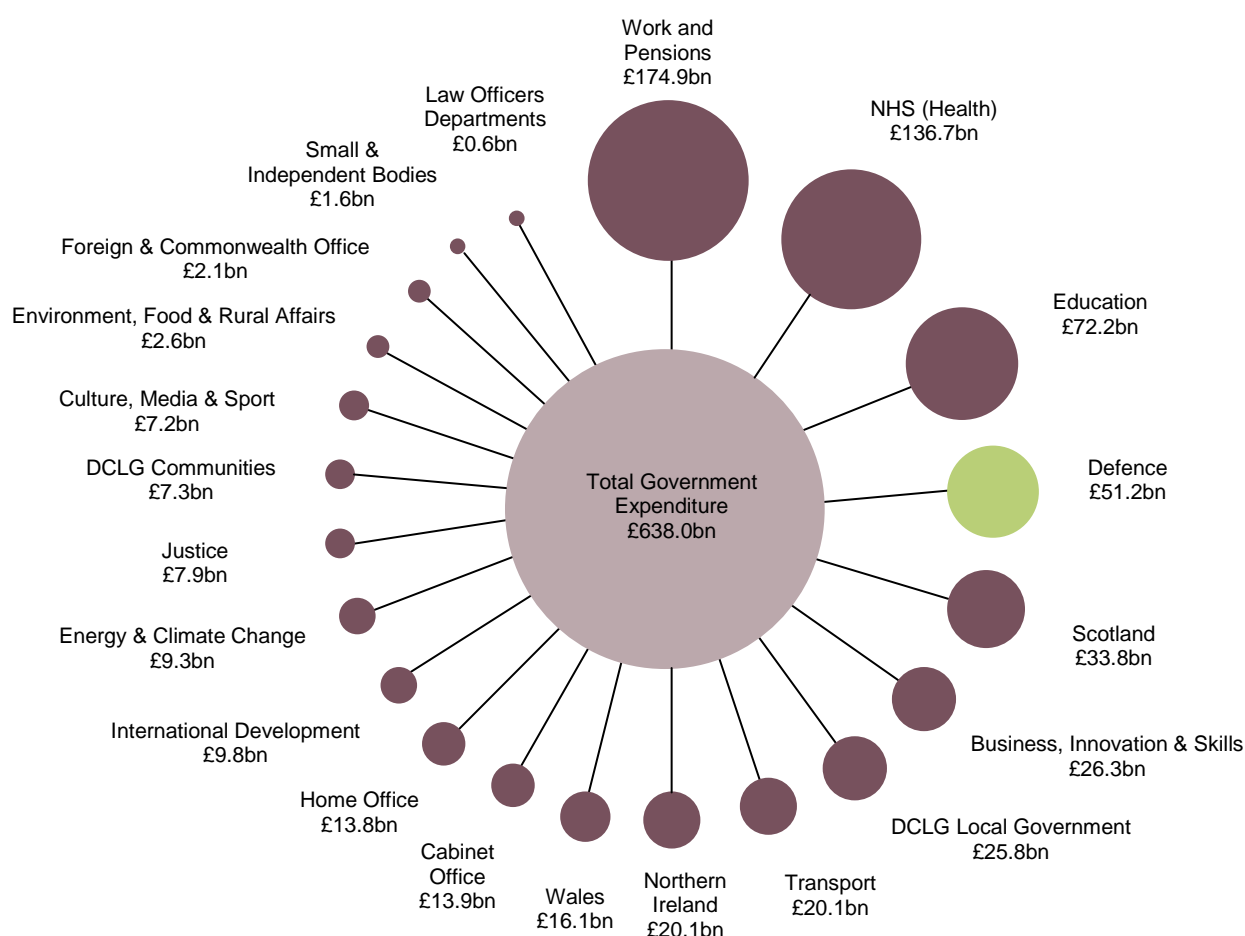
Departmental Expenditure Limits (DELs) are firm multi-year plans for a specific part of a department's expenditure. DEL covers all administration costs and programme expenditure except where some programme costs cannot reasonably be subject to close control over a multi-year period, or where spending 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 relates to expenditure outside 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.

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 HM Treasury's (HMT) inclusion of depreciation, impairments and fixed assets written on/off, which accounts for an additional £8.5 billion, and the Armed Forces Pension Scheme (AFPS) which adds a further £6.5 billion to AME.

Under HMT accounting, Defence spending during 2014/15 was around £51.2 billion; a slight increase of £1.3 billion compared with 2013/14, caused mainly by increased costs associated with the Armed Forces Pension Scheme (AFPS). Defence was the fourth highest spending area of UK Government during 2014/15. Only Work & Pensions (about three and a half times that of Defence), followed by NHS (Health) (over two and a half times) and Education (about 1.4 times) were higher.

Public Expenditure by Departmental Grouping¹



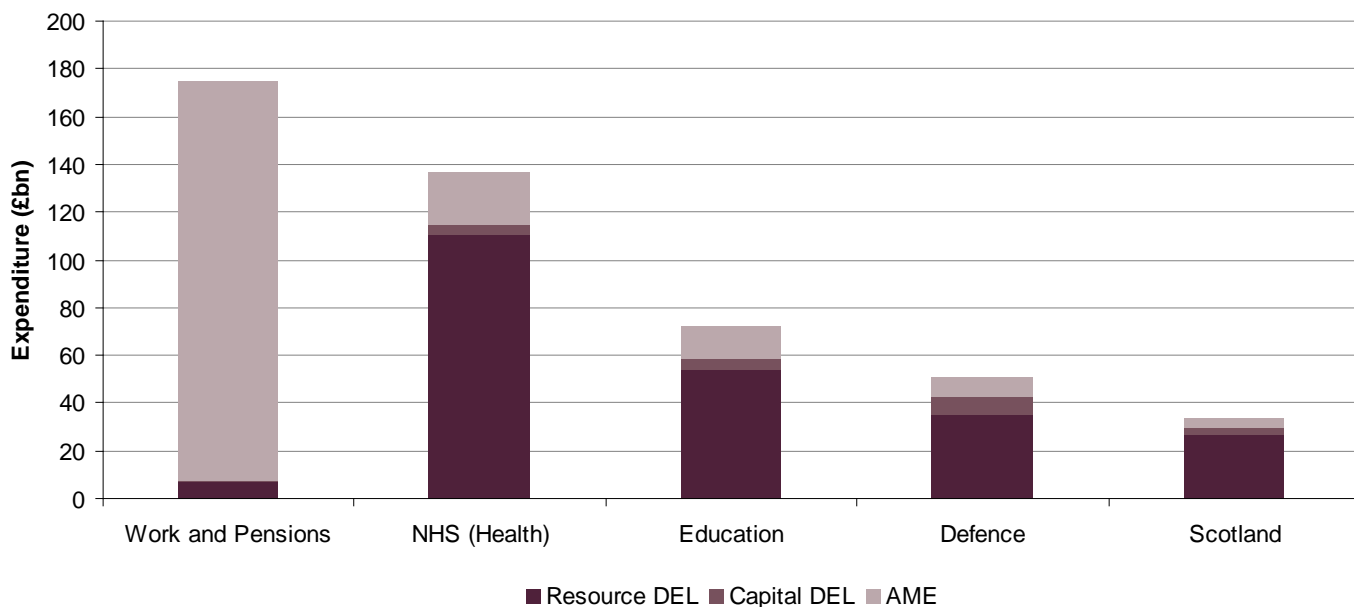
Source: HMT Public Spending Statistics August 2015

1. Since 2010/11 transactions conducted by the Chancellor's Departments in Annually Managed Expenditure have been affected by financial sector interventions and in 2014/15 has resulted in overall expenditure of -£15 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 department's shows an interesting breakdown of the component parts of their expenditure. In the case of Work and Pensions almost 96 per cent of their expenditure is demand led Annually Managed Expenditure, on areas such as social security benefits, certain pension allowances and tax credits for individuals. In the case of the NHS (Health) just over 80 per cent of their expenditure is Resource DEL associated with running costs such as staffing, infrastructure and inventory consumption. In contrast, Defence has the second largest Capital DEL expenditure across Government, behind Transport, with 15 per cent of total spend in 2014/15 being on capital items such as large equipment projects.

Public Expenditure for Top Five Departmental Groups in 2014/15



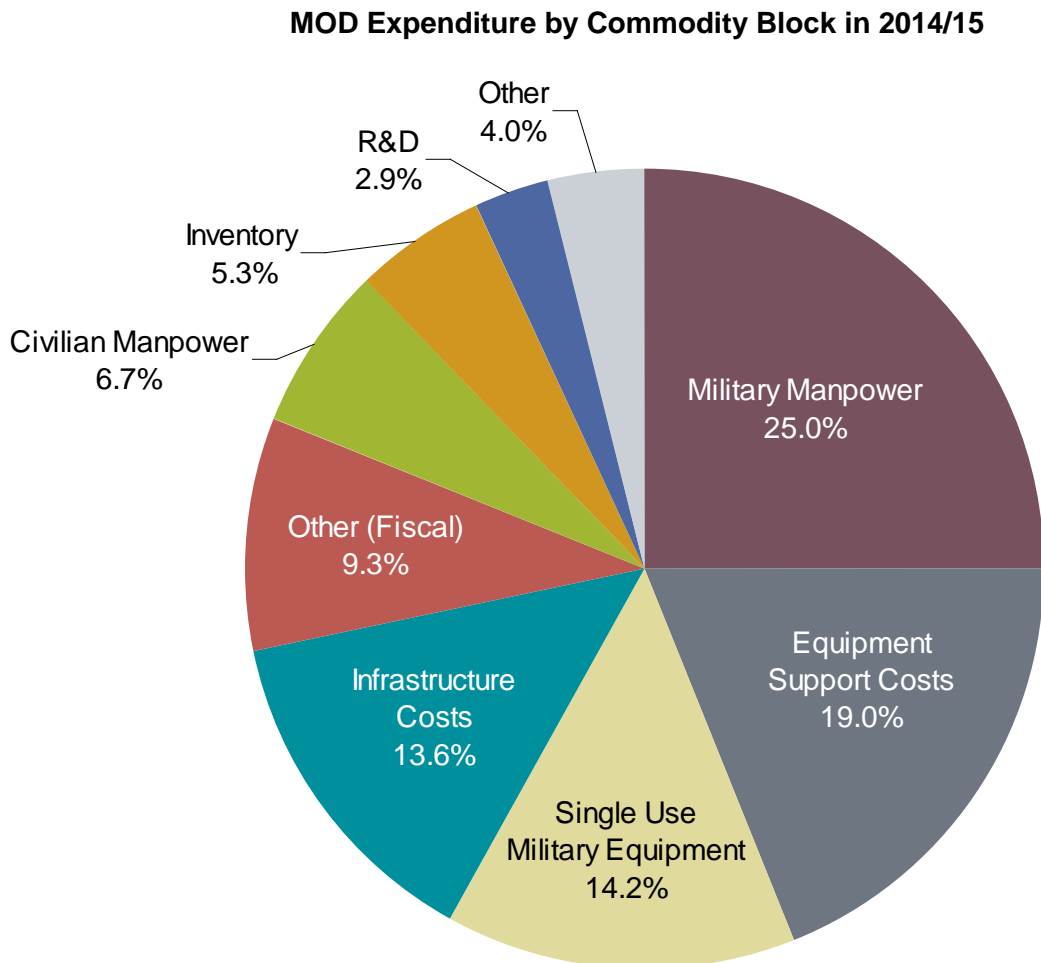
Source: HMT Public Spending Statistics August 2015

Defence Expenditure by Commodity Block

This section presents a breakdown of Resource and Capital DEL, and AME by Commodity Block. Under Clear Line of Sight (CLOs), the main MOD expenditure categories are now presented as Commodity Blocks. This provides a more meaningful description of the Department's planned and actual spend, 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 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 2014/15, 31.7 per cent of MOD expenditure was on personnel costs – military (25.0 per cent) and civilian (6.7 per cent). There was also significant expenditure on MOD capital projects, covering procurement of equipment, which can only be used for military purposes (Single Use Military Equipment – 14.2 per cent), and procurement of multi-purpose equipment and property (Other Fiscal – 9.3 per cent). Additionally the support and maintenance costs for all MOD equipment totalled 19.0 per cent.



Source: Departmental Resource Accounts

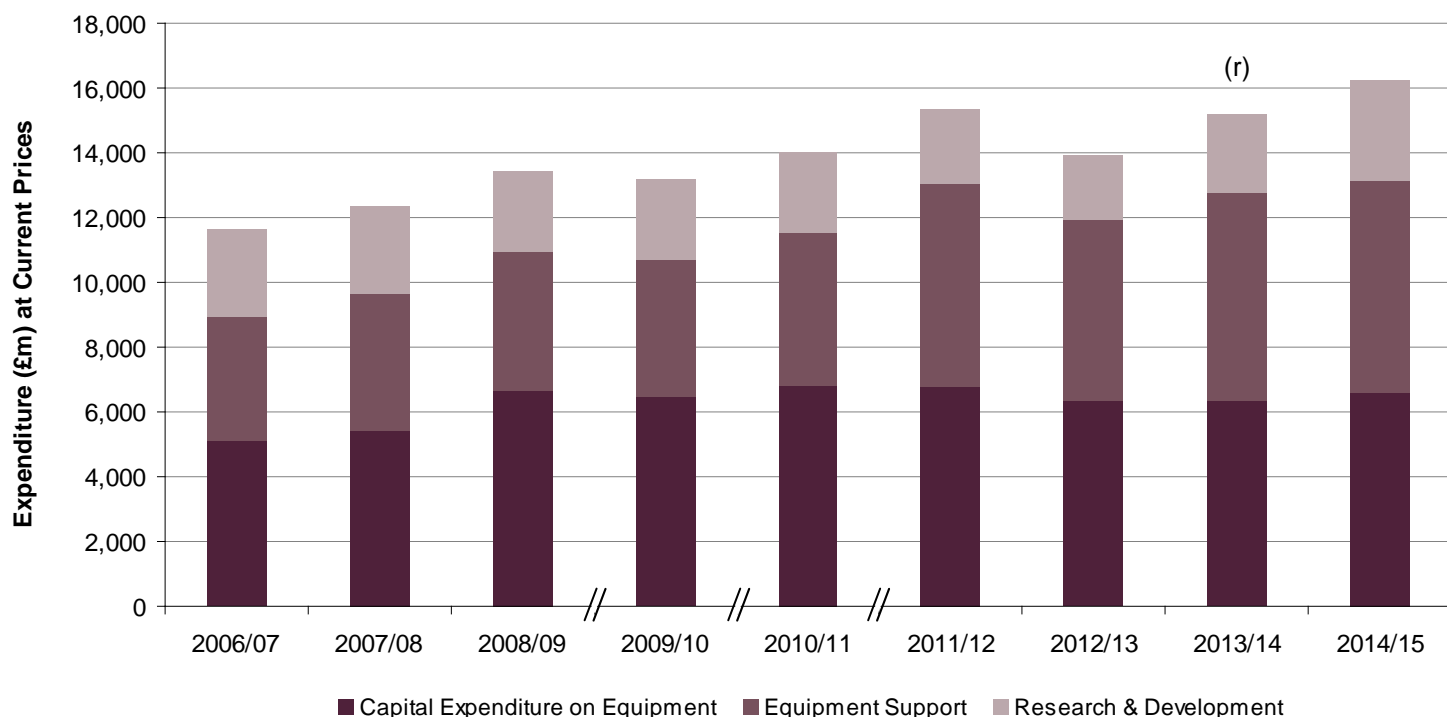
Estimated MOD Equipment Expenditure

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 2014/15, estimated MOD expenditure on equipment was £16.2 billion, an increase of £1.1 billion on the revised figure being reported for 2013/14. All three categories of expenditure have increased, but particularly within capital expenditure there has been an increase of £714 million spent on single use military equipment, and also an increase of £728 million on R&D.

Estimated MOD Equipment Expenditure¹



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

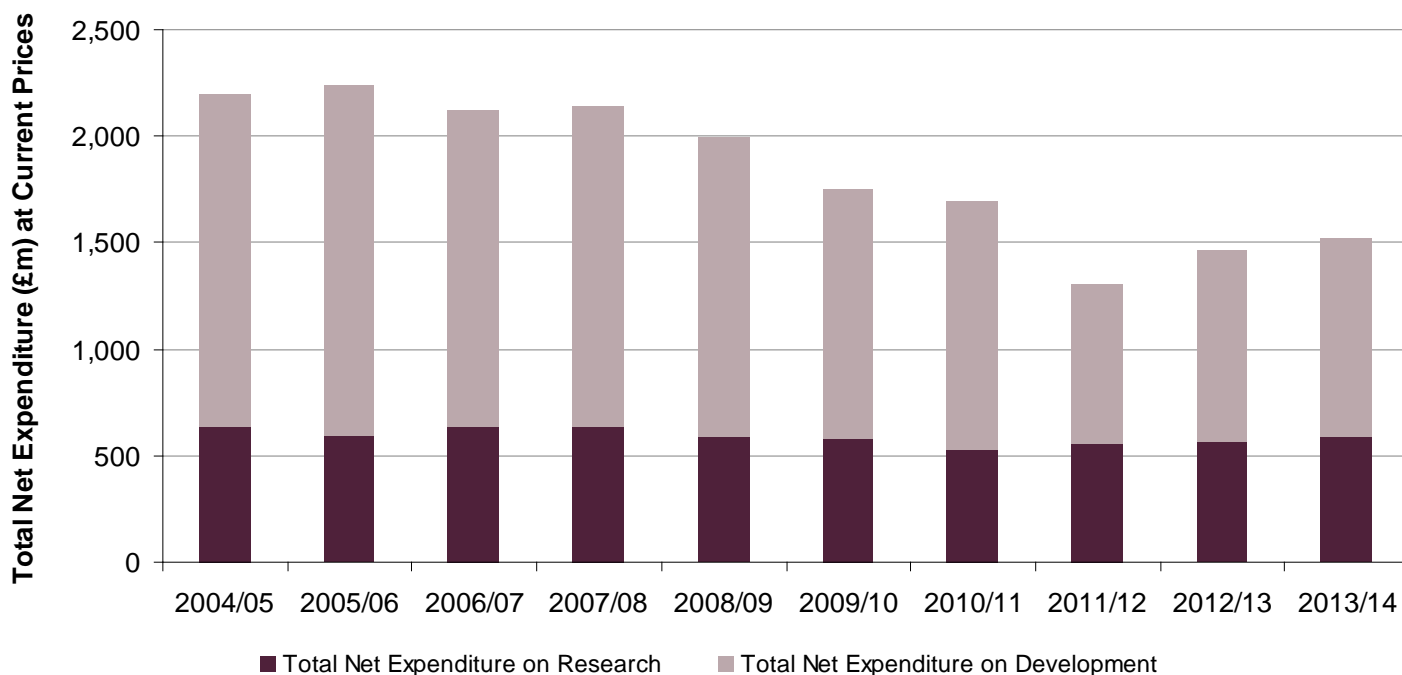
This section details MOD annual expenditure on Research and Development (R&D) activity. Expenditure is broken down into intramural (i.e. R&D activity undertaken within the Department) and extramural (i.e. R&D activity undertaken outside the Department). Statistics on R&D expenditure provide an important 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 40% 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 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.

Since 2004/05 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 Development spend from £1,645 million in 2005/06 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 the development phase.

In 2013/14, MOD net expenditure on R&D activity, identified as meeting the Frascati international definition for new, novel and innovative R&D, **totalled just over £1.5 billion**. This was about £56 million higher than in 2012/13 and continues the recent rise in reported R&D, although still down 32 per cent on the highest recorded estimate in the last ten years (2005/06).

MOD Research & Development Expenditure



Source: Defence Economics (Defence Expenditure Analysis)

MOD Operations and Peacekeeping Costs

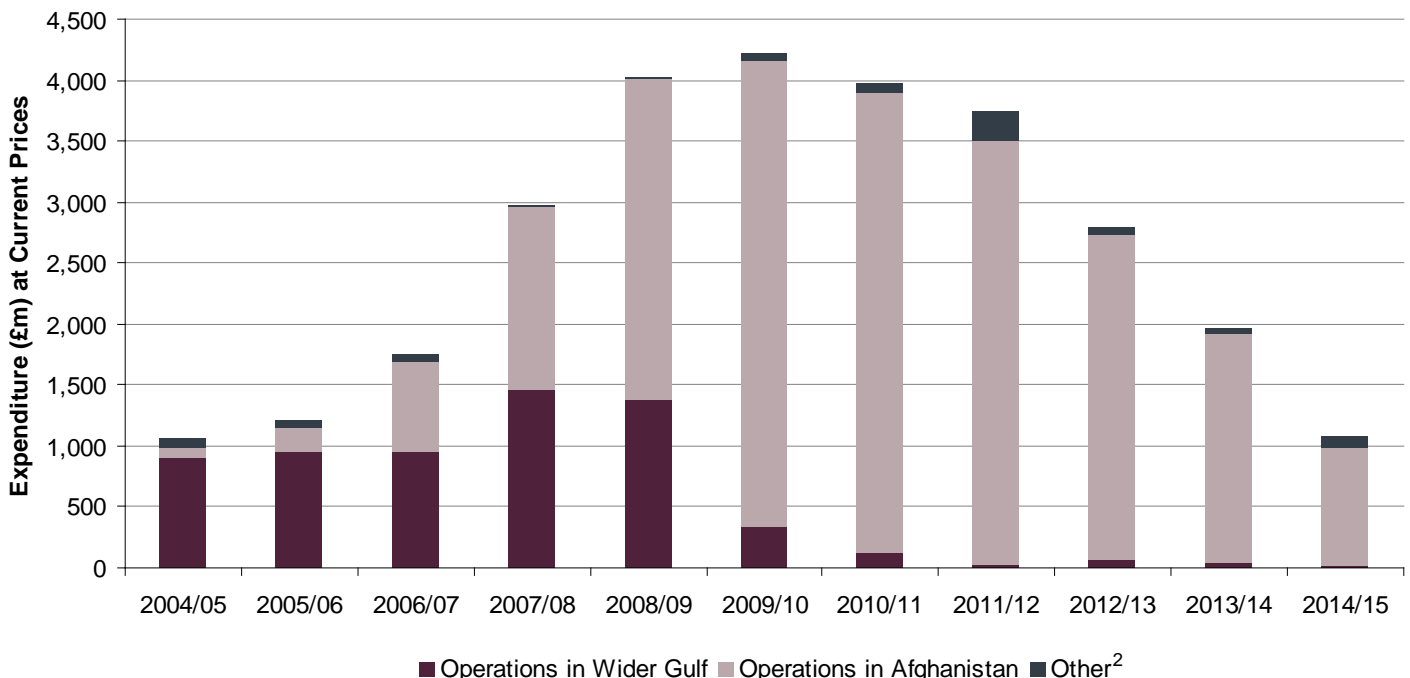
This section presents a breakdown of the total costs for MOD operations in the Wider Gulf, Afghanistan and in other areas such as Libya, Mali and the Balkans. Also included is expenditure from the Conflict Pool (early warning, crisis management, conflict resolution, peacemaking, peacekeeping and peacebuilding activity, and associated strengthening of international and regional systems and capacity) and the Deployed Military Activity Pool (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.

Over the last eleven years, the chart shows a peak in expenditure on operations in 2009/10. Operations in Iraq were the major contributor to expenditure until 2007/08 when Afghanistan took over as the highest spending operation. Total expenditure on operations in 2014/15 has fallen by £3.1 billion (74 per cent) from the peak in 2009/10.

In 2014/15 a total of £1.1 billion was spent on operations, a fall of £887 million from 2013/14, reflecting the cessation of combat operations in Afghanistan. Despite the drawdown in operations, expenditure in Afghanistan of £964 million still represented 89 per cent of the total spend on operations in 2014/15.

Annual Audited Cost of Operations



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 Pool, Counter ISIL and Deployed Military Activity Pool (DMAP).

MOD Non-Current Assets

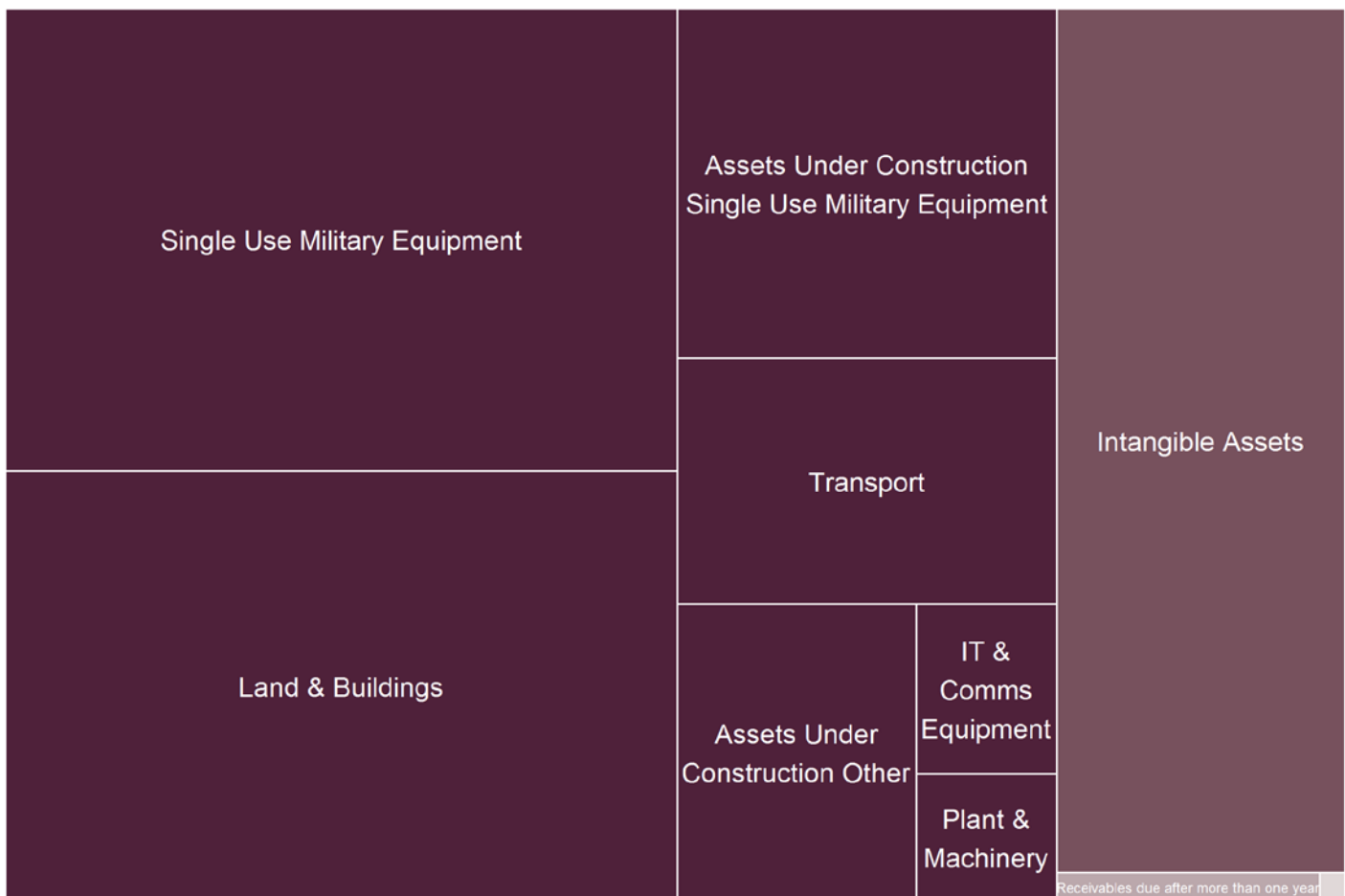
This section presents a detailed breakdown of the net book value of MOD's non-current assets by category. Non-current assets (formerly known as "fixed assets") are assets, tangible or intangible, acquired for continued and long-term use by the MOD. They include assets such as land, buildings and equipment.

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 2015, the value of MOD non-current assets stood at £122.7 billion, with this figure remaining relatively stable over the last 5 years. The largest value non-current assets were Single Use Military Equipment (that is equipment which can only be used for the one purpose) at £31.8 billion, and land and buildings worth £29.7 billion.

MOD Non-Current Assets by Category at 31 March 2015



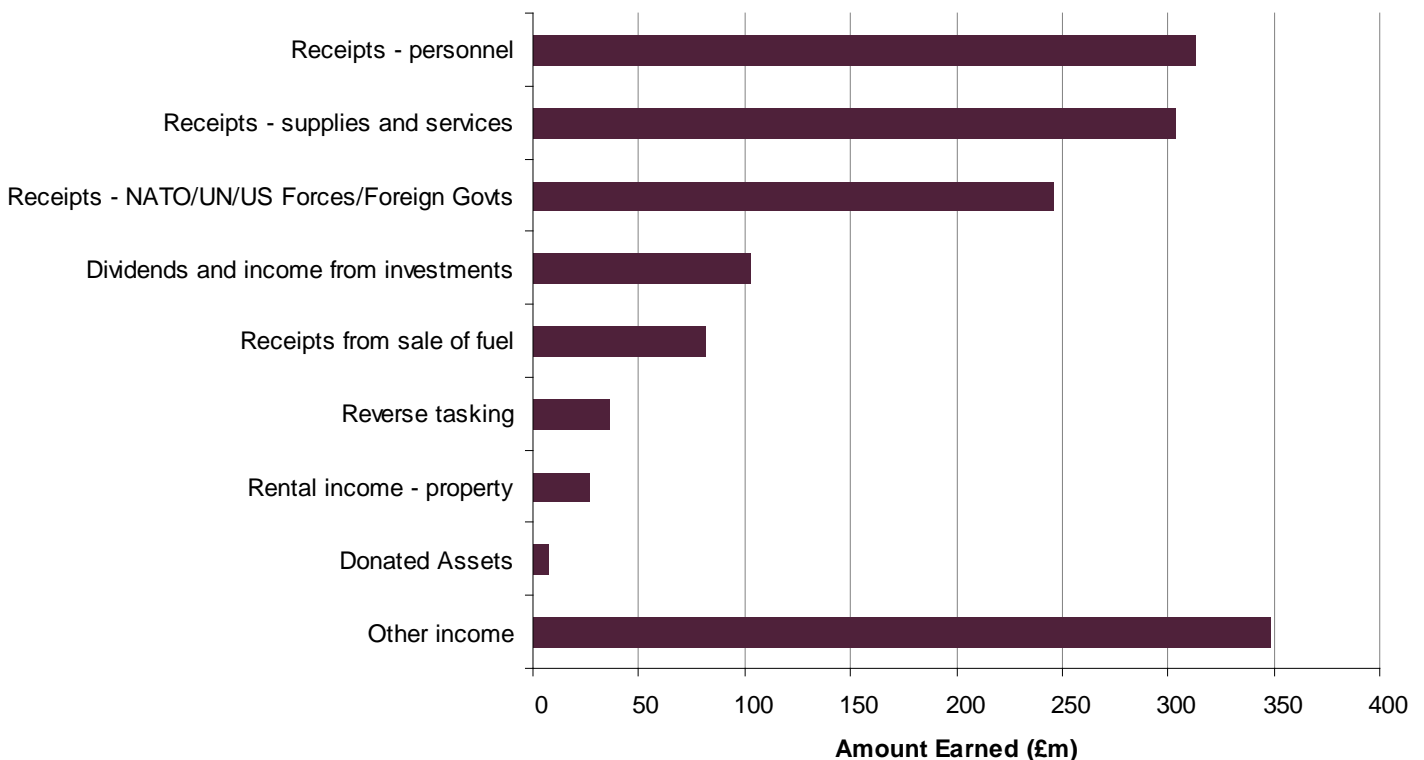
Property, Plant and Equipment	Intangible Assets	Receivables due after more than one year	Financial Assets
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External Income Earned by MOD

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 2014/15, the MOD earned nearly £1.5 billion in external income, an increase of £220 million from 2013/14. This is mostly attributable to a £50 million equity withdrawal from UK Hydrographic Office (UKHO) and £164 million from the sale of the Defence Support Group (DSG). However, receipts from the sale of fuels fell by 35 per cent (£44 million).

External Income Earned by MOD 2014/15



Source: Departmental Resource Accounts

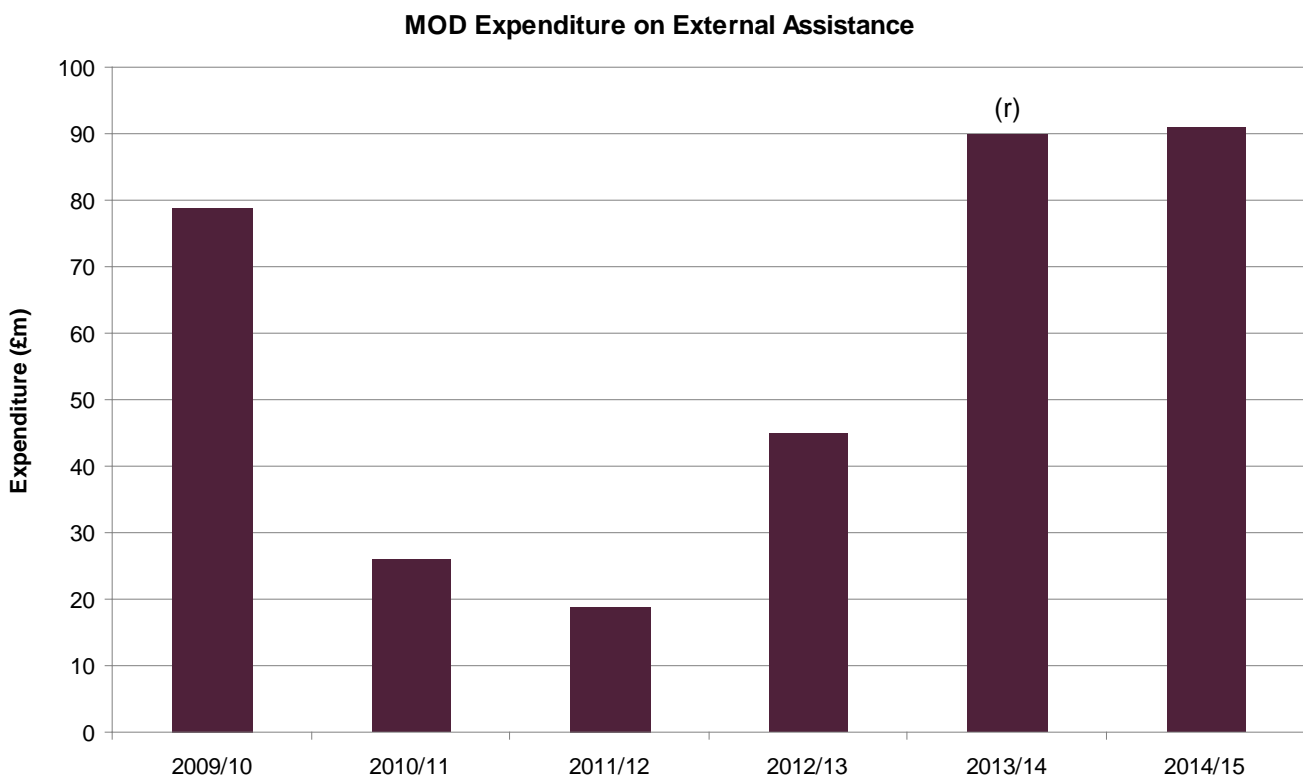
MOD Expenditure on External Assistance

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

In 2014/15, the **MOD spent just over £91 million on external assistance**; similar to the total in 2013/14. There are standard Cabinet Office categories for reporting external assistance - in 2014/15 MOD expenditure was highest on Programme and Project Management (£29 million), Legal (£18 million) and Strategy (£18 million).

Recent increased spending levels on external assistance mainly reflect 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.

Total expenditure on external assistance in 2013/14 has been revised upwards from £88 million to just over £90 million following the reappraisal of some Head Office expenditure into an IT/IS charge to external assistance.



Source: Departmental Resource Accounts

MOD Input Indicators

In previous versions of this [Bulletin](#) a table has been included showing financial related MOD input indicators. The number of these indicators has reduced over the last couple of years and only two remain that we have previously reported. The indicators that are currently being reported can be found on Page 8 of the [MOD Departmental Resource Accounts](#) 2014/15.

There are two reasons why the number of reported indicators has reduced. Firstly many of the indicators that MOD has reported since 2010 were closely linked to combat operations in Afghanistan and secondly, following changes under the delegated operating model, some previously reported indicators can no longer be calculated.

The Department is currently reviewing past and potential future indicators with the aim of moving to a new performance framework once the Strategic Defence and Security Review (SDSR) has concluded. Defence Economics will aim to reintroduce a table showing performance indicators in the 2016 version of this bulletin.

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 Reports](#).

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): 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:* 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 2014/15 accounts have been produced.

Research and Development (R&D)

Defence Economics 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 R&D reported in the Annual Report & Accounts, which may include updates and alterations to existing equipment, correcting faults found in the pre-production stage and trial production.

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 a 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 From 2011/12, included within the Departmental Grouping are; the RAF Museum, the National Army Museum, the National Museum of the Royal Navy, the Royal Hospital Chelsea, the War Graves Commission, Independent Monitoring Board for the Corrective Training Centre Colchester, Single Source Regulations Office, 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.

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.

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 2014/15 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 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 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 (DSG) 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.

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."

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 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.

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, 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.

Operating Cost Statement This 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 is an arrangement under which a public sector organisation contracts with a private sector entity to construct a facility and provide associated services of a specified quality over a sustained period.

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.

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 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 (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**.

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

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

UK Hydrographic Office (UKHO) 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.

Further Information

Symbols

	discontinuity in time series
*	not applicable
..	not available
r	revised
–	zero or rounded to zero

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

Rounding

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

Revisions

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

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

Occasionally updated figures will be provided to the editor during the course of the year. Since this Bulletin is 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.

Total expenditure on external assistance in 2013/14 has been revised upwards from £88 million to just over £90 million following the reappraisal of some Head Office expenditure into an IT/IS charge to external assistance.

Further Information (cont.)

Contact Us

Defence Economics 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:

Defence Economics (Defence Expenditure Analysis)

Telephone: 030 679 34531

Email: DefStrat-Stat-Enquiries-Mailbox@mod.uk

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>

Other contact points within Defence Economics and Defence Statistics are:

Defence Expenditure Analysis	030 6793 4531	DefStrat-Econ-ESES-DEA-Hd@mod.uk
Price Indices	030 6793 2100	DefStrat-Econ-ESES-PI-Hd@mod.uk
Naval Service Manpower	023 9254 7426	DefStrat-Stat-Navy-Hd@mod.uk
Army Manpower	01264 886175	DefStrat-Stat-Army-Hd@mod.uk
RAF Manpower	01494 496822	DefStrat-Stat-Air-Hd@mod.uk
Tri-Service Manpower	020 7807 8896	DefStrat-Stat-Tri-Hd@mod.uk
Civilian Manpower	020 7218 1359	DefStrat-Stat-Civ-Hd@mod.uk
Health Information	030 6798 4423	DefStrat-Stat-Health-Hd@mod.uk

Please note that these email addresses may change later in the year.

If you wish to correspond by mail, our postal address is:

Defence Economics (Defence Expenditure Analysis)
Ministry of Defence
Oak 0W #6028
MOD Abbey Wood North
Bristol
BS34 8QW

For general MOD enquiries, please call: 020 7218 9000