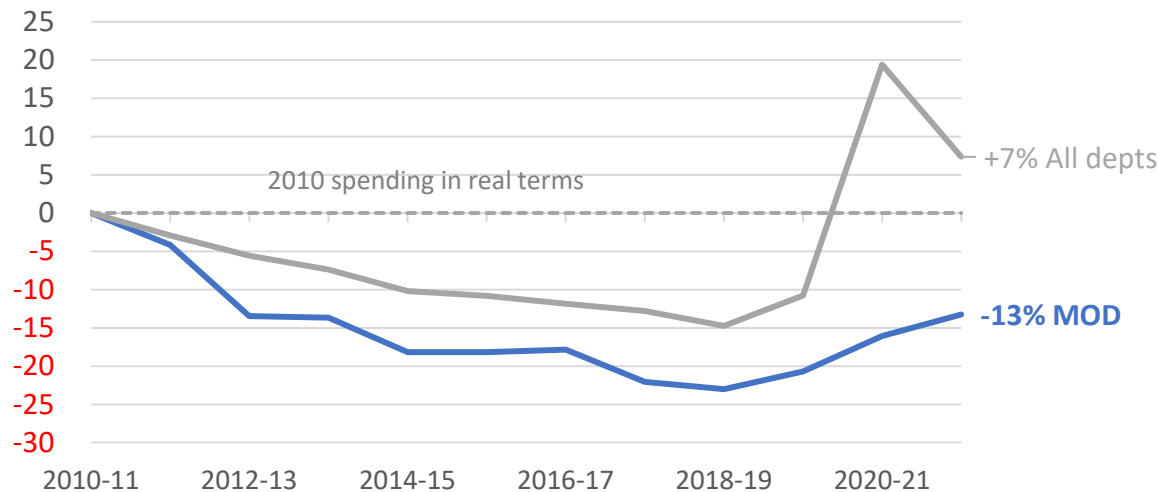


Ministry of Defence (MOD)

Long-term trends in MOD 's spending (in real terms)

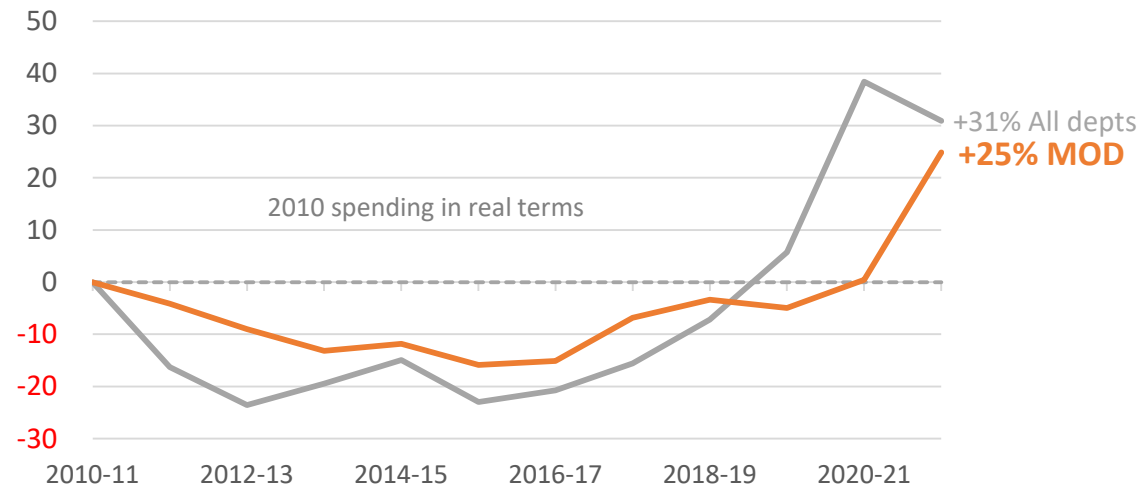
Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



Day-to-day spending trends

- MOD's budget for day to day spending has been **broadly flat since 2014-15**, following more significant real-terms cuts earlier in the decade.
- Annual changes in spending are often driven by variance in depreciation; final spending by the department, excluding depreciation- which is a better indicator of actual expenditure- is usually very close to its budget limits.

Percentage change in **investment spending** compared to 2010 (Capital DEL):



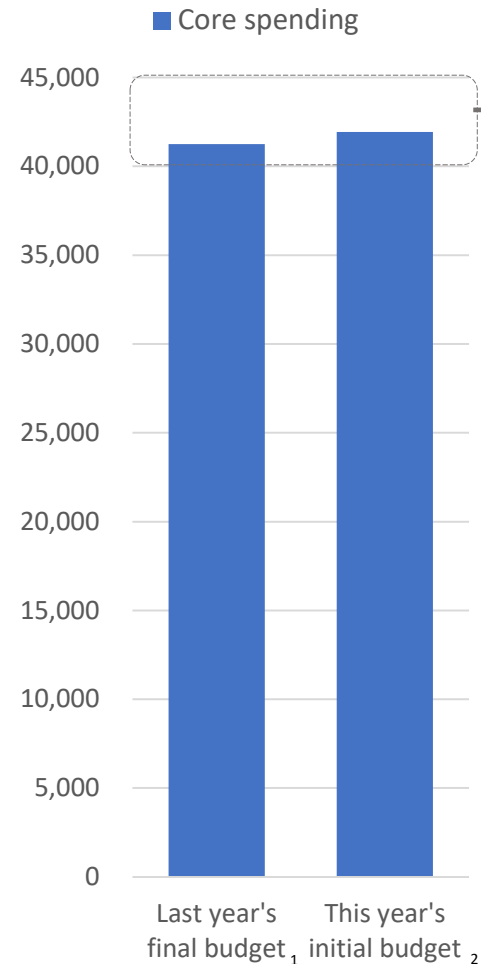
Investment spending trends

- Over the last decade, the MOD has seen reduced real-term investment budgets, though the level of funding reductions was less severe than other Departments.
- MOD's capital budget **increased in real terms from 2015-16**, recovering some of the earlier reductions.
- Recently, alongside the Integrated Review of Security, Defence, Development and Foreign Policy, the MOD has received a significant increase in funding.

How is the MOD's day-to-day spending changing in 2021-22?

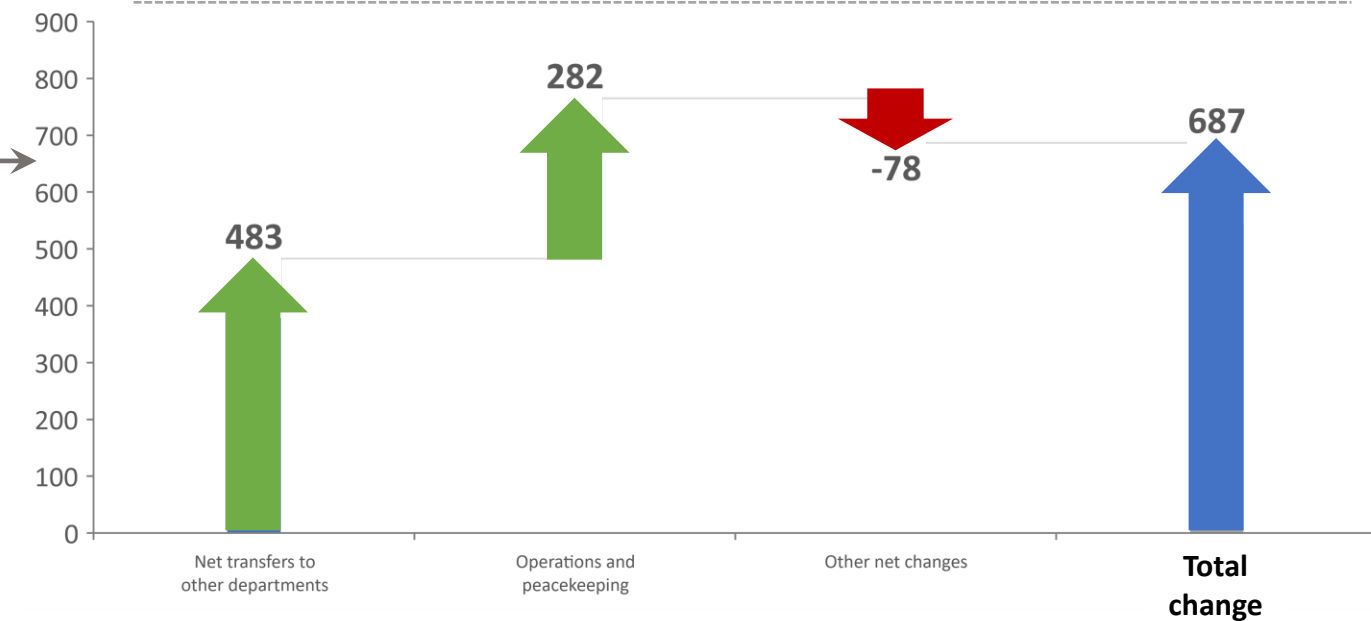
MOD's day-to-day budget is increasing by £686.7 (+1.6%)

Resource DEL budget in £m



MOD's increased spending is driven by ongoing counter-Daesh operations

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2020-21



Changes in 2021-22

- Initial funding reserve claim of £282 million for Operations and Peacekeeping driven by ongoing Counter-Daesh operations;
- Budget cover transfers to/from other government departments of £483 million due to transfer of responsibilities

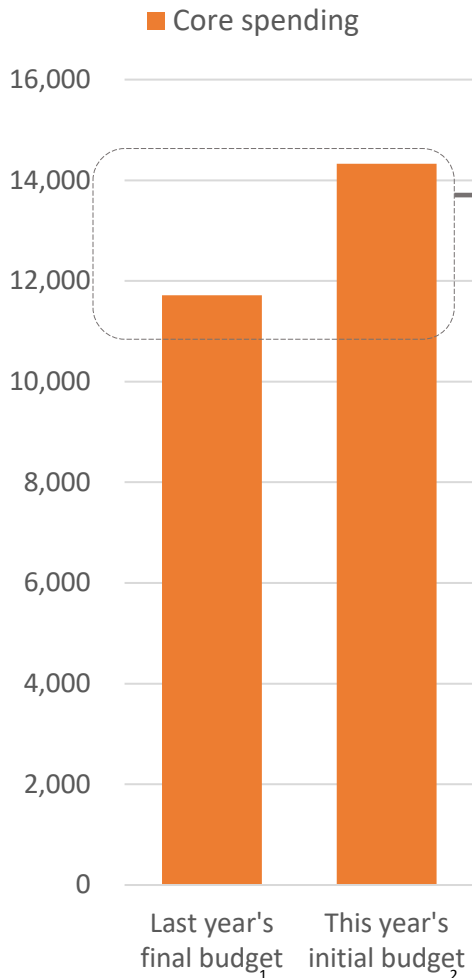
¹ Final Budget in Supplementary Estimates 2020-21 (Feb 2021))

² Initial Budget in Main Estimate 2021-22 (May 2021))

How is MOD's investment spending changing in 2021-22?

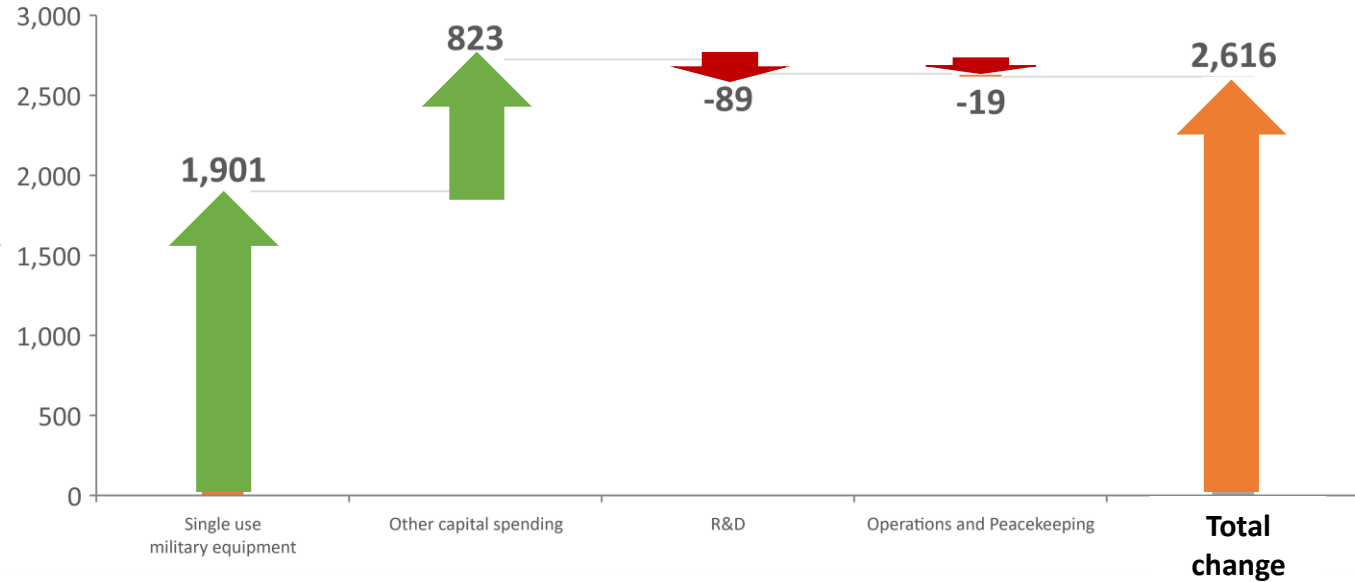
MOD's investment budget is increasing by £2,616.3m (+22.3%)

Capital DEL budget in £m



MOD's investment spending increases due to commitments from its "integrated review"

Changes in Investment (Capital DEL) budget in £m since final budget for 2020-21



Changes in 2021-22

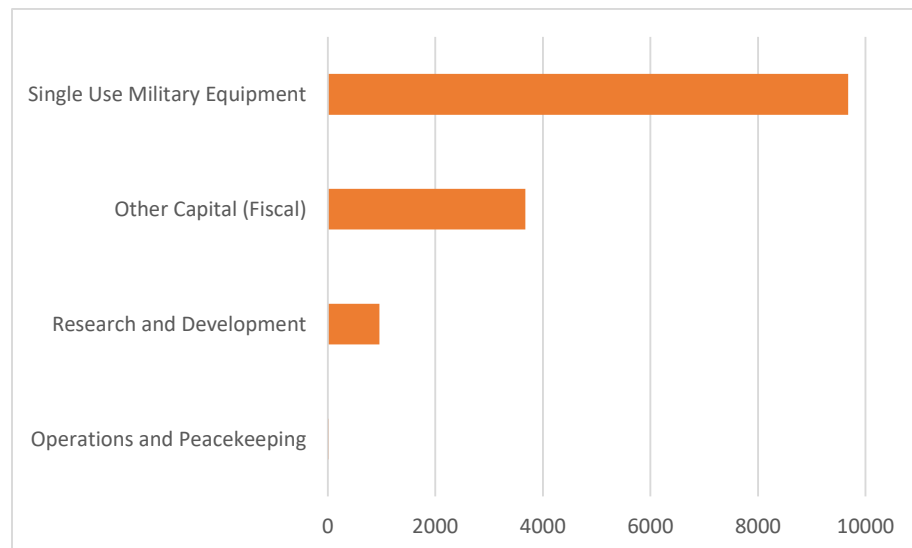
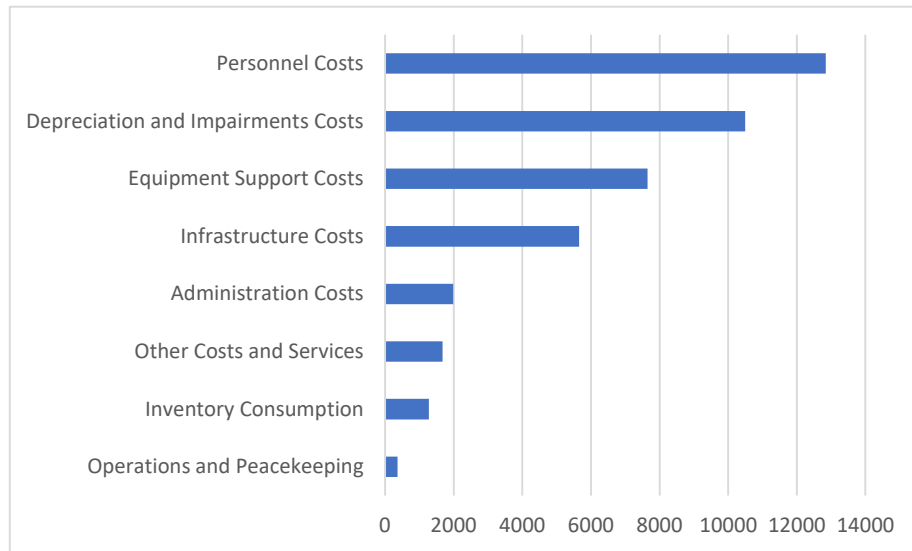
- Funding for single use military equipment is nearly £2 billion higher than the final budget last year – an increase of 24.4%.
- Other capital spending has seen an £823 million increase (+28.9%)
- Although both R&D and Operations and Peacekeeping expenditure have seen reductions compared to the final budget last year, it is expected that further funding will be sought at the Supplementary Estimate later in the financial year.

¹ Final Budget in Supplementary Estimates 2020-21 (Feb 2021))

² Initial Budget in Main Estimate 2021-22 (May 2021))

Most of the MOD's budget is for personnel and single use military equipment

Breakdown of MOD's initial budget for 2021-22 (£ million)*



Day-to-day spending (Resource DEL)

- **Personnel costs** account for nearly a third of day-to-day expenditure, at just over £12.8 billion.
- Non-current assets incur **depreciation and impairment costs**, which have no real cash impact on the budget. In 2021-22 this accounts for £10.5 billion, one quarter, of the day-to-day budget.
- **Equipment support costs and infrastructure costs** makes up £7.7 billion (18.2%) and £5.7 billion (13.5%) of the day-to-day budget respectively.
- **Operations and peacekeeping costs**, which includes the Conflict, Stability and Security Fund is the smallest part of the budget at £367 million (0.9% of the budget).

Investment spending (Capital DEL)

- **Single Use Military Equipment** **Single** is equipment that could not be used by civilian organisations to produce goods and services (i.e. weapons and equipment that supports and delivers such weapons). It is by far the largest are of capital expenditure at nearly £9.7 billion (67.5% of the investment budget).
- **Research and Development costs** 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. In 2021-22 R&D accounted for £967 million (6.7%) of investment spending.

*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

MOD's spending beyond 2021-22

The most recent spending plans were published in **Spending Review 2020**, with some further announcements in **Budget 2021**. Due to uncertainty caused by Covid-19 plans were only given for 2021-22 and some specific multi-year capital programmes.

Major future commitments have included*:

- An additional £24 billion over the next four years to reform and renew the Armed Forces for this age of global and systemic competition: modernising and integrating forces across sea, land, air, space and cyber like never before.
- At least £6.6 billion of investment in accelerated Research and Development will deliver next generation capabilities to outpace our adversaries, and give us a decisive edge, as a global Science and Technology power.

Day-to-day spending:

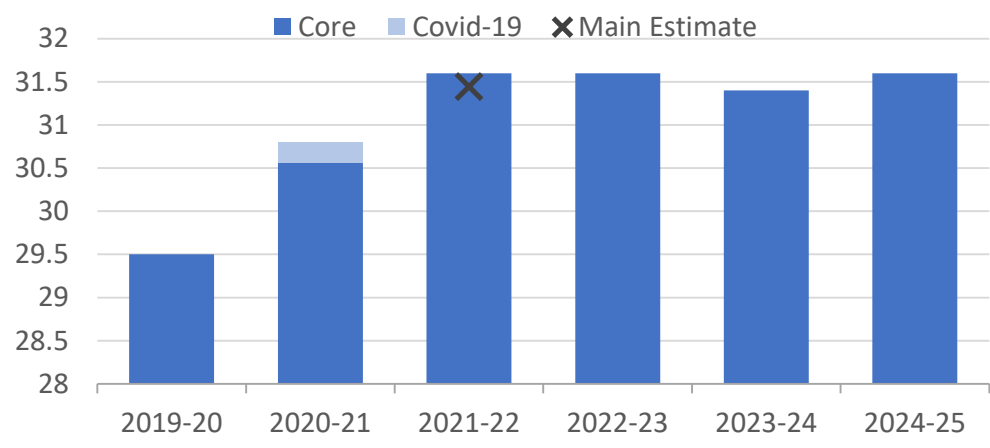
- MOD is one of the few departments to receive a long-term spending settlement for day-to-day spending.

Investment spending:

- MOD plans to gradually increase investment spending over time.
- Long-term capital programmes include the UK's new Space Command and the development of future technology and defence infrastructure.

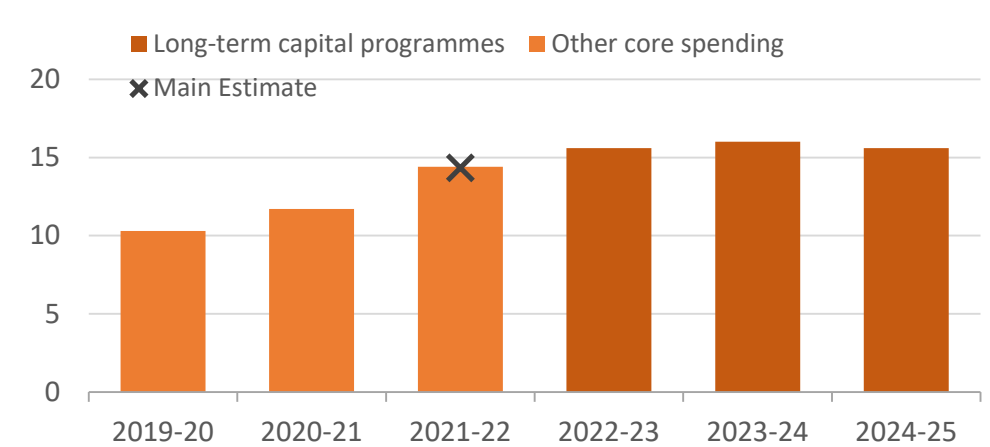
MOD's future day-to-day spending is largely unknown

£ billion, Resource DEL budget excluding depreciation



MOD's future investment spending includes one major project

£ billion, Capital DEL budget



*May involve day-to-day and investment spending over several years