

STATISTICAL NOTICE TO TABLE 1.01.03 UKDS 2013

SUBJECT: CHANGES TO THE COMPANIES INCLUDED IN THE STRUCTURE OF SERCO GROUP PLC AND BARCLAYS PLC

Table 1.01.03 of UK Defence Statistics shows details of Private Sector Holding Companies **directly** paid over £50 million annually by MOD. Many of these companies have quite large corporate structures. Defence Economics review these structures annually and identify those subsidiaries that have received **direct** payments from MOD. The individual subsidiary payments are then totalled up and an overall payment to the holding company is calculated.

The structure and ownership of modern corporations is dynamic and changes frequently. The 2012/13 structure has recently been put together and during the course of this work a number of questions were raised about the ownership of two companies - SD Marine Services Ltd and Defence Management (Watchfield) Ltd. These companies are paid directly by MOD for two separate Private Finance Initiative (PFI) contracts. Advice received previously had indicated that both of these companies were owned by Serco and for the last few years payments made to these two companies have been attributed in full to Serco. However following consultation with the MOD Supplier Relations Team and Serco, the company has confirmed that SD Marine Services Ltd and Defence Management (Watchfield) Ltd are not owned by Serco but by Barclays PLC. There is a link in that Barclays PLC are paid directly by MOD but it is Serco that runs the PFI, for them, as part of a Management Services Agreement. This means that Serco are sub-contracted and are therefore not paid directly by MOD. For consistency with the rest of the table Barclays PLC are now shown separately as direct recipients of MOD money and Serco no longer have payments for these two PFI's attributed to their total.

The total payments made to these two companies are around £100m per annum and the latest 2012/13 table reflects this change. The 2011/12 table (1.19a) has been revised in UK Defence Statistics (UKDS) 2012. Earlier versions of UKDS tables have not been revised but the affect on Serco's position over the last four years would be as follows:

	Published position	Revised position
2008/09	Over £500 million	£250 - £500 million
2009/10	£250 - £500 million	£250 - £500 million
2010/11	Over £500 million	£250 - £500 million
2011/12	Over £500 million	£250 - £500 million

As a consequence of the reduction in expenditure with Serco payments to Barclay's PLC would have appeared in the £100 - £250 million category for the 3 years from 2009/10.

These changes have also had an affect on Tables 1.14 a-d in UKDS 2012, where Serco has remained in the list of Top 10 Suppliers to MOD in 2011/12 but has slipped a position. The tables in UKDS 2012 have been revised accordingly. In 2010/11 these changes would not have affected the position of Serco and they would have remained in 8th place in the ranking.