

CHAPTER 1 – FINANCE

INTRODUCTION

This Chapter provides details on the composition and scope of the Department's expenditure including where and on what the budget is spent, as well as providing detailed estimates of the inflationary pressures that this expenditure is subjected to. The chapter also provides information on the impact of defence spending on the wider economy and compares the MOD's spending to that of other government departments and other countries.

Key Points

Departmental Resources

- In 2010/11, Defence Spending (Resource DEL plus Capital DEL minus Depreciation and Fixed Assets Written On/Off) totalled £39.5 billion.
- In 2010/11 Defence was estimated to be the fourth highest area of Government expenditure (Resource DEL plus Capital DEL plus AME) behind Work and Pensions, Health and Education. This continues the position of recent years.
- In 2010/11 the main area of Resource expenditure was personnel (£12.8 billion) and the main area of Capital expenditure was Assets Under Construction (£6.6 billion), which largely consists of major weapons platforms under construction.
- Estimated MOD Equipment Expenditure for 2010/11 was nearly £14 billion. Around half of this spend was Capital Expenditure whilst a third was on equipment support and the remaining sixth was on Research & Development. This is similar to the spending pattern in previous years.
- As at 31 March 2011, the total net value of MOD Fixed Assets was £115.6 billion. The largest category of assets was Single Use Military Equipment (£35.7 billion).
- The value of land & buildings owned by the MOD as at 31 March 2011 totalled £22.7 billion.
- In 2009/10, MOD net expenditure on R&D activity totalled £1.8 billion (down 12.0% in nominal terms on 2008/09 and down 17.9% on 2003/04), comprising £0.6 billion on Research (down 1.5% in nominal terms on 2008/09 and up 9.7% on 2003/04) and £1.2 billion on Development. Almost 90% of this was spent on R&D work undertaken outside of the department (extramurally).
- In 2010/11 MOD earned just over £1.3 billion in revenue which is broadly in line with previous years.

Defence Inflation Estimates

- Defence inflation was 4.3% in 2010/11 – the highest rate since records began in 2005/06. However, a change in methodology for calculating inflation in military labour costs between 2009/10 and 2010/11 hinders direct comparisons over time.

Industry

- In 2009/10, the MOD spent nearly £20.6 billion with UK Industry, this represents a nominal increase of some £2 billion from the 2008/09 figure. This increase was due to high levels of contract expenditure in a number of equipment related industry sectors, particularly in Shipbuilding & Repairing and Weapons & Ammunition. When compared to 2004/05 the Industry Groups with the largest percentage increases were Wholesale and Retail Trade; Repair of Motor Vehicles and Shipbuilding & Repairing. The largest percentage drop is in Postal & Telecommunication Services.
- Manufacturing attracted just over half of MOD expenditure with UK Industry.

CHAPTER 1 – FINANCE

INTRODUCTION

- In 2010/11 almost 40% of total MOD procurement expenditure was with 10 suppliers. The largest of these suppliers was BAE Systems. Service based companies tendered a higher proportion of their work from competitively let contracts, in comparison to 'traditional' defence firms.

Trade

- Identified UK export orders of defence equipment and services were estimated to be just over £5.8 billion in 2010. This is in line with historic levels.
- In 2010, the MOD's estimated Balance of Payments for Trade in Services was just under £3.2 billion in deficit made up of £3.5 billion debits and over £0.3 billion credits. These figures are broadly similar to the 2009 figures.

Contracts

- In 2010/11 MOD HQ placed around 6,400 new contracts with a collective value of around £7.2 billion.
- The number of contracts placed in 2010/11 has fallen compared to recent years, with around a 20% decrease from 2009/10. The total value of contracts placed has decreased proportionately.
- Competitive contracts accounted for a quarter of new contracts let by number but nearly a half by value.
- The largest post Main-Gate equipment project in 2010 by value was the Typhoon and Typhoon Future Capability Programme with a forecast cost of £20.6 billion.

International Defence

- In 2010/11, the MOD spent just over £3.9 billion on conflict prevention worldwide. The net additional cost incurred by the MOD as a result of operations in Afghanistan was around £3.8 billion.
- In 2010 the UK remained the second largest military spender in NATO after the USA¹ (using comparisons based on constant prices and exchange rates).
- The UK remains one of five NATO countries which meet the NATO target of spending the equivalent of 2% or more of GDP on Defence. The others are USA, Greece, France and Albania.
- In 2010, the UK was the third largest military spender, accounting for nearly 4% of worldwide military spend, behind the USA and China (using comparisons based on market exchange rates). The UK was sixth, based on purchasing power parity comparisons, after USA, China, India, Russia and Saudi Arabia.

Changes from UK Defence Statistics 2010

This year has seen the inclusion of some new charts and tables and the removal of others, as well as a number of other changes to existing tables.

New Additions

- Data visualisations have been added to complement a number of tables. **Table 1.4** is accompanied by a chart showing the proportion of equipment procurement spent on capital equipment, equipment support and R&D over time. **Table 1.13** now has a chart showing Defence exports by sector. The chart to **Table 1.15** shows the proportion of competitive and non-competitive contracts over time. **Tables 1.19** and **1.20** are accompanied by a

¹ Calculations based on NATO definition of Defence Expenditure – see **International Defence Notes and Key Points**

CHAPTER 1 – FINANCE

INTRODUCTION

map showing Defence spending by NATO member states. The chart to **Table 1.21** shows the top 15 military spenders.

- A new Transparency Supplement provides an overview of the Department's work to date in responding to the Transparency Agenda.
- **Charts 1.12 a-d** within the Industry section explore the nature and scope of MOD business with its key suppliers in industry and commerce, focussing on the top 10 suppliers in 2010/11. It examines the relative importance of MOD sales to industry revenues. It then explores how the nature of MOD contracting with industry has changed over time.
- The Resource Accounting and Budgeting section has been updated and extended to include information detailing major changes to the presentation of MOD accounts this year.
- Links to the recently produced 'Background Quality Reports' provide further information about users, usage, methods and data. There are seven Background Quality Reports for Chapter 1 of UKDS: one for each section and a separate one for R&D.

Data and Methodology Changes

- As a result of the Clear Line of Sight Alignment Project, the cost of capital charge is no longer included in Departmental Expenditure Limits (DEL). These classification changes, which will be reflected in all Departmental Estimates, have the effect of reducing DEL budgets across departments in all years. However, the adjustments have no impact on the purchasing power of departments or the planned level of expenditure.
- Please refer to the [Resource Accounting & Budgeting section](#) to view information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLOs) Alignment project and recent (and planned) accounting changes resulting from the publication of the Strategic Defence & Security Review (SDSR), which have led to presentational changes to the reporting of MOD accounts this year. These and other changes to the Government accounting framework will mean that the presentational challenges currently faced with reporting defence expenditure are likely to continue for the foreseeable future.
- **Table 1.15** (New Contracts Placed by type) - The source data and table format have changed following the abolition of a data collection form. The table now reports the value and number of new contracts split by competitive/non competitive marker. It no longer includes the value of amendments to existing contracts.
- **Charts 1.22a-d** (International Comparisons: Focus on NATO Allies) - We now have access to long run NATO data and have used this data source to allow for standardised comparisons.

Discontinued Tables

- **Table 1.6** (MOD Resources by Departmental Strategic Objectives) is no longer produced. This table was part of the accountability requirements of the previous administration and is no longer required by the Coalition Government.

Useful Links

UKDS 2011 can be found at the DASA MOD website address:
<http://www.dasa.mod.uk/modintranet/UKDS/UKDS2011/ukds.php>

PDF and Excel versions of UKDS can also be found on this site.

CHAPTER 1 – FINANCE

INTRODUCTION

Background quality reports containing further information about the quality of methods and underlying data, along with the uses and limitation of these statistics can be found here:

<http://www.dasa.mod.uk/applications/newWeb/www/index.php?page=66&pubType=3>

Other related sources on the strategy and performance of the Department include:

- [The Defence Plan 2010-2014](#) (June 2010)
- [MOD Business Plan](#) (May 2011)
- [The Ministry of Defence Consolidated Departmental Resource Accounts 2010-11](#) (HC 992, July 2011)
- [HMT Public Expenditure Statistical Analyses 2011](#) (Cm 8104, July 2011)

Some of these documents and other background information can be found at the MOD website:

<http://www.mod.uk>

Where possible, every attempt has been made to maintain the consistency of this publication with those above. Where differences do occur, this reflects differences in coverage and/or the availability of more up to date information.

CHAPTER 1 – FINANCE

RESOURCE ACCOUNTING & BUDGETING

Government Accounting under RAB

Under Resource Accounting and Budgeting (RAB), Government Departments capture costs using commercial accounting techniques. Costs are accrued (i.e. recognised as the resources are consumed, rather than when they are paid for), and capital purchases are depreciated with time to link their costs with their usage. Under a cash regime (as used to exist pre-RAB) once an item had been purchased, its capital cost no longer entered the reports. Overall (financial) holdings could not be determined.

Departments are accountable to the Treasury (through the budgets that are set in Spending Reviews and updated by Estimates) for their spending against Resource and Capital Departmental Expenditure Limits (DELs). Spending against the Resource DEL includes the current consumption of resources. Capital DEL, whilst included in the Treasury's Total DEL, reflects for the most part investment spending on assets that appear on the Department's Statement of Financial Position (SoFP) and are consumed over a number of years. See **Box 1** for a more detailed description of Departmental Expenditure Limits.

Departments are also responsible for Annually Managed Expenditure (AME). This spending is demand led (for example, payment of War Pensions) and therefore cannot be controlled by Departments in the same way. Because of this AME does not form part of the DELs and the Spending Review Settlement.

Box 1: What is the DEL?

Departmental Expenditure Limits (DEL): These are fiscal limits, set by the Spending Review, for discretionary spending within the Department – effectively the majority of our Budget. They are made up of **Resource DEL** and **Capital DEL**:

Resource DEL (RDEL) – Current expenditure such as pay, allowances, and running costs. It also includes the indirect costs of ownership of assets such as depreciation. This is split into Direct and Indirect RDEL:

- *Direct Resource DEL (DRDEL)* – essentially near cash running costs - for example: pay and allowances, and accruals.

- *Indirect Resource DEL (IRDEL)* – non-cash expenditure such as depreciation and the creation of non-nuclear provisions.

Capital DEL (CDEL) – New investment in equipment and infrastructure that has a life over more than one financial year e.g. ships, buildings and aircraft. This is further split into Fiscal CDEL and Single Use Military Equipment (SUME) CDEL:

- *Fiscal CDEL* is expenditure on equipment that may have other civilian uses e.g. a building or IT equipment.

- *SUME CDEL* is expenditure on equipment which only has a military role, e.g. a warship (Dual Use military equipment counts as Fiscal CDEL).

(This division enables reporting as per the System of National Accounts requirements where single use military equipment is included in current expenditure.)

Total DEL - HM Treasury's preferred measure of Government spending. Total DEL is calculated by adding Resource DEL and Capital DEL less Depreciation, Impairments and Fixed Assets Written On / Off (indirect costs) (i.e. Near cash plus IRDEL).

CHAPTER 1 – FINANCE

RESOURCE ACCOUNTING & BUDGETING

Two stage implementation of RAB

In **Stage 1** of RAB, which was introduced at the start of financial year 2001/02, the Resource DEL covered current costs such as in year personnel costs, equipment, maintenance of land and buildings. Non cash costs such as depreciation and the cost of capital charge fell within Annually Managed Expenditure (AME) and were not controlled to the same degree as DELs. This allowed departments an interim period to gain experience of managing the new non-cash costs and to review their holdings of stocks and fixed assets, which impact the non-cash costs, prior to the charge impacting on the more tightly controlled DELs.

Stage 2 of RAB was introduced at the start of the financial year 2003/04. This involved the movement of the primary non-cash costs (depreciation and the cost of capital charge) from AME into the Resource DEL, and reduced the cost of capital charge to 3.5% of the net value of assets.

The change in definition of the DELs combined with volatile non-cash costs over the Stage 1 period make time series comparisons over the period 2001/02 - 2003/04 complex.

From 2006/07, the MOD has transferred ownership of fixed assets into two Top Level Budgets (TLB): Defence Estates (DE) for Land and Buildings; and Defence Equipment & Support (DE&S) for Plant and Machinery, Transport, IT and Communications equipment, and Single Use Military Equipment (SUME).

Factors affecting Cash to RAB data consistency

- There are timing differences as to when payments are recognised.
- The movement of Non-Cash items of expenditure from AME into the Resource DEL from 2003/04 onwards has the 'apparent' effect of inflating the Resource DEL.
- In financial year 2003/04 the rate of interest used to calculate the cost of capital charge was reduced from 6% to 3.5%.
- The discount rate for provisions was changed from 3.5% real to 2.2% real with effect from 1 April 2005.
- The discount rate for pension's liabilities was changed from 2.8% real to 1.8% real with effect from 1 April 2007.

Changes to the 2009/10 and 2010/11 MOD Accounts following introduction of International Financial Reporting Standards (IFRS)

In accordance with HM Treasury's timetable for the introduction of International Financial Reporting Standards (IFRS) in 2009/10, the Department prepared its accounts based on IFRS as adapted and interpreted by HM Treasury in the [Government Financial Reporting Manual \(FRoM\)](#). These changes have affected **Tables 1.1, 1.3, 1.4, 1.5 & 1.6** from 2009-10 onwards. A break in series follows the 2008-09 outturn to denote the implementation of IFRS. Full details of the policies applied to the 2009/10 figures are provided in the [RAB Section to UKDS 2010](#)

The 2011-12 FRoM introduces further changes to the accounts. Those most applicable to the Department are:

- The Departmental Accounting Boundary will be extended to include all those bodies listed in Statutory Instrument 2011 No. 723 – The Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2011, which came into force on 1 April 2011.
- The format of the Statement of Parliamentary Supply and its supporting note will be aligned to the revised format introduced by HM Treasury's Clear Line of Sight initiative.
- Assets donated by third parties will continue to be capitalised on receipt but their value will be recognised as income in the Statement of Comprehensive Net Expenditure unless the donation is subject to a condition which requires the income to be deferred. This differs from the current treatment of crediting the value to the Donated Asset Reserve. The balance on the Donated Asset Reserve at 31 March 2011 is £2,354 million.

CHAPTER 1 – FINANCE

RESOURCE ACCOUNTING & BUDGETING

Changes During 2010/11 which have affected the preparation of the Annual Accounts

In addition to the Clear Line of Sight (CLOs) changes made in 2009/10 (and described in [last years UKDS](#)), the main changes in accounting policies and accounting estimates in 2010-11 were:

- A number of adjustments have affected both the Resource DEL and AME, leading to a large increase in AME from the previous year. These include the implementation of accounting policy changes; and those arising from the potential increase in provisions, impairments, accelerated depreciation, write-off of some assets, inventory, and assets under construction, associated with the decisions published in the Strategic Defence and Security Review (SDSR) and other planned changes. These include the impact of formal decisions over the future of NIMROD MRA4, the Harrier fleet and a number of Royal Navy and Royal Fleet Auxiliary vessels. As a result assets will be withdrawn from service early or subject to a reduction in capability and a number of equipment programmes will be cancelled. More information on the background to these changes can be found in the [MOD Annual Report & Accounts 2010-11](#) pages 110-111.
- The Statement of Comprehensive Net Expenditure (SOCNE) replacing the Operating Cost Statement.
- Under Clear Line of Sight (CLOs) the notional cost of capital charge has been removed from the accounts. In line with HM Treasury advice, prior period adjustments arising from the removal of the cost of capital charge were not included in Defence Spending for 2009-10, other than as a note, on the basis that the numbers could have been misleading. The impact of this accounting policy change on Defence Spending for 2009-10 would have been a reduction in the outturn of £3,828 million from £40,246 million to £36,418 million.
- All non-current asset impairments resulting from a clear consumption of economic benefit are now charged to the SOCNE. Such impairments were previously charged to the revaluation reserve.
- As a result of a change in IAS 17 – Leases, the land element of land and buildings leases must now be assessed against the situations and indicators of a finance lease. This resulted in the land element of a significant land and buildings lease being reclassified from an operating to a finance lease. The gross value of the land which is now accounted for as a finance lease is £3,559 million.
- The increase in the capitalisation threshold for non-current assets from £10,000 to £25,000. The impact of this is to decrease the non-current asset balance by £250 million.
- Withdrawing the Statement of Operating Costs by Departmental Strategic Objectives and replacing it with the disclosures required by IFRS 8 – Operating Segments. Details are provided in Notes 1.3 and 24 in the [Annual Report and Accounts](#).

Other reporting changes include:

- (Parliamentary) Annual estimates will be voted net of income – removes differences in treatment between budgets, estimates and accounts
- (Parliamentary) Single supplementary estimates published in January plus publication of Annual Report & Accounts in July.
- Non-Departmental Public Bodies (NDPBs) to be included in Estimates and resource accounts
- Separate near and non cash limits removed from budgets – single RDEL; Single Use Military Equipment (SUME) ring fenced until 2014/15
- Parliamentary controls aligned with Estimates and Budgets; RDEL, CDEL, AME and Net Cash Requirement (NCR).

The main issue for MOD will be the removal of the boundary between RDEL and IRDEL (i.e. non cash costs). The relative size of, and fluctuations in, depreciation charges will then have the potential to affect the Department's aggregate RDEL position.

Time series data published in the Core Tables to the Annual Report & Accounts 2010/11

IMPORTANT NOTE: Please note that time series data published in the Total Departmental Spending tables (Table 8.5, pages 49-52) of the 2010/11 Annual Report and Accounts are not comparable to the figures presented in **Tables 1.1, 1.3 and 1.5** of UKDS due to issues with the transition to Clear Line of Sight and the new Estimates Structure,

CHAPTER 1 – FINANCE

RESOURCE ACCOUNTING & BUDGETING

which have particularly affected the lines relating to War Pensions and Armed Forces Pensions. **Time series data presented in UKDS reflect the accounting regime adopted in the reporting year: they have not been recast on current or future accounting structures (e.g. Clear Line of Sight).**

Further information

Further information on the introduction of RAB can be found in Chapter 1 of *UK Defence Statistics 2002* in the “Resource Accounting & Budgeting” section. Alternatively, more information can be found on the HM Treasury website [here](#).

More information on the Clear Line of Sight (CLoS) alignment project can be found on the Treasury website [here](#).

CHAPTER 1 – FINANCE

DEPARTMENTAL RESOURCES

Overview

This section sets out Defence expenditure over time and includes breakdowns by expenditure group and budgetary area. Defence spending is compared to other areas of government. There are also tables estimating spending on equipment and Research and Development (R&D), the value of fixed assets and the external income earned by the MOD. The data is consistent with that in the MOD's Resource Accounts which have been audited by the National Audit Office (NAO).

IMPORTANT NOTE: Please refer to the [Resource Accounting & Budgeting](#) section to view information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLoS) Alignment project and recent (and planned) accounting changes resulting from the publication of the Strategic Defence & Security Review (SDSR), which have led to presentational changes to the reporting of MOD accounts this year. These and other changes to the Government accounting framework will mean that the presentational challenges currently faced with reporting defence expenditure are likely to continue for the foreseeable future.

Section Contents

Table 1.1 presents changes in defence expenditure over time.

Table 1.2 examines expenditure on defence within the wider public expenditure framework.

Table 1.3 gives a breakdown of defence expenditure outturn by main area.

Table 1.4 presents estimates of MOD equipment expenditure broken out by the main categories of expenditure.

Table 1.5 presents the MOD resources by budgetary area.

Table 1.6 details net book values for MOD Fixed Assets by budgetary area.

Table 1.7 details the MOD's annual expenditure on R&D. This is broken down into intramural (within the department) and extramural (outside of the department) expenditure.

Table 1.8 provides a breakdown of the revenue earned by MOD split by Request for Resources category and income source.

Key Points

Defence Spending (Tables 1.1)

- In 2010/11, Defence Spending (Resource DEL plus Capital DEL minus Depreciation and Fixed Assets Written On/Off) totalled £39.5 billion.
- In 2010/11, the outturn against the Departmental Expenditure Limits (DEL) was £48.5 billion. The Resource DEL accounted for £39.1 billion of the 2010/11 expenditure, whilst the Capital DEL accounted for £9.4 billion.

Comparison with other Government Departments (Table 1.2)

- In 2010/11 Defence was estimated to be the fourth highest area of Government expenditure (Resource DEL plus Capital DEL plus AME) behind Work and Pensions, Health and Education. This continues the position of recent years.

CHAPTER 1 – FINANCE

DEPARTMENTAL RESOURCES

Principal Headings of Defence Expenditure Outturn (Resources) (Table 1.3)

- In 2010/11 the main area of Resource expenditure was personnel (£12.8 billion).
- In 2010/11 the main area of Capital expenditure was Assets Under Construction (£6.6 billion), which largely consists of major weapons platforms under construction.

Estimated MOD Equipment Expenditure (Table 1.4)

- Estimated MOD Equipment Expenditure for 2010/11 was nearly £14 billion. Around half of this spend was Capital Expenditure whilst a third was on Equipment Support and the remaining sixth was on Research & Development. This is similar to the spending pattern in previous years.

MOD Resources by Budgetary Area (Table 1.5)

- Defence Equipment & Support had the largest outturn both for Resource and Capital DEL (£16.9 billion and £7.5 billion respectively).
- Of the operational TLBs, Commander-in-Chief Land Forces had the highest outturn against the DEL in 2010/11 (£7.4 billion).

Fixed Assets (Table 1.6)

- As at 31 March 2011, the total net value of MOD Fixed Assets was £115.6 billion. The largest category of assets was Single Use Military Equipment (£35.7 billion) which is broadly similar to previous years.
- The value of land & buildings owned by the MOD totalled £22.7 billion.

Research & Development (Table 1.7)

- In 2009/10, MOD net expenditure on R&D activity totalled £1.8 billion (down 12.0% in nominal terms on 2008/09), comprising £0.6 billion on Research and £1.2 billion on Development. Almost 90% of this was spent on R&D work undertaken outside of the department (extramurally).

External Income earned by MOD (Table 1.8)

- In 2010/11 MOD earned just over £1.3 billion in revenue which is broadly in line with previous years.

Data Quality

A background quality report containing further information about the quality of methods and underlying data, along with the uses and limitation of these statistics can be found at: [Background Quality Report - Departmental Resources Statistics](#) with a separate quality report for Research and Development being found at: [Background Quality Report - Research and Development Statistics](#)

CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Table 1.1 Defence Expenditure Outturn¹

This table shows the changes in Defence expenditure over time following the introduction of Stage 2 [Resource Accounting & Budgeting \(RAB\)](#). Under Stage 1 RAB, introduced in 2001/02, non-cash costs such as Depreciation and Cost of Capital charge were held under AME, and did not form part of the Resource Departmental Expenditure Limit (DEL). This changed under Stage 2 RAB when non-cash costs moved to the Resource DEL. In order to give a single measure of spending on public services under full resource budgeting, the Defence Spending line is presented as the sum of the resource and capital budgets, net of Depreciation and Impairments and from 2009/10 Fixed Assets Written On/Off have also been excluded. This reflects the resources required plus the net investment in them, but avoids double counting the writing down of the existing capital stock and the cash outlay on new assets.

The Net Cash Requirement (NCR) is the actual money that MOD requests from the Government in order to fund its activities. The NCR takes account of movements in working capital levels (debtors, creditors, stock) whilst excluding all non-cash costs.

The data are derived directly from the [MOD Departmental Resource Accounts](#).

Please refer to the [Resource Accounting & Budgeting section](#) to view important information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLoS) Alignment project and recent (and planned) accounting changes resulting from the publication of the Strategic Defence & Security Review (SDSR) which have led to significant presentational changes in the reporting of the 2010/11 accounts.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Departmental Resources Statistics](#)

This table includes expenditure on Conflict Prevention (Request for Resources 2 (RfR2)).

	Cash ----->	RAB Stage 2 ----->								Clear Line of Sight
		Inclusive of non-recoverable VAT at Current Prices (£ million)								
	2000/01	Outturn 2003/04	Outturn 2004/05	Outturn 2005/06	Outturn 2006/07	Outturn 2007/08	Outturn 2008/09	Outturn 2009/10	Outturn 2010/11	
Defence Spending²	*	30 861	32 515	33 164	34 045	37 387	38 579	40 246	39 461	
Departmental Expenditure Limits	23 552	37 174	38 323	39 751	40 654	43 634	45 473	47 647	48 463	
Resource DEL³	..	31 266	31 798	32 911	33 457	35 689	36 715	38 572	39 084	
of which:										
Depreciation/Impairments/Fixed Assets Written On/Off ⁴	*	6 313	5 808	6 587	6 609	6 247	6 894	7 401	9 002	
Cost of Capital Charge ⁵	*	2 770	3 026	3 106	3 242	3 371	3 626	3 828	*	
Capital DEL⁶	..	5 908	6 525	6 840	7 197	7 945	8 758	9 075	9 379	
Annually Managed Expenditure^{7,8,9}	..	1 011	908	890	582	510	214	2 417	7 881	
Cash	23 552	*	*	*	*	*	*	*	*	
Net Cash Requirement	..	29 338	29 524	30 603	31 454	33 486	36 431	37 425	37 645	
Defence Spending² at Constant 2010/11 Prices¹⁰	*	36 923	37 849	37 917	37 660	40 205	40 370	41 439	39 461	

Source: DASA(Defence Expenditure Analysis) and Defence Resources

1. The table includes both programme and operational expenditure on conflict prevention.

2. Also referred to as Total DEL, Defence Spending in 2003/04 to 2008/09 is the sum of the Resource DEL plus Capital DEL minus Depreciation and Impairments and from 2009/10 Fixed Assets Written On/Off have also been removed from the Total DEL figure. This is consistent with HM Treasury guidance.

3. Resource DEL includes operating cost items such as pay, equipment support costs, fuel and administrative expenditure as well as non-cash items such as Depreciation and the Cost of Capital charge on the Department's net assets plus stock and fixed asset write offs.

4. Under HM Treasury guidance, from 2009/10 elements of Impairments are now scored under Annually Managed Expenditure (AME). Impairments are defined as an unexpected or sudden decline in the service utility of a capital asset, such as a factory, property or vehicle. This could be the result of physical damage to the asset, obsolescence due to technological innovation, or changes to the legal code. Impairments can be written off. By their nature, Impairments are market driven and cannot be controlled hence why they are scored in AME. The increase in RDEL Depreciation in 2009/10 is due to the write-off of a number of MOD fixed assets.

5. More information on the removal of Cost of Capital from the 2010/11 Resource DEL figures can be found in the [Resource Accounting & Budgeting section](#).

6. Capital DEL includes expenditure on the purchase of fixed assets (ships, tanks, planes, buildings etc).

7. Annually Managed Expenditure includes only demand led items such as war pensions.

8. The large increase in AME in 2009/10 is mainly due to the movement of Impairments from Resource DEL to Annually Managed Expenditure following guidance issued by HM Treasury.

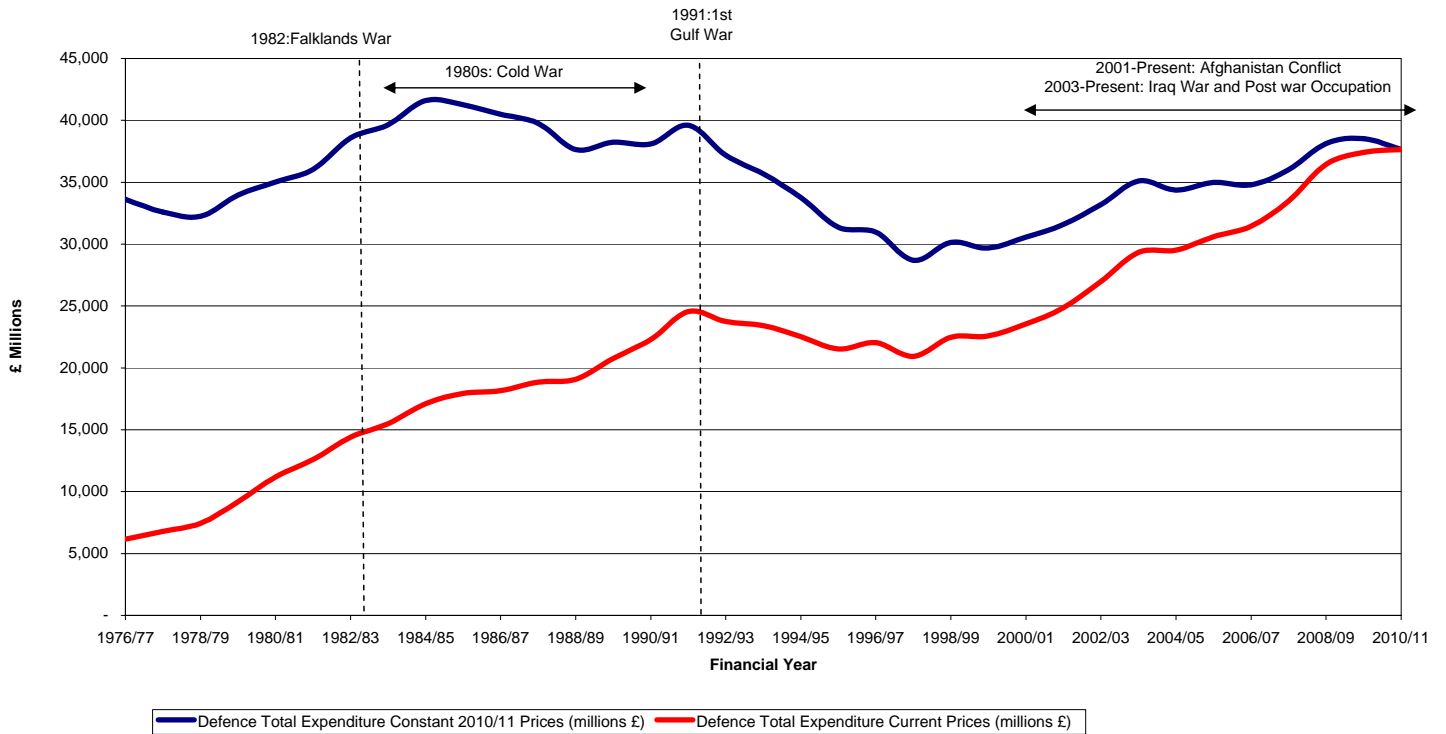
9. Further details of the large increase in AME in 2010/11 can be found in the [Resource Accounting & Budgeting section](#).

10. Conversion to constant 2010/11 prices uses the latest available forecast GDP deflator series produced by [HM Treasury](#) dated 28 June 2011.

CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Chart to Table 1.1: UK Defence Expenditure: 1976/77 to 2010/11^{1,2,3}



1. Figures presented in the chart are Cash Figures until 2000/01. From 2001/02 onwards the Net Cash Requirement has been used.
2. Conversion to constant 2010/11 prices uses the latest available forecast GDP deflator series produced by [HM Treasury](#) dated 28 June 2011.
3. All historical data are sourced from Table 1.1 of UK Defence Statistics.

CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Table 1.2 Public Expenditure by Departmental Grouping

This table (taken from Table 1.3 and Table 1.6 of [Public Expenditure Statistical Analyses \(PESA 2011\) Cm 8104](#) produced by HMT) examines the expenditure on defence within the wider public expenditure framework. It presents Departmental Expenditure Limits (Resource and Capital) and Annually Managed Expenditure (AME) by departmental groupings.

It is not possible to show figures for all individual departments separately and so departments are grouped broadly on the basis of ministerial responsibilities. A detailed list of departmental groupings can be found in [PESA 2011 Annex B](#).

Annually Managed Expenditure (AME) relates to expenditure outside the Departmental Expenditure Limits (DEL) but included in Departmental Budgets. This is typically demand led items such as social security benefits, certain pension allowances and tax credits for individuals.

Departmental Expenditure Limits (DELs) are firm plans for four years for a specific part of a department's expenditure. DEL covers all administration costs and programme expenditure except where:

- some programme spending cannot reasonably be subject to close control over a four-year period; or
- spending relates to non-cash costs other than depreciation and impairments.

Departmental spending not in DEL is included in departmental AME. Both resource and capital budgets are divided into DEL and departmental AME.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Departmental Resources Statistics](#).

	Current Prices (£ billion)					Provisional Outturn
	Outturn 2005/06	Outturn 2006/07	Outturn 2007/08	Outturn 2008/09	Outturn 2009/10	2010/11
Total Resource DEL	270.4	283.5 ^r	300.3 ^r	313.7 ^r	333.8	346.0
<i>Of which:</i>						
Education	14.3	42.1	44.9	46.8	49.6	51.5
NHS (Health)	75.0	76.9	82.6	89.0	95.8	99.0
CLG Local Government	46.2	22.5	22.8	24.7	25.5	26.0
Home Office	8.5	8.6	8.8	9.2	9.5	9.4
Defence	29.6	30.1	31.8	32.7	34.9	39.1
Work and Pensions	7.9	7.8	8.0	7.9	8.8	8.8
	Current Prices (£ billion)					Provisional Outturn
	Outturn 2005/06	Outturn 2006/07	Outturn 2007/08	Outturn 2008/09	Outturn 2009/10	2010/11
Total Capital DEL	36.6	39.5	44.8	48.5	57.0	50.0
<i>Of which:</i>						
Education	4.4	4.1	5.2	5.5	7.4	7.1
NHS (Health)	2.2	3.0	4.0	4.4	5.2	4.2
CLG Local Government	0.3	0.2	-	0.1	0.3	-0.1
Home Office	0.6	0.6	0.7	0.8	1.0	0.7
Defence	6.8	7.2	8.6	9.0	9.2	9.4
Work and Pensions	0.4	0.2	0.1	0.1	0.3	0.3
Departmental Expenditure Limits (RDEL + CDEL)¹	307.1	323.0 ^r	345.1 ^r	362.2 ^r	390.8	396.0
	Current Prices (£ billion)					Provisional Outturn
	Outturn 2005/06	Outturn 2006/07	Outturn 2007/08	Outturn 2008/09 ²	Outturn 2009/10	2010/11 ³
Total Departmental AME	189.6	206.7 ^r	223.5 ^r	360.5 ^r	264.4	175.1
<i>Of which:</i>						
Education	8.1	8.6	10.7	10.7	10.4	-10.4
NHS (Health)	10.6	11.6	13.9	15.0	16.2	-11.4
CLG Local Government	0.5	1.0	0.8	0.7	0.3	1.1
Home Office	-	0.3	0.4	0.7	0.7	0.9
Defence ⁴	5.1	4.9	5.9	6.1	7.9	-0.7
<i>Of which: Defence (Excluding AFPS)⁵</i>	0.9	0.6	0.5	0.2	2.4	7.9
Work and Pensions	115.2	119.3	127.5	135.5	146.7	151.5
Total departmental spending (RDEL + CDEL + AME)¹	496.6	529.7 ^r	568.6 ^r	722.7 ^r	655.2	571.1

Source: HMT Public Expenditure Statistical Analyses 2011 (Table 1.3 and Table 1.6)

1. The figures here are different from Total DEL in PESA 2011, which presents Total DEL as RDEL plus CDEL less depreciation.

2. For more information relating to the increase in Government AME in 2008/09 please refer to the main findings in the Departmental Resources section.

3. In the June 2010 Budget Statement it was announced that the Government would use the CPI rather than the RPI for the indexation of public service pensions. This change has been recognised as a negative past service cost in 2010/11 in accordance with IAS 19 and explains the negative numbers appearing in the 2010/11 AME figures.

4. Previously the figures for Defence departmental AME were adjusted to remove contributions to the Armed Forces Pensions Scheme. This table now aligns with the presentation in PESA 2011 and the Budget Report (March 2011, HC836) and includes the Armed Forces Pensions Scheme.

5. The figures for Defence (excluding AFPS) align with data displayed in **Tables 1.1, 1.3 and 1.5** and exclude contributions to the Armed Forces Pensions Scheme.

CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Table 1.3 Principal Headings of Defence Expenditure Outturn (Resource basis)

This table provides a breakdown of defence outturn in terms of resources consumed. This is distributed between the main personnel, fixed assets and other expenditure groups. **This table includes expenditure on Conflict Prevention (RfR2).**

Please refer to the [Resource Accounting & Budgeting section](#) to view important information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLoS) Alignment project and recent (and planned) accounting changes resulting from the publication of the Strategic Defence & Security Review (SDSR) which have led to significant presentational changes in the reporting of the 2010/11 accounts.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Departmental Resources Statistics](#).

	Inclusive of non-recoverable VAT at Current Prices (£ million)						
	Outturn 2004/05	Outturn 2005/06	Outturn 2006/07	Outturn 2007/08	Outturn 2008/09	Outturn 2009/10	Outturn 2010/11
Defence Spending	32 515	33 164	34 045	37 387	38 579 	40 246 ^r 	39 461
Departmental Expenditure Limits	38 323	39 751	40 654	43 634	45 473 	47 647 	48 463
Resource DEL	31 798	32 911	33 457	35 689	36 715 	38 572 	39 084
<i>of which:</i>							
Expenditure on Personnel	10 996	11 255	11 204	11 474	11 723	12 231	12 766
<i>of which:</i> for Armed Forces	8 047	8 263	8 423	8 646	8 937	9 481	9 888
for Civilians	2 948	2 992	2 781	2 828	2 786	2 750	2 878
Depreciation/Impairments ¹	5 808	6 587	6 609	6 247	6 894	7 496 ^r	4 075
Cost of Capital ²	3 026	3 106	3 242	3 371	3 626	3 828	*
Equipment Support ³	3 623	3 542	3 793	4 272	4 292	4 212	4 689
Stock Consumption ⁴	1 079	1 039	1 140	1 071	1 181	1 112	1 154
Property Management ⁵	1 509	1 367	1 258	1 523	1 508	1 625	1 629
Movements ⁶	711	729	774	858	975	929	856
Accommodation & Utilities ⁷	581	735	786	750	866	688	692
Professional Fees ⁸	565	553	482	471	391	308	316
Fuel ⁹	239	369	416	537	695	482	628
Hospitality & Entertainment	6	5	4	4	4	4	2
PFI Service Charges	*	870	1 148	1 276	1 482	1 133	1 077
IT & Communications	678	643	719	655	852	886	996
Research and Expensed Development	996	994	988	952	1 115	1 222	1 125
Rentals Paid Under Operating Leases	229	72 ^r	138	152	148	254	229
Fixed Assets Written Off/Written On ¹⁰	- 86	- 302	730	870	424	- 95	4 927
Movement in Stock Related Provisions	*	*	*	137	- 250	322	341
Stock Written Off	704	759	95	432	130	374	638
Other Costs ^{10,11}	1 134	588 ^r	- 69	637	659	1 560 ^r	2 945
Capital DEL	6 525	6 840	7 197	7 945	8 758 	9 075 	9 379
<i>of which:</i>							
Expenditure on Fixed Asset Categories							
Intangible Assets ¹²	1 580	1 550	1 744	1 756	1 311	1 271	1 365
Land and Buildings	388	31	45	126	163	246	324
Single Use Military Equipment ¹³	435	402	404	657	552	504	699
Plant, Machinery & Vehicles	124	64	32	36	30	299	51
IT & Communications Equipment	134	180	206	361	336	347	320
Assets Under Construction ¹⁴	4 335	4 879	5 099	5 450	6 515	6 277	6 596
Transport	73	13	33	55	239	73	79
Capital Loan Repayment	- 25	- 53	- 8	- 10	- 65	- 8	- 11
Capital Income ^{15,16}	- 519	- 225	- 358	- 486	- 323	- 111	- 92
Other Costs ¹⁷	*	*	*	*	*	176	49
AME	908	890	582	510	214 	2 417 	7 881
<i>of which:</i>							
War Pensions	1 110	1 067	1 038	1 014	1 000	980	935
Other ^{18,19,20}	- 202	- 177	- 456	- 504	- 785	1 437	6 946

Source: DASA(Defence Expenditure Analysis) and Defence Resources

Footnotes on next page

CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Footnotes to Table 1.3

1. Under HM Treasury guidance, from 2009/10 elements of Impairments are now scored under Annually Managed Expenditure (AME). Impairments are defined as an unexpected or sudden decline in the service utility of a capital asset, such as a factory, property or vehicle. This could be the result of physical damage to the asset, obsolescence due to technological innovation, or changes to the legal code. Impairments can be written off. By their nature, Impairments are market driven and cannot be controlled hence why they are scored in AME. The increase in RDEL Depreciation in 2009/10 is due to the write-off of a number of MOD fixed assets.
2. More information on the removal of Cost of Capital from the 2010/11 Resource DEL figures can be found in the [Resource Accounting & Budgeting section](#).
3. Internal and contracted out costs for equipment repair and maintenance.
4. Consumption of armament, medical, dental, veterinary, oil, clothing, and general stores.
5. Estate and facilities management services and costs for buildings' maintenance.
6. Cost of transportation of freight and personnel.
7. Charges include rent, rates, gas, electricity, water and sewerage costs.
8. Fees, such as legal costs, paid to professional organisations.
9. Relates to fuel consumption by military vehicles, ships and aircraft.
10. Figures in 2010/11 include a large increase in Fixed Assets Written On/Off and "Non-cash Accounting consequences of cancelled projects" following the SDSR. More details can be found in the [Resource Accounting & Budgeting section](#).
11. Other Costs (RDEL) can include Grants-in-Aid, Exchange Rate Movements, Provisions, Receipts, Welfare, Medical and Legal Costs. Movement in Stock Related Provisions previously shown under 'Other Costs', are now shown separately.
12. Intangible Assets comprise the development costs of major equipment projects and Intellectual Property Rights.
13. Single Use Military Equipment (SUME) are assets which only have a military use, such as tanks and fighter aircrafts. Dual use items i.e. those that also have a civilian use are recorded under the other categories.
14. Assets Under Construction (AUC) largely consist of major weapons platforms under construction in the Defence Equipment & Support, and a smaller element of Buildings under construction. Once construction is complete, those platforms will transfer to the relevant Top Level Budget holder as SUME on their Balance Sheets.
15. The figure in 2004/05 includes proceeds from the partial redemption of QinetiQ preference shares.
16. Capital income is receipts for the sale of fixed assets.
17. Other Costs (CDEL) includes long term debtors and movement on derivatives previously included in Capital Income.
18. This category contains only demand led payments, such as Cash Release and Cost of Capital Credit on nuclear provisions and QinetiQ loan repayments.
19. The large increase in Other AME in 2009/10 is mainly due to the movement of Impairments from Resource DEL to Annually Managed Expenditure following guidance issued by HM Treasury. The negative figures in previous years have largely been due to fluctuations in the level of Derivatives, which are a set of financial instruments whereby MOD buy forward contracts at a certain rate to lock into a level of payment. The value of Derivatives recorded in the Accounts is the difference between what the Department would have paid if it had bought at a spot exchange rate against what it actually paid buying a forward rate. In 2008/09 the Department made large gains (scored as a negative in the Accounts) in Derivatives due to fluctuations in US Dollar and Euro exchange rates: in 2009/10 the gain was not significant.
20. Further details of the large increase in AME in 2010/11 can be found in the [Resource Accounting & Budgeting section](#).

CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Table 1.4 Estimated MOD Equipment Expenditure¹

This table presents estimates of MOD equipment expenditure broken out by the main categories of expenditure. Aggregate MOD equipment expenditure here has been used to indicate expenditure on acquisition, maintenance, repair and update of items such as plant, machinery, vehicles and fighting equipment plus associated Research & Development, and expenditure on administrative computers. It is therefore a wider definition to that used by the MOD Equipment and Equipment Support Plans, and covers both military and non-military equipment (including dual use equipment) used by MOD service and civilian personnel. The data are derived directly from the [MOD Departmental Resource Accounts](#).

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Departmental Resources Statistics](#).

This table is outside the scope of National Statistics because it is still under review to ensure it meets all of the high professional quality assurance standards set out in the Code of Practice for Official Statistics.

	Inclusive of non-recoverable VAT at Current Prices (£ million)						
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10 ²	2010/11 ²
Estimated MOD Equipment Expenditure	10 754	10 974	11 672	12 380	13 386	13 174	13 994
<i>Of which:</i>							
Capital Expenditure on Equipment ^{3,4}	4 555	4 913	5 146	5 401	6 669	6 469	6 815
Equipment Support ⁵	3 623	3 542	3 793	4 272	4 292	4 212	4 689
Research & Development ⁶	2 576	2 519	2 732	2 707	2 426	2 493	2 490

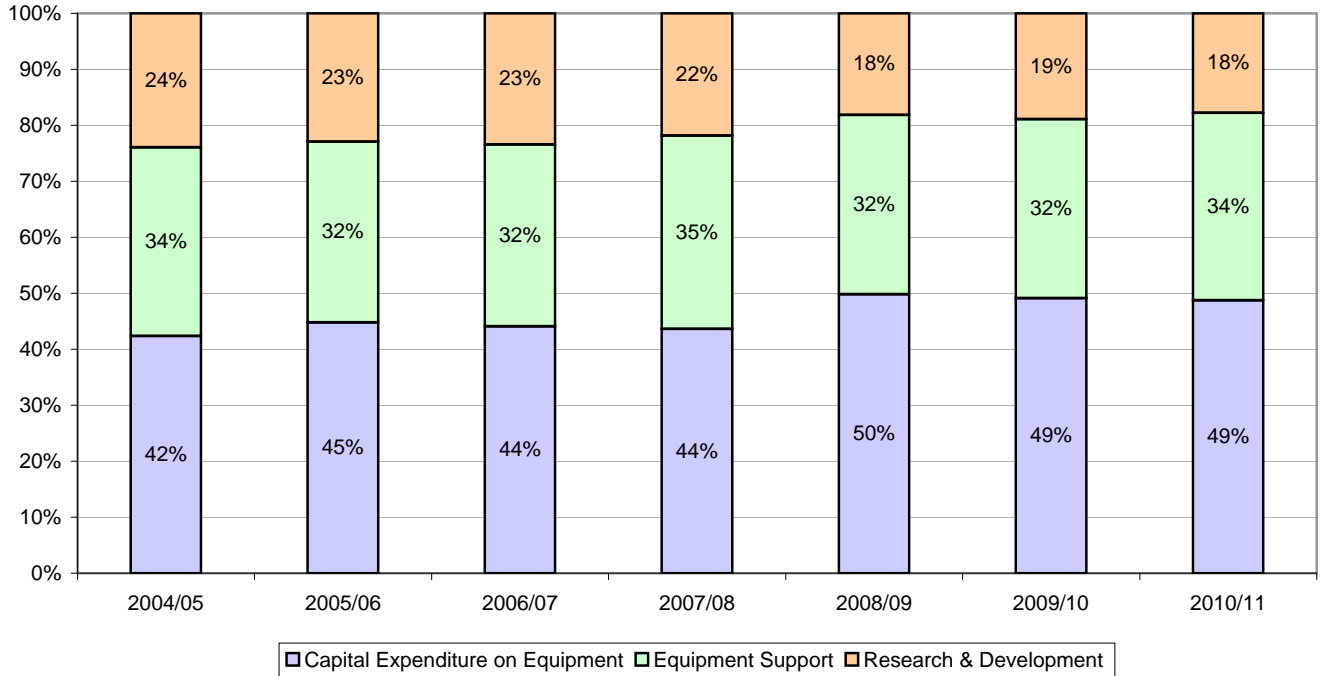
Source: MOD Annual Report and Accounts

1. These estimates are not directly comparable to the old cash equipment procurement time series last published in 2000/01 (UKDS 2002) due to the exclusion of in year stock purchases. It is not possible to identify that element of stock purchases which wholly relates to MOD equipment expenditure.
2. Please refer to the [Resource Accounting & Budgeting](#) section to view important information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLoS) Alignment project and recent (and planned) accounting changes resulting from the publication of the Strategic Defence & Security Review (SDSR) which have led to significant presentational changes in the reporting of the 2010/11 accounts.
3. Capital expenditure on Equipment includes those Assets Under Construction (AUC) relating to Single Use Military Equipment (SUME) only plus in year purchases on IT and communications equipment, vehicles, SUME and plant and machinery. AUC SUME largely consist of major weapons platforms under construction in the Defence Equipment & Support (DE&S) Organisation (formerly the Defence Procurement Agency and Defence Logistics Organisation), and excludes that element of buildings under construction and land which would fall outside the wider definition of MOD equipment procurement detailed in the commentary above.
4. During 2007/08, the augmentation of the MOD Chart of Accounts has enabled more detailed reporting of the 'AUC-Other' classification by category type by the Defence Equipment & Support Organisation. This has improved the coverage of equipment expenditure reported in the table from 2007/08 by providing a more distinct separation of equipment (particularly dual use) from non-equipment expenditure (e.g. construction, land and buildings, and other administrative costs).
5. Internal and contracted out costs for equipment repair and maintenance.
6. The data are derived from information held on MOD accounting systems relating to expenditure on Additions to Intangible Assets and Research & Expensed Development. Development activity associated with acquiring assets is the most significant part of this expenditure. These figures do not fully align with those in [Table 1.7](#) which present MOD R&D expenditure on a different basis using OECD Frascati definitions. (See [Defence Statistics Bulletin No. 6 & No. 9](#)). The estimates in [Table 1.4](#) will include items which fall outside these definitions but nonetheless broadly relate to the wider definition of MOD equipment expenditure as described in the commentary above.

CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Chart to Table **1.4** Estimated MOD Equipment Expenditure



CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Table 1.5 MOD Resources by Budgetary Areas¹

This table provides a detailed breakdown of resource consumption by budgetary area for 2004/05 through to 2010/11. Under HM Treasury guidance, from 2009/10 Impairments previously scored under Resource DEL have now moved to Annually Managed Expenditure (AME).

From 2007/08, changes to the MOD Top Level Budget (TLB) structure have been reflected in the figures and highlighted at footnotes 2-5.

Please refer to the [Resource Accounting & Budgeting section](#) to view important information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLOS) Alignment project and recent (and planned) accounting changes resulting from the publication of the Strategic Defence & Security Review (SDSR) which have led to significant presentational changes in the reporting of the 2010/11 accounts.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Departmental Resources Statistics](#).

This table includes expenditure on Conflict Prevention (RfR2).

	Inclusive of non-recoverable VAT at Current Prices (£ million)						
	Outturn 2004/05	Outturn 2005/06	Outturn 2006/07	Outturn 2007/08	Outturn 2008/09	Outturn 2009/10	Outturn 2010/11
Departmental Expenditure Limits (DEL)	38 323	39 751	40 654	43 634	45 473	47 647	48 463
Request for Resources 1: PROVISION OF DEFENCE CAPABILITY	37 211	38 484	38 858	40 602	41 382	43 429	44 516
Resource DEL	30 860	31 855	32 009	33 493	33 850	35 890	36 221
<i>of which:</i>							
Commander-in-Chief Navy Command ²	3 569	3 548	2 148	2 185	2 182	2 211	2 294
General Officer Commanding (Northern Ireland)	626	580	389	*	*	*	*
Commander-in-Chief Land Forces ³	5 341	5 632	4 322	6 495	6 707	6 990	7 189
Air Officer Commanding-in-Chief RAF Strike Command	3 503	4 043	1 924	*	*	*	*
Commander-in-Chief Air Command ⁴	*	*	*	2 635	2 725	2 790	2 826
Chief of Joint Operations	493	570	391	475	437	444	480
Chief Defence Logistics	7 452	7 588	12 788	*	*	*	*
Defence Equipment & Support ⁵	*	*	*	16 236	14 688	16 496	16 869
2nd Sea Lord/Commander-in-Chief Naval Home Command	763	778	*	*	*	*	*
Adjutant General (Personnel and Training Command)	1 778	1 924	1 576	*	*	*	*
Air Officer Commanding-in-Chief RAF Personnel and Training Command	1 125	904	762	*	*	*	*
Central	3 136	2 458	2 172	2 297	1 718	1 620	2 401
Defence Estates ⁶	*	1 056	2 692	2 628	2 613	2 732	2 136
Defence Procurement Agency	2 568	2 272	2 321	*	*	*	*
Science Innovation Technology	506	502	524	542	500	466	*
Administration ⁷	*	*	*	*	2 280	2 141	2 026
Capital DEL	6 351	6 629	6 849	7 109	7 532	7 539	8 295
<i>of which:</i>							
Commander-in-Chief Navy Command ²	17	7	14	29	20	12	4
General Officer Commanding (Northern Ireland)	28	4	2	*	*	*	*
Commander-in-Chief Land Forces ³	153	47	75	123	149	213	242
Air Officer Commanding-in-Chief RAF Strike Command	27	10	7	*	*	*	*
Commander-in-Chief Air Command ⁴	*	*	*	13	14	20	19
Chief of Joint Operations	24	19	4	34	55	93	15
Chief Defence Logistics	1 121	1 045	1 243	*	*	*	*
Defence Equipment & Support ⁵	*	*	*	6 661	7 023	6 749	7 508
2nd Sea Lord/Commander-in-Chief Naval Home Command	23	11	*	*	*	*	*
Adjutant General (Personnel and Training Command)	26	17	15	*	*	*	*
Air Officer Commanding-in-Chief RAF Personnel and Training Command	24	13	11	*	*	*	*
Central	322	- 44	44	41	- 182	- 67	18
Defence Estates ⁶	*	274	140	208	452	518	487
Defence Procurement Agency	4 586	5 226	5 294	*	*	*	*
Science Innovation Technology	*	*	*	*	1	*	*
Request for Resources 2: CONFLICT PREVENTION	1 112	1 266	1 797	3 032	4 091	4 218	3 946
(not broken down by Top Level Budget)							
Resource DEL	938	1 055	1 448	2 196	2 865	2 682	2 862
Capital DEL	174	211	348	836	1 226	1 536	1 084
Annually Managed Expenditure (AME)	908	890	582	510	214	2 417	7 881
Request for Resources 1: PROVISION OF DEFENCE CAPABILITY^{8,9,10}	- 202	- 177	- 456	-504	- 785	1 437	6 918
Commander-in-Chief Navy Command ²	*	8	*	*	*	*	*
General Officer Commanding (Northern Ireland)	*	*	*	*	*	*	*
Commander-in-Chief Land Forces ³	*	*	*	*	*	1	19
Air Officer Commanding-in-Chief RAF Strike Command	*	*	*	*	*	*	*
Commander-in-Chief Air Command ⁴	*	*	*	*	*	1	8
Chief of Joint Operations	- 3	7	9	*	*	*	- 12
Chief Defence Logistics	26	3	67	*	*	*	*
Defence Equipment & Support ^{5,9}	*	*	*	169	- 91	255	5 898
2nd Sea Lord/Commander-in-Chief Naval Home Command	*	*	*	*	*	*	*
Adjutant General (Personnel and Training Command)	*	*	*	*	*	*	*
Air Officer Commanding-in-Chief RAF Personnel and Training Command	2	*	*	*	*	*	*
Central	2	- 2	*	*	-1 177	271	180
Defence Estates ⁶	*	*	*	-673	483	910	825
Defence Procurement Agency	- 228	- 193	- 545	*	*	*	*
Science Innovation Technology	*	*	*	*	*	*	*
Not Allocated	*	*	13	*	*	*	*
Request for Resources 2: CONFLICT PREVENTION	*	*	*	*	* 	* 	28
Request for Resources 3: WAR PENSIONS & ALLOWANCES, etc	1 110	1 067	1 038	1 014	1 000	980	935

CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Footnotes to Table 1.5

1. Full TLB definitions are available in the **Glossary** at the back of this publication.
2. Navy Command TLB includes the former 2nd Sea Lord/C-in-C Naval Home Command TLB from 2006/07.
3. Land Forces includes the former Adjutant General (Personnel and Training Command).
4. Air Command is an amalgamation of 'Air Officer Commanding in Chief RAF Personnel and Training Command' and 'RAF Strike Command'.
5. Defence Equipment & Support was created from the amalgamation of the 'Chief of Defence Logistics' and 'Defence Procurement Agency'.
6. The 'Defence Estates' TLB was formed on 1 April 2005. This was formerly part of 'Central' TLB. There is no historic data for this new TLB.
7. From 1 April 2008, the Operating Cost Statement has been analysed into Programme and Administration costs. This is as a result of the Comprehensive Spending Review settlement in 2007 which require separate disclosure.
8. The large increase in RFR1 AME in 2009/10 is mainly due to the movement of Impairments from Resource DEL to Annually Managed Expenditure following guidance issued by HM Treasury. The negative figures in previous years have largely been due to fluctuations in the level of Derivatives, which are a set of financial instruments whereby MOD buy forward contracts at a certain rate to lock into a level of payment. The value of Derivatives recorded in the Accounts is the difference between what the Department would have paid if it had bought at a spot exchange rate against what it actually paid buying a forward rate. In 2008/09 the Department made large gains (scored as a negative in the Accounts) in Derivatives due to fluctuations in US Dollar and Euro exchange rates: in 2009/10 the gain was not significant.
9. Further details of the large increase in AME in 2010/11 can be found in the [Resource Accounting & Budgeting section](#).
10. AME figures for 2004/05 to 2008/09 include accounting charges relating to nuclear decommissioning, loan interest and cost of capital charges for self financing public corporations. The negative AME figures arise from the cash release from the nuclear decommissioning provision and the cost of capital charge calculated on a net balance sheet liability (as opposed to net assets).

CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Table 1.6 MOD Fixed Assets: 2010/11¹

This table gives a detailed breakdown of the **net book value** of the MOD's Fixed Assets by category and budgetary area. The MOD is one of the largest owners of fixed assets in the United Kingdom. The stewardship and efficient management of the Department's assets are the responsibility of Top Level Budget (TLB) Holders. From 2006/07 the creation of Single balance sheet owners has meant that most classes of assets are now almost entirely accounted for by one TLB. MOD Fixed Assets are formally revalued on a five-yearly basis, but are uplifted annually using indexation.

The values contained in the table are at 31 March 2011. The valuation method complies with financial reporting standards with values being on an existing use basis and not market value at disposal. Overseas estates for which the Crown holds no legal title, but which are used for garrison and training purposes by British Forces are included in the MOD Fixed Assets Register. UK bases occupied by visiting forces are also included.

The data are derived directly from the [MOD Departmental Resource Accounts](#).

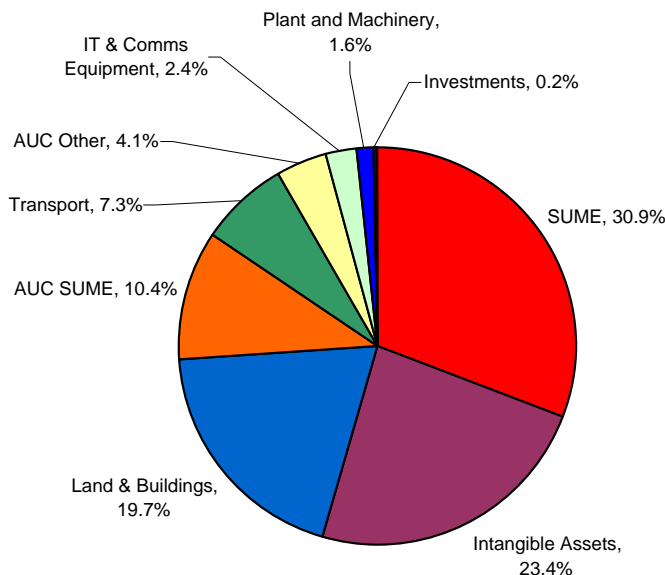
Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Departmental Resources Statistics](#)

	Tangible Fixed Assets							Intangible Assets ⁴		Investments	Total Assets
	Land & Buildings	Plant & Machinery	Transport	IT & Comms Equipment	SUME ²	AUC ³ SUME	AUC ³ Other				
Top Level Budget⁵ Total	22 743	1 854	8 472	2 727	35 726	12 055	4 723	27 106	206	115 613	
Commander-in-Chief Navy Command	-	2	-	1	-	-	19	-	-	22	
Commander-in-Chief Land Forces	29	-	1	1	-	-	102	-	-	134	
Commander-in-Chief Air Command	-	-	2	-	-	-	35	-	-	37	
Chief of Joint Operations	10	-	2	2	-	-	52	-	-	65	
Defence Equipment & Support	88	1 845	8 466	2 721	35 726	12 055	3 508	27 106	206	91 720	
Central	-	7	1	1	-	-	26	-	-	34	
Defence Estates	22 615	1	-	1	-	-	982	-	-	23 599	

Source: DASA(Defence Expenditure Analysis) and Defence Resources

- Figures provided as at 31 March 2011 are taken from MOD Fixed Assets Register. Figures relate to the net book value of the MOD fixed assets. The net value of an asset is equal to its original cost (its book value) minus depreciation and amortisation costs.
- SUME refers to Single Use Military Equipment.
- AUC refers to Assets Under Construction.
- Identifiable non-monetary assets that cannot be seen, touched or physically measured, which are created through time and/or effort and that are identifiable as a separate asset.
- Some relatively small figures appear against some TLBs because the Fixed Assets have not been transferred to the single balance sheet holder mainly because the TLBs cannot agree on the asset value or there are other difficulties over the paper work. If the system works well these small values should reduce to zero.

Chart to Table 1.6: MOD Fixed Assets by Category as at 31 March 2011



CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Table 1.7 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). Statistics on Research and Development (R&D) expenditure provide an important guide to the levels of investment in the economy, provide a key indicator of future growth and competitiveness, and allow for international comparisons to be undertaken. The Ministry of Defence (MOD) accounts for almost half of the UK Government's spending on R&D.

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.

An explanation of the break in series before 2003/04 can be found in [Defence Statistics Bulletin No.6](#). Recent revisions to the 2009/10 data have been caused by improved data coverage of research and development spend in TLB's other than those covered in the main DASA survey.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Research and Development Statistics](#)

Research & Development ^{1,2}		Inclusive of non-recoverable VAT at Current Prices (£ million)						
		2000/01	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Total Gross Expenditure on R&D	2 321	2 200	2 260	2 318	2 212	2 220	2 074	1 839 ^f
<i>Of which:</i>								
Intramural	932	380	357	365	361	279	262	288
Extramural	1 389	1 820	1 903	1 953	1 851	1 941	1 812	1 551 ^f
Receipts³	81	68	69	75	88	81	83	87
<i>Of which used:</i>								
Intramurally	45	59	61	74	81	74	75	80
Extramurally	36	9	8	1	7	7	8	7
Total Net Expenditure on R&D	2 240	2 133	2 191	2 243	2 124	2 139	1 991	1 752 ^f

Research		Inclusive of non-recoverable VAT at Current Prices (£ million)						
		2000/01	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Total Gross Expenditure on Research	612	548	664	626	664	672	622	614 ^f
<i>Of which:</i>								
Intramural	400	164	190	171	179	197	186	204
Extramural	212	384	474	455	485	474	436	410 ^f
Receipts³	45	24	26	28	32	37	37	39
<i>Of which used:</i>								
Intramurally	45	23	25	27	31	37	36	38
Extramurally	-	1	1	1	1	1	1	1
Total Net Expenditure on Research	566	524	639	598	632	635	584	575 ^f

Development		Inclusive of non-recoverable VAT at Current Prices (£ million)						
		2000/01	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Total Gross Expenditure on Development	1 709	1 652	1 596	1 693	1 548	1 549	1 452	1 225 ^f
<i>Of which:</i>								
Intramural	532	216	167	194	182	82	76	83
Extramural	1 177	1 436	1 429	1 499	1 366	1 467	1 376	1 142 ^f
Receipts³	36	44	43	47	56	44	46	49
<i>Of which used:</i>								
Intramurally	-	35	36	47	49	37	39	42
Extramurally	36	8	8	-	7	6	7	7
Total Net Expenditure on Development	1 673	1 609	1 552	1 645	1 492	1 505	1 406	1 177 ^f

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". The figures are calculated on a resource basis, and are consistent with the aggregate of Research & Expensed Development plus Additions to Intangible Assets. Following the 2009 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.
- 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.

CHAPTER 1 - FINANCE

DEPARTMENTAL RESOURCES

Table 1.8 External Income Earned by MOD

This table provides a breakdown of the revenue earned by MOD split by Request for Resources (RFR) category and income source. Where the Department has spare capacity, it provides a range of services to external organisations. The majority of these services are in the form of military support to foreign governments and other government departments. Where appropriate, costs are recovered in accordance with [Managing Public Money](#) guidance set out by HM Treasury. On a smaller scale, the Department provides services to support charities, local community initiatives as well as commercial companies where there is a defence interest.

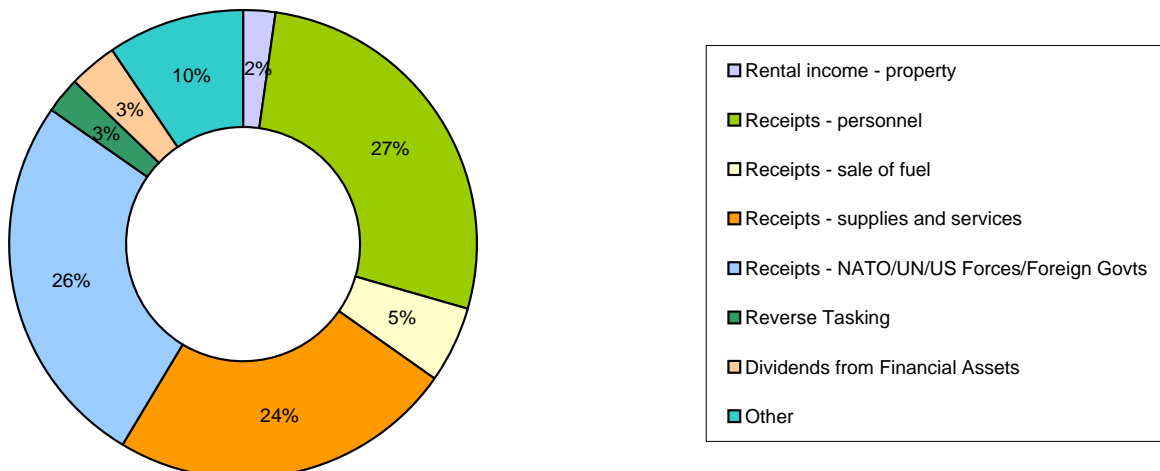
Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Departmental Resources Statistics](#).

	Inclusive of non-recoverable VAT at Current Prices (£ million)						
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Income Earned	1 417	1 391	1 429	1 394	1 479	1 409	1 316
Income Source							
RFR1¹	1 417	1 374	1 408	1 372	1 441	1 337	1 282
<i>of which:</i>							
Rental income - property	57	49	29	34	34	30	29
Receipts - personnel	423	415	429	413	393	373	357
Receipts - sale of fuel	57	57	106	101	108	79	72
Receipts - supplies and services	291	290	353	259	379	330	314
Receipts - NATO/UN/US Forces/Foreign Govts	348	300	294	346	291	340	308
Reverse Tasking ²	28	26	29	32	26	35	35
Dividends from Financial Assets ³	28	39	50	40	57	24	42
Other	183	198	119	149	153	126	126
RFR2⁴	-	16	21	22	39	71	34
<i>of which:</i>							
Receipts - NATO/UN/US Forces/Foreign Govts	-	16	21	22	39	71	34

Source: MOD Annual Report & Accounts

1. Request for Resources 1 = Provision of Defence Capability.
2. Receipts for invoiced goods and/or services supplied to the MOD Trading Funds and QinetiQ Group PLC by MOD.
3. Dividends received from DSTL, UK Hydrographic Office, Met Office and Defence Support Group.
4. Request for Resources 2 = Net additional cost of operations.

Chart to Table 1.8: External Income Earned by MOD 2010/11



CHAPTER 1 – FINANCE

DEFENCE INFLATION

Overview

This section provides information on defence inflation with breakdowns by type of expenditure.

Defence inflation is defined as the average rate of increase in pay, and prices of all goods and services making up the Defence budget, after allowing for changes in quality and quantity. This definition allows the pure price movements of defence inputs to be targeted.

Section Contents

Table 1.9a presents the overall estimates of defence inflation from 2005/06 to 2010/11.

Chart 1.9b compares defence inflation with general inflation in the UK economy.

Table 1.9c presents inflation within defence contracts, broken down into four categories.

Table 1.9d presents inflation for overall defence labour costs, broken down into military and civilian personnel.

Key Points

- Defence inflation was 4.3% in 2010/11. This is the highest rate since records began in 2005/06. However, a change in methodology for calculating inflation in military labour costs between 2009/10 and 2010/11 hinders direct comparisons over time.
- Defence inflation averaged 3.8% over the period 2005/06 to 2010/11.
- In 2010/11, inflation in the GDP deflator was 3.0% and inflation in RPIX (a widely accepted proxy for UK general inflation) was 5.0%. Defence inflation has been higher than the GDP deflator and RPIX for four out of the six years between 2005/06 and 2010/11; in 2006/07 the three measures were broadly similar, and in 2010/11 the defence inflation was higher than the GDP deflator, but lower than RPIX.
- The inflation rate for all defence contracts was 3.8% in 2010/11.
- The inflation rate for all defence labour costs was 4.9% in 2010/11. Inflation in civilian labour costs was 3.7%, and inflation in military labour costs was 5.3%. A new methodology for calculating inflation in military labour costs improves comparability between military and civilian labour cost inflation rates in 2010/11.

Further Information

More information on the estimates for 2005/06 to 2010/11 can be found in the latest [Defence Inflation Statistical Notice](#).

More information on the defence inflation methodology can be found in [Defence Statistics Bulletin No.10](#)

More information on the methodology developments in military labour costs can be found at: [Defence Inflation: Military Labour Costs - Statistical Bulletin No.12](#).

Data Quality

A background quality report containing further information about the quality of methods and underlying data, along with the uses and limitation of these statistics can be found at: [Background Quality Report – Defence Inflation](#).

CHAPTER 1 - FINANCE

DEFENCE INFLATION

Table 1.9a Defence Inflation

Latest Estimates: Defence inflation was 4.2% in 2010/11.

Trends Over Time: Between 2005/06 and 2010/11 defence inflation averaged 3.8% year-on-year growth. However, a change in methodology for calculating inflation in military labour costs between 2009/10 and 2010/11 hinders direct comparisons with earlier years.

2004/05=100

	Weights ²	Index (Growth Rate ¹)					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
All Defence (UK) ³	1000	104.1 (4.1%)	107.6 (3.4%)	111.8 (3.9%)	116.5 (4.2%)	120.2 (3.2%)	125.2 (4.2%) ^f
Contracts ^{3,4}	644 ^r	103.4 (3.4%)	106.9 (3.4%)	110.9 (3.7%)	115.5 (4.2%)	118.4 (2.5%)	122.9 (3.8%)
Labour Costs ^{3,4,5}	341	105.6 (5.6%)	109.2 (3.5%)	113.9 (4.3%)	118.0 (3.6%)	122.6 (4.0%)	128.3 (4.7%) ^f
Cash Offices ^{3,4}	15	100.9 (0.9%)	102.2 (1.4%)	104.7 (2.4%)	114.4 (9.3%)	123.8 (8.2%)	135.8 (9.7%)

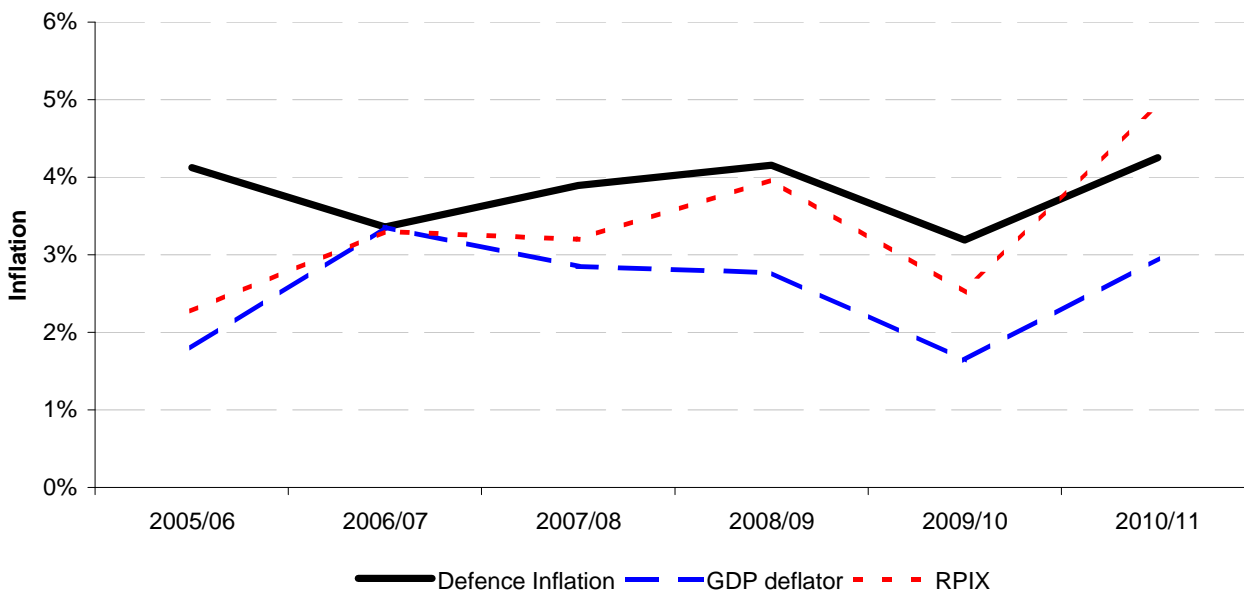
Source: DASA Price Indices

- Growth rates are year-on-year and calculated from unrounded data.
- These weights apply to the 2010/11 measure. Due to chain-linking, weights reflect the expenditure pattern within the base year not the reference year e.g. for the 2010/11 inflation measure weights reflect expenditure in 2009/10. Due to rounding the weights may not sum to 1000.
- Data from 2005/06 to 2009/10 have been revised since their original publication in March 2010 and September 2010. For further details see the [2010/11 Defence Inflation Statistical Notice](#).
- For the definitions refer to the Glossary within the [Defence Inflation Statistical Notice](#).
- From 2010/11, the methodology for estimating inflation in military labour costs was reviewed and improved following availability of new data sources. The change in methodology means comparisons of 2010/11 military labour cost inflation rates with historical estimates are not possible. For further details refer to the Defence Inflation: Military Labour Costs - [Statistical Bulletin No.12](#).

Chart 1.9b UK General Inflation and Defence Inflation

The chart below compares defence inflation with inflation in the whole economy, indicated by the Retail Price Index excluding mortgage interest payments (RPIX) and the Gross Domestic Product (GDP) deflator. For further details on the relationship between general inflation and defence inflation, and the complexities surrounding making a direct comparison between these three indices, refer to the 2010/11 Defence Inflation Statistical Notice.

In 2010/11, RPIX was 5.0%, GDP deflator was 3.0% and defence inflation was 4.2%. Defence inflation has been higher than the GDP deflator and RPIX (a widely accepted proxy for UK general inflation) for four out of the six years between 2005/06 and 2010/11; in 2006/07 the three measures were broadly similar and in 2010/11 defence inflation was lower than RPIX.



CHAPTER 1 - FINANCE

DEFENCE INFLATION

Table 1.9c Defence Inflation: Contracts

Latest Estimates: The inflation rate within expenditure on all defence contracts was 3.8% in 2010/11.

Trends Over Time: Between 2005/06 and 2010/11, inflation in defence contracts averaged 3.5% year-on-year growth.

2004/05=100

	Weights ²	Index (Growth Rate ¹)					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Defence Contracts^{3,4}	1000	103.4 (3.4%)	106.9 (3.4%)	110.9 (3.7%)	115.5 (4.2%)	118.4 (2.5%)	122.9 (3.8%)
High Value Firm Price ^{3,4}	315	102.9 (2.9%)	106.2 (3.2%)	109.7 (3.3%)	114.0 (4.0%)	119.2 (4.5%)	124.2 (4.2%)
Fixed Price ^{3,4}	376	104.2 (4.2%)	108.2 (3.8%)	113.1 (4.5%)	117.8 (4.2%)	119.4 (1.3%)	123.9 (3.8%)
Low Value ^{3,4}	235	103.2 (3.2%)	106.8 (3.4%)	110.7 (3.7%)	115.5 (4.3%)	117.6 (1.8%)	121.2 (3.1%)
High Value Miscellaneous ^{3,4}	74	103.3 (3.3%)	106.6 (3.2%)	109.7 (2.9%)	114.7 (4.5%)	116.9 (2.0%)	121.4 (3.8%)

Source: DASA Price Indices

1. Growth rates are year-on-year and calculated from unrounded data.

2. These weights apply to the 2010/11 measure. Due to chain-linking, weights reflect the expenditure pattern within the base year not the reference year e.g. for the 2010/11 inflation measure weights reflect expenditure in 2009/10. Due to rounding the weights may not sum to 1000.

3. Data from 2005/06 to 2009/10 have been revised since their original publication in March 2010 and September 2010. For further details see the [2010/11 Defence Inflation Statistical Notice](#).

4. For the definitions refer to the Glossary within the [Defence Inflation Statistical Notice](#).

Table 1.9d Defence Inflation: Labour Costs

Latest Estimates: The inflation rate for all defence labour costs was 4.7% in 2010/11. Military labour cost inflation was 4.9% and civilian labour cost inflation was 3.6%.

Trends Over Time: Between 2005/06 and 2010/11 inflation within labour costs averaged 4.2% year-on-year growth; it was highest in 2005/06 at 5.6%.

A change in methodology for calculating inflation in military labour costs between 2009/10 and 2010/11 hinders direct comparisons with earlier years, but improves comparability between military and civilian labour cost inflation rates in 2010/11.

2004/05=100

	Weights ²	Index (Growth Rate ¹)					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Defence Labour Costs^{3,4,5}	1000	105.6 (5.6%)	109.2 (3.5%)	113.9 (4.3%)	118.0 (3.6%)	122.6 (4.0%)	128.3 (4.7%)^f
Military Labour Costs ^{3,4,5}	783	105.0 (5.0%)	108.5 (3.3%)	113.4 (4.5%)	117.1 (3.3%)	122.2 (4.3%)	128.2 (4.9%) ^f
Civilian Labour Costs ^{3,4}	217	107.4 (7.4%)	111.6 (3.9%)	115.5 (3.5%)	120.7 (4.5%)	124.0 (2.7%)	128.5 (3.6%) ^f

Source: DASA Price Indices

1. Growth rates are year-on-year and calculated from unrounded data.

2. These weights apply to the 2010/11 measure. Due to chain-linking, weights reflect the expenditure pattern within the base year not the reference year e.g. for the 2010/11 inflation measure weights reflect expenditure in 2009/10. Due to rounding the weights may not sum to 1000.

3. Data from 2005/06 to 2009/10 have been revised since their original publication in March 2010 and September 2010. For further details see the [2010/11 Defence Inflation Statistical Notice](#).

4. For the definitions refer to the Glossary within the [Defence Inflation Statistical Notice](#).

5. From 2010/11, the methodology for estimating inflation in military labour costs was reviewed and improved following availability of new data sources. The change in methodology means comparisons of 2010/11 military labour cost inflation rates with historical estimates are not possible. For further details refer to the [Defence Inflation: Military Labour Costs - Statistical Bulletin No.12](#).

CHAPTER 1 – FINANCE

INDUSTRY

Overview

This section provides data on the impact of MOD's spending on equipment and services in the UK. It is produced as part of the transparency and accountability of the Ministry of Defence to Parliament and the public.

Section Contents

Table 1.10 details the estimated amount of money that the MOD spent with UK industry broken down by industrial group. The industrial groupings are based on the [UK Standard Industrial Classification \(SIC\)](#) maintained by the Office for National Statistics (ONS).

Table 1.11 details MOD payments on PFI projects during 2010/11.

Table 1.11a lists those PFI projects which have planned unitary charge payments of over £25 million in 2011/12.

Charts 1.12 a-d explore the nature and scope of MOD business with its key suppliers in industry and commerce, focussing on the top 10 suppliers in 2010/11. It examines the relative importance of MOD sales to industry revenues and how this has changed over time. It then explores how the nature of MOD contracting with industry has changed over time.

Key Points

Expenditure by Industry Group (Table 1.10)

- In 2009/10, the MOD spent nearly £20.6 billion with UK Industry, this represents a nominal increase of some £2 billion from the 2008/09 figure. This increase was due to high levels of contract expenditure in a number of equipment related industry sectors, particularly in Shipbuilding & Repairing and Weapons & Ammunition. The former was driven by increased expenditure against a number of contracts related to the Future Aircraft Carrier (CVF) and some submarine related contracts; the latter due to high levels of expenditure on the MOD's main munitions contracts resulting from increased levels of operational tempo in Afghanistan during the year. An increase in expenditure on Urgent Operational Requirements (UORs) has also contributed to the overall increase in equipment related expenditure.
- Manufacturing (section C) attracted just over half of MOD expenditure with UK Industry.

Focus on Key Suppliers (Charts 1.12 a-d)

- In 2010/11 almost 40% of total MOD procurement expenditure was with 10 suppliers. The largest of these suppliers was BAE Systems.
- In the past six years the proportion of MOD spending with its current top 10 suppliers has increased by around 3.9%.
- For the majority of MOD's top suppliers, MOD sales account for less than 10% of their global revenue.
- Service based companies tendered a higher proportion of their work from competitively let contracts, in comparison to 'traditional' defence firms.

Data Quality

A background quality report containing further information about the quality of methods and underlying data, along with the uses and limitations of these statistics can be found at:

[Background Quality Report - Industry Statistics](#).

CHAPTER 1 - FINANCE

INDUSTRY

Table 1.10 Estimated Defence Expenditure Outturn in the UK: Breakdown by Industry Group

This table estimates the amount of money the MOD spends directly with UK industry and commerce broken down by industrial group. Figures exclude 'internal' MOD expenditure such as pay and allowances. Industrial groupings are based on the relevant Standard Industrial Classification (SIC) 1992, 2003 or 2007 guidelines maintained by the Office for National Statistics. To view the SIC Codes that comprise the various table headings [click here](#). More detailed information on the SIC 2007 codes can be found [here](#). **The figures have been rounded to the nearest £10M with the differences between the totals and sums of the components being caused by this rounding.**

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Industry Statistics](#)

SIC(92)/SIC(03)/SIC(07) Section		VAT exclusive at Current Prices (£ million)						
		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 ^{1,2}	2009/10 ³
Total		14 640	14 490	16 030	16 490	16 450	18 540^f	20 590
A, B	Agriculture, Fishing and Mining	-	-	-	-	-	-	-
C	Manufacturing, excluding those industries itemised below	1 470	1 350	1 740	1 640	1 910	2 350 ^f	2 460
	Weapons & Ammunition	740	820	1 030	1 080	900	1 030	1 720
	Data Processing Equipment	180	110	70	50	40	100	100
	Other Electrical Engineering	180	150	180	200	250	220	260
	Electronics	600	910	1 160	1 000	950	920	670
	Precision Instruments	760	690	750	600	530	540	690
	Motor Vehicles & Parts	170	220	330	300	320	490	450
	Shipbuilding & Repairing	1 160	1 060	1 100	1 150	1 110	1 250	2 290
	Aircraft & Spacecraft	2 050	1 810	1 730	1 960	2 100	2 480	2 640
D, E	Electricity, Gas & Water	210	230	260	280	220	350 ^f	400
F	Construction	1 190	1 230	1 310	1 380	1 270	1 680	1 640
G	Wholesale and Retail Trade; Repair of Motor Vehicles	180	160	180	230	280	330	350
H, I, J	Hotels & Restaurants	210	200	250	230	150	160	170
	Transport via Railways	70	60	70	70	80	80 ^f	60
	Other Land Transport (incl. via pipelines)	70	20	30	20	40	50 ^f	90
	Water, Air and Auxiliary/freight supply transportation	490	380	370	450	560	520 ^f	420
	Post & Courier Services	10	10	10	10	10	10	10
	Telecommunications	530	310	300	330	270	180 ^f	150
K, L, M, N, O, P, Q, R, S, T	Financial Services, Business Activities, Education, Health, & Other Service Activities excluding those industries itemised below ^{4,5}	2 590	2 750	2 800	2 880	2 670	2 510 ^f	2 590
	Real Estate & Renting	1 000	1 230	1 460	1 500	1 690	2 090 ^f	2 160
	Computer Services	800	790	930	1 110	1 120	1 190 ^f	1 250

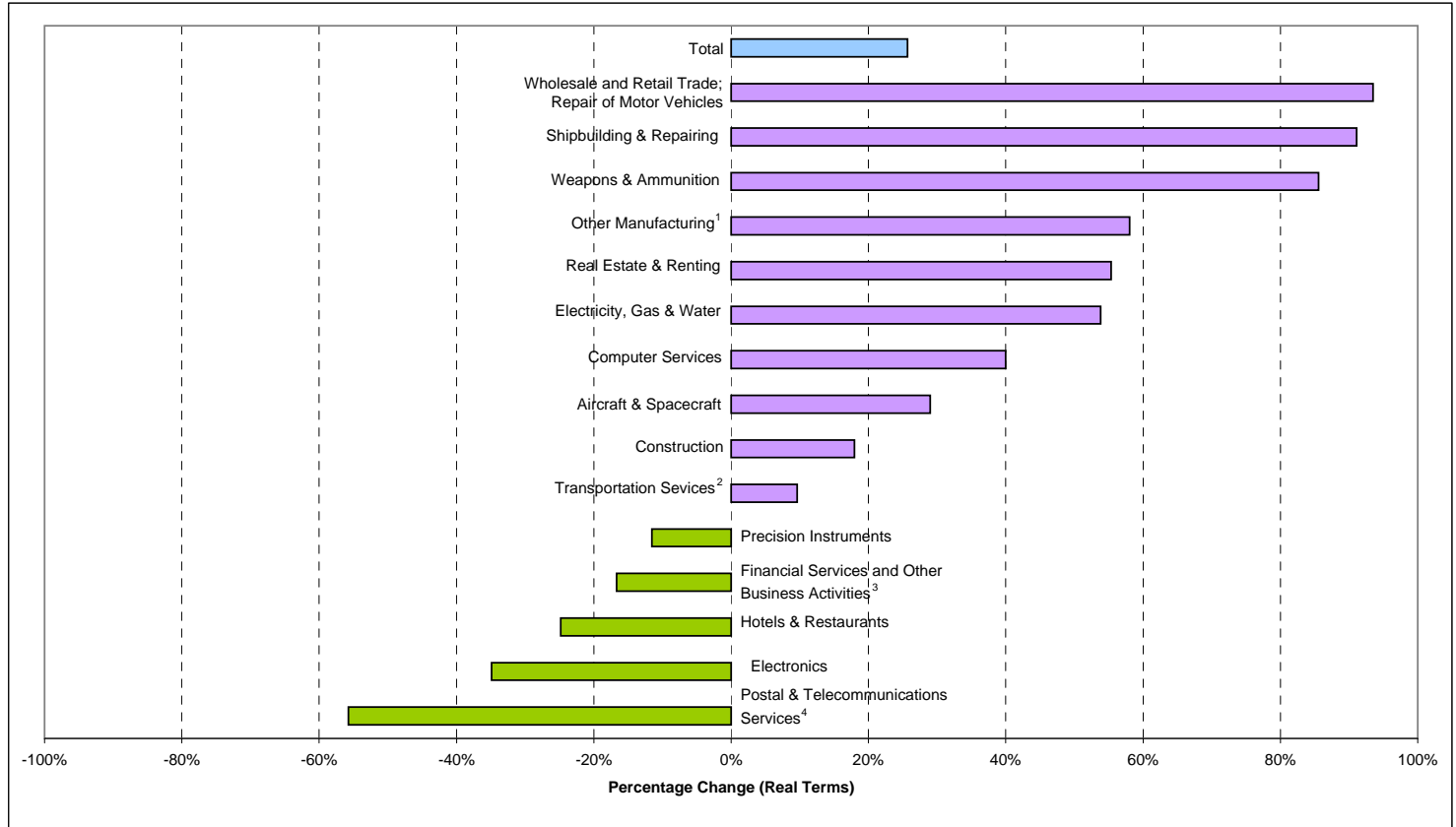
Source: DASA(Defence Expenditure Analysis)

1. For 2008/09 onwards, industrial groupings are based on the 2007 Standard Industrial Classification. The increase in spend during 2008/09 is not due to the change to SIC 2007 classifications but rather an increase in overall MOD expenditure on goods and services.
2. Revisions to the 2008/09 estimates are due to corrections to the misallocation of overseas non-equipment expenditure in that year.
3. The large increase in 2009/10 is due to higher levels of contract expenditure in a number of equipment related industry sectors, particularly in Shipbuilding & Repairing and Weapons & Ammunition. The former was driven by increased expenditure against a number of contracts related to the Future Aircraft Carrier (CVF) and some submarine related contracts; the latter due to high levels of expenditure on the MOD's main munitions contracts resulting from increased levels of operational tempo in Afghanistan during the year. An increase in expenditure on Urgent Operational Requirements (UORs) has also contributed to the overall increase in equipment related expenditure
4. Includes MOD payments to AWE Management Ltd, who manage the Atomic Weapons Establishment on behalf of the MOD under a Government-owned/contractor-operated
5. The quality of data available for the service industries is insufficient to identify these SICs separately.

CHAPTER 1 - FINANCE

INDUSTRY

Chart to Table 1.10: Change in Real UK Defence Spending By Industry Group: 2004/05 - 2009/10



1. Includes 'Manufacturing, excluding those industries itemised below', 'Data Processing Equipment', 'Motor Vehicles & Parts' and 'Other Electrical Engineering' from Table 1.10.

2. Includes 'Transport via Railways', 'Other Land Transport (incl. via pipelines)' and 'Water, Air and Auxiliary/freight supply transportation' from Table 1.10.

3. Includes 'Financial Services, Business Activities, Education, Health & Other Service Activities' from Table 1.10.

4. Includes 'Post & Courier Services' and 'Telecommunications' from Table 1.10.

CHAPTER 1 - FINANCE

INDUSTRY

Table 1.11 MOD Payments on Private Finance Initiative (PFI) Projects: 2010/11¹

This table provides a listing of PFI commitments and payments made to each project by MOD during the financial year 2010/11. Values represent payments made in year against contracts relating to the project and **not the capital value**. It is based on the 'signed' projects from the PFI Project database as at 1 April 2011 and payments data drawn from DBS Finance. This table is split into payment groups with individual PFI projects being shown in **alphabetical order**. **Table 1.11a** shows PFI contracts where forecast payments of £25 million or over are due in 2011/12. More detailed information concerning through life planned Unitary charge payments for all currently [signed PFI contracts](#) can be found via the HM Treasury website.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Industry Statistics](#).

VAT exclusive at Current Prices (£ million)

Over £50 million (8 Projects)	
Allenby/Connaught	Main Building Refurbishment
Attack Helicopter Training - Apache Simulator Training	Provision of Marine Services (FPMS)
Colchester	Skynet 5
Defence Fixed Telecommunications Service (DFTS)	Tri-Service White Fleet
£25 - £50 million (8 Projects)	
"C" Vehicles	MOD-Wide Water and Wastewater (Project Aquatrine) - Package C
Joint Services Command and Staff College	Northwood Headquarters
Medium Support Helicopter Aircrew Training Facility (MSHATF)	Strategic Sealift (Ro-Ro Ferries)
MOD-Wide Water and Wastewater (Project Aquatrine) - Package A	Training Administration and Financial Management Information Systems (TAFMIS)
£10 - £25 million (12 Projects)	
Army Foundation College (AFC)	Heavy Equipment Transporters (HET)
ASTUTE Class Training Service (ACTS)	MOD-Wide Water and Wastewater (Project Aquatrine) - Package B
Corsham	Naval Communications
Defence Sixth Form College (DSFC)	Tornado GR4 Simulator
Devonport Support Services - ARMADA	Tri Service Materials Handling Service
Field Electrical Power Supplies (FEPS)	UKMFTS - Advanced Jet Trainer Ground Based Training Service (GBTE) ²
£5 - £10 million (4 Projects)	
Bristol, Bath and Portsmouth Family Quarters	Material Handling Equipment (MHE) - (Follow on)
Marine Support to Range and Aircrew Services	NRTA Fire Fighting Training Units (FFTU)
Up to £5 million (13 Projects)	
Central Scotland Family Quarters (HQ)	RAF Lossiemouth Family Quarters
Defence Housing Executive - Information Systems (DOMIS)	RAF Lyneham Sewerage
Hawk Simulator	RAF Sentry E3D Aircrew Training
Lynx Aircrew Training	Tidworth Water & Sewerage (Thames Water)
Portsmouth Housing 2	Wattisham Married Quarters
RAF Cosford and Shawbury Family Quarters	Yeovilton Family Quarters
RAF Fylingdales (Power)	

Source: MOD Commercial Assurance and Governance & DASA (Defence Expenditure Analysis)

1. Expenditure may not be directly comparable to the planned Unitary charge for 2010/11 because unexpected additional works and services (albeit controlled and managed by agreed control procedures) may have been incurred.
2. Expenditure has been calculated for the full range of services provided by the Public Private Partnership (PPP) and not just the PFI element of the contract.

Table 1.11a PFI Projects with Planned MOD Unitary Charge Payments^{1,2} over £25 million: 2011/12

VAT exclusive at Current Prices (£ million)

Over £50 million (7 Projects)	
Allenby/Connaught	Main Building Refurbishment
Attack Helicopter Training - Apache Simulator Training	Provision of Marine Services (FPMS)
Colchester	Skynet 5
Defence Fixed Telecommunications Service (DFTS)	
£25 - £50 million (9 Projects)	
"C" Vehicles	MOD-Wide Water and Wastewater (Project Aquatrine) - Package C
Future Strategic Tanker Aircraft (FSTA)	Northwood Headquarters
Joint Services Command and Staff College	Strategic Sealift (Ro-Ro Ferries)
Medium Support Helicopter Aircrew Training Facility (MSHATF)	Tri-Service White Fleet
MOD-Wide Water and Wastewater (Project Aquatrine) - Package A	

Source: MOD Commercial Assurance and Governance & DASA (Defence Expenditure Analysis)

1. The Unitary Charge is the regular service payment made to the private sector partner for the provision of services and is calculated in accordance with the price and payment mechanism.
2. Planned expenditure may not be directly comparable to the actual spend reported in 2011/12 because unexpected additional works and services (albeit controlled and managed by agreed control procedures) may be incurred.

CHAPTER 1 - FINANCE

INDUSTRY: Focus on Key Suppliers

Charts 1.12 a-d briefly explore the nature and scope of MOD business with its key suppliers within industry and commerce focussing on the top 10 suppliers to whom it made payments in 2010/11. It examines the relative importance of MOD sales to industry revenues and how this has changed over time. It then explores how the nature of MOD contracting with industry has changed over time.

Full details outlining the methodology used to compile these charts are provided at the end of this section.

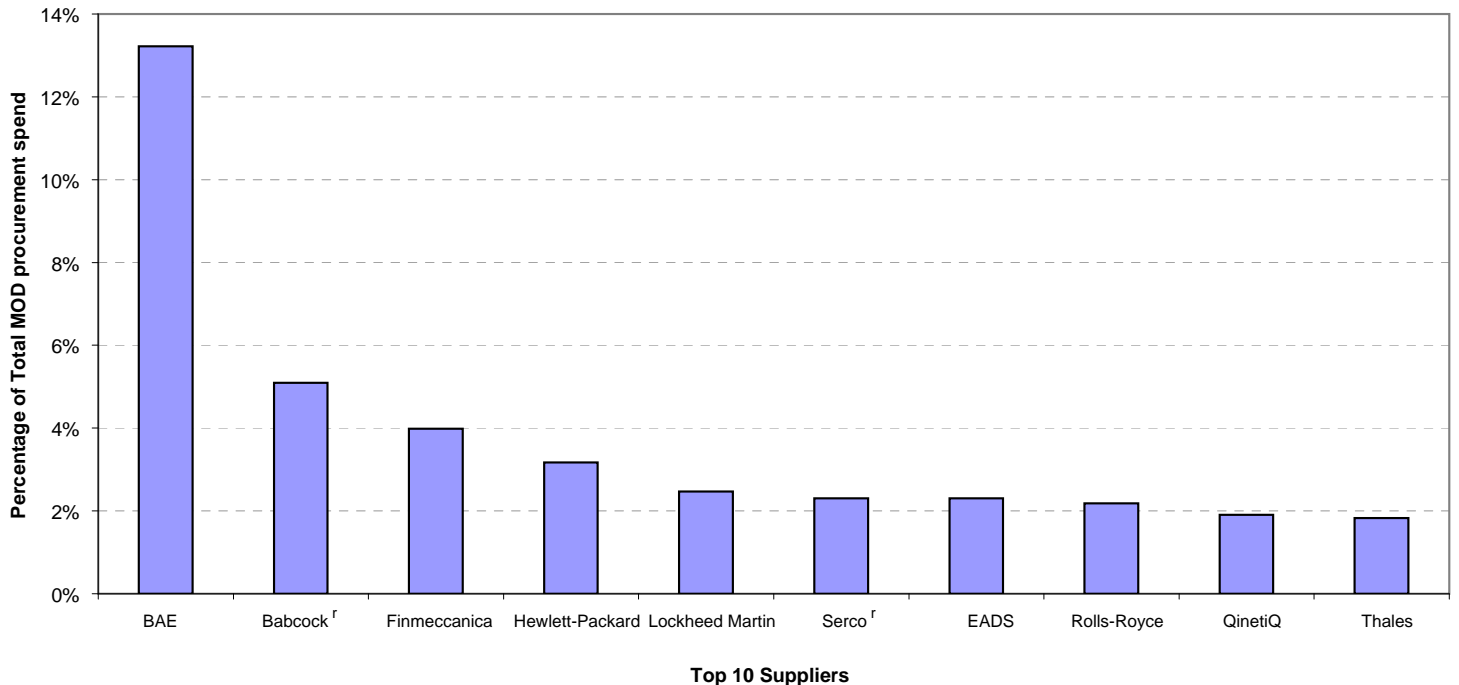
Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Industry Statistics](#).

Chart 1.12a Proportion of MOD payments to Top 10 Defence Suppliers: By Holding Company: 2010/11^{1,2,3,4,5,6}

Chart 1.12a presents the value of direct payments made to the top 10 MOD suppliers (by Holding Company) expressed as a proportion of total MOD procurement expenditure. Procurement expenditure relates to all monies paid by DBS Finance (the MOD's primary bill paying authority) on goods and services subject to contractual or similar legally binding agreement. See Table 1.17 for more information relating to the scope of payments made by DBS Finance.

In 2010/11 just under 40% of total MOD procurement expenditure was with the top 10 suppliers.

BAE Systems PLC was by far the largest defence supplier in terms of annual payments made by the MOD, receiving just over 13% of all MOD procurement expenditure in 2010/11. The remaining nine suppliers in the top 10 achieved an individual share of MOD business of between 1.8 and 5.1%.



Source: DASA analysis derived from DBS Finance data sources

CHAPTER 1 - FINANCE

INDUSTRY: Focus on Key Suppliers

Table 1.12b Change in MOD expenditure with Holding Company:
2005-2010^{1,2,3,4,5,6}

Chart 1.12b presents a comparison of MOD direct procurement expenditure with suppliers over time.

In the past six years the proportion of MOD spending with its current top 10 suppliers has increased by around 3.9%.

Babcock have seen their share of MOD spending increase by the largest proportion, this is, in part, attributable to the acquisitions of Devonport Royal Dockyard in June 2007 and the VT group in July 2010. In contrast QinetiQ have seen their share of MOD spending fall by the largest proportion.

	2005/06	2010/11	% Change
BAE Systems PLC	13.5%	13.3% ¹	-0.2% ¹
Babcock International Group PLC	2.2%	5.1% ¹	2.9% ¹
Finmeccanica SpA	3.0%	4.0%	1.0%
Hewlett-Packard/EDS ⁷	1.9%	3.2%	1.3%
Lockheed Martin Corporation	2.1%	2.5%	0.4%
Serco Group PLC	2.4%	2.3% ¹	-0.1% ¹
EADS NV	1.8%	2.3%	0.5%
Rolls-Royce Group PLC	2.1%	2.2%	0.1%
QinetiQ Group PLC	3.4%	1.9%	-1.5%
Thales SA	2.4%	1.8%	-0.6%
TOTAL	34.8%	38.7% ¹	3.9% ¹

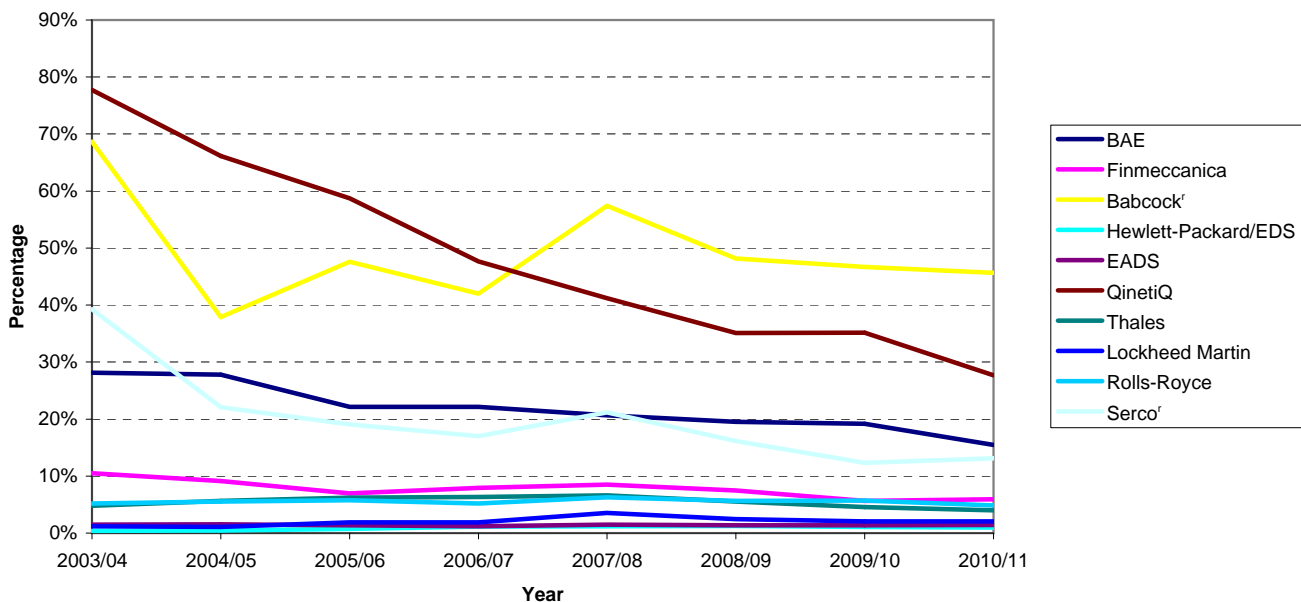
Source: DASA analysis derived from DBS Finance data sources

Chart 1.12c Dependency of Top 10 Suppliers on MOD Business^{1,2,3,4,5,6,7}

Chart 1.12c illustrates the dependency of key suppliers on MOD business by presenting total sales (i.e. payments received from MOD) as a percentage of global company revenues.

For the majority of MOD's top suppliers, MOD sales account for less than 10% of their global revenue.

The underlying trend suggests that major suppliers sales to MOD are declining as a proportion of their global revenues. This reflects the consolidation and internationalisation of the global defence industry and relative decline in MOD spending compared to global defence spending.



CHAPTER 1 - FINANCE

INDUSTRY: Focus on Key Suppliers

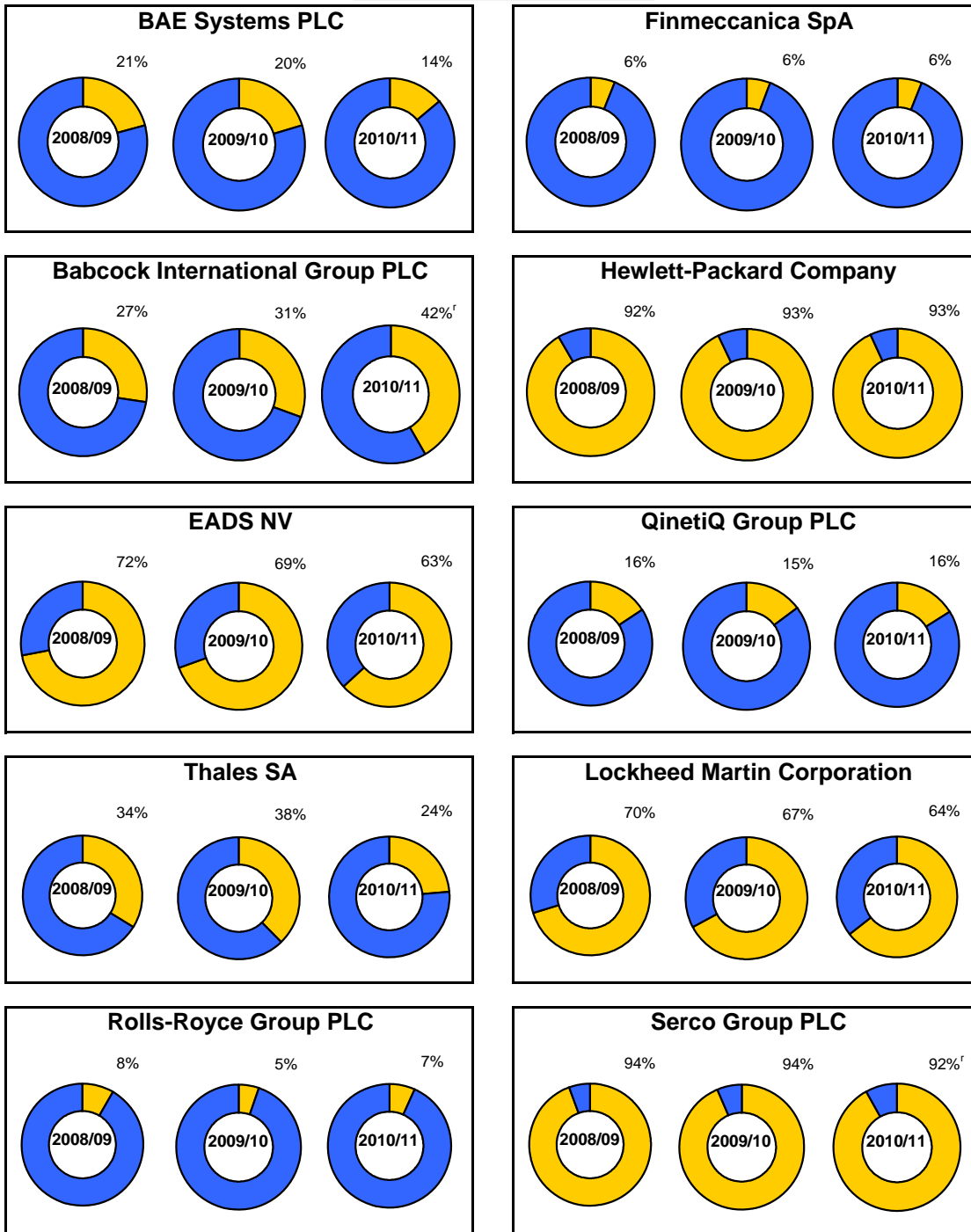
Charts 1.12d Levels of Competitive Contracting with Key Suppliers^{1,2,3,4,5,6,8}

Chart 1.12d shows the revenue received by the MOD's top 10 suppliers from competitive contracts as a proportion of their overall sales to the MOD. The Charts present data for the last three years.

The analysis below shows that for service based companies such as Serco and Hewlett-Packard tender a higher proportion of their work comes from competitively let contracts, in comparison to 'traditional' defence firms.

The proportion of payments that MOD's top 10 suppliers receive from competitive contracts has fluctuated over time depending on the particular set of contracts held by a supplier during a particular year. Over the period though there is no evidence to suggest that the proportion of payments received from competitive contracts has increased/decreased to any great degree.

Competitive Non-Competitive



Source: DASA analysis derived from DBS Finance data sources

CHAPTER 1 - FINANCE

INDUSTRY: Focus on Key Suppliers

Footnotes to Charts 1.12a - 1.12d

1. The data underpinning this analysis has been extracted from data provided by Defence Business Services (DBS) Finance systems. This information is initially supplied by Commercial Staff on the DEFFORM 57, which is the detailed statistics input form that is produced when most contracts are established. DBS Finance are responsible for the majority of such payments (around 95% by value) made by MOD. Other payments are made to industry and commerce, for example, via British Defence Staff (United States), international consortia, MOD Trading Funds and through local cash offices. Where a contract is novated during the year, annual payments are shown against the new 'owner' (company or entity) of that contract.
2. The analysis excludes those payments made by the MOD Trading Funds to industry. The DBS Finance systems do not contain this information and such data could only be obtained by approaching the Trading Funds directly.
3. All MOD payments data refer to extant contracts in the Financial Year in question and relate to direct expenditure with suppliers to MOD.
4. All expenditure is VAT exclusive and expressed at current prices.
5. The individual subsidiaries and joint ventures of the 10 suppliers have been derived by researching the composition of the Holding Company information (which details the corporate structure of the company) contained on the One Source database, and company revenues via the latest Annual Report and Accounts. The analysis reflects the corporate structure of those suppliers as at 31 March in the Financial Year in question. The term 'holding company' refers to companies which are full or part owner of other companies (subsidiaries and joint ventures). Payments (at the aggregate and Basic Level Budget level) to joint ventures have been allocated to their parent holding companies in proportion to their equity holdings in those joint ventures as stated in the relevant company annual report.
6. Payments are expressed as a percentage of total MOD payments made via the DBS Finance. Payments via international organisations such as the NATO Eurofighter Tornado Management Agency (NETMA) and payments recorded under the code "Non Registered Contractor" have been included under total MOD spending but it is not possible to assign these payments to their individual contractors.
7. In the financial year 2008/09 Hewlett-Packard bought EDS and took over their contracts with the MOD, therefore from 2008/09 onwards figures reported are for Hewlett-Packard rather than EDS.
8. DASA are unable to verify the accuracy of the Competitive/Non-Competitive marker on the DBS Finance systems and it is advised that caution is exercised when drawing conclusions from these data.

CHAPTER 1 – FINANCE

TRADE

Overview

This section contains information on Defence trade. It includes the estimated value of export orders of Defence equipment and services and payments made for services consumed by MOD establishments overseas (referred to as Balance of Payments Trade in Services or BoP).

The UK Trade & Investment (UKTI) arm of the Department for Business, Innovation and Skills (BIS) collects data on defence export contracts and orders placed. These data are collected from the UKTI DSO publication 'The World Defence Export Market' compiled via a quarterly survey with known UK defence contractors.

Detailed information of export licences and numbers of small arms and weapons are published in the Annual Report on Strategic Arms Exports Controls published by the Foreign and Commonwealth Office (FCO). This is available [online](#).

The MOD's Balance of Payments statistics support the ONS estimate of the value of the UK's BoP which is a measure of the UK's trading account with the rest of the world and is one of the UK's key economic statistical series.

Section Contents

Table 1.13 presents the estimated value of export orders of defence equipment and services.

Table 1.14 shows payments made for services consumed by MOD establishments overseas (referred to as Balance of Payments Trade in Services or BoP).

Key Points

Estimated UK identified defence export orders (Table 1.13)

- Identified UK export orders of defence equipment and services were estimated to be just over £5.8 billion in 2010. This is in line with historic levels.

Balance of Payments: Trade in Services (Table 1.14)

- In 2010, the MOD's estimated Balance of Payments for Trade in Services was just under £3.2 billion in deficit made up of £3.5 billion debits and over £0.3 billion credits. These figures are broadly similar with the 2009 figures.

Data Quality

A background quality report containing further information about the quality of methods and underlying data, along with the uses and limitation of these statistics can be found at: [Background Quality Report - Trade Statistics](#)

CHAPTER 1 - FINANCE

TRADE

Table 1.13 Estimates of Identified Export Orders: Defence Equipment & Services

This table provides data on identified export orders of defence equipment and services. These are taken from the annual survey of known defence contractors conducted by the Defence and Security Organisation within UK Trade & Industry (UKTI). It should be noted that export orders can subsequently be cancelled, prolonged or changed at any time in the future after the initial order has been placed.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Trade Statistics](#).

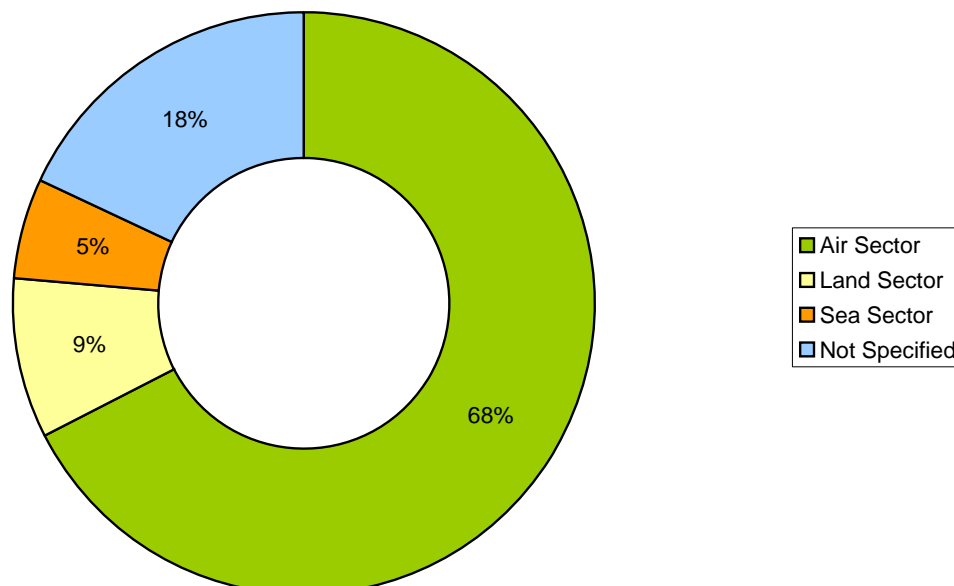
The data in this table are outside the scope of National Statistics because they do not meet all of the high professional quality assurance standards set out in the Code of Practice for Official Statistics.

	2000	Current Prices (£ million)							
		2003	2004	2005	2006	2007 ¹	2008	2009 ²	2010 ³
Identified Export Orders for Defence Equipment and Services	4 737	4 882	4 546	3 989	5 527	9 651	4 357	7 251	5 829
Split by Equipment Type:									
Air Sector	3 501	3 526	3 199	2 491	4 133	7 525	2 940	5 263	3 941
Land Sector	616	303	475	584	670	762	447	940	514
Sea Sector	475	252	209	369	280	1 017	355	520	319
Not Specified ⁴	145	801	663	546	444	347	615	528	1 056

Source: UKTI Defence and Security Organisation

1. The large increase in the 2007 export orders figures can be attributed to a large order from Saudi Arabia for Typhoon aircraft (valued initially at £4.4 billion), and orders from Oman and Trinidad & Tobago for offshore patrol vessels.
2. The increase in 2009 aerospace orders is due to the high level of business with Saudi Arabia, including a contract for Typhoon Aircraft Support Services. Other orders included the United States purchase of communications equipment from Cobham and M777 Howitzers from BAE Systems.
3. The 2010 aerospace orders were boosted by orders for Hawk Aircraft and EH101 Helicopters from India.
4. The "Not Specified" value includes export business won by some companies, who were only willing to provide, in the survey response, their total figures for orders of components, instead of a breakdown of individual orders by sector.

Chart to Table 1.13: Estimates of Identified Export Orders: Defence Equipment & Services: 2010



CHAPTER 1 - FINANCE

TRADE

Table 1.14 Ministry of Defence Estimated Balance of Payments for Trade in Services

Balance of Payments is a measure of the UK's trading account with the rest of the world. Trade in Services are provisions of services (e.g. training, cleaning services, IT support etc.) between UK residents and non-residents, and transactions in goods which are not freighted out of the country in which they take place; these transactions are not recorded in the official 'Trade in Goods' statistics. A detailed discussion of these concepts can be found in the latest edition of [The Pink Book](#) published by the Office for National Statistics.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Trade Statistics](#).

The data in this table are outside the scope of National Statistics because they do not meet all of the high professional quality assurance standards set out in the Code of Practice for Official Statistics.

		Current Prices (£ million)						
	2000	2004	2005	2006	2007	2008 ¹	2009 ²	2010
Net Balance	-1 633	-1 762	-1 717	-1 979	-2 338	-3 061	-3 276 ^r	-3 170
Total Debits	1 840	2 200	2 152	2 471	2 763	3 366	3 619 ^r	3 504
Expenditure ³								
Germany	709	1 190	1 231	1 244	1 501	1 822	2 371 ^r	2 187
Other identified NATO countries	862	801	573	755	881	1 310	1 032 ^r	1 090
Mediterranean	130	168	182	226	175	92	88	86
Far East	-	-	-	-	-	-	-	-
Other areas	139	41	166	245	206	142	128	140
Total Credits	207	438	435	492	425	304	343	334
Receipts ⁴								
Receipts from US Forces in UK	149	126	128	126	116	127	149	150
Other Receipts	58	312	307	366	309	177	194	184

Source: DASA(Defence Expenditure Analysis)

1. The large increase in 'Total Debits' in 2008 was mainly due to two factors. First, the stronger Dollar / Euro exchange rates against the pound which has increased the cost of purchasing these currencies during 2008 and second, an increase in expenditure in both currencies on Urgent Operational Requirements.
2. Revisions to 2009 figures are due to the better identification of the amount of payments made on Collaborative projects that relate to goods. See [Defence Statistics Bulletin No 11](#) for more detail.
3. Based on drawings of foreign exchange.
4. A mix of export sales and receipts from other Government and International Organisations for services provided overseas and to overseas forces based in the UK.

CHAPTER 1 – FINANCE

DEFENCE CONTRACTS

Overview

This section presents information about the MOD's spending with industry and commerce which forms a large proportion of Departmental expenditure. These statistics set out the numbers, types and values of contracts placed by the MOD, major equipment projects and payments made by the MOD to its suppliers.

These analyses are mostly based on information from Defence Business Services Finance who are responsible for setting up and paying the majority of the MOD contracts issued each year.

Section Contents

Table 1.15 shows the number and value of new contracts placed by type during 2010/11 and earlier years.

Table 1.16 presents more information on the MOD's major equipment projects.

Table 1.17 provides a list, by broad-banded value, of organisations paid £5 million or more during 2010/11.

Following requests from UK industry, **Table 1.17a** provides a further dimension on the data contained within **Table 1.17** by presenting the individual subsidiary organisations "rolled up" into their holding companies.

Key Points

Contracts by Type (Table 1.15)

- In 2010/11 MOD HQ placed around 6,400 contracts with a collective value of around £7.2 billion.
- The number of contracts placed in 2010/11 has fallen compared to recent years, with around a 20% decrease from 2009/10. The total value of contracts placed has decreased proportionately.
- Competitive contracts accounted for a quarter of new contracts let by number but nearly a half by value.

Major Equipment Projects (Table 1.16)

- The largest post Main-Gate equipment project in 2010 by value was the Typhoon and Typhoon Future Capability Programme with a forecast cost of £20.6 billion.

Data Quality

A background quality report containing further information about the quality of methods and underlying data, along with the uses and limitation of these statistics can be found at: [Background Quality Report - Contracts & Commercial Statistics](#)

CHAPTER 1 - FINANCE

DEFENCE CONTRACTS

Table 1.15 New Contracts Placed: By Type

This table provides an analysis of new MOD contracts broken down by contract type. It no longer provides information on the value of amendments to existing contracts. It includes details of all HQ contracts, which are contracts set up by means of a Def Form 57, where payment is through DBS Finance (formerly the Financial Management Shared Service Centre (FMSSC)). Contracts have been included in the relevant financial year based on the start date of the contract as provided by the Def Form 57.

In previous years the data source for this table has been the Def Form 132 but because of some concerns about data quality a decision has been taken to use data from the Def Form 57 to produce the numbers to support this table. For more details please see [Statistical Note to Table 1.15 of UK Defence Statistics 2011](#). A link to the previously produced table based on Def Form 132 data and which shows details of new contracts and the value of amendments to existing contracts can be found [here](#).

The provisional figures for 2010/11, which were originally published in UKDS 2011, have been replaced with final figures now that late reported contracts have been added to the DBS Finance database.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Contracts & Commercial Statistics](#).

	Current Prices (£ million)/Percentage					
	2005/06	2006/07 ²	2007/08 ²	2008/09 ²	2009/10	2010/11 ³
Total Value of new MOD HQ Contracts Placed¹	11 919	19 827	21 769	18 319	9 372	7 235
Percentage of Total Value:						
Competitive ⁴	51	63	66	43	25	48
Non-Competitive ⁵	43	35	31	55	73	36
Other ⁶	5	2	3	2	3	16

	Number/Percentage					
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11 ³
Total Number of new MOD HQ Contracts Placed	10 391	8 782	8 471	8 083	8 012	6 424
Percentage of Total Number:						
Competitive ⁴	25	26	25	25	23	26
Non-Competitive ⁵	65	64	66	68	72	68
Other ⁶	10	10	9	7	6	7

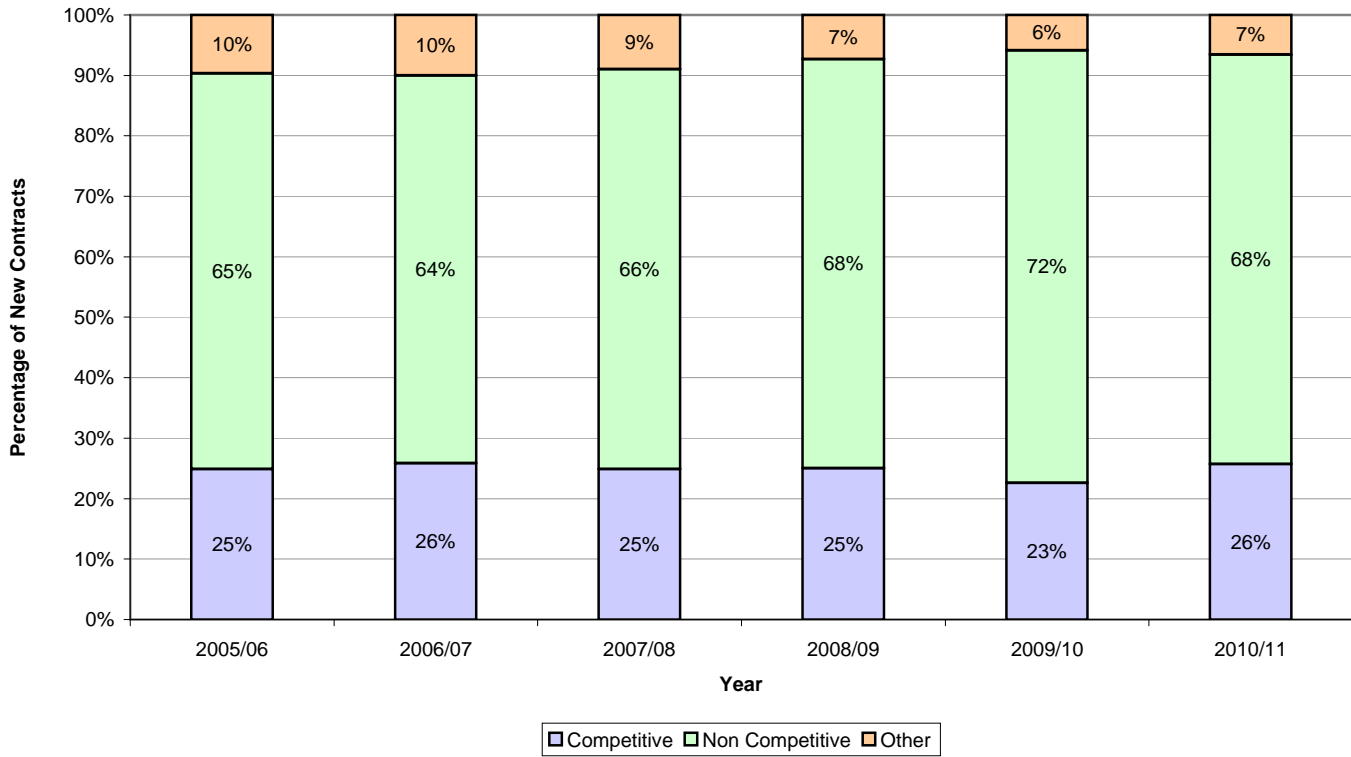
Source: DASA(Defence Expenditure Analysis)

- Contract values have been taken from the DBS Finance database at the end of the Financial Year in which the contract started. In a small number of cases, around 0.4% of all contracts over the last 5 years, the value is shown as a nominal figure of less than £5. Around two thirds of these contracts have been identified as Enabling contracts where the full value of the contract has not been shown. The remaining reported Enabling contracts have a more realistic value shown on the systems although this is more likely to be a basic cost of the contract rather than the final value of the contract once it is completed.
- The total value of new contracts between 2006/07 and 2008/09 have been inflated by the placing of a number of high value contracts during that period. These include a £9 billion competitive contract placed in 2006/07 for the Allenby/Connaught PFI, a £10.4 billion competitive contract for Future Strategic Tanker Aircraft let in 2007/08 and 2 non competitive contracts valued at a total of £6.1 billion, including £3.1 billion for the Future Aircraft Carrier, placed in 2008/09.
- Excluded from the 2010/11 data are 70 Pan Government Enabling Contracts that appear on MOD systems but which will incur expenditure from Other Government Departments as well as from MOD.
- Competitive in this table equates to the first 2 categories shown in the previous Table 1.15 - Contracts Priced by Competition and Contracts Priced by Reference to Market Forces.
- Non-Competitive equates to the final 3 categories shown in the previous Table 1.15 - Contracts Priced on Estimates at Outset, Contracts Priced on Actual Costs with Incentives to Minimise Cost and Contracts Priced on Actual Costs plus a percentage Fee.
- Contracts where the Competition Marker is not known are mainly contracts with QinetiQ or DSTL where the contract has been let as a Terms of Business Agreement (TOBA) and where a Def Form 57 has not been raised.

CHAPTER 1 - FINANCE

DEFENCE CONTRACTS

Chart to Table **1.15** New Contracts Placed: By Type



CHAPTER 1 - FINANCE

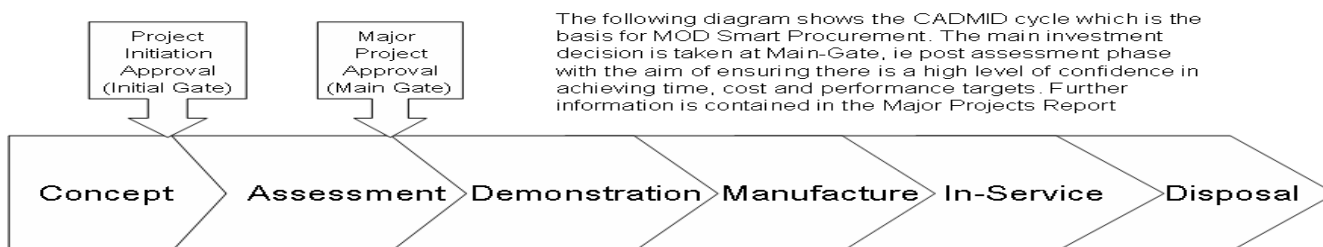
DEFENCE CONTRACTS

Table 1.16 Major Equipment Projects

This table shows the MOD's major equipment projects as at 31 March 2010. The report details the 15 largest projects on which the main investment decision has been taken (post-Main Gate), the 5 most significant support projects for equipment in service (post-Main Gate) and the 10 largest projects yet to reach that point (pre-Main Gate). The information is taken from the [Major Projects Report \(MPR\)](#) relating to 31 March 2010, which provides a summary of each project's current status and progress to date. It also provides comparisons on current forecast costs and in-service dates. Smart Procurement stresses the importance of allocating appropriate resources in the early stages to reduce risk and increase confidence before the main investment decision is made. This is known as the Smart Procurement Acquisition Cycle. Under Resource Accounting and Budgeting, all costs are at estimated outturn prices and include 'new' types of cost such as the cost of capital charge.

Costs are on a resource basis at outturn prices. Forecast costs include accruals, VAT (less recoverable elements), resource elements such as interest on capital and inflation factors. Major Project Report costs relating to the pre-Main Gate projects are costs of the Assessment phase only. For post Main-Gate projects, costs are of the Demonstration and Manufacture phases, while the costs associated with post-Main Gate Support/Service/PFI contracts are for the support phase only.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Contracts & Commercial Statistics](#).



As at 31 March 2010	MPR 2010		
	In-Service Date Forecast or Actual	Forecast Cost (£ million)	Change in Cost (£ million) from MPR2009
Post Main Gate Major Equipment Projects			
A400M	2015	3 231	- 54
Astute Class Submarine ^{1,2}	2010 & 2016	6 677	*
Beyond Visual Range Air-To-Air Missile (METEOR) ¹	2012 & 2015	1 305	23
Falcon ¹	2010 & 2011	316	-15
Future Joint Combat Aircraft (JCA) ³	..	2 448	-3
Future Strategic Tanker Aircraft (FSTA)	2014	11 917	-46
Lynx Wildcat ¹	2014 & 2015	1 689	20
Merlin Mk 1 Capability Sustainment Programme	2014	829	-1
Nimrod Maritime Reconnaissance and Attack Mk4 ⁴	2012	3 602	*
Queen Elizabeth Class aircraft carrier	2016	5 900	767
Tornado Capability Upgrade Strategy (Pilot) ⁵	2012	303	*
Type 45 Destroyer	2010	6 464	-
Typhoon and Typhoon Future Capability Programme ^{1,6}	2003 & 2012	20 627	2 665
UK Military Flying Training System (UKMFTS) - holistic ^{1,2}	2010 & 2011	916	*
Watchkeeper	2011	889	-6

As at 31 March 2010	MPR 2010	
	Go-Live Date Forecast or Actual	Forecast Cost (£ million)
Post Main Gate Major Equipment Projects (Support/Service/PFI Contracts)		
Airborne Stand Off Radar	2006	260
Bowman	2009	122
C Vehicle PFI	2006	697
Support Vehicle ⁷	2008	326
Trojan and Titan	2007	771

Continued on next page

CHAPTER 1 - FINANCE

DEFENCE CONTRACTS

Table 1.16 Major Equipment Projects (continued)

As at 31 March 2010	MPR 2010
Pre Main Gate Major Equipment Projects (Projects in Assessment Phase only)	Forecast Cost (£ million)
Dabinett	10
Future Integrated Soldier Technology (FIST)	151
Future Rapid Effects System (FRES)	238
Helix	38
Indirect Fire Precision Attack (IFPA)	158
Joint Military Air Traffic Services	8
Military Afloat Reach & Sustainability (MARS) ⁸	*
Operational Utility Vehicle System	10
Search and Rescue - Helicopter (SAR-H)	7
Sustain Sentry/Eagle	4

Source: Defence Equipment & Support

1. In Service Date (ISD) redefined in MPR 2009 to reflect two-stage approach to delivering the capability.
2. Cost comparison to MPR09 not possible due to addition of different elements to the Project not previously included.
3. An official ISD is to be released after the purchase of training aircraft currently planned for 2011.
4. Cost comparison not possible as project appeared in previous MPR as Support Project.
5. Cost comparison not possible as project did not appear in previous MPR .
6. Now includes Tranche 3 Aircraft Contract.
7. The National Audit Office has been unable to fully validate this figure as a clear audit trail supporting the value could not be provided by the Department.
8. Cost data excluded on grounds of commercial sensitivity.

CHAPTER 1 - FINANCE

DEFENCE CONTRACTS

Table 1.17 Organisations paid £5 million or more by the Ministry of Defence in 2010/11

This table shows a listing of the UK and foreign owned organisations, including defence suppliers and intermediate bodies paid through DBS Finance (formerly the Financial Management Shared Service Centre (FMSSC)). The term 'defence suppliers' includes defence contractors, Defence Agencies and other Government Departments. DBS Finance is responsible for the majority of such payments (around 95% by value) made by MOD. Other payments are made, for example, via British Defence Staff (United States), MOD Trading Funds and through local cash offices. The table is split into payment groups with the organisations shown in **alphabetical order**. Company and organisation names have been reproduced (at the 1 April 2011 position) directly from the truncated entries recorded on the DBS Finance database and may appear in a shortened format in places. **Where a contract is novated during the year, annual payments are shown against the new 'owner' (company or entity) of that contract.**

MOD also publishes information on contracts of £25,000 or more under the Government's Transparency Agenda. For further information see [Statistical Notice to Tables 1.17 & 1.17a, UKDS 2011: Divergence between contracts data contained in UK Defence Statistics and 'transparency' data published on MOD website.](#)

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Contracts & Commercial Statistics.](#)

VAT exclusive at current prices (£ million)

Over £500 million (6 Organisations)		
AWE Management Ltd	BAE Systems Surface Ships Ltd	NETMA
BAE Systems (Operations) Ltd	HP Enterprise Services Defence & Security UK Ltd	Westland Helicopters Ltd
£250 - £500 million (15 Organisations)		
Aspire Defence Ltd	Debut Services Ltd ¹	MBDA UK Ltd
BAE Systems Electronics Ltd	Defence Science & Technology Laboratory	Paradigm Secure Communications Ltd
BAE Systems Global Combat Systems Munitions Ltd	Devonport Royal Dockyard Ltd	QinetiQ Ltd
BAE Systems Marine Ltd	General Dynamics United Kingdom Ltd	Rolls-Royce Power Engineering PLC
British Telecommunications PLC	MAN Truck & Bus UK Ltd	The Boeing Company
£100 - £250 million (26 Organisations)		
Annington Property Ltd	Kellogg Brown & Root Ltd	Serco Ltd
Babcock Land (Whitefleet Management) Ltd	Lockheed Martin Aerospace Systems Integration Corporation	Sodexo Ltd
BAE Systems Global Combat Systems Ltd	Marshall of Cambridge Aerospace Ltd	SSE Energy Supply Ltd
BAE Systems Integrated System Technologies Ltd	Modern Housing Solutions (Prime) Ltd	Supreme Fuels Trading Fze
BAE Systems Surface Ships Support Ltd	OCCAR-EA ²	Thales UK Ltd
BP Oil International Ltd	Pride (Serp) Ltd	United States Government
Carillion Enterprise Ltd	Purple Foodservice Solutions Ltd	US Treasury
Defence Support Group (DSG) ³	Reserve Forces and Cadets Associations ⁴	VT Flagship Ltd
Holdfast Training Services Ltd	Rolls-Royce PLC	
£50 - £100 million (39 Organisations)		
Air Partner PLC	Landmarc Support Services Ltd	Rolls Royce Turbomeca Ltd
Aviation Training International Ltd	Lockheed Martin UK INSYS Ltd	SD Marine Services Ltd
Babcock Dyncorp Ltd	Meteorological Office	Selex Galileo Ltd
Babcock Marine (Clyde) Ltd	Modus Services Ltd	SHAPE
Babcock Marine (Rosyth) Ltd	NAMSA	Singapore Technologies Kinetics Ltd
Chapman Freeborn Airchartering Ltd	NATO	Supacat Ltd
Defense Finance & Accounting Service Columbus	NATO Consultation Command and Control Agency	Thales Air Defence Ltd ⁵
Eurocopter UK Ltd	Navistar Defense LLC	Thales Optronics Ltd
FBS Ltd	Northrop Grumman Information Technology International Inc	Thales Underwater Systems Ltd
Foreign and Commonwealth Office	Office of Communications (OFCOM)	Total Gas and Power Ltd
HCR Ltd	Raytheon Systems Ltd	Turner Estate Solutions Ltd
Integrated Survivability Technologies Ltd	Receiver General for Canada	Turner Facilities Management Ltd
Interserve (Defence) Ltd	RMPA Services PLC	Ultra Electronics Ltd
£25 - £50 million (57 Organisations)		
A & P Group Ltd	Europaams SAS	MLS (Overseas) Ltd
Advanced Material Engineering Pte. Ltd	Foreland Shipping Ltd	Motor Oils (Hellas) Corinth Refineries SA (MOH)
ALC (SPC) Ltd	FR Aviation Ltd	NATO Maintenance and Supply Agency
Annington Receivables Ltd	Fujitsu Services Ltd	NATS (En Route) PLC
Anteon Ltd	Gallagher Bassett International Ltd	Northrop Grumman Overseas Service Corporation
Aon Ltd	GB Oils Ltd	NP Aerospace Ltd ⁵
Aramark Ltd	Guy's & St Thomas' NHS Foundation Trust	NSAF Ltd
Babcock Aerospace Ltd	Hess Energy Trading Company (UK) Ltd	Qioptiq Ltd
Babcock Land Ltd	Hirtenberger Defence Systems GmbH & Co Kg	Rheinmetall Waffe Munition GmbH
BAE Systems (Defence Systems) Ltd	Hogg Robinson (Travel) Ltd ⁵	Rockwell Collins UK Ltd
CAE Aircrew Training Services PLC	IBM UK Ltd	Saab Bofors Dynamics AB
Cammell Laird Shiprepairers and Shipbuilders Ltd	ITT Night Vision	Selex Communications Ltd
Central Office of Information	Junghans Microtec GmbH	Services Sound and Vision Corporation
CESG	Kelda Water Services (Estates) Ltd	Shell Marine Products Ltd
Chemring Counter Measures Ltd	Lockheed Martin Overseas Corporation	Skanska UK PLC
Coast To Coast Water Ltd	Lockheed Martin UK Ltd	Software Box Ltd ⁵
Commonwealth War Graves Commission	Logica UK Ltd	The Treasury Solicitor
Defence Management (Watchfield) Ltd	M & S Shipping (International) Ltd	Vector Aerospace International Ltd
Eastbury Park Ltd	Mansell Construction Services Ltd	Vinci Construction UK Ltd

Source: DASA(Defence Expenditure Analysis)

Continued on next page

CHAPTER 1 - FINANCE

DEFENCE CONTRACTS

Table 1.17 Organisations paid £5 million or more by the Ministry of Defence in 2010/11 (continued)

VAT exclusive at Current Prices (£ million)

£10 - £25 million (115 Organisations)		
AAH Pharmaceuticals Ltd	DRS RSTA Inc	Racal Acoustics Ltd
Air Charter Service PLC	Electricity Authority of Cyprus	Raytheon Company
Airborne Systems Ltd	Enoc International Sales LLC	Raytheon/Lockheed Martin Javelin Joint Venture
Akhter Computers PLC	ESSO Petroleum Company Ltd	Recon International Kandahar Ltd
Alert Communications Ltd	Eurocopter	Remotec UK Ltd
Arval UK Ltd	FB Heliservices Ltd	Ricardo UK Ltd
Ascent Flight Training (Management) Ltd	Falcon Support Services Ltd	Roke Manor Research Ltd
Astrum (UK) Ltd	Fast Training Services Ltd	Royal and Sun Alliance Insurance PLC
Avenance PLC	Fasstrax Ltd	RUAG Ammotec
Babcock Communications Ltd	Forbo Flooring UK Ltd	Ryder Deutschland GmbH
Babcock International Group PLC	Force Protection Europe Ltd	Saab AB (PUBL)
Babcock Support Services Ltd	Gama Support Services Ltd	Saab Training Systems AB
BAE Systems Hagglunds AB	GE Aviation Systems Ltd	Scott Health & Safety Ltd
BAE Systems Information and Electronic Systems Integration	General Dynamics Ordnance and Tactical Systems - Canada Inc	Seafast Logistics PLC
BAE Systems Surface Ships Maritime Ltd	Genistics Ltd	Sefa Contractors JV
Balfour Beatty Construction Northern Ltd	Government Communications HQ	Shell UK Ltd
Barloworld Handling Ltd	Henry Brothers (Magherafelt) Ltd	Skylink Aviation Inc
BMT Defence Services Ltd	Inteq Services Ltd	Smiths Detection-Watford Ltd
Boeing Defence UK Ltd	Iturri SA	SSAFA GSTT Care LLP
Bristol Aerospace Ltd	LA International Computer Consultants Ltd	Steria Ltd
British Airways PLC ⁵	L-3 Services Inc	Sultunate Of Oman
Busverkehr Ostwestfalen GmbH	Lakeshore Engineering Services Inc	Systems Consultants Services Ltd
CADG Engineering Pte Ltd	Lockheed Martin Aeronautics Company	Thales Naval Ltd
Capgemini UK PLC	Lockheed Martin Maritime Systems and Sensors	Thales Training & Simulation (Ace) Ltd
Cassidian Ltd	Manroy Engineering Ltd	Thales Training & Simulation (Merlin) Ltd
Centerprise International Ltd ⁵	Marlborough Communications Ltd	The United Kingdom Hydrographic Office
Chemring Defence UK Ltd	Marshall Specialist Vehicles Ltd	Total Oil Trading SA
City of Westminster	Microsoft Ireland Operations Ltd	Touchstone Corporate Property Services Ltd
Colas Ltd	Minerva Education and Training Ltd	TRL Technology Ltd
Communities and Local Government	Monarch Airlines Ltd	Turbomeca UK Ltd
Companhia Brasileira De Cartuchos	National United Engineering and Contracting Co. LLC	United Tool Distributors Ltd
Compass Contract Services (UK) Ltd	Navy Army and Air Force Institutes	University Hospital Birmingham NHS Foundation Trust
Compass Services (UK) Ltd	Niamat Lali Construction Company	Vega Consulting Services Ltd
Cooneen Watts & Stone Ltd	Nuclear Decommissioning Authority	Veolia Water Nevis Ltd
Corporate Document Services Ltd	Orchid Cellmark Ltd	Volkerfitzpatrick Ltd
Cranfield University	Pace Fuelcare Ltd	Wiltshire Council
Defence Training Services Ltd	Perkins Engines Company Ltd	XMA Ltd ⁵
Defense Finance & Accounting Service Indianapolis	Post Office Ltd	
DHL Global Forwarding (UK) Ltd	QinetiQ Target Services Ltd	
£5 - £10 million (127 Organisations)		
Aebi Schmidt UK Ltd	Cubic Defense Applications Inc	Joseph Gleave & Son Ltd
Agility Logistics Ltd	David Brown Gear Systems Ltd	Kemira Chemsolutions BV
Argyll & Bute Council	Davitt Jones Bould	Kylmar (KMC) Ltd
Atkins Consultants Ltd	DB Schenker Rail (UK) Ltd	Land and Property Services
Atkins Ltd	Defence Support (St Athan) Ltd	Level Peaks Associates Ltd
Atlas Elektronik UK Ltd	Department for Work and Pensions	Lincad Ltd
Aviation Requirements Ltd	Drumgrange Ltd	Lockheed Martin UK Integrated Systems & Solutions Ltd
AWE PLC	Dytecna Ltd	Lockheed Martin UK Strategic Systems Ltd
Babcock Integrated Technology Ltd	E.ON	London & Regional (St Georges Court) Ltd
Babcock Training Ltd	E2V Technologies (UK) Ltd	Lyreco UK Ltd ⁵
BAE Systems / Rockwell Collins Data Link Solutions LLC	Exponent Inc	Mabanaft Deutschland GmbH
BAE Systems Bofors AB	Feka Construction	MAN Diesel & Turbo UK Ltd
BAE Systems Global Combat Systems Bridging Ltd	Finning (UK) Ltd	Mass Consultants Ltd
BAE Systems Surface Ships Integrated Support Ltd	Flagship Fire Fighting Training Ltd	Metag Insaat Ticaret AA
BAE Systems Surface Ships Portsmouth Ltd	Flybe Ltd ⁵	MIRA Ltd
Balfour Beatty Engineering Services Ltd	Foremans Relocatable Building Systems Ltd	MITIE Technical Facilities Management
Beechwood Equipment Ltd	Frimley Park Hospital NHS Foundation Trust	Morton Fraser LLP
BOC Ltd	G3 Systems Ltd	MSI Defence Systems Ltd
British Embassy	G4S FSI Ltd	Multipart Solutions Ltd
British Gas Trading Ltd	Goodrich Control Systems	NCS Fuel
British International Helicopter Services Ltd	Graham Asset Management Ltd	New Energie GmbH
Britten-Norman Aircraft Ltd	H M Treasury	Oracle Corporation UK Ltd
Canon (UK) Ltd	Harris Corporation	PA Consulting Services Ltd
Capita Resourcing Ltd	Hawker Beechcraft Ltd	Paradigm Services Ltd
Carillion (AMBS) Ltd	Hesco Bastion Ltd	Pertemps Recruitment Partnership Ltd
Cartus Ltd	Honeybeerecruitment.com Ltd	Portsmouth City Council
Chemring Energetics UK Ltd	Ian Edgar (Liverpool) Ltd ⁵	Portsmouth Hospitals NHS Trust
Chevron Singapore Pte Ltd	IAP Worldwide Services Inc	Prax Petroleum Ltd
Cobham CTS Ltd	ISS Mediclean Ltd	Rail Settlement Plan Ltd
Compass Group UK and Ireland Ltd	Istec Services Ltd	Richmondshire District Council
Contrack International Inc	Iveco Ltd	Riflecraft Ltd
CQC Ltd	J&P and J&P (O) Joint Venture-Accommodation Services	Right Management Ltd

Source: DASA(Defence Expenditure Analysis)

Continued on next page

CHAPTER 1 - FINANCE

DEFENCE CONTRACTS

Table 1.17 Organisations paid £5 million or more by the Ministry of Defence in 2010/11 (continued)

VAT exclusive at Current Prices (£ million)

£5 - £10 million (127 organisations)		
Rolls-Royce Marine Power Operations Ltd	Specialist Computer Centres PLC	Vale of White Horse District Council
Roxel (UK Rocket Motors) Ltd	SSAFA Family Health Services	Vector Aerospace Engine Services UK
Royal Air Force Museum	Systems Engineering & Assessment Ltd	Virgin Atlantic Airways Ltd ⁵
Royal Hospital	Thales Avionics Ltd	VSM Estates
Rubb Buildings Ltd	Thales Information Systems Ltd	Wallop Defence Systems Ltd
Saft Ltd	Thales Training and Simulation Ltd	Wellman Defence Ltd
SCA Packaging Ltd	The Maersk Company Ltd	Wiltshire and Somerset Colleges Partnership Ltd
Security Services Group	The Triumph Furniture Company ⁵	World Fuel Services Europe Ltd
Seyntex NV	Thistle Garments Ltd	Worldwide Language Resources Inc
Smit International (Scotland) Ltd	Tricomm Housing Ltd	
South Gloucestershire Council	Turbomeca SA	

Source: DASA(Defence Expenditure Analysis)

1. Debut Services Ltd includes payments made to Debut Services Ltd and Debut Services (South West) Ltd.
2. OCCAR-EA includes payments made to OCCAR-EA and Organisation For Joint Armaments Co-operation Executive Administration.
3. On 1 April 2008 ABRO business units merged with those of Defence Aviation Repair Agency (DARA) to form a single new Government owned organisation called Defence Support Group (DSG).
4. Reserve Forces and Cadets Associations includes payments made to: The Council of Reserve Forces and Cadets Association, Reserve Forces and Cadets Association for East Anglia, Lowland Reserve Forces and Cadets Association, Reserve Forces and Cadets Association for Wales, South East Reserve Forces and Cadets Association, The Highland Reserve Forces and Cadets Association, The Reserve Forces and Cadets Association for the North of England, The Reserve Forces and Cadets Association for Yorkshire and the Humber, West Midland Reserve Forces and Cadets Association, Reserve Forces and Cadets Association for Northern Ireland, Council of Reserve Forces and Cadets Associations Pension Scheme, The Reserve Forces and Cadets Association for the North West of England and the Isle of Man, The United Kingdom Reserve Forces Association, The Sea Cadet Corps, Dundee Unit Sea Cadet Corps, Swansea Sea Cadet Corps, The Sea Cadet Association and The Sea Cadet Training Centre Caledonia.
5. Totals have been calculated by adding DBS Finance data to Government Procurement Card (GPC) payments.

CHAPTER 1 - FINANCE

DEFENCE CONTRACTS

Table 1.17a Private Sector Companies paid £50 million or more by the Ministry of Defence in 2010/11: By Holding Company

This table shows a subset of the data contained within **Table 1.17**, providing a listing of the Private Sector Companies that were paid £50 million or more through DBS Finance (formerly the Financial Management Shared Service Centre (FMSSC)) in 2010/11.

This listing details the individual subsidiaries from **Table 1.17** 'rolled up' by holding company. The term 'holding company' refers to companies which are full or part owner of other companies (subsidiaries and joint ventures). The table includes only those subsidiaries where the MOD has made payments during 2010/11 and therefore, is not an exhaustive listing of all subsidiaries and joint ventures relating to that holding company. It also excludes those companies and/or joint ventures which work as part of a consortium. Payments to joint ventures have been allocated to their parent holding companies in proportion to their equity holdings. The table excludes all payments made to public sector bodies, government departments and agencies, local authorities, MOD trading funds, multi nation project management agencies, charities and associations.

Please note that the placement of companies by payment bandings may differ from **Table 1.17** as the sum of the annual payments made to the holding company will exceed the values for individual subsidiaries listed in **Table 1.17**. The composition of Holding Companies in terms of their subsidiaries is derived as at **1 April 2011**. A listing of each company's subsidiaries and joint ventures, who MOD have made payments to during 2010/11 can be found in the footnotes below. It is recognized that the structure and ownership of modern corporations is dynamic and changes frequently. DBS (Finance) are responsible for the majority of payments (around 95% by value) made by MOD. Other payments are made, for example, via British Defence Staff (United States), MOD Trading Funds and through local cash offices. The table is split into payment groups with the companies shown in **alphabetical order**. Company and organisation names have been reproduced (at 1 April 2011 position) directly from the truncated entries recorded on the DBS (Finance) database and may appear in a shortened format in places.

Where a contract is novated during the year, annual payments are shown against the new 'owner' (company or entity) of that contract.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - Contracts & Commercial Statistics](#)

VAT exclusive at current prices (£ million)

Over £500 million (8 Companies)		
Babcock International Group PLC ¹	Finmeccanica SpA ²	Rolls-Royce Group PLC ³
BAE Systems PLC ⁴	Hewlett-Packard Company ⁵	Serco Group PLC ⁶
EADS NV ⁷	Lockheed Martin Corporation ⁸	
£250 - £500 million (8 Companies)		
Aspire Defence Holdings Ltd ⁹	General Dynamics Corporation ¹⁰	QinetiQ Group PLC ¹¹
Boeing Company (The) ¹²	Jacobs Engineering Group Inc ¹³	Thales SA ¹⁴
BT Group PLC ¹⁵	MAN SE ¹⁶	
£100 - £250 million (13 Companies)		
3i Group PLC ¹⁷	Le Grand Annington Ltd ¹⁸	Sodexo SA ¹⁹
BP PLC ²⁰	Lend Lease Group ²¹	Supreme Group ²²
Carillion PLC ²³	Marshall of Cambridge (Holdings) Ltd ²⁴	Turner & Co (Glasgow) Ltd ²⁵
Interserve PLC ²⁶	Northrop Grumman Corporation ²⁷	
KBR Inc ²⁸	Scottish and Southern Energy PLC ²⁹	
£50 - £100 million (18 Companies)		
Air Partner PLC ³⁰	HCR Group Holdings Ltd ³¹	Royal Dutch Shell PLC ³²
Balfour Beatty PLC ³³	Modus Services (Holdings) Ltd ³⁴	SAAB AB ³⁵
CAE Inc ³⁶	Morgan Crucible Company PLC ³⁷	Safran SA ³⁸
Chapman Freeborn Holdings Ltd ³⁹	Navistar International Corporation ⁴⁰	Temasek Holdings (Private) Ltd ⁴¹
Chemring Group PLC ⁴²	Raytheon Company ⁴³	Total S.A. ⁴⁴
Cobham PLC ⁴⁵	RMPA Holdings Ltd ⁴⁶	Ultra Electronics Holdings PLC ⁴⁷

Source: DASA(Defence Expenditure Analysis)

1. Babcock International Group PLC includes payments made to Ascent Flight Training (Management) Ltd, Babcock Aerospace Ltd, Babcock Communications Ltd, Babcock Dyncorp Ltd, Babcock Integrated Technology Ltd, Babcock International Group PLC, Babcock International Support Services Ltd, Babcock Land (Whitefleet Management) Ltd, Babcock Land Ltd, Babcock Marine (Clyde) Ltd, Babcock Marine (Rosyth) Ltd, Babcock Naval Services Pension Scheme, Babcock Nuclear Ltd, Babcock Southern Holdings Ltd, Babcock Support Services Ltd, Babcock Training Ltd, Debut Services (South West) Ltd, Debut Services Ltd, Devonport Royal Dockyard Ltd, Flagship Fire Fighting Training Ltd, Frazer-Nash Consultancy Ltd, Holdfast Training Services Ltd, LSC Group Ltd, Research Sites Restoration Ltd, Rosyth Royal Dockyard Ltd, Rosyth Royal Dockyard Pension Scheme, UKAEA Ltd, VT Aerospace Ltd, VT Communications Ltd, VT Critical Services Ltd, VT Flagship Ltd, VT Land (Whitefleet Management) Ltd, VT Land Ltd, VT Lifeskills Ltd and VT Nuclear Services Ltd.

2. Finmeccanica SpA includes payments made to Agustawestland International Ltd, Aviation Training International Ltd, DRS Technologies UK Ltd, DRS Training and Control Systems LLC, Europaams SAS, MBDA France, MBDA UK Ltd, Selex Communications GmbH, Selex Communications Ltd, Selex Galileo Ltd, Selex Systems Integration Ltd, Vega Consulting Services Ltd and Westland Helicopters Ltd.

3. Rolls-Royce Group PLC includes payments made to Industria de Turbo Propulsores S.A., Optimized Systems and Solutions Ltd, Powerfield Ltd, Rolls-Royce Corporation, Rolls-Royce Deutschland Ltd & Co KG, Rolls-Royce Marine Electrical Systems Ltd, Rolls-Royce Marine Power Operations Ltd, Rolls-Royce PLC, Rolls-Royce Power Engineering PLC, Rolls-Royce Turbomeca Ltd and Vinters Engineering PLC.

4. BAE Systems PLC includes payments made to Aerosystems International Ltd, BAE Systems (Aviation Services) Ltd, BAE Systems (Defence Systems) Ltd, BAE Systems (Hawk Synthetic Training) Ltd, BAE Systems (Operations) Ltd, BAE Systems Australia Ltd, BAE Systems Bofors AB, BAE Systems Defence Ltd, BAE Systems Electronics Ltd, BAE Systems Global Combat Systems Bridging Ltd, BAE Systems Global Combat Systems Ltd, BAE Systems Global Combat Systems Munitions Ltd, BAE Systems Hagglunds AB, BAE Systems Information & Electronic Systems Integration Inc, BAE Systems Information & Electronic Warfare Systems, BAE Systems Integrated System Technologies Ltd, BAE Systems Land Systems (Weapons and Vehicles) Ltd, BAE Systems Marine Ltd, BAE Systems National Security Solutions Inc, BAE Systems Pinzgauer Ltd, BAE Systems PLC, BAE Systems Surface Ships Integrated Support Ltd, BAE Systems Surface Ships Ltd, BAE Systems Surface Ships Maritime Ltd, BAE Systems Surface Ships Portsmouth Ltd, BAE Systems Surface Ships Support Ltd, BAE Systems/Rockwell Collins Data Link Solutions LLC, Detica Ltd, Europaams SAS, IFS Defence Ltd, MBDA France, MBDA UK Ltd, SAAB AB (Publ), SAAB AB Gripen, SAAB Bofors Dynamics AB, SAAB Seaeye Ltd and SAAB Training Systems AB.

5. Hewlett-Packard Company includes payments made to Hewlett-Packard Ltd and HP Enterprise Services Defence & Security UK Ltd.

6. Serco Group PLC includes payments made to AWE Management Ltd, AWE PLC, Defence Management (Watchfield) Ltd, NPL Management Ltd, SD Marine Services Ltd, Serco Group PLC, Serco Leisure Operating Ltd, Serco Ltd and Vista Diagnostics Ltd.

7. EADS NV includes payments made to Airbus UK Ltd, Astrium Ltd, Atlas Elektronik UK Ltd, Cassidian Ltd, Cassidian SAS, Cassidian Test & Services Ltd, Cassidian Test Engineering Services Ltd, EADS Defence & Security Systems Ltd, EADS Deutschland GmbH, EADS France SAS, Eurocopter, Eurocopter UK Ltd, Europaams SAS, Infoterra Ltd, MBDA France, MBDA UK Ltd, Paradigm Secure Communications Ltd and Paradigm Services Ltd.

8. Lockheed Martin Corporation includes payments made to Ascent Flight Training (Management) Ltd, AWE Management Ltd, AWE PLC, Lockheed Martin Aeronautics Company, Lockheed Martin Aerospace Systems Integration Corp, Lockheed Martin Canada Inc, Lockheed Martin Corporation, Lockheed Martin Maritime Systems & Sensors Ltd, Lockheed Martin Overseas Corp, Lockheed Martin Sippican Inc, Lockheed Martin UK INSYS Ltd, Lockheed Martin UK Integrated Systems and Solutions Ltd, Lockheed Martin UK Ltd, Lockheed Martin UK Strategic Systems Ltd, Raytheon/Lockheed Martin Javelin Joint Venture and Savi Technology Inc.

9. Aspire Defence Holdings Ltd includes payments made to Aspire Consulting Ltd, Aspire Defence Ltd and Aspire Defence Services Ltd.

10. General Dynamics Corporation includes payments made to Anteon Ltd, General Dynamics European Land Systems - Germany GmbH, General Dynamics European Land Systems - Mowag GmbH, General Dynamics Itronix Europe Ltd, General Dynamics Ordnance and Tactical Systems - Canada Inc, General Dynamics Ordnance and Tactical Systems Inc, General Dynamics Satellite Communication Services, General Dynamics United Kingdom Ltd, Jet Aviation AG and Kylmar (KMC) Ltd.

11. QinetiQ Group PLC includes payments made to Boldon James Ltd, Graphics Research Corporation Ltd, HVR Consulting Services Ltd, QinetiQ Commerce Decisions Ltd, QinetiQ Group PLC, QinetiQ Ltd and QinetiQ Target Services Ltd.

12. Boeing Company (The) includes payments made to Aviation Training International Ltd, Boeing Defence UK Ltd, Continental Datagraphics Ltd, Jeppesen GmbH, Jeppesen Sanderson Inc, Jeppesen UK Ltd and The Boeing Company.

CHAPTER 1 - FINANCE

DEFENCE CONTRACTS

Table 1.17a Private Sector Companies paid £50 million or more by the Ministry of Defence in 2010/11: By Holding Company

13. Jacobs Engineering Group Inc includes payments made to AWE Management Ltd, AWE PLC, Jacobs Engineering UK Ltd, Jacobs UK Ltd and Sula Systems Ltd.
14. Thales SA includes payments made to Europaams SAS, Quintec Associates Ltd, Thales Air Defence Ltd, Thales ATM Ltd, Thales Avionics Electrical Systems, Thales Avionics Ltd, Thales Communications Inc, Thales Communications Ltd, Thales E-Security Ltd, Thales Information Systems Ltd, Thales Missile Electronics Ltd, Thales Naval Ltd, Thales Nederland BV, Thales Norway AS, Thales Optronics Ltd, Thales Research & Technology (UK) Ltd, Thales Systemes Aeronautiques S.A., Thales Training & Simulation (ACE) Ltd, Thales Training & Simulation (Eagle Middle Wallop) Ltd, Thales Training & Simulation (Merlin) Ltd, Thales Training & Simulation Ltd, Thales UK Ltd and Thales Underwater Systems Ltd.
15. BT Group PLC includes payments made to British Telecommunications Northern Ireland, British Telecommunications PLC, BT Conferencing Video Inc, BT Payment Services Ltd and BT Redcare.
16. MAN SE includes payments made to MAN Diesel & Turbo UK Ltd, MAN Truck & Bus Deutschland GmbH and MAN Truck & Bus UK Ltd.
17. 3i Group PLC includes payments made to Carillion Enterprise Ltd and Modern Housing Solutions (Prime) Ltd.
18. Le Grand Annington Ltd includes payments made to Annington Property Ltd and Annington Receivables Ltd.
19. Sodexo SA includes payments made to Score Marine Ltd, Sodexho Cyprus Ltd, Sodexho International FZE, Sodexho Prestige Ltd, Sodexo Defence Services Ltd, Sodexo Ltd, Sodexo Ltd MCTC (NP Funds), Sodexo Motivation Solutions UK Ltd and Sodexo Pass Ltd.
20. BP PLC includes payments made to Air BP Ltd, Aral AG, Aral Direkt GmbH, Aral Mineraloelvertrieb GmbH, Aral Tankstelle-Ali Kilinc, Arco Ltd, BP International Ltd, BP Marine Ltd, BP Oil International Ltd, BP Oil UK Ltd and British Pipeline Agency Ltd.
21. Lend Lease Group includes payments made to Bovis Lend Lease Ltd, Debut Services (South West) Ltd and Debut Services Ltd.
22. Supreme Group includes payments made to Supreme Food Services, Supreme Foodservice GmbH And Co KG and Supreme Fuels Trading FZE.
23. Carillion PLC includes payments made to Carillion (AMBS) Ltd, Carillion AM Government Ltd, Carillion Construction Ltd, Carillion Enterprise Ltd, Carillion Services Ltd, Carillion Utility Services Ltd, Holdfast Training Services Ltd, Modern Housing Solutions (Prime) Ltd, Schal International Management Ltd and TPS Consult Ltd.
24. Marshall of Cambridge (Holdings) Ltd includes payments made to Marshall Aerospace International Services Ltd, Marshall of Cambridge Aerospace Ltd, Marshall SDG Ltd, Marshall Specialist Vehicles Ltd and Slingsby Advanced Composites Ltd.
25. Turner & Co (Glasgow) Ltd includes payments made to Mitchell Diesel Ltd, T.G. Power Ltd, Turner Estate Solutions Ltd, Turner Facilities Management (Gibraltar) Ltd and Turner Facilities Management Ltd.
26. Interserve PLC includes payments made to Falcon Support Services Ltd, Interserve (Defence) Ltd, Landmarc Support Services Ltd, Minerva Education And Training Ltd and Pride (Serp) Ltd.
27. Northrop Grumman Corporation includes payments made to Northrop Grumman Corporation, Northrop Grumman Electronics and Systems Integration International Inc, Northrop Grumman Information Technology Global Corporation, Northrop Grumman Information Technology International Inc, Northrop Grumman Mission Systems Europe Ltd, Northrop Grumman Overseas Service Corporation, Northrop Grumman Space and Mission Systems Corporation, Northrop Grumman Sperry Marine BV, Northrop Grumman Sperry Marine Ltd, Park Air Systems Ltd and Remotec UK Ltd.
28. KBR Inc. includes payments to Kellogg Brown & Root Ltd.
29. Scottish and Southern Energy PLC includes payments made to Airtricity Energy Supply (Northern Ireland) Ltd, Pride (Serp) Ltd, Scottish & Southern Energy PLC, Southern Electric Contracting Ltd, Southern Electric Gas Ltd, Southern Electric Power Distribution PLC, SSE Energy Supply Ltd, SSE Telecommunications Ltd and Swalec Gas Ltd.
30. Air Partner PLC includes payments made to Air Partner PLC.
31. HCR Group Holdings Ltd includes payments made to HCR Ltd.
32. Royal Dutch Shell PLC includes payments made to Euroshell Deutschland GmbH, Shell Aviation Ltd, Shell Gas Ltd, Shell Marine Products Ltd, Shell UK Ltd, Shell UK Oil Products Ltd and Societe Shell Du Maroc.
33. Balfour Beatty PLC includes payments made to Balfour Beatty Construction Northern Ltd, Balfour Beatty Engineering Services Ltd, Balfour Beatty Group Ltd, Balfour Beatty Management Ltd, Balfour Beatty Rail GmbH, Balfour Beatty Workplace Ltd, Birse Civils Ltd, Exeter and Devon Airport Ltd, Haden Young Ltd, Mansell Construction Services Ltd and Parsons Brinckerhoff Ltd.
34. Modus Services (Holdings) Ltd includes payments made to Modus Services Ltd.
35. SAAB AB includes payments made to SAAB AB (Publ), SAAB AB Gripen, SAAB Bofors Dynamics AB, SAAB Seaeye Ltd and SAAB Training Systems AB.
36. CAE Inc includes payments made to CAE (UK) PLC, CAE Aircrew Training Services PLC, CAE Incorporated and CAE Professional Services (Canada) Inc.
37. Morgan Crucible Company PLC includes payments made to Morganite Electrical Carbon Ltd and NP Aerospace Ltd.
38. Safran SA includes payments made to Messier-Bugatti, Messier-Dowty Ltd, Messier Services Ltd, Rolls-Royce Turbomeca Ltd, Sagem Defense Securite, Sagem Defense Securite SA, Snecma Services SA, Sofrance SA, Turbomeca SA, Turbomeca UK Ltd and Vectronix AG.
39. Chapman Freeborn Holdings Ltd includes payments made to Chapman Freeborn Airchartering Ltd.
40. Navistar International Corporation includes payments to Navistar Defense LLC and Navistar Defense UK Ltd.
41. Temasek Holdings (Private) Ltd includes payments made to Advanced Material Engineering Pte. Ltd and Singapore Technologies Kinetics Ltd.
42. Chemring Group PLC includes payments to Chemring Countermeasures Ltd, Chemring Defence UK Ltd, Chemring Energetics UK Ltd, Chemring EOD Ltd, Roke Manor Research Ltd and Simmel Difesa SpA.
43. Raytheon Company includes payments made to Diehl-Raytheon Missile Systeme GmbH, Raytheon BBN Technologies Corp, Raytheon Company, Raytheon/Lockheed Martin Javelin Joint Venture and Raytheon Systems Ltd.
44. Total S.A. includes payments made to Hutchinson Snc, Stop-Choc Ltd, Total Butler, Total Gas & Power Ltd, Total Lubrifiants SA, Total Raffinage Marketing, Total UK Ltd and Totsa Total Oil Trading SA.
45. Cobham PLC includes payments made to Carleton Life Support Systems Inc, Chelton Ltd, Cobham Advanced Composites Ltd, Cobham CTS Ltd, Cobham Flight Inspection Ltd, Cobham Mal Ltd, Credowan Ltd, ERA Technology Ltd, FB Heliservices Ltd, FBS Ltd, Flight Refuelling Ltd, FR Aviation Ltd, Micromill Electronics Ltd and Spectronic Denmark A/S.
46. RMPA Holdings Ltd includes payments made to RMPA Services PLC.
47. Ultra Electronics Holdings PLC includes payments made to Audiosoft Ltd, and Ultra Electronics Ltd.

CHAPTER 1 – FINANCE

INTERNATIONAL DEFENCE

Overview

This section presents information on the MOD's commitment to conflict prevention, contextual information on NATO countries' defence expenditure and information on the top world-wide military spenders.

Section Contents

Table 1.18 presents the net additional costs incurred by the MOD in respect of operations and peacekeeping exercises during the past three financial years.

Table 1.18a presents a time series of the annual audited costs of operations in Iraq and Afghanistan since 2002/03 and costs for Libya from 2010/11.

Table 1.19 details the defence expenditure by each of the NATO member states in Constant 2010 Prices and Exchange Rates (US\$ billions).

Table 1.20 presents defence expenditure as a percentage of GDP for each of the NATO countries.

Table 1.21 details the top 15 military spenders worldwide, ranked using Market Exchange rates and Purchasing Power Parity rates. It also shows spend per capita.

Charts 1.22a-d provide a focus on trend analysis and aggregate defence comparators for the UK, Germany, France and the USA.

Key Points

MOD Operations and Peacekeeping (Table 1.18)

- In 2010/11, the MOD spent just over £3.9 billion on conflict prevention worldwide.
- The net additional cost incurred by the MOD as a result of operations in Afghanistan was around £3.8 billion.

NATO Countries' Defence Expenditure (Tables 1.19 and 1.20)

- In 2010 the UK remained the second largest military spender in NATO after the USA¹ (using comparisons based on constant prices and exchange rates).
- The UK remains one of five NATO countries which meet the NATO target of spending the equivalent of 2% or more of GDP on Defence. The others are USA, Greece, France and Albania.

Top Worldwide Military Spenders (Table 1.21)

- In 2010, total worldwide military expenditure was estimated to be just over US\$1.6 trillion at current prices and exchange rates. The USA was the world's largest military spender accounting for 43% of worldwide expenditure in 2010.
- In 2010, the UK was the third largest military spender, accounting for nearly 4% of worldwide military spend, behind the USA and China (using comparisons based on market exchange rates). The UK was sixth, based on purchasing power parity comparisons, after USA, China, India, Russia and Saudi Arabia.

¹ Calculations based on NATO definition of Defence Expenditure – explained further later in this commentary.

CHAPTER 1 – FINANCE

INTERNATIONAL DEFENCE

Data Quality

A background quality report containing further information about the quality of methods and underlying data, along with the uses and limitations of these statistics can be found at: [Background Quality Report - International Defence Statistics](#)

Sources of International Defence Data

International Defence statistics are available in a variety of publications and on a substantial number of websites. A selection of sources, which may prove useful in making these sorts of comparisons, are listed in the Bibliography and Useful Websites sections. The UK Ministry of Defence has no control over the quality, reliability and coverage of data contained within these sources and does not endorse any specific output.

Data provided in Tables 1.19, 1.20, 1.21 and Charts 1.22a-d fall outside the scope of National Statistics and as such, must be regarded as illustrative only.

Limitations of International Defence Data

Making international comparisons presents a number of widely documented issues relating to the comparability and granularity of the international source data. Making direct comparisons will never be straightforward because:

- Defence expenditure data are merely input measures which give them only limited usefulness as an indicator of military strength, capability or burden.
- Whilst there are standardised definitions of defence spending and accounting conventions used by international organisations, principally the UN and NATO, not all countries record and publish their defence spending in accordance with such definitions and conventions.
- Some countries actual defence expenditure may be very different from their budgeted expenditure.
- Differences in national tax regimes and the treatment of pension contributions can lead to significant distortions in expenditure.
- Departments other than defence departments may be deemed to contribute to defence whilst some spending by defence departments can be categorised as supporting other activities.
- The choice of conversion method (e.g. Market Exchange rates or Purchasing Power Parities) used to convert to a common currency or from current to constant (real terms) prices can result in significantly different rankings of global defence spending. Using market exchange rates (MER) for instance tends to undervalue the currency and hence the scale of expenditure of lower income countries. Attempts are often made to circumvent this problem using Purchasing Power Parity (PPP) rates. These use currency conversion rates which equalise the overall price of a bundle of goods and services in each country. However PPP rates can be highly inaccurate because of the difficulty of allowing for differences in quality and devising appropriate and relevant “weighting” of individual goods and services. Civilian based PPPs may also not be representative of defence goods and services.
- [Click here](#) for more information on the measurement and uses of Purchasing Power Parity (PPP) rates.

While these problems are fairly insignificant in relation to the comparison of defence spending between NATO members in **Table 1.19**, they are substantial in relation to the global comparison in **Table 1.21**.

CHAPTER 1 – FINANCE

INTERNATIONAL DEFENCE

Note on revised NATO definition

The NATO definition of defence expenditure differs from national definitions so the figures quoted may diverge considerably from those given in national budgets. Expenditure is included for countries that provide Military Assistance. Expenditure is not included for countries receiving assistance. Defence expenditures also include pensions for the military and civilian retirees from the MOD.

Additionally, from 2004 NATO has adopted a revised definition covering the defence expenditure of member states. The new definition seeks to exclude expenditure on Other Forces except in the case of those elements of Other Forces which are structured, equipped and trained to support defence forces and which are realistically deployable. Most nations have now reported defence expenditures according to this new definition, and in some cases (Greece, Italy, Luxembourg, Portugal and Turkey), this has resulted in a significant apparent decrease in defence expenditures.

More information relating to the revised NATO definition can be found on the [NATO website](#).

CHAPTER 1 - FINANCE

INTERNATIONAL DEFENCE

Table 1.18 MOD Operations and Peacekeeping Costs

This table shows a breakdown of the actual net operating and capital costs for MOD operations in Iraq, Afghanistan and Libya as well as the Conflict Pool. These costs cover the net additional costs (both direct and indirect) incurred by the Department as a result of major military operations: that is, those costs over and above those that the Department would have incurred had the operation not been undertaken. For example, expenditure on wages and salaries or savings from cancelled training exercises are deducted from the total cost of the operation.

Table 1.18a shows the annual audited costs of operations in Iraq, Afghanistan and Libya since 2002/03.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - International Defence Statistics](#).

	Iraq			Afghanistan			Libya			Conflict Pool		
	2008/09	2009/10	2010/11	2008/09	2009/10	2010/11	2008/09	2009/10	2010/11 ¹	2008/09 ²	2009/10 ³	2010/11
Total by Operation	1 381	342	92	2 623	3 821	3 774	-	-	22	22	55	61
Total Operating Costs	1 124	299	64	1 655	2 330	2 720	-	-	22	22	53	60
<i>of which:</i>												
Direct Costs:												
Service Manpower	115	35	7	73	174	192	-	-	-	2	18	17
Civilian Manpower	21	7	1	15	26	28	-	-	-	1	2	1
Infrastructure costs	133	53	10	162	236	336	-	-	-	5	8	9
Equipment support	306	101	21	384	551	605	-	-	1	-	1	1
Other costs and services	153	53	10	312	437	503	-	-	1	9	26	32
Receipts and Other Income ⁴	-	-16	-1	-24	-55	-24	-	-	-	-2	-1	-1
Inventory/Other Consumption	207	13	4	527	570	784	-	-	2	6	-1	-
Legal Claims Liability	..	6	7	..	1	4	-	-	-	..	-	-
Indirect Costs:												
Stock write off / (write-on)	1	-	-	-	16	30	-	-	-	-	-	-
Provisions	-	5	-	-	2	-	-	-	-	-	-	-
Depreciation, amortisation (including UOR ⁵) and fixed asset write-off	164	35	1	187	331	260	-	-	17	-	-	-
Cost of capital	24	10	-	18	45	-	-	-	-	-	-	-
Net foreign currency surplus/deficit	..	2	4	..	-2	2	-	-	-	..	-	-
Non nuclear provision credit against provision	..	-6	-	..	-1	-	-	-	-	..	-	-
Total Capital Costs	257	44	28	968	1 491	1 054	-	-	-	-	1	1
<i>Of which:</i>												
Capital Costs (by area)												
Capital addition (including UOR ⁵ and Recuperation)	257	44	28	968	1 491	1 054	-	-	-	-	1	1

Source: MOD Annual Report & Accounts

1. Operations in Libya began in March 2011.

2. In 2008/09 the Conflict Pool consists only of costs incurred in the Balkans.

3. From 2009/10 the Conflict Pool consists of the Balkans, Stabilisation Aid Fund and the Programme Pool.

4. Negative figures on the income line represent income generated on operations (e.g. support to other nations in respect of catering and medical services).

5. UOR = Urgent Operational Requirements. (See **Glossary** for more information).

Table 1.18a Annual audited cost of Operations in Iraq, Afghanistan and Libya

	Inclusive of non-recoverable VAT at Current Prices (£ million)									
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
TOTAL	1 158	1 357	977	1 157	1 694	2 961	4 004	4 163	3 887	
Operations in Iraq	847	1 311	910	958	956	1 457	1 381	342	92	
Operations in Afghanistan	311	46	67	199	738	1 504	2 623	3 821	3 774	
Operations in Libya	-	-	-	-	-	-	-	-	22	

Source: MOD Annual Report & Accounts

CHAPTER 1 - FINANCE

INTERNATIONAL DEFENCE

Table 1.19 NATO Countries' Defence Expenditure 2006 - 2010

This table shows defence payments accrued within financial years 2006-2010 for NATO member states. **Figures are expressed at Constant 2010 Prices and Exchange Rates (US\$ billion)** using defence deflators specific to each country. Defence specific deflators were unavailable for some countries, where this is the case then the National GDP deflator has been used, see footnote 3. Aggregate defence spending totals in local currencies have been obtained by DASA from Table 1 in the [NATO Press Release](#). These figures are the responsibility of DASA.

The NATO definition of defence expenditure differs from national definitions so the figures quoted may diverge considerably from those given in national budgets. Expenditure is included for countries that provide Military Assistance. Expenditure is not included for countries receiving assistance. Research and Development expenditures related to major equipment are included as are pensions for the military and civilian retirees from the MOD. The fiscal year has been designated by the year which includes the highest number of months. For example, year 2008 represents the fiscal year 2008/09 for Canada and the United Kingdom and the fiscal year 2007/08 for the United States (where the financial year for the United States runs from October through to September).

From 2009 French defence expenditure excludes the Gendarmerie which is now financed separately by the Ministry of the Interior.

Defence expenditures have been calculated on the basis of the revised NATO definition agreed in 2004. Most nations have now reported defence expenditures according to this new definition. More information on the new NATO definition can be found in the [International Defence notes and key points](#)

Differences between the totals and sums of the components are caused by rounding.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - International Defence Statistics](#)

The data in this table are outside the scope of National Statistics because they are provided by an organisation outside the UK Government Statistical Service.

Constant 2010 Prices & Exchange Rates (US\$ billion)					
Country	2006	2007	2008	2009	2010e
NATO Total^{1,2}	923.9 II	929.8 II	1065.8 II	1074.4	1084.9
NATO - Europe^{1,2}	296.1 II	284.8 II	291.1 II	281.2	275.3
Albania ^{1,3}	*	*	*	0.2	0.2
Belgium	4.9	5.3	5.8	5.5	5.2
Bulgaria ^{3,4}	1.0	1.1	1.1	0.9	0.8
Croatia ^{1,3}	*	*	*	1.0	0.9
Czech Republic ³	3.1	2.8	2.8	3.1	2.7
Denmark	4.5	4.3	4.5	4.2	4.5
Estonia ³	0.3	0.4	0.4	0.3	0.3
France ^{3,5}	62.6	62.1	60.9	52.3	52.0
Germany ³	42.3	42.6	44.5	45.7	45.1
Greece ^{3,6}	8.6	8.6	9.6	10.0	8.9
Hungary ^{3,6}	1.7	1.7	1.6	1.5	1.4
Italy ⁶	46.3	33.8	34.0	31.6	28.2
Latvia ³	0.4	0.5	0.5	0.3	0.2
Lithuania ³	0.4	0.5	0.5	0.4	0.3
Luxembourg ^{3,6}	0.3	0.3	0.2	0.2	0.3
Netherlands	11.6	11.7	11.6	11.7	11.4
Norway ⁷	6.1	6.3	6.3	6.6	6.4
Poland ³	7.2	7.9	7.2	8.0	8.8
Portugal ^{3,6}	3.5	3.3	3.4	3.6	3.7
Romania ³	2.9	2.5	2.6	2.3	2.1
Slovak Republic ³	1.2	1.3	1.3	1.3	1.1
Slovenia ³	0.7	0.7	0.8	0.8	0.8
Spain ³	16.3	16.7	17.1	16.2	15.3
Turkey ⁶	15.0	12.9	14.4	14.0	14.2
United Kingdom ^{3,8}	55.2	57.4	60.1	59.7	60.4
North America	627.9	645.0	774.7	793.3	809.6
Canada ³	17.9	19.6	20.6	21.8	23.7
United States ^{8,9}	610.0	625.4	754.1	771.5	785.8

Source: DASA derived estimates from NATO data
Footnotes on next page

CHAPTER 1 - FINANCE

INTERNATIONAL DEFENCE

Footnotes to Table 1.19

1. Albania and Croatia joined the Alliance in 2009.
2. Iceland is a member of the Alliance but has no armed forces.
3. Figures converted to constant prices using National GDP deflator.
4. Data do not include pensions.
5. Data include non-deployable elements of Other Forces and from 2006, they are calculated with a new accounting methodology. From 2009, data do not include the Gendarmerie.
6. Data do not include non-deployable elements of Other Forces; for Greece, Hungary, Portugal and Turkey from 2002, for Italy from 2007 and for Luxembourg from 2008.
7. From 2009, new methodology used to calculate pensions.
8. Data include military pensions, for the United Kingdom from 2005 and for United States from 2006.
9. Increases in United States spending from 2008 are consistent with revised figures provided by NATO in their 2010 Estimates.

CHAPTER 1 - FINANCE

INTERNATIONAL DEFENCE

Table 1.20 NATO Countries' Defence Expenditure as % of GDP 2006-2010

This table shows defence payments accrued by NATO member states within the financial years 2006-2010 as a percentage of GDP. The figures are extracted from Table 3 in the [NATO Press Release](#). Figures are based on the NATO definition of defence expenditure and are stated at **Constant Prices**, where the effects of inflation have been removed.

The NATO definition of defence expenditure differs from national definitions so the figures quoted may diverge considerably from those given in national budgets. Expenditure is included for countries that provide Military Assistance. Expenditure is not included for countries receiving assistance. Research and Development expenditures related to major equipment are included as are pensions for the military and civilian retirees from the MOD. The fiscal year has been designated by the year which includes the highest number of months. For example, year 2008 represents the fiscal year 2008/09 for Canada and the United Kingdom and the fiscal year 2007/08 for the United States (where the financial year for the United States runs from October through to September).

From 2009 French defence expenditure excludes the Gendarmerie which is now financed separately by the Ministry of the Interior.

Defence expenditures have been calculated on the basis of the revised NATO definition agreed in 2004. Most nations have now reported defence expenditures according to this new definition. Revisions to individual countries are due to the adoption of the new NATO definitions. More information on the new NATO definition can be found in the [International Defence notes and key points](#).

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - International Defence Statistics](#).

The data in this table are outside the scope of National Statistics because they are provided by an organisation outside the UK Government Statistical Service.

Country	Constant 2000 Prices (Percentage of GDP)					
	2006	2007	2008	2009	2010e	
NATO - Total^{1,2}	2.9	2.9	3.4	3.6	3.5	
NATO - Europe^{1,2}	1.8	1.7	1.7	1.7	1.7	
Albania ¹	*	*	*	1.5	2.0	
Belgium	1.1	1.1	1.2	1.2	1.1	
Bulgaria ³	2.2	2.4	2.2	1.9	1.7	
Croatia ¹	*	*	*	1.7	1.6	
Czech Republic	1.7	1.5	1.4	1.6	1.4	
Denmark	1.4	1.3	1.4	1.4	1.4	
Estonia	1.4	1.7	1.8	1.8	1.7	
France ⁴	2.5	2.4	2.3	2.1	2.0	II
Germany	1.3	1.3	1.3	1.4	1.4	
Greece ⁵	2.8	2.7	2.9	3.1	2.9	
Hungary ⁵	1.3	1.3	1.2	1.1	1.1	
Italy ⁵	1.4	1.0	1.1	1.0	0.9	II
Latvia	1.6	1.5	1.6	1.2	1.0	
Lithuania	1.3	1.2	1.2	1.2	1.0	
Luxembourg ⁵	0.6	0.6	0.4	0.4	0.5	II
Netherlands	1.5	1.5	1.4	1.5	1.4	
Norway ⁶	1.6	1.6	1.6	1.7	1.6	II
Poland	1.8	1.8	1.6	1.7	1.9	
Portugal ⁵	1.6	1.4	1.5	1.6	1.6	
Romania	1.8	1.5	1.5	1.4	1.3	
Slovak Republic	1.6	1.5	1.5	1.5	1.3	
Slovenia	1.6	1.5	1.5	1.6	1.6	
Spain	1.2	1.2	1.2	1.2	1.1	
Turkey ⁵	2.1	1.7	1.9	1.9	1.8	
United Kingdom ⁷	2.4	2.5	2.6	2.7	2.7	
North America	3.8	3.9	4.7	4.9	4.9	
Canada	1.2	1.3	1.3	1.4	1.5	
United States ^{7,8}	4.0	4.1	4.9	5.2	5.1	

Source: NATO

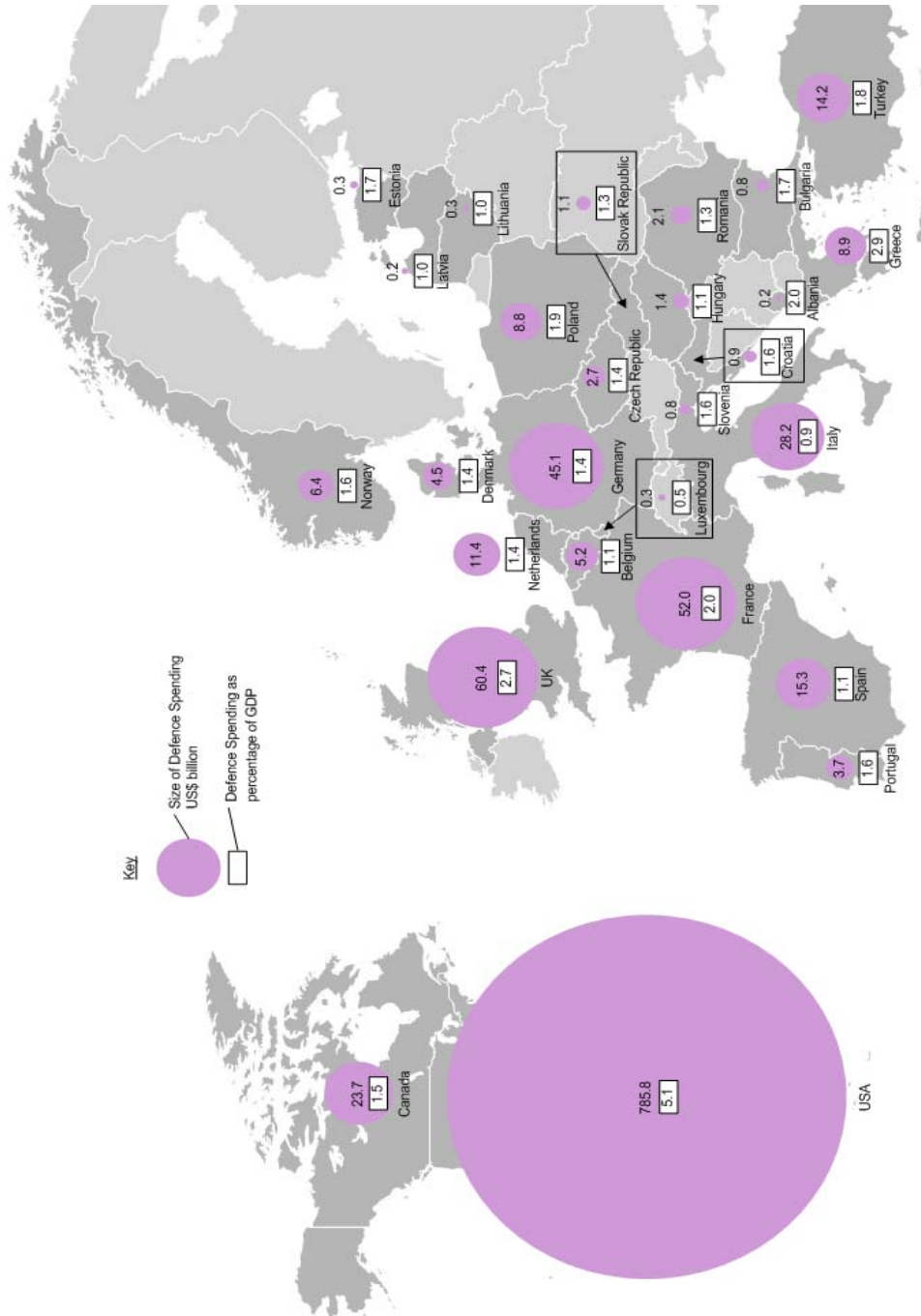
1. Albania and Croatia joined the Alliance in 2009.
2. Iceland is a member of the Alliance but has no armed forces.
3. Defence Expenditures do not include pensions.
4. Data include non-deployable elements of Other Forces and from 2006, they are calculated with a new accounting methodology. From 2009, data do not include the Gendarmerie.
5. Data do not include non-deployable elements of Other Forces; for Greece, Hungary, Portugal and Turkey from 2002, for Italy from 2007 and for Luxembourg from 2008.
6. From 2009, new methodology used to calculate pensions.
7. Data include military pensions, for the United Kingdom from 2005 and for United States from 2006.
8. Revisions to United States defence spending as a percentage of GDP from 2007 are consistent with increased expenditure figures provided by NATO in their 2010 Estimates.

CHAPTER 1 - FINANCE

INTERNATIONAL DEFENCE

Chart to tables 1.19 & 1.20 NATO Countries Defence Expenditure and shown as a share of National Income: 2010^{1,2}

This chart shows Defence Spending expressed in Constant 2010 Prices and Exchange rates (US\$ billion) amongst NATO member countries. It also shows those countries Defence Spending as a percentage of their National GDP. The USA spends the largest amount in NATO spending over double the combined amount of the other NATO members. The UK spends the second largest amount in NATO. The UK is one of only five member states in NATO that currently spend over 2% of GDP on Defence, the remaining four are Albania, France, Greece & USA.



1. Map not to scale.
2. See footnotes to Tables 1.19 and 1.20 for further details.

CHAPTER 1 - FINANCE

INTERNATIONAL DEFENCE

Table 1.21 Top World-wide Military Spenders: 2010

This table shows the Top 15 Worldwide Military Spenders in 2010. **Figures are expressed at Current Prices and Exchange Rates (US\$ billion).** Countries are ranked separately using Market Exchange Rates and Purchasing Power Parity (PPP) rates. If a different base year were used, the rankings could change due to fluctuations in exchange rates. **The calculations of military expenditure using PPP rates and 'spending per capita' have been performed independently by DASA but are sourced from data provided by the Stockholm International Peace Research Institute (SIPRI).**

Conversion into a common currency using Market Exchange Rates (MER) tends to undervalue the currency, and hence the scale of expenditure of lower income countries. This may also be because a large part of the economy of a lower income country is domestically based and not based on internationally traded goods and services. Attempts are often made to circumvent this problem using Purchasing Power Parity (PPP) rates. These use currency conversion rates which equalise the overall price of a bundle of goods and services in each country. However, PPP rates can be highly inaccurate because of the difficulty of allowing for differences in quality and devising appropriate and relevant "weighting" of individual goods and services. Civilian based PPPs may also not be representative of defence goods and services. As such, this table must be regarded as providing only an illustrative ranking of world-wide military spending.

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - International Defence Statistics](#).

The data in this table are outside the scope of National Statistics because they are provided by an organisation outside the UK Government Statistical Service.

Market Exchange Rates		At Current Prices and Exchange Rates			Purchasing Power Parity Rates ¹		
Rank	Country	Spending US\$ billions	Spending Per Capita US\$ ²	World Share %	Rank	Country	Spending US\$ billions
1	USA ³	698.3	2 198	43.0	1	USA	698.3
2	China	[119.4]	[88]	[7.3]	2	China	204.8
3	UK	59.6	963	3.7	3	India	102.9
4	France	59.3	947	3.6	4	Russia	89.0
5	Russia	[58.7]	[418]	[3.6]	5	Saudi Arabia	63.5
Sub-total Top 5		995.3		61	Sub-total Top 5		1 158.5
6	Japan	54.5	429	3.3	6	UK	57.7
7	Saudi Arabia ⁴	45.2	1 725	2.8	7	France	49.4
8	Germany	[45.2]	[551]	[2.8]	8	Japan	43.0
9	India	41.3	34	2.5	9	Germany	40.1
10	Italy	[37.0]	[616]	[2.3]	10	South Korea	40.0
Sub-total Top 10		1 218.4		75	Sub-total Top 10		1 388.6
11	Brazil	33.5	171	2.1	11	Brazil	34.9
12	South Korea	27.6	569	1.7	12	Italy	32.0
13	Australia	24.0	1 116	1.5	13	Turkey	22.7
14	Canada	[22.8]	[673]	[1.4]	14	Canada	19.3
15	Turkey	[17.5]	[231]	[1.1]	15	Taiwan	17.3
Sub-total Top 15		1 343.8		82	Sub-total Top 15		1 514.7
World Total		1 630		100	World Total		..

Source: Stockholm International Peace Research Institute (SIPRI)

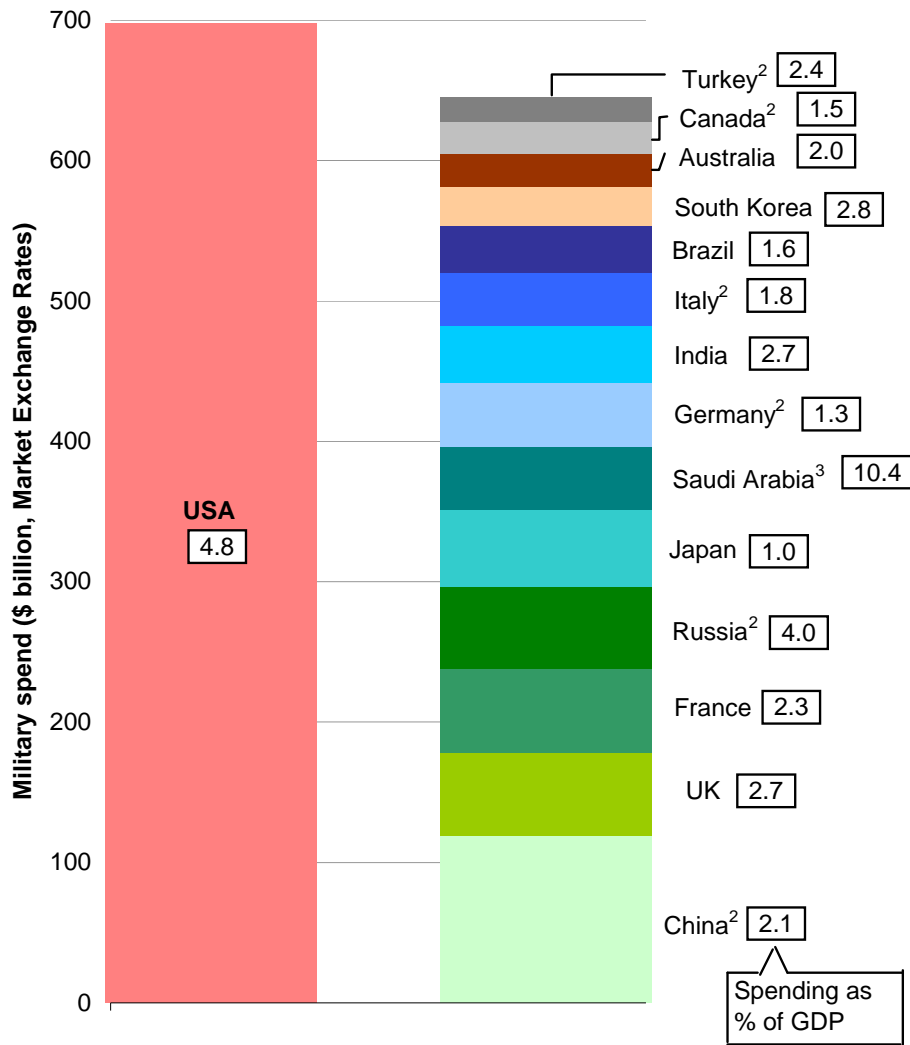
- The figures in PPP dollar terms have been calculated by DASA using estimated PPP rates (for 2010), based on price comparisons of the components of GDP published by the International Monetary Fund (IMF) in Apr 11.
- Spending per Capita figures have been calculated using population estimates taken from the UN State of the World Population Report 2010.
- USA spending figures relate to the Fiscal Year October 2009 - September 2010. All other country figures relate to Calendar Year 2010.
- The figures for Saudi Arabia include expenditure for public order and safety and might be slight overestimates.

[] Indicates SIPRI estimate

CHAPTER 1 - FINANCE

INTERNATIONAL DEFENCE

Chart to Table 1.21 Top Worldwide Military Spenders Defence Expenditure and shown as % of GDP: 2010¹



Source: Stockholm International Peace Research Institute (SIPRI)

1. GDP figures shown in this table have been calculated using SIPRI definitions of defence expenditure and may differ from information shown in **Table 1.20** where the NATO definition has been used. For more information see [International Defence notes and key points](#).
2. Indicates SIPRI Estimate
3. Includes expenditure on public order and safety and might be slight overestimates.

CHAPTER 1 - FINANCE

INTERNATIONAL DEFENCE: Focus on NATO Allies

Charts 1.22a-d provide a retrospective trend analysis and aggregate defence comparators for the UK, Germany, France and the USA. These nations have been selected on the basis that they either have similar strategic postures, capabilities or force structures to the UK, or that the relative size of their respective defence budgets is comparable. **Figures are expressed at Constant 2010 Prices and Exchange Rates (US\$ billion).**

Definitions of defence expenditure have changed over time and differ between countries, this makes detailed comparison between countries difficult. In light of this fact data should only be used as an indication of trends and not as a definitive time series. Please refer to the [Section Introduction](#) for more information about the limitations of making such comparisons.

From 2009 French defence expenditure excludes the Gendarmerie which is now financed separately by the Ministry of the Interior. This change in the NATO definition for defence expenditure has led to lower levels of Defence spending (and as % of GDP) and personnel numbers for France but a higher level of defence spending per serviceman. The definitional change explains the shift in the French data series on the charts below.

The definition of UK and USA Defence Spending has changed from last year. Sourcing of long run time series data from NATO has meant they we are now able to present Defence spending totals on a consistent basis using the NATO definition for military expenditure. **All four countries are now consistent with this standardised definition allowing for a more direct comparison.**

Further information about the quality of data and methods used in the production of these statistics, along with details of their intended use can be found in the [Background Quality Report - International Defence Statistics](#).

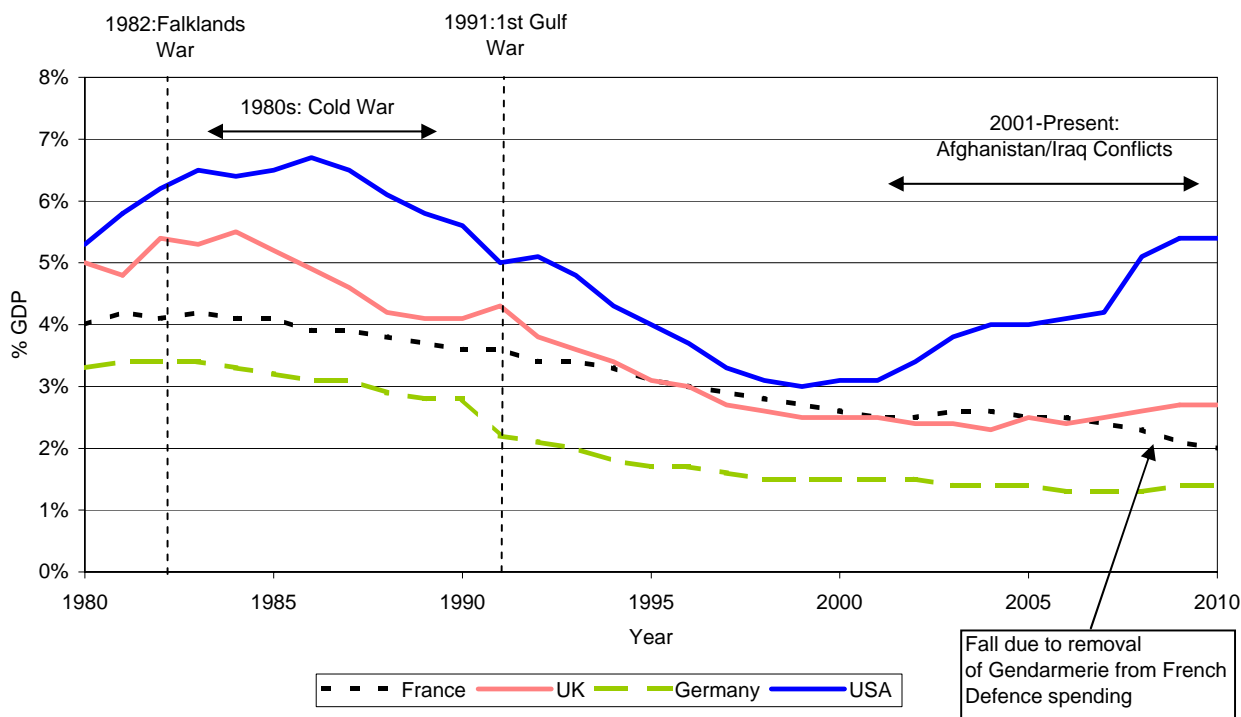
The data in this table are outside the scope of National Statistics because they are provided by an organisation outside the UK Government Statistical Service.

Chart 1.22a Defence Spending as a % of GDP: 1980- 2010^{1,2}

This chart shows aggregate defence expenditure for the UK, USA, France and Germany as a percentage of GDP from 1980-2010.

In 2010 the UK spent 2.7% of its national income on defence, France spent 2.0% and Germany spent only 1.4%. The drop in the GDP % for France in 2009 is due to the transfer of responsibilities for the Gendarmerie from the Ministry of Defence to the Ministry of the Interior.

Levels of spending as a proportion of GDP in all countries fell between 1985 and 2000. Since then it has risen slightly for the UK, whilst levels in France and Germany have remained fairly static. USA defence spending has risen steadily since 2000 and represented 5.4% of national income in 2010.



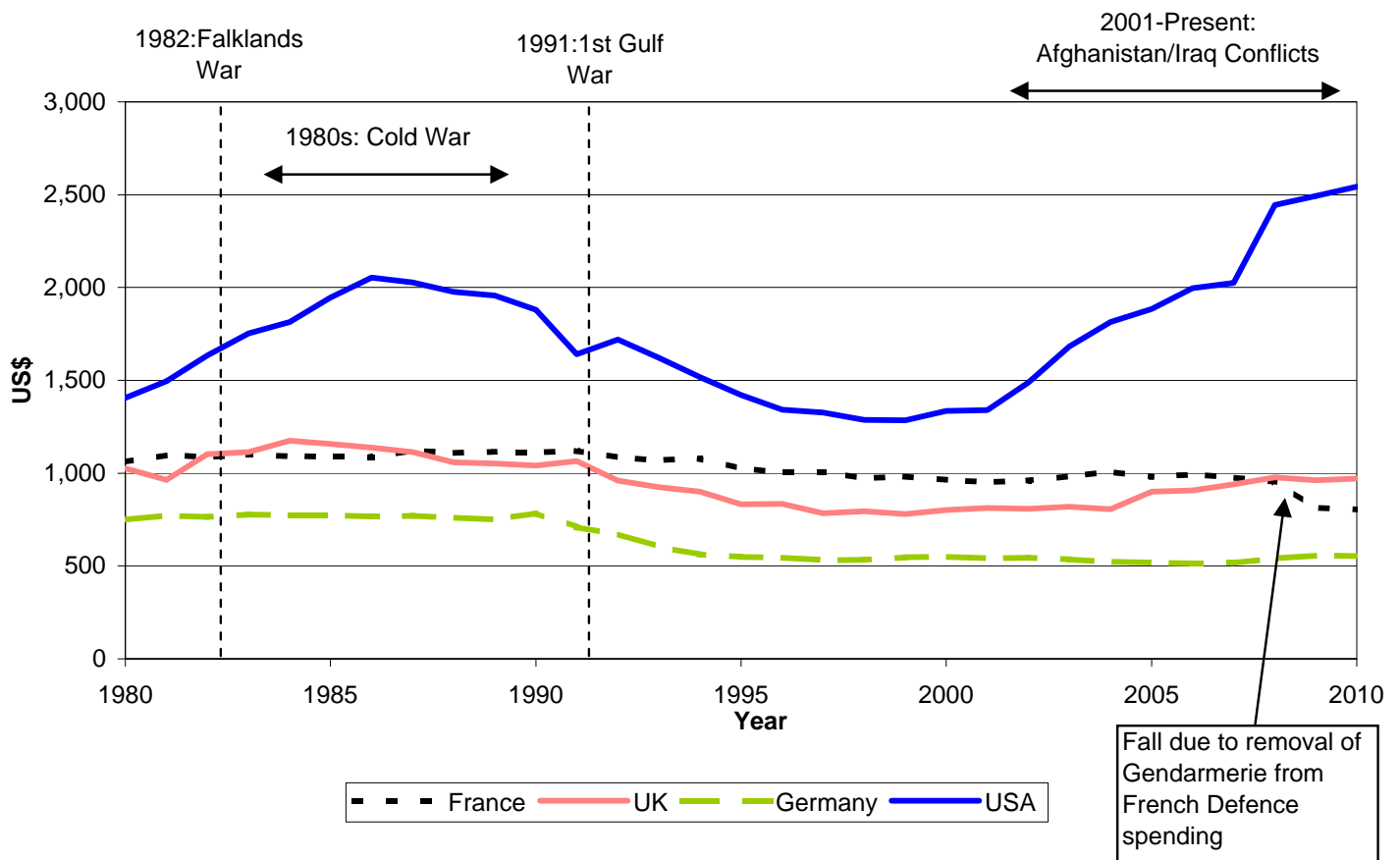
CHAPTER 1 - FINANCE

INTERNATIONAL DEFENCE: Focus on NATO Allies

Chart 1.22b Real Defence Spending per Capita:
1980-2010^{1,2,3,4,5}

This chart shows trends in real defence spending per capita between 1980 and 2010

Since 2001, there have been significant increases in spending from the USA, and the UK partly associated with the 2nd Iraq war, and the ISAF contribution in Afghanistan. In terms of defence expenditure per capita, in 2010 the UK spent \$970 per person. France spent slightly less per capita than the UK (c.\$800) whilst Germany spent substantially less (c.\$550). The USA spent over double that of the UK (c.\$2,500).



Footnotes on the page after Chart 1.22d

CHAPTER 1 - FINANCE

INTERNATIONAL DEFENCE: Focus on NATO Allies

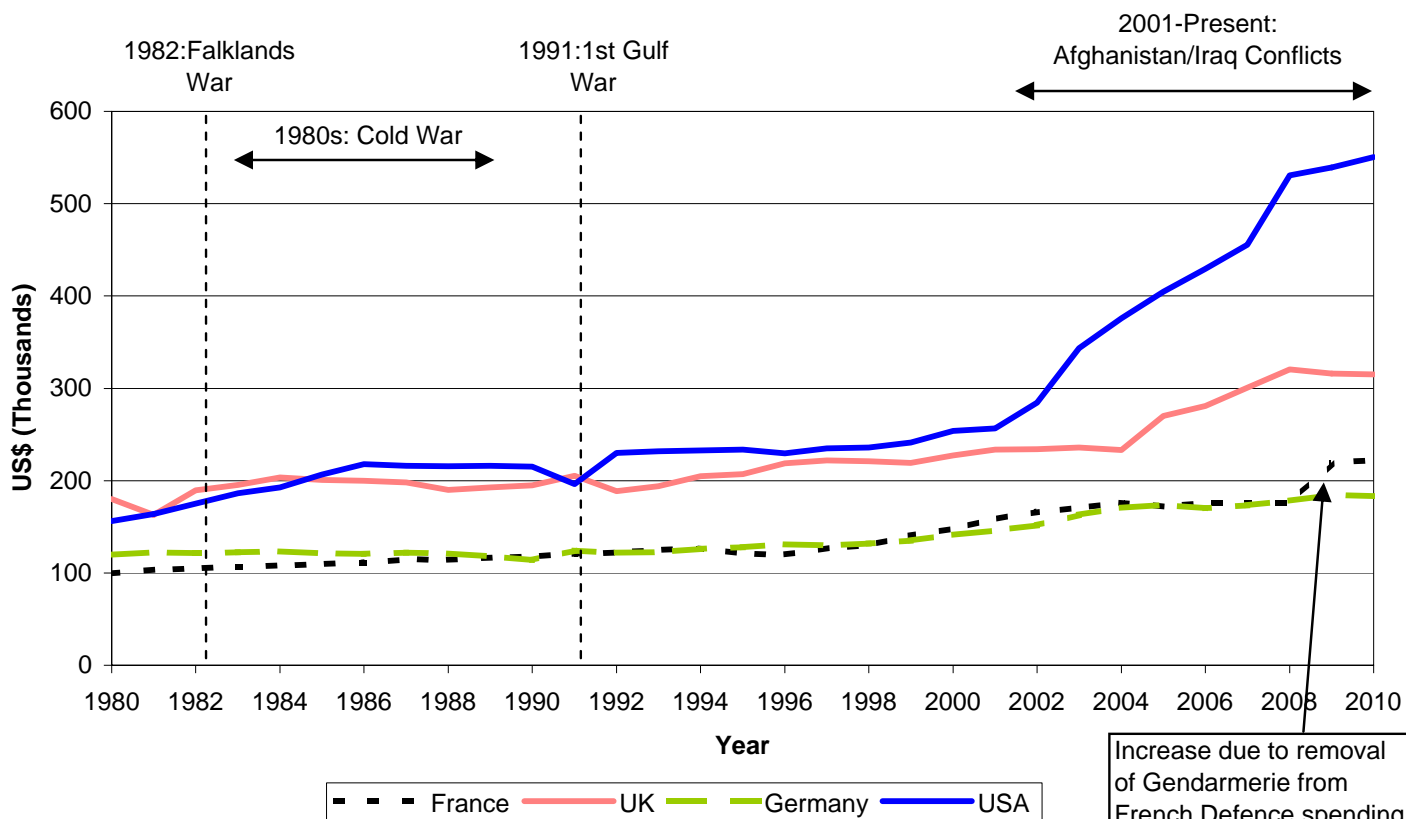
Chart 1.22C Real Defence Spending Per Serviceman^{1,2,3,5,6}

This chart shows trends in real defence spending per Serviceman for 1980-2010.

The number of active military personnel has been falling in both the USA and UK. As real Defence spending has remained reasonably level, spending per Serviceman has been rising. The most dramatic increases in defence spending per Serviceman have been since 2000. The USA has increased spending by 117% between 2000 and 2010 whilst UK spending increased by 39% over the same period. In 2010 the USA spent \$551,000 per Serviceman whilst the UK spent \$315,000.

Spending per Serviceman for Germany has increased by around 30% since 2000. Due to the removal of the Gendarmerie from French expenditure since 2009 it would be misleading to compare changes in French Defence spending per Serviceman over time.

Of the three European nations listed the UK spends the most per Serviceman, with France second (c.\$222,000) and Germany (c.\$183,000) third.



Footnotes on the page after Chart 1.22d

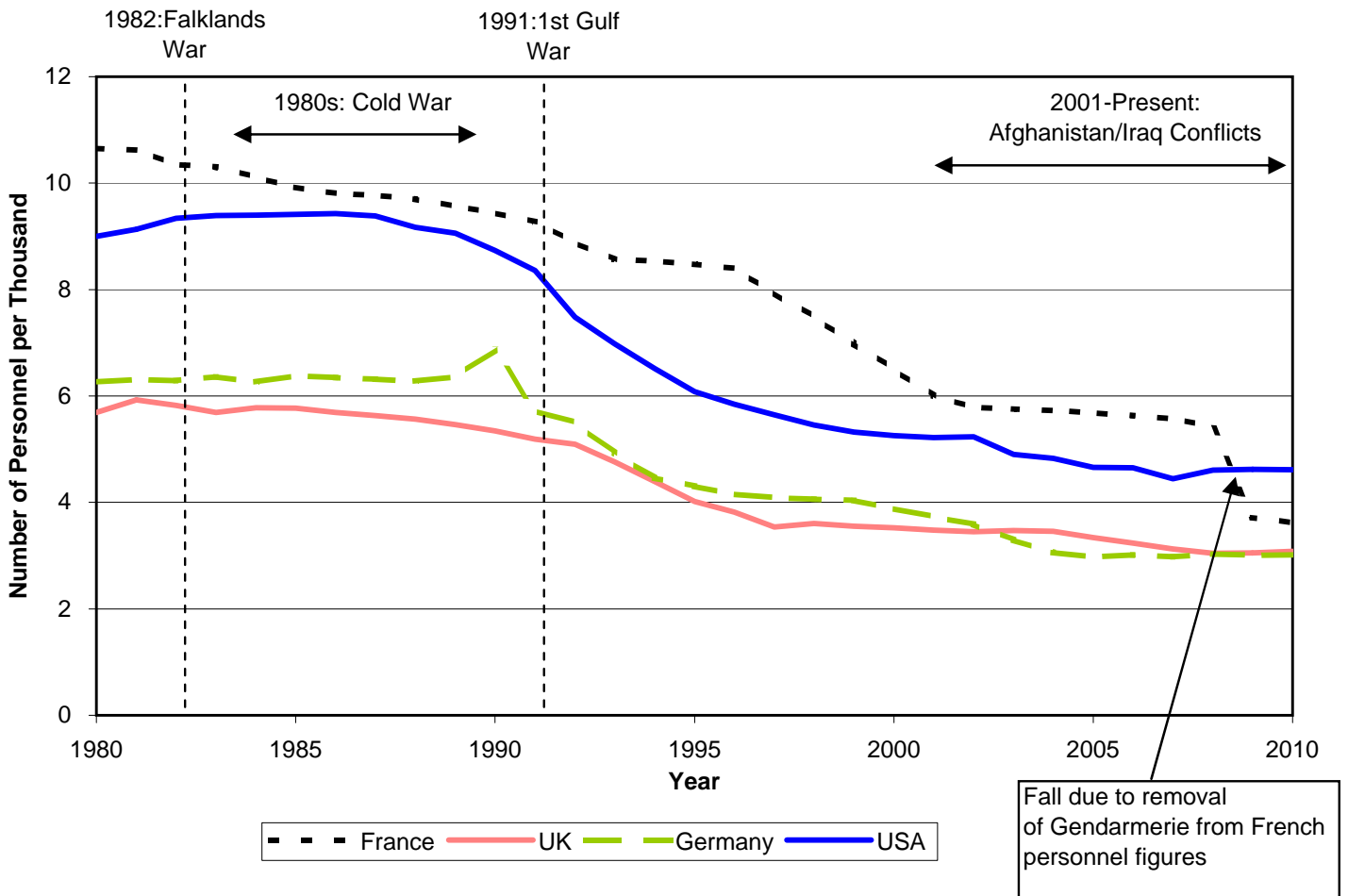
CHAPTER 1 - FINANCE

INTERNATIONAL DEFENCE: Focus on NATO Allies

Chart 1.22d Number of Military Personnel per Thousand Population^{2,4,6,7}

This chart shows the number of military personnel per Thousand Population from 1980 to 2010.

In the UK there are currently around 3 servicemen per thousand population (the same as Germany) whereas in France, there are 3.6 and in the USA there are 4.6.



Footnotes on next page

CHAPTER 1 - FINANCE

INTERNATIONAL DEFENCE: Focus on NATO Allies

Footnotes to Charts 1.22a - 1.22d

1. This chart uses Defence expenditure totals obtained from the [NATO publication Financial and Economic Data Relating to NATO defence](#). More details about what this definition covers and specific caveats for each country can be found in the footnotes to **Table 1.19**.
2. From 2009 French Defence expenditure excludes the Gendarmerie. This change of definition has led to lower levels of Defence spending and personnel numbers but a higher level of defence spending per serviceman. This definitional change explains the shift in the French data series shown in the charts.
3. This chart uses National GDP figures and associated National GDP deflators obtained from several sources: UK GDP figures and deflators have been extracted from the file 'Latest GDP deflators' downloadable from [HM Treasury](#); US GDP figures and deflators have been extracted from Table 1.2 of the [US Office of Management and Budget publication: Historical Tables Budget of the US Government Fiscal Year 2011](#); French and German GDP figures and deflators have been extracted from figures provided by [Oxford Economics](#).
4. This chart uses National population figures obtained from several sources: UK population figures have been extracted from figures downloadable from the [ONS website](#); US population figures 1980-1999 have been extracted from Table 17.5 of the [US Office of Management and Budget publication Historical Tables: Fiscal Year 2009](#). The figures from 2000 onwards are estimate obtained from the [US Census Bureau](#). French population figures have been extracted from the French [National Institute of Statistics and Economic Studies](#). Figures for 1980 and 1981 are estimates extrapolated from the French metropolitan population. German population figures have been extracted from figures provided by [Oxford Economics](#).
5. This chart uses National Defence expenditure figures (see Note 1) which have been converted to US dollars using an exchange rate implied from the US dollar defence expenditures in table 1 of [NATO publication Financial and Economic Data Relating to NATO defence](#). National GDP deflators have been used to remove the effects of inflation in each country (See Note 3).
6. This chart uses military personnel strength figures obtained from several sources: USA and German military personnel strength figures have been extracted from [Table 6 of the NATO publication Financial and Economic Data Relating to NATO defence](#) available online; UK military personnel figures have been extracted from [Table 2.6 of UK Defence Statistics](#), please note 2007-2009 figures are provisional only; French military personnel strength figures have been extracted from long run time series data provided by NATO. These figures are not available online.
7. In 1990 Germany signed 'The Treaty on the Final Settlement with Respect to Germany'. The treaty paved the way for German re-unification but required Germany to limit its combined armed forces to no more than 370,000 personnel, this led to significant falls in German military strengths.