



The [Finance & Economics Statistical Bulletin series](#) provides figures on the composition and scope of the Department's expenditure, information on the impact of defence spending on the wider economy, and compares MOD's spending to that of other departments and countries.

Trade, Industry & Contracts presents information on MOD spending with industry and commerce, and sets out the numbers, types and values of contracts placed by MOD, major equipment projects and payments made by MOD to its suppliers during 2017/18. Also included is a focus on the top ten companies that received the highest expenditure from MOD. Industry tables provide details of existing Private Finance Initiative (PFI) contracts. Trade data presents information on defence export orders.

## Key Points and Trends

<b>£8bn</b>	'Lightning II' was the most expensive approved (post-Main Gate) equipment project in 2017. A £210m decrease in forecast cost compared with 2016.
<b>£24.3bn</b>	Paid by MOD Core Department to UK and foreign owned organisations in 2017/18. An increase of £0.2bn from 2016/17.
<b>42%</b>	Total MOD procurement expenditure with top 10 suppliers. Slight increase on the previous year, the largest supplier was BAE Systems.
<b>2,096</b>	New contracts placed by MOD Core Department during 2017/18. An increase of 46 (2%) compared with 2016/17.
<b>£5.8bn</b>	Value of new contracts placed during 2017/18. A decrease of £2.8bn (32%) compared with 2016/17.
<b>54%</b>	Proportion of new contracts placed competitively during 2017/18. An increase of 12 percentage points from 2016/17.
<b>£506m</b>	Allenby/Connaught was the PFI in receipt of the highest amount of MOD expenditure in 2017/18. Provides living and working accommodation for soldiers, increasing by £214m since 2016/17.
<b>£9bn</b>	Estimate of identified UK export orders of defence equipment and services in 2017. An increase of £3.1bn from 2016.

Responsible statistician: Defence Expenditure Analysis Head of Branch

Tel: 030 679 84442

Further information/mailling list: [DefStrat-Econ-ESES-PQFOI@mod.gov.uk](mailto:DefStrat-Econ-ESES-PQFOI@mod.gov.uk)

Background quality report: [Background Quality Report](#)

Would you like to be added to our **contact list**, so that we can inform you about updates to these statistics and consult you if we are thinking of making changes? You can subscribe to updates by emailing [DefStrat-Stat-Enquiries-Mailbox@mod.gov.uk](mailto:DefStrat-Stat-Enquiries-Mailbox@mod.gov.uk)

## Contents and Introduction

### Major Equipment Projects

page 4

Presents financial information on MOD's largest projects for which the main investment decision has been taken.

### MOD Expenditure by Type of Contract

page 5-6

Presents the amount of direct MOD expenditure that is paid through competitive and non-competitive contracts.

### Organisations paid over £5 million (National Statistic)

page 7

Provides an analysis of organisations paid £5 million or more during 2017/18 by MOD

### Holding Companies paid over £50 million (National Statistic)

page 8

Presents the data in **Organisations paid by MOD** with the individual suppliers attributed to their parent companies.

### Focus on Key Suppliers (National Statistic)

page 9-11

Focusses on the top 10 suppliers to MOD in 2017/18. It examines the relative importance of MOD sales to each company's revenue and how much of their MOD business is done through competitively let contracts.

### New Contracts Placed (National Statistic)

page 12

Shows the number and value of new contracts placed by Financial Year, and whether those contracts are competitive or non-competitive.

### MOD Payments on Private Finance Initiative (PFI) Projects (National Statistic)

page 13

Details MOD payments on PFI projects during 2017/18.

### Estimates of Identified Export Orders

page 14

Presents the estimated value of export orders of defence equipment and services.

### Methodology

page 15

### Glossary

page 16-18

### Further Information

page 19

Supplementary tables containing all data presented in this publication can be found [here](#).  
Other bulletins in this series can be found [here](#).

## Introduction

---

This Bulletin provides data on MOD's spending on equipment and services. It is produced as part of the transparency and accountability of the Ministry of Defence to Parliament and the public. Detailed statistics and historic time series can be found in the related [Open Data Source tables](#).

### Table Removal

In previous versions of this bulletin, tables have been published showing 'Contracting with SMEs' and 'Balance of Payments for 'Trade in Services''. It has been decided to remove these tables because of data quality issues.

**MOD contracting with SMEs:** In 2017/18, the SME status of approximately 7,000 (52%) MOD direct suppliers has not been assessed. This continues an ongoing lack of assessment of new suppliers and means that Defence Statistics would again be publishing a reducing level of direct spend with SMEs; this does not necessarily reflect the true level of contracting that the department has directly with SMEs, rather just that there is an increasing number of suppliers for whom their SME status has not been assessed.

**Balance of payments for trade in services:** The introduction of a new computer system within MOD (CP&F) has resulted in Defence Statistics being unable to identify whether some types of expenditure relate to goods or services. We are no longer satisfied that the quality of this data allows us to make robust estimates of how the expenditure should be allocated to produce this table.

The MOD will continue to work to try and improve the quality of these 2 data sources and, if successful, the production of these tables may be resumed in future publications of the bulletin.

### Context

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

- Understand the size and organisation of the United Kingdom's Armed Forces;
- Set the context for other information on Defence;
- Assist in understanding the impact of changes in Defence policy, for instance changes to Single Source procurement practice.

### A National Statistics publication

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

Designation can be broadly interpreted to mean that the statistics:

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

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

# Major Equipment Projects

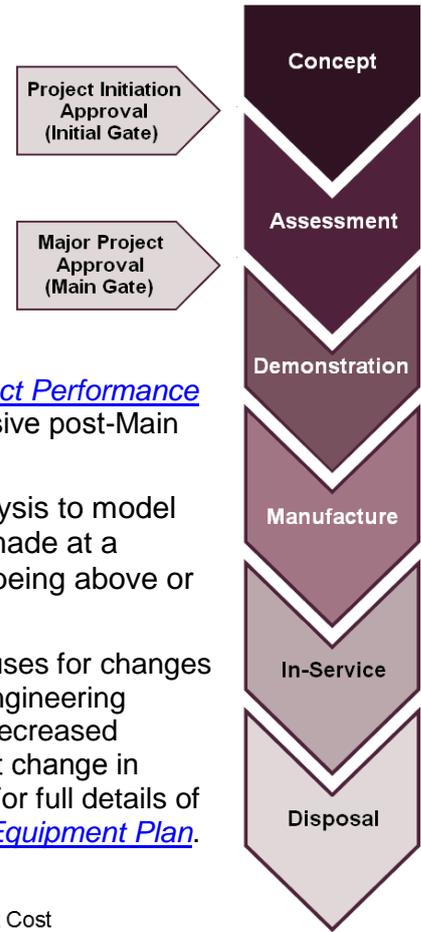
This analysis looks at MOD's 17 largest equipment projects on which the main investment decision has been taken ('post-Main Gate').

The diagram to the right shows the CADMID cycle, which is the basis for MOD Smart Acquisition. Smart Acquisition is a long-term MOD initiative to improve the way we acquire defence capability. The main investment decision is taken at Main Gate, i.e. the post assessment phase with the aim of ensuring there is a high level of confidence in achieving time, cost and performance targets. Further information is contained in the [Major Projects Report](#).

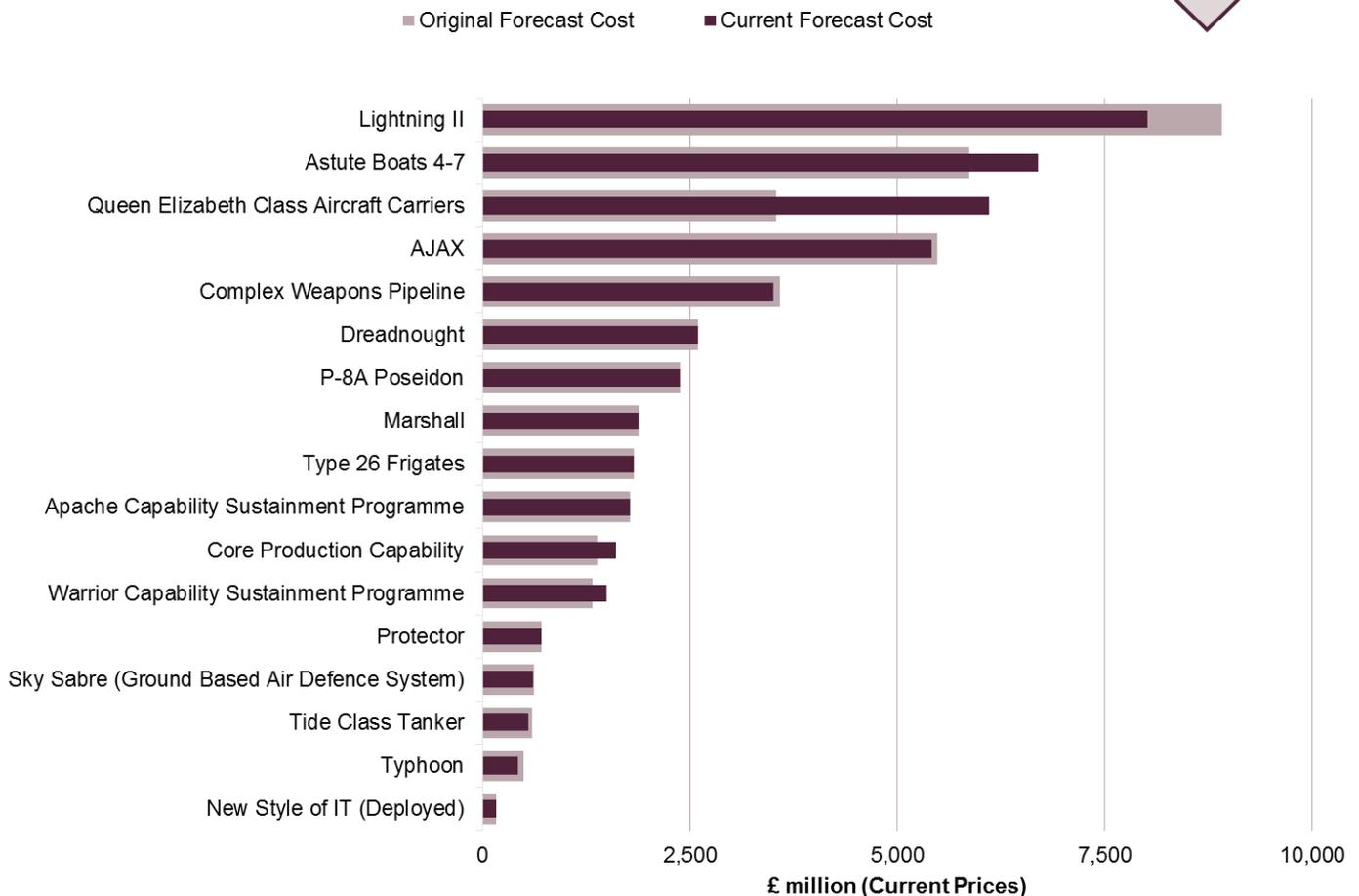
The total current forecast cost of the 17 projects in the [MOD's Project Performance Summary Table 2017](#) is £45.7bn. 'Lightning II' was the most expensive post-Main Gate equipment project in 2017, with a forecast cost of £8bn.

Project teams produce cost forecasts using quantitative risk analysis to model the range of cost outcomes for projects. The cost forecasts are made at a confidence level where there is an equal chance of actual costs being above or below the forecast amount.

Forecast costs for several projects have changed this year. The causes for changes in 2017 included increased schedule durations and technical and engineering challenges (increased costs) and foreign exchange rate variation (decreased costs). 'Astute Boats 4-7' was the equipment project with the largest change in forecast costs in 2017, increasing by £516m compared with 2016. For full details of these changes and full project titles see [Section 4 of The Defence Equipment Plan](#).



**Figure 1: Forecast Costs of 17 Major Equipment Projects**



Source: Project Performance Summary Table 2017

## MOD Expenditure by Type of Contract

In the following pages we will analyse in more detail the level of payments made to organisations and holding companies by MOD and its Trading Fund / On-Vote Defence Agency. Trading Funds are self-accounting units that have greater freedom than other government departments, in managing their own financial and management activities. From 2017/18, there is now only one - the United Kingdom Hydrographic Office (UKHO). The Defence Science and Technology Laboratory (Dstl) ceased to be a Trading Fund in April 2017, becoming an On-Vote Defence Agency of MOD. It continues to run its own financial activities. For the remainder of this bulletin, we will therefore refer to payments as either by:

**MOD** – All entities within the MOD Department Boundary, including the Trading Fund UKHO and On-Vote Defence Agency Dstl. Data is drawn from payments made through DBS Finance Systems and separate financial data provided by UKHO and Dstl.

**MOD Core Department** - Entities within MOD Departmental Boundary but excluding payments made by UKHO and Dstl. This will refer to payments made through DBS Finance systems.

This section looks at the expenditure made to organisations and holding companies under the terms of competitive and non-competitive contracts. Set up in 2014 the Single Source Regulation Office (SSRO) regulates the procurement by the UK Government of ‘single source’, or non-competitive, military goods, works and services.

**In 2017/18, a total of £24.3 billion was paid by MOD Core Department to UK and foreign owned organisations** (including defence suppliers and intermediate bodies). This is an increase of £0.2bn from 2016/17. It should be noted however that prior to 2017/18, the total expenditure figure included direct MOD payments to Defence Science and Technology Laboratory (£560m in 2016/17 and £590m in 2015/16). Dstl ceased to be a Trading Fund in April 2017 and are therefore no longer paid through contracts processed by DBS Finance Systems and are instead funded through the central MOD budget. This means that the relative increase in expenditure on goods and services in 2017/18 is higher than shown at the start of this paragraph. The figure below outlines the split by contract type in 2017/18:

**Figure 2a: Direct MOD Core Department payments made by type of contract in 2017/18 (VAT Exclusive)**

Competitive Contracts	Non-Competitive Contracts	Other
Awarded to a company following a bidding process, or competition, where the winning company is awarded the contract.	Procurement occurs where there is either only a single provider or where there are very strong reasons for maintaining a national capability.	Expenditure where a competition marker is not recorded
Total expenditure: £10.3bn	Total expenditure: £8.6bn	Total expenditure: £5.4bn

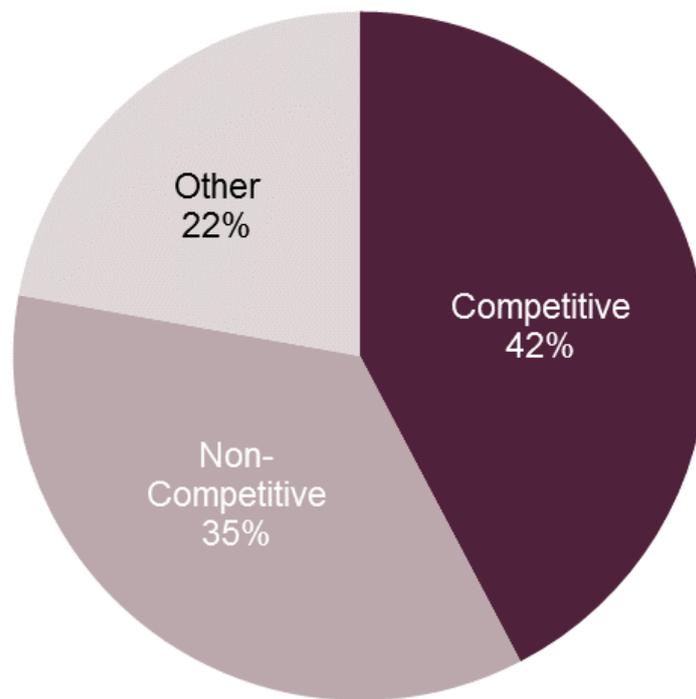
Source: Defence Statistics analysis using DBS Finance data source

## MOD Expenditure by Type of Contract

---

Other expenditure consists of payments made by means of miscellaneous transactions. These are agreements for goods and services that have been set up locally between MOD Branch and the supplier, and are legally binding, but do not have a competition marker recorded. Also included in this category are payments made to international projects, such as NATO Eurofighter Tornado Management Agency (NETMA) and Organisation for Joint Armament Co-operation Executive Administration (OCCAR), payments made through electronic Purchasing Card (ePC), as well as payments made to overseas governments and UK Government departments. In addition, the introduction of a new Contracting, Purchasing and Finance (CP&F) online end to end procurement system at the end of 2016 has increased the volume of payments made using an emergency payment method where the competition status of the payment is not known.

**Figure 2b: Direct MOD Core Department payments paid through contract type in 2017/18 (VAT Exclusive)**



Source: Defence Statistics analysis using DBS Finance data source

## Organisations Paid over £5 million by MOD

This analysis presents payments made by the MOD to UK and foreign owned organisations, including defence suppliers and intermediate bodies. These organisations include UK and overseas defence contractors, overseas governments and other UK Government departments. DBS Finance is responsible for the majority of payments made by MOD, around 95% by value, whilst the UKHO and Dstl make their own payments. Some organisations have been excluded from the analysis because their information has been redacted in line with [Transparency](#) rules.

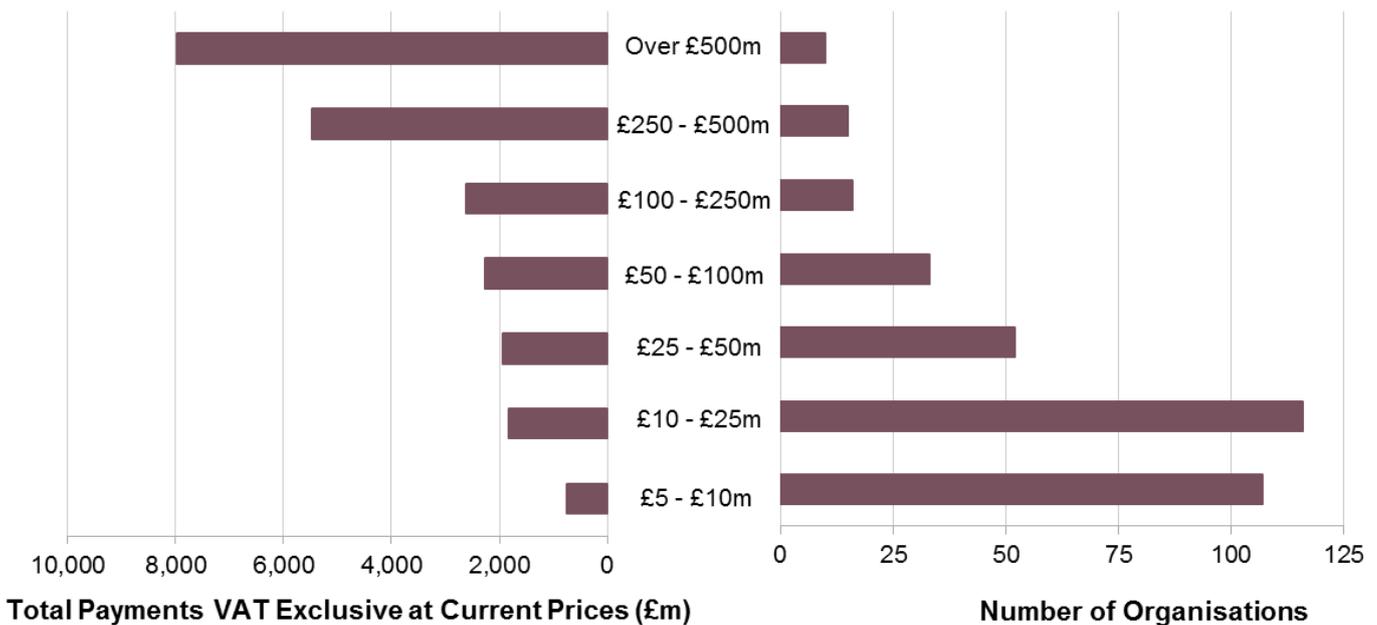
There were **349 organisations paid more than £5 million by MOD** during 2017/18. This is an increase from 317 in the previous year.

The organisations that received more than £5 million represent just over 2% of the 14,400 organisations paid in 2017/18, however they received 93% of the direct expenditure. Of the 349 organisations paid more than £5 million, the top 20 received around a half of the total procurement expenditure.

Only 15 suppliers received payments of over £5 million from either the UKHO or Dstl.

Payments which are not in the figures include those from British Defence Staff (United States) and those made through local cash offices.

**Figure 3: Organisations Paid over £5 million**



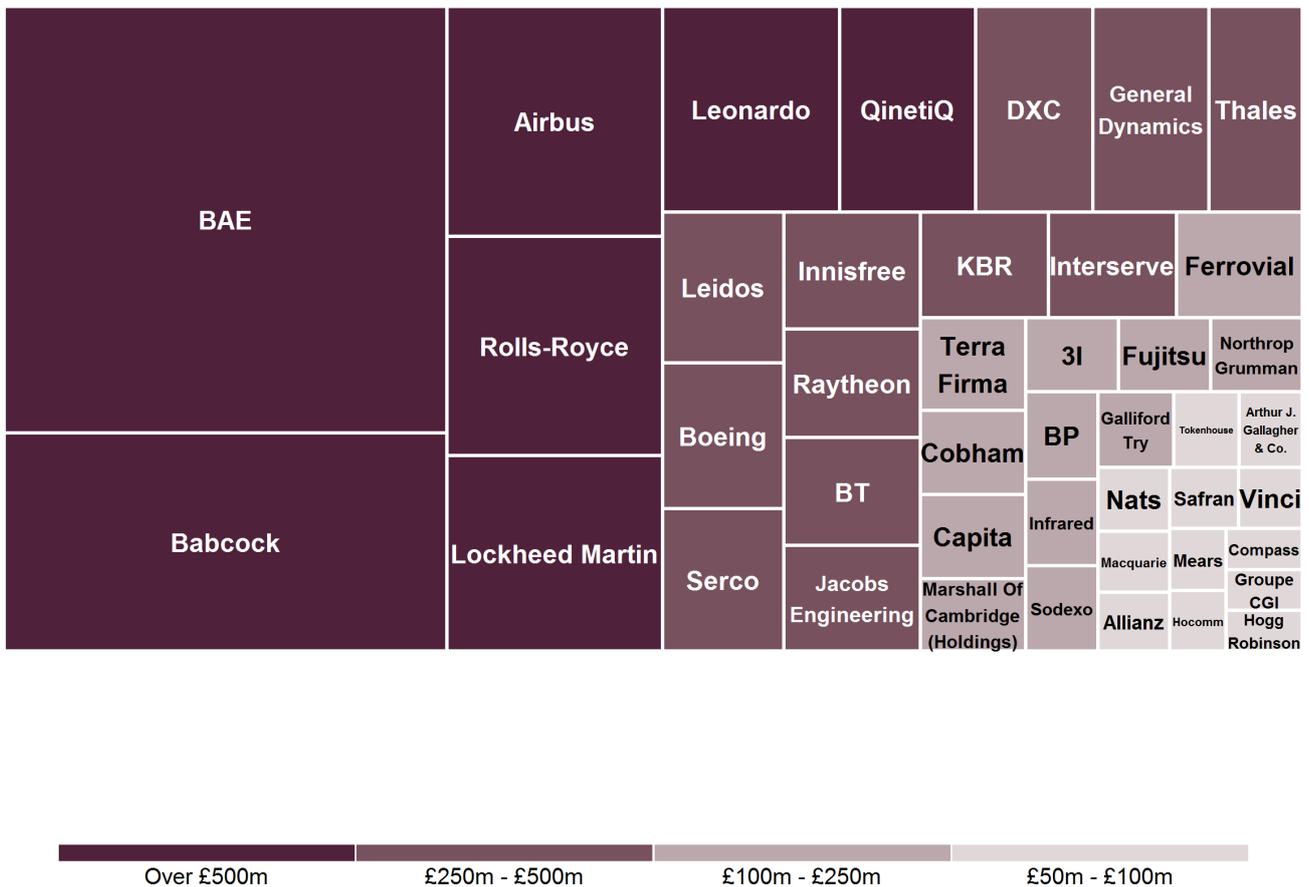
Source: Defence Statistics analysis using DBS Finance and UKHO / Dstl data sources

## Holding Companies Paid over £50 million by MOD

Many of the suppliers paid by MOD are subsidiaries of larger holding companies. The term 'holding company' refers to companies which are full or part owners of other companies (subsidiaries and joint ventures). Payments to joint ventures have been allocated to their parent holding companies in proportion to their equity holdings. This analysis excludes payments made to public sector bodies, government departments and agencies, local authorities, UKHO, multi-nation project management agencies, charities and associations. All holding companies paid more than £50 million by MOD in 2017/18 are presented below.

In 2017/18 there were **43 holding companies paid more than £50 million** by MOD, seven fewer than in 2016/17. There were **seven companies paid more than £500 million**, one more than the previous year. The total spend with these 43 holding companies represents 63% of the total expenditure in 2017/18.

**Figure 4: Holding Companies Paid over £50 million by MOD in 2017/18**



Source: Defence Statistics analysis using DBS Finance and UKHO / Dstl data sources

## Focus on Key Suppliers

This section explores the nature and scope of MOD business with its key suppliers within industry and commerce. It focusses on the 10 who received the most expenditure from MOD during 2017/18. It examines the relative importance of MOD sales to company revenues, and how this has changed over time, and the amount of MOD business that comes from competitively let contracts.

### Expenditure with Top 10 Suppliers

In 2017/18 over **42% of total MOD procurement expenditure was with 10 suppliers**. The top 10 suppliers in 2017/18 has shown a small change from the list reported on in 2016/17. Serco have dropped from the Top 10 with Thales moving up to replace them. The current top 10 have consistently been large suppliers to MOD, with the same suppliers receiving a 37% share of payments in 2008/09.

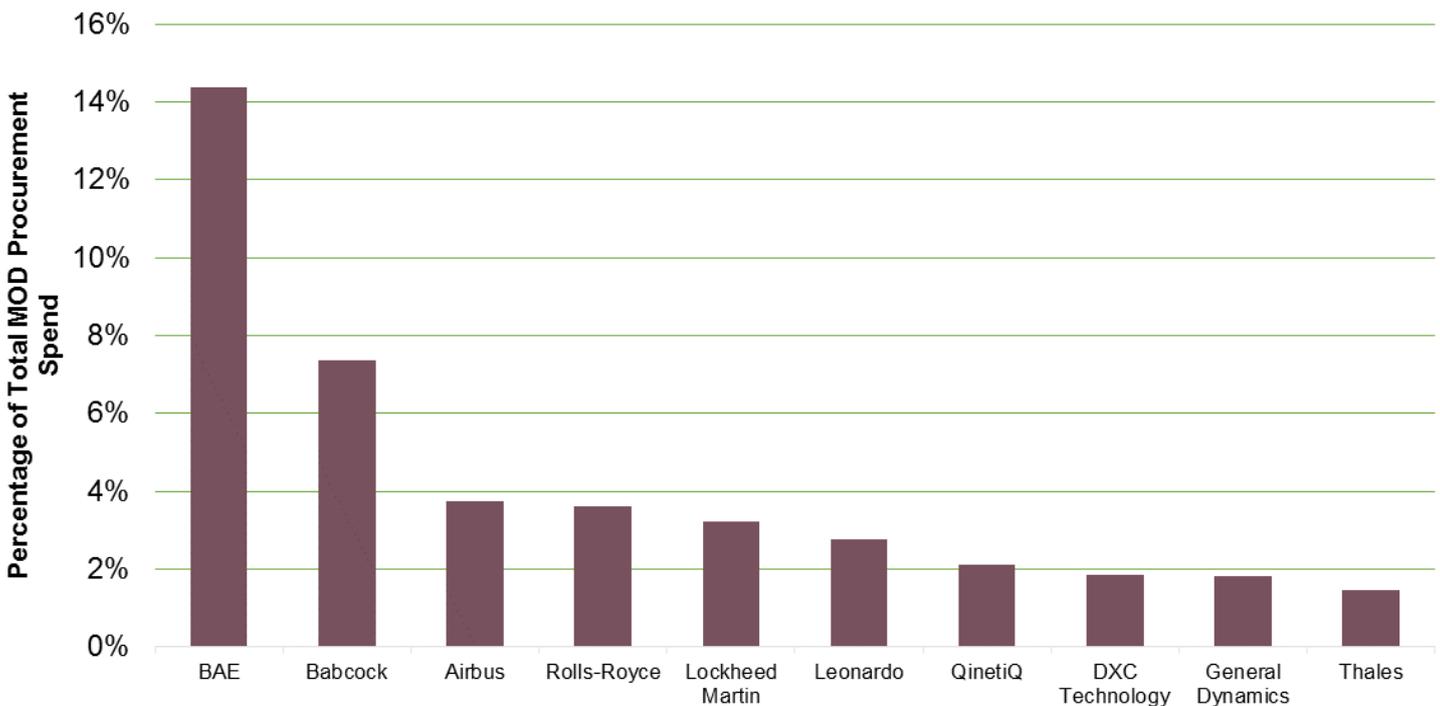
**Figure 5: MOD Procurement Expenditure with Top 10 Suppliers**



Source: Defence Statistics analysis using DBS Finance and UKHO / Dstl data sources

**BAE Systems PLC was by far the largest defence supplier in terms of annual spend** made by MOD, a position which hasn't changed in the past decade. BAE received over 14% of all MOD procurement expenditure in 2017/18. The remaining nine suppliers in the top 10 received individual shares between 1.5 and 7.4%.

**Figure 6: Proportion of MOD Spend with Top 10 Suppliers**



Source: Defence Statistics analysis using DBS Finance and UKHO / Dstl data sources

## Focus on Key Suppliers Continued

### Dependency on MOD Business

The chart below illustrates the dependency of key suppliers on MOD business by presenting total payments received from MOD as a percentage of global company revenues.

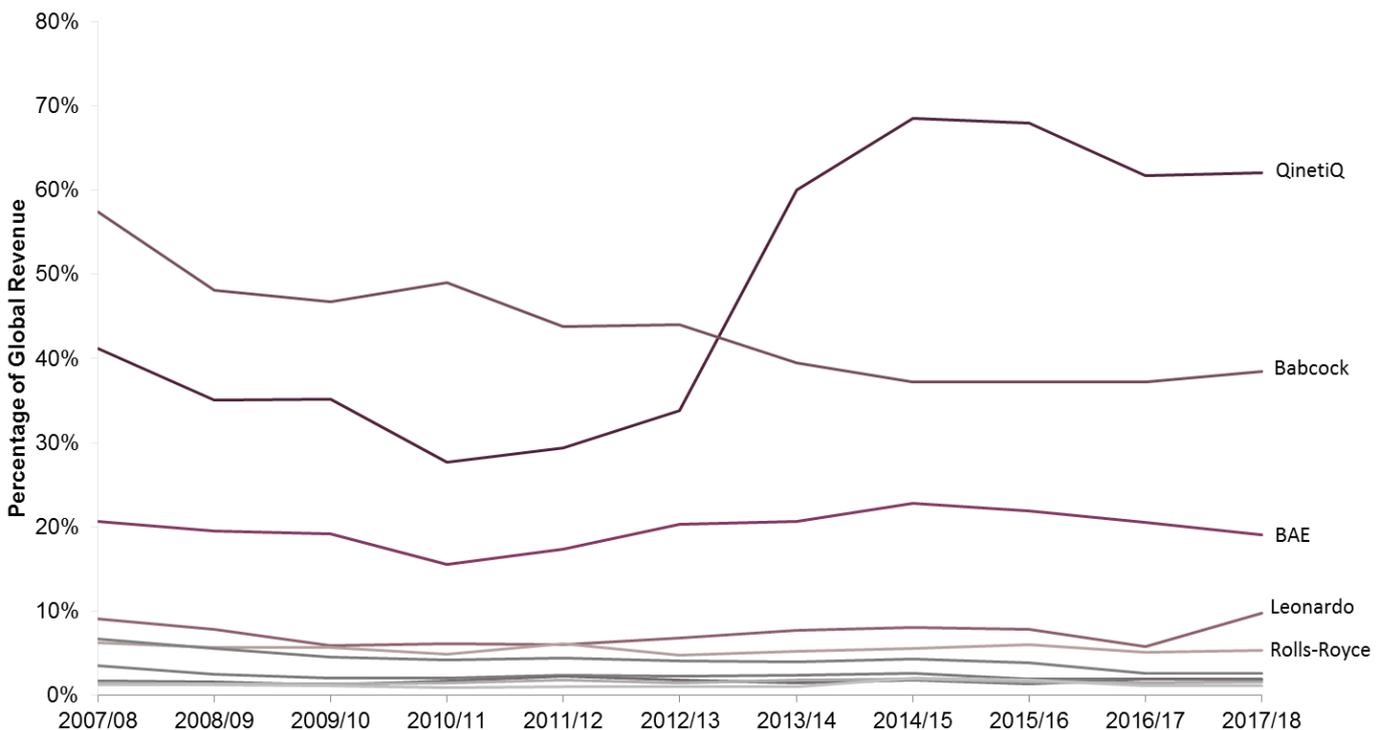
QinetiQ is the most dependent of the top 10 MOD suppliers on MOD business. It sold its US Services business in 2014, which caused a greater dependence on MOD business. The US Service had been responsible for £410 million (30%) of the global revenue of the company. Following an increase in revenue from MOD, QinetiQ's dependence rose to 69% in 2014/15, although in 2016/17 and 2017/18 it fell back slightly to 62% as income from MOD fell.

BAE Systems, MOD's biggest supplier, has received payments from MOD worth between 15 and 23% of its global revenue over the last ten years. Its dependence has been slowly decreasing since 2014/15, following rises in the period since 2011/12. In 2017/18 its dependency is 19.1%.

Babcock received 38% of their revenue from MOD. **However, for the remaining 7 suppliers, MOD sales accounted for less than 10% of their global revenue.**

The general trend in 2017/18 was for a similar dependency on MOD for the major suppliers as that in 2016/17. This reflects an increase in the global revenues of these 10 suppliers matched by a similar percentage increase in MOD spending, with payments to these 10 suppliers increasing by around £500m in 2017/18.

**Figure 7: Dependency of Top 10 Suppliers on MOD Business<sup>1</sup>**



Source: Defence Statistics analysis using DBS Finance and UKHO / Dstl data sources

<sup>1</sup> Top 10 Supplier Data labels not displayed: (In descending order) Thales, Lockheed Martin, General Dynamics, Airbus and DXC.

## Focus on Key Suppliers Continued

### Levels of Competitive Contracting

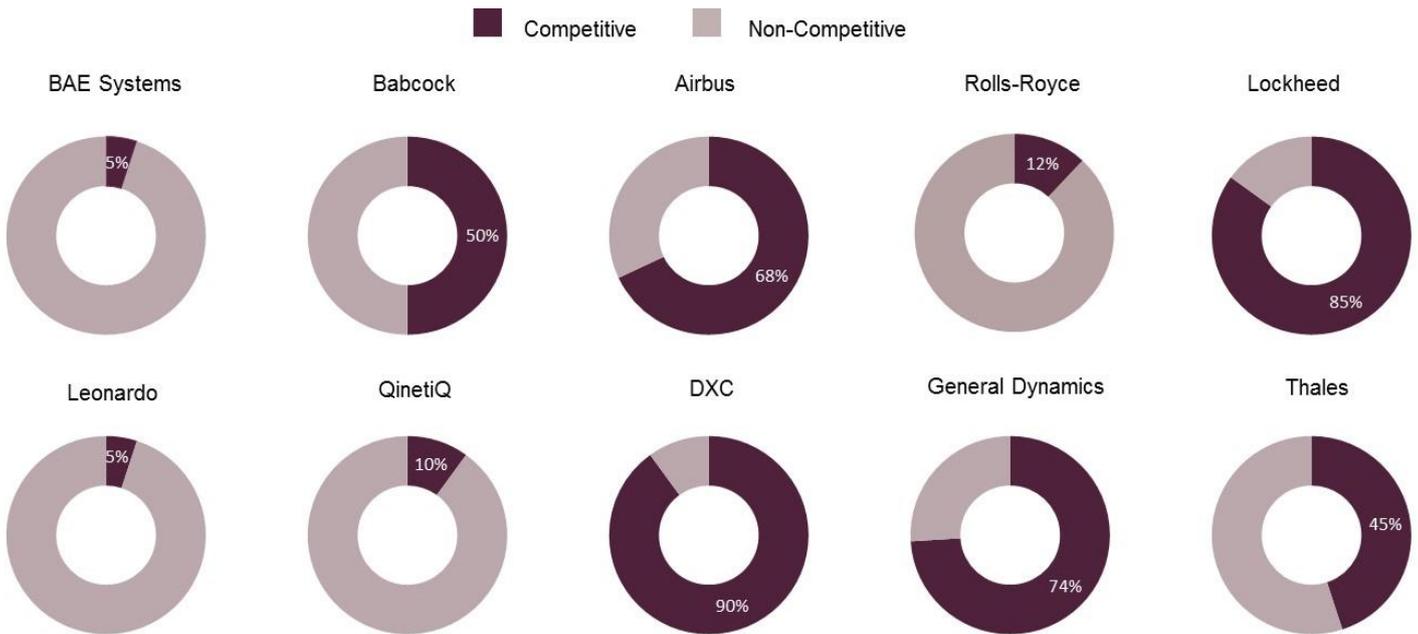
The charts below show the revenue received by MOD's top 10 suppliers from competitive contracts as a proportion of their overall sales to MOD during 2017/18. See the "MOD Expenditure by Type of Contract" (Page 5) section for more detail on what a competitive contract is.

The amount of competitive contracting depends on the type of company involved. Service based companies, such as DXC, receive almost all their work through competitive contracts. The more recognisable defence focussed companies hold a lower proportion of competitive contracts by value. Some of these defence companies receive payments almost exclusively through non-competitive contracts.

The proportions have changed very little since 2016/17. The largest change was Airbus who received 72% of payments through competitive contracts in 2016/17, compared with 68% in 2017/18.

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 in a particular year. Over the last 10 years, BAE Systems has seen a significant change with the percentage share of payments received from competitive contracts, dropping from 21% in 2008/09 to 5% in 2017/18, while Babcock have seen a rise from 27% in 2008/09 to 50% in 2017/18

**Figure 8: Levels of Competitive Contracting with Top 10 Suppliers<sup>2</sup>**



Source: Defence Statistics analysis using DBS Finance data sources

<sup>2</sup> A small level of miscellaneous expenditure (£160m) has been excluded from these calculations as the competition status of the payments is not recorded.

## New Contracts Placed

MOD Core Department places numerous contracts each year for a range of goods and services, including major equipment projects, infrastructure and service support.

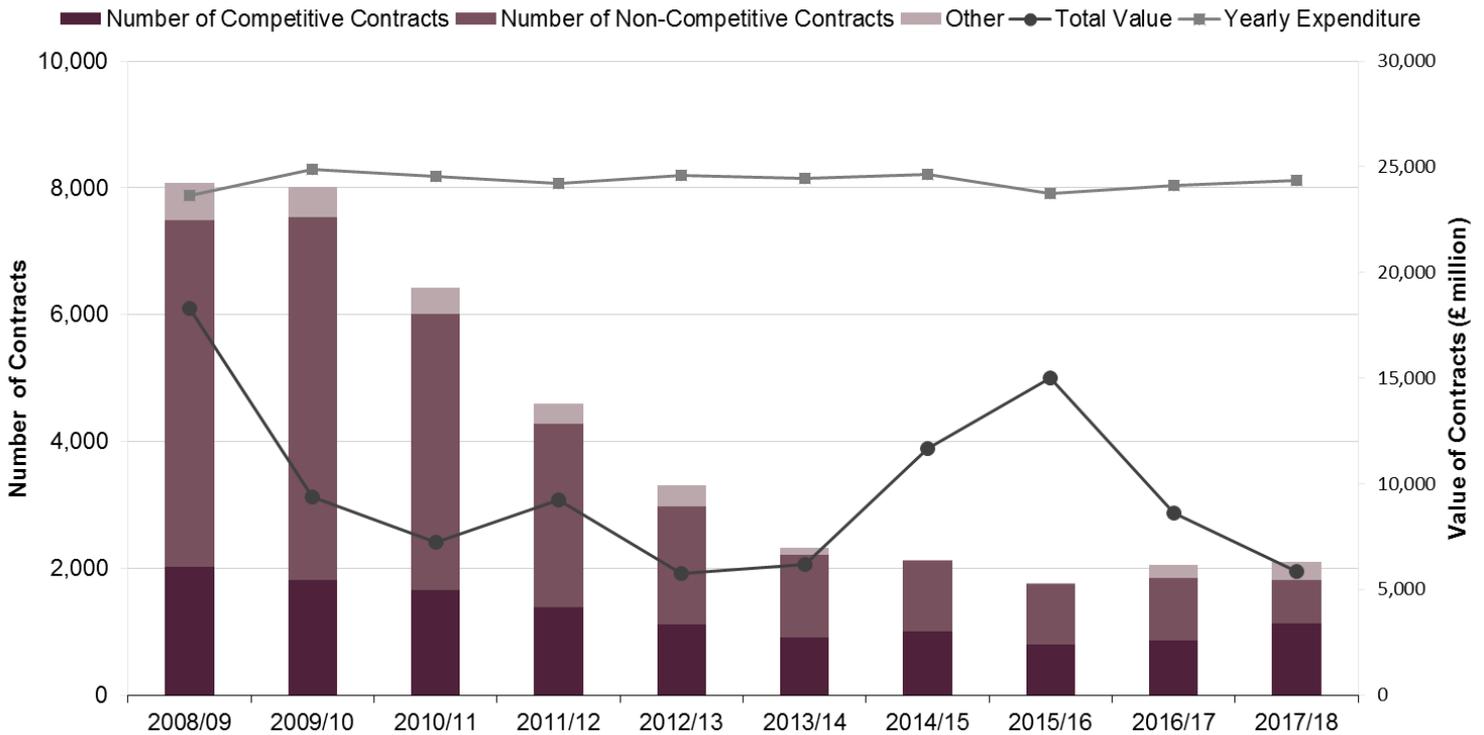
This section provides an analysis of all **new** contracts MOD Core Department placed during 2017/18 broken down by whether they were placed competitively or non-competitively. In 2017/18 **MOD Core Department placed 2,096 new contracts with a collective value of £5.8 billion.**

Over time the number of contracts has fallen considerably. In 2016/17 the total number of new contracts let increased for the first time since the series began in 2008/09. Over the years the drop in the number of new contracts let by MOD is due to a number of factors including the increased use of Crown Commercial Service contracts and the privatisation of functions such as the military logistics capability and the Defence Support Group.

In 2017/18, 54% of new contracts were let competitively, compared to 42% in 2016/17. However, it should be noted that in 2017/18 the number of new contracts where a competition marker is not known stands at 14% which is an increase from 10% in 2016/17.

The value of new contracts placed can be quite volatile and fluctuate from year to year, affected by particularly high value contracts. In 2017/18 there were no new contracts valued at over £1 billion whereas the 2015/16 figure had been inflated by a £6.3 billion contract with Leidos Europe, which accounted for around 40% of the total value of contracts placed in that year.

**Figure 9: New MOD Core Department Contracts**



Source: Defence Statistics (Defence Expenditure Analysis)

## MOD Payments on Private Finance Initiative (PFI) Projects

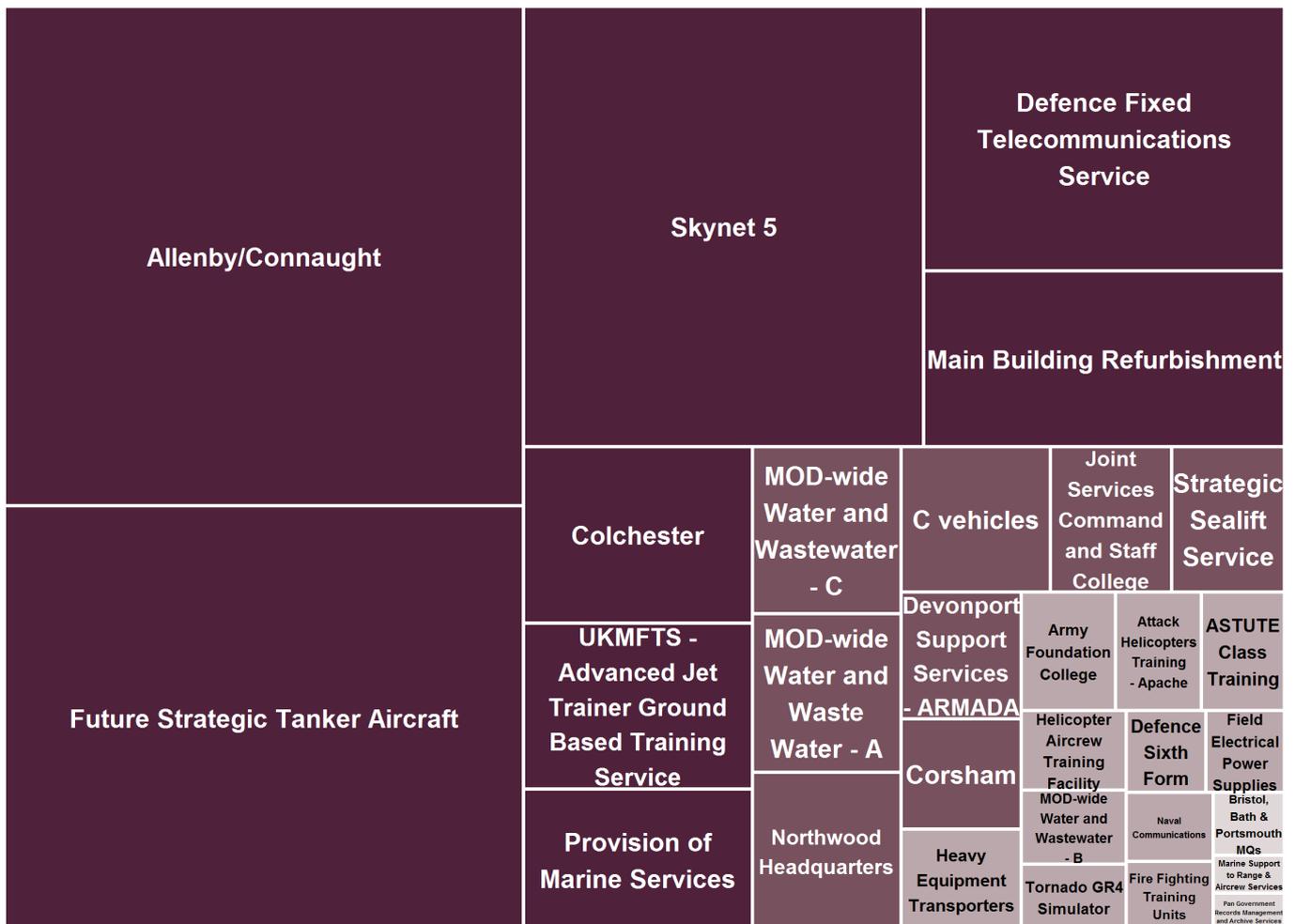
This section provides an analysis of Private Finance Initiative (PFI) commitments and payments by MOD during 2017/18. PFI is a system for providing capital assets (such as buildings, vehicles, equipment and water systems) for the provision of public services. Typically, the private sector designs, builds and maintains infrastructure and other capital assets, and then operates those assets to sell services to the public sector.

The values in the chart below represent payments made against contracts relating to PFI projects. They may include payments for unexpected work and services, which means they may not match the planned unitary charge for the year. The unitary charge is the regular payment for the PFI services made to the private sector partner. The PFI's presented below are 'signed' MOD projects from the HM Treasury PFI database as at April 2017. The payments data is drawn from DBS Finance. More detailed information on the through life planned unitary charges for currently signed contracts can be found [here](#).

At present the longest PFI project is the Helicopter Aircrew Training Facility at 39 years, while the furthest future unitary charge is expected to be in 2040/41 for Allenby/Connaught (providing living and working accommodation for soldiers). The most recent MOD PFI to come into operation started in 2012 (Future Strategic Tanker Aircraft).

Allenby/Connaught was the PFI in receipt of the highest amount of MOD expenditure in 2017/18 (£506 million), followed by Future Strategic Tanker Aircraft (£429 million) and Skynet 5 (£343 million).

**Figure 10: Amount Spent on PFI Projects in 2017/18**



Source: MOD Private Finance Unit & Defence Statistics



## Estimates of Identified Defence Export Orders

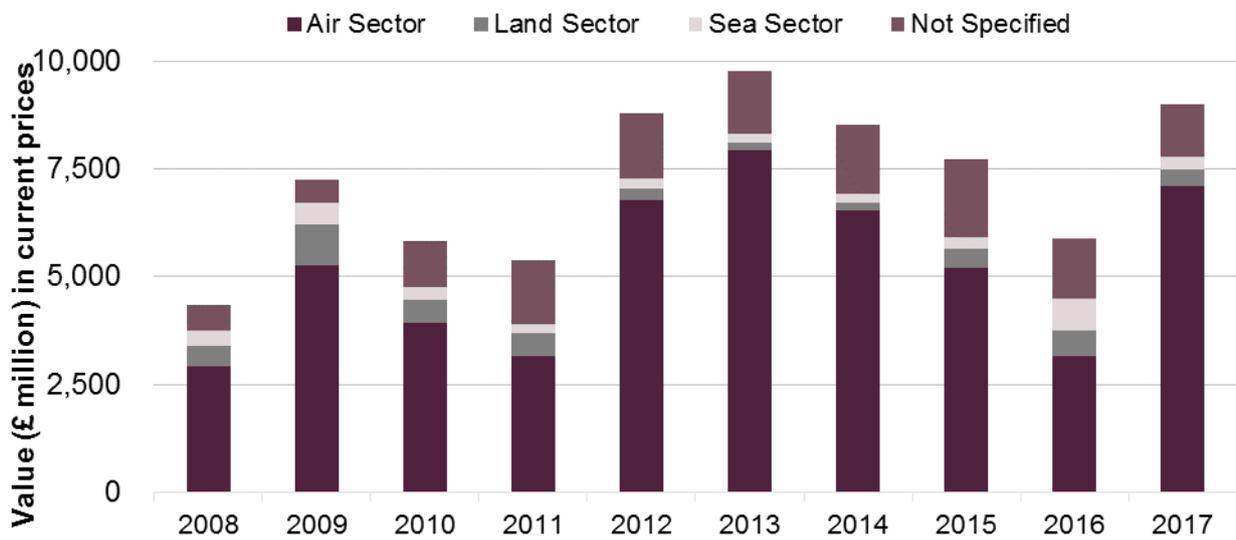
The value of the global defence export market in 2017 was estimated at close to \$98 billion, of which, **\$11.5 billion (£9 billion) originates from the UK defence industry**. This is a 53% increase on the 2016 total, affording it an estimated market share of 12%.

The Middle East remains an important regional market for the UK, with 67% of the UK's export orders in 2017. The 2017 figure includes orders for numerous F-35 sales to the USA, Rolls Royce engines for Multi Role Tanker Transport (MRTT) aircraft to Germany and future capability components to Turkey

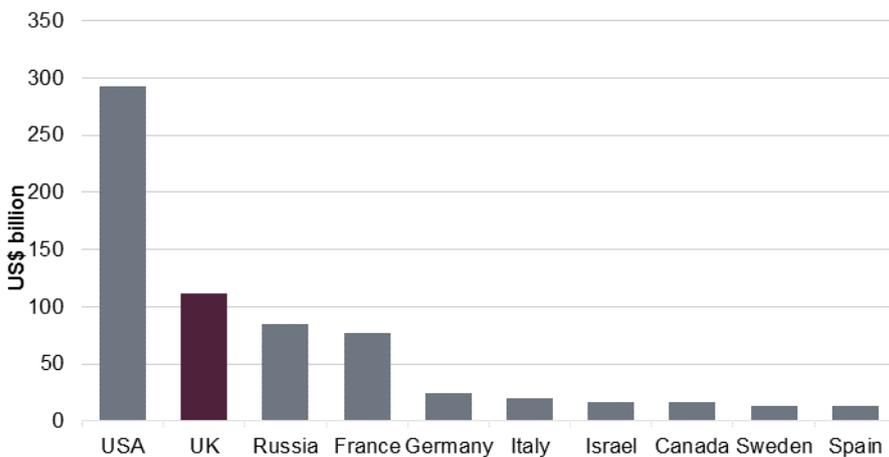
**Over the last ten years, the UK had export orders totalling \$112 billion placing it as the second highest behind the USA.**

More information on identified export orders can be found in the [DIT DSO UK Defence and Security Export Statistics for 2017](#). It should be noted that export orders can be cancelled or changed at any time after the initial order has been placed.

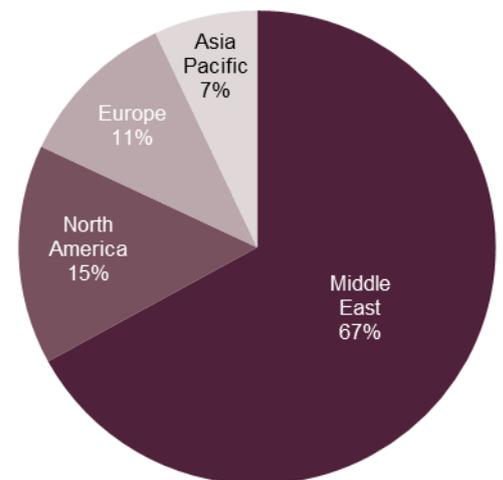
**Figure 11: UK Export Orders by Sector**



**Figure 12: Top Defence Exporters 2008-17**



**Figure 13: UK Defence Export Orders to Regions: 2017**



Source: DIT Defence and Security Organisation

## Methodology

---

This short section on methodology sets out the processes and methods used to make some of the tables and charts in this bulletin. More detailed explanations of the data sources and methodologies used can be found in the related [Open Data Source tables](#) and [Background Quality Report](#).

### Holding Companies

Holding Companies have been compiled from supplier expenditure data taken from the DBS Finance contract expenditure database. The suppliers are then mapped to Holding Company structures based on Avention OneSource Solution supplier information. The structures are stored on an internal database and updated annually for all new companies appearing on the DBS Finance database.

The number of companies that receive over £50 million does not change much over time but any new companies that might receive over £50 million are identified as part of the annual update.

Where a company is part of an identified Joint Venture, expenditure is attributed to the company based on their percentage share. For example, if Lockheed Martin owns 51% of AWE Management, then 51% of MOD spend with AWE Management is assigned to the Lockheed Martin expenditure total. Trading Fund and On-Vote Defence Agency (Dstl) data is included in the process. Expenditure with consortia, such as the Modus Services Ltd Private Finance Initiative to redevelop Main Building in London, are not distributed amongst the members of the consortia.

### New Contracts

Includes details of all HQ contracts, which are contracts set up by means of a DEFFORM57, where payment is through DBS Finance. Contracts have been included in the relevant financial year based on the start date of the contract provided in the DEFFORM57. Details of the Competition marker are also taken from the DEFFORM57.

Contracts set up for MOD using the Crown Commercial Service (CCS) are included in the analysis. The Crown Commercial Service manages the procurement of common goods and services, so that public sector organisations with similar needs achieve value by buying as a single customer.

In 2016/17, following the introduction of Contracting Purchasing & Finance (CP&F), which provides a single online end to end procurement system for all MOD procurement activity; the production of this table became more difficult, due to the introduction of both Parent and Child contracts on the new system. Child contracts, which have the same contract number as the parent but with the addition of -1, -2 etc at the end of the contract number, will eventually have a value equal to the value of the parent and are excluded from the analysis.

For 2017/18 there are some issues with the visibility of some data fields recorded on the new system hence the increased number and value of contracts where the competition marker is not known. Defence Statistics are working with the appropriate teams to ensure a wider coverage of these key data fields going forward.

## Glossary

---

**Contracting Purchasing & Finance (CP&F)** provides a single online end to end procurement system for all MOD procurement activity. All other processes especially paper based systems will be either replaced or subsumed. Release 3 of the new system is currently underway.

**Core Department** Entities within MOD Departmental Boundary but excluding the Trading Fund UKHO and On-Vote Defence Agency (Dstl).

**Crown Commercial Service (CCS)** manages the procurement of commons goods and services so that public sector organisations achieve value by buying as a single customer.

**DBS Finance** provides expert information, advice and services to and on behalf of MOD business areas, including processing four million invoices, totalling more than £23 billion a year. See also **Defence Business Services**.

**DEFFORM 57** Completion of this form is mandatory for all contracts where the Defence Business Services (DBS) is the payment authority. It is used to set up a contract with DBS for payment purposes and is an important source of capturing data on contract activity within the Ministry of Defence. This form is now primarily completed electronically.

**Defence Business Services (DBS)** was established on 4 July 2011 to transform the delivery of corporate services to the Department. The services delivered initially included: Civilian HR, Finance, Information Systems and some Information Services. On 1 April 2014 DBS merged with the Services Personnel & Veterans Agency and now has responsibility for managing HR processes for Military personnel including pay and pensions. Also see **DBS Finance**.

**Defence Equipment Plan** is the MODs annual report to Parliament on progress in equipment procurement. It provides a summary of each project's current status and progress to date. It provides comparisons on current forecast costs and in-service dates. It is reviewed by the National Audit Office (NAO) to ensure transparency and assurance.

**Defence Science and Technology Laboratory (DSTL)** was a former Trading Fund of MOD, created in July 2001. It supplies impartial scientific and technical research and advice to MOD and other government departments. In April 2017 it ceased to be a Trading Fund and became an On-Vote Defence Agency of MOD.

**Defence Support Group (DSG)** was a former Trading Fund of MOD created following the merger of Army Base Repair Organisation (ABRO) and Defence Aviation Repair Agency (DARA) on 1 April 2008. On 1 April 2015 the land repair and maintenance business was sold to Babcock. The remaining part of the business, the Air division and Electronics and Components division, stayed under MOD ownership.

**Department for International Trade Defence & Security Organisation (DIT DSO)** helps the UK defence and security industries to export by building strong relationships with industry and overseas governments.

**Electronic Purchasing Card (ePC)** was introduced in 1997 as a convenient and cost-effective way to make low-value purchases. The card was made available to all public-sector organisations, including central government departments, local authorities and NHS organisations. When it was first introduced the card was called the **Government Procurement Card (GPC)** but it has recently been renamed.

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

**Holding Company** refers to companies which are the full or part owners of other companies.

**HQ Contracts** are formal contracts set up by MOD Core Department which require a DEFFORM 57 to be raised.

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

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

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

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

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

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

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

**QinetiQ** Formerly part of the Defence Evaluation and Research Agency (DERA). QinetiQ became a limited company in July 2001. UK government holds a Special Share, through the Secretary of State for Defence, which confers certain rights to protect UK defence and security interests.

**Single Source Regulation Office (SSRO)** Set up in 2014 the Single Source Regulation Office (SSRO) regulates the procurement by the UK Government of 'single source', or non-competitive, military goods, works and services. It is the independent statutory regulator of single source defence procurement, issuing statutory guidance, assessing compliance and determining how the regime applies to individual contracts.

**Smart Acquisition** is a long-term MOD initiative to improve the way defence capability is acquired. MOD no longer replaces military equipment, services, estates or business information systems on a like-for-like basis but instead takes into account how such a capability will integrate with other

capabilities to achieve optimum effect by its Armed Forces. A through-life approach to acquisition is adopted, rather than concentrating resources on the initial procurement.

**Trading Funds** were introduced by the Government under the Trading Funds Act 1973 as a “means of financing trading operations of a government department which, hitherto, have been carried out on Vote”. They are self-accounting units that have greater freedom, than other government departments, in managing their own financial and management activities. They are free to negotiate their own terms and conditions with their staff. For this reason, their grading structures do not always match that of the rest of the Ministry. From 2017/18 there is now only one MOD Trading Fund - UK Hydrographic Office.

**UK Hydrographic Office (UKHO)** was formed as a Trading Fund of the MOD in 1996 and is responsible for the provision of global hydrographic products and services to UK Defence and commercial mariners. In addition, UKHO discharges the UK’s obligation to provide hydrographic products and services needed for safe navigation in UK waters.

**UK Statistics Authority (UKSA)** is an independent body, and is directly accountable to Parliament. It was established on 1 April 2008. The Authority's overall objective is to promote and safeguard the quality of Official Statistics that serve the public good. It is also required to safeguard the comprehensiveness of Official Statistics, and ensure good practice in relation to Official Statistics. The UK Statistics Authority has three main functions: oversight of the Office for National Statistics (ONS) (its executive office), monitoring and reporting on all UK Official Statistics, and independent assessment of Official Statistics.

## Further Information

---

### Symbols

p	Provisional
r	Revised

### Rounding

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

### Revisions

Corrections to the published statistics will be made if errors are found, or if figures change as a result of improvements to methodology or changes to definitions. When making corrections, we will follow the Ministry of Defence [Statistics Revisions and Corrections Policy](#). All corrected figures will be identified by the symbol “r”, and an explanation will be given of the reason for and size of the revision. Corrections which would have a significant impact on the utility of the statistics will be corrected as soon as possible, by reissuing the publication. Minor errors will also be corrected, but for convenience these corrections may be timed to coincide with the next annual release of the publication.

The number of new contracts, and their value, in 2017/18 (page 12) were updated in December 2018 as part of a planned update to the bulletin. The update now includes late reported contracts, which have a start date during 2017/18 and which have been added to the DBS Finance database between July and November 2018. Table 6 of the Open Data Source tables has been similarly updated.

### Contact us

Defence Statistics welcomes feedback on our statistical products. If you have any comments or questions about this publication or about our statistics in general, you can contact us as follows:

#### Defence Statistics (Defence Expenditure Analysis)

Telephone: 030 679 84442

Email: [DefStrat-Econ-ESES-PQFOI@mod.gov.uk](mailto:DefStrat-Econ-ESES-PQFOI@mod.gov.uk)

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

<https://www.gov.uk/make-a-freedom-of-information-request/the-freedom-of-information-act>

#### If you wish to correspond by mail, our postal address is:

Defence Statistics (Defence Expenditure Analysis)  
Ministry of Defence  
Oak 0W #6028  
MOD Abbey Wood North  
Bristol  
BS34 8QW

For general MOD enquiries, please call: 020 7218 5888