

MEMORANDUM FOR THE MINISTRY OF DEFENCE
SUPPLEMENTARY ESTIMATES 2017-18

1. Introduction:

1.1 This Memorandum covers the Supplementary Estimate (SE) for the Ministry of Defence (MOD) and should be read in conjunction with the Department's SE 2017-18. The Introduction to the Estimate lists the changes being made since the 2017-18 Main Estimate.

1.2 There is a separate Estimates Memorandum for the Armed Forces Pensions and Compensation Schemes vote.

1.3 Section 4 contains explanations for each new request for resources.

1.4 Please note, the figures in the tables within this memorandum have been rounded to one decimal place. In some cases this has caused a minor discrepancy between the figures in the tables and the totals shown due to the rounding of the figures.

2. Summary of Resources sought in the Estimate

The Introduction to the Estimate shows a net increase in Resource DEL (RDEL) of £184.4M and a net increase in Resource Annually Managed Expenditure (AME) of £8.7Bn. There is also an increase in Capital DEL (CDEL) of £1.3Bn. The 2017-18 net cash requirement is adjusted to bring it in line with the current forecast.

2.1 The main elements of these changes are:

Non Ring-fenced Resource and Capital DEL Request

- a. A movement from RDEL to CDEL of £900.0M to align the Department's Control Totals with the forecast cost of the Defence programme. There is also an uplift of £15.6M to the RDEL Administration Cost Regime budget within the RDEL boundary;
- b. A Reserve increase for Operations and Peacekeeping of £386.0M (non ring-fenced) RDEL and £154.0M CDEL to cover the net additional cost of operations (the UK's contribution to NATO's Resolute Support Mission in Afghanistan, operations in the Wider Gulf, counter-Daesh operations and support to the EU mission in the Mediterranean to counter migrant smugglers and traffickers);
- c. A budget adjustment of £200.0M. Also, at the request of the Cabinet Office, a £9.5M budget exchange has been agreed to align funding of the Integrated Activity Fund with the latest forecast;
- d. Various budget cover transfers in from Other Government Department (OGD) of £74.1M RDEL and £5.0M CDEL; and transfers out of £74.4M RDEL;
- e. An allocation of £122.0M to support the Armed Forces community, funded by LIBOR (London Inter Bank Offered Rate) fines payable to HMT by the finance sector; and
- f. Various re-allocations to Arm's Length Bodies (Grant in Aid), with no overall impact on DEL, to reflect the latest forecasts of outturn.

Ring-fenced Resource DEL Request

- g. A £63.6M Reserve claim in Ring-fenced DEL in Operations and Peacekeeping to reflect the accelerated write-off of precision guided munitions consumed on air

operations in Iraq and Syria. Also, an additional £530.0M is required for depreciation and impairments for 2017-18 for Raw Materials and Consumables (RMC) Amnesty to remove obsolete items from the Department's balance sheet.

Resource AME

h. An additional provision of £2.9Bn is required to address future liabilities; and an extra £5.8Bn is required for current provisions to bring our forecast in line with recent changes in HM Treasury's Discount Rates for Post-Employment Benefits and General Provisions. These changes take a realistic view based on the latest forecasts.

2.2 The Resource changes are summarised in the following tables:

Table 1: Changes in Net Resource and Capital Expenditure

Resource Expenditure	£M
<i>Resource DEL: Provision of Defence Capability</i>	<i>(302.1)</i>
<i>Resource DEL: Operations and Peacekeeping & CSSF</i>	<i>486.5</i>
Resource DEL	184.4
<i>AME Provision of Defence Capability</i>	<i>8,668.2</i>
Total Net Request for Resource	8,852.6

Capital Expenditure	£M
<i>Capital DEL: Provision of Defence Capability</i>	<i>1,109.5</i>
<i>Capital DEL: Operations and Peacekeeping</i>	<i>154.0</i>
Total Net Request for Capital	1,263.5
<i>Capital AME Provision of Defence Capability</i>	<i>100.0</i>
Total Net Request for Resource	1,363.5

2.3 The total net (Resource and Capital) change in the Estimate is £10.2Bn. Table 2 sets out the current net cash requirement starting with the Main Estimate. The reconciliation between the changes in the Estimate and the net cash requirement is shown in Part II of the Estimate, "Resource to cash reconciliation". The underlying

working capital forecast indicates that the Net Cash Requirement is set at the level required.

Table 2: Summary of Net Cash Requirement

Net Cash Requirement	£M
<i>Position at 2017-18 Main Estimate</i>	<i>37,113.9</i>
<i>Net Cash Requirement Increase</i>	<i>1,703.4</i>
Net cash Requirement at Supplementary Estimate	38,817.3

3 Detailed Explanation of Changes

3.1 Part I (Introduction) of the Estimate summarises the changes described above and provides detail about the costs included.

3.2 Part II of the Estimate shows changes proposed in the Estimate, by Commodity Block. This shows the Main Estimate position, the changes in this position, and the new SE. The other changes outlined in the Introduction to the Estimate are analysed in this section of the Memorandum.

3.3 Table 3 shows how the Supplementary Estimate is compiled, identifying changes since the 2017-18 Main Estimate.

Table 3: Changes to Resource and Capital at 2017-18 Supplementary Estimate

£M	Non Ring Fenced RDEL	Ring Fenced RDEL	Total RDEL	CDEL	Resource AME	Capital AME
Cost of Core Defence Capability before Supplementary Estimate	27,220.7	8,500.0	35,720.7	8,449.7	1,382.6	
CYBER NOCP return from SIA				5.0		
NSC(N) Priorities Fund from CO	0.4		0.4			
Op Temperer (HOCS)	0.6		0.6			
DFID - Redundancy Scheme Funding	1.8		1.8			
NCSP - CYBER Trf	8.1		8.1			
Transfers Into Core	10.8		10.8	5.0		
UKGI Joint Unit	(0.3)		(0.3)			
Integrated Activity Fund - Cabinet Office	(0.3)		(0.3)			
War Pension Transfer to DoH	(14.0)		(14.0)			
C-UAS Headline News (DE&S)	(0.1)		(0.1)			
JIO (JFC)	(0.1)		(0.1)			
JCKP (JFC)	(8.0)		(8.0)			
CYBER NOCP to SIA	(30.2)		(30.2)			
Transfers Out	(53.0)		(53.0)			
Net OGD Transfers	(42.2)		(42.2)	5.0		
Fine for cash management	(2.5)		(2.5)			
LIBOR funding	122.0		122.0			
Loans to Museums (2nd Batch)				4.5		
Additional DEL Claim on Reserve	119.6		119.6	4.5		
RDEL-CDEL Switch	(900.0)		(900.0)	900.0		
RMC Adjustment		530.0	530.0			
Budget Adjustment				200.0		
Increase in Provision: In-Year					2,900.0	100.0
Change in Treasury Discount Rates					5,800.0	
Cash Release of Provisions					(31.8)	
Budget Exchange: IAF	(9.5)		(9.5)			
Total Other changes	(909.5)	530.0	(379.5)	1,100.0	8,668.2	100.0
Cost of Defence Capability in Supplementary Estimates	26,388.6	9,030.0	35,418.6	9,559.2	10,050.8	100.0
Operations and Peacekeeping in Main Estimates	250.0		250.0	80.0		
Transfer to SIA for Ops	(26.4)		(26.4)			
Operations and Peacekeeping - Depreciation		63.6	63.6			
Operations and Peacekeeping Reserve Claim	386.0		386.0	154.0		
Operations and Peacekeeping in Supplementary Estimates	609.6	63.6	673.2	234.0		
Conflict, Stability and Security Fund (CSSF) in Main Estimates	64.6		64.6			
CSSF additional funding from FCO	29.5		29.5			
CSSF additional funding from HMT	33.8		33.8			
CSSF in Supplementary Estimates	127.9		127.9			
Total Resource Request for Supplementary Estimates	(409.2)	593.6	184.4	1,263.5	8,668.2	100.0
Total Resource expected after Supplementary Estimates	27,126.0	9,093.6	36,219.6	9,793.2	10,050.8	100.0

4 Provision of Defence Capability – Explanation of Changes

4.1 Budget Exchange

At the request of Cabinet Office, and as agreed with HM Treasury, a reduction of £9.5M in 2017-18 for the Integrated Activity Fund (IAF) was requested.

4.2 RDEL to CDEL Switch

The MOD has an imbalance in its budget between RDEL and CDEL in 2017-18. This has been addressed by the movement of £900.0M from RDEL to CDEL as permitted by HM Treasury guidelines.

4.3 Uplift to RDEL Admin

An uplift of £15.6M is sought to the Administration Cost Regime (ACR) in 2017-18 with no change to the MOD's total RDEL. This is to meet additional costs caused by UKSV entering ACR in the current financial year. This is a movement within the RDEL boundary.

4.4 2017-18 Budget Adjustment

A budget adjustment of £200.0M has been made.

4.5 Reserve request to HM Treasury for Operations and Peacekeeping

The MOD is increasing the claim against the Special Reserve by £386.0M RDEL and £154.0M CDEL to reflect the latest forecast for operational expenditure. £26.4M RDEL has been transferred to the Cabinet Office. Further detail is set out in Section 5 below.

4.6 Resource AME Request

The Department is adjusting the current provisions by £5.8Bn in line with the HM Treasury change to Discounting Rates for Post-Employment Benefits and General Provisions. Also, an additional provision of £2.9Bn is requested to address foreseen liabilities.

4.7 RDEL Ring-fenced Depreciation and Impairment Request

This request for an additional £530.0M reflects the latest forecast for ring-fenced RDEL (Depreciation and Impairments) for MOD. In compliance with ESA 10 and HMT directives that the financial charges for write-offs, disposals and impairments of RMC, including SUMI, should be treated as cash RDEL from 2017-18. MOD has been asked to absorb the impact of this within its existing spending limit with an exceptional, one-off amnesty to remove obsolete items from its balance sheet in 2017-18. An uplift of £530.0M is requested to cover this impairment within the Core Defence Budget. The remaining £63.6M is Ring-fenced Resource DEL in Operations and Peacekeeping to reflect the accelerated write-off of precision guided munitions consumed on air operations in Iraq and Syria.

4.8 Budgetary Transfers to and from Other Government Departments

These are set out in the tables below.

Table 4: Transfers to MOD from Other Government Departments

Exporting Department	Defence Output	£M	Purpose
Security & Intelligence Agencies (SIA)	Provision of Defence Capability - CDEL	5.0	CYBER per Cabinet Office
Department for International Development (DFID)	Provision of Defence Capability - RDEL	1.8	Afghan Locally Engaged Civilian
Security & Intelligence Agencies (SIA)	Provision of Defence Capability - RDEL	0.4	Nuclear Priority Fund
Home Office (HO)	Provision of Defence Capability - RDEL	0.6	Op Temperer
Security & Intelligence Agencies (SIA)	Provision of Defence Capability - CDEL	8.1	CYBER per Cabinet Office
Foreign & Commonwealth Office (FCO)	Conflict, Stability and Security Fund	29.5	CSSF additional funding
HM Treasury (HMT)	Conflict, Stability and Security Fund	33.8	CSSF additional funding
Total		79.2	

Table 5: Transfers from MOD to Other Government Departments

Importing Department	Defence Output	£M	Purpose
Security & Intelligence Agencies (SIA)	Provision of Defence Capability - RDEL	30.2	CYBER through Cabinet Office
HM Treasury (HMT)	Provision of Defence Capability - RDEL	0.3	UKGI Joint Unit
Security & Intelligence Agencies (SIA)	Provision of Defence Capability - RDEL	0.1	C-UAS Headline News
Cabinet Office (CO)	Provision of Defence Capability - RDEL	0.3	Integrated Activity Fund
Cabinet Office (CO)	Provision of Defence Capability - CDEL	0.1	Joint Intelligence Office
Department of Health (DOH)	Provision of Defence Capability - RDEL	14.0	War Pensions
Security & Intelligence Agencies (SIA)	Provision of Defence Capability - RDEL	8.0	CYBER through Cabinet Office
Security & Intelligence Agencies (SIA)	Operations and Peacekeeping - RDEL	26.4	Operations and Peacekeeping
Total		79.4	

4.9 Arm's Length Bodies

Under Clear Line of Sight (CloS), Arm's Length Bodies (ALBs) are part of Departmental DEL. Table 7 summarises the funding requested by MOD ALBs and is based on information received from the sponsoring Top Level Budget (TLB).

Table 6: Breakdown of the Non-Departmental Public Bodies (NDPBs) Request for Resources at 2017-18 Supplementary Estimate

Organisation	Resource DEL £M	Capital DEL £M
<i>Commonwealth War Graves Commission</i>	52.2	
<i>National Army Museum</i>	7.4	1.5
<i>National Museum of the Royal Navy</i>	0.6	4.2
<i>Royal Air Force Museum</i>	9.0	
<i>Royal Hospital, Chelsea</i>	11.9	2.7
<i>Single Source Regulations Office</i>	5.8	
<i>Territorial, Auxiliary and Volunteer Reserve Associations established under s 110 of the Reserve Act</i>	83.9	2.3
Total	170.8	10.7

4.10 Commodity Block Re-allocations

Changes have been made to the commodity block cost allocations. As stated in the Main Estimate Memorandum, the initial commodity block cost allocations reflected the latest information on the Department's spending plans for 2017-18 as per the Spending Review (Cm 9162) published in November 2015 and the changes made during 2016-17 Estimates. The changes in the Supplementary Estimate reflect the current in-year forecast, along with subsequent funding adjustments.

Table 7: Commodity Block RDEL Request at 2017-18 Main Estimate

Commodity Block ¹ (£M)	ME Total	SE Changes	Total MOD
<i>Service Personnel Costs</i>	10,058.3	(316.7)	9,741.6
<i>Civilian Personnel Costs</i>	2,172.6	(203.1)	1,969.4
<i>Infrastructure Costs</i>	4,252.8	(84.5)	4,168.4
<i>Inventory Consumption</i>	1,663.3	(319.0)	1,344.3
<i>Equipment Support Costs</i>	6,421.7	177.6	6,599.3
<i>Research and Development Costs</i>	64.7	123.2	187.9
<i>Other Costs and Services</i>	1,472.4	361.6	1,834.0
<i>Receipts and Other Income</i>	(1,023.9)	(652.7)	(1,676.6)
<i>Cash Release of Provisions</i>	259.8	31.8	291.5
<i>Arm's Length Bodies (ALBs)</i>	166.9	(2.1)	164.8
<i>DE&S - BTE</i>	979.0	54.0	1,033.0
<i>War Pension Benefit</i>	733.0	3.9	736.9
Total Non Ringed Resource DEL	27,220.7	-826.1	26,394.6
<i>Ring Fenced Non-Cash:Depreciation & Impairments - TLBs</i>	8,494.0	530.0	9,024.0
<i>Ring Fenced Non-Cash:Depreciation & Impairments - ALBs</i>	6.0		6.0
Total Ringed Resource DEL	8,500.0	530.0	9,030.0
Total Core Resource DEL	35,720.7	-296.1	35,424.6
<i>Fiscal Capital</i>	2,632.8	453.1	3,085.9
<i>SUME² Capital</i>	4,051.1	1,160.8	5,212.0
<i>Research & Development</i>	1,921.0	(607.6)	1,313.4
<i>Fiscal Asset/Estate Disposal</i>	(251.0)	91.8	(159.2)
<i>Loan Repayments</i>	15.8	(3.0)	12.8
<i>Arms Length Bodies</i>	8.3	2.3	10.6
<i>DE&S - BTE</i>	71.6	6.1	77.7
Total Capital DEL	8,449.7	1,103.5	9,553.2

5 Operations:

5.1 The MOD's total net additional costs of military operations is set out in Table 8.

Table 8: Summary Cost of Operations and Peacekeeping at 2017-18 Supplementary Estimates

Operations	Non Ring-Fenced Resource DEL £M	Ring-Fenced Resource £M	Total Resource DEL £M	Capital DEL £M	Total 2017-18 SE Request £M
<i>Afghanistan</i>	84.9	-	84.9	-	84.9
<i>Wider Gulf</i>	62.0	-	62.0	-	62.0
<i>Counter Daesh</i>	345.4	63.6	409.0	203.0	612.0
<i>EU counter migrant smugglers</i>	1.7	-	1.7	-	1.7
<i>NATO enhanced Forward Presence (Estonia/Poland)</i>	43.1	-	43.1	-	43.1
<i>Enhanced Intelligence Surveillance and Reconnaissance (ISR)</i>	0.8	-	0.8	31.0	31.8
<i>Support to United Nations peacekeeping operations in Somalia and South Sudan</i>	19.8	-	19.8	-	19.8
<i>Deployed Military Activity Pool (DMAP)</i>	25.0	-	25.0	-	25.0
<i>Cabinet Office Transfer</i>	26.4	-	26.4	-	26.4
<i>Conflict, Stability and Security Fund (CSSF)²</i>	121.9	-	121.9	6.0	127.9
Total	731.0	63.6	794.6	240.0	1,034.6

¹ This *excludes* £20.0M provided by the CSSF

² This *includes* £20.0M for MOD activity in Somalia and South Sudan in support of United Nations peacekeeping operations and £33.8M towards the net additional costs of the MOD's response to Hurricane Irma in the Caribbean.

Operations and Peacekeeping Summary:

5.2 A total of £1,035M in resources for Operations, Peacekeeping and the MOD's share of the CSSF (Conflict, Stability and Security Fund) is requested. In line with previous years, and as agreed with HM Treasury, the MOD presents the initial cost of operations at Main Estimates, and requests the full amount at Supplementary Estimates. Table 8 shows the full net additional costs of Operations, Peacekeeping and CSSF activity in 2017-18.

5.3 Afghanistan:

An allocation of £84.9M is requested to cover the costs of the UK's contribution to the NATO Resolute Support Mission in Afghanistan and our support to the Afghan National Army Officer Academy. This is an increase from the initial costs of £25.0M at Main Estimates.

5.4 Wider Gulf:

An allocation of £62.0M for the net additional costs of UK forces deployed to the wider Gulf to sustain UK influence in the region, reassure our regional allies and support access and over flight for operations in Afghanistan, Iraq and Syria is requested. This is an increase from the initial costs of £25.0M at Main Estimates.

5.5 Counter Daesh:

An allocation of £612.0M is requested to meet the net additional costs of counter Daesh activity. This includes airstrikes and airborne intelligence gathering operations in Iraq and Syria, training local Security Forces and a contribution to coalition operations in Iraq. This includes £203.0M CDEL for the replenishment of precision munitions, and £63.6M ring-fenced RDEL to cover the accelerated write-off of those munitions consumed in airstrikes in Iraq and Syria. This is an increase from £246.0M at Main Estimates.

5.6 EU Mission to Counter Migrant Smugglers in the Mediterranean:

An allocation of £1.7M is requested to meet the net additional costs of the UK contribution to the EU mission to counter migrant smugglers in the Mediterranean. This includes the additional costs of the Royal Navy vessels, personnel in multinational headquarters and short-term training teams working with the Libyan National Coastguard.

5.7 NATO enhanced Forward Presence (Estonia/Poland):

An allocation of £43.1M is requested to meet the net additional costs of the UK's contribution to NATO's enhanced Forward Presence (eFP) in Estonia and Poland. This includes the net additional costs associated with the UK's Battlegroup in Estonia and Light Cavalry squadron in Poland, and is net of the contributions provided by NATO Common Funding and other Allies. The initial set-up costs of the UK's contribution to eFP were met from the DMAP in 2016-17.

5.8 Enhanced Intelligence, Surveillance and Reconnaissance (ISR):

An allocation of £31.8M is requested to meet the net additional costs of increasing the operational output of certain manned ISR platforms.

5.9 Support to UN peacekeeping operations in Somalia and South Sudan:

An allocation of £19.8M is requested to meet an element of net additional costs of the UK's contribution to the UN Assistance Mission in Somalia (UNSOM) and the UN Mission in South Sudan (UNMISS). Under an agreement with the Cabinet Office, £20.0M of net additional costs per year are met from the CSSF and included within the MOD's CSSF resource request. In 2016-17, all of the MOD's net additional costs were met from the CSSF.

5.10 Deployed Military Activity Pool (DMAP):

The DMAP is a joint HM Treasury and MOD fund to make available resources to fund the initial and short term costs of any unforeseen military activities, as authorised by the Prime Minister or National Security Council. £25.0M non ring-fenced RDEL is requested from the HM Treasury Special Reserve, which is matched by £25.0M from the MOD's Defence Capability resources.

5.11 In 2017-18 to date, the DMAP has met the net additional costs of strategic air transport support to France in Africa, military planning support to UN and multinational missions, counter-Daesh activity, NATO Southern Air Policing in Romania and niche

capability deployed in support NATO-led international peacekeeping mission in Kosovo (KFOR).

5.12 Conflict, Stability and Security Fund (CSSF)

The CSSF is the Government's mechanism for funding conflict prevention, stabilisation, security and peacekeeping activities, under the strategic direction of the National Security Council. An allocation of £127.9M is requested for the MOD's contribution to this activity. This includes £6.0M CDEL for the purchase of equipment and infrastructure to support the Jordanian Armed Forces Quick Reaction Force, as well as Civilian Armoured Vehicles for UK personnel supporting the African Union Mission in Somalia (AMISOM).

6 Annually Managed Expenditure

6.1 Table 9 sets out our AME Defence Capability Request based on the latest information available.

Table 9: Summary of AME Core Request at 2017-18 Supplementary Estimate

Commodity Block (£M)	ME Total	SE Changes	SE Total Resource
Depreciation & Impairments	1,064.8		1,064.8
Cash Release of Provisions	(259.8)		(259.8)
Financial Instruments Value	300.0		300.0
Increase in Provisions	277.6	2,900.0	3,177.6
Change in Treasury Discount Rates		5,800.0	5,800.0
Discharged Provisions		(31.8)	(31.8)
Total AME	1,382.6	8,668.2	10,050.8
Total Capital AME		100.0	100.0

7 Departmental Expenditure Limit (DEL):

7.1 Table 10 shows the core Defence Capability DEL from 2014-15 to 2017-18.

Table 10: The Departmental Expenditure Limit for 2014-15 to 2017-18 - Core Budget (Defence Capability)

	2014/15 Outturn £M	2015/16 Outturn £M	2016/17 Outturn £M	2017-18 ME £M	2017-18 SE £M
Resource DEL	34,104	34,108	35,126	34,988	34,682
Resource DEL - War Pensions ^{Note 1}		795	765	733	737
Capital DEL	7,777	7,521	8,573	8,450	9,559
Ring-fenced RDEL	(8,187)	(7,690)	(8,783)	(8,500)	(9,030)
Total DEL	33,694	34,734	35,681	35,670	35,948

Note 1: For FY 2015-16 the budgeting treatment for the War Pensions payments was reallocated from AME to Resource DEL.

8 Provisions and Contingent Liabilities:

8.1 Provisions for liabilities and charges are based on realistic and prudent estimates of the expenditure required to settle future legal or constructive obligations.

8.2 The MOD's provisions cover legal claims, pensions, civilian early departure costs, environmental costs, restructuring and nuclear decommissioning and restoration costs. The scope of the current provisions and contingent liabilities remain as set out in Supplementary Estimates Tables. We are currently assessing the impact on future contingent liabilities, and will provide further detail on this in our 2017-18 Annual Report and Accounts.

9 Machinery of Government Changes:

9.1 A Machinery of Government (MOG) change is made when the responsibility for a service transfers from one Government department to another. There are no new MOG changes for the MOD in 2017-18.

10 The Department's Public Strategic Objectives:

10.1 The MOD's objectives and commitments for this parliament are set out in its Single Departmental Plan, which has been agreed with HM Treasury and the Cabinet Office. This plan was last updated on 14 Dec 17 and a copy can be found at:<https://www.gov.uk/government/publications/ministry-of-defence-single-departmental-plan>

11 Permanent Secretary Sign off:

11.1 The information in this memorandum has been approved by Charlie Pate, Director of Financial Planning and Scrutiny, on behalf of Stephen Lovegrove, Permanent Secretary and Accounting Officer at the Ministry of Defence.

Definition of Terms:

Non Ring-Fenced DEL Resource Expenditure:

This includes current expenditure which covers, for example, pay, purchase of goods and services, net of receipts, within the resource budget. It excludes items such as depreciation and movement in provisions.

Ring-Fenced DEL Resource Expenditure:

This control covers items such as depreciation and impairments.

Administration Cost Regime:

The current Administration Cost Regime, within DEL, cover departments' current expenditure on civilian staff, and other services used in the administration of central government as agreed in our Spending Review Settlement.

Total Resource DEL:

This is the sum of non ring-fenced expenditure and ring fenced expenditure.

Annually Managed Expenditure (AME):

Annually Managed Expenditure (AME) includes Programmes that are demand-led, such as War Pensions, and exceptionally, volatile items that cannot be controlled by the Department. AME also includes Programmes that are so large that the Department could not be expected to absorb the effects of volatility within them, such as cash release of provisions.

Total Net Resource:

This is the sum of Total Resource DEL and AME.

Capital Departmental Expenditure Limit (CDEL):

This is for new investment (SUME and Fiscal), including capital additions, disposals, and the capital repayment of loans.

Provision of Defence Capability:

Provision of Defence Capability provides for expenditure primarily to meet the Ministry of Defence's operational support and logistics services costs and the costs of providing the equipment capability required by Defence policy.

Operations:

This provides primarily for the additional costs of operations. These are the net additional costs incurred: the costs that the Department would have incurred regardless of the operation taking place, such as wages and salaries, are recorded against provision of Defence Capability.

War Pensions Payments:

War Pensions and Allowances, etc. provides primarily for the payments of pensions and allowances for disablement or death arising out of war or service in the Armed Forces after 2 September 1939, and associated non-cash items.

Spending Review:

Spending Review 2015 (Cm 9162)

Total DEL:

This is the sum of Resource DEL and Capital DEL less the costs of depreciation. This is used as depreciation and is included as part of Resource DEL and, since Capital DEL includes capital spending, the inclusion of depreciation would lead to double counting.

Single Use Military Equipment (SUME):

National Accounts differentiates between single and dual use military equipment. Spending on single use military equipment is classified as current (resource) expenditure. Single use military assets are those that could not be used by civilian organisations for the production of goods and services (i.e. weapons and equipment that supports and delivers such weapons). This distinction will disappear in the next Spending Review.

Voted and Non Voted Expenditure:

The introduction to the Supply Estimate now covers both Voted and Non Voted items.

List of Abbreviations used in the Estimate

ABC	Annual Budget Cycle
ACR	Administration Cost Regime
ALB	Arms Length Body
AME	Annually Managed Expenditure
ANSF	Afghan National Security Force
BTE	Bespoke Trading Entity
CDEL	Capital Departmental Expenditure Limit
CLoS	Clear Line of Sight
CRFCA	Council for Reserve Forces and Cadets Association
CSR	Comprehensive Spending Review
CWGC	Commonwealth War Graves Commission
DCLG	Department for Communities and Local Government
DOH	Department of Health
DEL	Departmental Expenditure Limits
DFID	Department for International Development
DMAP	Deployed Military Activity Pool
ERNIC	Employer's National Insurance Contribution
GCHQ	Government Communication Headquarters
HMT	Her Majesty's Treasury
LIBOR	London Inter Bank Offered Rate
ME	Supplementary Estimate
MOD	Ministry of Defence
MOG	Machinery of Government
NATO	North Atlantic Treaty Organisation
NDPB	Non Departmental Public Body
OSCAR	Online System for Central Accounting and Reporting
ONS	Office of National Statistics
RDEL	Resource Departmental Expenditure Limit
RHC	Royal Hospital Chelsea
SCAPE	Superannuation Contribution Adjusted for Past Experience
SE	Supplementary Estimates
SIA	Single Intelligence Agency
SR	Spending Review
SUME	Single Use Military Equipment
TLB	Top Level Budget
UK	United Kingdom
UOR	Urgent Operational Requirement

Current RDEL Commodity Structure

Commodity Block	Major Cost Categories
Service Personnel Costs	Military and other ranks pay and other allowances; SCAPE; Employer's National Insurance Contributions (ERNIC)
Civilian Personnel Costs	Civilian pay and other allowances; pension contributions; Employer's National Insurance Contributions (ERNIC)
Infrastructure Costs	Property management; service charges; IT & communications costs; utilities costs.
Inventory Consumption	Munitions; stores; fuel (marine & aviation); clothing; other materials consumed e.g. stationary, sundries, general stores etc.
Equipment Support Costs	Equipment support costs, including leases & hire charges for plant, machinery and transport.
Other Costs & Services	Travel & subsistence; professional services & fees; training.
Research and Development	Research and Development expenditure is incurred Supplementary 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 single use military equipment.
Receipts and Other Income	Receipts from various sources; costs recoveries; dividends; interest.
Cash Release of Provisions	Nuclear and non-nuclear provisions e.g. staff redundancies, legal costs, environmental, etc.
Arm's Length Bodies	CRFCA; Royal Hospital Chelsea; National Army Museum; RAF Museum; National Museum of the Royal Navy; Commonwealth War Graves Commission. Single Source Regulation Office
Ring-Fenced Non Cash: Depreciation/ Impairments	Depreciation and impairments on Non-current Assets (Property, SUME, dual purpose).