



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 2016/17. Also included is a focus on the top ten companies that received the highest expenditure from MOD, and the number and value of contracts placed with Small and Medium-sized Enterprises (SMEs). Industry tables provide details of existing Private Finance Initiative (PFI) contracts. Trade data presents information on defence export orders, and payments made for services consumed by MOD establishments overseas.

Key Points and Trends

▲ £18.2bn	'Typhoon' was the most expensive post-Main Gate equipment project in 2016. A £10m increase of forecast cost compared with 2015.
▲ £24.1bn	Paid by MOD Core Department to UK and foreign owned organisations in 2016/17. An increase of £0.4bn from 2015/16.
▼ 41%	Total MOD procurement expenditure with top 10 suppliers. Slightly down on the previous year, the largest supplier was BAE Systems.
▼ £707m	MOD direct spend with Small and Medium-sized Enterprises (SMEs) in 2016/17. Represents 3.7 per cent of total MOD expenditure.
▲ 2,050	New contracts placed by MOD Core Department during 2016/17. An increase of 304 (17 per cent) compared with 2015/16.
▼ £8.6bn	Value of new contracts placed during 2016/17. A decrease of £6.4bn (43 per cent) compared with 2015/16.
▼ 42%	Proportion of new contracts placed competitively during 2016/17. A decrease of 3 percentage points from 2015/16.
▼ £5.9bn	Estimate of identified UK export orders of defence equipment and services in 2016. A decrease of £1.8bn from 2015.

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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

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

Introduction

This Bulletin provides data on 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. Detailed statistics and historic time series can be found in the related [Excel tables](#).

Major Equipment Projects presents financial information on MOD's largest projects for which the main investment decision has been taken.

MOD Expenditure by Competition presents the amount of direct MOD expenditure that is paid through competitive contracts.

Organisations paid by MOD provides an analysis of organisations paid £5 million or more during 2016/17 by MOD and its Trading Funds.

Holding Companies paid by MOD presents the data in **Organisations paid by MOD** with the individual subsidiary organisations 'rolled up' into their holding companies.

Focus on Key Suppliers focusses on the top 10 suppliers to MOD in 2016/17. It examines the relative importance of MOD sales to each company's revenue and how much of their MOD business is done through competitive contracting.

Contracting with SMEs covers MOD expenditure with Small and Medium-sized Enterprises and the number of new contracts placed.

New Contracts Placed 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 details MOD payments on PFI projects during 2016/17.

Estimates of Identified Export Orders presents the estimated value of export orders of defence equipment and services.

Balance of Payments for 'Trade in Services' shows payments made for services consumed by MOD establishments overseas (imports). It also shows receipts for services from foreign governments, overseas establishments and US Forces based in the UK (exports).

Table Removal

In previous versions of this bulletin a table has been published showing 'Estimated Defence Expenditure in the UK'. Following an external consultation, the results of which can be found [here](#), it has been decided to remove the duplicate production of this table in this bulletin and publish it only in the [MOD regional expenditure with UK industry and supported employment](#) bulletin, the next version of which will be published in early 2018. All information previously contained within the table in this bulletin can be found in the regional 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 12 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. 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](#).

'Typhoon' was the most expensive post-Main Gate equipment project in 2016, with a forecast cost of £18.2 billion.

The total current forecast cost of the 12 projects in the [MOD's Project Performance Summary Table 2016](#) is £56.9 billion compared to the £56.7 billion for these same 12 post-Main gate projects last year.

Forecast costs for several projects have changed this year. The causes in 2016 were mainly technical factors, budgetary factors, international collaboration and changed capability requirements. For full details of these changes and full project titles see [Section 4 of The Defence Equipment Plan](#).

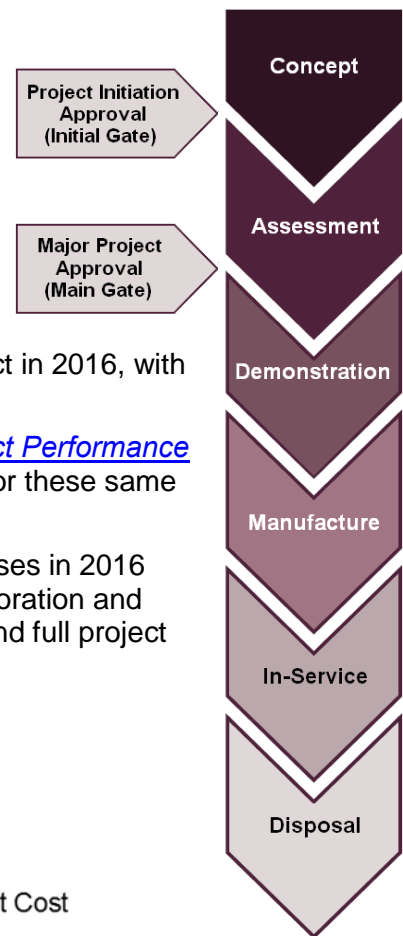
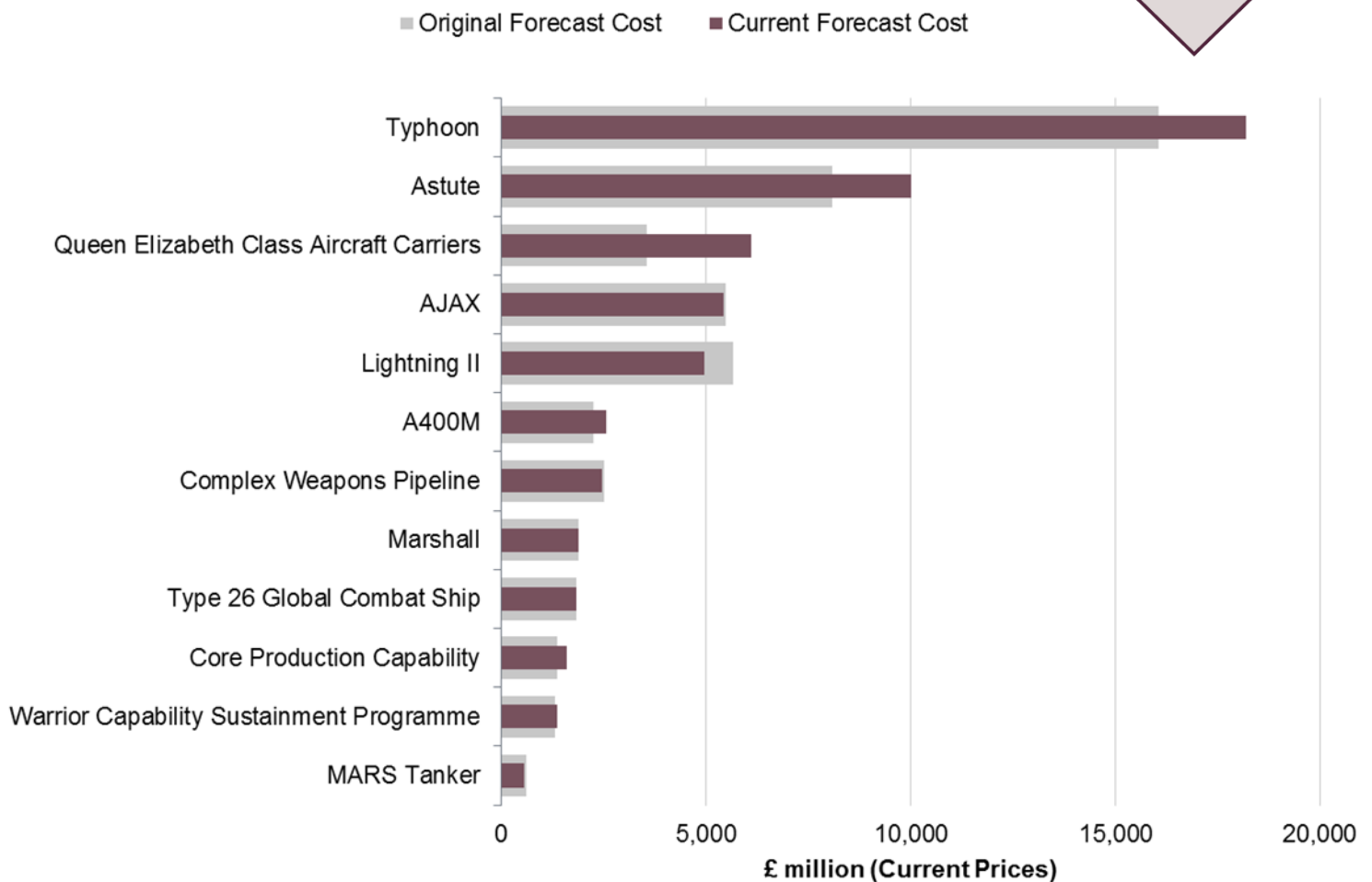


Figure 1: Forecast Costs of 12 Major Equipment Projects



Source: Project Performance Summary Table 2016

MOD Expenditure by Competition

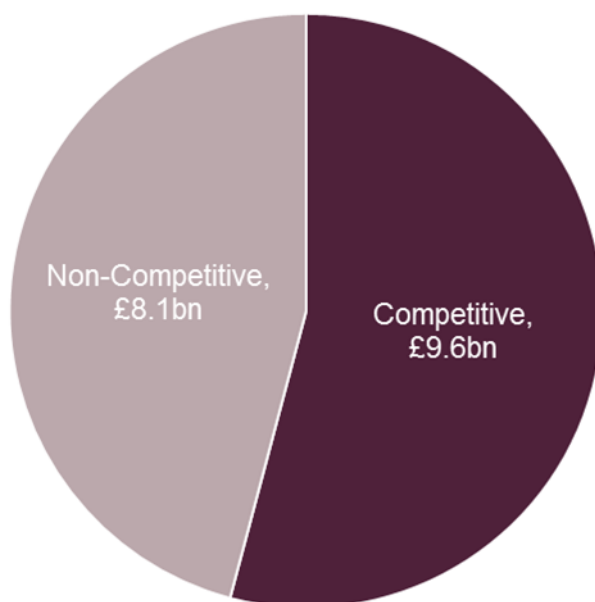
In the following pages we will analyse in more detail the level of payments made to organisations and holding companies by MOD and its Trading Funds. This section looks at the expenditure made to these organisations and holding companies under the terms of competitive and non-competitive contracts.

In 2016/17, a total of £24.1 billion was paid by MOD Core Department to UK and foreign owned organisations (including defence suppliers and intermediate bodies), through DBS Finance systems. MOD Core Department excludes MOD Trading Funds.

A competitive contract is a contract awarded to a company following a bidding process, or competition, where the winning company is awarded the contract. **In 2016/17 payments against competitive contracts totalled £9.6 billion.** Non-competitive procurement occurs where there is either only a single provider or where there are very strong reasons for maintaining a national capability. **Payments against non-competitive contracts, in 2016/17, totalled £8.1 billion.**

Not included in the chart below is expenditure totalling £6.3 billion in 2016/17, where a competition marker is not recorded. This 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), 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 temporarily increased the volume of payments made using an emergency payment method where the competition status of the payment is not known.

Figure 2: Direct MOD payments paid through competitive and non-competitive contracts in 2016/17 (VAT Exclusive)¹



Source: Defence Economics analysis using DBS Finance data source

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.

1. Excluded from this chart are payments classed as 'other expenditure' where the competition marker is not recorded.

Organisations Paid over £5 million by MOD

This analysis presents payments made through MOD's DBS finance systems (MOD's primary bill paying authority) and by MOD Trading Funds 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 per cent by value, whilst the Trading Funds make their own payments. Some organisations have been excluded from the analysis because their information has been redacted in line with [Transparency](#) rules.

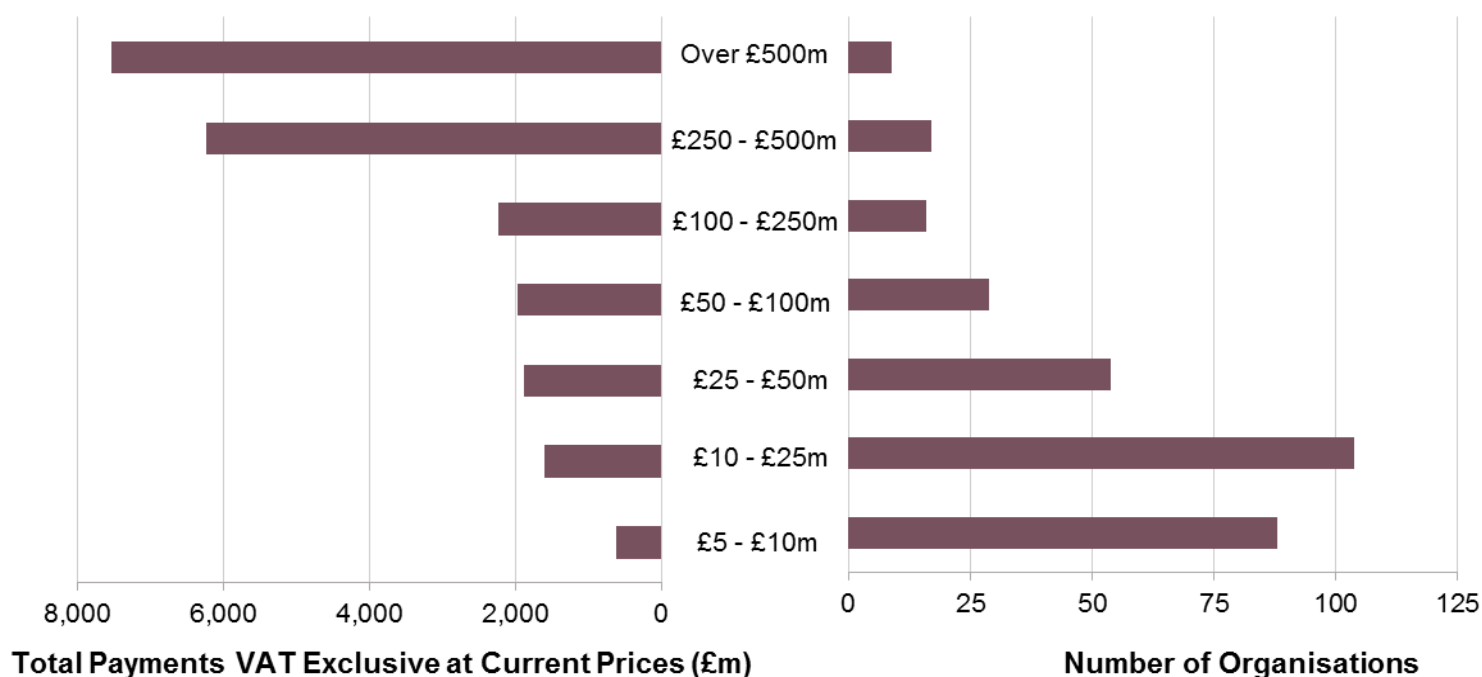
There were **317 organisations paid more than £5 million by MOD and the Trading Funds** during 2016/17. This is a drop from 335 in the previous year.

The organisations that received more than £5 million represent less than 2 per cent of the 16,500 organisations paid in 2016/17, however they received 91 per cent of the direct expenditure. Of the 317 organisations paid more than £5 million, the top 20 received over half of the total procurement expenditure.

Only 12 suppliers received payments of over £5 million from one of the Trading Funds.

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



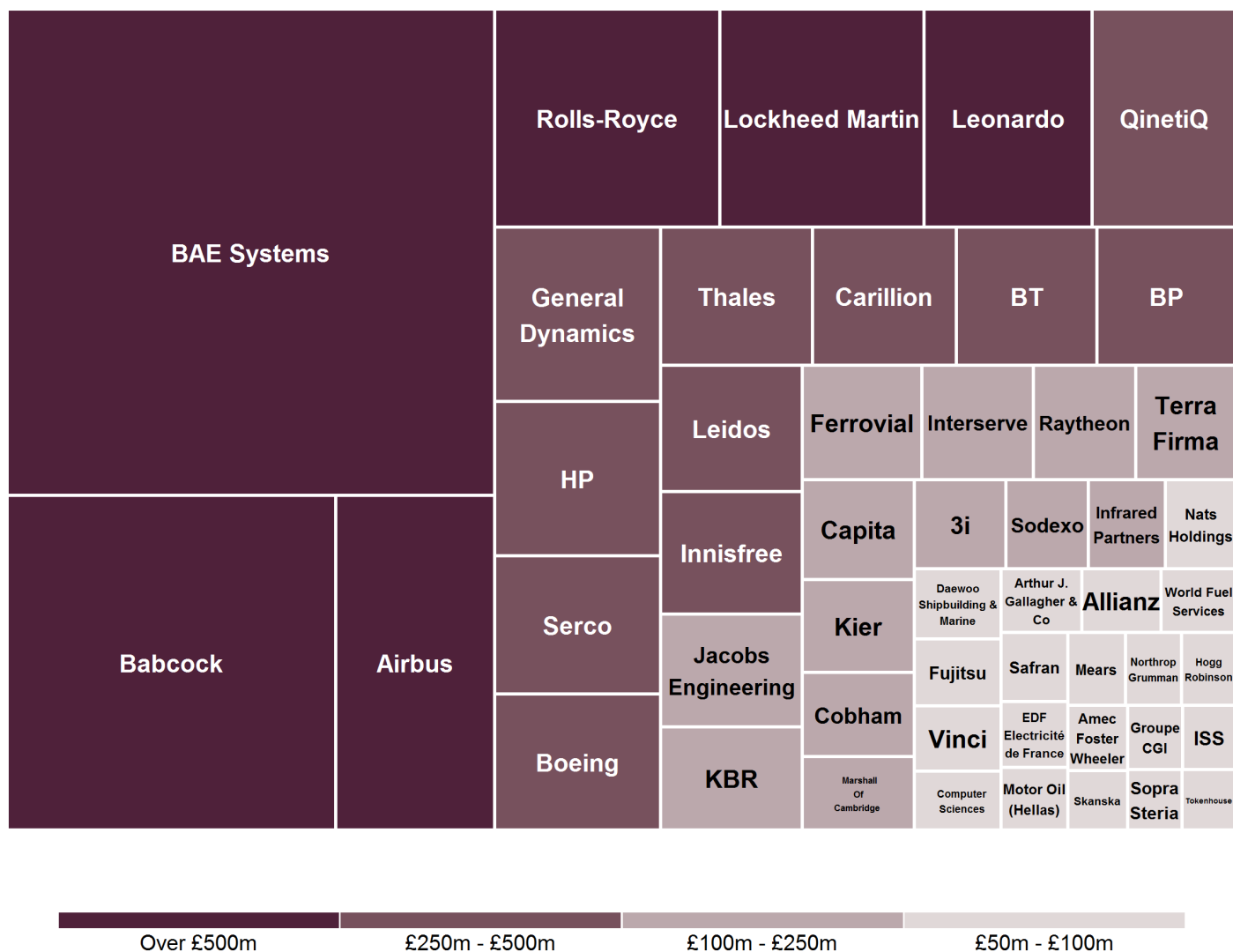
Source: Defence Economics analysis using DBS Finance and Trading Funds data sources

Holding Companies Paid over £50 million by MOD

Many of the suppliers paid by MOD and its Trading Funds 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, MOD Trading Funds, multi-nation project management agencies, charities and associations. All holding companies paid more than £50 million by MOD in 2016/17 are presented below.

In 2016/17 there were **50 holding companies paid more than £50 million** by MOD and its Trading Funds, two less than in 2015/16. There were **six companies paid more than £500 million**, three less than the previous year.

Figure 4: Holding Companies Paid over £50 million by MOD in 2016/17



Source: Defence Economics analysis using DBS Finance and Trading Funds 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 2016/17. 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.

Focus on Key Suppliers - Expenditure with Top 10 Suppliers

In 2016/17 nearly **41 per cent of total MOD procurement expenditure was with 10 suppliers**. The top 10 suppliers in 2016/17 has shown a small change from the list reported on in 2015/16. Boeing have dropped from the Top 10 with General Dynamics moving up to replace them. Following company rebranding, Finmeccanica are now known as Leonardo. The current top 10 have consistently been large suppliers to MOD, with the same suppliers receiving a 39 per cent share of payments in 2007/08.

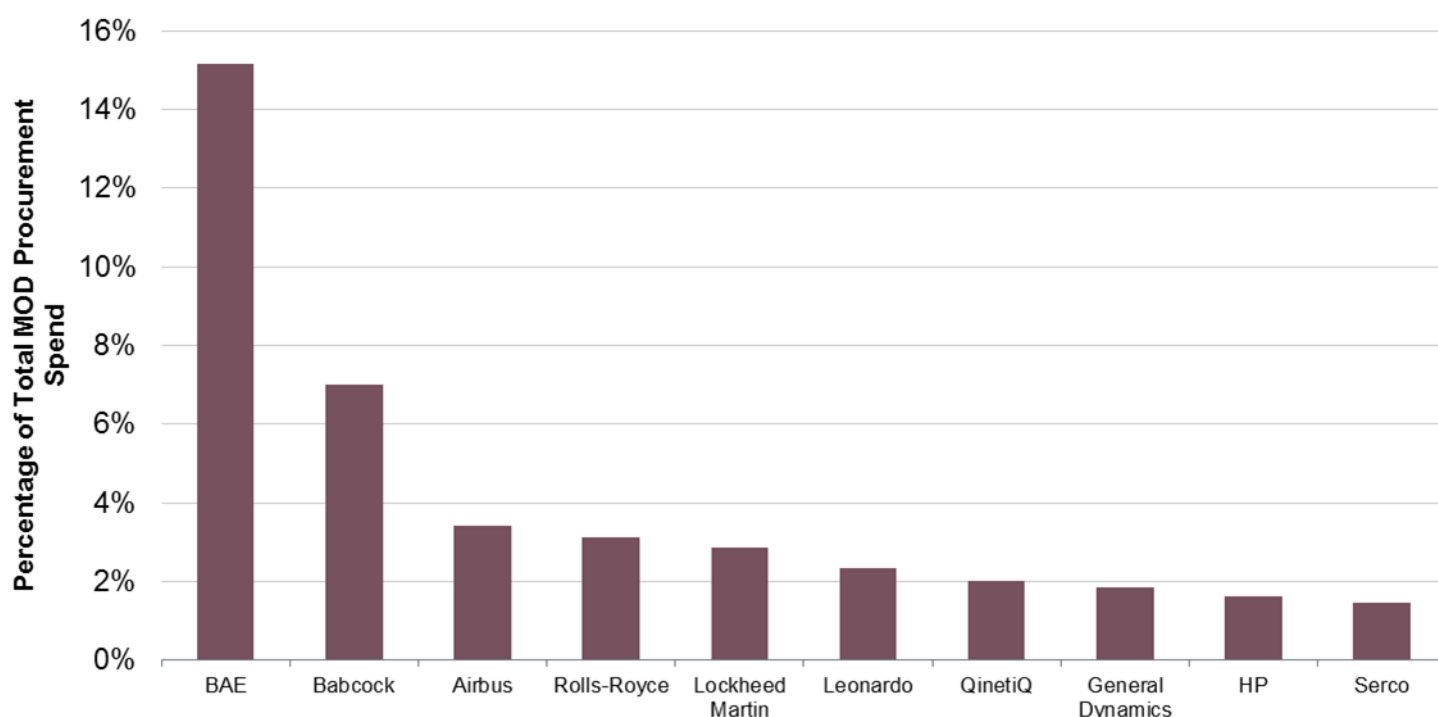
Figure 5: MOD Procurement Expenditure with Top 10 Suppliers



Source: Defence Economics analysis using DBS Finance and Trading Funds 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 15 per cent of all MOD procurement expenditure in 2016/17. The remaining nine suppliers in the top 10 received individual shares between 1.5 and 7.0 per cent.

Figure 6: Proportion of MOD Spend with Top 10 Suppliers



Source: Defence Economics analysis using DBS Finance and Trading Funds data sources

Focus on Key Suppliers – 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.

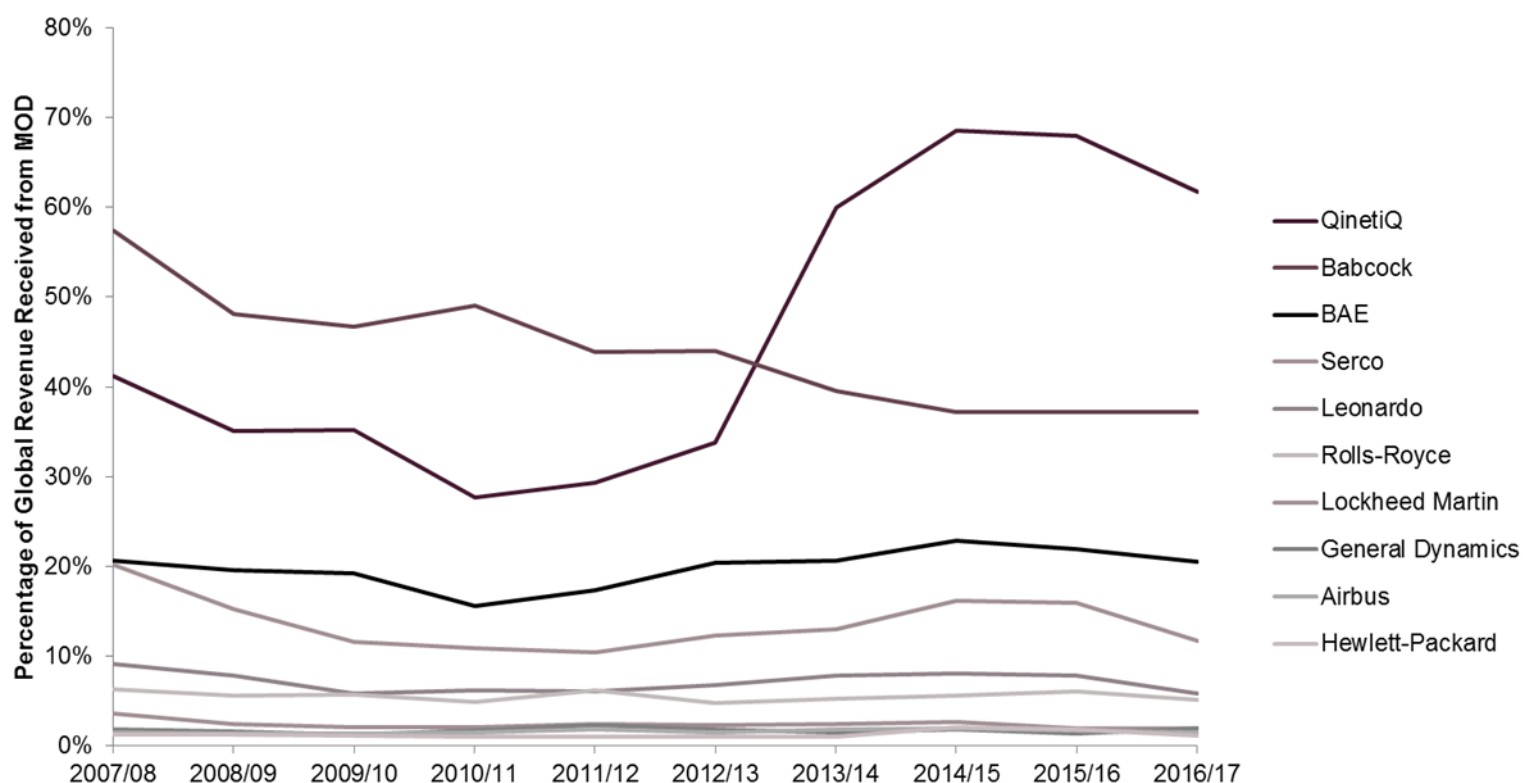
QinetiQ is the most dependent of the top 10 MOD suppliers on MOD business. It sold its US Services business in 2014, which caused a large increase in dependence on MOD business. The US Service had been responsible for £410 million of the global revenue of the company. Following an increase in revenue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

BAE Systems, MOD's biggest supplier, has received payments from MOD worth between 15 and 25 per cent 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.

Babcock and Serco received 37 per cent and 12 per cent of their revenue from MOD respectively. **However for the remaining 6 suppliers, MOD sales accounted for less than 10 per cent of their global revenue.**

The general trend in 2016/17 was for a decrease in dependency on MOD for the major suppliers. Only one of the top ten, General Dynamics, had MOD sales take up a greater share of revenue than in the previous year. This reflects the consolidation and internationalisation of the global defence industry, and relative decline in MOD spending compared to global defence spending.

Figure 7: Dependency of Top 10 Suppliers on MOD Business



Source: Defence Economics analysis using DBS Finance and Trading Funds data sources

Focus on Key Suppliers – Levels of Competitive Contracting

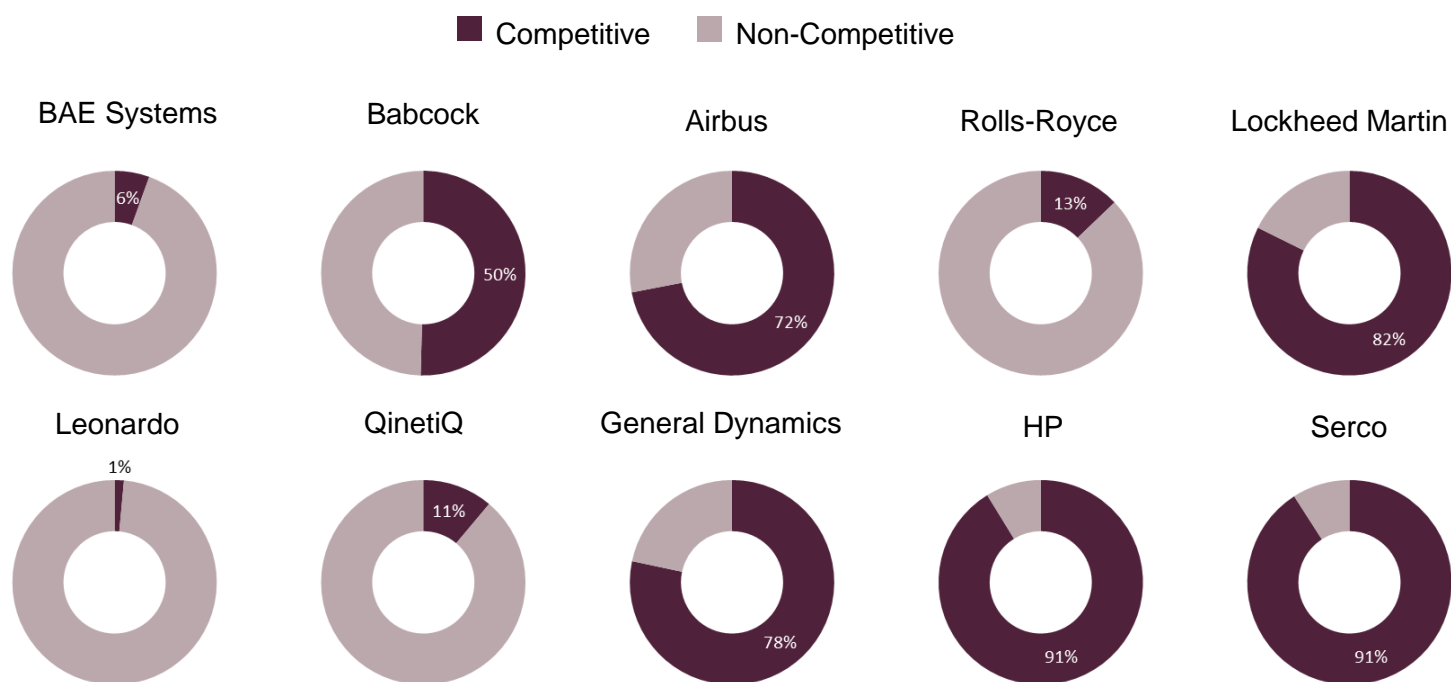
The charts below show the revenue received by MOD's top 10 suppliers from competitive contracts as a proportion of their overall sales to MOD during 2016/17. See the "MOD Expenditure by Competition" (Page 5) section for more detail on what a competitive contract is.

The amount of competitive contracting depends on the type of company involved. The service based companies, Serco and HP, 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 2015/16. The largest change was General Dynamics who previously received 84 per cent of payments through competitive contracts.

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, only BAE Systems has seen a significant change with the percentage share of payments received from competitive contracts, dropping from 33 per cent in 2007/08 to 6 per cent in 2016/17.

Figure 8: Levels of Competitive Contracting with Top 10 Suppliers¹



Source: Defence Economics analysis using DBS Finance data sources

1. A small level of miscellaneous expenditure has been excluded from these calculations as the competition status of the payments is not recorded.

MOD Contracting with Small and Medium-sized Enterprises (SMEs)

This section presents details of MOD expenditure and contracting with Small and Medium-sized Enterprises (SMEs). [The Government's aspiration](#) is that 33 per cent of public expenditure with third parties be placed with SMEs by the end of this parliament. To support this aspiration the MOD target is 25 per cent by 2020. MOD's expenditure is particularly important, as it accounted for some 44 per cent of the Government's overall £45 billion procurement expenditure in 2015/16.

In 2016/17 **MOD direct spend with SMEs amounted to around £707 million with just under 5,980 different suppliers**. MOD Core Department placed around 440 new contracts with SMEs having a collective value of around £537 million.

Until 2013, Dun and Bradstreet (D&B) provided assessments of the SME status¹ for MOD suppliers. However, in 2013/14 and 2014/15 the SME status of new suppliers was not assessed leading to an apparent fall in recorded expenditure and contracting with SMEs, which **was primarily caused by the lack of SME assessment during this period**. Therefore no conclusions should be drawn about true SME spending trends in 2013/14 and 2014/15.

In January 2017 D&B resumed SME assessments with around 3,350 new suppliers, in the 2015/16 dataset, identified as SMEs. However no new assessments have been received for the 2016/17 dataset and over 7,000 suppliers, receiving just over £4 billion in 2016/17, have not had their SME status assessed. The 2016/17 figures should therefore be considered as minimums especially when comparing across years.

Figure 9: Total Direct Expenditure with SMEs

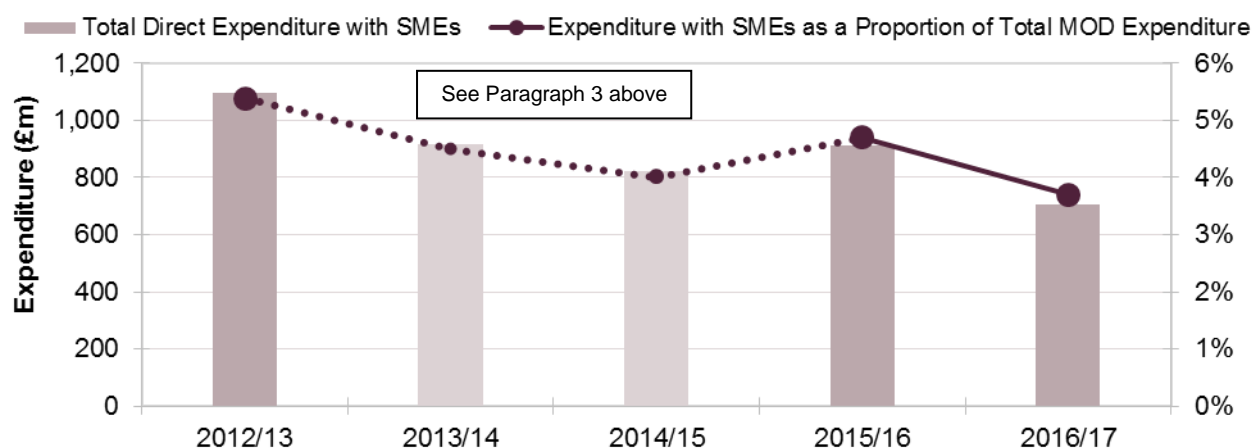
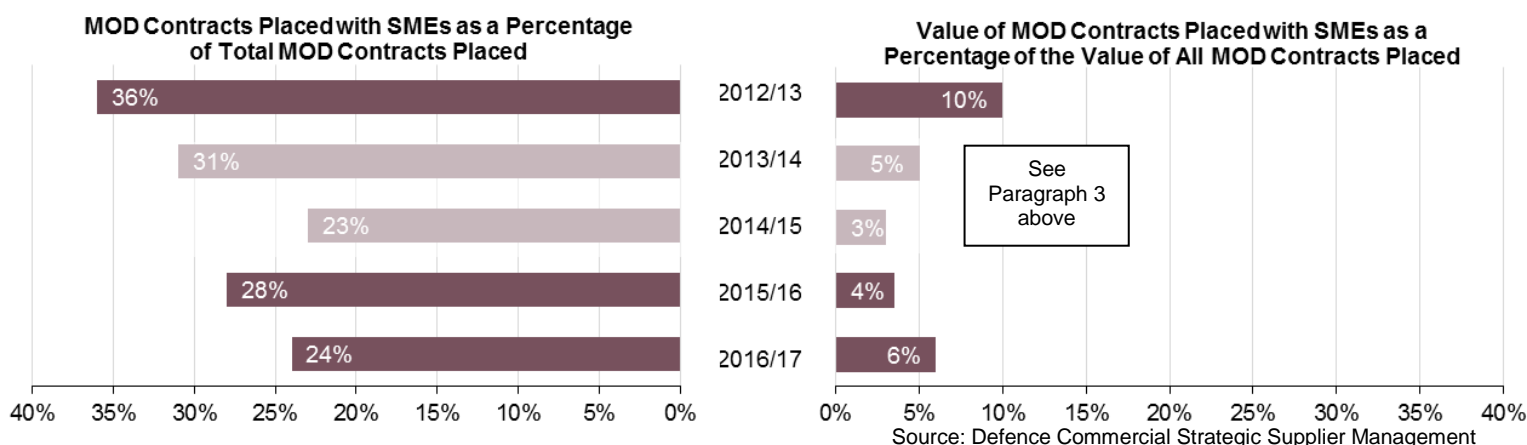


Figure 10: Mod Contracts Placed with SMEs



1. Dun & Bradstreet is a global source of business information and insight. The nine-digit DUNS number, assigned to each business location in their global database, is widely used as a tool for identifying, organising and consolidating information about businesses.

New Contracts Placed

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

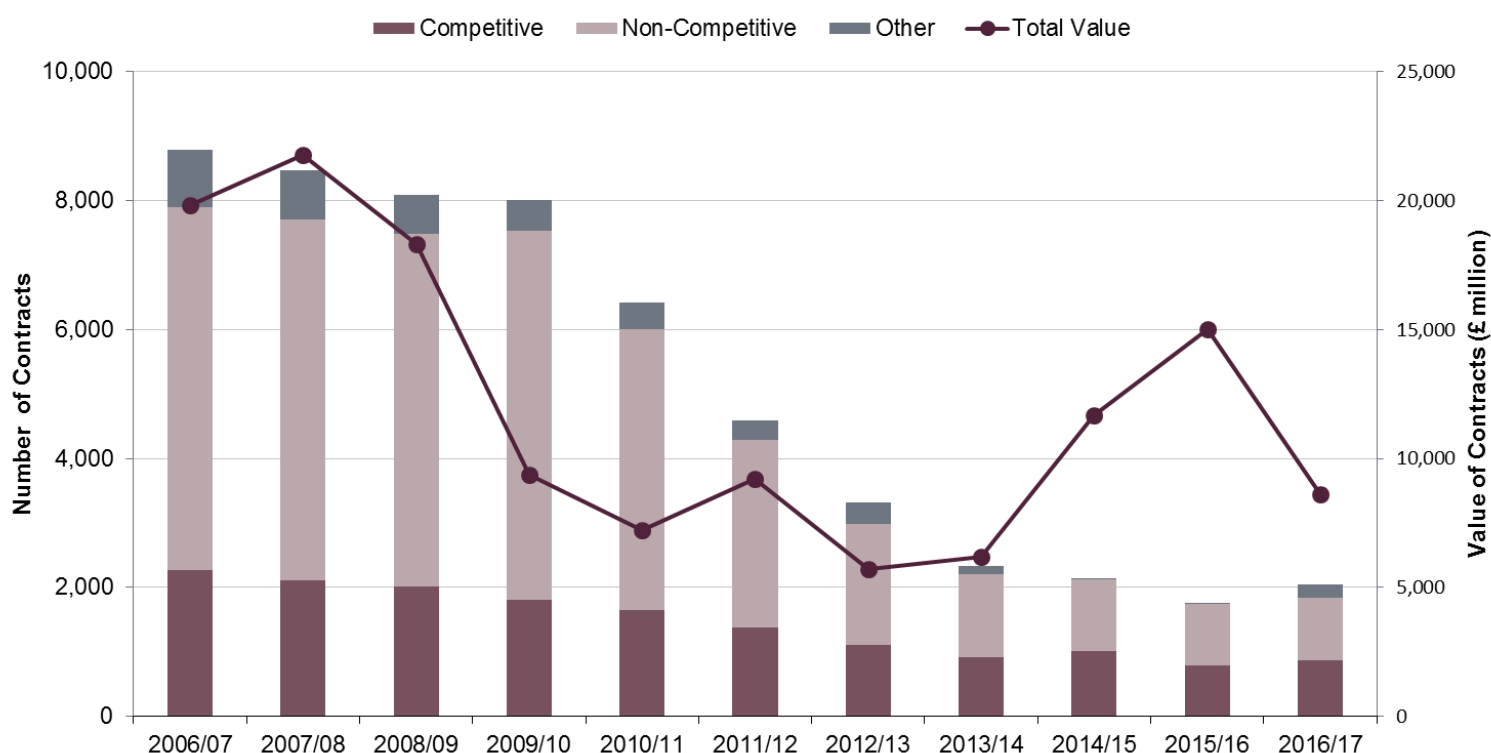
This section provides an analysis of all **new** contracts MOD Core Department placed during 2016/17 broken down by whether they were placed competitively or non-competitively. In 2016/17 **MOD Core Department placed 2,050 new contracts with a collective value of £8.6 billion.**

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 this series began in 2006/07. 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 Pan Government Enabling contracts and the privatisation of functions such as the military logistics capability and the Defence Support Group.

In 2016/17, 42 per cent of new contracts were let competitively, compared to 45 per cent in 2015/16. However it should be noted that in 2016/17 the number of new contracts where a competition marker is not known stands at 10 per cent, which has contributed to the reduction in the 2016/17 figure.

The value of new contracts placed can be quite volatile and fluctuate from year to year, affected by particularly high value contracts. In 2016/17 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 per cent of the total value of contracts placed in that year.

Figure 11: New MOD Core Department Contracts



Source: Defence Economics (Defence Expenditure Analysis)

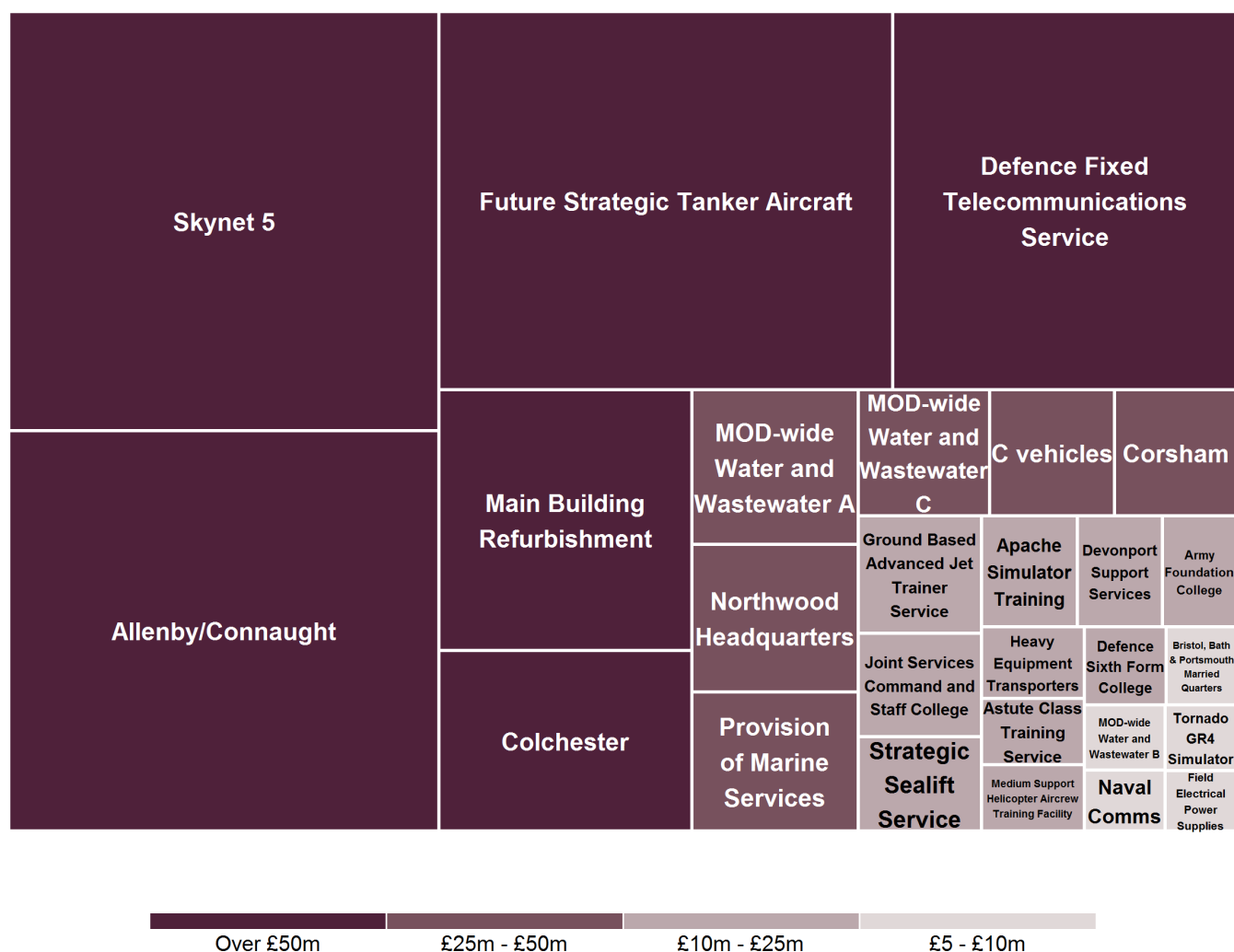
MOD Payments on Private Finance Initiative (PFI) Projects

This section provides an analysis of Private Finance Initiative (PFI) commitments and payments by MOD during 2016/17. 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 2016. 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](#).

Skynet 5 was the PFI in receipt of the highest amount of MOD expenditure in 2016/17 (£306 million), followed by Allenby/Connaught (£293 million) and Future Strategic Tanker Aircraft (£291 million).

Figure 12: Amount Spent on PFI Projects in 2016/17



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

Estimates of Identified Defence Export Orders

The estimated value of the global defence export market in 2016 was more than \$89 billion, of which, **\$8 billion (£5.9 billion) originates from the UK defence industry**, affording it an estimated market share of 9 per cent.

The Middle East remains an important regional market for the UK, with 49 per cent of the UK's export orders in 2016. The 2016 figure includes orders for Eurofighter Consortium Typhoon to Kuwait, Babcock Offshore Patrol Vessels (OPV) to the Republic of Ireland, Rolls-Royce MT30 Engines to Italy and James Fisher Defence's significant submarine rescue service contract with the Indian Navy.

Over the last ten years, the UK had export orders totalling US\$120 billion placing it as the second highest behind the USA.

More information on identified export orders can be found in the [DIT DSO Export Statistics for 2016](#). It should be noted that export orders can be cancelled or changed at any time after the initial order has been placed.

Figure 13: UK Export Orders by Sector

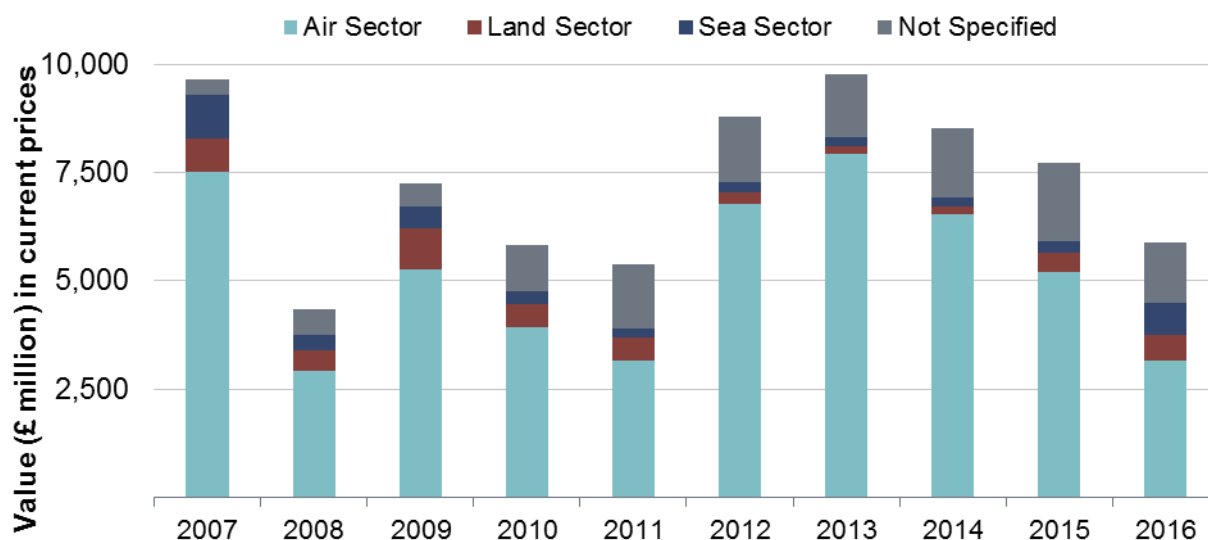


Figure 14: Top Defence Exporters 2007-16

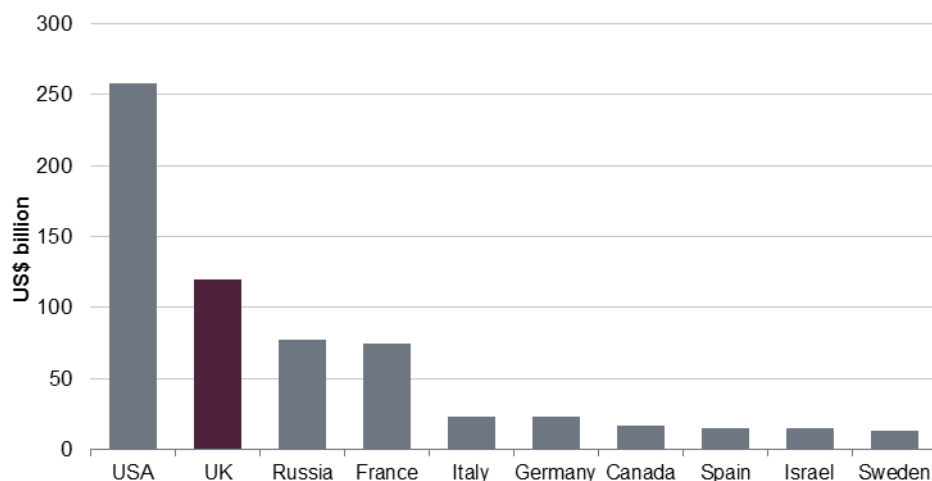
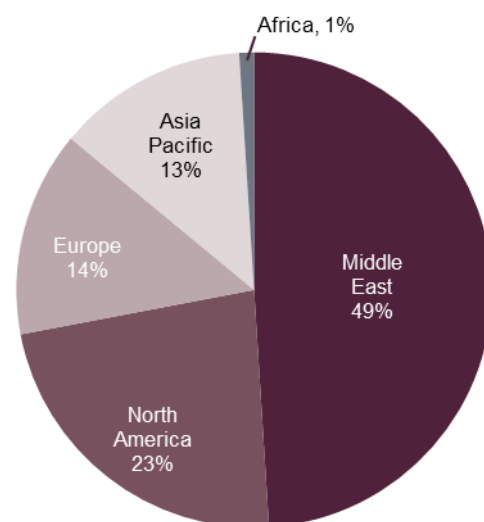


Figure 15: UK Defence Export Orders to Regions: 2016



Source: DIT Defence and Security Organisation

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) between UK residents and non-residents. It also covers 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.

The net balance for MOD 'Trade in Services' in 2016 was -£2,256 million, made up of credits amounting to £234 million and debits of £2,490 million, these figures are broadly similar to those from 2015.

Figure 16: MOD Estimated Balance of Payments for 'Trade in Services'

Current Prices (£ million)

	2008	2009	2010		2011	2012	2013		2014	2015	2016
Net Balance	-3,061	-3,276	-3,170	II	-2,948	-3,030	-3,345	II	-3,091	-2 322	-2,256
Total Debits	3,366	3,619	3,504	II	3,249	3,289	3,580		3,336	2 536	2,490
Total Credits	304	343	334	II	302	259	235	II	245	214	234

Source: Defence Economics (Defence Expenditure Analysis)

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 [Excel tables](#) and [Background Quality Report](#).

Small and Medium-sized Enterprises (SMEs)

- Classification of Suppliers The SME status of suppliers is determined by Dun & Bradstreet (D&B), based on the [EU definition](#). MOD quality assure the SME status of suppliers: (i) where the SME status is different to existing records or (ii) where expenditure against a new supplier is large. D&B didn't provide assessments for new MOD suppliers for 2013/14 and 2014/15, and for this reason the quality of the data cannot be guaranteed for these two financial years. In 2017 Dun & Bradstreet once again provided assessments for new suppliers for the financial period 2015/16, increasing the accuracy of the SME estimates in this financial year. However, for 2013/14 and 2014/15 many suppliers remain unassessed, so figures in these years remain at the low end of the scale for both expenditure and contracting and should not be used in time series analysis. In addition no update has been received from Dun & Bradstreet for suppliers receiving payments in 2016/17 so the estimate is again likely to be at the low end of the scale for both expenditure and contracting.

- Expenditure All suppliers in receipt of direct MOD payments are matched to the D&B dataset of SME suppliers. SME expenditure is identified from within a dataset of all expenditure on MOD HQ contracts, Pan Government Enabling Contracts, miscellaneous transactions and electronic Purchasing Card (ePC) payments. The percentage calculation of total MOD expenditure with SMEs excludes expenditure on ePC in the denominator, as it has not been possible to determine the SME status of suppliers in receipt of 77 per cent of ePC payments in 2016/17, although the low level of identifiable expenditure with SMEs is included in the numerator. All calculations exclude expenditure on subcontracts with SMEs, contracts placed by the Department's Trading Funds and contracts placed with other organisations, such as Other Government Department's, overseas governments and NHS Trusts where it is viewed MOD had no opportunity to influence placement.

- New Contracts Placed A similar matching process is followed as with the expenditure calculations but looks at suppliers who have been awarded a HQ Contract by MOD during the most recent FY. The calculations exclude Pan Government Enabling Contracts, contracts placed by the Department's Trading Funds and contracts placed with other organisations, such as Other Government Department's, overseas governments and NHS Trusts where it is viewed MOD had no opportunity to influence placement. Contracts that may have been erroneously paid through miscellaneous transactions are also excluded.

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 per cent of AWE Management, then 51 per cent of MOD spend with AWE Management is

assigned to the Lockheed Martin expenditure total. Trading Funds 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.

Pan-government enabling contracts have been removed from the analysis as the value recorded on the DBS Finance database reflects the cross-government total contract value, rather than MOD element. Additionally in 2015/16, around 60 contracts were removed because they were not MOD owned contracts. The contracts related to the privatised Defence Support Group (DSG) and the outsourcing of the military logistics capability to Leidos.

Included in the analysis are contracts set up for MOD using the Crown Commercial Service (CCS). 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.

For 2016/17 Defence Economics created a master dataset of new contracts taken from either the parent contracts from CP&F or contracts set up in 2016/17 prior to the introduction of CP&F in December 2016. There are some issues with the visibility of some data fields recorded on the new system hence the increased number of contracts and values where the competition marker is not known. Defence Economics are still working on these data quality issues and it is hoped that this issue will have been further resolved prior to publication of the 2017/18 figures, when the 2016/17 figures could be revised.

Balance of Payments

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.

Foreign Currency expenditure is obtained from a number of data sources within Departmental Financial Management Systems (DFMS). It is assumed that the foreign currency is spent overseas. A return from DBS Finance provides details of whether reported overseas expenditure is on goods and services. A further report run by DBS identifies overseas receipts and the level of receipts for services received from US Forces based in the UK.

Glossary

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

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 1 of the new system took place in late 2016.

Core Department Entities within MOD Departmental Boundary but excluding the two Trading Funds (DSTL and UKHO).

Crown Commercial Service (CCS) manages the procurement of common 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 Science and Technology Laboratory (DSTL) has been a Trading Fund of MOD and was 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 Executive 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.

Departmental Financial Management Systems (DFMS) provides all the systems and processes required for effective financial management of the Department's operations. The system comprises a number of applications but is mainly ORACLE driven.

Dun & Bradstreet (D&B) provides a global source of business information and insight. See **DUNS Number**.

DUNS Number A nine-digit DUNS Number is assigned to each business location in the D&B global database. It is widely used for identifying, organising, and consolidating business information.

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.

Major Projects Report (MPR) is the National Audit Office (NAO) annual report to Parliament on progress in equipment procurement. It provides a summary of each project's current status and progress to date. It provides comparisons on current forecast costs and in-service dates. The last report was MPR15.

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'.

Novated Contract a contract which has been taken on by a new contractor/supplier following an agreement with the original owner of the contract.

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

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

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.

Small and Medium-sized Enterprises (SME) are organisations that have less than 250 employees **and** one of the following: a) turnover less than 50 million euros or b) balance sheet total less than 43 million euros.

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.

Terms of Business Agreement (TOBA) aims to create a more disciplined interface between the key acquisition parties (e.g. MOD and DSTL), strengthening the relationship between the main parties involved in acquisition.

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 2016/17 (pages 11 and 12) were updated in December 2017 as part of a planned update of the bulletin. The update now includes late reported contracts, which have a start date during 2016/17 and which have been added to the DBS Finance Database between July and October 2017. Tables 6b and 7 of the excel tables have been similarly updated.

Contact us

Defence Economics 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:

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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>

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