



# Ministry of Defence



## Annual Statistical Series 1 Finance Bulletin 1.01 Trade, Industry & Contracts 2013

### Statistical Release

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For this publication there are three Background Quality Reports, one each for Trade, Industry and Contracts, which can be found [here](#).

If you would like to be added to our contact list, so that we can inform you about updates to these statistics and consult you if we are thinking of making changes, you can subscribe to updates by emailing:

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**There may be tables within this publication which are not badged as National Statistics. Please refer to the individual tables for details.**

Statistical Bulletin Series 1 provides figures on the composition and scope of the Department's expenditure, information on the impact of defence spending on the wider economy, and compares the MOD's spending to that of other departments and other countries.

Statistical Bulletin 1.01 presents information on MOD spending with industry and commerce, and sets out the numbers, types and values of contracts placed by MOD, major equipment projects and payments made by the MOD to its suppliers, including a focus on the top ten. Industry tables provide details of existing PFI contracts and data on the impact of MOD spending on equipment and services in the UK. Trade data presents information on defence export orders and payments made for services consumed by MOD establishments overseas.

### Key Points and Trends

- In 2011/12, the MOD spent just over £20.2 billion with UK industry, this represents a small decrease of £210 million from the 2010/11 figure. Manufacturing attracted just under half of MOD expenditure with UK industry.
- In 2012/13 just over 40% of total MOD procurement expenditure was with 10 suppliers. The largest of these suppliers was BAE Systems.
- Identified UK export orders of defence equipment and services were estimated to be just under £8.8 billion in 2012, which is over 60% higher than in 2011. This increase can be attributed to major orders for Hawk and Typhoon aircraft.
- In 2012, the MOD's estimated Balance of Payments for Trade in Services was just over £3.0 billion in deficit.
- In 2012/13 MOD HQ placed just over 3,300 new contracts with a collective value of just over £6.0 billion. The number of new contracts placed in 2012/13 has fallen by nearly 30%, from 2011/12, with the value of new contracts falling by a similar amount.
- The percentage number of new contracts that have been let competitively has risen for the third year in a row to 33%.
- The largest post-Main Gate equipment project in 2012, by value, was the Typhoon and Typhoon Future Capability Programme with a forecast cost of £18.1 billion.

## Further Information

Defence Economics welcomes feedback on statistical products. If you have any comments or questions about this Statistical Bulletin or about our statistics in general, you can contact us at:

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If you require information which is not available within this or other available publications, you can submit a Request for Information under the Freedom of Information Act 2000 to the Ministry of Defence via the following link:

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### A National Statistics Publication

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- Meet identified user needs;
- Are well explained and readily accessible;
- Are produced according to sound methods; and
- Are managed impartially and objectively in the public interest.

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Tables marked as **NS** are National Statistics. Those without are Official Statistics but have not been badged as National Statistics. Details are provided above individual tables.

# Symbols and Conventions

## Symbols

}	categories merged for some years
	discontinuity in time series
~	fewer than five
*	not applicable
..	not available
p	Provisional
r	Revised
rp	revised but still provisional
e	Estimate
–	Zero or rounded to zero

*Italic* figures are used for percentages and other rates, except where otherwise indicated.

## Rounding

Where rounding has been used, totals and sub-totals have been rounded separately and so may not equal the sums of their rounded parts.

## Revisions

There are no regular planned revisions of Bulletin 1.01, although amendments to figures for earlier years may be identified during the annual compilation of Bulletin 1.01. This will be addressed in one of two ways:

- i. Where the number of figures updated in a table is small, figures will be revised and identified with the symbol "r". An explanation for the revision will be given in the footnotes to the table.
- ii. Where the number of figures updated in a table is substantial the revisions to the table, together with the reason for the revisions, will be identified in the commentary at the beginning of the relevant chapter / section, and in the commentary above affected tables. Revisions will not be identified by the symbol "r" since where there are a large number of revisions in a table this could make them more difficult to read.

Occasionally updated figures will be provided to the editor during the course of the year. Since UKDS is now published electronically it is possible to revise figures during the course of the year. However to ensure continuity and consistency, figures will only be adjusted during the year where it is likely to substantially affect interpretation and use of the figures.

In this Bulletin new contract figures for 2012/13, shown in **Table 1.01.05**, were updated on 22<sup>nd</sup> October 2013.

## Abbreviations

See Glossary.

# Introduction

This Bulletin 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 1.01.01** presents information on the MOD's major equipment projects.

**Table 1.01.02** provides a list, by broad-banded value, of organisations paid £5 million or more during 2012/13.

Following requests from UK industry, **Table 1.01.03** provides a further dimension on the data contained within **Table 1.01.02**, by presenting the individual subsidiary organisations 'rolled up' into their holding companies.

**Table 1.01.04a and Charts 1.01.04a – 1.01.04c** explore the nature and scope of MOD business with its key suppliers in industry and commerce, focussing on the top 10 suppliers in 2012/13. It examines the relative importance of MOD sales to individual company revenues and how this has changed over time; it then explores how the nature of MOD contracting with industry has changed over time.

**Table 1.01.05** shows the number and value of new contracts placed by type during 2012/13 and earlier years.

**Table 1.01.06** details MOD payments on PFI projects during 2012/13.

**Table 1.01.06a** lists those PFI projects with planned MOD unitary charge payments of over £25 million in 2013/14.

**Table 1.01.07** 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 1.01.08** presents the estimated value of export orders of defence equipment and services.

**Table 1.01.09** shows payments made for services consumed by MOD establishments overseas, referred to as Balance of Payments for Trade in Services or BoP.

## Data Quality

Background Quality Reports containing further information about the quality of methods and underlying data, along with the uses and limitations of these statistics, can be found at the following:

[Background Quality Report – Trade](#)

[Background Quality Report – Industry Statistics](#)

[Background Quality Report – Contracts & Commercial Statistics](#)

## Context

The information in this chapter has a wide range of users including the media, politicians, academic researchers and the general public who use the information to

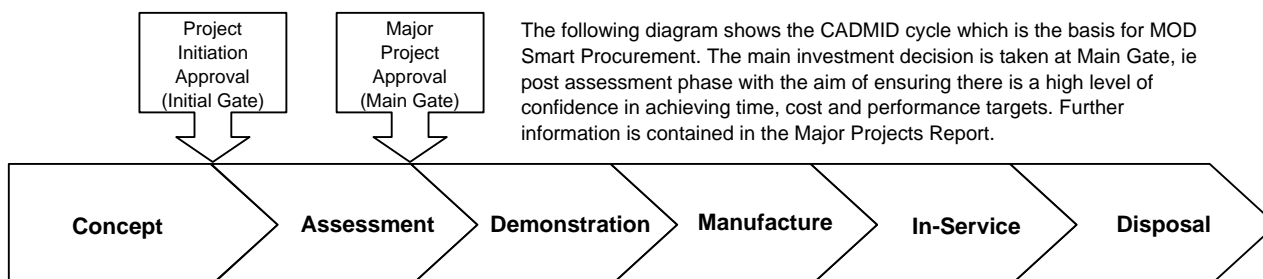
- understand the size and organisation of the United Kingdom's Armed Forces;
- set the context for other information on Defence;
- assist in understanding the impact of changes in Defence policy.

Further information on the strategic context for the statistics in this chapter can be found in documents relating to the [Strategic Defence and Security Review \(SDSR\)](#).

# Table 1.01.01 Major Equipment Projects

This table shows the MOD's major equipment projects as at 31 March 2012. The report details the 16 largest projects on which the main investment decision has been taken (post-Main Gate), and the 9 largest projects yet to reach that point (pre-Main Gate). The information is taken from the [Major Projects Report \(MPR\)](#) relating to 31 March 2012, which provides a summary of each projects' current status and progress to date.

Costs are on a resource basis at outturn prices. Forecast costs include accruals, VAT (less recoverable elements), and resource elements such as 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.



As at 31 March 2012	MPR 2012		
	In-Service Date Forecast or Actual	Forecast Cost (£ million)	Change in Cost (£ million) from MPR 2011
<b>Post-Main Gate Major Equipment Projects</b>			
A400M	2015	3 268	163
Airseeker <sup>1</sup>	2014	634	*
Astute Class Submarine <sup>2, 3, 4</sup>	2010 & 2018	7 204	*
Beyond Visual Range Air-To-Air Missile (METEOR) <sup>3</sup>	2012 & 2017	1 122	7
Chinook New Buy and Project Julius <sup>3, 5</sup>	2014 & 2013	1 121	*
Complex Weapons (Spear Cap 2, Block 1, and FLAADS) <sup>3, 5</sup>	2015 & 2016	783	*
Falcon <sup>5</sup>	2012	349	*
Future Strategic Tanker Aircraft (FSTA) (Voyager)	2014	12 266	257
Joint Combat Aircraft (JCA) (Lightning II) <sup>2, 6</sup>	..	2 200	4
Lynx Wildcat <sup>3</sup>	2014 & 2015	1 663	19
Merlin Capability Sustainment Programme	2014	791	23
Queen Elizabeth Class Aircraft Carrier	2017	5 348	217
Specialist Vehicles <sup>7</sup>	..	1 394	-
Type 45 Destroyer	2010	5 556	-108
Typhoon and Typhoon Future Capability Programme <sup>3, 8</sup>	2003 & 2013	18 112	-47
Warrior Capability Sustainment Programme <sup>5</sup>	2018	1 319	*

As at 31 March 2012	MPR 2012
Pre-Main Gate Major Equipment Projects	Forecast Cost (£ million)
Cipher	44
Core Production Capability	107
Marshall	9
Military Afloat Reach & Sustainability (MARS) <sup>9</sup>	..
Network Enabled Airspace Defence and Surveillance	9
Spearfish Upgrade	49
Successor	3 037
Type 26 Global Combat Ship	151
United Kingdom Co-operative Engagement Capability Frigate and Destroyers Programme	53

Source: Defence Equipment & Support

1. Project cost has been updated to reflect the approved cost estimates rather than noted cost estimates supplied for MPR 2011, so a change in cost comparison is not therefore shown.
2. HMT approved revised time and costs including long lead items.
3. In Service Date (ISD) redefined in MPR 2009 to reflect two-stage approach to delivering the capability.
4. Project forecast costs now includes long lead items for Boat 7. A comparison in the forecast cost from MPR 2011 is not therefore appropriate.
5. Project not included in the MPR 2011 population.
6. An official ISD will be sought as part of the incremental production approval strategy.
7. An official ISD will be set at the Main Gate 2 approval point.
8. Includes Tranche 3 Aircraft Contract.
9. Cost data excluded on grounds of commercial sensitivity.

# Table 1.01.02

## Organisations paid £5 million or more by the Ministry of Defence in 2012/13

This table shows a listing of UK and foreign owned organisations, including defence suppliers and intermediate bodies, paid through DBS Finance. 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 2013 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.** Details of the exact amounts paid to these organisations can be found [here](#).

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.](#) Some organisations have not been included in the list below as their information has been redacted in line with agreed rules for Transparency.

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 (9 Organisations)		
Agustawestland Ltd	BAE Systems Marine Ltd	Devonport Royal Dockyard Ltd
AWE Management Ltd	BAE Systems Surface Ships Ltd	HP Enterprise Services Defence & Security UK Ltd
BAE Systems (Operations) Ltd	Defence Science & Technology Laboratory	NETMA
£250 - £500 million (10 Organisations)		
Aspire Defence Ltd	Cabinet Office	QinetiQ Ltd
BAE Systems Global Combat Systems Munitions Ltd	HM Revenue & Customs	Rolls-Royce Power Engineering PLC
Boeing Company (The)	MBDA UK Ltd	
British Telecommunications PLC	Paradigm Secure Communications Ltd	
£100 - £250 million (35 Organisations)		
Airtanker Ltd	Debut Services (South West) Ltd <sup>1</sup>	Pride (SERP) Ltd
Annington Receivables Ltd	Defence Support Group (DSG)	Purple Foodservice Solutions Ltd
Babcock Dyncoorp Ltd	EDF Energy Customers PLC	Raytheon Systems Ltd
Babcock Land Ltd	Force Protection Europe Ltd	Reserve Forces & Cadets Associations <sup>2</sup>
Babcock Marine (Clyde) Ltd	General Dynamics United Kingdom Ltd	Rolls-Royce PLC
BAE Systems Global Combat Systems Ltd	Holdfast Training Services Ltd	Serco Ltd
BAE Systems Integrated System Technologies Ltd	Lockheed Martin Aerospace Systems Integration Corporation	Sodexo Ltd
Boeing Defence UK Ltd	MAN Truck & Bus UK Ltd	Thales Optronics Ltd
BP Oil International Ltd	Marshall of Cambridge Aerospace Ltd	Thales UK Ltd
Cammell Laird Shiprepairers & Shipbuilders Ltd	Modern Housing Solutions (Prime) Ltd	United States Government
Carillion Enterprise Ltd	Office of Communications (Ofcom)	US Treasury
Davitt Jones Bould Ltd	Organisation For Joint Armaments Co-Operation Executive Admin	
£50 - £100 million (33 Organisations)		
Babcock Marine (Rosyth) Ltd	Foreland Shipping Ltd	Northrop Grumman Information Technology International Inc
BAE Systems (Defence Systems) Ltd	Gallagher Bassett International Ltd	Receiver General for Canada
BAE Systems Electronics Ltd	HCR Ltd	RMPA Services PLC
Chapman Freeborn Airchartering Ltd	Interserve (Defence) Ltd	Rolls-Royce Turbomeca Ltd
Commonwealth War Graves Commission	Kellogg Brown & Root Ltd	SD Marine Services Ltd
Corona Energy Retail 4 Ltd	Landmarc Support Services Ltd	SHAPE
Debut Services Ltd <sup>1</sup>	Lockheed Martin UK INSYS Ltd	Shell Eastern Trading (Pte) Ltd
Eurocopter UK Ltd	Modus Services Ltd	Thales Air Defence Ltd
European Aeronautic Defence & Space Company (EADS) NV	Motor Oil (Hellas) Corinth Refineries SA	Turner Estate Solutions Ltd
FB Heliservices Ltd	NATO (North Atlantic Treaty Organisation)	Turner Facilities Management Ltd
Foreign & Commonwealth Office	NATS (En Route) PLC	Ultra Electronics Ltd
£25 - £50 million (48 Organisations)		
A&P Group Ltd	FR Aviation Ltd	NATO Support Agency (NSPA)
Agility Logistics Ltd	GB Oils Ltd	Navy Army & Air Force Institutes (The)
Air Partner PLC	Guy's & St Thomas NHS Foundation Trust	NP Aerospace Ltd <sup>3</sup>
ALC (SPC) Ltd	Hirtenberger Defence Systems GmbH & Co KG	NSAF Ltd
Aon Ltd	Hogg Robinson (Travel) Ltd <sup>3</sup>	Rheinmetall Waffe Munition GmbH
Aramark Ltd	Honeywell International Inc	Saab Dynamics AB
Ascent Flight Training (Management) Ltd	ISS Mediclean Ltd	Selex Galileo Ltd
Aviation Training International Ltd	Kelda Water Services (Estates) Ltd	Services Sound & Vision Corporation
Babcock Aerospace Ltd	Lockheed Martin Aeronautics Company	Skanska UK PLC
Babcock Support Services Ltd	Lockheed Martin UK Amphill Ltd	Software Box Ltd <sup>3</sup>
Bundeskasse Halle	Logica UK Ltd	Thales Underwater Systems Ltd
Capita Business Services Ltd	Meteorological Office	The Treasury Solicitor
Cooneen Watts & Stone Ltd	Microsoft Ireland Operations Ltd	TRL Technology Ltd
Daewoo Shipbuilding & Marine Engineering Co. Ltd	MLS (Overseas) Ltd	Vinci Construction UK Ltd
Defence Management (Watchfield) Ltd	NATO Communications and Information Agency	VT Flagship Ltd
Eastbury Park Ltd	NATO Consultation Command and Control Agency	World Fuel Services Europe Ltd

Source: Defence Economics (Defence Expenditure Analysis)

Continued on next page



# Table 1.01.02

## Organisations paid £5 million or more by the Ministry of Defence in 2012/13 (continued)

VAT exclusive at Current Prices (£ million)

£10 - £25 million (109 Organisations)		
AAH Pharmaceuticals Ltd	E.ON	Nuclear Decommissioning Authority
Air Charter Service PLC	Electricity Authority of Cyprus	PA Technology Solutions Ltd
Arval UK Ltd	Elior UK PLC	QinetiQ Target Services Ltd
Atkins Ltd	Energy Efficiency Scheme	Qioptiq Ltd
Babcock Communications Ltd	Energy, Safety & Risk Consultants (UK) Ltd	Raytheon/Lockheed Martin Javelin Joint Venture
Babcock Flagship Ltd	Esso Petroleum Company Ltd	Remotec UK Ltd
Babcock Land (Whitefleet Management) Ltd	Falcon Support Services Ltd	Right Management Ltd
BAE Systems Bofors AB	Fast Training Services Ltd	Royal Hospital
BAE Systems Hagglands AB	Fasttrax Ltd	Ryder Deutschland GmbH
BAE Systems Information & Electronic Systems Integration Inc	Flagship Fire Fighting Training Ltd	Saab AB (Publ)
BAE Systems PLC <sup>3</sup>	Fujitsu Services Ltd	Saab Training Systems AB
BAE Systems Surface Ships Maritime Ltd	Genistics Ltd	Scott Health & Safety Ltd
Bezirksregierung Duesseldorf	Government Communications HQ	Security Research Ltd
BMT Defence Services Ltd	Graham Asset Management Ltd	SEFA Contractors JV
British Airways PLC <sup>3</sup>	GroupM UK Ltd	Selex Elsas Ltd
Busverkehr Ostwestfalen GmbH	Harris Corporation	Selex ES Ltd
CAE Aircrew Training Services PLC	Henry Brothers (Magherafelt) Ltd	Severn Trent Costain Water Ltd <sup>4</sup>
Capgemini UK PLC	Hess Energy Trading Co (UK) Ltd	Seyntex NV
Carillion (AMBS) Ltd	Honeybeerecruitment.com Ltd	Singapore Technologies Kinetics Ltd
Carillion Construction Ltd	Horizons Inc	SSAFA GSTT Care LLP
Centerprise International Ltd	IBM United Kingdom Ltd	SSE Energy Supply Ltd
CESG	Integrated Survivability Technologies Ltd	Steria Ltd
Chemring Countermeasures Ltd	Inteq Services Ltd	Thales Avionics Ltd
Chemring Defence UK Ltd	Iturri SA	Thales Training & Simulation (ACE) Ltd
Chemring Energetics UK Ltd	Junghans Microtec GmbH	The United Kingdom Hydrographic Office
Chevron Singapore Pte Ltd	KPMG LLP	Total Gas & Power Ltd
City of Westminster	Leigh Day and Co Solicitors	Touchstone Corporate Property Services Ltd
Coast To Coast Water Ltd <sup>4</sup>	Lend Lease Construction (EMEA) Ltd	Turbomeca SA
Cobham CTS Ltd	Lockheed Martin Overseas Corporation	University Hospital Birmingham NHS Foundation Trust
Communities & Local Government	Lockheed Martin UK Integrated Systems & Solutions Ltd	Vector Aerospace International Ltd
Compass Contract Services (UK) Ltd	Lockheed Martin UK Ltd	Veolia Water Nevis Ltd
Cranfield University	Marlborough Communications Ltd	Volkerfitzpatrick Ltd
CSC Computer Sciences Ltd	Mass Consultants Ltd	Watson Petroleum Ltd
Cubic Defense Applications Inc	Minerva Education & Training Ltd	Wiltshire Council
Defence Training Services Ltd	Monarch Airlines Ltd	XMA Ltd <sup>3</sup>
Deloitte LLP	NAMSA	
DHL Global Forwarding (UK) Ltd	Northrop Grumman Overseas Service Corporation	
£5 - £10 million (122 Organisations)		
3D Evolution Ltd	CQC Ltd	Mabanaft Deutschland GmbH
Actica Consulting Ltd	CTA International	MAN Diesel & Turbo UK Ltd
Advanced Material Engineering Pte Ltd	CTBTO Preparatory Commission	Mansell Construction Services Ltd
Aerazur SA	DB Schenker Rail (UK) Ltd	Marshall Specialist Vehicles Ltd
Airborne Systems Ltd	Defence Support (St Athan) Ltd	Meggitt Defence Systems Ltd
Akhter Computers PLC	Department for Business Innovation & Skills	Microsoft Ltd
Alert Communications Ltd	Department for Work & Pensions	Millbrook Proving Ground Ltd
Argyll & Bute Council	Divex Ltd	Ministry of Defence of the Republic of Latvia
Atlas Elektronik UK Ltd	Drumgrange Ltd	Mott Macdonald Ltd
Austin Hayes Ltd	Dytecna Ltd	MSI-Defence Systems Ltd
Babcock Integrated Technology Ltd	Eurocopter	NATO Maintenance & Supply Agency
Babcock International Group PLC	Europaams SAS	Navistar Defense UK Ltd
BAE Systems Surface Ships Integrated Support Ltd	FBS Ltd	NCS Fuel
Banner Business Services Ltd <sup>3</sup>	Flybe <sup>3</sup>	New Niederrhein Energie Und Wasser GmbH
Barloworld Handling Ltd	Forbo Flooring UK Ltd	Oberfinanzdirektion Niedersachsen
Beechwood Equipment Ltd	Foreign & Commonwealth Office Services	Oracle Corporation UK Ltd
BOC Ltd	Frazer-Nash Consultancy Ltd	PA Consulting Services Ltd
BP International Ltd	Gama Support Services Ltd	Pertemps Recruitment Partnership Ltd
Briggs Equipment UK Ltd	GE Aviation Systems Ltd	Polar Ship Invest II AS
British Gas Trading Ltd	General Dynamics Ordnance & Tactical Systems-Canada Inc	Portsmouth City Council
British International Helicopter Services Ltd	Gib Oil Ltd	Post Office Ltd
CAE (UK) PLC	Goodrich Control Systems	Powerfield Ltd
Capita Resourcing Ltd	Harvest Energy Ltd	Pricewaterhousecoopers LLP
Cargostore International Ltd	Ian Edgar (Liverpool) Ltd	Rafael Advanced Defense Systems Ltd
Carwood Motor Units Ltd	LA International Computer Consultants Ltd	Rail Settlement Plan Ltd
Cassidian Ltd	Land & Property Services	Richmondshire District Council
Castlerock Recruitment Group Ltd	Level Peaks Associates Ltd	Rockwell Collins UK Ltd
Caterpillar Shrewsbury Ltd	Lincad Ltd	Royal Air Force Museum
Compass Services (U.K.) Ltd	Lockheed Martin UK Strategic Systems Ltd	Royal Mail Group Ltd
Corporate Document Services Ltd	London & Regional (St Georges Court) Ltd	Ruslan International Ltd

Source: Defence Economics (Defence Expenditure Analysis)

Continued on next page

# Table 1.01.02

## Organisations paid £5 million or more by the Ministry of Defence in 2012/13 (continued)

VAT exclusive at Current Prices (£ million)

£5 - £10 million (122 organisations)		
S Macneillie & Son Ltd	SVO Vertrieb GmbH	United Tool Distributors Ltd
Saab AB	Systems Consultants Services Ltd	Vector Aerospace Engine Services UK Ltd
Seafast Logistics PLC	T.G. Power Ltd	Vega Consulting Services Ltd
Skylink Aviation Inc	Teachers Pensions	Viking Arms Ltd
SMIT International (Scotland) Ltd	Thales Training & Simulation (Eagle Middle Wallop) Ltd	Virgin Air <sup>3</sup>
Smiths Detection-Watford Ltd	Thales Training & Simulation (Merlin) Ltd	Volker Stevin Ltd
South Gloucestershire Council	The Maersk Company Ltd	West Berkshire District Council
Specialist Computer Centres PLC	The Soldiers Sailors Airmen & Families Assoc - Forces Help	Wiltshire & Somerset Colleges Partnership Ltd
Springfields Fuels Ltd	Tricomm Housing Ltd	Worldwide Language Resources Inc
Stadtwerke Boehmetal GmbH	Trimline Ltd	WYG Management Services Ltd
Supacat Ltd	TVS Supply Chain Solutions Ltd	

Source: Defence Economics (Defence Expenditure Analysis)

1. In previous versions of UK Defence Statistics the data for Debut Services Ltd and Debut Services (South West) Ltd has been combined. This year the two organisations are shown separately, in their appropriate payment band, to bring them in line with how other similarly connected organisations are displayed.
2. Reserve Forces & Cadets Associations includes payments made to: The United Kingdom Reserve Forces Association, The Council of Reserve Forces & Cadets Association, Sea Cadet Corps, The Army Cadet Force Association, Council of Reserve Forces & Cadets Association Pension Scheme, South East Reserve Forces & Cadets Association, Reserve Forces & Cadets Association for Greater London, Council for Cadet Rifle Shooting, The Highland Reserve Forces & Cadets Association, Reserve Forces & Cadets Association for Northern Ireland, The Reserve Forces & Cadet Forces Association for Yorkshire & The Humber, The Marine Society & Sea Cadets, West Midland Reserve Forces & Cadet Association, Lowland Reserve Forces & Cadets Association, Reserve Forces & Cadets Association for Wales, Reserve Forces & Cadet Association for East Anglia, Seaford College Combined Cadet Force, Swansea Sea Cadet Corps, Hereford Cathedral School Combined Cadet Force, Royal Marines Volunteer Cadet Corps, Haileybury Combined Cadet Force, King Edward VI Combined Cadet Force, Sir Roger Manwood's School Combined Cadet Force, HMS Collingwood Volunteer Cadet Corps, Cadet Training Centre Frimley Park, Hampshire & Isle of Wight Army Cadet Force & Cadet Training Centre Frimley Park.
3. Totals have been calculated by adding DBS Finance data to Government Procurement Card (GPC) payments.
4. Coast To Coast Water Ltd changed its name to Severn Trent Costain Water Ltd in October 2012. Payments to both these organisations appear in this table and the total should be added together to give a complete picture of expenditure on this service.

# Table 1.01.03

## Private Sector Companies paid £50 million or more by the Ministry of Defence in 2012/13: By Holding Company

This table shows a subset of the data contained within **Table 1.01.02**, providing a listing of the Private Sector Companies that were paid £50 million or more through DBS Finance in 2012/13.

This listing details the individual subsidiaries from **Table 1.01.02** '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 2012/13 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 1.01.02** as the sum of the annual payments made to the holding company will exceed the values for individual subsidiaries listed in **Table 1.01.02**. The composition of 'holding companies' in terms of their subsidiaries is derived as at **1 April 2013**. A listing of each company's subsidiaries and joint ventures, to whom payments have been made during 2012/13, 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 2013 position) directly from the truncated entries recorded on the DBS Finance database and may appear in a shortened format in places. Details of the exact amounts paid to the holding company and their subsidiaries can be found [here](#).

Direct payments made to international organisations such as the NATO Eurofighter Tornado Management Agency (NETMA) and Organisation for Joint Armaments Co-operation Executive Administration (OCCAR) are included in total MOD spending but it is not possible to assign these payments to individual contractors.

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

During work to construct the corporate structure of Serco for 2012/13 it was identified that in recent years payments to SD Marine Services Ltd and Defence Management (Watchfield) Ltd had been attributed to Serco Group PLC, whereas the ownership of these companies has rested with Barclays PLC. A further explanation of how this would have affected the positions of Serco Group PLC and Barclays PLC in previous UKDS publications can be found [here](#).

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 <sup>1</sup>	EADS NV <sup>2</sup>	Lockheed Martin Corporation <sup>3</sup>
BAE Systems PLC <sup>4</sup>	Finmeccanica SpA <sup>5</sup>	Rolls-Royce Holdings PLC <sup>6</sup>
Boeing Company (The) <sup>7</sup>	Hewlett-Packard Company <sup>8</sup>	
£250 - £500 million (7 Companies)		
Aspire Defence Holdings Ltd <sup>9</sup>	Jacobs Engineering Group Inc <sup>10</sup>	Thales SA <sup>11</sup>
BT Group PLC <sup>12</sup>	QinetiQ Group PLC <sup>13</sup>	
General Dynamics Corporation <sup>14</sup>	Serco Group PLC <sup>15</sup>	
£100 - £250 million (15 Companies)		
3i Group PLC <sup>16</sup>	EDF Electricité de France SA <sup>17</sup>	Raytheon Company <sup>18</sup>
Airtanker Holdings Ltd <sup>19</sup>	Interserve PLC <sup>20</sup>	Sodexo SA <sup>21</sup>
Barclays PLC <sup>22</sup>	Lend Lease Group <sup>23</sup>	SSE PLC <sup>24</sup>
BP PLC <sup>25</sup>	Marshall of Cambridge (Holdings) Ltd <sup>26</sup>	Terra Firma Capital Partners Ltd <sup>27</sup>
Carillion PLC <sup>28</sup>	Peel Ports Holdings (Ci) Ltd <sup>29</sup>	Turner & Co. (Glasgow) Ltd <sup>30</sup>
£50 - £100 million (19 Companies)		
Arthur J. Gallagher & Co <sup>31</sup>	KBR, Inc <sup>32</sup>	Royal Dutch Shell PLC <sup>33</sup>
Capita PLC <sup>34</sup>	Macquarie Group Ltd <sup>35</sup>	Saab AB <sup>36</sup>
Chapman Freeborn Holdings Ltd <sup>37</sup>	Modus Holdings Ltd <sup>38</sup>	Safran SA <sup>39</sup>
Cobham PLC <sup>40</sup>	Motor Oil (Hellas) Corinth Refineries SA <sup>41</sup>	Ultra Electronics Holdings PLC <sup>42</sup>
Computer Sciences Corporation <sup>43</sup>	NATS Holdings Ltd <sup>44</sup>	Volkswagen AG <sup>45</sup>
Foreland Holdings Ltd <sup>46</sup>	Northrop Grumman Corporation <sup>47</sup>	
HCR Group Holdings Ltd <sup>48</sup>	RMPA Holdings Ltd <sup>49</sup>	

Source: Defence Economics (Defence Expenditure Analysis)

- Babcock International Group PLC includes payments made to Ascent Flight Training (Management) Ltd, Babcock Aerospace Ltd, Babcock Communications Ltd, Babcock Dyncorp Ltd, Babcock Flagship 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 (Devonport) Ltd, Babcock Marine (Rosyth) Ltd, Babcock Naval Services Pension Scheme, Babcock Nuclear Ltd, Babcock Support Services Ltd, Babcock Training Ltd, BNS Nuclear Services 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, Rosyth Royal Dockyard Pension Scheme and VT Flagship Ltd.
- EADS NV includes payments made to Airbus Operations Ltd, Airbus UK Ltd, Atlas Elektronik UK Ltd, Cassidian Cybersecurity Ltd, Cassidian Ltd, Cassidian SAS, Cassidian Test & Services Ltd, Cassidian Test Engineering Services Ltd, CILAS, EADS Deutschland GmbH, EADS NV, Eurocopter, Eurocopter UK Ltd, Europaams SAS, Infoterra Ltd, MBDA UK Ltd, Paradigm Secure Communications Ltd, Paradigm Services Ltd and Vector Aerospace International Ltd.

3. 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 Corporation, Lockheed Martin Canada Inc, Lockheed Martin Corporation, Lockheed Martin Overseas Corporation, Lockheed Martin Sippican Inc, Lockheed Martin Systems Integration-OWEGO, Lockheed Martin UK Ampthill Limited, Lockheed Martin UK INSYS Ltd, Lockheed Martin UK Integrated Systems and Solutions Ltd, Lockheed Martin UK Limited, Lockheed Martin UK Strategic Systems Ltd, Raytheon/Lockheed Martin Javelin Joint Venture and Savi Technology Inc.
4. BAE Systems PLC includes payments made to 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 Ltd, BAE Systems Global Combat Systems Munitions Ltd, BAE Systems Haggblunds AB, BAE Systems Inc, BAE Systems Information & Electronic Systems Integration Inc, BAE Systems Insyte Ltd, BAE Systems Integrated System Technologies Ltd, BAE Systems Land Systems Pinzgauer Ltd, BAE Systems Marine 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, CTA International, Detica Ltd, Europaams SAS, IFS Defence Ltd and MBDA UK Ltd.
5. Finmeccanica SpA includes payments made to Agustawestland International Ltd, Agustawestland Ltd, Aviation Training International Ltd, DRS Technologies UK Ltd, Europaams SAS, MBDA UK Ltd, Selex Elsag Ltd, Selex Es Ltd, Selex Galileo Ltd, Selex Systems Integration Ltd and Vega Consulting Services Ltd.
6. Rolls-Royce Holdings PLC includes payments made to Genistics Limited, Industria De Turbo Propulsores S.A., Optimized Systems & 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 and Rolls-Royce Turbomeca Ltd.
7. Boeing Company (The) includes payments made to Aviation Training International Ltd, Boeing Defence UK Ltd, Continental Datagraphics Ltd, Jeppesen UK Ltd and The Boeing Company.
8. Hewlett-Packard Company includes payments made to Autonomy Systems Ltd, Hewlett-Packard Ltd, HP Enterprise Services Defence & Security UK Ltd and HP Enterprise Services UK Ltd.
9. Aspire Defence Holdings Ltd includes payments made to Aspire Consulting Ltd, Aspire Defence Ltd and Aspire Defence Services Ltd.
10. Jacobs Engineering Group Inc includes payments made to AWE Management Ltd, AWE PLC, Jacobs UK Ltd and Sula Systems Ltd.
11. Thales SA includes payments made to Europaams SAS, Quintec Associates Ltd, Thales Air Defence Limited, Thales ATM Ltd, Thales Avionics Electrical Systems, Thales Avionics Ltd, Thales Communications Inc, Thales E-Security Ltd, Thales Missile Electronics Ltd, Thales Naval Ltd, Thales Nederland BV, Thales Norway AS, Thales Optronics Ltd, Thales Systemes Aeroportes SA, 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.
12. BT Group PLC includes payments made to British Telecom Northern Ireland, British Telecommunications PLC, BT Payment Services Ltd, BT Redcare and Moorhouse Consulting Ltd.
13. QinetiQ Group PLC includes payments made to Boldon James Ltd, Graphics Research Corporation Ltd, QinetiQ Commerce Decisions Ltd, QinetiQ Group PLC, QinetiQ Ltd and QinetiQ Target Services Ltd.
14. General Dynamics Corporation includes payments made to Force Protection Europe Ltd, General Dynamics European Land Systems - Germany GmbH, General Dynamics Ordnance and Tactical Systems-Canada Inc, General Dynamics Santa Barbara Sistemas, General Dynamics Satellite Communication Services, General Dynamics United Kingdom Ltd, Jet Aviation AG and Kylmar (K M C) Ltd.
15. Serco Group PLC includes payments made to AWE Management Ltd, AWE PLC, NPL Management Ltd, Serco Group PLC, Serco Leisure Operating Ltd and Serco Ltd.
16. 3i Group PLC includes payments made to Carillion Enterprise Ltd, Environmental Scientifics Group Ltd, Modern Housing Solutions (Prime) Ltd and Ultralase Ltd.
17. EDF Electricité de France SA includes payments to EDF Energy 1, EDF Energy Customers PLC, Energy and SWEB Ltd.
18. Raytheon Company includes payments made to Diehl-Raytheon Systeme GmbH, Raytheon/Lockheed Martin Javelin Joint Venture, Raytheon BBN Technologies Corp, Raytheon Company and Raytheon Systems Ltd.
19. Airtanker Holdings Ltd includes payments to Airtanker Limited.
20. 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.
21. Sodexo SA includes payments made to Sodexo International FZE, Sodexo Prestige Limited, Sodexo Cyprus Ltd, Sodexo Defence Services Ltd, Sodexo Ltd, Sodexo Ltd MCTC (NP Funds), Sodexo Motivation Solutions UK Ltd and Sodexo Property Solutions Ltd.
22. Barclays PLC includes payments made to Alert Communications Ltd, Defence Management (Watchfield) Ltd, Develop Training Ltd, SD Marine Services Ltd and Xafinity Skillbase.
23. Lend Lease Group includes payments made to Debut Services (South West) Ltd, Debut Services Ltd and Lend Lease Construction (EMEA) Ltd.
24. SSE PLC includes payments made to Airtricity Energy Supply (Northern Ireland) Ltd, Airtricity Gas Supply (NI) Ltd, Pride (Serp) Ltd, Scottish & Southern Energy PLC, Southern Electric Gas Ltd, Southern Electric Power Distribution PLC, SSE Contracting Ltd, SSE Energy Supply Ltd, SSE Water Ltd and Swalec Gas Ltd.
25. BP PLC includes payments made to Aral AG, Aral Tankstelle-Ali Kilinc, BP International Limited, BP Marine Ltd, BP Oil International Ltd, BP Oil UK Ltd and British Pipeline Agency Ltd.

26. Marshall of Cambridge (Holdings) Ltd includes payments made to Marshall of Cambridge Aerospace Ltd, Marshall SDG Ltd, Marshall Specialist Vehicles Ltd and Slingsby Advanced Composites Ltd.
27. Terra Firma Capital Partners Ltd. includes payments made to Annington Property Ltd and Annington Receivables Ltd.
28. Carillion PLC includes payments made to Carillion (AMBS) Ltd, Carillion AM Government Ltd, Carillion Construction Ltd, Carillion Enterprise Ltd, Carillion Services Ltd, Holdfast Training Services Ltd, Modern Housing Solutions (Prime) Ltd, Schal International Management Ltd and TPS Consult Ltd.
29. Peel Ports Holdings (Ci) Ltd includes payments to A&P Group Limited, Cammell Laird Shiprepairers & Shipbuilders Ltd, Clydeport Operations Ltd, Port of Sheerness Ltd, The Manchester Ship Canal Company and The Mersey Docks & Harbour Co.
30. Turner & Co (Glasgow) Ltd includes payments made to Mitchell Diesel Ltd, T.G. Power Ltd, Team Q Maintenance Ltd, Turner Estate Solutions Ltd, Turner Facilities Management (Gibraltar) Ltd and Turner Facilities Management Ltd.
31. Arthur J. Gallagher & Co includes payments made to Gallagher Bassett International Ltd.
32. KBR, Inc includes payments to Fasttrax Ltd and Kellogg Brown & Root Ltd.
33. Royal Dutch Shell PLC includes payments made to Euroshell Deutschland GmbH, Shell Aviation Ltd, Shell Eastern Trading (PTE) Ltd, Shell UK Ltd, Shell UK Oil Products Ltd and Shell Western Supply and Trading Ltd.
34. Capita PLC includes payments made to Capita Business Services Ltd, Capita Health and Wellbeing Ltd, Capita Resourcing Ltd, Capita Secure Information Solutions Ltd, Capita Symonds Ltd, Firstassist Services Ltd, Micro Librarian Systems Holdings Ltd and NB Real.
35. Macquarie Group Ltd includes payments to Arqiva Limited, Atlantic Aviation SKF, Bristol Airport Ltd, Corona Energy Retail 1 Ltd, Corona Energy Retail 2 Ltd and Corona Energy Retail 4 Ltd.
36. Saab AB includes payments made to Saab AB, Saab AB (Publ), Saab AB Gripen, Saab Dynamics AB, Saab Technologies UK Ltd and Saab Training Systems AB.
37. Chapman Freeborn Holdings Ltd includes payments made to Chapman Freeborn Airchartering Ltd.
38. Modus Holdings Ltd includes payments made to Modus Services Ltd.
39. Safran SA includes payments made to Messier Services Ltd, Rolls-Royce Turbomeca Ltd, Sagem Defense Securite, Snecma SA, Snecma Services SA, Turbomeca SA, Turbomeca UK Ltd and Vectronix AG.
40. Cobham PLC includes payments made to Chelton Ltd, Cobham CTS Ltd, Cobham Flight Inspection Ltd, Cobham Mal Ltd, Cobham TCS Ltd, Credowan Ltd, FB Heliservices Ltd, FBS Ltd, Flight Refuelling Ltd, FR Aviation Ltd and Spectronic Denmark A/S.
41. Motor Oil (Hellas) Corinth Refineries SA includes payments made to Motor Oil (Hellas) Corinth Refineries SA.
42. Ultra Electronics Holdings PLC includes payments made to Ultra Electronics Ltd and Ultra Electronics Ocean Systems Inc.
43. Computer Sciences Corporation includes payments to CSC Computer Sciences Ltd and Landmarc Support Services Ltd.
44. NATS Holdings Ltd includes payments to NATS (En Route) PLC and NATS (Services) Ltd.
45. Volkswagen AG includes payments made to MAN Diesel & Turbo UK Ltd, MAN Truck & Bus Deuschlang GmbH and MAN Truck & Bus UK Ltd.
46. Foreland Holdings Ltd includes payments to Foreland Shipping Ltd.
47. Northrop Grumman Corporation includes payments made to Northrop Grumman Corporation, Northrop Grumman Information Technology International Inc, Northrop Grumman Mission Systems Europe Ltd, Northrop Grumman Overseas Service Corporation, Northrop Grumman Sperry Marine BV, Northrop Grumman Sperry Marine Ltd, Park Air Systems Ltd and Remotec UK Ltd.
48. HCR Group Holdings Ltd includes payments made to HCR Ltd.
49. RMPA Holdings Ltd includes payments made to RMPA Services PLC.

## Tables 1.01.04 Focus on Key Suppliers

**Table 1.01.04a** and **Charts 1.01.04 a-c** 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 2012/13. 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. It should be noted that during 2012/13 The Boeing Company replaced General Dynamics in the Top 10.

Full details outlining the methodology used to compile these charts are provided in the footnotes 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](#).

### Table 1.01.04a Change in MOD Expenditure with Holding Company: 2007/08 - 2012/13<sup>1,2,3,4,5,6,7</sup>

**Table 1.01.04a** 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 stayed largely consistent with around 40% of MOD business conducted with these 10 suppliers.

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 Serco and Thales have seen their share of MOD spending fall by the largest proportions with BAE Systems also dropping by 0.5 percentage points, although they remain the company with whom the MOD spends most money.

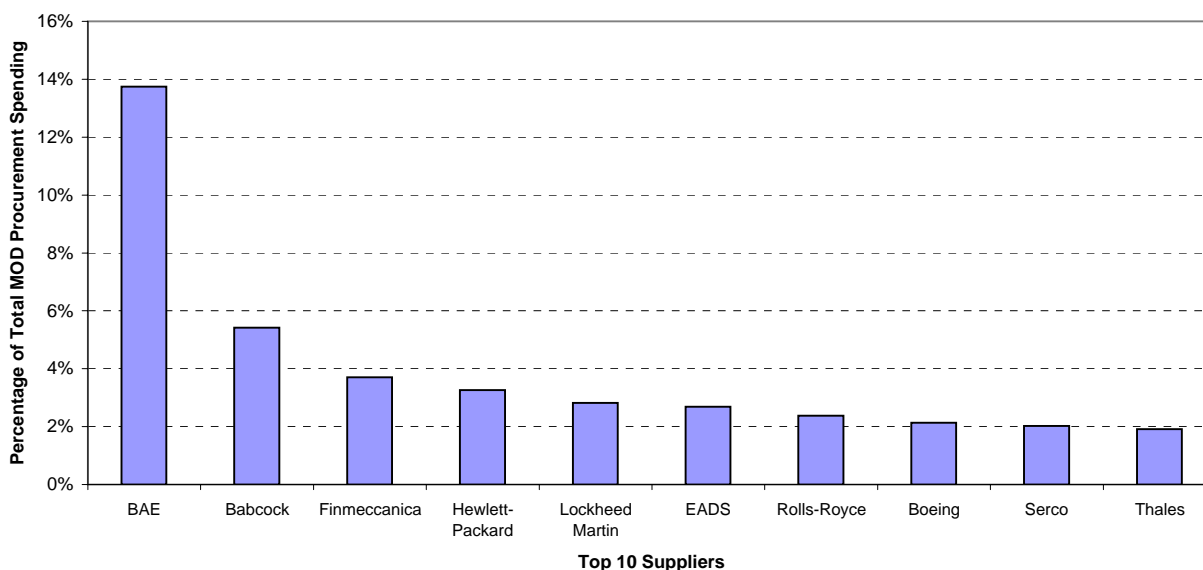
	Percentage of Total Procurement Spend		
	2007/08	2012/13	Percentage Point Change
<b>Total</b>	<b>39.8</b>	<b>40.1</b>	<b>0.3</b>
BAE Systems PLC	14.2	13.7	-0.5
Babcock International Group PLC	4.3	5.4	1.1
Finmeccanica SpA	4.0	3.7	-0.3
Hewlett-Packard Company/EDS <sup>7</sup>	3.1	3.3	0.2
Lockheed Martin Corporation	2.8	2.8	0.0
EADS NV	1.9	2.7	0.8
Rolls-Royce Holdings PLC	2.2	2.4	0.1
The Boeing Company	1.9	2.1	0.2
Serco Group PLC	2.7	2.0	-0.7
Thales SA	2.7	1.9	-0.8

Source: Defence Economics analysis derived from DBS Finance data sources

### Chart to 1.01.04a Proportion of MOD Payments to Top 10 Defence Suppliers in 2012/13: By Holding Company<sup>1,2,3,4,5,6</sup>

**Chart 1.01.04a** 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 1.01.02** for more information relating to the scope of payments made by DBS Finance.

BAE Systems PLC was by far the largest defence supplier in terms of annual payments made by the MOD, receiving just under 14% of all MOD procurement expenditure in 2012/13. The remaining nine suppliers in the top 10 achieved an individual share of MOD business ranging between 1.9 and 5.4%.



Source: Defence Economics analysis derived from DBS Finance data sources

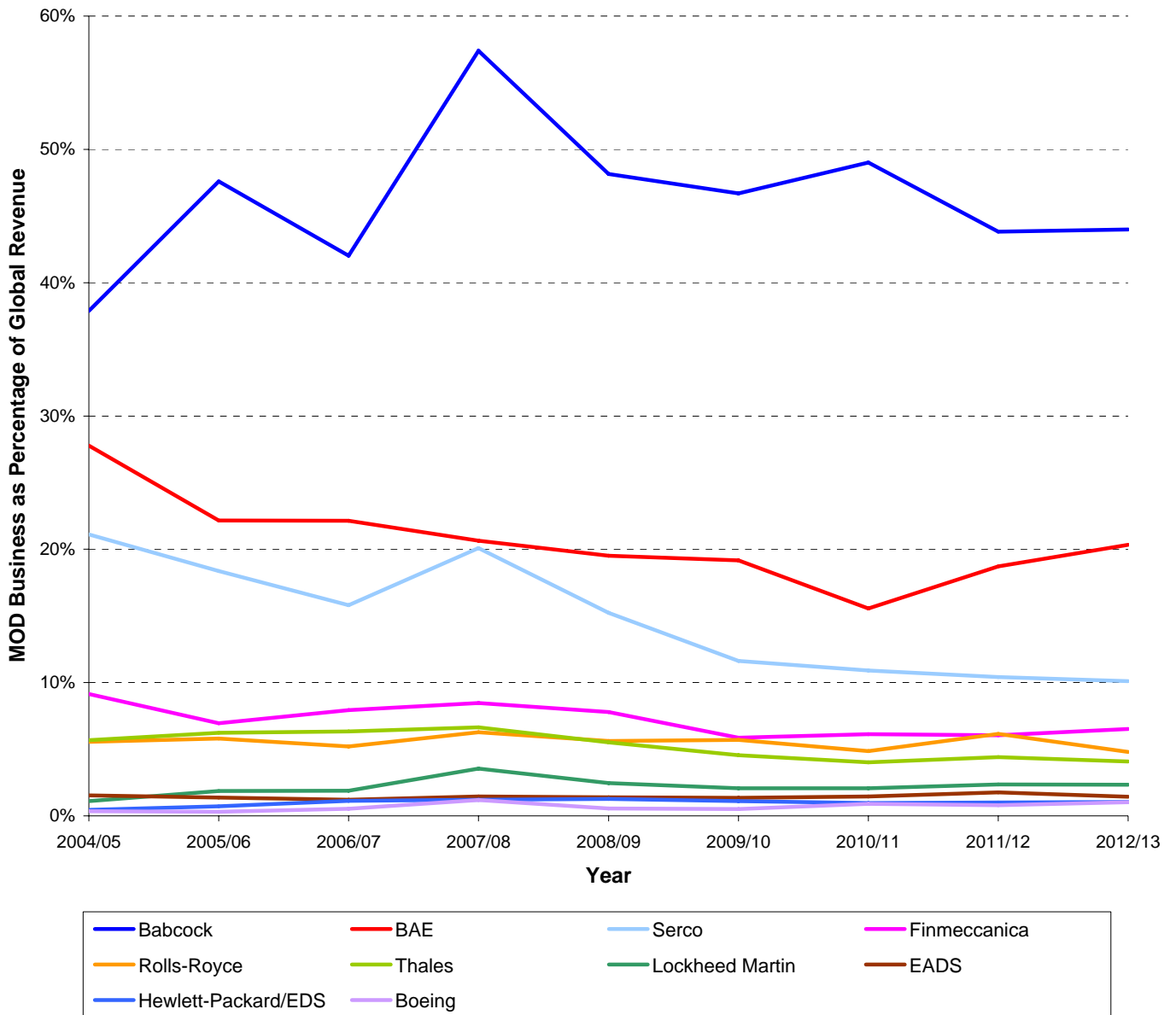
# Chart 1.01.04b

## Dependency of Top 10 Suppliers on MOD Business<sup>1,2,3,4,5,6,7</sup>

Chart 1.01.04b 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.



# Chart 1.01.04c

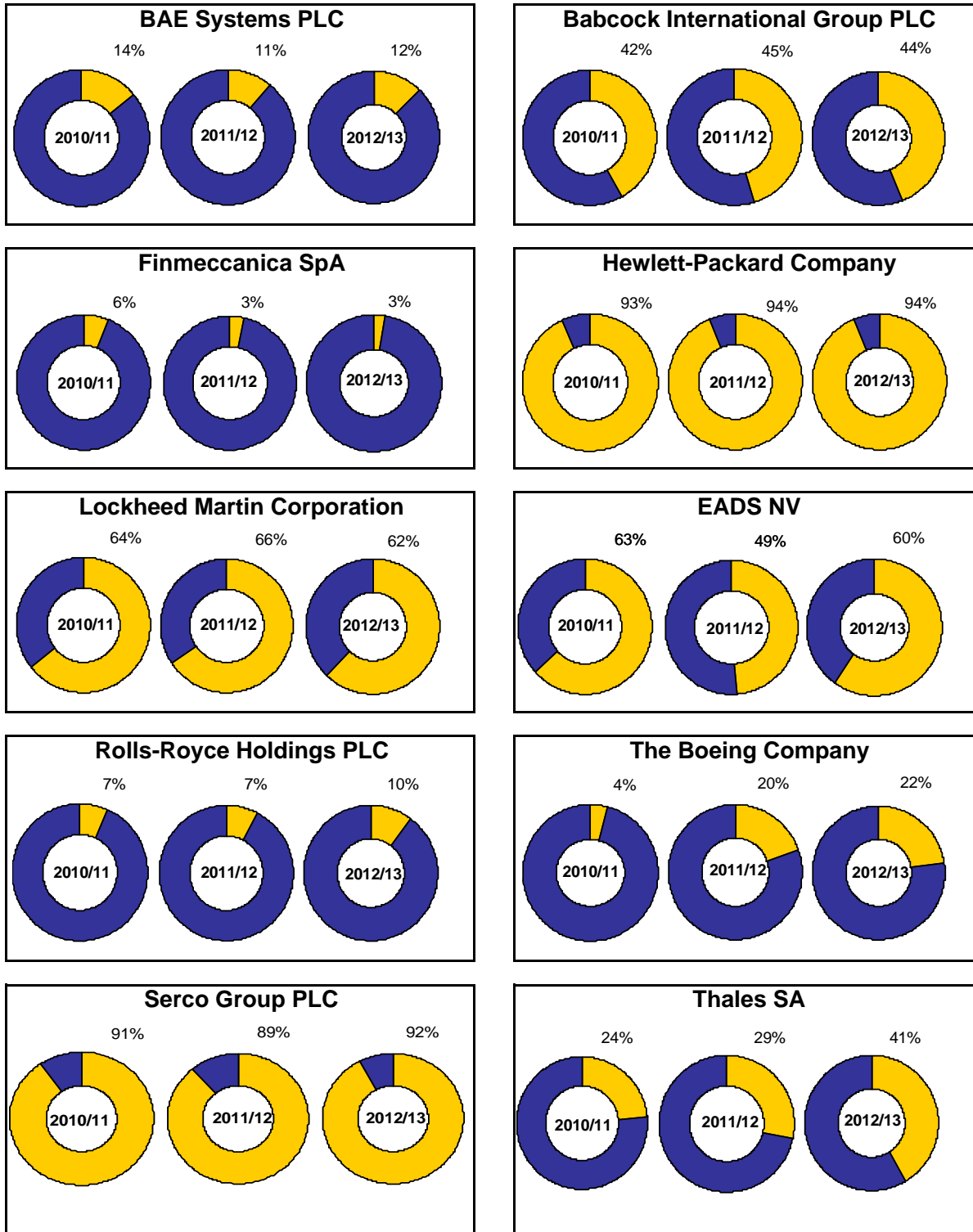
## Levels of Competitive Contracting with Key Suppliers 1,2,3,4,5,6,8

Chart 1.01.04c 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 service based companies such as Serco and Hewlett-Packard tender a higher proportion of their work 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 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: Defence Economics analysis derived from DBS Finance data sources



#### Footnotes to Table 1.01.04a and Charts 1.01.04a - 1.01.04c

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 Def Form 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), 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 OneSource 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 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 DBS Finance. Payments via international organisations such as the NATO Eurofighter Tornado Management Agency (NETMA), Organisation for Joint Armaments Co-operation Executive Administration (OCCAR) 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. Defence Economics 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.

# Table 1.01.05 New Contracts Placed: By Type

This table provides an analysis of new MOD contracts broken down by contract type. 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. Contracts have been included in the relevant financial year based on the start date of the contract as provided by the Def Form 57.

Prior to 2011 the data source for this table was the Def Form 132 but because of some concerns about data quality a decision was made 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, which shows details of new contracts and the value of amendments to existing contracts, can be found [here](#).

In order to provide a more timely estimate of the number and value of new contracts, the figures for 2012/13 were revised in October 2013 as part of a planned update to the bulletin, this update now includes late reported contracts added to the DBS Finance database.

The 2012/13 data shows a continued annual increase in the percentage number of new contracts let through competition. The value of contracts let in these categories can fluctuate and be affected by particularly large value contracts. In 2012/13 the Non-Competitive percentage value of the new contracts is particularly high and is caused by a number of high value equipment contracts being let with Rolls-Royce and BAE Systems.

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						
	2006/07 <sup>1</sup>	2007/08 <sup>1</sup>	2008/09 <sup>1</sup>	2009/10	2010/11 <sup>2</sup>	2011/12 <sup>2</sup>	2012/13 <sup>2</sup>
<b>Total Value of new MOD HQ Contracts Placed<sup>3</sup></b>	<b>19 827</b>	<b>21 769</b>	<b>18 319</b>	<b>9 372</b>	<b>7 235</b>	<b>9 214</b>	<b>6 050</b>
Percentage of Total Value:							
Competitive	63	66	43	25	48	56	38
Non-Competitive	35	31	55	73	36	40	56
Other <sup>4</sup>	2	3	2	3	16	4	5

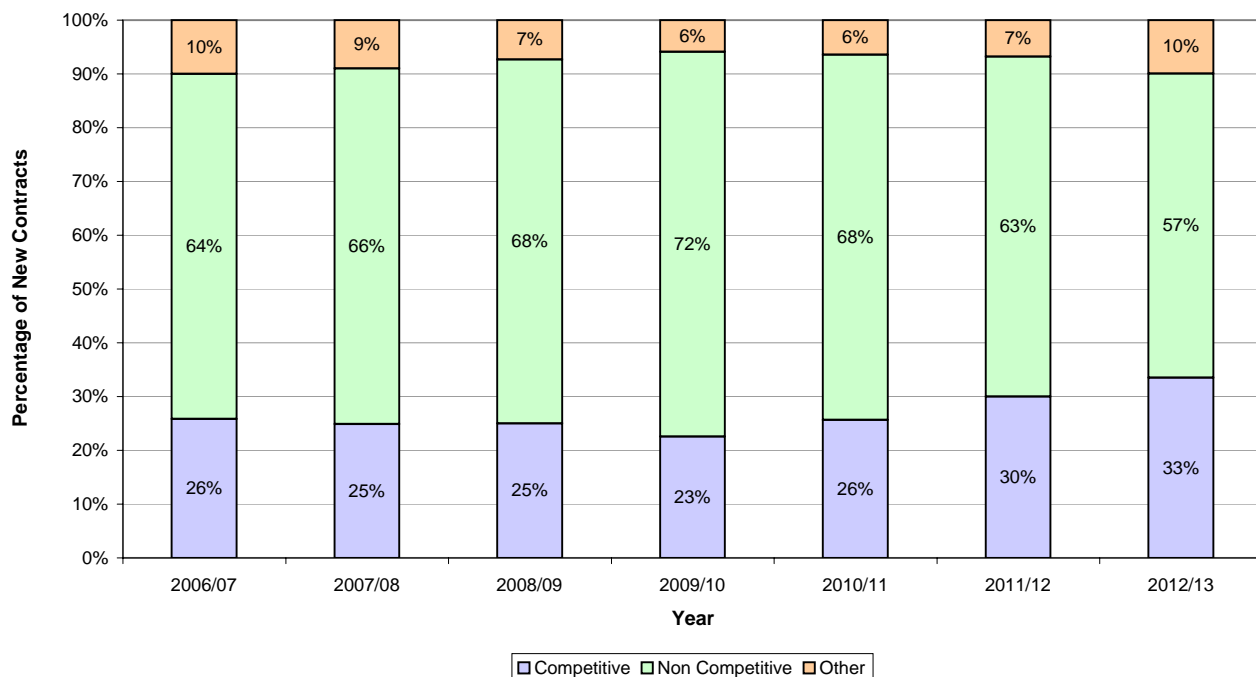
  

	Number/Percentage						
	2006/07	2007/08	2008/09	2009/10	2010/11 <sup>2</sup>	2011/12 <sup>2</sup>	2012/13 <sup>2</sup>
<b>Total Number of new MOD HQ Contracts Placed</b>	<b>8 782</b>	<b>8 471</b>	<b>8 083</b>	<b>8 012</b>	<b>6 424</b>	<b>4 598</b>	<b>3 312</b>
Percentage of Total Number:							
Competitive	26	25	25	23	26	30	33
Non-Competitive	64	66	68	72	68	63	57
Other <sup>4</sup>	10	9	7	6	6 <sup>†</sup>	7	10

Defence Economics (Defence Expenditure Analysis)

- 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 two non competitive contracts valued at a total of £6.1 billion, including £3.1 billion for the Future Aircraft Carrier, placed in 2008/09.
- Pan Government Enabling Contracts that appear on MOD systems but which will incur expenditure from Other Government Departments as well as from MOD, are excluded from the 2010/11 (69), 2011/12 (41) and 2012/13 (73) totals.
- Contract values have been taken from the DBS Finance database after the end of the Financial Year in which the contract started and in some cases the value of the contract may be higher at the point the data was extracted than when it was first set up. In a small number of cases, less than 1% of all contracts over the last 6 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.
- 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), so a Def Form 57 has not been raised.

## Chart to Table 1.01.05 New Contracts Placed: By Type



# Table 1.01.06 MOD Payments on Private Finance Initiative (PFI) Projects: 2012/13<sup>1</sup>

This table provides a listing of PFI commitments and payments made to each project by MOD during the financial year 2012/13. 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 March 2013 and payments data drawn from DBS Finance. **Table 1.01.06** presents PFI projects by payment groups with individual PFI projects being shown in **alphabetical order**. **Table 1.01.06a** shows PFI contracts where forecast payments of £25 million or over are due in 2013/14. 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)

<b>Over £50 million (8 Projects)</b>	
Allenby/Connaught	Main Building Refurbishment
Colchester	Provision of Marine Services (PMS)
Defence Fixed Telecommunications Service (DFTS)	Skynet 5
Future Strategic Tanker Aircraft (FSTA)	Strategic Sealift (Ro-Ro Ferries)
<b>£25 - £50 million (7 Projects)</b>	
"C" Vehicles	MOD-Wide Water and Wastewater (Project Aquatrine) - Package C
Attack Helicopters Training - Apache Simulator Training	Northwood Headquarters
Joint Services Command and Staff College	UKMFTS - Advanced Jet Trainer Ground Based Training Service (GBTE) <sup>2</sup>
MOD-Wide Water and Wastewater (Project Aquatrine) - Package A	
<b>£10 - £25 million (13 Projects)</b>	
Army Foundation College (AFC)	Medium Support Helicopter Aircrew Training Facility (MSHATF)
ASTUTE Class Training Service (ACTS)	MOD-Wide Water and Wastewater (Project Aquatrine) - Package B
Corsham	NRTA Fire Fighting Training Units (FFTU)
Defence Sixth Form College (DSFC)	Tomado GR4 Simulator
Devonport Support Services - ARMADA	Training Administration and Financial Management Information Systems (TAFMIS)
Field Electrical Power Supplies (FEPS)	Tri-Service White Fleet
Heavy Equipment Transporters (HET)	
<b>£5 - £10 million (7 Projects)</b>	
Bristol, Bath and Portsmouth Family Quarters	Naval Communications
Lynx Aircrew Training <sup>2</sup>	RAF Fylingdales (Power)
Marine Support to Range and Aircrew Services	Tri Service Materials Handling Service
Material Handling Equipment (MHE) - (Follow on)	
<b>Up to £5 million (11 Projects)</b>	
Central Scotland Family Quarters (HQ)	RAF Lyneham Sewerage
Defence Housing Executive - Information Systems (DOMIS)	RAF Sentry E3D Aircrew Training
Hawk Simulator	Tidworth Water & Sewerage (Thames Water)
Portsmouth Housing 2	Wattisham Married Quarters
RAF Cosford and Shawbury Family Quarters	Yeovilton Family Quarters
RAF Lossiemouth Family Quarters	

Source: MOD Private Finance Unit & Defence Economics (Defence Expenditure Analysis)

1. Expenditure may not be directly comparable to the planned unitary charge for 2012/13, 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 1.01.06a PFI Projects with Planned MOD Unitary Charge Payments over £25 million: 2013/14<sup>1,2</sup>

VAT exclusive at Current Prices (£ million)

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

Source: MOD Private Finance Unit & Defence Economics (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 2013/14, because unexpected additional works and services (albeit controlled and managed by agreed control procedures) may be incurred.

**Table 1.01.07 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](#).

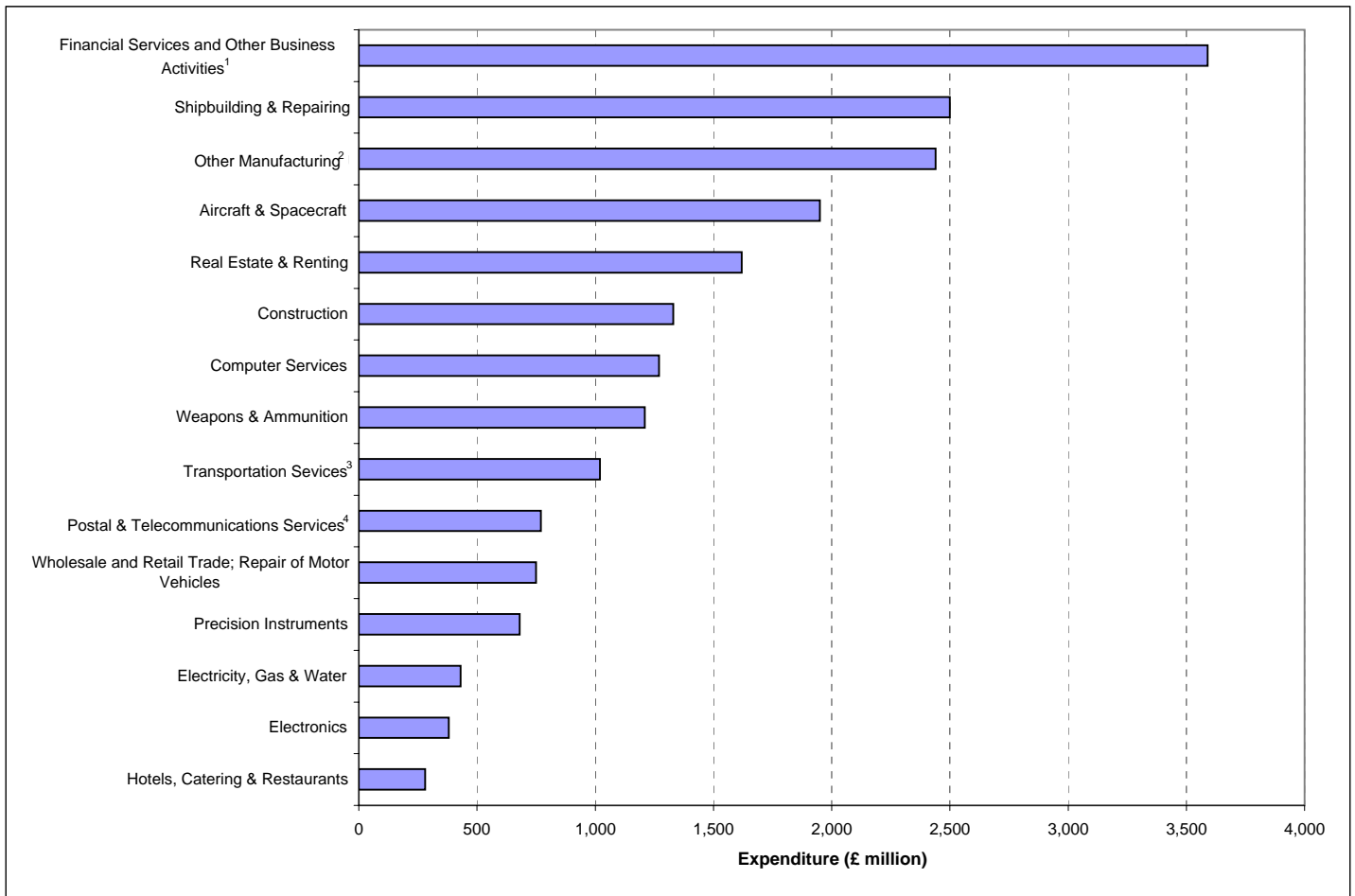
SIC(92)/SIC(03)/SIC(07) Section		VAT exclusive at Current Prices (£ million)						
		2005/06	2006/07	2007/08	2008/09 <sup>1</sup>	2009/10 <sup>2</sup>	2010/11	2011/12 <sup>3</sup>
<b>Total</b>		<b>16 030</b>	<b>16 490</b>	<b>16 450</b>	<b>18 540</b>	<b>20 590</b>	<b>20 430</b>	<b>20 220</b>
A, B	Agriculture, Fishing and Mining	-	-	-	-	-	-	-
C	Manufacturing, excluding those industries itemised below	1 740	1 640	1 910	2 350	2 460	2 430	1 820
	Weapons & Ammunition	1 030	1 080	900	1 030	1 720	1 480 <sup>4</sup>	1 210
	Data Processing Equipment	70	50	40	100	100	80	180
	Other Electrical Engineering	180	200	250	220	260	250	210
	Electronics	1 160	1 000	950	920	670	670	380
	Precision Instruments	750	600	530	540	690	720	680
	Motor Vehicles & Parts	330	300	320	490	450	410	230
	Shipbuilding & Repairing	1 100	1 150	1 110	1 250	2 290	2 900 <sup>5</sup>	2 500
	Aircraft & Spacecraft	1 730	1 960	2 100	2 480	2 640	2 140 <sup>6</sup>	1 950
D, E	Electricity, Gas & Water	260	280	220	350	400	350	430
F	Construction	1 310	1 380	1 270	1 680	1 640	1 770	1 330
G	Wholesale and Retail Trade; Repair of Motor Vehicles	180	230	280	330	350	420	750
H, I, J	Hotels, Catering & Restaurants	250	230	150	160	170	170	280 <sup>7</sup>
	Transport via Railways	70	70	80	80	60	50	100
	Other Land Transport (incl. via pipelines)	30	20	40	50	90	100	100
	Water, Air and Auxiliary/freight supply transportation	370	450	560	520	420	610 <sup>8</sup>	820
	Post & Courier Services	10	10	10	10	10	10	10
	Telecommunications	300	330	270	180	150	220	760
K, L, M, N, O, P Q, R, S, T	Financial Services, Business Activities, Education, Health, & Other Service Activities excluding those industries itemised below <sup>9, 10</sup>	2 800	2 880	2 670	2 510	2 590	2 200	3 590
	Real Estate & Renting	1 460	1 500	1 690	2 090	2 160	2 180	1 620
	Computer Services	930	1 110	1 120	1 190	1 250	1 270	1 270

Source: Defence Economics (Defence Expenditure Analysis)

- For 2008/09 onwards, industrial groupings are based on Standard Industrial Classification (SIC) 2007. 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.
- The large increase in 2009/10 is 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 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.
- A number of process refinements have been made to the 2011/12 data. The refinements, together with some reduced expenditure on goods and services, in specific industry sectors, means that there are some quite significant changes in several of the industry groupings. For more details please see Statistical Note to Table 1.01.07, which can be found [here](#).
- The reduction in expenditure in 2010/11 is driven by a fall in capital expenditure on a number of strategic weapons related contracts.
- The increase in 2010/11 is in part driven by high levels of expenditure related to the Future Aircraft Carrier contract and on other project costs related to Single Use Military Equipment.
- The reduction in expenditure in 2010/11 is largely driven by a fall in equipment support and other project costs related to Single Use Military Equipment. Decisions made under the last Strategic Defence & Security Review (SDSR) to cancel the Harrier and Nimrod equipment programmes, although partly accounted in these costs, have further reduced expenditure under this industry grouping.
- MOD has several large contracts for catering services, providing food and accommodation on MOD bases. Under the refined process, much of the expenditure for these contracts is allocated to the Hotel, Catering & Restaurants industry sector. Previously, expenditure on these contracts was allocated to other industrial groups.
- Increased expenditure in 2010/11 is largely driven by increased costs relating to travel and subsistence, and freight movements of equipment and personnel to and from Afghanistan.
- Includes MOD payments to AWE Management Ltd, who manage the Atomic Weapons Establishment on behalf of the MOD under a Government-owned/contractor-operated arrangement.
- The quality of data available for the service industries is insufficient to identify these SICs separately.

# Chart to Table 1.01.07

## Estimated Defence Expenditure Outturn in the UK during 2011/12: Breakdown by Industry Group



1. Includes 'Financial Services, Business Activities, Education, Health & Other Service Activities' from **Table 1.01.07**
2. Includes 'Manufacturing', 'Data Processing Equipment', 'Motor Vehicles & Parts' and 'Other Electrical Engineering' which are itemised separately in **Table 1.01.07**
3. Includes 'Transport via Railways', 'Other Land Transport (incl. via pipelines)' and 'Water, Air and Auxiliary/freight supply transportation' from **Table 1.01.07**
4. Includes 'Post & Courier Services' and 'Telecommunications' from **Table 1.01.07**

**Table 1.01.08**

**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.

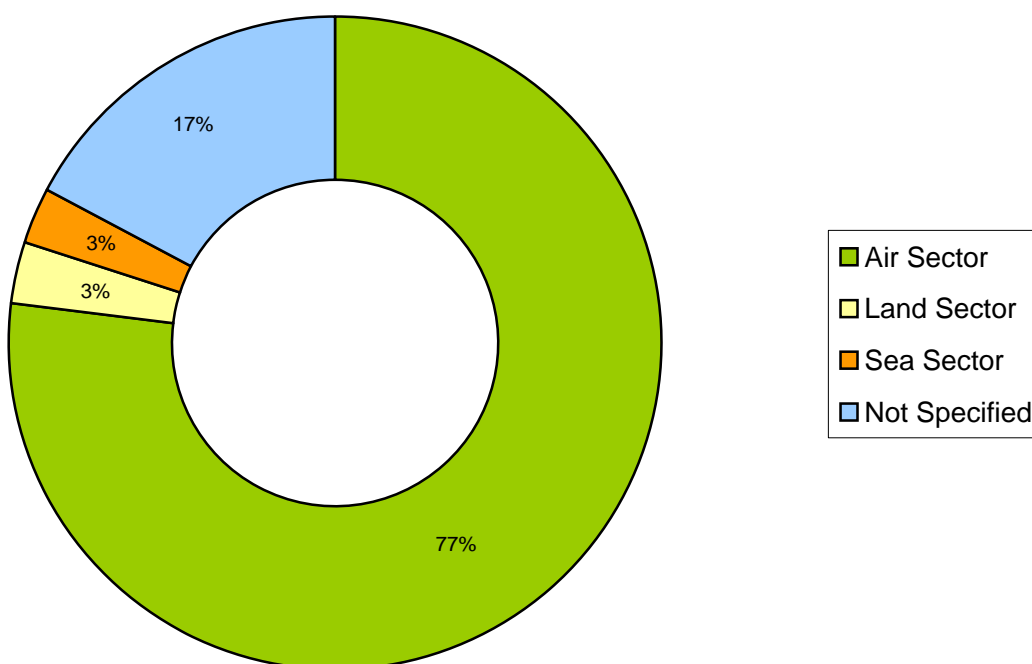
	Current Prices (£ million)								
	2000	2005	2006	2007 <sup>1</sup>	2008	2009 <sup>2</sup>	2010 <sup>3</sup>	2011	2012 <sup>4</sup>
<b>Identified Export Orders for Defence Equipment and Services</b>	<b>4 737</b>	<b>3 989</b>	<b>5 527</b>	<b>9 651</b>	<b>4 357</b>	<b>7 251</b>	<b>5 829</b>	<b>5 384</b>	<b>8 795</b>
Split by Equipment Type:									
Air Sector	3 501	2 491	4 133	7 525	2 940	5 263	3 941	3 170	6 768
Land Sector	616	584	670	762	447	940	514	521	260
Sea Sector	475	369	280	1 017	355	520	319	213	252
Not Specified <sup>5</sup>	145	546	444	347	615	528	1 056	1 481	1 516

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 increase in 2012 can be attributed to major orders for Hawk and Typhoon aircraft from Oman and Hawk aircraft from Saudi Arabia.
5. 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 1.01.08**

**Estimates of Identified Export Orders in 2012: Defence Equipment & Services**



# Table 1.01.09

## 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-UK 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.

	2000	Current Prices (£ million)								
		2005	2006	2007	2008 <sup>1</sup>	2009	2010	2011 <sup>2</sup>	2012	
<b>Net Balance</b>	<b>-1 633</b>	<b>-1 717</b>	<b>-1 979</b>	<b>-2 338</b>	<b>-3 061</b>	<b>-3 276</b>	<b>-3 170</b>	<b>II</b>	<b>-2 948</b>	<b>-3 030</b>
<b>Total Debits</b>	<b>1 840</b>	<b>2 152</b>	<b>2 471</b>	<b>2 763</b>	<b>3 366</b>	<b>3 619</b>	<b>3 504</b>	<b>II</b>	<b>3 249</b>	<b>3 289</b>
Expenditure <sup>3</sup>										
Germany	709	1 231	1 244	1 501	1 822	2 371	2 187	II	1 019	955
Other identified NATO countries	862	573	755	881	1 310	1 032	1 090	II	1 259	1 278
Mediterranean	130	182	226	175	92	88	86	II	195	214
Other areas	139	166	245	206	142	128	140	II	776	843
<b>Total Credits</b>	<b>207</b>	<b>435</b>	<b>492</b>	<b>425</b>	<b>304</b>	<b>343</b>	<b>334</b>	<b>II</b>	<b>302</b>	<b>259</b>
Receipts <sup>4</sup>										
Receipts from US Forces in UK	149	128	126	116	127	149	150	II	75	59
Other Receipts	58	307	366	309	177	194	184		227	200

Source: Defence Economics (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 increased the cost of purchasing these currencies during 2008 and second, an increase in expenditure in both currencies on Urgent Operational Requirements.
2. For more details about the break in series between 2010 and 2011 please see [Statistical Note to Table 1.16 of UK Defence Statistics 2012](#)
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.

## Glossary of Terms and Abbreviations

**AME** see **Departmental Annually Managed Expenditure**.

**Appropriation Accounts** report the expenditure outturn on a cash basis for the previous financial year for each vote. Under resource accounting, from 2000/01 they were replaced by **Resource Accounts Codes**.

**Appropriations-in-aid** are receipts used to offset expenditure. They generally arise from the provision of repayment services, the sale of surplus goods or of equipment purchased on behalf of the Defence Sales Organisation.

**Arms Length Bodies** from 2011/12, included within the Departmental Grouping are; the RAF Museum, the National Army Museum, the National Museum of the Royal Navy, the Royal Hospital Chelsea, the War Graves Commission, the Army Benevolent Fund, and the Council of Reserve Forces and Cadets Associations.

**Assets** can be financial or non-financial. Financial assets include monetary gold, bank deposits, IMF special drawing rights, loans granted bonds, shares, accounts receivable, and the value of the government's stake in public corporations. Non-financial assets consist of fixed capital (such as buildings and vehicles); stock, land and valuables.

**AUC** Assets Under Construction.

**Balance of Payments** MOD Balance of Payments (BoP) 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.

**Balance Sheet** The balance sheet is a financial statement showing the assets, liabilities, and net worth of a business on a specified date.

**BIS** The Department for Business, Innovation and Skills.

**Capital Consumption** is also called depreciation and represents the amount of fixed capital used up each year.

**CLoS** see **Clear Line of Sight**.

**Clear Line of Sight** The method for reporting and controlling defence spending changed in 2010/11 (for Budgets) and will change in 2011/12 (for Estimates & Accounts (Outturns)) following Treasury plans to simplify the control framework. The Clear Line of Sight (CLoS) Alignment Project aims to ensure consistency in presentation as well as promoting better value for money. See [Resource Accounting & Budgeting Section](#) in Chapter 1 of UK Defence Statistics for further information.

**Commodity Blocks** under Clear Line of Sight the main MOD expenditure categories are now presented in Commodity Blocks. These provide a more meaningful description of the Department's planned and actual spend and include categories such as Personnel Costs, Equipment Support Costs and Infrastructure Costs.

**Conflict Prevention** consists of early warning, crisis management, conflict resolution, peacemaking, peacekeeping and peacebuilding activity, and associated strengthening of international and regional systems and capacity. It includes expenditure in both programme and operational expenditure.

**Constant Prices** indicates a value from which the effects of inflation have been removed. The constant prices will refer to a year as the basis for the calculation, e.g. "constant 2001/02 prices".

**Cost of Capital Charge** is an annual non-cash charge applied to each departments' budget. It is currently 3.5% of the net assets of the department and is used to make departments aware of the full cost of holding assets. From 2010/11, following a change in accounting policy by HM Treasury, the notional Cost of Capital Charge is no longer included in departmental accounts.

**Current Expenditure** is the sum of expenditure on pay, and related staff costs, plus spending on goods and services. It is net of receipts from sales, excludes capital expenditure, but includes expenditure on equipment that can only be used for military purposes since that is counted as current expenditure. It differs from final consumption in that capital consumption is not included.

**Current Prices** See **Outturn Prices**.

**DASA** see **Defence Analytical Services and Advice**.

**DBS** see **Defence Business Services**.

**DBS Finance** provides expert information, advice and services to and on behalf of MOD business areas. They are responsible for payments to MOD suppliers totalling more than £27 billion a year, and for recovering £2 billion of receipts in respect of MOD invoices. See also **Defence Business Services**.

**DE&S** see **Defence Equipment & Support**.

**Defence Analytical Services and Advice (DASA)** was created in July 1992 and provides National Statistics on Defence and other corporate information, forecasting and planning and consultancy, advice and research services to the MOD. It ceased to be an Agency on 1 April 2008 and was renamed Defence Analytical Service and Advice. Following a further restructuring in Apr 2013 it was split into two directorates – Defence Statistics and Defence Economics. See also **Defence Economics**.



**Defence Budget** Under Cash Accounting, the amount of money planned to be spent during a financial year is the defence budget. Under Resource Accounting and Budgeting (RAB), the sum of resources planned to be consumed during a financial year is the defence budget. This *excludes* the additional expenditure on current operations that are funded from year to year by HM Treasury. See **Resource budgeting**.

**Defence Business Services** was established on 4 July 2011 to transform the delivery of corporate services to the Department. The services delivered initially include: Civilian HR, Finance, Information Systems and some Information Services. Also see **DBS Finance**.

**Defence Economics** From 1st April 13 the Directorate formerly known as DASA was split into two one-star analytical business areas within the Head Office Strategy Directorate - Defence Economics and Defence Statistics. Defence Expenditure Analysis (DEA) is part of the Economic Statistics & Equipment Support (ESES) Division within Defence Economics. See **Defence Analytical Services & Advice**.

**Defence Equipment & Support (DE&S)** At 1 April 2007, Defence Logistics Organisation and Defence Procurement Agency merged to form Defence Equipment & Support. DE&S equips and supports the UK's armed forces for current and future operations. It acquires and supports through-life, including disposal, equipment and services ranging from ships, aircraft, vehicles and weapons, to electronic systems and information services. DE&S satisfies ongoing requirements including food, clothing, medical supplies, maintenance and temporary accommodation, as well as operating HM Naval Bases and the joint supply chain for land, sea and air.

**Defence Science and Technology Laboratory (DSTL)** is a Trading Fund of the MOD created in July 2001. It supplies impartial scientific and technical research and advice to the MOD and other government departments.

**DEL** see **Departmental Expenditure Limit**.

**Departmental Annually Managed Expenditure** Departmental Annually Managed Expenditure is spending that is outside the **DEL**, but included in departmental budgets. This includes the provision for Armed Forces Pensions and non-cash items such as depreciation, cost of capital charges, and provision. Non-cash items were not subject to the same controls and are included in AME, but from 2003/04 they were also included as part of the DEL.

**Departmental Expenditure Limit** is a firm plan for three years for a specific part of a department's expenditure. In general the DEL will cover all running costs and all programme expenditure except, in certain cases, where spending is included in departmental AME because it cannot reasonably be subject to close control over a three year period. DELs are divided into current resource and capital budgets.

**Departmental Grouping** From 2011/12 the MOD accounting boundary now includes, not just the Core Department, but also the Departments' Arms Length Bodies. See **Arms Length Bodies**.

**Departmental Resource Accounts** The Department is required to prepare resource accounts for each financial year detailing the resources acquired, held, or disposed of, during the year, and the way it has used them during the year.

**Depreciation** is also termed capital consumption. Total Managed Expenditure (TME) includes public sector expenditure gross of the depreciation of capital assets used to produce non-market services. Public sector net investment deducts an aggregate charge for all depreciation (market and non-market) from gross capital spending.

**Donated Asset** the notional cost of a donated asset is now treated as income and not a credit to the reserves. This better reflects the receipt of an asset that is essentially free to the Department.

**DRAc** see **Departmental Resource Accounts**.

**DSTL** see **Defence Science and Technology Laboratory**.

**Enabling Contract.** A contract which, once initially set up, can be used to procure goods and services where requirements arise on a regular basis, combining the benefits of reduced process costs and enhanced buying power resulting from a consolidation of requirements.

**Estimated Prices** used in the Estimates presented to Parliament, they are forecasts of the prices expected to pertain when the expenditure occurs.

**Frascati Manual** is an internationally recognised methodology for collecting and using R&D statistics. It includes definitions of basic concepts, guidelines for collecting data and the classifications to be used in compiling statistics, which in turn allows for international comparisons to be made. See also **SSAP 13**.

**GDP** see **Gross Domestic Product**.

**GDP Deflator** see **Gross Domestic Product Deflator**.

**Gross Domestic Product** GDP (at market prices) is the value of goods and services produced within a country's borders in a year. Economic data are often quoted as a percentage of GDP to give an indication of trends through time and to make international comparisons easier.

**Gross Domestic Product Deflator** is an implicit price deflator for the Gross Domestic Product and is derived by dividing the estimate of GDP at current prices by the estimate of GDP at constant prices. The GDP Deflator is commonly used as a measure of inflation in the economy for the country to which it refers.

**Holding Company** refers to companies which are full or part owners of other companies. For example subsidiaries and joint ventures.

**Headquarter Contracts** Formal contracts set up by MOD which require a Def Form 57 to be raised.

**IFRS** see International Financial Reporting Standard.

**Intangible Assets** Most if not all of MOD's intangible assets are development costs. Under Statement of Standard Accounting Practice 13 (SSAP 13), pure research costs, and applied research costs which are not immediately linkable to a product cannot be put in the Balance Sheet as assets. Only development costs which lead to the introduction into service of new products or systems can be put on the Balance Sheet. SSAP 13 defines "development" as "use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed."

**International Financial Reporting Standard** are principle-based standards, interpretations and the framework adopted by the International Accounting Standards Board (IASB). See Resource Accounting & Budgeting Section in Chapter 1 of UK Defence Statistics for further information.

**Major Projects Report (MPR)** is the National Audit Office (NAO) annual report to Parliament on progress in equipment procurement. It provides a summary of each projects' current status and progress to date. It also provides comparisons on current forecast costs and in-service dates

**Market Exchange Rate** is a currency exchange rate determined largely by market forces.

**Ministry of Defence (MOD)** is the United Kingdom Government Department responsible for implementation of Government defence policy and is the headquarters of the British Armed Forces. The principal objective of the MOD is to defend the United Kingdom and its interests. The MOD also manages day to day running of the armed forces, contingency planning and defence procurement.

**Miscellaneous Contracts** The payment method employed by DBS Finance (the MOD's primary bill paying authority) for running service items such as the provision of utilities. Such items are covered by "miscellaneous" transactions where no 'MOD HQ Contract' exists. These agreements for goods or services will have been set up locally between the MOD Branch and the supplier, and are legally binding.

**MOD** see **Ministry of Defence**.

**NAO** see **National Audit Office**.

**National Audit Office (NAO)** scrutinises public spending on behalf of Parliament. It is totally independent of Government and audits the accounts of all government departments and agencies as well as a wide range of other public bodies. It reports to Parliament on the economy, efficiency and effectiveness with which government bodies have used public money.

**NATO** North Atlantic Treaty Organisation.

**NATO Eurofighter and Tornado Management Agency (NETMA)** is the prime contractor for the Eurofighter Weapon System. The arrangements for the management of the Eurofighter programme were set out in the NATO Charter dated 18 December 1995 in which the international management agencies of the Tornado and Eurofighter programmes were integrated into a single agency, NETMA. This NATO agency is essentially a multi-nation HQ project office for these two collaborative projects involving the UK, Germany, Italy and Spain. In the UK, Eurofighter is now called 'Typhoon'.

**NCR** see **Net Cash Requirement**.

**NDPB** see **Non Departmental Public Bodies**

**Near Cash** describes departmental resource budgets less non-cash charges. The main non-cash charges currently included in budgets are depreciation and impairments, cost of capital, stock write-off, national audit fees, bad debts, profit and loss on disposal of fixed assets and movement in provisions. The term near cash is used rather than cash because it remains on an accruals basis and does not reflect the timing of actual cash payments.

**Net Cash Requirement (NCR)** is the amount of actual money that MOD requires from the government in order to fund its activities, it takes account of the movements in working capital levels (debtors, creditors and stocks) but not non-cash costs.

**NETMA** see **NATO Eurofighter and Tornado Management Agency**.

**Non-Cash Items** in Annually Managed Expenditure (AME) include various notional transactions such as depreciation and cost of capital that appear in the operating cost statement under RAB and which are recorded in AME for the period of the Spending Review, rather than in DEL.

**Non-Current Assets**, previously called Fixed Assets, is the term used to describe the assets owned by MOD, with the assets being valued on an annual basis and updated each year using indexation.

**Non Departmental Public Bodies** are the National Museum of the Royal Navy, National Army Museum, and Royal Air Force Museum. From 2011/12 these are included as **Arm's Length Bodies** within the **Departmental Grouping**.

**Novated Contract** A contract which has been taken on by a new Contractor/Supplier following an agreement with the original owner of the contract.

**OCCAR (Organisation Conjointe de Cooperation en Matiere d'Armement) – the Organisation for Joint Armaments Co-operation** was originally set up in November 1996 by France, Italy, Germany and the UK with the aim of improving the efficiency and lowering the cost of managing co-operative defence equipment programmes involving European nations (e.g. A400M). Belgium and Spain are also now members.

**OECD** Organisation for Economic Co-operation and Development.

**Office for National Statistics (ONS)** is responsible for the production of a wide range of independent economic and social statistics, to improve our understanding of the United Kingdom's economy and society, and for planning the proper allocation of resources, policy-making and decision-making. It is the executive office of the UK Statistics Authority, a non-ministerial department which reports directly to Parliament. ONS is the UK Government's single largest statistical producer.

**ONS** see **Office for National Statistics**.

**Operating Cost Statement** is the statement in departmental resource accounts that shows the current income and expenditure on an accrual basis. It is similar to the profit and loss statement on commercial accounts. Now called the Statement of Comprehensive Net Expenditure (SOCNE).

**Outturn** and **Estimated Outturn** describes expenditure actually incurred, whereas estimated outturn describes estimated expenditure on the basis of actual expenditure to date.

**Outturn Prices** are the prices of the period when the expenditure actually occurred; also described as **Current Prices**.

**Parliamentary Annual Estimates** The 'Main Estimates' start the supply procedure and are presented to Parliament around the start of the financial year to which they relate. Main Estimates are contained in the annual Departmental Reports and can be found on departmental websites.

**PES** Public Expenditure Survey.

**PESA** see **Public Expenditure Statistical Analyses**.

**PFI** see **Private Finance Initiative**.

**Pink Book** Detailed annual estimates of the UK Balance of Payments including estimates for the current account (trade in goods and services, income and current transfers), the capital account, the financial account and the International Investment position.

**PPP** see **Purchasing Power Parity**.

**Private Finance Initiative (PFI)** is a system for providing capital assets for the provision of public services. Typically, the private sector designs, builds and maintains infrastructure and other capital assets and then operates those assets to sell services to the public sector. In most cases, the capital assets are accounted for on the balance sheet of the private sector operator.

**Public Expenditure Statistical Analyses (PESA)** is a compendium that gathers recent outturn data, estimated outturns for the latest year, and spending plans over the entire range of UK public expenditure.

**Purchasing Power Parity (PPP)** is a method of measuring the relative purchasing power of different countries' currencies over the same types of goods and services. Because goods and services may cost more in one country than in another, PPP allows us to make more accurate comparisons of standards of living across countries. The estimates use price comparisons of comparable items but since not all items can be matched exactly across countries and time, the estimates are not always "robust."

**QinetiQ** Formerly part of the Defence Evaluation and Research Agency (DERA). From July 2001 a limited company, QinetiQ, is still partially owned by the MOD.

**R&D** Research and Development.

**RAB** see **Resource Accounting, Resource Budget, and Resource Budgeting**.

**Real Defence Spending** are Defence Spending figures adjusted for the effect of general price inflation relative to a base year, as measured by the GDP market price deflator.

**Resource Accounting** is the accounting system that has been used since 2001/02 to record expenditure in the departmental accounts and which replaced cash accounting. It applies Generally Accepted Accounting Practice (GAAP) used in private industry and other Government departments to departmental transactions. Spending is measured on an accruals basis.

