



Trends in UK military spending

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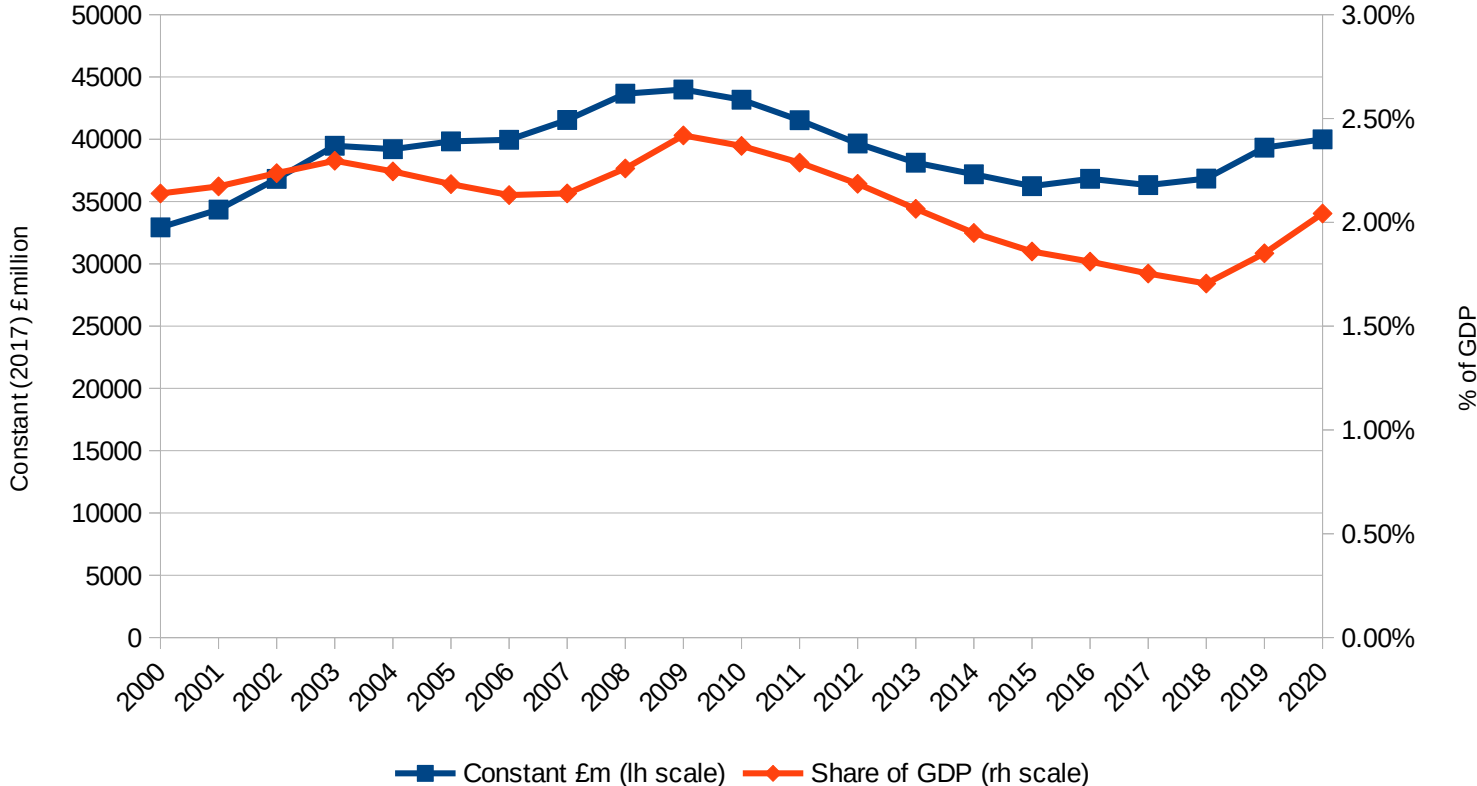
Key points

- UK military spending rose significantly during the 2000s due to the wars in Afghanistan and Iraq
- Cuts from 2009-2015 from austerity, then increases after Ukraine crisis
- Persistent overruns in military equipment spending plans
- Problems with measuring UK military spending – changing MOD measures, NATO figures, new effort by SIPRI to reconcile data
- Spending Review 2020 announces a large increase in 2021/22, followed by roughly level spending to 2023/24
- Increase entirely in capital expenditure, with small cuts to recurrent (personnel and operations) spending
- Focus on new military technologies such as AI, drones, cyber

UK military spending 2000-2020

UK military spending 2000-2020

MOD cash basis

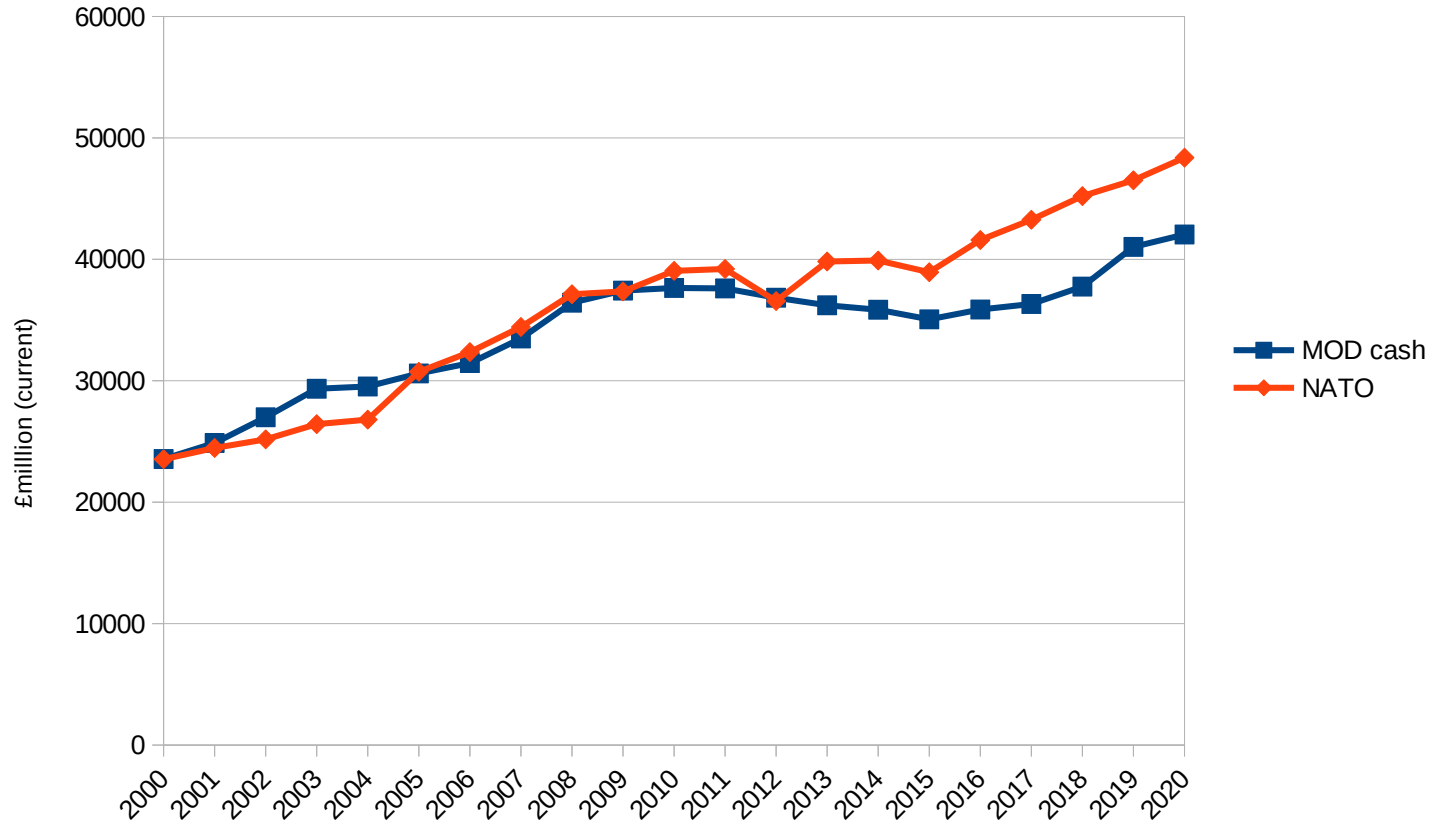


Measures of UK military spending

- Main MOD measure of Defence Budget is based on “Departmental Expenditure Limits”, comprised of Resource DEL and Capital DEL
- Shifting definitions over time due to changing accounting practices, attempts to measure full cost of capital (now abandoned)
- MOD “Net Cash Requirement”, basically a cash measure, provides consistent figures over time, allows assessment of trends
- MOD budget (DEL or NCR) has often fallen below NATO target of 2% of GDP...
- But figures reported to NATO have become much higher than MOD figures, consistently reaching 2% of GDP!
- Gap has reached £6-7 billion in recent years

UK military spending, MOD vs NATO

UK military spending MOD vs NATO



MOD vs NATO measure

- Figures for military spending reported to NATO have changed over time
- First change in mid 2000s was inclusion of additional operational costs
- More recently, elements added include:
 - Additional spending by Treasury on Armed Forces Pension and Compensation Schemes (AFPCS)
 - MOD civilian pensions
 - MOD self-generated income
 - Military-related spending from Single Intelligence Account
 - Operational costs paid by Conflict Stability and Security Fund
 - Spending by other departments from Joint Security Fund
- SIPRI is revising its series for UK military spending to include elements falling within SIPRI definition, where data or estimates available, see <https://bit.ly/3dyUMJb>

The 2020 Spending Review

- Nov. 2020: PM announces large increase in military spending up to 2024/25
- Preempts publication of Integrated Review of Defence, Security, Foreign Policy, International Development
- Increase of £16.5 billion over 4 years compared to manifesto pledge of 0.5% per year real increases, £24.1 billion (cash) increase compared to 2020/21
- Consists of 11.7% cash increase in 2021/22, then 2.6% in 2022/23, virtually flat to 2024/25 (probably below inflation)
- All real-terms increase in Capital DEL – small cuts in Resource DEL
- Malcolm Chalmers (RUSI) estimates 9.2% real increase from 2019/20 to 2024/25. Increase of 43% in Capital, fall of 2% in Resource.

The 2020 Spending Review

£billion	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Resource DEL	29.7	30.7	31.5	31.6	31.4	31.6
Capital DEL	10.3	10.5	14.4	15.6	16	16
Total DEL	40.0	41.2	46.0	47.2	47.4	47.6
Net Cash Requirement	41.0	42.0

New spending

- New National Cyber Force, developing offensive cyber operations, and Space Command
- Development of autonomous weapons systems including drone swarms, autonomous land vehicles
- Battlefield awareness systems, directed energy weapons
- Future Combat Air Systems (manned or unmanned)
- Confirms order of 8 Type 26 frigates, 5 Type 31, development of new Type 32, support ships for Carrier Strike Group
- Help plugging gap in Defence Equipment Plan (was £13b. Up to 2029)
- Possibly some cuts in “legacy” systems, e.g. tanks

Implications

- UK government maintains strong commitment to military power projection and interventionism – albeit with fewer troops on ground
- Whatever focus Integrated Review may bring on other threats, e.g. climate, pandemics, military security still seen as central and first priority for resources
- Focus on autonomous weapons raises huge legal and ethical concerns, also likely to lower threshold for going to war
- Front-loading of increase raises questions as to how money will be spent – risk of price-padding and “gold-plating” of specifications
- Questions as to where cuts in recurrent spending will fall

Key sources

- MOD spending statistics - <https://www.gov.uk/government/statistics/defence-departmental-resources-2020>
- NATO military spending data - https://www.nato.int/cps/en/natohq/news_178975.htm
- SIPRI evaluation - <https://www.sipri.org/commentary/topical-backgrounder/2021/reassessing-sipris-military-expenditure-estimate-united-kingdom>
- Spending Review - <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020>
- PM announcement - <https://www.gov.uk/government/news/pm-to-announce-largest-military-investment-in-30-years>
- RUSI analysis - <https://rusi.org/publication/policy-briefs/new-direction-ministry-defences-budget-implications-november-spending>