Background Quality Report MOD Departmental Resources

1. Introduction

1.1 Overview

This bulletin provides a range of information about the total level of MOD spending and on spending on specific activities. It includes time series of defence spending, broken down by activity, and compared with other government departments. Time series of MOD spending on equipment, research and development (R&D), consultancy, and operations and peacekeeping costs are also provided. The value of non-current assets (e.g. MOD-owned land, buildings and equipment) is also given, as well as income earned by MOD (e.g. rental income and from sales of fuel). This publication is produced annually, and related to the last full financial year for which data is available.

This bulletin compliments the MOD Annual Resources and Accounts (ARAc), which is audited by the National Audit Office (NAO). The ARAc mainly contains information for the current and previous financial year, whereas this bulletin provides time series for the figures reported in the ARAc.

The publication date of this bulletin is listed on the statistical Release Calendar, as set out in the Code of Practice for Official Statistics.

1.2 Background and Context

The MOD have published statistics on departmental resources and research and development (R&D) for at least 30 years. Historically, these were published in the Statement of Defence Estimates and subsequently in UK Defence Statistics (UKDS 2010 to 2012 is available online here). Since 2013, these statistics have been published as the Departmental Resources Bulletin.

1.3 Methodology and Production

- *Tables 1, 3, 4, 6-9*
  These tables are produced using data from the MOD's Financial Management Information Systems (FMIS). This data is also used to produce the MOD Annual Report and Accounts, is subject to international standards and is audited by the NAO. 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.

- *Table 2 (Public Expenditure for Top Five Departmental Groups)*
  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).

- *Table 5 (MOD Research & Development Expenditure Outturn)*
  This information is based on the MOD Chart of Accounts (an administrative data source). However, this data source has only recently started to identify Frascati-compliant R&D and now only at a high level. Frascati R&D is an international definition that is used by OECD, and MOD need to report R&D expenditure using this definition to the Office for National Statistics (ONS). Therefore, an internal survey of MOD and Defence Science and Technology Laboratory (Dstl) is conducted to find the level of Frascati-compliant spend. Additionally, intramural (R&D conducted within MOD and Dstl) and extramural (R&D commissioned by MOD within industry, institutes of higher education and Research Councils) components of MOD spend are identified and reported in this table.

2. Relevance

This bulletin provides context for the MOD ARAc by including time series and additional data. The data in this bulletin has a wide reach externally, being used by researchers, academics, politicians and journalists. This bulletin and the data underlying it are used to answer Parliamentary Questions (PQs) and Freedom of Information (FOI) requests. Main subjects of interest include pay and equipment costs, details of spending broken down into Resource Account Codes, and defence expenditure time series (in cash and real terms). The wide usage of this bulletin contributes to public accountability for MOD.

Within the MOD, this data is used to brief press officers and senior officials. This data is also used to brief ministers and to provide context in documents or speeches by the Minister's outer office.

This bulletin is also used widely within the Defence Industry. Specifically, users include the ADS Group, BAE Systems and the Royal United Services Institute (RUSI).

There have been the following requests from users for additional information to be included in the bulletin:
- Expenditure data by Service. 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. These are now published as the UK Regional Expenditure bulletin.
- Data on the amount of spending on outsourcing. MOD does not collect data on this specifically, so it is difficult to identify.
- 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.

R&D spending

The assessment of R&D spending in MOD is especially important as MOD spending accounts for around 35% of UK Central Government spending on R&D. R&D spending is an important guide to the levels of investment in the economy, and are a key indicator of future growth and competitiveness. Furthermore, this data collection is a legal, EU requirement, as these figures feed into Office for National Statistics (ONS) calculations of R&D generally.

External users of these R&D statistics include ONS (for the Government Expenditure on R&D survey), EUROSTAT (comparing UK R&D figures with those of other countries), the European Commission and OECD. There are also many PQs and FOIs that relate to the R&D figures. Common questions on R&D include requests for historic figures, comparisons with other countries, spend on specific defence projects and with specific companies, and spend in different technology sectors. Internally, the information on R&D spend is used by Dstl.

3. Accuracy and Reliability

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

- *Table 4 (Estimated Equipment Expenditure)*
  This table 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.

- *Table 5 (MOD Research & Development Expenditure Outturn)*
  The survey conducted to compile this table is comprehensive and has a high response rate (99% in 2016/17). Reference material has been produced to help commercial staff to identify Frascati R&D spend. However, there are difficulties in identifying intramural and extramural spend; it is not always clear whether or not an organisation should be classed as part of MOD.

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.

4. Timeliness and Punctuality

This publication is aimed to be released in October each year. The exact release date is announced on the statistical Release Calendar, as set out in the Code of Practice for Official Statistics.

There is a 5 month gap between the end of the financial year and publication of this bulletin to allow for data collation and analysis. Additionally, the timing of publication of this bulletin ultimately depends on the publication of the ARAc, which does not normally happen until July.

5. Accessibility and Clarity

This statistical bulletin is published on gov.uk and consists of a commentary in PDF format accompanied by supporting Excel tables. All of the figures quoted in the text and displayed in the visualisations of the PDF commentary can also be found in the Excel tables. The Excel tables give the most detail about the statistics.

The commentary begins with an initial summary page and contents page, and after this displays defence expenditure at a high level and getting into more detail at a lower level as you go through the bulletin. Visualisations have been chosen to best display patterns and trends within the data. Terms used in the commentary are defined within the glossary contained within the same PDF document.

6. Coherence and Comparability

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. However, changes to accounting methods have reduced comparability over time. These are described in the footnotes to the tables in various editions of UKDS (pre-2012) and the Departmental Resources bulletin (post-2012).

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.

The tables in this bulletin 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.

There are some differences between the figures in Table 3 (Expenditure by Commodity Block) and government transparency data. 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.

The R&D figures provided in Table 3 (Expenditure by Commodity Block) and Table 4 (Estimated MOD Equipment Expenditure) are not Frascati compliant, and are based on a wider, accounting definition of R&D. Therefore, these figures are not comparable to those provided in Table 5 (MOD Research & Development Expenditure Outturn) of this bulletin, which are based on the Frascati definition.

7. Trade-offs between Output Quality Components [Optional]

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.

8. Assessment of User Needs and Perceptions [Optional]

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.

In 2018 an internal Good Practice Scrum (GPS) took place on this bulletin. A GPS is where people not involved in the production of this bulletin and without any knowledge of the data were asked to comment on the bulletin and to provided suggestions about how the document could be improved to improve user understanding. Their suggestions have been included in the 2018 version of Departmental Resources.

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 and in 2015 the Royal United Services Institute (RUSI) wrote an article entitled 'Clarity on Spending at Last: Three Cheers for the MoD Statisticians' which was written after they had read this Statistical Bulletin.

9. Performance, Cost and Respondent Burden [Optional]

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. We conduct a survey to obtain information used to compile Table 5; this is the only way to obtain this information, and burden on respondents is reduced by using administrative data to identify participant and to validate the data received.

10. Confidentiality, Transparency and Security [Optional]

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.

11. Contact Details

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