

Departmental Spending

Ministry of Defence



Day-to-day Spending (Resource DEL)

MOD spends 11% of total Resource DEL

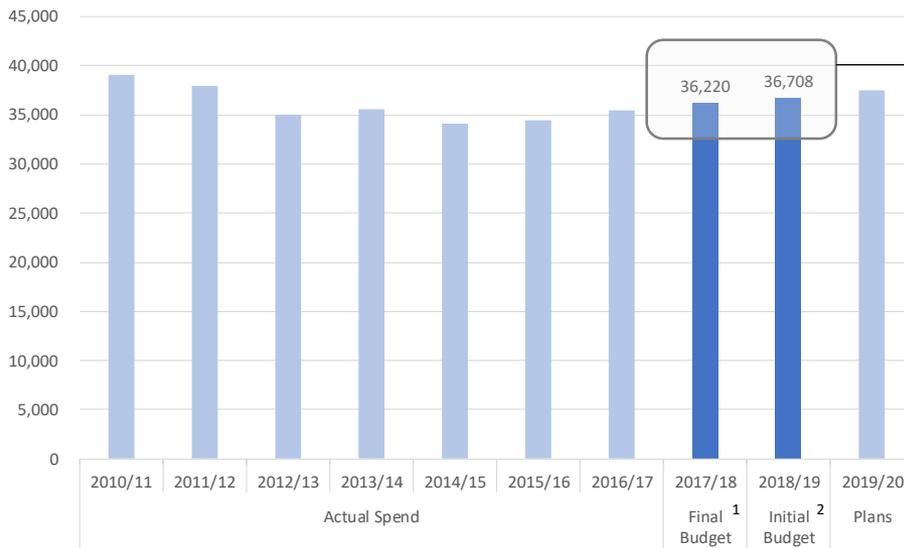
Spending Review 2015

- SR15 planned to increase MOD budget by 3.1% in real terms to 2019-20, and reinvest savings of £9,200 million (£2,000 million of which planned from pay restraint).
- Two new strike brigades, and expeditionary force increasing to 50,000.

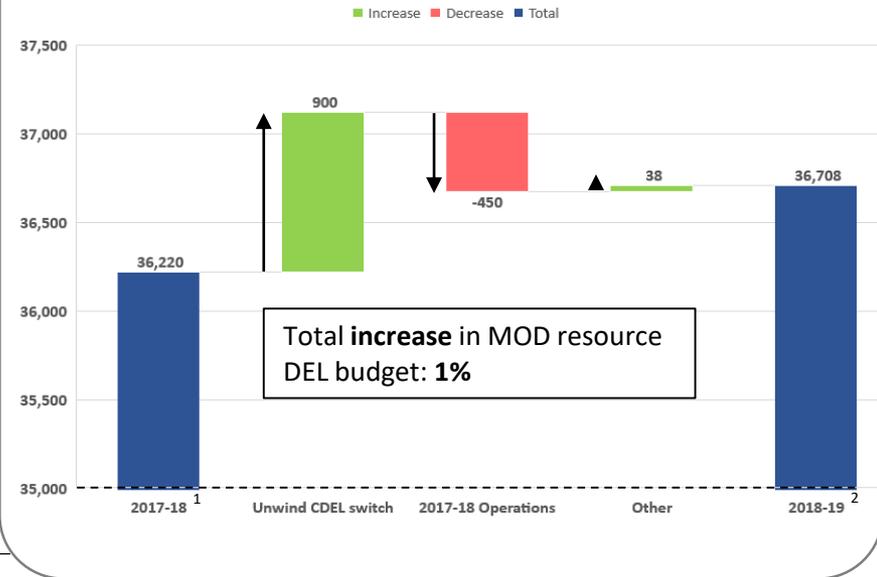
Trends

- In nominal terms, the defence resource budget has been increasing since 2014-15; in 2018-19 it is 6% higher than in 2015-16, but this is still lower (-7%) than in 2010-11.
- MOD usually receives additional funding in the Supplementary Estimates for operations and peacekeeping.

Long-term spending trends (£m, nominal)



Breakdown of changes in budget from 2017-18 to 2018-19, £m



Changes from last year

- **Unwind CDEL switch:** Supplementary Estimate 2017-18 contained a switch of £900 million from Resource DEL to Capital DEL for Single Use Military Equipment. A similar switch might occur in the Supplementary Estimate 2018-19.
- **2017-18 Operations:** MOD receives additional funding from the Treasury Reserve each year for ongoing military operations in the Supplementary Estimates. In 2017-18 this was £386 million, with an additional £64 million for depreciation.
- **Other:** Once the above changes are stripped out, there is a small increase in the MOD resource budget.

¹ Final budget at Supplementary Estimates 2017-18 (Feb 2018)

² Initial budget as at Main Estimates 2018-19 (April 2018)



Investment Spending (Capital DEL)

MOD spends 14% of total Capital DEL

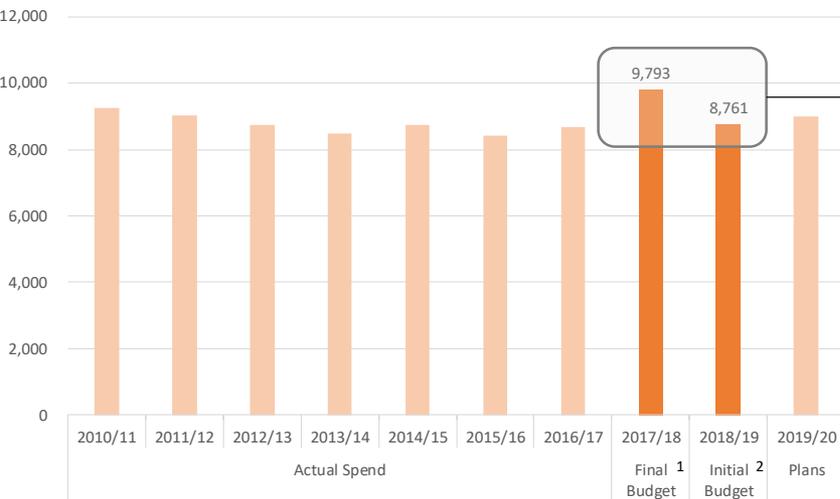
Spending Review 2015

- Investment spending planned to increase by £2,600 million (14%) by 2020-21.
- £1,200 million over 10 years for a Queen Elizabeth aircraft carrier.
- Nine new Maritime Patrol Aircraft and two Typhoon squadrons.

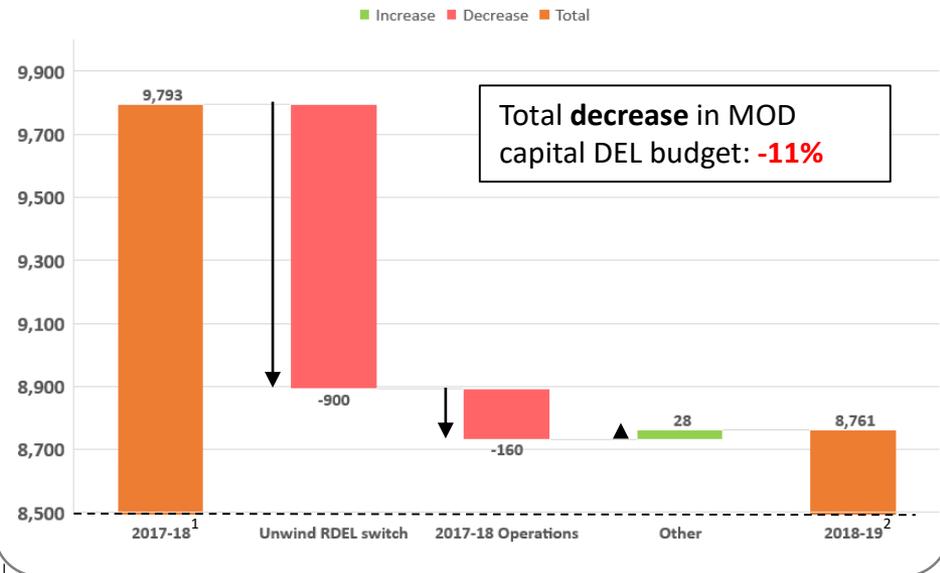
Trends

- Planned capital budget in 2018-19 is 4% higher than 2015-16, but 5% lower than in 2010-11.
- Capital DEL underspend against the budget has been less than 1% since 2014-15.
- Capital DEL budget tends to increase in Supplementary Estimates, when there is usually a switch from Resource DEL for Single Use Military Equipment.

Long-term spending trends (£m, nominal)



Breakdown of changes in budget from 2017-18 to 2018-19, £m



Changes from last year

Changes occur for similar reasons to changes in Resource DEL:

- Unwind RDEL switch:** Supplementary Estimate 2017-18 contained a switch of £900 million from Resource DEL to Capital DEL for Single Use Military Equipment. A similar switch might occur in the Supplementary Estimate 2018-19.
- 2017-18 Operations:** MOD receives additional funding from the Treasury Reserve for ongoing military operations in the Supplementary Estimates. In 2017-18 this was £160 million (including a small contribution from the Conflict, Stability & Security Fund or 'CSSF').
- Other:** once the above changes are stripped out, there is actually a small increase in the MOD capital budget.

¹ Final budget at Supplementary Estimates 2017-18 (Feb 2018)

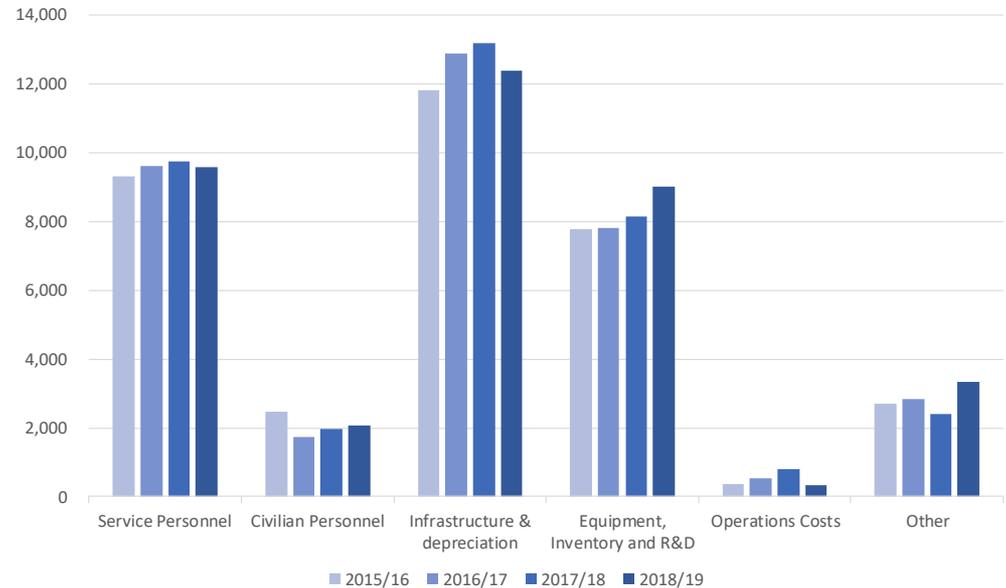
² Initial budget as at Main Estimates 2018-19 (April 2018)



Breakdown of DEL spending: MOD

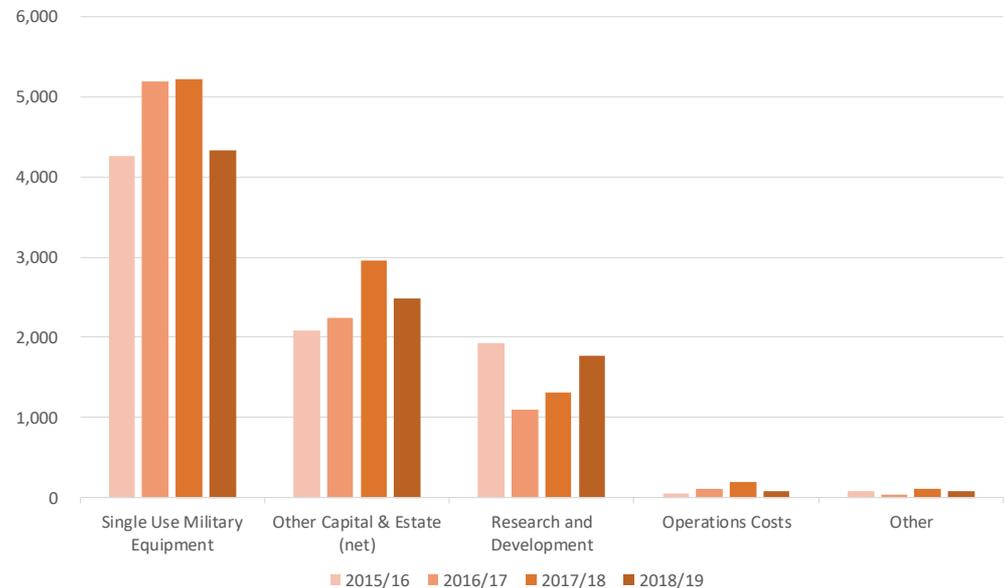
Resource DEL

- Spending on service personnel is planned to fall this year, whilst spending on civilian personnel is intended to increase, which does not seem to reflect MOD personnel plans (see [here](#)).
- Equipment, inventory and R&D spending is increasing over time (see next slide).
- Operations costs are variable, and are likely to change in the Supplementary Estimate 2018-19, but still represent a small proportion of total defence spending.



Capital DEL

- Single Use Military Equipment (SUME), such as munitions and missiles, has a reduced budget in 2018-19; however, there may be a switch from Resource DEL in the Supplementary Estimate 2018-19, as has occurred in previous years.
- Spending on other capital and the MOD estate is decreasing; this may be driven by attempts to [rationalise the estate](#).
- R&D spending has been increasing for the last few years, but this may in part be due to re-classification of spending (from resource to capital).



Breakdown of DEL spending: MOD

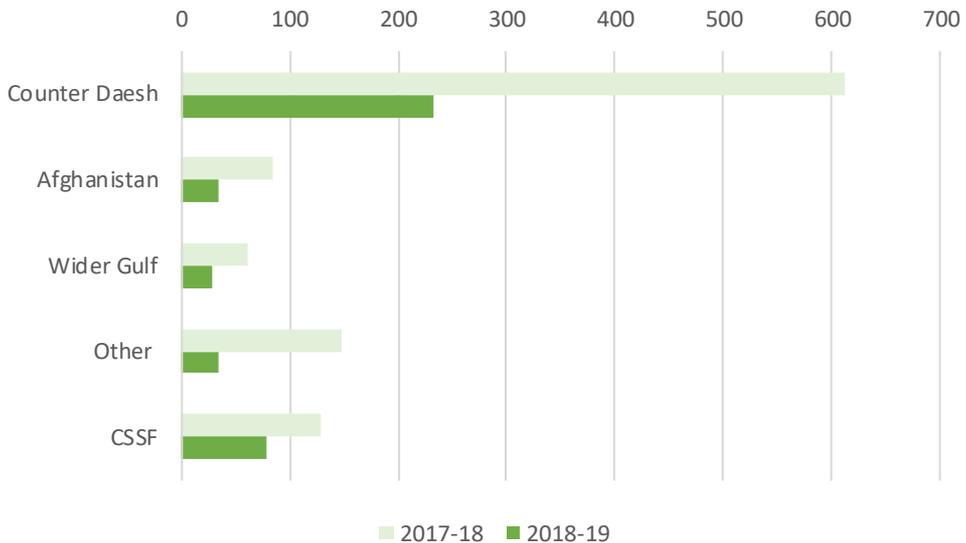
Operations

- MOD separate operational spending given it is harder to predict; additional funding is usually received in-year in the Supplementary Estimate.
- The operations budget for 2018-19 is currently £408 million; in the Main Estimate 2017-18 the operations budget was £395 million, but increased to £1,035 million at Supplementary Estimate 2017-18.
- Around 20% of the 2018-19 budget is Capital.
- Counter-Daesh operations, such as airstrikes and airborne intelligence operations in Iraq and Syria, constitutes around 60% of the total budget for Operations.

Equipment plan

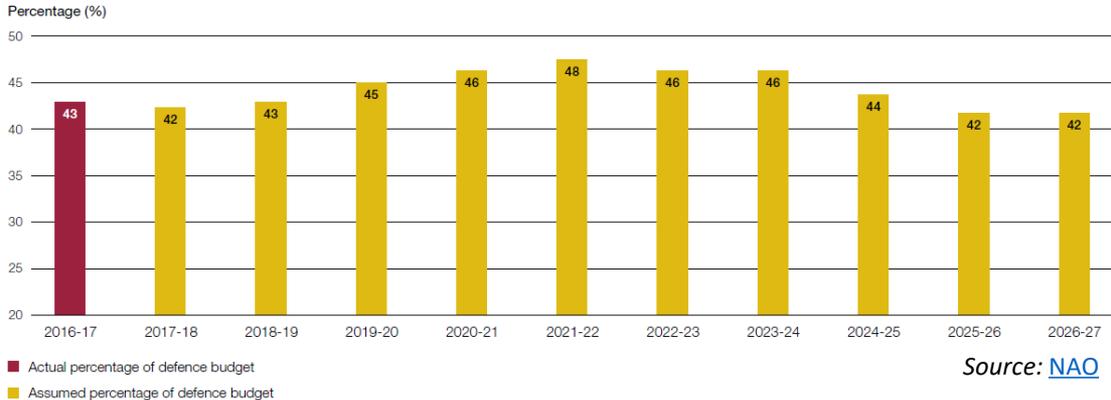
- The MOD annually publishes a [10-year Equipment Plan](#) and statement on its affordability.
- The NAO also reports on the robustness of the assumptions underlying this plan.
- The [latest report](#) shows that over the next 10 years well over 40% of MOD spending will be funding this equipment plan (effectively all Capital DEL spending, and the equipment element of Resource DEL).
- There is estimated to be a minimum £4,900 million affordability gap in the plan, which could rise to £15,900 million if additional risks materialise, such as an inability to achieve planned savings, and changes to the exchange rate.
- Recent [NAO analysis](#) also suggests that budget for nuclear deterrents may have a £2,900 million affordability gap.

Combined RDEL and CDEL spending on Operations (£m)



Proportion of the defence budget to be spent on the Equipment Plan

The proportion of the defence budget to be spent on equipment will peak in the early 2020s



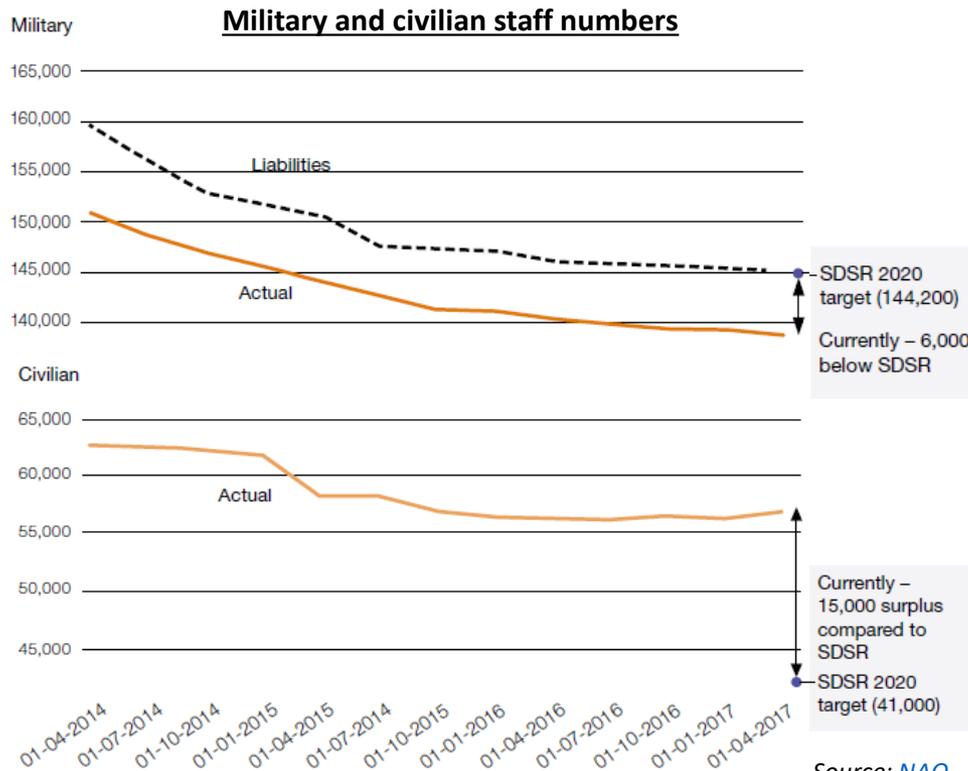
Source: [NAO](#)



Departmental Context

Personnel

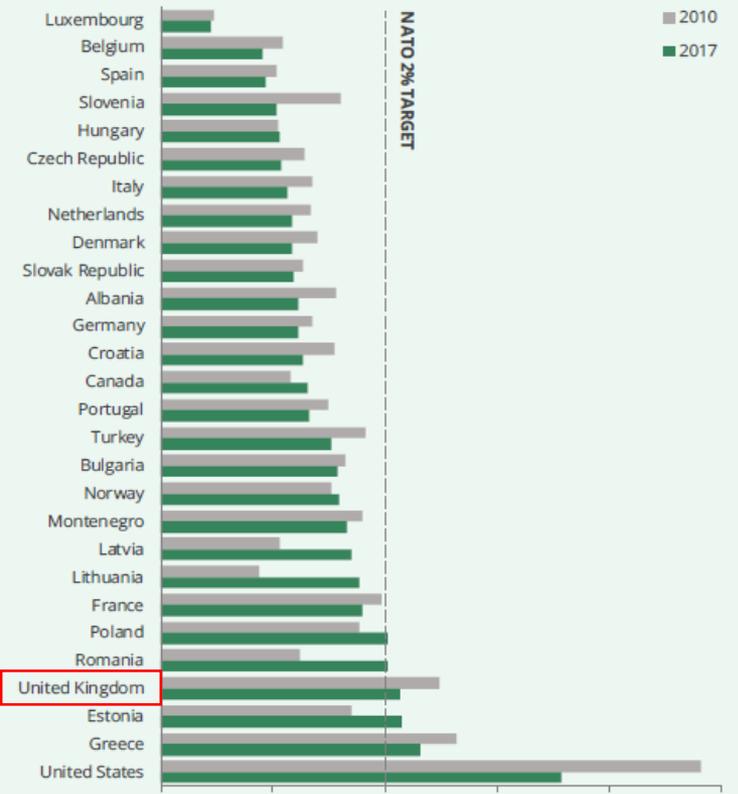
- In the 2015 Strategic Defence and Security Review (SDSR), MOD committed to reducing the size of its civilian workforce by 30% by 2020.
- It also committed to expanding its reserve force to 35,000, maintaining an Army of 82,000 and increasing the Royal Navy and Royal Air Force by 400 and 300 respectively.
- Actual military personnel numbers continue below these levels, and recent [NAO analysis](#) suggests there may be skills shortfalls in significant areas.
- The number of civilian staff has fallen, but remains above the SDRS target.



Source: [NAO](#)

The NATO 2% Spending Target

- In 2016, NATO allies set a target to spend 2% of GDP on defence as an attempt to address the imbalance between the contribution of the USA and NATO's European members.
- There is an additional target that equipment spending (including R&D) represents 20% of total defence spending.
- The areas of spending that NATO defines as 'defence' include some spending outside MOD's Main Estimate; on NATO's definition, the UK is still meeting the target, but with less headroom than in 2010.



Source: [HoC Library Briefing](#)

