

CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Table 1.8 MOD Research & Development Expenditure Outturn

This table details the MOD's 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 of the Department). The data included in this table are derived from an annual survey of MOD R&D expenditure conducted by DASA and information from MOD accounting systems. DASA seek to classify R&D activity within the Organisation for Economic Co-operation & Development's Frascati Guidelines which align to National Accounts definitions.

For an explanation of the breaks in series after 1997 and before 2001/02 please refer to [Defence Statistics Bulletin No.6](#).

Following a data quality review in 2009, the MOD development estimates from 2003/04 to 2005/06 were revised downwards. The MOD research expenditure estimates remain unaffected by these revisions. For the years 2001/02 and 2002/03 MOD net development expenditure, as defined by Frascati, may have been overstated by up to 40% per year, but insufficient records exist to enable a true estimate to be made. **We therefore advise that the data for these years be treated with caution as we cannot guarantee that the data complies with the Frascati guidelines and meets all of the high professional assurance standards set out in the Code of Practice for Official Statistics.**

Full details highlighting the deficiencies in the estimates for 2001/02 and 2002/03, the revisions to later years and our future plans to continue to improve these statistics are published in [DASA Defence Statistics Bulletin No.9](#) which is available on the DASA website.

		Inclusive of non-recoverable VAT at Current Prices (£ million)							
Research & Development ^{1,2}	1997/98	2000/01	2002/03	2003/04 ³	2004/05 ³	2005/06 ³	2006/07	2007/08	2008/09
Total Gross Expenditure on R&D	2 371	2 321	2 790	2 200	2 260	2 318	2 212	2 220	2 074
<i>Of which:</i>									
Intramural	750	932	288	380	357	365	361	279	262
Extramural	1 622	1 389	2 502	1 820	1 903	1 953	1 851	1 941	1 812
Receipts⁴	57	81	56	68	69	75	88	81	83
<i>Of which used:</i>									
Intramurally	39	45	46	59	61	74	81	74	75
Extramurally	18	36	10	9	8	1	7	7	8
Total Net Expenditure on R&D	2 314	2 240	2 734	2 133	2 191	2 243	2 124	2 139	1 991

		Inclusive of non-recoverable VAT at Current Prices (£ million)							
Research	1997/98	2000/01	2002/03	2003/04 ³	2004/05 ³	2005/06 ³	2006/07	2007/08	2008/09
Total Gross Expenditure on Research	577	612	524	548	664	626	664	672	622
<i>Of which:</i>									
Intramural	325	400	145	164	190	171	179	197	186
Extramural	251	212	379	384	474	455	485	474	436
Receipts⁴	13	45	9	24	26	28	32	37	37
<i>Of which used:</i>									
Intramurally	12	45	9	23	25	27	31	37	36
Extramurally	2	-	-	1	1	1	1	1	1
Total Net Expenditure on Research	564	566	515	524	639	598	632	635	584

		Inclusive of non-recoverable VAT at Current Prices (£ million)							
Development	1997/98	2000/01	2002/03	2003/04 ³	2004/05 ³	2005/06 ³	2006/07	2007/08	2008/09
Total Gross Expenditure on Development	1 794	1 709	2 266	1 652	1 596	1 693	1 548	1 549	1 452
<i>Of which:</i>									
Intramural	424	532	143	216	167	194	182	82	76
Extramural	1 370	1 177	2 123	1 436	1 429	1 499	1 366	1 467	1 376
Receipts⁴	44	36	48	44	43	47	56	44	46
<i>Of which used:</i>									
Intramurally	28	-	38	35	36	47	49	37	39
Extramurally	16	36	10	8	8	-	7	6	7
Total Net Expenditure on Development	1 750	1 673	2 218	1 609	1 552	1 645	1 492	1 505	1 406

Source: DASA (Defence Expenditure Analysis)

- Since 2000/01 the Departmental Resource Accounts (DRAc) follow Statement of Standard Accounting Practice 13, "Accounting for Research and Development". Since 2000/01 the figures are calculated on a resource basis, and are consistent with the aggregate of Research & Expensed Development plus Additions to Intangible Assets. Following last years quality review, figures from 2003/04 onwards continue to be consistent with the aggregate of Research & Expensed Development but comprise only that element of Additions to Intangible Assets (taken to represent capitalised development) which has been assessed as Frascati compliant. This table therefore comprises elements from both the Operating Cost Statement and the Balance Sheet in the MOD accounts.
- On 1 July 2001 DERA was split into two organisations: the Defence Science & Technology Laboratory (Dstl) (about a quarter of DERA) staying as a Trading Fund within MOD, and QinetiQ, the remainder, becoming a private (extramural) company.
- Access to project level data for the first time enabled us to more closely align to the OECD definitions and remove activities which do not strictly comply to these. Non Frascati expenditure during this period represented an average of 20% per year of the annual estimate of aggregate MOD net development spend.
- Receipts are monies received by MOD and its Trading Funds for expenditure on R&D, for example from other government departments and private industry. This money is not necessarily spent on defence-related R&D.