



Ministry
of Defence



UNITED KINGDOM DEFENCE STATISTICS 2012

CHAPTER 1

Finance

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DASA (WDS) | tel: (020)78078792 | fax: (020)72180969 | mil: 9621 78792
MOD Main Building, Floor 3 Zone K, Whitehall, London, SW1A 2HB
email: DASA-enquiries-mailbox@mod.uk web: <http://www.dasa.mod.uk>



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CHAPTER 1 – FINANCE

INTRODUCTION

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

Key Points

Departmental Resources

- In 2011/12, Defence Spending (Resource DEL plus Capital DEL minus Depreciation and Impairments) totalled £37.2 billion.
- In 2011/12 Defence was estimated to be the fourth highest area of Government expenditure (Resource DEL plus Capital DEL plus AME) behind Work and Pensions, Health and Education. This continues the position of recent years.
- In 2011/12 the main area of Resource expenditure was personnel (£12.8 billion) and the main area of Capital expenditure was Single Use Military Equipment (£5.3 billion), which largely consists of major weapons platforms under construction.
- Estimated MOD Equipment Expenditure for 2011/12 was £15.3 billion. Around £6.7 billion of this spend was on Capital Expenditure whilst £6.3 billion was on Equipment Support. The remaining £2.3 billion was on Research & Development (R&D) as reported in the Annual Report & Accounts..
- As at 31 March 2012, the total net value of MOD Non-Current Assets was £120.8 billion. The largest category of assets was Single Use Military Equipment (£34.6 billion).
- The value of land & buildings owned by the MOD as at 31 March 2012 totalled £25.7 billion.
- In 2010/11, MOD net expenditure on R&D activity, identified as being FRASCATI compliant, totalled nearly £1.7 billion, down just over 3% on the figure reported in 2009/10. Net expenditure on Research was down £41 million (7%) and Development was down £18 million. Just over 90% of this was spent on R&D work undertaken outside of the department (extramurally).
- In 2011/12 MOD earned just over £1.4 billion in revenue which is broadly in line with previous years.

Defence Inflation Estimates

- Defence inflation was 3.4% in 2011/12, averaging 3.7% over the period 2005/06 to 2011/12. In 2011/12, defence inflation was higher than the GDP deflator, but lower than RPIX.

Industry

- In 2010/11, the MOD spent just over £20.4 billion with UK Industry, this represents a small nominal decrease of £160 million from the 2009/10 figure. Expenditure in the Weapons & Ammunition, and Aircraft & Spacecraft industry sectors fell in 2010/11, caused mainly by a fall in equipment support and other projects costs associated with Single Use Military Equipment. Expenditure increases in the Shipbuilding & Repairing sector were primarily driven by increases related to the Queen Elizabeth Class Aircraft Carrier contracts. When compared to 2005/06 the Industry Groups with the largest % increases were Wholesale, Retail & Repair of Motor Vehicles and Shipbuilding & Repairing. The largest % drop is in Electronics.
- Manufacturing attracted just over half of MOD expenditure with UK industry.

- In 2011/12 just over 40% of total MOD procurement expenditure was with 10 suppliers. The largest of these suppliers was BAE Systems. Service based companies tendered a higher proportion of their work from competitively let contracts, in comparison to 'traditional' defence firms.

Trade

- Identified UK export orders of defence equipment and services were estimated to be just under £5.4 billion in 2011, which is 8% lower than the figure reported for 2010. Although the UK did not win any major platform orders in 2011, ongoing core business was robust.
- In 2011, the MOD's estimated Balance of Payments for Trade in Services was just under £3.0 billion in deficit, made up of £3.2 billion debits and just over £0.3 billion credits. This deficit is similar to that reported in recent years. However within this there has been a large reduction in Germany debits and a substantial increase in debits within other areas. This follows the identification, in 2011, of new data sources, which have allowed for the better identification of destination country's transactions. More details on these changes can be found within the **Statistical Note for Table 1.16.**

Contracts

- In 2011/12 MOD HQ placed around 4,600 new contracts with a collective value of around £9.2 billion.
- The number of new contracts placed in 2011/12 has fallen by nearly 30% from 2010/11, although the value of the new contracts placed has risen by over 25%. Although no contracts valued at over £700m were let during 2011/12 there was an increase in contracts valued at over £300m, where 9 were let in 2011/12 compared to 3 in 2010/11. These contracts included the purchase of 14 new Chinook helicopters, the procurement of 4 new refuelling tankers for the Royal Fleet Auxiliary (RFA) and the upgrade of the warrior armoured vehicle.
- Competitive contracts accounted for about a third of new contracts let by number and over a half by value.
- The largest post Main-Gate equipment project in 2011 by value was the Typhoon and Typhoon Future Capability Programme with a forecast cost of £18.2 billion.

International Defence

- In 2011/12, the MOD spent just under £3.8 billion on conflict prevention worldwide. The net additional cost incurred by the MOD as a result of operations in Afghanistan was just under £3.5 billion.
- In 2011 the UK remained the second largest military spender in NATO after the USA¹ (using comparisons based on constant prices and exchange rates).
- The UK remains one of only three NATO countries which meet the NATO target of spending the equivalent of 2% or more of GDP on Defence. The others are USA and Greece. In 2011, France fell below the NATO target for the first time.
- In 2011, the UK was the fourth largest military spender, accounting for nearly 4% of worldwide military spend, behind the USA, China and Russia (using comparisons based on market exchange rates). The UK was fifth, based on purchasing power parity comparisons, after USA, China, India and Russia.

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

Changes from UK Defence Statistics 2011

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

New Additions

- In Departmental Resources a new **Table 1.9** has been introduced, which shows External Assistance expenditure by category. This data was first displayed in the Transparency Supplement in UKDS 2011.
- In Departmental Resources a new **Table 1.10** has been added. The table shows selected Finance related Input indicators published by MOD in the Quarterly Data Summaries. This information was first displayed in the [Transparency Supplement in UKDS 2011](#).
- No tables have been removed but the addition of new **Tables 1.9** and **Table 1.10** means that all subsequent tables, starting with Defence Inflation, have been renumbered since UKDS 2011.

Data and Methodology Changes

- This year the Annual Report & Accounts (AR&A) will show expenditure for the first time by Commodity Blocks. This is in line with Central Government accounting guidance. Some of the Commodity Block headings will be similar to headings used in previous versions of Table 1.3 but many of the previously used headings will disappear. Table 1.3 from UKDS 2011 will be reproduced in UKDS 2012 as Table 1.3a but will not be updated. A new Table 1.3b has been added and shows 2011/12 data, by Commodity Block, with numbers taken from the AR&A. Next year the new Table 1.3b will become Table 1.3. A link has been included to a mapping document that will indicate into which Commodity Block the old categories have been subsumed. A full explanation of the move to Commodity Block reporting can be found in the [Resource Accounting & Budgeting section](#).
- **Table 1.6** (MOD Fixed Assets) – This table has been renamed MOD Non-Current Assets and now includes a four year time series. Data broken down by Top Level Budget (TLB) is not available for the reasons set out below in relation to the discontinued **Table 1.5**.
- **Table 1.19 and 1.19a** (Organisations paid over £5 million and Private Sector Companies paid over £50 million) – These 2 tables now include links to spreadsheets that show the actual amounts of money paid to each organisation with the totals rounded to the nearest £1 million. Information about some companies has been redacted in line with agreed Cabinet Office guidance set out as part of Government Transparency.

Discontinued Tables

- **Table 1.5** (MOD Resources by Budgetary Areas) has been retained in UKDS 2012 but has not been updated with 2011/12 data. The reason for this is that TLB breakdowns are no longer published in the MOD AR&A. DASA has been directed that this information should not be published externally in any other publication. More information on this change can be found in the [Resource Accounting & Budgeting section](#).

Useful Links

UKDS 2012 can be found at the DASA MOD website address:

<http://www.dasa.mod.uk/modintranet/UKDS/UKDS2012/ukds.php?PublishTime=09:30:00>

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

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

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

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

- [The Defence Plan 2010-2014](#) (June 2010)
- [The Ministry of Defence Annual Report & Accounts 2011-12 \(Dec 2012\)](#)
- [HMT Public Spending Statistics - July 2012](#)
- [MOD Business Plan 2011-2015](#)
- [MOD Quarterly Data Summaries \(QDS\)](#)

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

<http://www.mod.uk>

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

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RESOURCE ACCOUNTING & BUDGETING

Government Accounting under RAB

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

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

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

Box 1: What is the DEL?

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

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

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

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

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

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

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

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

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

Two stage implementation of RAB

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

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

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

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

Factors affecting Cash to RAB data consistency

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

For changes to the MOD accounts that have affected data in the UKDS tables prior to 2011/12 click [here](#)

Changes to the MOD Accounts for 2011/12

The following changes in accounting policies, estimates and conventions in 2011/12 have affected the presentation of data in **Tables 1.1, 1.3b, 1.4, 1.5, 1.6, 1.8 and 1.9**:

- **Breakdown by Top Level Budget (TLB) is no longer published:** The Defence Board reviews performance and allocates resources at an aggregated level, varying their mix to meet prioritised changes in activities which, in combination, deliver defence capability. Although the Department is organised into separate budgetary areas for financial management purposes e.g. procurement and equipment support, Navy Command, Land Forces and Air Command, it is only by combining the activities undertaken by each of these budgetary areas that the Department is able to deliver its principal output of meeting UK defence commitments. The wider departmental group includes charities e.g. Service museums and the Commonwealth War Graves Commission; these are not considered material to the delivery of defence capability. Therefore, on the basis that the Department's business output is not organised on any specific geographic, economic, regulatory, product or service basis, it is deemed appropriate to treat it as a single operating segment.
- **Breakdown of Resource & Capital DEL and AME by Commodity Blocks:** Under Clear Line of Sight (CLoS), the main MOD expenditure categories are now presented as Commodity Blocks. This provides a more meaningful description of the Department's planned and actual spend, which enables a clearer understanding of the MOD's plans and expenditure over the Spending Review period. Some Commodity Block categories now include a wider range of Resource Account Codes

than have previously been included (for example in Equipment Support and Depreciation/Impairments) and this has, in some cases increased the reported numbers and make a comparison of the information over time more difficult. For more detail on the move to Commodity Blocks please click [here](#).

- **Changes to the Statement of Parliamentary Supply** include presentation of the Summary of Resource Outturn by voted/non-voted Departmental Expenditure Limit (DEL) rather than by Request for Resources (RfR). There were previously 3 RfRs; normal MOD business (RfR1), operations (RfR2) and war pension and benefits (RfR3). The prior year comparator figures in the Statement have been restated to reflect: the inclusion of Arm's Length Bodies within the accounting boundary, the change in accounting treatment for donated assets and the transfer of Met Office to BIS.
- **Changes to the Accounting Boundary:** From 2011/12 HM Treasury required the Department to produce its Accounts based on two regimes - 'Departmental Grouping' and the 'Core Department'. Under CLoS definitions, the Accounting Boundary now includes the Department's Arms Length Bodies (ALBs) i.e. 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. This is known as the 'Departmental Grouping'. Full details of the entities within the Departmental Group Accounting Boundary are given at [Note 30](#) of the Accounts. This inclusion of ALBs will have a minor impact on the comparability of the time series data presented in **Tables 1.1, 1.3b, 1.4, 1.5, 1.6, 1.8 and 1.9**.
- **Donated Assets:** 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.
- **Statement of Comprehensive Net Expenditure:** The method of analysing the Statement of Comprehensive Net Expenditure between administration and programme costs has been revised, see [Note 1.2 of the Accounts](#).
- **Statement of Internal Control:** The Statement of Internal Control has been replaced by the Governance Statement to encourage entities to focus more specifically on key organisational concerns.
- **MOD Fixed Assets:** Fixed Assets are now referred to as Non-Current Assets in the Accounts.

For further information relating to these and other changes, please refer to the [Notes to the Accounts](#) published on **pages 114-171** of the MOD Annual Report & Accounts 2011/12.

Time series data presented in UKDS reflect the accounting regime adopted in the reporting year. They have not been recast on current or future accounting structures (e.g. Clear Line of Sight).

Further information

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

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

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DEPARTMENTAL RESOURCES

Overview

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

IMPORTANT NOTE: Please refer to the Resource Accounting & Budgeting section to view information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLOs) Alignment project and recent accounting changes for 2011/12, which have led to presentational changes to the reporting of MOD accounts. These and other changes to the Government accounting framework will mean that the presentational challenges currently faced with reporting defence expenditure are likely to continue for the foreseeable future.

Section Contents

Table 1.1 presents changes in defence expenditure over time.

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

Table 1.3a gives a breakdown of defence expenditure outturn by main area from 2004/05 to 2010/11.

Table 1.3b give a breakdown of defence expenditure by Commodity Block from 2011/12.

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

Table 1.5 presents the MOD resources by budgetary area up to 2010/11.

Table 1.6 details net book values for MOD Non-Current Assets for the last four years.

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

Table 1.8 provides a breakdown of the revenue earned by MOD.

Table 1.9 details MOD expenditure on External Assistance by category.

Table 1.10 shows information relating to MOD finance related Input Indicators

Key Points

Defence Spending (Tables 1.1)

- In 2011/12, Defence Spending (Resource DEL plus Capital DEL minus Depreciation and Impairments) totalled £37.2 billion.

- In 2011/12, the outturn against the Departmental Expenditure Limits (DEL) was £47.0 billion. The Resource DEL accounted for £38.0 billion of the 2011/12 expenditure, whilst the Capital DEL accounted for £9.0 billion.

Comparison with other Government Departments (Table 1.2)

- In 2011/12 Defence was estimated to be the fourth highest area of Government expenditure (Resource DEL plus Capital DEL plus AME) behind Work and Pensions, Health and Education. This continues the position of recent years.

Defence Expenditure by Commodity Block (Resources) (Table 1.3b)

- In 2011/12 the main area of Resource expenditure was personnel (£12.8 billion).
- In 2011/12 the main area of Capital expenditure was Single Use Military Equipment (£5.3 billion), which largely consists of major equipment projects under construction.

Estimated MOD Equipment Expenditure (Table 1.4)

- Estimated MOD Equipment Expenditure for 2011/12 was £15.3 billion. Around £6.7 billion of this spend was on Capital Expenditure whilst £6.3 billion was on Equipment Support while the remaining £2.3 billion was on Research & Development.

Non-Current Assets (Table 1.6)

- As at 31 March 2012, the total net value of MOD Non-Current Assets was £120.8 billion. The largest category of assets was Single Use Military Equipment (£34.6 billion) which is broadly similar to previous years.
- The value of land & buildings owned by the MOD totalled £25.7 billion.

Research & Development (Table 1.7)

- In 2010/11, MOD net expenditure on R&D activity totalled £1.7 billion (down just over 3% in nominal terms on 2009/10), comprising £0.5 billion on Research and £1.2 billion on Development. Just over 90% of this was spent on R&D work undertaken outside of the department (extramurally).

External Income earned by MOD (Table 1.8)

- In 2011/12 MOD earned just over £1.4 billion in revenue which is broadly in line with previous years.

External Assistance (Table 1.9)

- In 2011/12 MOD expenditure on External Assistance fell to £19 million from the £26 million reported in 2010/11.

Data Quality

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

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Table 1.1 Defence Expenditure Outturn¹

This table shows the changes in Defence expenditure over time following the introduction of Stage 2 **Resource Accounting & Budgeting (RAB)**. Under Stage 1 RAB, introduced in 2001/02, non-cash costs such as Depreciation and Cost of Capital charge were held under AME, and did not form part of the Resource Departmental Expenditure Limit (RDEL). This changed under Stage 2 RAB when non-cash costs moved to the Resource DEL. In order to give a single measure of spending on public services under full resource budgeting, the Defence Spending line is presented as the sum of the resource and capital budgets, net of Depreciation and Impairments, and from 2009/10 Fixed Assets Written On/Off have also been excluded. Following the introduction of reporting by Commodity Block, in 2011/12, the scope of categories included in Depreciation and Impairments has been widened further now including Stock Written off. This reflects the resources required plus the net investment in them, but avoids double counting the writing down of the existing capital stock and the cash outlay on new assets.

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

The data are derived directly from the **MOD Departmental Resource Accounts**.

Please refer to the **Resource Accounting & Budgeting section** to view important information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLoS) Alignment project and recent accounting changes for 2011/12, which have led to presentational changes to the reporting of MOD accounts.

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

This table includes expenditure on Conflict Prevention.

This table is a National Statistic.

| | 2000/01 | Cash | RAB Stage 2 | | | | | | Clear Line of Sight | |
|---|---------|------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|
| | | → | → | | | | | | → | |
| Inclusive of non-recoverable VAT at Current Prices (£ million) | | | | | | | | | | |
| | | | Outturn 2004/05 | Outturn 2005/06 | Outturn 2006/07 | Outturn 2007/08 | Outturn 2008/09 | Outturn 2009/10 | Outturn 2010/11 | Outturn 2011/12 |
| Defence Spending² | * | II | 32 515 | 33 164 | 34 045 | 37 387 | 38 579 II | 40 246 II | 39 461 II | 37 169 |
| Departmental Expenditure Limits | 23 552 | II | 38 323 | 39 751 | 40 654 | 43 634 | 45 473 II | 47 647 II | 48 463 II | 46 994 |
| Resource DEL³ | .. | II | 31 798 | 32 911 | 33 457 | 35 689 | 36 715 II | 38 572 II | 39 084 II | 37 980 |
| of which: | | | | | | | | | | |
| Depreciation/Impairments/Fixed Assets Written On/Off ⁴ | * | II | 5 808 | 6 587 | 6 609 | 6 247 | 6 894 II | 7 401 II | 9 002 II | 9 825 |
| Cost of Capital Charge ⁵ | * | II | 3 026 | 3 106 | 3 242 | 3 371 | 3 626 II | 3 828 II | * II | * |
| Capital DEL⁶ | .. | II | 6 525 | 6 840 | 7 197 | 7 945 | 8 758 II | 9 075 II | 9 379 II | 9 014 |
| Annually Managed Expenditure^{7,8,9} | .. | II | 908 | 890 | 582 | 510 | 214 II | 2 417 II | 7 881 II | 957 |
| Cash | 23 552 | II | * | * | * | * | * II | * II | * II | * |
| Net Cash Requirement | .. | II | 29 524 | 30 603 | 31 454 | 33 486 | 36 431 II | 37 425 II | 37 645 II | 37 608 |
| Defence Spending² at Constant 2011/12 Prices¹⁰ | * | II | 38 425 | 38 316 | 38 304 | 41 042 | 41 225 II | 42 369 II | 40 384 II | 37 169 |

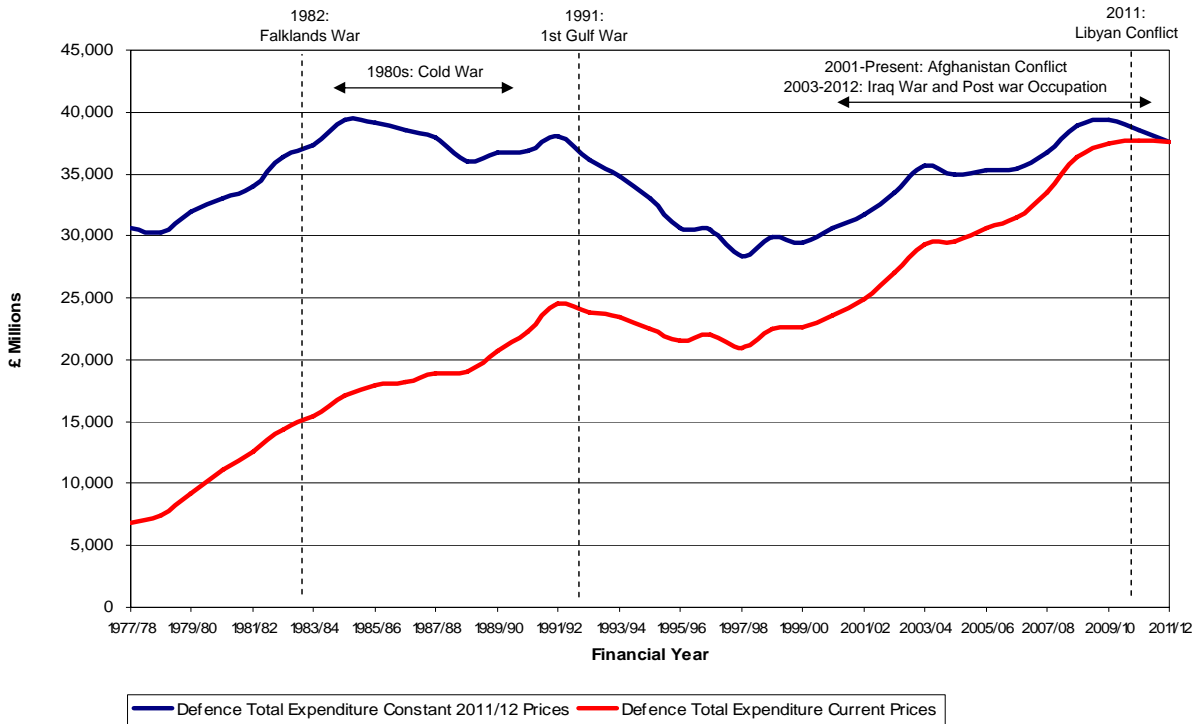
Source: DASA(Defence Expenditure Analysis) and Defence Resources

- The table includes both programme and operational expenditure on conflict prevention.
- Also referred to as Total DEL, Defence Spending in 2004/05 to 2008/09 is the sum of the Resource DEL plus Capital DEL minus Depreciation and Impairments, and from 2009/10 Fixed Assets Written On/Off have also been removed from the Total DEL figure. From 2011/12 the Depreciation/Impairments figure now includes Stock written off. This is consistent with HM Treasury guidance.
- Resource DEL includes operating cost items such as pay, equipment support costs, fuel and administrative expenditure, as well as non-cash items such as Depreciation and the Cost of Capital charge on the Department's net assets plus stock and fixed asset write offs.
- Under HM Treasury guidance, from 2009/10 elements of Impairments are now scored under Annually Managed Expenditure (AME). Impairments are defined as an unexpected or sudden decline in the service utility of a capital asset, such as a factory, property or vehicle. This could be the result of physical damage to the asset, obsolescence due to technological innovation, or changes to the legal code. Impairments can be written off. By their nature, impairments are market driven and cannot be controlled hence why they are scored in AME. The increase in RDEL Depreciation in 2009/10 is due to the write-off of a number of MOD fixed assets.
- More information on the removal of Cost of Capital from the 2010/11 Resource DEL figures can be found in the **Resource Accounting & Budgeting section**.
- Capital DEL includes expenditure on the purchase of fixed assets (ships, tanks, planes, buildings etc).
- Annually Managed Expenditure includes only demand led items such as war pensions.
- The large increase in AME in 2009/10 is mainly due to the movement of Impairments from Resource DEL to Annually Managed Expenditure following guidance issued by HM Treasury.
- Further details of the large increase in AME in 2010/11 can be found in the **Resource Accounting & Budgeting section**
- Conversion to constant 2011/12 prices uses the forecast GDP deflator series published by **HM Treasury** dated 27 September 2012.

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Chart to Table 1.1 UK Defence Expenditure: 1977/78 to 2011/12^{1,2,3}



1. Figures presented in the chart are Cash Figures until 2000/01. From 2001/02 onwards the Net Cash Requirement has been used.
2. Conversion to constant 2011/12 prices uses the forecast GDP deflator series published by [HM Treasury](#) dated 27 September 2012.
3. All historical data are sourced from Table 1.1 of UK Defence Statistics.

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Table 1.2 Public Expenditure by Departmental Grouping

This table (taken from Table 1.3 and Table 1.6 of **Public Spending Statistics: July 2012** produced by HMT) examines the expenditure on defence within the wider public expenditure framework. It presents Departmental Expenditure Limits (Resource and Capital) and Annually Managed Expenditure (AME) by departmental groupings.

It is not possible to show figures for all individual departments separately and so departments are grouped broadly on the basis of ministerial responsibilities. A detailed list of departmental groupings can be found in **PESA 2012 Annex B (Cm8376)**

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

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

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

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

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

This table is a National Statistic.

| | Current Prices (£ billion) | | | | Provisional Outturn 2011/12 |
|--|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|--------------------------------|
| | Outturn 2007/08 ¹ | Outturn 2008/09 ¹ | Outturn 2009/10 ¹ | Outturn 2010/11 ¹ | |
| Total Resource DEL | 300.1^f | 313.3^f | 333.2^f | 345.8^f | 340.7 |
| <i>Of which:</i> | | | | | |
| Education | 44.9 | 46.9 ^f | 49.6 | 51.4 ^f | 51.4 |
| NHS (Health) | 82.6 | 89.0 | 95.8 | 99.0 | 101.6 |
| Communities and Local Government | 22.8 | 24.7 | 25.5 | 26.0 | 26.6 |
| Home Office | 8.9 ^f | 9.3 ^f | 9.5 | 9.3 ^f | 8.8 |
| Defence | 31.8 | 32.7 | 34.9 | 39.0 ^f | 37.7 |
| Work and Pensions | 8.0 | 7.9 | 8.8 | 8.8 | 7.5 |
| | | | | | |
| | Current Prices (£ billion) | | | | Provisional Outturn 2011/12 |
| | Outturn 2007/08 ¹ | Outturn 2008/09 ¹ | Outturn 2009/10 ¹ | Outturn 2010/11 ¹ | |
| Total Capital DEL | 44.8 | 48.5 | 57.0 | 49.8^f | 42.2 |
| <i>Of which:</i> | | | | | |
| Education | 5.2 | 5.5 | 7.4 | 7.1 | 5.1 |
| NHS (Health) | 4.0 | 4.4 | 5.2 | 4.2 | 3.8 |
| Communities and Local Government | - | 0.1 | 0.3 | -0.1 | - |
| Home Office | 0.8 ^f | 0.8 | 1.0 | 0.7 | 0.5 |
| Defence | 8.5 ^f | 8.9 ^f | 9.1 ^f | 9.3 ^f | 9.0 |
| Work and Pensions | 0.1 | 0.1 | 0.3 | 0.3 | 0.3 |
| Departmental Expenditure Limits (RDEL + CDEL)² | 344.9^f | 361.8^f | 390.1^f | 395.7^f | 382.9 |
| | | | | | |
| | Current Prices (£ billion) | | | | Provisional Outturn 2011/12 |
| | Outturn 2007/08 ¹ | Outturn 2008/09 ^{1,3} | Outturn 2009/10 ¹ | Outturn 2010/11 ^{1,4} | |
| Total Departmental AME | 224.2^f | 361.0^f | 264.9^f | 170.7^f | 254.5 |
| <i>Of which:</i> | | | | | |
| Education | 10.7 | 10.7 | 10.4 | -10.5 ^f | 11.7 |
| NHS (Health) | 13.9 | 15.0 | 16.2 | -11.4 | 19.6 |
| Communities and Local Government | 0.8 | 0.7 | 0.3 | 1.1 | 0.7 |
| Home Office | 0.4 | 0.7 | 0.7 | 0.9 | 1.1 |
| Defence ⁵ | 5.9 | 6.2 ^f | 7.9 | -0.9 ^f | 7.9 |
| <i>Of which: Defence (Excluding AFPS)⁵</i> | 0.5 | 0.2 | 2.4 | 7.9 | 1.0 |
| Work and Pensions | 127.5 | 135.5 | 146.7 | 151.5 | 159.3 |
| Total departmental spending (RDEL + CDEL + AME)¹ | 569.1^f | 722.8^f | 655.0^f | 566.3^f | 637.4 |

Source: HMT Public Spending Statistics: July 2012 (Table 1.3 and Table 1.6)

1. For 2007-08 to 2009-10 the changes to Resource DEL and Departmental AME are mainly due to the Department of Business, Innovation and Skills revising non-cash outturn data in respect of student loans. For 2010-11 data has been revised as final outturn replaces provisional estimates. In respect of Departmental AME for 2010-11 the data includes outturn data from the Northern Ireland Executive to reflect the scoring of provisions for public service pensions.
2. The figures here are different from Total DEL in Public Spending Statistics: July 2012, which presents Total DEL as RDEL plus CDEL less depreciation.
3. For more information relating to the increase in Government AME in 2008/09 please refer to the main findings in the Departmental Resources section.
4. In the June 2010 Budget Statement it was announced that the Government would use the CPI rather than the RPI for the indexation of public service pensions. This change has been recognised as a negative past service cost in 2010/11 in accordance with IAS 19 and explains the negative numbers appearing in the 2010/11 AME figures.
5. Previously the figures for Defence's departmental AME were adjusted to remove contributions to the Armed Forces Pensions Scheme. This table now aligns with the presentation in Public Spending Statistics 2012 and the Budget Report (March 2011, HC836) and includes the Armed Forces Pensions Scheme.
6. The figures for Defence (excluding AFPS) align with data displayed in **Tables 1.1, 1.3a, 1.3b and 1.5** and exclude contributions to the Armed Forces Pensions Scheme.

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

Table 1.3a contains the same data that was published in Table 1.3 of UKDS 2011 and has not been updated. From 2011/12 the MOD reports expenditure against Commodity Blocks and these headings, although similar in some instances, are not directly comparable to the previously used Resource DEL and Capital DEL categories. Expenditure by Commodity Block for 2011/12 can be found in Table 1.3b and is taken from the 2011/12 Annual Report & Accounts. The mapping of the Commodity Blocks to the previous categories can be found [here](#). More details about the move to Commodity Blocks can be found in the [Resource Accounting & Budgeting section](#)

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

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

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

This table is a National Statistic.

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

Source: DASA(Defence Expenditure Analysis) and Defence Resources

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

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Table 1.3b Defence Expenditure by Commodity Block

This table shows a breakdown of Resource & Capital DEL and AME by Commodity Block. Under Clear Line of Sight (CLOs), the main MOD expenditure categories are now presented as Commodity Blocks. This provides a more meaningful description of the Department's planned and actual spend, which enables a clearer understanding of the MOD's plans and expenditure over the Spending Review period. For more detail on the move to Commodity Blocks please click [here](#).

Please refer to the **Resource Accounting & Budgeting section** to view important information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLOs) Alignment project and recent accounting changes for 2011/12, which have led to presentational changes to the reporting of MOD accounts.

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

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

This table is a National Statistic.

Inclusive of non-recoverable VAT at Current Prices (£ million)

| | Outturn 2011/12 |
|---|--------------------|
| Defence Spending | 37 169 |
| Departmental Expenditure Limits (DEL) | 46 994 |
| Cash Resource DEL | 37 980 |
| Personnel Costs | 12 846 |
| of which: | |
| Service Personnel Costs ¹ | 10 101 |
| Civilian Personnel Costs ² | 2 745 |
| Infrastructure Costs ³ | 4 580 |
| Inventory Consumption ⁴ | 2 535 |
| Equipment Support Costs ⁵ | 6 256 |
| Other Costs & Services ⁶ | 1 850 |
| Receipts & Other Income ⁷ | -1 327 |
| Depreciation & Impairment ⁸ | 9 825 |
| Cash Release of Provisions ⁹ | 348 |
| Research & Development Costs ¹⁰ | 833 |
| Global Pool | 46 |
| Arm's Length Bodies ¹¹ | 187 |
| Capital DEL¹² | 9 014 |
| Single Use Military Equipment ¹³ | 5 284 |
| Other (Fiscal) ¹⁴ | 3 883 |
| Asset/Estate Disposal Costs | - 150 |
| New Loans and Loan Repayments | - 5 |
| Arm's Length Bodies | 2 |
| Annually Managed Expenditure (AME) | 957 |
| Depreciation & Impairment | 510 |
| Provisions | - 460 |
| Cash Release Of Provisions | - 345 |
| Capital Spending in AME | - 10 |
| Movement on Fair Value of Financial Instruments | 347 |
| War Pensions Benefits | 916 |

Source: DASA(Defence Expenditure Analysis) and Defence Resources

1. Military and other ranks pay and other allowances; SCAPE; Employer's National Insurance Contributions (ERNIC).
2. Civilian pay and other allowances; pension contributions; Employer's National Insurance Contributions (ERNIC).
3. Property management; service charges; IT & communications costs; utilities costs.
4. Munitions; stores; fuel (marine & aviation); clothing; other materials consumed e.g. stationary, sundries, general stores etc.
5. Equipment support costs, including leases & hire charges for plant, machinery and transport.
6. Travel & subsistence; professional services & fees; training.
7. Receipts from various sources; costs recoveries; dividends; interest.
8. Depreciation & impairments on Non-Current Assets (Property, SUME, dual purpose).
9. Nuclear and non nuclear provisions e.g. staff redundancies, legal costs, environmental, etc.
10. Research and Development expenditure is incurred mainly for the future benefit of the Department. Such expenditure is primarily incurred on the development of new Single Use Military Equipment (SUME) and on the improvement of the effectiveness and capability of existing Single Use Military Equipment.
11. Army Benevolent Fund; Council of Reserve Forces and Cadet Associations; Royal Hospital Chelsea; National Army Museum; RAF Museum; National Museum of the Royal Navy; Commonwealth War Graves Commission.
12. Expenditure on the acquisition of Non-Current Assets.
13. Single Use Military Equipment (SUME) are assets which only have a military use, such as tanks and fighter aircraft. Dual use items i.e. those that also have a civilian use are recorded under the other category.
14. Expenditure on Property, Plant and dual use military equipment that could be used by civilian organisations for the production of goods and services.

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Table 1.4 Estimated MOD Equipment Expenditure¹

This table presents estimates of MOD equipment expenditure broken out by the main categories of expenditure. Aggregate MOD equipment expenditure here has been used to indicate expenditure on acquisition, maintenance, repair and update of items such as plant, machinery, vehicles and fighting equipment plus associated Research & Development, and expenditure on administrative computers. It is therefore a wider definition to that used by the MOD Equipment and Equipment Support Plans, and covers both military and non-military equipment (including dual use equipment) used by MOD service and civilian personnel. From 2011/12 the introduction of Commodity Blocks into the MOD Accounts has meant that the Equipment Support Costs Commodity category has been extended to include Operating Leases and Equipment Support PFI's that had previously been reported separately. The data are derived directly from the **MOD Departmental Resource Accounts**.

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

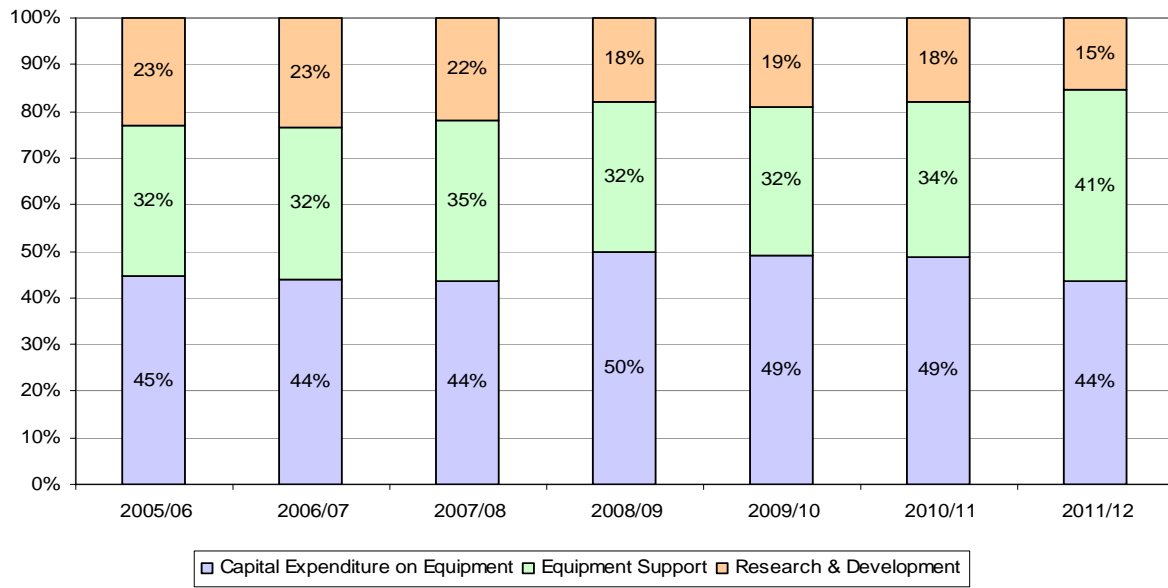
This table is outside the scope of National Statistics because it is still under review to ensure it meets all of the high professional quality assurance standards set out in the Code of Practice for Official Statistics.

| | Inclusive of non-recoverable VAT at Current Prices (£ million) | | | | | | |
|---|--|---------------|---------------|------------------|----------------------|----------------------|----------------------|
| | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 ² | 2010/11 ² | 2011/12 ² |
| Estimated MOD Equipment Expenditure | 10 974 | 11 672 | 12 380 | 13 386 | 13 174 | 13 994 | 15 251 |
| <i>Of which:</i> | | | | | | | |
| Capital Expenditure on Equipment ^{3,4} | 4 913 | 5 146 | 5 401 | 6 669 | 6 469 | 6 815 | 6 661 |
| Equipment Support ^{5,6} | 3 542 | 3 793 | 4 272 | 4 292 | 4 212 | 4 689 | 6 256 |
| Research & Development ⁷ | 2 519 | 2 732 | 2 707 | 2 426 | 2 493 | 2 490 | 2 334 |

Source: MOD Annual Report and Accounts

1. These estimates are not directly comparable to the old cash equipment procurement time series last published in 2000/01 (UKDS 2002) due to the exclusion of in year stock purchases. It is not possible to identify that element of stock purchases which wholly relates to MOD equipment
2. Please refer to the [Resource Accounting & Budgeting section](#) to view important information relating to the introduction of the International Financial Reporting Standard (IFRS), the implementation of the Clear Line of Sight (CLoS) Alignment project and recent accounting changes resulting from the publication of the Strategic Defence & Security Review (SDSR) which have led to significant presentational changes in the reporting of the accounts since 2010/11.
3. Capital expenditure on Equipment includes those Assets Under Construction (AUC) relating to Single Use Military Equipment (SUME) only plus in year purchases on IT and communications equipment, vehicles, SUME and plant and machinery. AUC SUME largely consist of major weapons platforms under construction in the Defence Equipment & Support (DE&S) Organisation (formerly the Defence Procurement Agency and Defence Logistics Organisation), and excludes that element of buildings under construction and land which would fall outside the wider definition of MOD equipment procurement detailed in the commentary above.
4. During 2007/08, the augmentation of the MOD Chart of Accounts has enabled more detailed reporting of the 'AUC-Other' classification by category type by the Defence Equipment & Support Organisation. This has improved the coverage of equipment expenditure reported in the table from 2007/08 by providing a more distinct separation of equipment (particularly dual use) from non-equipment expenditure (e.g. construction, land and buildings, and other administrative costs).
5. Internal and contracted out costs for equipment repair and maintenance.
6. From 2011/12 RDEL categories have been consolidated into new Commodity Blocks headings. The new 'Equipment Support costs' Commodity Block now includes Operating Leases and Equipment Support PFI charges that were previously reported separately.
7. The data are derived from information held on MOD accounting systems relating to expenditure on Additions to Intangible Assets and Research & Expensed Development. Development activity associated with acquiring assets is the most significant part of this expenditure. These figures do not fully align with those in Table 1.7 which present MOD R&D expenditure on a different basis using OECD Frascati definitions. (See [Defence Statistics Bulletin No. 6 & No. 9](#)). The estimates in this table will include items which fall outside these definitions but nonetheless broadly relate to the wider definition of MOD equipment expenditure as described in the commentary above.

Chart to Table 1.4 Estimated MOD Equipment Expenditure



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Table 1.5 MOD Resources by Budgetary Areas¹

Table 1.5 contains the same data that was published in Table 1.5 of UKDS 2011 and has not been updated. From 2011/12 the MOD has not reported expenditure by Top Level Budget (TLB) in its Annual Report & Accounts and consequently data is not available for DASA to be able to update this table. More details about the removal of TLB data from the Annual Report & Accounts can be found in the [Resource Accounting & Budgeting section](#).

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

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

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

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

This table includes expenditure on Conflict Prevention (RfR2).

This table is a National Statistic.

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

Source: DASA(Defence Expenditure Analysis) and Defence Resources

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

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Table 1.6 MOD Non-Current Assets: 2008/09 - 2011/12¹

This table gives a detailed breakdown of the **net book value** of the MOD's Non-Current Assets by category for the financial years 2008/09 - 2011/12. Non-Current Assets were formerly known as "Fixed Assets" in the Accounts. The MOD is one of the largest owners of Non-Current assets in the United Kingdom. The stewardship and efficient management of the Department's assets are the responsibility of Top Level Budget (TLB) Holders. MOD Non-Current Assets are formally revalued on a five-yearly basis, but are uplifted annually using indexation.

This table has in the past shown the value of Non-Current Assets by Top Level Budget (TLB). However following a decision not to report expenditure by TLB in the MOD Annual Report & Accounts a new time series has been introduced to this table, for the last 4 years, showing Non-Current Assets by category. More details about the removal of TLB data from the Annual Report & Accounts can be found in the **Resource Accounting & Budgeting section**.

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

The data are derived directly from the **MOD Departmental Resource Accounts**.

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

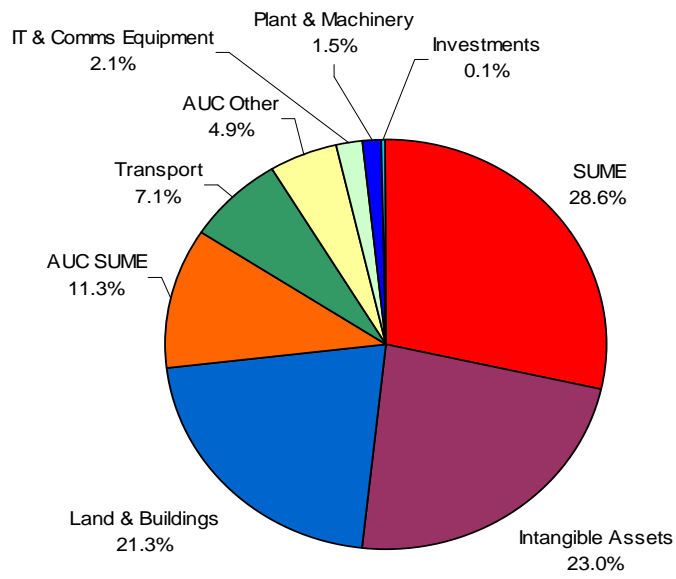
This table is a National Statistic.

| | Current Prices (£ million) | | | |
|--|----------------------------|------------------------|------------------------|----------------|
| | 31-Mar-09 ² | 31-Mar-10 ³ | 31-Mar-11 ³ | 31-Mar-12 |
| Total Assets | 118 054 | 121 701 | 116 743 | 120 832 |
| Tangible Non-Current Assets | 89 877 | 92 387 | 89 038 | 92 813 |
| <i>Of Which:</i> | | | | |
| Land & Buildings | 25 020 | 23 458 | 23 371 | 25 721 |
| Plant & Machinery | 2 312 | 2 158 | 1 944 | 1 861 |
| Transport | 5 014 | 7 568 | 8 480 | 8 542 |
| IT & Comms Equipment | 2 700 | 2 855 | 2 728 | 2 483 |
| SUME ⁴ | 35 472 | 35 897 | 35 726 | 34 607 |
| AUC ⁵ SUME | 13 809 | 14 978 | 12 055 | 13 629 |
| AUC ⁵ Other | 5 551 | 5 473 | 4 735 | 5 969 |
| Intangible Non-Current Assets⁶ | 27 959 | 29 134 | 27 529 | 27 851 |
| Investments⁷ | 217 | 180 | 175 | 169 |

Source: DASA(Defence Expenditure Analysis) and Defence Resources

- Figures provided are as 31 March of the financial year concerned are taken from the MOD Non-Current Assets Register. Figures relate to the net book value of the MOD Non-Current assets. The net value of an asset is equal to its original cost (its book value) minus depreciation and amortisation costs.
- Figures for 31 Mar 2009 are taken from the 2010/11 MOD Annual Report and Accounts and will differ from figures published previously in UK Defence Statistics because the categories are expressed at their fair value through the application of Modified Historical Cost Accounting Convention. Property Assets are also subject to a quinquennial revaluation by external professional valuers in accordance with IAS 16.
- Figures for 31 Mar 2010 are taken from the 2011/12 MOD Annual Report and Accounts and will differ from figures published previously in UK Defence Statistics because the categories are expressed at their fair value through the application of Modified Historical Cost Accounting Convention. Property Assets are also subject to a quinquennial revaluation by external professional valuers in accordance with IAS 16.
- SUME refers to Single Use Military Equipment.
- AUC refers to Assets Under Construction.
- Identifiable non-monetary assets that cannot be seen, touched or physically measured, which are created through time and/or effort and that are identifiable as a separate asset.
- From 31 Mar 2010 the Public Dividend Capital balances, loan balances and repayments have been restated to reflect the transfer of the Met Office to BIS. The value of Investment property is consolidated as a result of the inclusion of Non Departmental Public Bodies (NDPB) and Other Bodies within the accounting boundary.

Chart to Table 1.6: MOD Non-Current Assets by Category as at 31 March 2012



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Table 1.7 MOD Research & Development Expenditure Outturn

This table details the MOD's annual expenditure on Research and Development (R&D) activity. Expenditure is broken down into intramural (i.e. R&D activity undertaken within the Department) and extramural (i.e. R&D activity undertaken outside of the Department). Statistics on R&D expenditure provide an important guide to the levels of investment in the economy, provide a key indicator of future growth and competitiveness, and allow for international comparisons to be undertaken. The Ministry of Defence (MOD) accounts for around 40% of the UK Government's spending on R&D.

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

An explanation of the break in series before 2004/05 can be found in [Defence Statistics Bulletin No.6](#).

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

This table is a National Statistic.

| | | Inclusive of non-recoverable VAT at Current Prices (£ million) | | | | | | | |
|---|--------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Research & Development ^{1,2} | | 2000/01 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 |
| Total Gross Expenditure on R&D | | 2 321 | 2 260 | 2 318 | 2 212 | 2 220 | 2 074 | 1 839 | 1 782 |
| <i>Of which:</i> | | | | | | | | | |
| Intramural | 932 | 357 | 365 | 361 | 279 | 262 | 288 | 226 | |
| Extramural | 1 389 | 1 903 | 1 953 | 1 851 | 1 941 | 1 812 | 1 551 | 1 556 | |
| Receipts³ | 81 | 69 | 75 | 88 | 81 | 83 | 87 | 89 | |
| <i>Of which used:</i> | | | | | | | | | |
| Intramurally | 45 | 61 | 74 | 81 | 74 | 75 | 80 | 72 | |
| Extramurally | 36 | 8 | 1 | 7 | 7 | 8 | 7 | 16 | |
| Total Net Expenditure on R&D | 2 240 | 2 191 | 2 243 | 2 124 | 2 139 | 1 991 | 1 752 | 1 693 | |

| | | Inclusive of non-recoverable VAT at Current Prices (£ million) | | | | | | | |
|--|------------|--|------------|------------|------------|------------|------------|------------|------------|
| Research | | 2000/01 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 |
| Total Gross Expenditure on Research | | 612 | 664 | 626 | 664 | 672 | 622 | 614 | 575 |
| <i>Of which:</i> | | | | | | | | | |
| Intramural | 400 | 190 | 171 | 179 | 197 | 186 | 204 | 163 | |
| Extramural | 212 | 474 | 455 | 485 | 474 | 436 | 410 | 412 | |
| Receipts³ | 45 | 26 | 28 | 32 | 37 | 37 | 39 | 41 | |
| <i>Of which used:</i> | | | | | | | | | |
| Intramurally | 45 | 25 | 27 | 31 | 37 | 36 | 38 | 40 | |
| Extramurally | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Total Net Expenditure on Research | 566 | 639 | 598 | 632 | 635 | 584 | 575 | 534 | |

| | | Inclusive of non-recoverable VAT at Current Prices (£ million) | | | | | | | |
|---|--------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Development | | 2000/01 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 |
| Total Gross Expenditure on Development | | 1 709 | 1 596 | 1 693 | 1 548 | 1 549 | 1 452 | 1 225 | 1 207 |
| <i>Of which:</i> | | | | | | | | | |
| Intramural | 532 | 167 | 194 | 182 | 82 | 76 | 83 | 63 | |
| Extramural | 1 177 | 1 429 | 1 499 | 1 366 | 1 467 | 1 376 | 1 142 | 1 143 | |
| Receipts³ | 36 | 43 | 47 | 56 | 44 | 46 | 49 | 48 | |
| <i>Of which used:</i> | | | | | | | | | |
| Intramurally | - | 36 | 47 | 49 | 37 | 39 | 42 | 32 | |
| Extramurally | 36 | 8 | - | 7 | 6 | 7 | 7 | 15 | |
| Total Net Expenditure on Development | 1 673 | 1 552 | 1 645 | 1 492 | 1 505 | 1 406 | 1 177 | 1 159 | |

Source: DASA(Defence Expenditure Analysis)

- Since 2000/01 the Departmental Resource Accounts (DRAc) follow Statement of Standard Accounting Practice 13, "Accounting for Research and Development". The figures are calculated on a resource basis, and are consistent with the aggregate of Research & Expensed Development plus Additions to Intangible Assets. Following the 2009 quality review, figures from 2003/04 onwards continue to be consistent with the aggregate of Research & Expensed Development but comprise only that element of Additions to Intangible Assets (taken to represent capitalised development) which has been assessed as Frascati compliant. This table therefore comprises elements from both the Operating Cost Statement and the Balance Sheet in the MOD accounts.
- On 1 July 2001 DERA was split into two organisations: the Defence Science & Technology Laboratory (Dstl) (about a quarter of DERA) staying as a Trading Fund within MOD, and QinetiQ, the remainder, becoming a private (extramural) company.
- Receipts are monies received by MOD and its Trading Funds for expenditure on R&D, for example from other government departments and private industry. This money is not necessarily spent on defence-related R&D.

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Table 1.8 External Income Earned by MOD

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

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

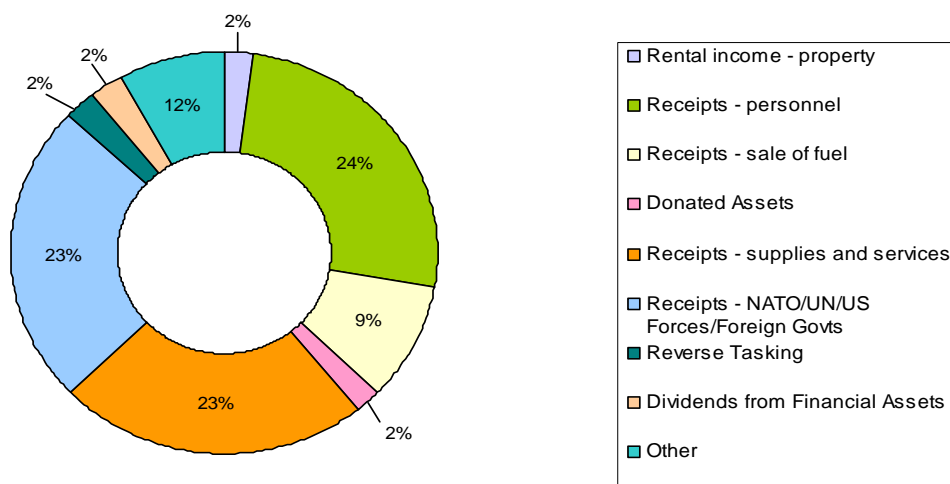
This table is a National Statistic.

| | Inclusive of non-recoverable VAT at Current Prices (£ million) | | | | | | |
|--|--|--------------|--------------|--------------|--------------|-----------------|----------------------|
| | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 ¹ |
| Core Department Income Earned | 1 391 | 1 429 | 1 394 | 1 479 | 1 409 | 1 316 | 1 406 |
| Rental income - property | 49 | 29 | 34 | 34 | 30 | 29 | 29 |
| Receipts - personnel | 415 | 429 | 413 | 393 | 373 | 357 | 344 |
| Receipts - sale of fuel | 57 | 106 | 101 | 108 | 79 | 72 | 128 |
| Donated Assets ² | .. | .. | .. | .. | .. | .. | 26 |
| Receipts - supplies and services | 290 | 353 | 259 | 379 | 330 | 314 | 317 |
| Receipts - NATO/UN/US Forces/Foreign Govts | 316 | 315 | 368 | 330 | 411 | 342 | 325 |
| Reverse Tasking ³ | 26 | 29 | 32 | 26 | 35 | 35 | 35 |
| Dividends and income from investment property ⁴ | 39 | 50 | 40 | 57 | 24 | 42 | 35 |
| Other ⁴ | 198 | 119 | 149 | 153 | 126 | 126 | 168 |

Source: MOD Annual Report & Accounts

- From 2011/12 the figures include income from the following entities now within the Departmental boundary - National Museum of the Royal Navy, National Army Museum, Royal Air Force Museum, ABF The Soldier's Charity, Council of Reserve Forces and Cadets Associations, Royal Hospital Chelsea and Commonwealth War Graves Commission.
- From 2011/12, the notional cost of a donated asset is treated as income and not a credit to the reserves. Income to the value of the donated assets is recognised in the year of donation except where donation is subject to conditions. Where donation is subject to conditions income is deferred to the year in which the conditions are met.
- Receipts for invoiced goods and/or services supplied to the MOD Trading Funds and QinetiQ Group PLC by MOD.
- The income of Arm's Length Bodies is classified as dividends or other income and includes DSTL, UK Hydrographic Office and Defence Support Group.

Chart to Table 1.8 External Income Earned by MOD 2011/12



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Table 1.9 MOD Expenditure on External Assistance¹

External Assistance is the term used by the MOD to cover a wide range of external manpower resources. It extends beyond traditional Management Consultancy to include other specialised services such as legal, accountancy, IT and estates specialist advice. The table below shows MOD expenditure on External Assistance from 2009/10 to 2011/12.

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

This table is a National Statistic.

| | VAT exclusive at Current Prices (£ million) | | |
|--|---|-----------|-----------|
| | 2009/10 | 2010/11 | 2011/12 |
| Total | 79 | 26 | 19 |
| Total By Category^{2,3} | 79 | 26 | 19 |
| Strategy | 7 | 1 | 1 |
| Finance | 13 | 5 | 2 |
| Legal | 6 | 2 | 3 |
| HR and Training | 2 | 1 | - |
| Organisation and Change Management | 4 | 4 | 8 |
| Marketing and Communication | 1 | - | - |
| Programme and Project Management | 6 | 3 | - |
| Technical | 3 | 3 | 2 |
| IT/IS | 31 | 3 | - |
| Property | 3 | 3 | 2 |
| Procurement | 2 | - | - |

Source: MOD Annual Report & Accounts and ALB focal points

1. Included in the figures are expenditure incurred by DSTL, Defence Support Group and the Hydrographic Office.
2. Because of restrictions on consultancy spend and the clearance process through the Cabinet Office for lengthy or high value contracts, some expenditure may not have been cancelled but merely deferred to a later year.
3. These are standard Cabinet Office categories for reporting External Assistance.

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Table 1.10 MOD Input Indicators

The **MOD Business Plan** for 2011-15 defines a reporting format for performance monitoring. The Plan reflects the outcome of the Strategic Defence and Security Review (SDSR) and Spending Review 2010. It sets out the top level vision and priorities for Defence and is revised annually. Key information about Defence is provided by a series of 'input' and 'impact' indicators. A selection of Financial Input indicators for the last 2 Financial Years are set out below and show how the Department's resources are being deployed. The full range of Input/Impact indicators can be found [here](#).

The data in this table are financial information provided for additional context

| Input Indicators | Unit of Measurement | 2010/11 | 2011/12 |
|--|---------------------|---------|---------|
| Additional cost of operations in Afghanistan, per Service person deployed | £ thousand | 397 | 364 |
| Additional cost of of new equipment (urgent operational requirements) for operations in Afghanistan, per Service person deployed | £ thousand | 61 | 60 |
| Average percentage by which the cost of the MOD equipment programme varies compared to forecasts in year | per cent (%) | 0.15 | 1.41 |
| Cost of Major force elements: Ship | £ million | 31 | 34 |
| Cost of Major force elements: Brigade | £ million | 534 | 661 |
| Cost of Major force elements: Aircraft (Fast Jets) | £ million | 7.32 | 8.05 |
| Cost of Major force elements: Helicopter | £ million | 2.31 | 3.41 |
| Cost:Benefit ratio of the major change and efficiency programmes being undertaken by Defence | | 1:1.75 | 1:1.85 |
| Direct personnel costs, per Service person | £ thousand | 50 | 52 |
| Direct personnel costs, per MOD civilian | £ thousand | 35 | 36 |
| Defence spending as a percentage of Gross Domestic Product (published NATO definition) | per cent (%) | 2.7 | 2.7 |

Source: MOD Annual Report & Accounts

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DEFENCE INFLATION

Overview

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

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

Section Contents

Table 1.11a presents the overall estimates of defence inflation from 2005/06 to 2011/12.

Chart 1.11b compares defence inflation with general inflation in the UK economy.

Table 1.11c presents inflation within defence contracts, broken down into four categories.

Table 1.11d presents inflation for overall defence labour costs, broken down into military and civilian personnel.

Key Points

- Defence inflation was 3.4% in 2011/12.
- Defence inflation averaged 3.7% over the period 2005/06 to 2011/12.
- In 2011/12, inflation in the GDP deflator was 2.4% and inflation in RPIX (a widely accepted proxy for UK general inflation) was 4.9%. Defence inflation has been higher than the GDP deflator and RPIX for five out of the seven years between 2005/06 and 2011/12. In 2010/11 and 2011/12 defence inflation was higher than the GDP deflator, but lower than RPIX.
- The inflation rate for all defence contracts was 3.4% in 2011/12.
- The inflation rate for all defence labour costs was 3.4% in 2011/12. Inflation in civilian labour costs was 1.3%, and inflation in military labour costs was 3.9%.

Further Information

More information on the estimates for 2005/06 to 2011/12 can be found in the latest [Defence Inflation Statistical Notice](#).

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

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

Data Quality

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

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DEFENCE INFLATION

Table 1.11a Defence Inflation

Latest Estimates: Defence inflation was 3.4% in 2011/12.

Trends Over Time: Between 2005/06 and 2011/12 defence inflation averaged 3.7% year-on-year growth. However, a change in methodology for calculating inflation in military labour costs between 2009/10 and 2010/11 hinders direct comparisons with earlier years. An additional change in methodology to calculate contract inflation adjustments as a result of foreign exchange, between 2010/11 and 2011/12, also hinders comparisons with earlier years.

This table is a National Statistic.

| | | Index (Growth Rate ¹) | | | | | | | 2004/05=100 |
|-----------------------------|----------------------|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| | Weights ² | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | |
| All Defence (UK) | 1000 | 104.1 (4.1%) | 107.6 (3.4%) | 111.8 (3.9%) | 116.5 (4.2%) | 120.2 (3.2%) | 125.2 (4.2%) | 129.4 (3.4%) | |
| Contracts ^{3,4} | 636 | 103.4 (3.4%) | 106.9 (3.4%) | 110.9 (3.7%) | 115.5 (4.2%) | 118.4 (2.5%) | 122.9 (3.8%) | 127.1 (3.4%) | |
| Labour Costs ^{3,5} | 348 | 105.6 (5.6%) | 109.2 (3.5%) | 113.9 (4.3%) | 118.0 (3.6%) | 122.6 (4.0%) | 128.3 (4.7%) | 132.6 (3.4%) | |
| Cash Offices ³ | 15 | 100.9 (0.9%) | 102.2 (1.4%) | 104.7 (2.4%) | 114.4 (9.3%) | 123.8 (8.2%) | 135.8 (9.7%) | 138.2 (1.7%) | |

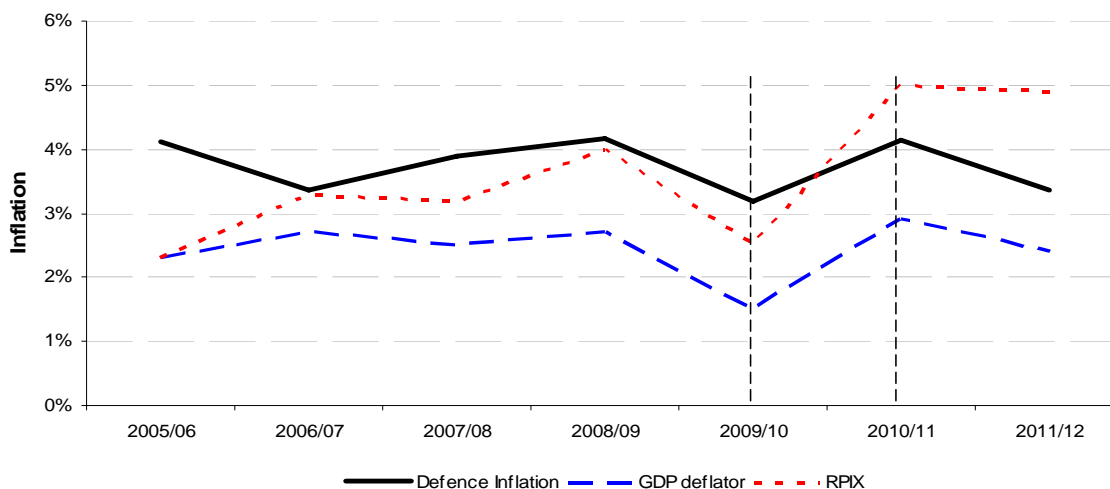
Source: DASA Price Indices

- Growth rates are year-on-year and calculated from unrounded data.
- These weights apply to the 2011/12 measure. Due to chain-linking, weights reflect the expenditure pattern within the base year not the reference year e.g. for the 2011/12 inflation measure weights reflect expenditure in 2010/11. Due to rounding weights may not sum to 1000.
- For the definitions refer to the Glossary within the [2011/12 Defence Inflation Statistical Notice](#).
- From 2011/12, the methodology for estimating the adjustment to contract inflation as a result of foreign exchange was reviewed and improved following availability of a new data source. The change in methodology means comparisons of 2011/12 contract inflation rates with historical estimates are hindered. For further details refer to Chapter 5: Methodology in the [2011/12 Defence Inflation Statistical Notice](#).
- From 2010/11, the methodology for estimating inflation in military labour costs was reviewed and improved following availability of new data sources. The change in methodology means comparisons of 2010/11 and 2011/12 military labour cost inflation rates with historical estimates are not possible. For further details refer to the [Defence Inflation: Military Labour Costs - Statistical Bulletin No. 12](#).

Chart 1.11b UK General Inflation and Defence Inflation

The chart below compares defence inflation with inflation in the whole economy, indicated by the Retail Price Index excluding mortgage interest payments (RPIX) and the Gross Domestic Product (GDP) deflator. For further details on the relationship between general inflation and defence inflation, and the complexities surrounding making a direct comparison between these three indices, refer to the [2011/12 Defence Inflation Statistical Notice](#).

In 2011/12, inflation in the GDP deflator was 2.4% and inflation in RPIX (a widely accepted proxy for UK general inflation) was 4.9%. Defence inflation has been higher than the GDP deflator and RPIX for five out of the seven years between 2005/06 and 2011/12. In 2010/11 and 2011/12 defence inflation was higher than the GDP deflator, but lower than RPIX.



Source: Annual inflation rates for RPIX and the GDP deflator from the Office for National Statistics.

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DEFENCE INFLATION

Table 1.11c Defence Inflation: Contracts

Latest Estimates: The inflation rate within expenditure on all defence contracts was 3.4% in 2011/12.
Trends Over Time: Between 2005/06 and 2011/12, inflation in defence contracts averaged 3.5% year-on-year growth.
This table is a National Statistic.

2004/05=100

| | Weights ² | Index (Growth Rate ¹) | | | | | | |
|---|----------------------|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
| Defence Contracts ^{3,4} | 1000 | 103.4 (3.4%) | 106.9 (3.4%) | 110.9 (3.7%) | 115.5 (4.2%) | 118.4 (2.5%) | 122.9 (3.8%) | 127.1 (3.4%) |
| High Value Firm Price ^{3,4} | 308 | 102.9 (2.9%) | 106.2 (3.2%) | 109.7 (3.3%) | 114.0 (4.0%) | 119.2 (4.5%) | 124.2 (4.2%) | 128.4 (3.3%) |
| Fixed Price ^{3,4} | 379 | 104.2 (4.2%) | 108.2 (3.8%) | 113.1 (4.5%) | 117.8 (4.2%) | 119.4 (1.3%) | 123.9 (3.8%) | 128.5 (3.7%) |
| Low Value ^{3,4} | 233 | 103.2 (3.2%) | 106.8 (3.4%) | 110.7 (3.7%) | 115.5 (4.3%) | 117.6 (1.8%) | 121.2 (3.1%) | 124.7 (2.9%) |
| High Value Miscellaneous ^{3,4} | 80 | 103.3 (3.3%) | 106.6 (3.2%) | 109.7 (2.9%) | 114.7 (4.5%) | 116.9 (2.0%) | 121.4 (3.8%) | 125.8 (3.6%) |

Source: DASA Price Indices

- Growth rates are year-on-year and calculated from unrounded data.
- These weights apply to the 2011/12 measure. Due to chain-linking, weights reflect the expenditure pattern within the base year not the reference year e.g. for the 2011/12 inflation measure weights reflect expenditure in 2010/11. Due to rounding the weights may not sum to 1000.
- For the definitions refer to the Glossary within the [2011/12 Defence Inflation Statistical Notice](#).
- From 2011/12, the methodology for estimating the adjustment to contract inflation as a result of foreign exchange was reviewed and improved following availability of a new data source. The change in methodology means comparisons of 2011/12 contract inflation rates with historical estimates are hindered. For further details refer to Chapter 5: Methodology in the [2011/12 Defence Inflation Statistical Notice](#).

Table 1.11d Defence Inflation: Labour Costs

Latest Estimates: The inflation rate for all defence labour costs was 3.4% in 2011/12. Military labour cost inflation was 3.9% and civilian labour cost inflation was 1.3%.
Trends Over Time: Between 2005/06 and 2011/12 inflation within labour costs averaged 4.1% year-on-year growth; it was highest in 2005/06 at 5.6%. A change in methodology for calculating inflation in military labour costs between 2009/10 and 2010/11 hinders direct comparisons with earlier years, but improves comparability between military and civilian labour cost inflation rates in 2010/11 and 2011/12.

This table is a National Statistic.

2004/05=100

| | Weights ² | Index (Growth Rate ¹) | | | | | | |
|--------------------------------------|----------------------|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
| Defence Labour Costs ^{3,4} | 1000 | 105.6 (5.6%) | 109.2 (3.5%) | 113.9 (4.3%) | 118.0 (3.6%) | 122.6 (4.0%) | 128.3 (4.7%) | 132.6 (3.4%) |
| Military Labour Costs ^{3,4} | 788 | 105.0 (5.0%) | 108.5 (3.3%) | 113.4 (4.5%) | 117.1 (3.3%) | 122.2 (4.3%) | 128.2 (4.9%) | 133.2 (3.9%) |
| Civilian Labour Costs ³ | 212 | 107.4 (7.4%) | 111.6 (3.9%) | 115.5 (3.5%) | 120.7 (4.5%) | 124.0 (2.7%) | 128.5 (3.6%) | 130.1 (1.3%) |

Source: DASA Price Indices

- Growth rates are year-on-year and calculated from unrounded data.
- These weights apply to the 2011/12 measure. Due to chain-linking, weights reflect the expenditure pattern within the base year not the reference year e.g. for the 2011/12 inflation measure weights reflect expenditure in 2010/11. Due to rounding the weights may not sum to 1000.
- For the definitions refer to the Glossary within the [2011/12 Defence Inflation Statistical Notice](#).
- From 2010/11, the methodology for estimating inflation in military labour costs was reviewed and improved following availability of new data sources. The change in methodology means comparisons of 2010/11 military labour cost inflation rates with historical estimates are not possible. For further details refer to the [Defence Inflation: Military Labour Costs - Statistical Bulletin No. 12](#).

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Overview

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

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Table 1.12 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 1.13 details MOD payments on PFI projects during 2011/12.

Table 1.13a lists those PFI projects which have planned unitary charge payments of over £25 million in 2012/13.

Charts 1.14 a-d explore the nature and scope of MOD business with its key suppliers in industry and commerce, focussing on the top 10 suppliers in 2011/12. It examines the relative importance of MOD sales to industry revenues and how this has changed over time. It then explores how the nature of MOD contracting with industry has changed over time.

Key Points

Expenditure by Industry Group (Table 1.12)

- In 2010/11, the MOD spent just over £20.4 billion with UK Industry, this represents a small nominal decrease of £160 million from the 2009/10 figure. Expenditure in the Weapons & Ammunition and Aircraft & Spacecraft industry sectors fell in 2010/11 and was caused mainly by a fall in equipment support and other projects costs associated with Single Use Military Equipment. Expenditure increases in the Shipbuilding & Repairing sector were primarily driven by increases related to the Future Aircraft Carrier (CVF) contracts. When compared to 2005/06 the Industry Groups with the largest % increases were Wholesale, Retail and Repair of Motor Vehicles and Shipbuilding & Repairing. The largest % drop is in Electronics.
- Manufacturing (section C) attracted just over half of MOD expenditure with UK Industry.

Focus on Key Suppliers (Charts 1.14 a-d)

- In 2011/12 just over 40% of total MOD procurement expenditure was with 10 suppliers. The largest of these suppliers was BAE Systems.
- In the past six years the proportion of MOD spending with the current top 10 suppliers has increased by over 4 percentage points.
- For seven of the MOD's top ten suppliers, MOD sales account for less than 10% of their global revenue.
- Service based companies tendered a higher proportion of their work from competitively let contracts, in comparison to 'traditional' defence firms.

Data Quality

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

[Background Quality Report - Industry Statistics](#)

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Table 1.12 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](#).

This table is a National Statistic.

| | | VAT exclusive at Current Prices (£ million) | | | | | | |
|---------------------------------|--|---|---------------|---------------|---------------|----------------------|----------------------|--------------------|
| SIC(92)/SIC(03)/SIC(07) Section | | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 ¹ | 2009/10 ² | 2010/11 |
| Total | | 14 490 | 16 030 | 16 490 | 16 450 | 18 540 | 20 590 | 20 430 |
| A, B | Agriculture, Fishing and Mining | - | - | - | - | - | - | - |
| C | Manufacturing, excluding those industries itemised below | 1 350 | 1 740 | 1 640 | 1 910 | 2 350 | 2 460 | 2 430 |
| | Weapons & Ammunition | 820 | 1 030 | 1 080 | 900 | 1 030 | 1 720 | 1 480 ³ |
| | Data Processing Equipment | 110 | 70 | 50 | 40 | 100 | 100 | 80 |
| | Other Electrical Engineering | 150 | 180 | 200 | 250 | 220 | 260 | 250 |
| | Electronics | 910 | 1 160 | 1 000 | 950 | 920 | 670 | 670 |
| | Precision Instruments | 690 | 750 | 600 | 530 | 540 | 690 | 720 |
| | Motor Vehicles & Parts | 220 | 330 | 300 | 320 | 490 | 450 | 410 |
| | Shipbuilding & Repairing | 1 060 | 1 100 | 1 150 | 1 110 | 1 250 | 2 290 | 2 900 ⁴ |
| | Aircraft & Spacecraft | 1 810 | 1 730 | 1 960 | 2 100 | 2 480 | 2 640 | 2 140 ⁵ |
| D, E | Electricity, Gas & Water | 230 | 260 | 280 | 220 | 350 | 400 | 350 |
| F | Construction | 1 230 | 1 310 | 1 380 | 1 270 | 1 680 | 1 640 | 1 770 |
| G | Wholesale, Retail & Repair of Motor Vehicles | 160 | 180 | 230 | 280 | 330 | 350 | 420 |
| H, I, J | Hotels & Restaurants | 200 | 250 | 230 | 150 | 160 | 170 | 170 |
| | Transport via Railways | 60 | 70 | 70 | 80 | 80 | 60 | 50 |
| | Other Land Transport (incl. via pipelines) | 20 | 30 | 20 | 40 | 50 | 90 | 100 |
| | Water, Air and Auxiliary/freight supply transportation | 380 | 370 | 450 | 560 | 520 | 420 | 610 ⁶ |
| | Post & Courier Services | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| | Telecommunications | 310 | 300 | 330 | 270 | 180 | 150 | 220 |
| K, L, M, N, O, P Q, R, S, T | Financial Services, Business Activities, Education, Health, & Other Service Activities excluding those industries itemised below ^{7, 8} | 2 750 | 2 800 | 2 880 | 2 670 | 2 510 | 2 590 | 2 200 |
| | Real Estate & Renting | 1 230 | 1 460 | 1 500 | 1 690 | 2 090 | 2 160 | 2 180 |
| | Computer Services | 790 | 930 | 1 110 | 1 120 | 1 190 | 1 250 | 1 270 |

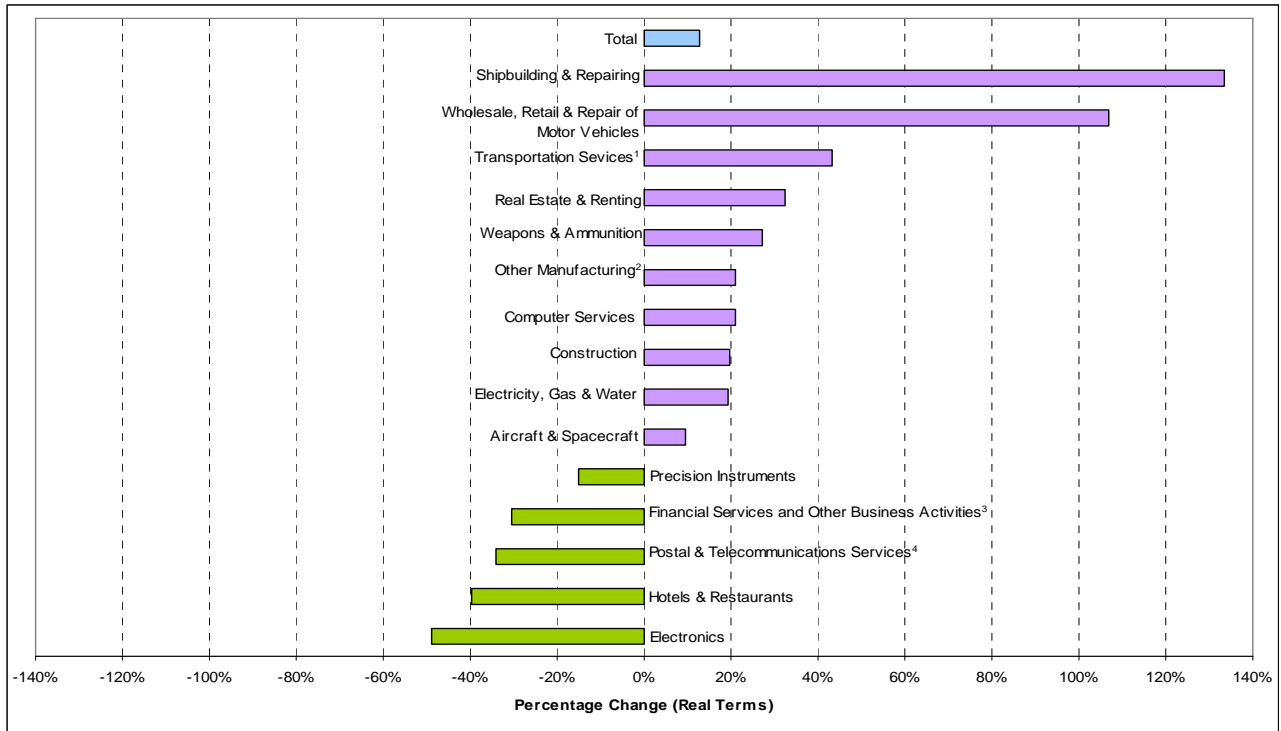
Source: DASA(Defence Expenditure Analysis)

- For 2008/09 onwards, industrial groupings are based on the 2007 Standard Industrial Classification. The increase in spend during 2008/09 is not due to the change to SIC 2007 classifications but rather an increase in overall MOD expenditure on goods and services.
- 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 (CVF) and some submarine related contracts; the latter due to high levels of expenditure on the MOD's main munitions contracts resulting from increased levels of operational tempo in Afghanistan during the year. An increase in expenditure on Urgent Operational Requirements (UORs) has also contributed to the overall increase in equipment related expenditure.
- 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 (CVF) 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.
- 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.

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Chart to Table 1.12: Change in Real UK Defence Spending By Industry Group: 2005/06 - 2010/11



1. Includes 'Transport via Railways', 'Other Land Transport (incl. via pipelines)' and 'Water, Air and Auxiliary/freight supply transportation' from **Table 1.12**
2. Includes 'Manufacturing', 'Data Processing Equipment', 'Motor Vehicles & Parts' and 'Other Electrical Engineering', which are itemised separately in **Table 1.12**
3. Includes 'Financial Services, Business Activities, Education, Health & Other Service Activities' from **Table 1.12**
4. Includes 'Post & Courier Services' and 'Telecommunications' from **Table 1.12**

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Table 1.13 MOD Payments on Private Finance Initiative (PFI) Projects: 2011/12¹

This table provides a listing of PFI commitments and payments made to each project by MOD during the financial year 2011/12. 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 2012 and payments data drawn from DBS Finance. This table is split into payment groups with individual PFI projects being shown in **alphabetical order**. **Table 1.13a** shows PFI contracts where forecast payments of £25 million or over are due in 2012/13. 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**.

This table is a National Statistic.

VAT exclusive at Current Prices (£ million)

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

Source: DES Commercial Private Finance Unit & DASA (Defence Expenditure Analysis)

1. Expenditure may not be directly comparable to the planned Unitary charge for 2011/12 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 1.13a PFI Projects with Planned MOD Unitary Charge Payments over £25 million: 2012/13^{1,2}

VAT exclusive at Current Prices (£ million)

| | |
|---|---|
| Over £50 million (7 Projects) | |
| Allenby/Connaught | Main Building Refurbishment |
| Colchester | Provision of Marine Services (PMS) |
| Defence Fixed Telecommunications Service (DFTS) | Skynet 5 |
| Future Strategic Tanker Aircraft (FSTA) | |
| £25 - £50 million (8 Projects) | |
| Attack Helicopter Training - Apache Simulator Training | MOD-Wide Water and Wastewater (Project Aquatrine) - Package C |
| "C" Vehicles | Northwood Headquarters |
| Joint Services Command and Staff College | Strategic Sealift (Ro-Ro Ferries) |
| MOD-Wide Water and Wastewater (Project Aquatrine) - Package A | Tri-Service White Fleet |

Source: DES Commercial Private Finance Unit & DASA (Defence Expenditure Analysis)

1. The Unitary Charge is the regular service payment made to the private sector partner for the provision of services and is calculated in accordance with the price and payment mechanism.
2. Planned expenditure may not be directly comparable to the actual spend reported in 2012/13 because unexpected additional works and services (albeit controlled and managed by agreed control procedures) may be incurred.

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INDUSTRY: Focus on Key Suppliers

Charts 1.14 a-d briefly explore the nature and scope of MOD business with its key suppliers within industry and commerce focussing on the top 10 suppliers to whom it made payments in 2011/12. It examines the relative importance of MOD sales to industry revenues and how this has changed over time. It then explores how the nature of MOD contracting with industry has changed over time.

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

These tables have been revised in 2013 to reflect some changes to the amounts of money paid to Serco Group PLC. The areas where data has changed have been marked with an "r" and further information can be obtained [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 - Industry Statistics](#).

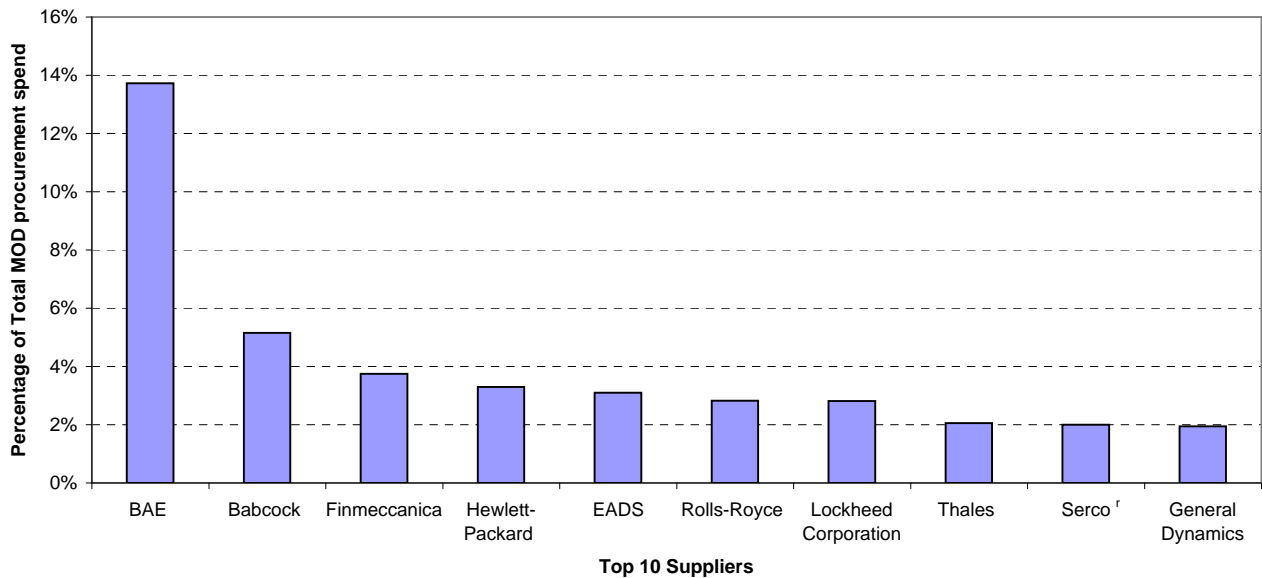
This table is a National Statistic.

Chart 1.14a Proportion of MOD payments to Top 10 Defence Suppliers: By Holding Company: 2011/12^{1,2,3,4,5,6}

Chart 1.14a 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 1.19](#) for more information relating to the scope of payments made by DBS Finance.

In 2011/12 over 40% of total MOD procurement expenditure was with the top 10 suppliers.

BAE Systems PLC was by far the largest defence supplier in terms of annual payments made by the MOD, receiving just under 14% of all MOD procurement expenditure in 2011/12. The remaining nine suppliers in the top 10 achieved an individual share of MOD business of between 1.9 and 5.2%.



Source: DASA analysis derived from DBS Finance data sources

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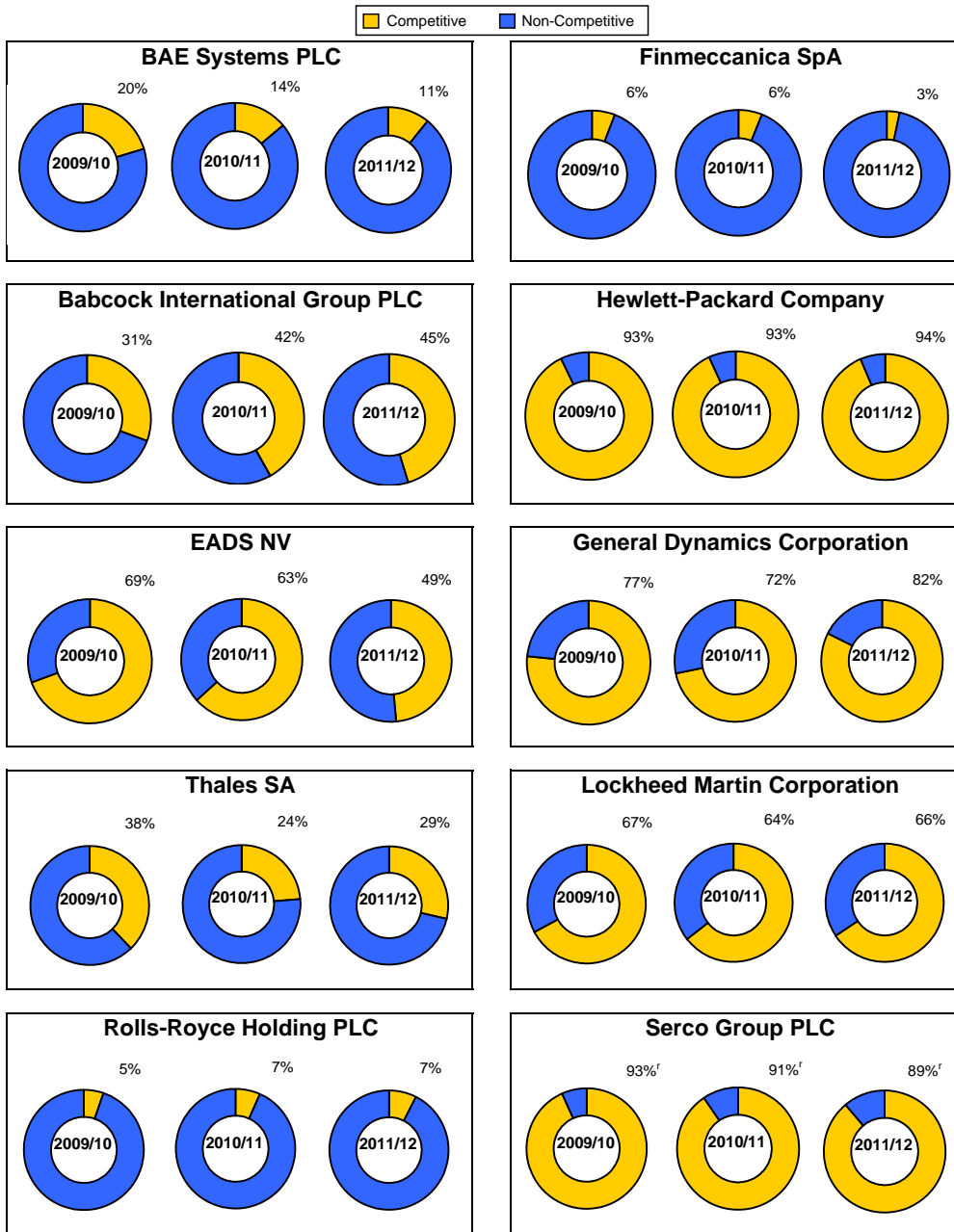
INDUSTRY: Focus on Key Suppliers

Charts 1.14d Levels of Competitive Contracting with Key Suppliers^{1,2,3,4,5,6,8}

Chart 1.14d 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 though there is no evidence to suggest that the proportion of payments received from competitive contracts has increased/decreased to any great degree.



Source: DASA analysis derived from DBS Finance data sources

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INDUSTRY: Focus on Key Suppliers

Footnotes to Charts 1.14a - 1.14d

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), international consortia, MOD Trading Funds and through local cash offices. Where a contract is novated during the year, annual payments are shown against the new 'owner' (company or entity) of that contract.
2. The analysis excludes those payments made by the MOD Trading Funds to industry. The DBS Finance systems do not contain this information and such data could only be obtained by approaching the Trading Funds directly.
3. All MOD payments data refer to extant contracts in the Financial Year in question and relate to direct expenditure with suppliers to MOD.
4. All expenditure is VAT exclusive and expressed at current prices.
5. The individual subsidiaries and joint ventures of the 10 suppliers have been derived by researching the composition of the Holding Company information (which details the corporate structure of the company) contained on the 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 (at the aggregate and Basic Level Budget level) to joint ventures have been allocated to their parent holding companies in proportion to their equity holdings in those joint ventures as stated in the relevant company annual report.
6. Payments are expressed as a percentage of total MOD payments made via the DBS Finance. Payments via international organisations such as the NATO Eurofighter Tornado Management Agency (NETMA) and payments recorded under the code "Non Registered Contractor" have been included under total MOD spending but it is not possible to assign these payments to their individual contractors.
7. In the financial year 2008/09 Hewlett-Packard bought EDS and took over their contracts with the MOD, therefore from 2008/09 onwards figures reported are for Hewlett-Packard rather than EDS.
8. DASA are unable to verify the accuracy of the Competitive/Non-Competitive marker on the DBS Finance systems and it is advised that caution is exercised when drawing conclusions from these data.

CHAPTER 1 – FINANCE

TRADE

Overview

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

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

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

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

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Table 1.15 presents the estimated value of export orders of defence equipment and services.

Table 1.16 shows payments made for services consumed by MOD establishments overseas (referred to as Balance of Payments Trade in Services or BoP).

Key Points

Estimated UK identified defence export orders (Table 1.15)

- Identified UK export orders of defence equipment and services were estimated to be just under £5.4 billion in 2011, which is 8% lower than the figure reported for 2010. Although the UK did not win any major platform orders in 2011, ongoing core business was robust.

Balance of Payments: Trade in Services (Table 1.16)

- In 2011, the MOD's estimated Balance of Payments for Trade in Services was just under £3.0 billion in deficit made up of £3.2 billion debits and just over £0.3 billion credits. This deficit is similar to that reported in recent years however within this there has been a large reduction in Germany debits and a substantial increase in debits within other areas. This follows the identification, in 2011, of new data sources, which have allowed for the better identification of a transactions destination country, more details on these changes can be found within the [Statistical Note for Table 1.16](#).

Data Quality

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

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TRADE

Table 1.15 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](#).

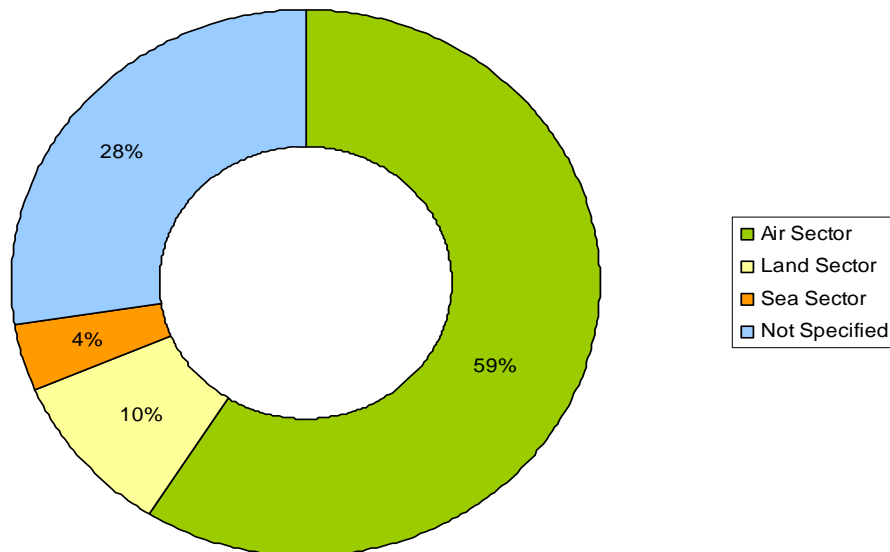
The data in this table are outside the scope of National Statistics because they do not meet all of the high professional quality assurance standards set out in the Code of Practice for Official Statistics.

| | Current Prices (£ million) | | | | | | | | |
|--|----------------------------|--------------|--------------|--------------|-------------------|--------------|-------------------|-------------------|--------------|
| | 2000 | 2004 | 2005 | 2006 | 2007 ¹ | 2008 | 2009 ² | 2010 ³ | 2011 |
| Identified Export Orders for Defence Equipment and Services | 4 737 | 4 546 | 3 989 | 5 527 | 9 651 | 4 357 | 7 251 | 5 829 | 5 384 |
| Split by Equipment Type: | | | | | | | | | |
| Air Sector | 3 501 | 3 199 | 2 491 | 4 133 | 7 525 | 2 940 | 5 263 | 3 941 | 3 170 |
| Land Sector | 616 | 475 | 584 | 670 | 762 | 447 | 940 | 514 | 521 |
| Sea Sector | 475 | 209 | 369 | 280 | 1 017 | 355 | 520 | 319 | 213 |
| Not Specified ⁴ | 145 | 663 | 546 | 444 | 347 | 615 | 528 | 1056 | 1 481 |

Source: UKTI Defence and Security Organisation

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

Chart to Table 1.15 Estimates of Identified Export Orders: Defence Equipment & Services: 2011



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TRADE

Table 1.16 Ministry of Defence Estimated Balance of Payments for Trade in Services

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

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

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

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

Source: DASA(Defence Expenditure Analysis)

1. The large increase in 'Total Debits' in 2008 was mainly due to two factors. First, the stronger Dollar / Euro exchange rates against the pound which has increased the cost of purchasing these currencies during 2008 and second, an increase in expenditure in both currencies on Urgent Operational Requirements.
2. 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.

CHAPTER 1 – FINANCE

DEFENCE CONTRACTS

Overview

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

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

Section Contents

Table 1.17 shows the number and value of new contracts placed by type during 2011/12 and earlier years.

Table 1.18 presents more information on the MOD's major equipment projects.

Table 1.19 provides a list, by broad-banded value, of organisations paid £5 million or more during 2011/12.

Following requests from UK industry, **Table 1.19a** provides a further dimension on the data contained within **Table 1.19** by presenting the individual subsidiary organisations "rolled up" into their holding companies.

Key Points

Contracts by Type (Table 1.17)

- In 2011/12 MOD HQ placed around 4,600 new contracts with a collective value of around £9.2 billion.
- The number of new contracts placed in 2011/12 has fallen by nearly 30% from 2010/11, although the value of the new contracts placed has risen by over 25%. Although no contracts valued at over £700m were let during 2011/12 there was an increase in contracts valued at over £300m, where nine were let in 2011/12 compared to three in 2010/11. These contracts included the purchase of 14 new Chinook helicopters, the procurement of four new refuelling tankers for the Royal Fleet Auxiliary (RFA) and the upgrade of the Warrior armoured vehicle.
- Competitive contracts accounted for about a third of new contracts let by number and over a half by value.

Major Equipment Projects (Table 1.18)

- The largest post Main-Gate equipment project in 2011 by value was the Typhoon and Typhoon Future Capability Programme with a forecast cost of £18.2 billion.

Data Quality

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

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DEFENCE CONTRACTS

Table 1.17 New Contracts Placed: By Type

This table provides an analysis of new MOD contracts broken down by contract type. It no longer provides information on the value of amendments to existing contracts. It includes details of all HQ contracts, which are contracts set up by means of a Def Form 57, where payment is through DBS Finance. 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 and which shows details of new contracts and the value of amendments to existing contracts 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](#).

This table is a National Statistic.

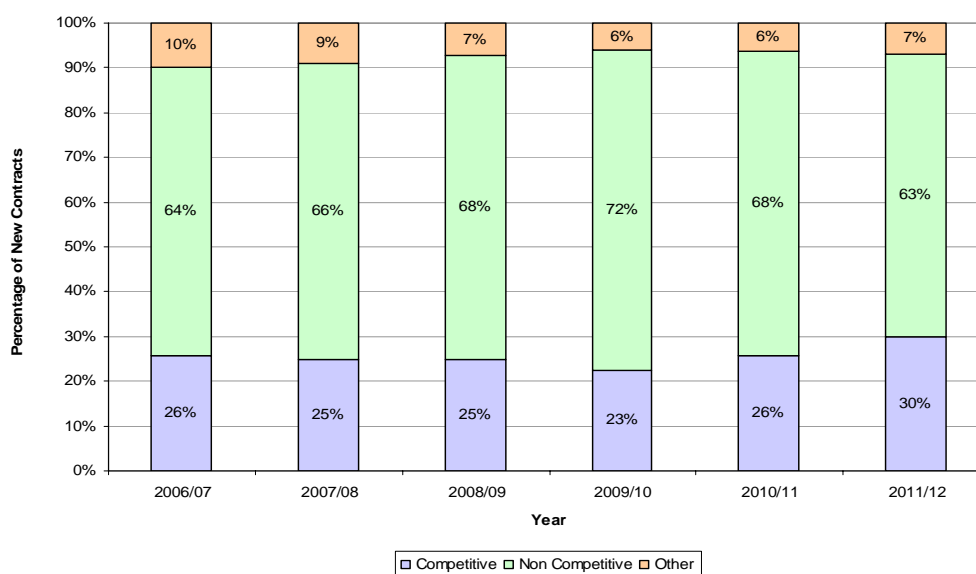
| | Current Prices (£ million)/Percentage | | | | | |
|---|---------------------------------------|----------------------|----------------------|--------------|----------------------|----------------------|
| | 2006/07 ¹ | 2007/08 ¹ | 2008/09 ¹ | 2009/10 | 2010/11 ² | 2011/12 ² |
| Total Value of new MOD HQ Contracts Placed³ | 19 827 | 21 769 | 18 319 | 9 372 | 7 235 | 9 214 |
| Percentage of Total Value: | | | | | | |
| Competitive | 63 | 66 | 43 | 25 | 48 | 56 |
| Non-Competitive | 35 | 31 | 55 | 73 | 36 | 40 |
| Other ⁴ | 2 | 3 | 2 | 3 | 16 | 4 |

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

DASA(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 2 non-competitive contracts valued at a total of £6.1 billion, including £3.1 billion for the Future Aircraft Carrier, placed in 2008/09.
- Excluded from the 2010/11 (69) and 2011/12 (41) data are Pan Government Enabling Contracts that appear on MOD systems but which will incur expenditure from Other Government Departments as well as from MOD.
- 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, around 0.4% 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) and where a Def Form 57 has not been raised.

Chart to Table 1.17 New Contracts Placed: By Type



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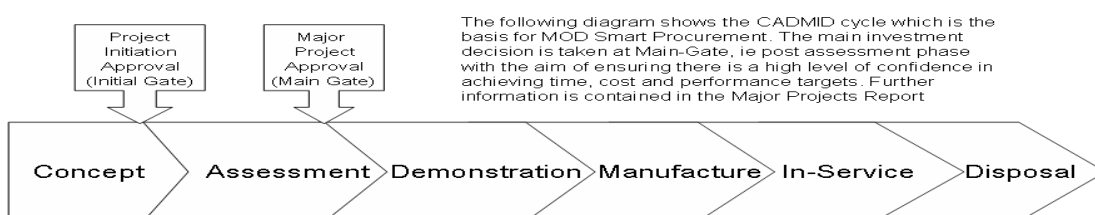
DEFENCE CONTRACTS

Table 1.18 Major Equipment Projects

This table shows the MOD's major equipment projects as at 31 March 2011. The report details the 15 largest projects on which the main investment decision has been taken (post-Main-gate), and the 10 largest projects yet to reach that point (pre-Main-Gate). The information is taken from the Major Projects Report relating to 31 March 2011, which provides a summary of each project's current status and progress to date.

Costs are on a resource basis at outturn prices. Forecast costs include accruals, VAT (less recoverable elements), resource elements such as interest on capital and inflation factors. Major Project Report costs relating to the pre-Main-Gate projects are costs of the Assessment phase only. For post-Main-Gate projects, costs are of the Demonstration and Manufacture phases. A number of changes have been made to MPR11 since MPR10, which can make a 'Change in Cost' comparison misleading. The main change has been the removal of the Cost of Capital charge from the approved cost and forecast costs figures, which follows the implementation of the 'Clear Line of Sight' policy by HM Treasury, for this reason the 'Change in Cost' from 2010 to 2011 has been removed from this year's table.

This table is a National Statistic.



| As at 31 March 2011 | MPR2011 | |
|--|---------------------------------------|------------------------------|
| | In-Service Date Forecast or Actual | Forecast Cost (£ million) |
| Post-Main-Gate Major Equipment Projects | | |
| A400M | 2015 | 3 105 |
| Airseeker ¹ | 2014 | 681 |
| Astute Class Submarine ² | 2010 & 2018 | 5 723 |
| Beyond Visual Range Air-To-Air Missile (METEOR) ² | 2012 & 2015 | 1 115 |
| Future Strategic Tanker Aircraft (FSTA) | 2014 | 12 009 |
| Joint Combat Aircraft (JCA) ³ | .. | 2 112 |
| Lynx Wildcat ² | 2014 & 2015 | 1 644 |
| Merlin Capability Sustainment Programme | 2014 | 768 |
| Puma Life-Extension Programme ¹ | 2013 | 326 |
| Queen Elizabeth Class Aircraft Carrier | 2016 | 5 131 |
| Specialist Vehicles ^{1,4} | .. | 1 394 |
| Type 45 Destroyer | 2010 | 5 664 |
| Typhoon and Typhoon Future Capability Programme ^{2,5} | 2003 & 2012 | 18 159 |
| UK Military Flying Training System (UKMFTS) ² | 2010 & 2011 | 900 |
| Watchkeeper | 2012 | 839 |

| As at 31 March 2011 | MPR 2011 |
|---|------------------------------|
| Pre-Main-Gate Major Equipment Projects (Projects in Assessment Phase only) | Forecast Cost (£ million) |
| Chinook New Buy | 97 |
| Cipher ⁶ | .. |
| Indirect Fire Precision Attack (IFPA) | 137 |
| Marshall | 9 |
| Military Afloat Reach & Sustainability (MARS) ⁶ | .. |
| Operational Utility Vehicle System | 5 |
| Search and Rescue - Helicopter (SAR-H) | 7 |
| Solomon (formerly Dabinett) | 10 |
| Type 26 Global Combat Ship | 156 |
| United Kingdom Co-operative Engagement Capability Frigate and Destroyers Programme | 53 |

Source: Defence Equipment & Support

1. Project not included in the MPR 2010 population.
2. In Service Date (ISD) redefined in MPR 2009 to reflect two-stage approach to delivering the capability.
3. An official ISD is to be officially released after the purchase of training aircraft planned for 2011.
4. An official ISD is to be officially released upon achieving Main Gate 2.
5. Includes Tranche 3 Aircraft Contract
6. Cost data excluded on grounds of commercial sensitivity.

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DEFENCE CONTRACTS

Table 1.19 Organisations paid £5 million or more by the Ministry of Defence in 2011/12

This table shows a listing of the UK and foreign owned organisations, including defence suppliers and intermediate bodies paid through DBS Finance (formerly the Financial Management Shared Service Centre (FMSSC)). The term 'defence suppliers' includes defence contractors, Defence Agencies and other Government Departments. DBS Finance is responsible for the majority of such payments (around 95% by value) made by MOD. Other payments are made, for example, via British Defence Staff (United States), MOD Trading Funds and through local cash offices. The table is split into payment groups with the organisations shown in **alphabetical order**. Company and organisation names have been reproduced (at the 1 April 2012 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 this list 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](#).

This table is a National Statistic.

VAT exclusive at Current Prices (£ million)

| Over £500 million (8 Organisations) | | |
|--|---|---|
| Agustawestland Ltd | BAE Systems Marine Ltd | HP Enterprise Services Defence & Security UK Ltd |
| AWE Management Ltd | BAE Systems Surface Ships Ltd | NETMA |
| BAE Systems (Operations) Ltd | Defence Science & Technology Laboratory | |
| £250 - £500 million (12 Organisations) | | |
| Aspire Defence Ltd | Debut Services Ltd ¹ | Paradigm Secure Communications Ltd |
| BAE Systems Global Combat Systems Munitions Ltd | Devonport Royal Dockyard Ltd | QinetiQ Ltd |
| BAE Systems PLC | General Dynamics United Kingdom Ltd | Rolls-Royce PLC |
| British Telecommunications PLC | MBDA UK Ltd | Rolls-Royce Power Engineering PLC |
| £100 - £250 million (29 Organisations) | | |
| Airbus Operations Ltd | Defence Support Group (DSG) | Pride (Serp) Ltd |
| Annington Receivables Ltd | Holdfast Training Services Ltd | Purple Foodservice Solutions Ltd |
| Babcock Dyncorp Ltd | Kellogg Brown & Root Ltd | Reserve Forces and Cadets Associations ² |
| Babcock Land (Whitefleet Management) Ltd | Lockheed Martin Aerospace Systems Integration Corporation | Serco Ltd |
| Babcock Marine (Clyde) Ltd | MAN Truck & Bus UK Ltd | Sodexo Ltd |
| BAE Systems Global Combat Systems Ltd | Marshall of Cambridge Aerospace Ltd | SSE Energy Supply Ltd |
| BAE Systems Integrated System Technologies Ltd | Meteorological Office | Thales Optronics Ltd |
| Boeing Company (The) | Modern Housing Solutions (Prime) Ltd | Thales UK Ltd |
| BP Oil International Ltd | Office of Communications (OFCOM) | United States Government |
| Carillion Enterprise Ltd | Organisation For Joint Armaments Co-Operation Executive Admin | |
| £50 - £100 million (38 Organisations) | | |
| Air Partner PLC | HCR Ltd | Rolls-Royce Turbomeca Ltd |
| Aviation Training International Ltd | Interserve (Defence) Ltd | SD Marine Services Ltd |
| Babcock Marine (Rosyth) Ltd | Landmarc Support Services Ltd | Selex Galileo Ltd |
| BAE Systems (Defence Systems) Ltd | Lockheed Martin UK INSYS Ltd | SHAPE |
| BAE Systems Electronics Ltd | Modus Services Ltd | Shell Eastern Trading (PTE) Ltd |
| BAE Systems Surface Ships Maritime Ltd | Motor Oils (Hellas) Corinth Refineries SA (MOH) | Thales Air Defence Ltd ³ |
| Boeing Defence UK Ltd | NATO | Total Gas and Power Ltd |
| Chapman Freeborn Airchartering Ltd | Northrop Grumman Information Technology International Inc | Turner Estate Solutions Ltd |
| Eurocopter UK Ltd | NP Aerospace Ltd | Turner Facilities Management Ltd |
| Force Protection Europe Ltd | Raytheon Systems Ltd | Ultra Electronics Ltd |
| Foreign & Commonwealth Office | Raytheon/Lockheed Martin Javelin Joint Venture | US Treasury |
| Gallagher Bassett International Ltd | Rheinmetall Waffe Munition GmbH | VT Flagship Ltd |
| GB Oils Ltd | RMPA Services PLC | |
| £25 - £50 million (54 Organisations) | | |
| A & P Group Ltd | Davitt Jones Bould Ltd | Lockheed Martin UK Ltd |
| Advanced Material Engineering Pte. Ltd | Defence Management (Watchfield) Ltd | Logica UK Ltd |
| Agility Logistics Ltd | Eastbury Park Ltd | Monarch Airlines Ltd |
| Airtanker Ltd | FBS Ltd | NAMSA |
| ALC (SPC) Ltd | Foreland Shipping Ltd | NATO Maintenance and Supply Agency |
| Aon Ltd | FR Aviation Ltd | NATS (En Route) PLC |
| Aramark Ltd | Fujitsu Services Ltd | Navy Army and Air Force Institutes |
| Ascent Flight Training (Management) Ltd | Guy's & St Thomas' NHS Foundation Trust | Northrop Grumman Overseas Service Corporation |
| Babcock Aerospace Ltd | Hirtenberger Defence Systems GmbH & Co Kg | Saab Training Systems AB |
| Babcock Land Ltd | Hogg Robinson (Travel) Ltd ³ | Security Research Ltd |
| Babcock Support Services Ltd | Honeywell International Inc | Sefa Contractors JV |
| CAE Aircrew Training Services PLC | IBM United Kingdom Ltd | Services Sound and Vision Corporation |
| Cammell Laird Shiprepairers and Shipbuilders Ltd | Integrated Survivability Technologies Ltd | Shell UK Ltd |
| Central Office of Information | ISS Mediclean Ltd | Skanska UK PLC |
| CESG | Kelda Water Services (Estates) Ltd | Software Box Ltd |
| Coast To Coast Water Ltd | Lend Lease Construction (EMEA) Ltd | Thales Underwater Systems Ltd |
| Commonwealth War Graves Commission | Lockheed Martin Aeronautics Company | Vinci Construction UK Ltd |
| Cubic Defense Applications Inc. | Lockheed Martin Systems Integration-Owego | World Fuel Services Europe Ltd |

Source: DASA(Defence Expenditure Analysis)

Continued on next page

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DEFENCE CONTRACTS

Table 1.19 Organisations paid £5 million or more by the Ministry of Defence in 2011/12 (continued)

VAT exclusive at Current Prices (£ million)

| £10 - £25 million (97 Organisations) | | |
|--|---|---|
| AAH Pharmaceuticals Ltd | Europaams SAS | Right Management Ltd |
| Aebi Schmidt UK Ltd | Falcon Support Services Ltd | Rockwell Collins UK Ltd |
| Air Charter Service PLC | Fast Training Services Ltd | Rolls-Royce Marine Power Operations Ltd |
| Alert Communications Ltd | Fastrax Ltd | Roxel (UK Rocket Motors) Ltd |
| Alliant Techsystems Operations LLC | FB Heliservices Ltd | Royal Hospital |
| Arval UK Ltd | GE Aviation Systems Ltd | Ryder Deutschland GmbH |
| Atkins Ltd | General Dynamics European Land Systems - Germany GmbH | Saab AB (PUBL) |
| Avenance PLC | Genistics Ltd | Saab Dynamics AB |
| Babcock Communications Ltd | Government Communications HQ | Scott Health & Safety Ltd |
| Babcock International Group PLC | Henry Brothers (Magherafelt) Ltd | Seafast Logistics PLC |
| Barloworld Handling Ltd | Hess Energy Trading Co (UK) Ltd | Selex Elsag Ltd |
| Bezirksregierung Duesseldorf | Honeybeerecruitment.com Ltd | Seyntex NV |
| BMT Defence Services Ltd | Inteq Services Ltd | Shell U.K. Oil Products Ltd |
| BP International Ltd | Iturri SA | Singapore Technologies Kinetics Ltd |
| British Airways PLC ³ | Junghans Microtec GmbH | Skylink Aviation Inc |
| Bundekasse Halle | LA International Computer Consultants Ltd | SSAFA GSTT Care LLP |
| Busverkehr Ostwestfalen GmbH | Lockheed Martin Corporation | Steria Ltd |
| Cappgemini UK PLC | Lockheed Martin Overseas Corporation | Thales Naval Ltd |
| Centerprise International Ltd ³ | Lockheed Martin UK Integrated Systems & Solutions Ltd | Thales Training & Simulation (Ace) Ltd |
| Chemring Countermeasures Ltd | Mansell Construction Services Ltd | Thales Training & Simulation (Merlin) Ltd |
| Chevron Singapore Pte Ltd | Mass Consultants Ltd | Touchstone Corporate Property Services Ltd |
| City of Westminster | Maxford Ballistics Ltd | Turbomeca SA |
| Communities and Local Government | Microsoft Ireland Operations Ltd | United Kingdom Hydrographic Office (The) |
| Companhia Brasileira De Cartuchos | Minerva Education and Training Ltd | University Hospital Birmingham NHS Foundation Trust |
| Compass Contract Services (UK) Ltd | Morgan Sindall PLC | Vector Aerospace International Ltd |
| CQC Ltd | NATO Consultation Command and Control Agency | Vega Consulting Services Ltd |
| Cranfield University | Navistar Defense LLC | Veolia Water Nevis Ltd |
| CTA International | Navistar Defense UK Ltd | Volker Stevin Limited |
| Defence Training Services Ltd | NSAF Ltd | Volkerfitzpatrick Ltd |
| DHL Global Forwarding (UK) Ltd | QinetiQ Target Services Ltd | Wiltshire Council |
| Electricity Authority of Cyprus | Qloptiq Ltd | XMA Ltd ³ |
| ESSO Petroleum Company Ltd | Recon International Kandahar Ltd | |
| Eurocopter | Remotec UK Ltd | |
| £5 - £10 million (134 Organisations) | | |
| 3D Evolution Ltd | Compass Services (UK) Ltd | ITT Industries |
| Actica Consulting Ltd | Corporate Document Services Ltd | Iveco Ltd |
| Airborne Systems Ltd | CTBTO Preparatory Commission | Jankel Armouring Ltd |
| Akhter Computers PLC | David Brown Gear Systems Ltd | Joseph Gleave & Son Ltd |
| ALC (FMC) Ltd | DB Schenker Rail (UK) Ltd | Kier Regional Ltd |
| AlixPartners Ltd | Defence Support (St Athan) Ltd | KPMG LLP |
| Annington Property Ltd | Deloitte LLP | L-3 Services Inc |
| Argyll & Bute Council | Department for Work and Pensions | Land and Property Services |
| Atlas Elektronik UK Ltd | Drumgrange Ltd | Level Peaks Associates Ltd |
| Austin Hayes Ltd | Eurecco | Lincad Ltd |
| Aviation Requirements Ltd | Exponent Inc | Lockheed Martin UK Strategic Systems Ltd |
| Babcock Intergrated Technology Ltd | F N Herstal SA | London & Regional (St Georges Court) Ltd |
| Babylon Translations Ltd | Fenton Pharmaceuticals Ltd | Mabanafit Deutschland GmbH |
| BAE Systems Bofors AB | Ferranti Technologies Ltd | MAN Diesel & Turbo UK Ltd |
| BAE Systems Hagglunds AB | Flagship Fire Fighting Training Ltd | Marlborough Communications Ltd |
| BAE Systems Information & Electronic Systems Integration Inc | Flybe Ltd ³ | Marshall Specialist Vehicles Ltd |
| BAE Systems Surface Ships Integrated Support Ltd | FORBO Flooring UK Ltd | Maxcom Petroli S.P.A. |
| BOC Ltd | Frazer-Nash Consultancy Ltd | Meggitt Training Systems Inc |
| Bristol Aerospace Ltd | Frimley Park Hospital NHS Foundation Trust | Microsoft Ltd |
| British Gas Trading Ltd | G3 Systems Ltd | Minewolf Systems AG |
| British International Helicopter Services Ltd | G4S FSI Ltd | Ministry of Defence of the Republic of Latvia |
| Canon (UK) Ltd | Gama Support Services Ltd | MIRA Ltd |
| Carillion (AMBS) Ltd | General Dynamics Ordnance and Tactical Systems - Canada Inc | MITIE Technical Facilities Management |
| Carillion Construction Ltd | Gill Research & Development Ltd | MSI-Defence Systems Ltd |
| Cartus Ltd | Goodrich Control Systems | National United Engineering And Contracting Co LLC |
| Cassidian Ltd | Government of the Federal Republic of Germany | NCS Fuel |
| Castlerock Recruitment Group Ltd | Graham Asset Management Ltd | New Niederrhein Energie und Wasser GmbH |
| Caterpillar Shrewsbury Ltd | Hall and Watts Defence Optics Ltd | Niamat Lali Construction Company |
| Chemring Defence UK Ltd | Hawk Protection Ltd | NSSL Global Ltd |
| Chemring Energetics UK Ltd | Hesco Bastion Ltd | Nuclear Decommissioning Authority |
| Cobham CTS Ltd | HM Treasury | Oberfinanzdirektion Niedersachsen |
| Compass Group UK and Ireland Ltd | Ian Edgar (Liverpool) Ltd ³ | Oracle Corporation UK Ltd |

Source: DASA(Defence Expenditure Analysis)

Continued on next page

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DEFENCE CONTRACTS

Table 1.19 Organisations paid £5 million or more by the Ministry of Defence in 2011/12 (continued)

VAT exclusive at Current Prices (£ million)

| £5 - £10 million (134 organisations) | | |
|--------------------------------------|--|--|
| Pertemps Recruitment Partnership Ltd | RUAG Ammotec | The Maersk Company Ltd |
| Polar Ship Invest II AS | Ruslan International Ltd | TNT UK Ltd |
| Portsmouth City Council | S Macneillie & Son Ltd | TOTSA Total Oil Trading SA |
| Post Office Ltd | SCA Packaging Ltd | Tricomm Housing Ltd |
| Powerfield Ltd | SHAPE Budfin | TRL Technology Ltd |
| PRAX Petroleum Ltd | SMIT International (Scotland) Ltd | Turbomeca UK Ltd |
| Racal Acoustics Ltd | Soldiers Sailors Airmen and Families ASS - Forces Help (The) | United Tool Distributors Ltd |
| Rail Settlement Plan Ltd | South Gloucestershire Council | Virgin Atlantic Airways Ltd ³ |
| Ricardo UK Ltd | Specialist Computer Centres PLC | VSM Estates Ltd |
| Richmondshire District Council | Supacat Ltd | West Berkshire District Council |
| Royal & Sun Alliance Insurance PLC | SVO Vertrieb GmbH | William Cook Stanhope Ltd |
| Royal Air Force Museum | Systems Consultants Services Ltd | Worldwide Language Resources Inc |
| Royal Mail Group Ltd | Thales Avionics Ltd | |

Source: DASA(Defence Expenditure Analysis)

1. Debut Services Ltd includes payments made to Debut Services Ltd and Debut Services (South West) Ltd.
2. Reserve Forces and Cadets Associations includes payments made to: The United Kingdom Reserve Forces Association, The Council of Reserve Forces and Cadets Association, Sea Cadet Corps, The Army Cadet Force Association, Council of Reserve Forces and Cadets Association Pension Scheme, South East Reserve Forces and Cadets Association, The Reserve Forces & Cadets Association for The North West of England & The Isle of Man, 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 & Cadets Association, Lowland Reserve Forces & Cadets Association, Reserve Forces & Cadets Association for Wales, The Reserve Forces & Cadets Association for the North of England, Reserve Forces and Cadets Association for East Anglia, Seaford College Combined Cadet Force, Swansea Sea Cadet Corps, Hereford Cathedral School Combined Cadet Force, Royal Marines Volunteer Cadet Corps (Plymouth), Wiltshire Army Cadet Force, 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, Vigilant Sea Cadets.
3. Totals have been calculated by adding DBS Finance data to Government Procurement Card (GPC) payments.

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Table 1.19a Private Sector Companies paid £50 million or more by the Ministry of Defence in 2011/12: By Holding Company

This table shows a subset of the data contained within **Table 1.19**, providing a listing of the Private Sector Companies that were paid £50 million or more through DBS Finance (formerly the Financial Management Shared Service Centre (FMSSC)) in 2011/12.

This listing details the individual subsidiaries from **Table 1.19** '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 2011/12 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 1.19** as the sum of the annual payments made to the holding company will exceed the values for individual subsidiaries listed in **Table 1.19**. The composition of Holding Companies in terms of their subsidiaries is derived as at **1 April 2012**. A listing of each company's subsidiaries and joint ventures, to which payments have been made during 2011/12, 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 2012 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.

These tables have been revised in 2013 to reflect some changes to the amounts of money paid to Serco Group PLC and Barclays PLC. The areas where data has changed have been marked with an "r" and further information can be obtained **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**.

This table is a National Statistic.

VAT exclusive at current prices (£ million)

| Over £500 million (7 Companies) | | |
|---|--|--|
| Babcock International Group PLC ¹ | Finmeccanica SpA ² | Rolls-Royce Holdings PLC ³ |
| BAE Systems PLC ⁴ | Hewlett-Packard Company ⁵ | |
| EADS NV ⁶ | Lockheed Martin Corporation ⁷ | |
| £250 - £500 million (8 Companies) | | |
| Aspire Defence Holdings Ltd ⁸ | General Dynamics Corporation ⁹ | Serco Group PLC ^{10,r} |
| Boeing Company (The) ¹¹ | Jacobs Engineering Group Inc ¹² | Thales SA ¹³ |
| BT Group PLC ¹⁴ | QinetiQ Group PLC ¹⁵ | |
| £100 - £250 million (15 Companies) | | |
| 3i Group PLC ¹⁶ | KBR Inc ¹⁷ | Royal Dutch Shell PLC ¹⁸ |
| Barclays PLC ^{19,r} | Le Grand Annington Ltd ²⁰ | Sodexo SA ²¹ |
| BP PLC ²² | Lend Lease Group ²³ | SSE PLC ²⁴ |
| Carillion PLC ²⁵ | Marshall of Cambridge (Holdings) Ltd ²⁶ | Turner & Co (Glasgow) Ltd ²⁷ |
| Interserve PLC ²⁸ | Raytheon Company ²⁹ | Volkswagen AG ³⁰ |
| £50 - £100 million (16 Companies) | | |
| Air Partner PLC ³¹ | Modus Services (Holdings) Ltd ³² | SAAB AB ³³ |
| Arthur J. Gallagher & Co. ³⁴ | Morgan Crucible Company PLC ³⁵ | Safran SA ³⁶ |
| Chapman Freeborn Holdings Ltd ³⁷ | Motor Oil (Hellas) Corinth Refineries SA ³⁸ | Total S.A. ³⁹ |
| Cobham PLC ⁴⁰ | Northrop Grumman Corporation ⁴¹ | Ultra Electronics Holdings PLC ⁴² |
| Dcc International Holdings B.V. ⁴³ | Rheinmetall AG ⁴⁴ | |
| HCR Group Holdings Ltd ⁴⁵ | RMPA Holdings Ltd ⁴⁶ | |

Source: DASA(Defence Expenditure Analysis)

- 1 Babcock International Group PLC includes payments made to Ascent Flight Training (Management) Ltd, Babcock Aerospace Ltd, Babcock Communications Ltd, Babcock Dyncorp Ltd, Babcock Integrated Technology Ltd, Babcock International Group PLC, Babcock International Support Services Ltd, Babcock Land (Whitefleet Management) Ltd, Babcock Land Ltd, Babcock Marine (Clyde) Ltd, Babcock Marine (Rosyth) Ltd, Babcock Naval Services Pension Scheme, Babcock Nuclear Ltd, Babcock Support Services Ltd, Babcock Training Ltd, Debut Services (South West) Ltd, Debut Services Ltd, Devonport Royal Dockyard Ltd, Flagship Fire Fighting Training Ltd, Frazer-Nash Consultancy Ltd, Holdfast Training Services Ltd, LSC Group Ltd, Research Sites Restoration Ltd, Rosyth Royal Dockyard Pension Scheme and VT Flagship Ltd.
- 2 Finmeccanica SpA includes payments made to Agusta Westland Inc, Agustawestland International Ltd, Agustawestland Ltd, Aviation Training International Ltd, DRS Technologies UK Ltd, Europaams SAS, MBDA UK Ltd, PCA Electronic Test Ltd, Selex Communications Ltd, Selex Elsas Ltd, Selex Galileo Ltd, Selex Systems Integration Ltd, Vega Consulting Services Ltd and Westland Helicopters Ltd.
- 3 Rolls-Royce Holdings PLC includes payments made to 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, Rolls-Royce Turbomeca Ltd and Vinters Engineering PLC.
- 4 BAE Systems PLC includes payments made to Aircraft Research Association Ltd, BAE Systems (Aviation Services) Ltd, BAE Systems (Defence Systems) Ltd, BAE Systems (Hawk Synthetic Training) Ltd, BAE Systems (Operations) Ltd, BAE Systems Australia Ltd, BAE Systems Bofors AB, BAE Systems Defence Ltd, BAE Systems Electronics Ltd, BAE Systems Global Combat Systems Bridging Ltd, BAE Systems Global Combat Systems Ltd, BAE Systems Global Combat Systems Munitions Ltd, BAE Systems Hagglunds AB, BAE Systems Information & Electronic Systems Integration Inc, BAE Systems 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 Hewlett-Packard Company includes payments made to Autonomy Systems Ltd, Hewlett-Packard Ltd and HP Enterprise Services Defence & Security UK Ltd.
- 6 EADS NV includes payments made to Airbus Operations Ltd, Airbus UK Ltd, Astrium Ltd, Atlas Elektronik UK Ltd, Cassidian Ltd, Cassidian Test & Services Ltd, Cassidian Test Engineering Services Ltd, EADS Deutschland GmbH, Eurocopter, Eurocopter UK Ltd, Europaams SAS, Infoterra Ltd, MBDA UK Ltd, Paradigm Secure Communications Ltd, Paradigm Services Ltd and Vector Aerospace International Ltd.
- 7 Lockheed Martin Corporation includes payments made to Ascent Flight Training (Management) Ltd, AWE Management Ltd, AWE PLC, Lockheed Martin Aeronautics Company, Lockheed Martin Aerospace Systems Integration Corp, Lockheed Martin Canada Inc, Lockheed Martin Corporation, Lockheed Martin Overseas Corp, Lockheed Martin Sippican Inc, Lockheed Martin Systems Integration-OWEGO, Lockheed Martin UK INSYS Ltd, Lockheed Martin UK Integrated Systems and Solutions Ltd, Lockheed Martin UK Ltd, Lockheed Martin UK Strategic Systems Ltd, Raytheon/Lockheed Martin Javelin Joint Venture and Savi Technology Inc.
- 8 Aspire Defence Holdings Ltd includes payments made to Aspire Consulting Ltd, Aspire Defence Ltd and Aspire Defence Services Ltd.
- 9 General Dynamics Corporation includes payments made to Anteon Ltd, Force Protection Europe Ltd, General Dynamics European Land Systems - Germany GmbH, General Dynamics European Land Systems - Mowag GmbH, General Dynamics Itronix Europe Ltd, General Dynamics Ordnance and Tactical Systems - Canada Inc, General Dynamics Ordnance and Tactical Systems Inc, General Dynamics Santa Barbara Sistemas, General Dynamics Satellite Communication Services, General Dynamics United Kingdom Ltd, Jet Aviation AG and Kymar (KMC) Ltd.
- 10 Serco Group PLC includes payments made to AWE Management Ltd, AWE PLC, NPL Management Ltd, Serco Leisure Operating Ltd and Serco Ltd.
- 11 Boeing Company (The) includes payments made to Aviation Training International Ltd, Boeing Defence UK Ltd, Jeppesen GmbH, Jeppesen Sanderson Inc, Jeppesen UK Ltd and The Boeing Company.
- 12 Jacobs Engineering Group Inc includes payments made to AWE Management Ltd, AWE PLC, Jacobs Engineering UK Ltd, Jacobs UK Ltd and Sula Systems Ltd.
- 13 Thales SA includes payments made to ADI Munitions Pty Ltd t/a Thales Australia, Europaams SAS, Quintec Associates Ltd, Thales Air Defence Ltd, Thales ATM Ltd, Thales Avionics Electrical Systems, Thales Avionics Ltd, Thales Communications Inc, Thales Communications Ltd, Thales Corporate Services Ltd, Thales E-Security Ltd, Thales Information Systems Ltd, Thales Missile Electronics Ltd, Thales Naval Ltd, Thales Nederland BV, Thales Norway AS, Thales Optronics Ltd, Thales 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, Thales Underwater Systems Ltd, and Zodiac Data Systems SAS.
- 14 BT Group PLC includes payments made to British Telecommunications Northern Ireland, British Telecommunications PLC, BT Payment Services Ltd, BT Redcare and Moorhouse Consulting Limited.
- 15 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.
- 16 3i Group PLC includes payments made to Carillion Enterprise Ltd and Modern Housing Solutions (Prime) Ltd.
- 17 KBR Inc. includes payments to Kellogg Brown & Root Ltd.
- 18 Royal Dutch Shell PLC includes payments made to Euroshell Deutschland GmbH, Shell Aviation Ltd, Shell Eastern Trading (PTE) Ltd, Shell Gas Ltd, Shell UK Ltd and Shell UK Oil Products Ltd.
- 19 Barclays PLC includes payments made to Alert Communications Ltd, Defence Management (Watchfield) Ltd, Develop Training Ltd, SD Marine Services Ltd and Xafinity Skillbase.
- 20 Le Grand Annington Ltd includes payments made to Annington Property Ltd and Annington Receivables Ltd.
- 21 Sodexo SA includes payments made to Sodexo International FZE, Sodexo Prestige Ltd, Sodexo Defence Services Ltd, Sodexo Ltd, Sodexo Motivation Solutions UK Ltd and Sodexo Property Solutions Ltd.
- 22 BP PLC includes payments made to Aral AG, Aral Mineraloelvertrieb GmbH, Aral Tankstelle-Ali Kilinc, Arco Ltd, BP International Ltd, BP Marine Ltd, BP Oil International Ltd, BP Oil UK Ltd and British Pipeline Agency Ltd.
- 23 Lend Lease Group includes payments made to Bovis Lend Lease Ltd, Debut Services (South West) Ltd, Debut Services Ltd and Lend Lease Construction (EMEA) Ltd.
- 24 SSE PLC includes payments made to Pride (Serp) Ltd, Scottish & Southern Energy PLC, Southern Electric Contracting Ltd, Southern Electric Gas Ltd, Southern Electric Power Distribution PLC, SSE Contracting Ltd, SSE Energy Supply Ltd, SSE Water Ltd and Swalec Gas Ltd.
- 25 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.

- 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 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.
- 28 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.
- 29 Raytheon Company includes payments made to Diehl-Raytheon Missile Systeme GmbH, Raytheon/Lockheed Martin Javelin Joint Venture, Raytheon BBN Technologies Corp, Raytheon Company, Raytheon Elcan Optical Technologies, Raytheon Systems Ltd and Raytheon Technical Services Company LLC.
- 30 Volkswagen AG includes payments made to MAN Diesel & Turbo UK Ltd, MAN Truck & Bus Deuschlang GmbH, MAN Truck & Bus UK Ltd and Volkswagen Group United Kingdom Ltd.
- 31 Air Partner PLC includes payments made to Air Partner PLC.
- 32 Modus Services (Holdings) Ltd includes payments made to Modus Services Ltd.
- 33 SAAB AB includes payments made to SAAB AB, SAAB AB (Publ), SAAB AB Gripen, SAAB Bofors Dynamics AB, SAAB Dynamics AB and SAAB Training Systems AB.
- 34 Arthur J. Gallagher & Co includes payments made to Gallagher Bassett International Ltd.
- 35 Morgan Crucible Company PLC includes payments made to NP Aerospace Ltd.
- 36 Safran SA includes payments made to Messier-Bugatti, Messier-Dowty Ltd, Messier Services Ltd, Rolls-Royce Turbomeca Ltd, Sagem Defense Securite, Sagem Defense Securite SA, Snecma Services SA, Sofrance SA, Turbomeca SA, Turbomeca UK Ltd and Vectronix AG.
- 37 Chapman Freeborn Holdings Ltd includes payments made to Chapman Freeborn Airchartering Ltd.
- 38 Motor Oil (Hellas) Corinth Refineries SA includes payments made to Motor Oil (Hellas) Corinth Refineries SA.
- 39 Total S.A. includes payments made to Hutchinson S.A., Hutchinson Snc, Stop-Choc Ltd, Total Gas & Power Ltd, Total Lubrifiants SA and Totsa Total Oil Trading SA.
- 40 Cobham PLC includes payments made to Chelton Ltd, Cobham CTS Ltd, Cobham Flight Inspection Ltd, Cobham Mal Ltd, Cobham TCS Limited, Credowan Ltd, FB Heliservices Ltd, FBS Ltd, Flight Refuelling Ltd, FR Aviation Ltd and Spectronic Denmark A/S.
- 41 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 Space and Mission Systems Corporation, Northrop Grumman Sperry Marine BV, Northrop Grumman Sperry Marine Ltd, Northrop Grumman Systems Corporation, Park Air Systems Ltd and Remotec UK Ltd.
- 42 Ultra Electronics Holdings PLC includes payments made to Audiosoft Ltd, Ultra Electronics Ltd and Ultra Electronics Ocean Systems Inc.
- 43 Dcc International Holdings B.V. includes payments made to Brogan Holdings Ltd, Butler Fuels Ltd, CPL Petroleum Ltd, DCC Energy Ltd, Emo Oil Ltd, GB Oil Ltd, Team Flitwick and Total Butler.
- 44 Rheinmetall AG includes payments made to Rheinmetall Air Defence AG, Rheinmetall Landsysteme GmbH and Rheinmetall Waffe Munition GmbH.
- 45 HCR Group Holdings Ltd includes payments made to HCR Ltd.
- 46 RMPA Holdings Ltd includes payments made to RMPA Services PLC.

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Overview

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

Section Contents

Table 1.20 presents the net additional costs incurred by the MOD in respect of operations and peacekeeping exercises during the past three financial years.

Table 1.20a presents a time series of the annual audited costs of operations in Iraq and Afghanistan since 2002/03 and costs for Libya from 2010/11.

Table 1.21 details the defence expenditure by each of the NATO member states in Constant 2011 Prices and Exchange Rates (US\$ billion).

Table 1.22 presents defence expenditure as a percentage of GDP for each of the NATO countries.

Table 1.23 details the top 15 military spenders worldwide, ranked using Market Exchange rates and Purchasing Power Parity rates. It also shows spend per capita.

Charts 1.24a-d provide a focus on trend analysis and aggregate defence comparators for the UK, Germany, France and the USA.

Key Points

MOD Operations and Peacekeeping (Table 1.20)

- In 2011/12, the MOD spent just under £3.8 billion on conflict prevention worldwide.
- The net additional cost incurred by the MOD as a result of operations in Afghanistan was just under £3.5 billion.

NATO Countries' Defence Expenditure (Tables 1.21 and 1.22)

- In 2011 the UK remained the second largest military spender in NATO after the USA¹ (using comparisons based on constant prices and exchange rates).
- The UK remains one of only three NATO countries which meet the NATO target of spending the equivalent of 2% or more of GDP on Defence. The others are USA and Greece. In 2011, France fell below the NATO target for the first time.

Top Worldwide Military Spenders (Table 1.23)

- In 2011, total worldwide military expenditure was estimated to be just over US\$1.7 trillion at current prices and exchange rates. The USA was the world's largest military spender accounting for 41% of worldwide expenditure in 2011.

¹ Calculations based on NATO definition of Defence Expenditure. The NATO definition of defence spending is explained further later in this commentary.

- In 2011, the UK was the fourth largest military spender, accounting for nearly 4% of worldwide military spend, behind the USA, China and Russia (using comparisons based on market exchange rates). The UK was fifth, based on purchasing power parity comparisons, after USA, China, India and Russia.

Data Quality

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

Sources of International Defence Data

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

Data provided in Tables 1.21, 1.22, 1.23 and Charts 1.24a-d fall outside the scope of National Statistics and as such, must be regarded as illustrative only.

Limitations of International Defence Data

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

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

- [Click here](#) for more information on the measurement and uses of Purchasing Power Parity (PPP) rates.

While these problems are fairly insignificant in relation to the comparison of defence spending between NATO members in **Table 1.21**, they are substantial in relation to the global comparison in **Table 1.23**.

Note on revised NATO definition

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

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

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

This year the figures in **Table 1.22** are expressed according to a new price base. The price base has been updated and the figures are now expressed at Constant 2005 prices (compared to 2000 prices previously).

The German government abolished compulsory military service in 2011. The abolition of compulsory military service has led to a substantial falls in the number military personnel; it has been highlighted within the charts where this change has had an impact on the figures presented.

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Table 1.20 MOD Operations and Peacekeeping Costs

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

Table 1.20a shows the annual audited costs of operations in the Wider Gulf, Afghanistan and Libya since 2002/03.

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

This table is a National Statistic.

| | Wider Gulf ¹ | | | Afghanistan | | | Libya | | | Conflict Pool ² | | |
|--|-------------------------|-------------------------|-----------|--------------|---------------------------|--------------|-----------|------------------------|----------------------|----------------------------|------------------------|-----------|
| | 2009/10 | 2010/11 | 2011/12 | 2009/10 | 2010/11 | 2011/12 | 2009/10 | 2010/11 ³ | 2011/12 ³ | 2009/10 | 2010/11 | 2011/12 |
| Total Cost by Operation | 342 | 127 [†] | 37 | 3 821 | 3 777 [†] | 3 458 | - | 21 [†] | 213 | 55 | 60 [†] | 46 |
| Total Resource | 299 | 64 | 35 | 2 330 | 2 720 | 2 705 | - | 21 [†] | 188 | 53 | 59 [†] | 46 |
| <i>of which:</i> | | | | | | | | | | | | |
| Total Cash Resource: | | | | | | | | | | | | |
| Service Manpower | 35 | 7 | 5 | 174 | 192 | 269 | - | - | 4 | 18 | 17 | 17 |
| Civilian Manpower | 7 | 1 | - | 26 | 28 | 25 | - | - | 1 | 2 | 1 | 1 |
| Infrastructure costs | 53 | 10 | 8 | 236 | 336 | 192 | - | - | 14 | 8 | 9 | 2 |
| Equipment support | 101 | 21 | 14 | 551 | 605 | 585 | - | 1 | 30 | 1 | 1 | - |
| Other costs and services | 53 | 10 | 4 | 437 | 503 | 475 | - | 1 | 13 | 26 | 32 | 25 |
| Receipts and Other Income ⁴ | -16 | -1 | - | -55 | -24 | -38 | - | - | -4 | -1 | -1 | 1 |
| Inventory/Other Consumption | 13 | 4 | 3 | 570 | 784 | 758 | - | 2 | 34 | -1 | - | - |
| Cash Release of Provision | 6 | 7 | - | 1 | 3 | 4 | - | - | - | - | - | - |
| Total Non Cash Resource: | | | | | | | | | | | | |
| Stock write off / (write-on) | - | - | - | 16 | 30 | -6 | - | - | - | - | - | - |
| Provisions | 5 | - | - | 2 | - | - | - | - | - | - | - | - |
| Depreciation, amortisation (including UOR ⁵) and fixed asset write-off | 35 | 1 | - | 331 | 260 | 442 | - | 17 | 97 | - | - | - |
| Cost of capital | 10 | - | - | 45 | - | - | - | - | - | - | - | - |
| Net foreign currency surplus/deficit | 2 | 4 | - | -2 | 2 | - | - | - | - | - | - | - |
| Non nuclear provision credit against provision | -6 | - | - | -1 | - | - | - | - | - | - | - | - |
| Total Capital Costs | 44 | 28 | 2 | 1 491 | 1 054 | 750 | - | - | 25 | 1 | 1 | - |
| Total Annually Managed Expenditure⁶ | .. | 35 | - | .. | 3 | 4 | .. | - | - | .. | - | - |

Source: MOD Departmental Resource Accounts

1. From 2011/12, expenditure is reported as Wider Gulf but in years prior to that date this has been reported under Iraq.

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

3. Operations in Libya began in March 2011 and ended in October 2011

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

5. UOR = Urgent Operational Requirements

6. The AME provision reflects the creation of a provision against future liabilities. This has previously been included in the non cash resource section.

Table 1.20a Annual audited cost of Operations in Wider Gulf, Afghanistan and Libya¹

| | Inclusive of non-recoverable VAT at Current Prices (£ million) | | | | | | | | | |
|---------------------------------------|--|--------------|------------|--------------|--------------|--------------|--------------|--------------|--------------------------|--------------|
| | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
| TOTAL | 1 158 | 1 357 | 977 | 1 157 | 1 694 | 2 961 | 4 004 | 4 163 | 3 925¹ | 3 708 |
| Operations in Wider Gulf ¹ | 847 | 1 311 | 910 | 958 | 956 | 1 457 | 1 381 | 342 | 127 ¹ | 37 |
| Operations in Afghanistan | 311 | 46 | 67 | 199 | 738 | 1 504 | 2 623 | 3 821 | 3 777 ¹ | 3 458 |
| Operations in Libya | - | - | - | - | - | - | - | - | 21 ¹ | 213 |

Source: MOD Departmental Resource Accounts

1. From 2011/12, expenditure is reported as Wider Gulf but in years prior to that date the heading has been Iraq.

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Table 1.21 NATO Countries' Defence Expenditure 2007 - 2011

This table shows defence payments accrued within financial years 2007-2011 for NATO member states. **Figures are expressed at Constant 2011 Prices and Exchange Rates (US\$ billion)** using GDP deflators from the [OECD Economic Outlook](#) and [Economic and Financial Affairs](#). Aggregate defence spending totals in local currencies have been obtained by DASA from Table 1 in the [NATO Press Release](#). These figures are the responsibility of DASA.

The NATO definition of defence expenditure differs from national definitions so the figures quoted may diverge considerably from those given in national budgets. Expenditure is included for countries that provide Military Assistance. Expenditure is not included for countries receiving assistance. Research and Development expenditures related to major equipment are included as are pensions for the military and civilian retirees from the MOD. The fiscal year has been designated by the year which includes the highest number of months. For example, year 2009 represents the fiscal year 2009/10 for Canada and the United Kingdom and the fiscal year 2008/09 for the United States (where the financial year for the United States runs from October through to September).

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

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

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

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

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

| Constant 2011 Prices & Exchange Rates (US\$ billion) | | | | | |
|--|-----------------|-------------------|----------------|----------------|----------------|
| Country | 2007 | 2008 | 2009 | 2010 | 2011e |
| NATO Total^{1,2} | 948.7 II | 1 091.4 II | 1 103.3 | 1 112.5 | 1 038.1 |
| NATO - Europe^{1,2} | 298.4 II | 305.4 II | 295.9 | 291.8 | 282.6 |
| Albania ¹ | * | * | 0.2 | 0.2 | 0.2 |
| Belgium | 5.7 | 6.2 | 5.8 | 5.6 | 5.5 |
| Bulgaria ³ | 1.2 | 1.2 | 1.0 | 0.9 | 0.8 |
| Croatia ¹ | * | * | 1.0 | 1.0 | 1.0 |
| Czech Republic | 3.0 | 3.0 | 3.3 | 2.9 | 2.4 |
| Denmark | 4.7 | 4.8 | 4.6 | 4.8 | 4.5 |
| Estonia | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| France ⁴ | 66.0 | 64.6 II | 55.6 | 55.2 | 53.4 |
| Germany | 44.6 | 46.8 | 48.1 | 48.9 | 48.1 |
| Greece | 9.3 | 10.2 | 10.6 | 8.5 | 6.4 |
| Hungary | 1.9 | 1.8 | 1.6 | 1.4 | 1.4 |
| Italy | 33.0 | 34.4 | 32.4 | 31.2 | 30.2 |
| Latvia | 0.5 | 0.5 | 0.3 | 0.3 | 0.3 |
| Lithuania | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| Luxembourg ⁵ | 0.3 II | 0.2 | 0.2 | 0.3 | 0.3 |
| Netherlands | 12.4 | 12.3 | 12.4 | 11.9 | 11.3 |
| Norway ⁶ | 7.0 | 7.0 II | 7.3 | 7.2 | 7.2 |
| Poland | 8.2 | 7.2 | 8.2 | 8.9 | 8.9 |
| Portugal | 3.5 | 3.6 | 3.8 | 3.9 | 3.6 |
| Romania | 2.9 | 3.0 | 2.5 | 2.4 | 2.4 |
| Slovak Republic | 1.4 | 1.4 | 1.4 | 1.2 | 1.1 |
| Slovenia | 0.8 | 0.8 | 0.8 | 0.8 | 0.7 |
| Spain | 17.7 | 18.1 | 17.3 | 15.7 | 14.0 |
| Turkey | 12.7 | 13.8 | 13.7 | 14.0 | 14.5 |
| United Kingdom | 60.8 | 63.6 | 62.9 | 64.0 | 63.6 |
| North America | 650.4 | 785.9 | 807.5 | 820.6 | 755.6 |
| Canada | 21.1 | 22.2 | 23.4 | 22.8 | 23.7 |
| United States ⁷ | 629.3 | 763.8 | 784.1 | 797.8 | 731.9 |

Source: DASA derived estimates from NATO data

1. Albania and Croatia joined the Alliance in 2009.
2. Iceland is a member of the Alliance but has no armed forces.
3. Data do not include pensions.
4. Data do not include deployable elements of Other Forces. From 2009, data do not include the Gendarmerie.
5. Data do not include non-deployable elements of Other Forces for Luxembourg from 2008.
6. From 2009, new methodology used to calculate pensions.
7. Increases in United States spending from 2008 are consistent with revised figures provided by NATO with their 2010 Estimates.

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Table 1.22 NATO Countries' Defence Expenditure as % of GDP 2007-2011

This table shows defence payments accrued by NATO member states within the financial years 2007-2011 as a percentage of GDP. The figures are extracted from Table 3 in the [NATO Press Release](#). Figures are based on the NATO definition of defence expenditure and are stated at **Constant 2005 Prices**, where the effects of inflation have been removed.

The NATO definition of defence expenditure differs from national definitions so the figures quoted may diverge considerably from those given in national budgets. Expenditure is included for countries that provide Military Assistance. Expenditure is not included for countries receiving assistance. Research and Development expenditures related to major equipment are included as are pensions for the military and civilian retirees from the MOD. The fiscal year has been designated by the year which includes the highest number of months. For example, year 2009 represents the fiscal year 2009/10 for Canada and the United Kingdom and the fiscal year 2008/09 for the United States (where the financial year for the United States runs from October through to September).

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

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

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

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

| | Constant 2005 Prices (Percentage of GDP) | | | | |
|------------------------------------|--|---------------|------------|------------|------------|
| Country | 2007 | 2008 | 2009 | 2010 | 2011e |
| NATO - Total^{1,2} | 2.8 II | 3.3 II | 3.4 | 3.4 | 3.1 |
| NATO - Europe^{1,2} | 1.7 II | 1.7 II | 1.8 | 1.7 | 1.6 |
| Albania ¹ | * | * | 1.5 | 1.6 | 1.5 |
| Belgium | 1.1 | 1.2 | 1.2 | 1.1 | 1.1 |
| Bulgaria ³ | 2.4 | 2.2 | 1.9 | 1.7 | 1.4 |
| Croatia ¹ | * | * | 1.6 | 1.5 | 1.5 |
| Czech Republic | 1.4 | 1.4 | 1.6 | 1.3 | 1.1 |
| Denmark | 1.3 | 1.4 | 1.4 | 1.5 | 1.4 |
| Estonia | 1.7 | 1.8 | 1.8 | 1.8 | 1.7 |
| France ⁴ | 2.4 | 2.3 II | 2.1 | 2.0 | 1.9 |
| Germany | 1.3 | 1.3 | 1.4 | 1.4 | 1.4 |
| Greece | 2.7 | 3.0 | 3.2 | 2.6 | 2.1 |
| Hungary | 1.3 | 1.2 | 1.2 | 1.1 | 1.0 |
| Italy | 1.3 | 1.3 | 1.3 | 1.2 | 1.2 |
| Latvia | 1.5 | 1.6 | 1.2 | 1.0 | 1.0 |
| Lithuania | 1.2 | 1.1 | 1.1 | 0.9 | 0.8 |
| Luxembourg ⁵ | 0.6 II | 0.4 | 0.4 | 0.5 | 0.5 |
| Netherlands | 1.5 | 1.4 | 1.5 | 1.4 | 1.3 |
| Norway ⁶ | 1.6 | 1.6 II | 1.6 | 1.6 | 1.6 |
| Poland | 1.8 | 1.5 | 1.7 | 1.8 | 1.7 |
| Portugal | 1.4 | 1.5 | 1.6 | 1.6 | 1.5 |
| Romania | 1.5 | 1.5 | 1.4 | 1.3 | 1.3 |
| Slovak Republic | 1.5 | 1.5 | 1.5 | 1.3 | 1.1 |
| Slovenia | 1.5 | 1.5 | 1.6 | 1.6 | 1.3 |
| Spain | 1.2 | 1.2 | 1.2 | 1.1 | 0.9 |
| Turkey | 1.8 | 1.9 | 2.0 | 1.9 | 1.8 |
| United Kingdom | 2.4 | 2.6 | 2.7 | 2.7 | 2.6 |
| North America | 3.9 | 4.8 | 5.1 | 5.0 | 4.5 |
| Canada | 1.3 | 1.3 | 1.4 | 1.4 | 1.4 |
| United States | 4.2 | 5.1 | 5.4 | 5.4 | 4.8 |

Source: NATO

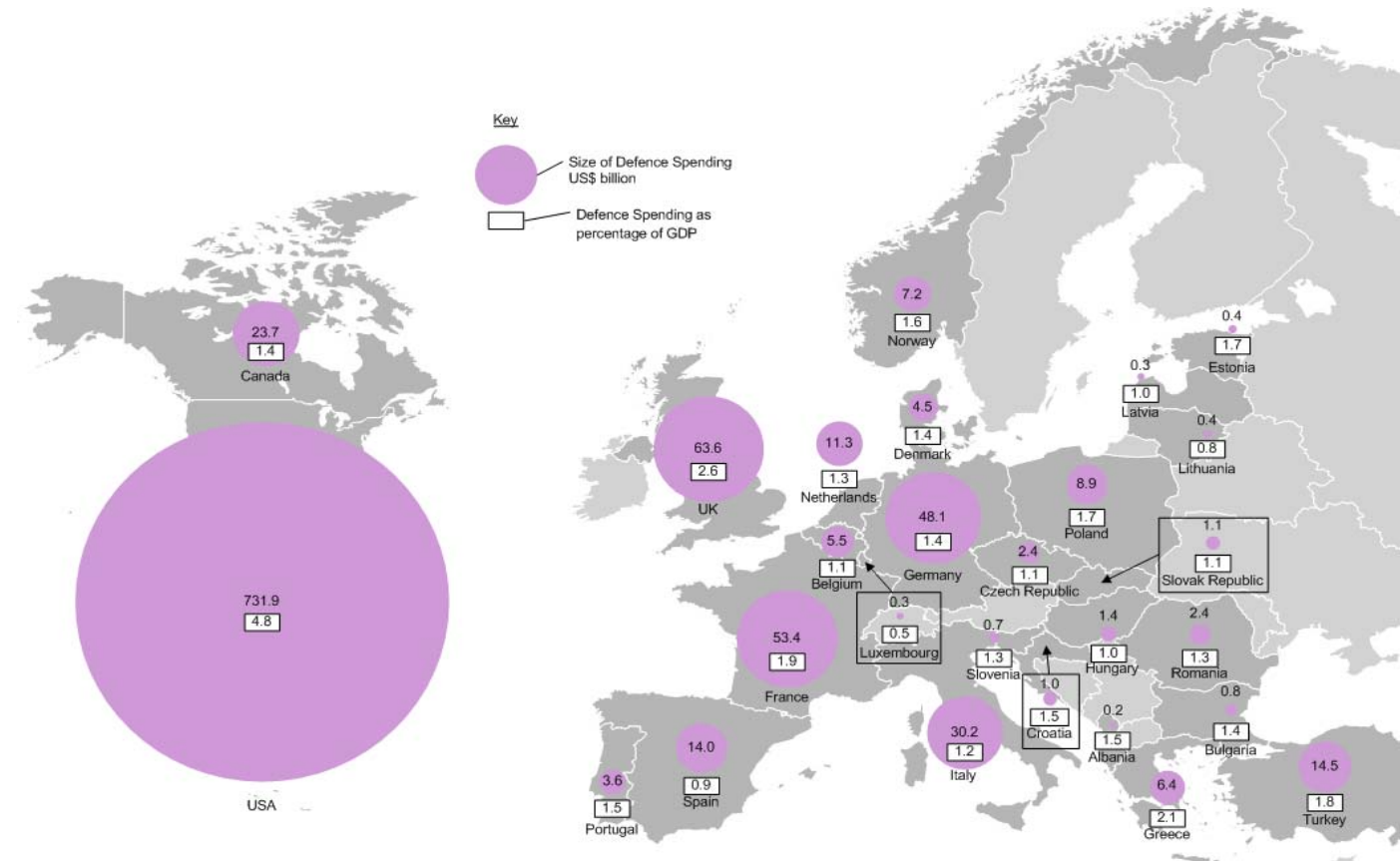
1. Albania and Croatia joined the Alliance in 2009.
2. Iceland is a member of the Alliance but has no armed forces.
3. Defence Expenditures do not include pensions.
4. Data include non-deployable elements of Other Forces. From 2009, data do not include the Gendarmerie.
5. Data do not include non-deployable elements of Other Forces for Luxembourg from 2008.
6. From 2009, new methodology used to calculate pensions.

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Chart to tables 1.21 & 1.22 NATO Countries' Defence Expenditure and shown as a share of GDP - 2011^{1,2}

This chart shows Defence Spending in US\$ amongst NATO member countries. It also shows those countries Defence Spending as a percentage of their national GDP. The US spends the largest amount in NATO spending over double the combined amount of the other NATO members. The UK spends the second largest amount in NATO. The UK is one of only three countries that currently spend over 2% of GDP on Defence, the remaining two are Greece & USA.



1. Map not to scale
 2. See footnotes to Tables 1.21 and 1.22 for further details.

Source: NATO

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Table 1.23 Top World-wide Military Spenders: 2011

This table shows the Top 15 Worldwide Military Spenders in 2011. **Figures are expressed at Current Prices and Exchange Rates (US\$ billion).** Countries are ranked separately using Market Exchange Rates and Purchasing Power Parity (PPP) rates. If a different base year were used, the rankings could change due to fluctuations in exchange rates. **The calculations of military expenditure using PPP rates and 'spending per capita' have been performed independently by DASA but are sourced from data provided by the Stockholm International Peace Research Institute (SIPRI).**

The SIPRI definition of defence expenditure differs to the definitions used by NATO and the MOD. Further details on the SIPRI definition can be found [here](#).

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

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

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

| Market Exchange Rates | | At Current Prices and Exchange Rates | | | Purchasing Power Parity Rates ¹ | | |
|-------------------------|---------------------------|--------------------------------------|---------------------------------------|---------------|--|--------------|-----------------------|
| Rank | Country | Spending US\$ billion | Spending Per Capita US\$ ² | World Share % | Rank | Country | Spending US\$ billion |
| 1 | USA ³ | 711.4 | 2 272 | 40.9 | 1 | USA | 711.4 |
| 2 | China | [142.9] | [106] | [8.2] | 2 | China | 221.2 |
| 3 | Russia | [71.9] | [503] | [4.1] | 3 | India | 119.4 |
| 4 | UK | 62.7 | 1 005 | 3.6 | 4 | Russia | 92.6 |
| 5 | France | 62.5 | 991 | 3.6 | 5 | UK | 58.6 |
| Sub-total Top 5 | | 1051.4 | | 61 | Sub-total Top 5 | | 1 203.2 |
| 6 | Japan | 59.3 | 469 | 3.4 | 6 | Saudi Arabia | 57.4 |
| 7 | India | 48.9 | 39 | 2.8 | 7 | France | 49.9 |
| 8 | Saudi Arabia ⁴ | 48.5 | 1 727 | 2.8 | 8 | Japan | 45.3 |
| 9 | Germany | [46.7] | [569] | [2.7] | 9 | South Korea | 42.9 |
| 10 | Brazil | 35.4 | 180 | 2.0 | 10 | Germany | 40.4 |
| Sub-total Top 10 | | 1290.2 | | 74 | Sub-total Top 10 | | 1 439.2 |
| 11 | Italy | [34.5] | [567] | [2.0] | 11 | Brazil | 32.8 |
| 12 | South Korea | 30.8 | 636 | 1.8 | 12 | Italy | 28.9 |
| 13 | Australia | 26.7 | 1 182 | 1.5 | 13 | Turkey | 24.6 |
| 14 | Canada | [24.7] | [719] | [1.4] | 14 | Canada | 19.9 |
| 15 | Turkey | [17.9] | 243 | 1.0 | 15 | Taiwan | 18.2 |
| Sub-total Top 15 | | 1424.7 | | 82 | Sub-total Top 15 | | 1 563.6 |
| World Total | | 1 738 | | 100 | World Total | | .. |

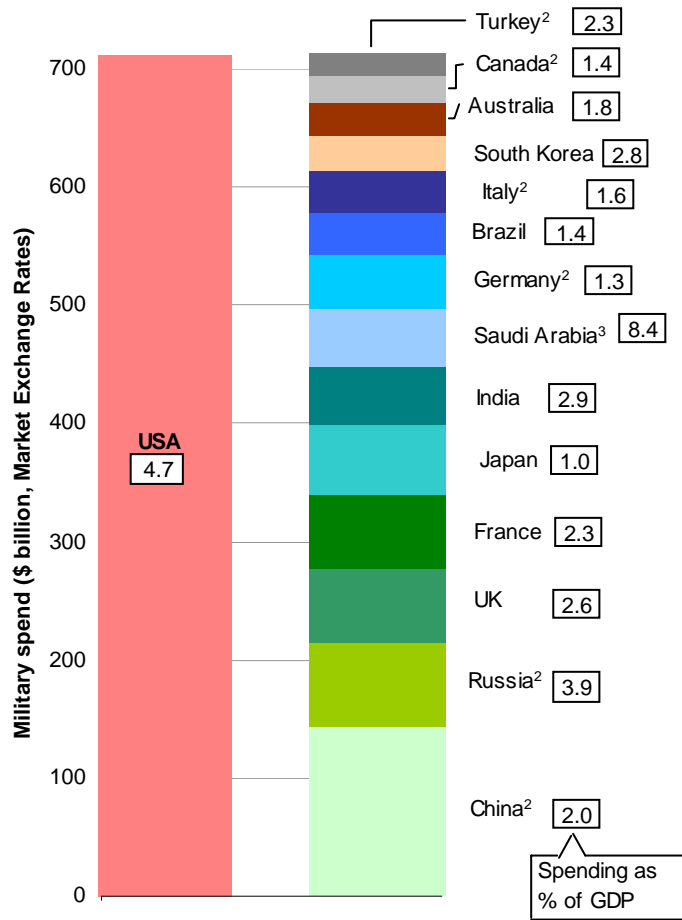
Source: Stockholm International Peace Research Institute (SIPRI)

- The figures in PPP dollar terms have been calculated by DASA using estimated PPP rates (for 2011), based on price comparisons of the components of GDP published by the International Monetary Fund (IMF) in Apr 2012.
 - Spending per Capita figures have been calculated using population estimates taken from the UN State of the World Population Report 2011.
 - USA spending figures relate to the Fiscal Year October 2010 - September 2011. All other country figures relate to Calendar Year 2011.
 - The figures for Saudi Arabia include expenditure on public order and safety and might be slight overestimates.
- [] Indicates SIPRI estimate

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INTERNATIONAL DEFENCE

Chart to Table **1.23** Top Worldwide Military Spenders Defence Expenditure and shown as % of GDP: 2011¹



Source: Stockholm International Peace Research Institute (SIPRI)

1. GDP figures shown in this table have been calculated using **SIPRI definitions of defence expenditure** and may differ from information shown in **Table 1.22** where the NATO definition has been used. Estimates for 2011 GDP are from the International Monetary Fund (IMF) World Economic Outlook database, Apr 2012. For more information see **International Defence notes and key points.**
2. Indicates SIPRI Estimate
3. Includes expenditure on public order and safety and might be slight overestimates.

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Charts 1.24a-d provide a retrospective trend analysis and aggregate defence comparators for the UK, Germany, France and the USA. These nations have been selected on the basis that they either have similar strategic postures, capabilities or force structures to the UK, or that the relative size of their respective defence budgets is comparable. **Figures are expressed at Constant 2011 Prices and Exchange Rates (US\$ billion).**

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

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

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

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

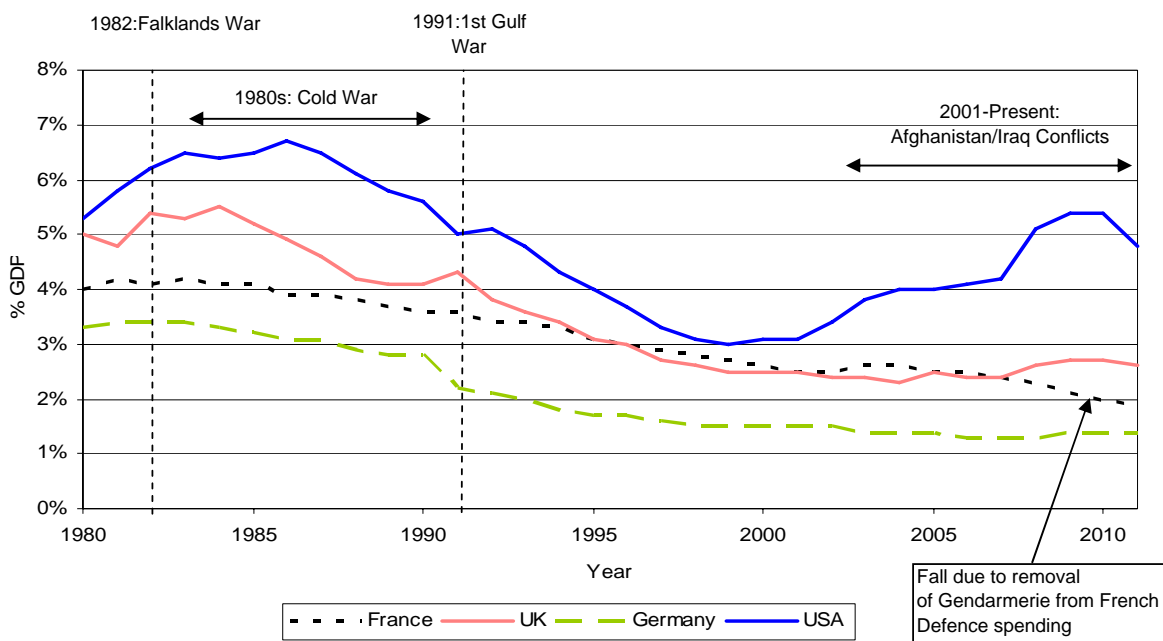
The data in this table are outside the scope of National Statistics because they are provided by an organisation outside the UK Government Statistical Service.

Chart 1.24a Defence Spending as a % of GDP: 1980 - 2011^{1,2}

This chart shows aggregate defence expenditure for the UK, USA, France and Germany as a percentage of GDP from 1980-2011.

In 2011 the UK spent 2.6% of its national income on defence, France spent 1.9% and Germany spent only 1.4%. The drop in the GDP % for France in 2009 is due to the transfer of responsibilities for the Gendarmerie from the Ministry of Defence to the Ministry of the Interior.

Levels of spending as a proportion of GDP in all countries fell between 1985 and 2000. Since then it has risen slightly for the UK, whilst levels in France and Germany have remained fairly static. USA defence spending rose steadily from 2000 to 2010, when it reached 5.4% of national income, however the figure dropped back to 4.8% in 2011 as spending on defence fell.



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Chart 1.24b Real Defence Spending per Capita: 1980-2011^{1,2,3,4,5}

This chart shows trends in real defence spending per capita between 1980 and 2011.

Since 2001, there have been significant increases in spending from the USA, and the UK partly associated with the 2nd Iraq war, and the ISAF contribution in Afghanistan, although the USA figure has dropped back a little in 2011. In terms of defence expenditure per capita, in 2011 the UK spent around \$1,000 per person. France spent slightly less per capita than the UK (c.\$850) whilst Germany spent substantially less (c.\$590). The USA still spent over double that of the UK (c.\$2,350).

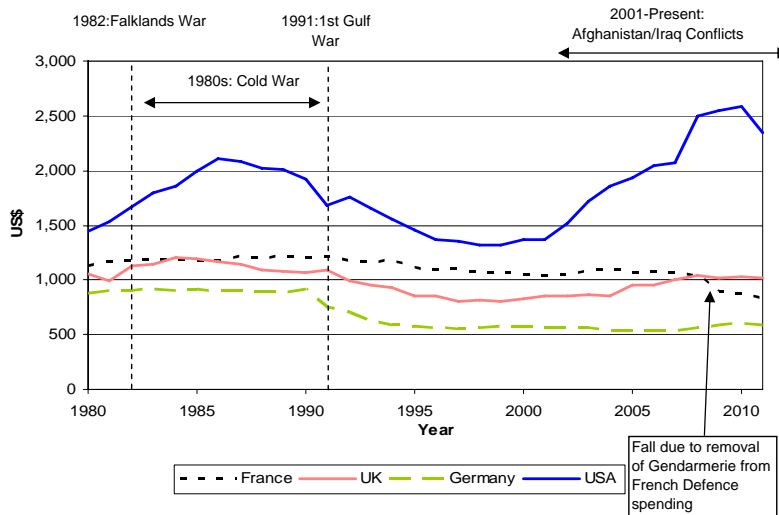


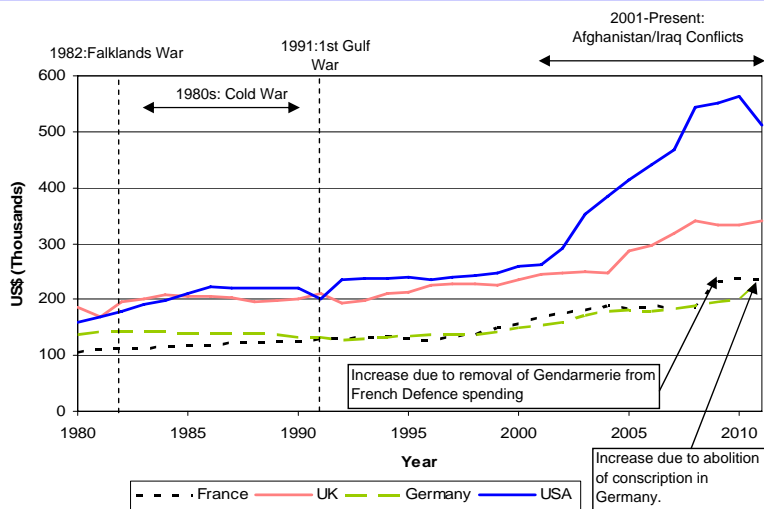
Chart 1.24c Real Defence Spending Per Serviceman^{1,2,3,5,6}

This chart shows trends in real defence spending per Serviceman for 1980-2011.

The number of active military personnel has been falling in both the USA and UK. As real Defence spending has remained reasonably level, spending per Serviceman has been rising. The most dramatic increases in defence spending per Serviceman have been since 2000. The USA has increased spending by 97% between 2000 and 2011 whilst UK spending increased by 44% over the same period. In 2011 the USA spent \$513,000 per Serviceman whilst the UK spent \$341,000.

Spending per Serviceman for Germany has been increasing gradually since 2000 with a large increase coming in 2011, which was as a result of conscription ending and the subsequent sudden drop in service personnel numbers. Following the removal of the Gendarmerie from French expenditure since 2009 it would be misleading to compare changes in France and Germany Defence spending per Serviceman over time.

Of the three European nations listed the UK spends the most per Serviceman, followed by France and Germany who both spend \$235,000 per Serviceman.



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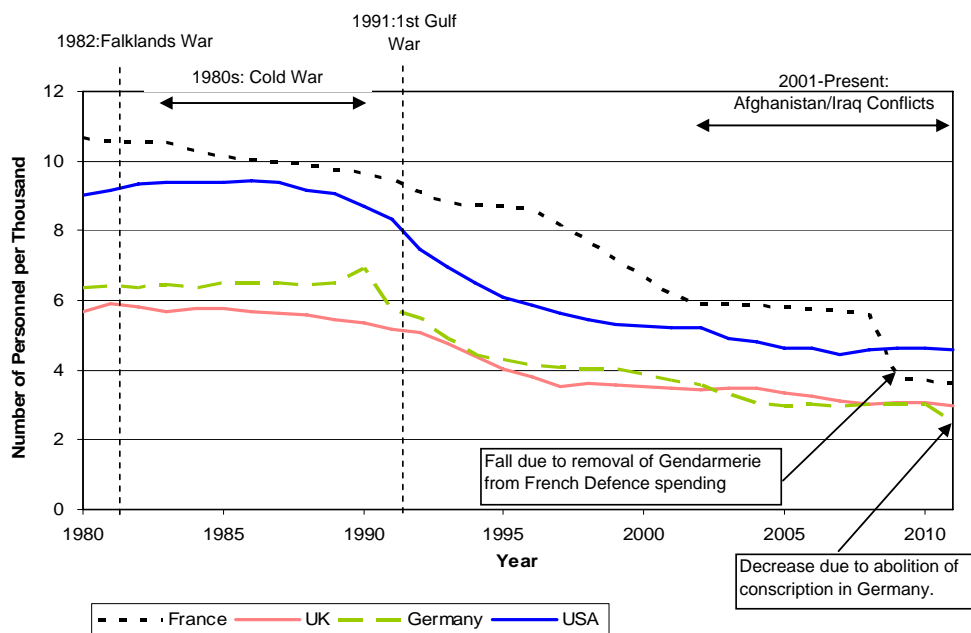
INTERNATIONAL DEFENCE: Focus on NATO Allies

Chart 1.24d Number of Military Personnel per Thousand Population^{2,4,6,7}

This chart shows the number of military personnel per Thousand Population from 1980 to 2011.

Data sources have been consolidated since the publication of last year's tables to ensure a more consistent use of data across the countries and also to the data sources used in NATO Tables 1.21 and 1.22.

In the UK there are currently around 3 servicemen per thousand population whereas in France, there are 3.6 and in the USA there are 4.6. Germany has the lowest number of military personnel per thousand population at 2.5.



Footnotes to Charts 1.24a - 1.24d

1. This chart uses Defence expenditure totals obtained from the [NATO publication Financial and Economic Data Relating to NATO Defence](#). More details about what this definition covers and specific caveats for each country can be found in the footnotes to Table 1.21.
2. From 2009 French Defence expenditure excludes the Gendarmerie. This change of definition has led to lower levels of Defence spending and personnel numbers but a higher level of defence spending per serviceman. This definitional change explains the shift in the French data series shown in the charts.
3. This chart uses National GDP figures and associated National GDP deflators obtained from the [Organisation for Economic Co-operation and Development \(OECD\)](#) for all countries except Germany. German GDP figures and associated deflators have been extracted from the April 2012 version of the [IMF World Economic Outlook database](#).
4. This chart uses National population figures obtained from the April 2012 version of the [IMF World Economic Outlook database](#).
5. This chart uses National Defence expenditure figures (see Note 1) which have been converted to US dollars using an exchange rate implied from the US dollar defence expenditures in table 1 of [NATO publication Financial and Economic Data Relating to NATO defence](#). National GDP deflators have been used to remove the effects of inflation in each country (See Note 3).
6. This chart uses military personnel strength figures obtained from several sources: USA and German military personnel strength figures have been extracted from [Table 6 of the NATO publication Financial and Economic Data Relating to NATO defence](#) available online; UK military personnel figures have been extracted from [Table 2.6 of UK Defence Statistics](#), please note 2011 figures are provisional only; French military personnel strength figures have been extracted from a long run time series data provided by NATO. These figures are not available online.
7. In 1990 Germany signed 'The Treaty on the Final Settlement with Respect to Germany'. The treaty paved the way for German re-unification but required Germany to limit its combined armed forces to no more than 370,000 personnel, this led to significant falls in German military strengths.