

Background Quality Report: Defence Economics Departmental Resources Statistics

Section 1: Introduction

1.1 Overview of the statistical output

The Departmental Resources section of UK Defence Statistics set the high level context for Chapter 1 and the UK Defence Statistics publication as a whole. From 2013 these tables have been incorporated into a new Departmental Resources Statistical Bulletin. This bulletin comprises the Departmental Resources section from the old UK Defence Statistics and the Operations and Peacekeeping table from the International Defence section, and is aimed to be published in late September, or early October.

These statistics set out Defence expenditure over time and by expenditure group, comparing it to other areas of government. There are tables presenting expenditure on equipment and Research & Development (R&D), MOD commitment to conflict prevention, value of non-current assets, external income earned by MOD and expenditure on consultancy (previously external assistance). The data are consistent with that published in the MOD Annual Report and Accounts, which have been audited by the National Audit Office (NAO).

History

This family of statistics have been produced for at least 30 years in various guises. Over that time the statistics have been subject to a number of changes mainly resulting from organisational or accounting developments. Prior to UK Defence Statistics, they featured in Volume 2 of the Statement on the Defence Estimates which the MOD had a statutory requirement to publish. When DASA became an agency in 1992, UK Defence Statistics (UKDS) became DASA's flagship publication and the publication of these statistics moved into UKDS.

In 2000/01, there was a change in Government accounting from cash accounting to the accruals-based Resource Accounting & Budgeting (RAB) system. RAB was introduced in two stages which is clearly flagged within the tables. Stage 2 (sometimes called full RAB) was introduced in 2003/04. These changes subsequently affected the time series comparability of the data. Further information about this change can be found in the [RAB section of UKDS 2011](#).

In 2009/10, in accordance with HM Treasury's timetable for the introduction of International Financial Reporting Standards (IFRS), the Department prepared and published, for the first time, accounts based on IFRS as adapted and interpreted by HM Treasury in the [Government Financial Reporting Manual \(FReM\)](#). A break in series follows the 2008/09 outturn to denote the implementation of IFRS. Further details of the policies applied are provided at [Note 1 to the Accounts - Statement of Accounting Policies](#) and also in the [RAB section of UKDS 2011](#).

From 1 April 2013 the Directorate formerly known as DASA was split into two one-star analytical business areas within the Head Office Strategy Directorate – Defence Economics and Defence Statistics. Departmental Resource statistics are produced by Defence Economics and are referred to as such in this document. Maintenance of the website and policy documents is the responsibility of Defence Statistics, and links and references are named in that way in this document.

Changes for UKDS 2012 to 2014

Please refer to the [Resource Accounting & Budgeting section of UKDS 2012](#) 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, accounting changes in 2011/12 and the removal of TLB expenditure from the tables, 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.

There have been no significant changes to the way that the 2015/16 accounts have been produced.

Strengths and Weaknesses

Strengths of these statistics include: thorough commentary including explanations of changes in accounting practices; presentation of time series to allow comparison over time; and a clear presentation of accounts data. In addition, as the tables are derived from accounts data that has been audited by the NAO, the data is of good quality. In recent years there has been a gradual introduction of visualisations to improve user understanding of the data and in 2015 a bulletin was introduced, to support the excel tables, containing more commentary and visualisations.

The main weakness of these statistics is that the tables are quite heavy on footnotes, due to significant changes in Accounting practices over the periods considered.

Latest Publications

1. [Finance Bulletin – Departmental Resources 2016](#)
2. An explanation of issues surrounding Resource Accounting and Budgeting (RAB) can be found [here](#).
3. [MOD Annual Report and Accounts 2015/16](#).
4. [HMT Public Expenditure Statistical Analyses 2016](#).
5. [National Statistics Quality Report](#)

1.2 Producer Information

These statistics are produced by the Defence Expenditure Analysis branch within the Defence Economics Division of the Ministry of Defence (MOD). The responsible statistician for these statistics can be contacted by emailing DefStrat-Econ-ESES-DEA-Hd@mod.uk

Further details about how to contact Defence Economics and Defence Statistics can be found [here](#).

1.3 Summary of method and processes used to compile outputs

We are supplied with financial, accounting and contracts data and associated mappings from the MOD's Financial Management Information Systems (FMIS). The accounts data is subject to international standards and is audited by the NAO. The tables are published in the MOD Annual Report and Accounts.

HM Treasury (HMT) provide the underlying PESA data used in Table 2 (Public Expenditure by Departmental grouping): this is derived from the cross government Combined Online Information Systems (COINS). We also use the HMT website to download the GDP deflator series.

Once the tables have been compiled they are scrutinised by accountants in the Defence Resources area of the MOD.

1.4: Other Documentation

[Defence Statistics Pre-Release Access lists](#)
[Defence Statistics confidentiality policy](#)
[Defence Statistics revisions and corrections policy](#)
[Statement on Quality guidelines](#)
[Disclosure Control and Rounding policy](#)
[User Engagement Policy](#)
[Statement of Administrative Data Sources](#)

Section 2: Quality Dimensions

2.1 Relevance: The degree to which the statistical product and underlying data meet user needs for both coverage and content.

The data contained in these tables sets the high level context for the rest of Defence Economics' Statistical Bulletins. They are designed to complement the MOD's resource accounts and although some of the data reproduces what is in the accounts, it is provided in a more accessible way with time series to provide context and commentary to explain many of the terms used.

Our secretariat contacts use the data to answer Parliamentary Questions (PQs) and Freedom Of Information (FOI) requests, along with briefing for ministers, the Press Office and senior officials. Often these statistics are used by other areas such as Minister's outer offices to provide context in briefing documents or speeches.

We also answer questions from other parts of Defence Statistics: Defence Statistics Tri Service use the data for validation of personnel costs data; economists in Defence Economics use the tables for briefings and presentations.

The tables and underlying data are used by the public, Parliament and within the MOD and we receive considerable correspondence through PQs and FOIs. Main subjects of interest are Pay and Equipment costs, more detailed breakdown of figures by Resource Account Codes, and Defence Expenditure time series (in cash, real terms and %GDP).

Researchers, academics, politicians and journalists all use this data, often to make or support political points. Other external users include the Defence Industry, specifically we are aware of ADS group and BAE systems, and the Royal United Services Institutes (RUSI). If you use this data in another way please [contact us](#).

Unmet user needs

We have had requests to supply the following information.

- Expenditure data by Service and Environment. The MOD budget is not arranged and managed in a way that allows this question to be easily answered.
- Expenditure data broken down by regions. We have not met this request in recent years because the UK defence budget has never been allocated or planned on a regional basis, and decisions on where contracts with industry are placed are not taken in order to benefit one local economy or industry sector over another. However, new statistics are being developed which will show expenditure by region of the UK and the number of jobs this expenditure generates. These are likely to be published in December 2016.
- Data on the amount of spending on outsourcing. This cannot be easily identified from the data.
- Details of suppliers within a category of spend. Accounts data is used to produce outturn by expenditure group. Accounts data does not include supplier information.

2.2 Accuracy: The closeness between an estimated result and the (unknown) true value, and the accuracy of the raw data.

The accounts data underlying these tables is subject to international accounting standards and is audited by the NAO.

Table 4 (Estimated Equipment Expenditure) has not been fully assessed as a National Statistic but is based to a large degree on figures published in the MOD Annual Report & Accounts. There are some assumptions made about the levels of equipment and non-equipment in the Assets Under Construction (AUC) category of spend.

Revisions

Corrections to the Departmental Resources Statistical Bulletin tables are signposted online and accompanied by notes to the tables or a full Defence Statistics Bulletin. We follow the [Defence Statistics revisions policy](#).

2.3 Timeliness and Punctuality: Timeliness refers to the lapse of time between publication and the period to which the data refer. Punctuality refers to the time lag between the actual and planned dates of publication.

There is a time lag of around six months between the end of the financial year and the publication of these data. This is to fit in with the MOD Annual Report and Accounts production and publication timetable and allows sufficient time for validation and analysis before publication in the Departmental Resources Statistical Bulletin. These statistics cannot be published until after the MOD's accounts have been laid before Parliament.

Publication of UKDS 2012 Chapter 1 was delayed until 6 February 2013 due to the late publication of the MOD Annual Report & Accounts for 2011/12. Publication of the 2014 Statistical Bulletin was also delayed until 18 December 2014 because the MOD Annual Report & Accounts were not published until 28 November 2014. In 2014/15 and 2015/16 the Annual Report & Accounts were published in July and the 2015 and 2016 Departmental Resources bulletins were published in early October.

2.4 Accessibility and Clarity: Accessibility is the ease with which users are able to access the data output, also reflecting the format(s) in which the output is available and the availability of supporting information. Clarity refers to the quality and sufficiency of the metadata, illustrations and accompanying advice.

Defence Economics publish these data through the Departmental Resources Statistical Bulletin, which is freely available on the GOV.UK website. When published in the past as part of UK Defence Statistics (UKDS), this table received around 80 web hits per month. The data can be downloaded in several formats (e.g. Excel and PDF) with the pdf providing commentary and visualisations to support the excel tables and is accompanied by links to related publications such as the MOD Annual Report & Accounts and HM Treasury's Public Expenditure Statistical Analysis.

These statistics are accompanied by an explanation of some key terminology and changes to government accounting on the "Resource Accounting and Budgeting" pages, a link to which is provided in every relevant table.

Defence Economics participate in the MOD Witan Secretariat Group that brings together secretariat staff and statisticians, which discusses issues relating to the presentation of financial data with the aim of ensuring a consistency in outputs across MOD.

We have received no feedback relating to accessibility and clarity. If you have feedback please [contact us](#).

2.5 Coherence and Comparability: Coherence is the degree to which data that are derived from different sources or methods, but which refer to the same phenomenon, are similar. Comparability refers to the degree to which data can be compared over time and domain.

The accounting data used in these statistics is produced to International Financial Reporting Standards (IFRS) and the underlying data feeds into the MOD resource accounts and the National Accounts.

Table 2 provides a comparison between Defence spending and spending in other areas of government which is from the Public Expenditure Statistical Analysis (PESA) data published by HM Treasury. There are some coherence issues with PESA data. The MOD data is based on Departmental accounting frameworks whereas PESA use the Classification of Functions of Government (COFOG) definition of Defence. Treatment of pension costs also differ. Full notes detailing how the PESA definitions are applied can be found at the Treasury website using this [link](#).

Changes to accounting methods have reduced comparability over time. These are described in the footnotes to the table in various editions of UKDS and the Statistical Bulletins.

The tables in UKDS are for historic and current outturn expenditure data. This is different to the budget (plans) data commonly quoted and used in the Defence Plan and Spending Review documentation. There are a number of reasons for these differences, particularly that the additional cost of operations are included in expenditure data but not budget data.

The government has made a commitment to release transaction information. We foresee that there may be issues in the future when people try to compare this transactional level data to

Table 3 (Expenditure by Commodity Block). This is because Table 3 includes all MOD spend as recorded in the accounts whereas some transactions have been redacted from the transaction data (which is at a lower level of granularity) for national security reasons. For more information on this issue please see [this document](#).

Data in Tables 3 (Expenditure by Commodity Block) and 4 (Estimated MOD Equipment Expenditure) shows expenditure on Research & Development taken from the MOD Accounts. The R&D figures in Table 3 are calculated by adding the Cash Resource DEL category 'Research & Development Costs' to an element of Capital DEL from the category 'Other Fiscal'. The sum of these 2 elements can be found in Table 4 under the heading 'Research & Development'. The R&D reported in these 2 tables is not fully Frascati compliant but does comply with the wider accounting definition of R&D. The R&D figure in tables 3 and 4 is therefore different to the R&D figures in Table 5 which are the results of a survey of Frascati compliant expenditure as required by the ONS and EU. Further information about Research & Development statistics can be found in the Research & Development Background Quality report. Additional information was added to these tables in 2013 to further explain the differences.

2.6 Trade-offs between Output Quality Components: Output quality components are not mutually exclusive in the sense that there are relationships between the factors that contribute to them. There are cases where the factors contributing to improvements with respect to one component lead to deterioration with respect to another.

There have been changes to the structure of the MOD over time. Although major changes are reflected in the figures and footnotes, smaller changes will affect comparability over time.

Changes in accounting standards also reduce comparability over time. There is little we can do about this but we do clearly document changes in the commentary.

2.7 Assessment of User Needs and Perceptions: Users are provided with products and services that meet their needs. The articulated and non-articulated needs, demands and expectations of external and internal users should guide the department.

Users are encouraged to provide feedback on Statistical Bulletins. The further information page contained within each bulletin provides details on how to contact the responsible statistician and there is also the opportunity to do so through the feedback pages on the GOV.UK website. Users can be informed of the latest changes to statistics through the GOV.UK website and through consultation exercises where significant change is proposed.

More informally, we monitor the requests for information that we receive from within the MOD, and from outside, and respond accordingly. We have been actively involved in User Engagement and have interacted with the user community on the 'Think Defence' website, who have used our outputs in some of their blogs. In 2015 the Royal United Services Institute (RUSI) wrote an article entitled 'Clarity on Spending at Last: Three Cheers for the MoD Statisticians' when they read this Statistical Bulletin.

Our current assumptions about users and uses of these statistics are contained in [Section 2.1 - Relevance](#). If you use these statistics in another way please [contact us](#).

2.8 Performance, Cost and Respondent Burden: Resources must be effectively used. The desired outcome must be produced cost effectively. Respondent burden should be proportional to the needs of users and not excessive for respondents.

In producing these statistics, our main data source is administrative data. Data is extracted from MOD administrative systems and quality assured by MOD accountants before audit by the NAO. Defence Economics have negotiated a specific data extract to allow further disaggregation of the accounting data that support the tables in the Departmental Resources Statistical Bulletin.

2.9 Confidentiality, Transparency and Security: The privacy of data providers (e.g. administrations, enterprises and others), the confidentiality of the information they provide and its use only for statistical purposes must be absolutely guaranteed. The department must produce and disseminate statistics respecting scientific independence and in an objective, professional and transparent manner in which all users are treated equitably.

In producing these statistics, we adhere to the [Defence Statistics confidentiality policy](#). We adhere to the principles and protocols laid out in the Code of Practice for Official Statistics and comply with pre-release access arrangements. The [Defence Statistics Pre-Release Access lists](#) are available on the Defence Statistics website.

We maintain good links with policy colleagues to ensure that these statistics are understood and prevent misuse. The latest 2016 Departmental Resources Statistical Bulletin contains further detailed commentary explaining these statistics.