



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 2018/19. 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>£8.4bn</b>	‘Lightning II’ was the most expensive approved (post-Main Gate) equipment project in 2018. A £309m increase in forecast cost compared with 2017.
<b>£24.8bn</b>	Paid by MOD Core Department to UK and foreign owned organisations in 2018/19. An increase of £0.5bn from 2017/18.
<b>43%</b>	Total MOD procurement expenditure with top 10 suppliers. Slight increase from 42% in the previous year.
<b>£3.4bn</b>	Expenditure with BAE Systems PLC, the most to any holding company in 2018/19. Of which 95% was through non-competitive contracts.
<b>£8.8bn</b>	Value of new contracts placed during 2018/19. An increase of £3bn (51%) compared with 2017/18.
<b>£2.5bn</b>	Expenditure against existing Private Finance Initiative projects in 2018/19. An increase from £2.3bn in 2017/18.
<b>£14bn</b>	Estimate of identified UK export orders of defence equipment and services in 2018. An increase of £5bn from 2017.

**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](#)

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## Contents

<a href="#">Introduction</a>	page 3
<a href="#">Major Equipment Projects</a>	page 4
Financial information on MOD's largest projects from Defence Equipment Plan.	
<a href="#">MOD Expenditure by Type of Contract</a>	page 5
Direct MOD expenditure paid through competitive and non-competitive contracts.	
<a href="#">Organisations paid over £5 million</a> (National Statistic)	page 6
Organisations paid £5 million or more during 2018/19 by MOD.	
<a href="#">Holding Companies paid over £50 million</a> (National Statistic)	page 7
Holding companies paid £50 million or more during 2018/19 by MOD.	
<a href="#">Focus on Key Suppliers</a> (National Statistic)	page 8-10
Focusses on the top 10 suppliers to MOD in 2018/19.	
<a href="#">New Contracts Placed (Revised)</a> (National Statistic)	page 11
The number and value of new contracts placed by Financial Year.	
<a href="#">MOD Payments on Private Finance Initiative (PFI) Projects</a> (National Statistic)	page 12
Details MOD payments on PFI projects during 2018/19.	
<a href="#">Estimates of Identified Export Orders</a>	page 13
Presents the estimated value of export orders of defence equipment and services.	
<a href="#">Methodology</a>	page 14
<a href="#">Glossary</a>	page 15-17
<a href="#">Further Information</a>	page 18

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

## Introduction

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This bulletin examines data relating to 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

Prior to 2018 tables have been published showing 'Contracting with SMEs' and 'Balance of Payments for Trade in Services'. It was decided in 2018 to remove these tables because of data quality issues. The MOD is continuing to work with data providers to improve the quality of these two data sources and, if successful, the production of these tables may be resumed in future publications of the bulletin. Further information is available in the [Background Quality Report](#).

### 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 distribution of payments made to organisations by the MOD.
- 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.

In the report we will analyse 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.

### A National Statistics publication

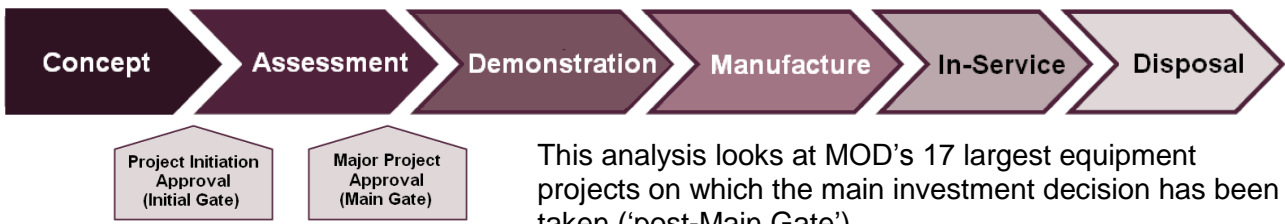
The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics. The statistics last underwent a [full assessment](#) against the Code of Practice in 2012 when it was part of the [UK Defence Statistics Compendium](#) publication.

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.

## Current Major Equipment Projects forecast cost of £54.3 Billion



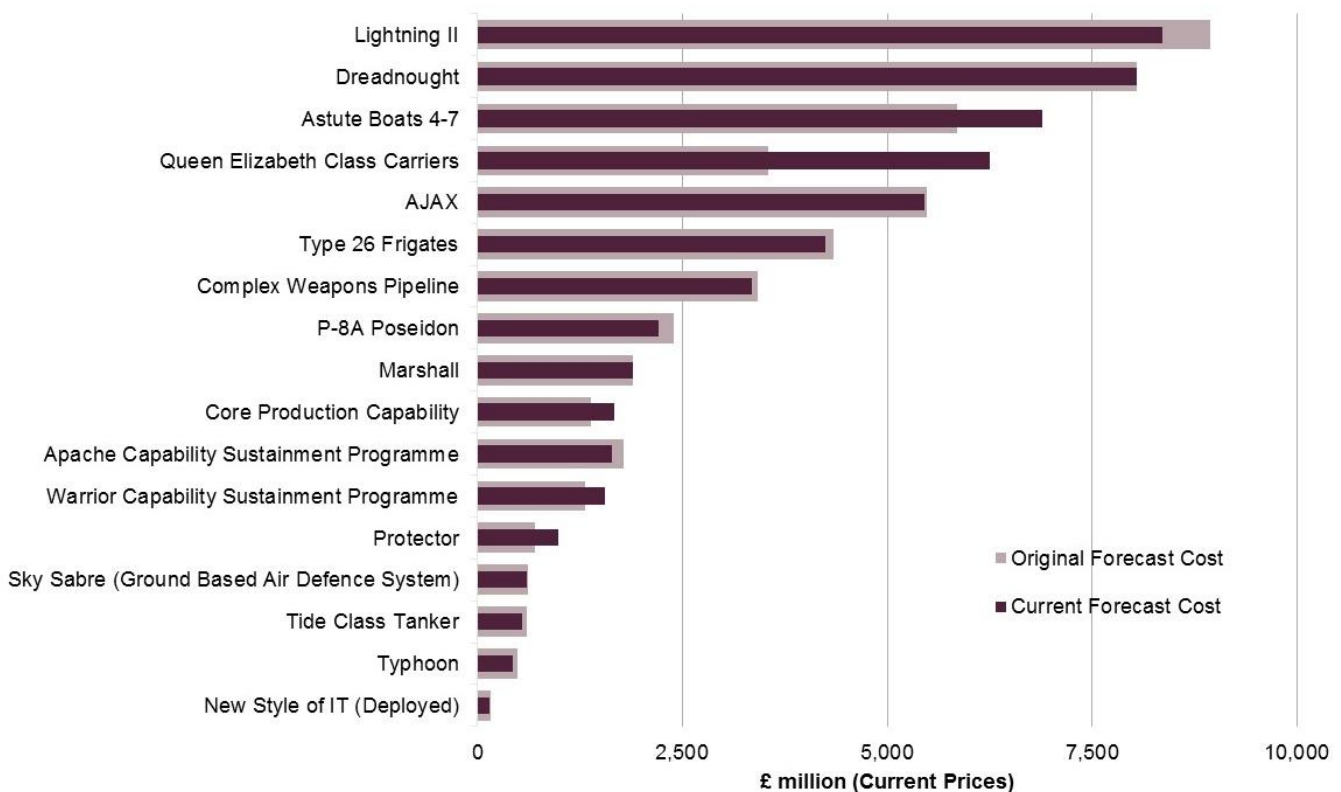
The diagram above shows the CADMID cycle, which is the basis for MOD Smart Acquisition. Smart Acquisition is a long-term MOD initiative to improve the way we acquire defence capability. The main investment decision is taken at Main Gate, i.e. the post assessment phase, with the aim of ensuring there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

The total current forecast cost of the 17 projects in the [MOD's Project Performance Summary Table 2018](#) is £54.3bn. 'Lightning II' was the most expensive post-Main Gate equipment project in 2018, with a forecast cost of £8.4bn.

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 greatest increase in forecast cost was with 'Lightning II' increasing by £309m compared with 2017, the increase being predominantly the result of increases to the US foreign exchange rates. The greatest decrease in forecast cost was a £132m saving for the 'Apache Capability Sustainment Programme' which was the result of efficiencies identified and realised by the delivery organisation through transformation initiatives. More details of the changes can be found in [Section 1.4 of The Defence Equipment Plan](#).

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



Source: Project Performance Summary Table 2018

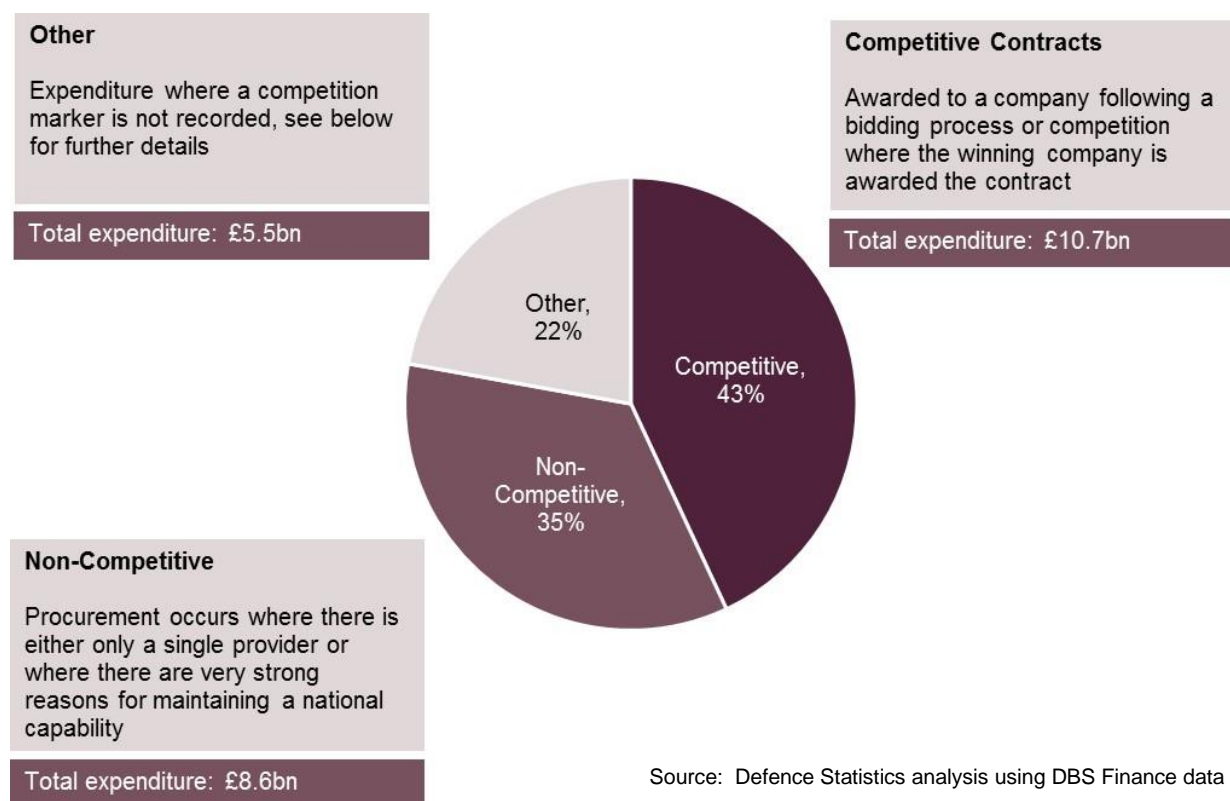
## MOD Core Department Expenditure increase by £0.5bn to £24.8bn

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 2018/19, a total of £24.8 billion was paid by MOD Core Department to UK and foreign owned organisations (including defence suppliers and intermediate bodies). This is an increase of £0.5bn from 2017/18.

This figure includes direct MOD payments to UK Hydrographic Office. Prior to 2017/18 this expenditure figure also included payments to Defence Science and Technology Laboratory. However, 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.

**Figure 2: Direct MOD Core Department payments made by type of contract in 2018/19 (VAT Exclusive)**



Source: Defence Statistics analysis using DBS Finance data source

## Other Expenditure

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 number of contracts where the competition status is not known, expenditure figures for these contracts are also included within 'Other'.

## MOD paid more than £5 million to 330 organisations in 2018/19

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.

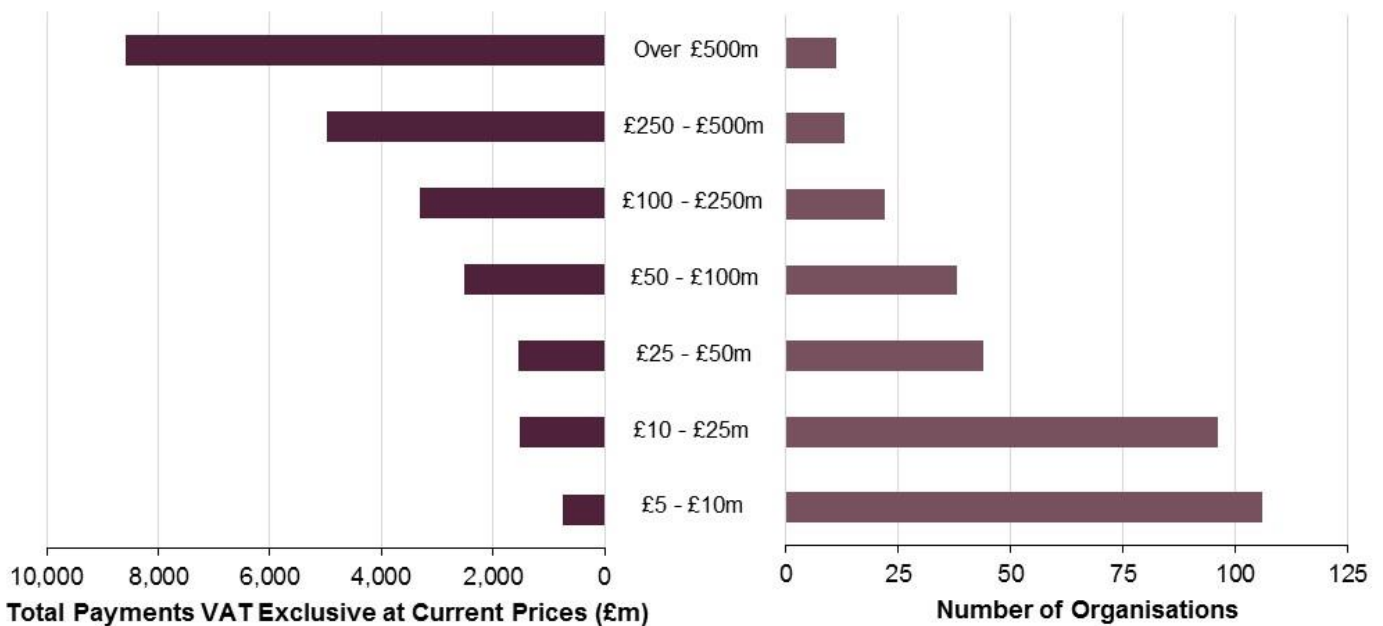
There were **330 organisations paid more than £5 million by MOD** during 2018/19. This is a decrease from 349 in the previous year.

The organisations that received more than £5 million represent around 2.5% of the 13,400 organisations paid in 2018/19, however they received 93% of the direct expenditure, with the top 20 receiving around a half of the total procurement expenditure, a similar distribution of expenditure seen in 2017/18.

Only 14 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**



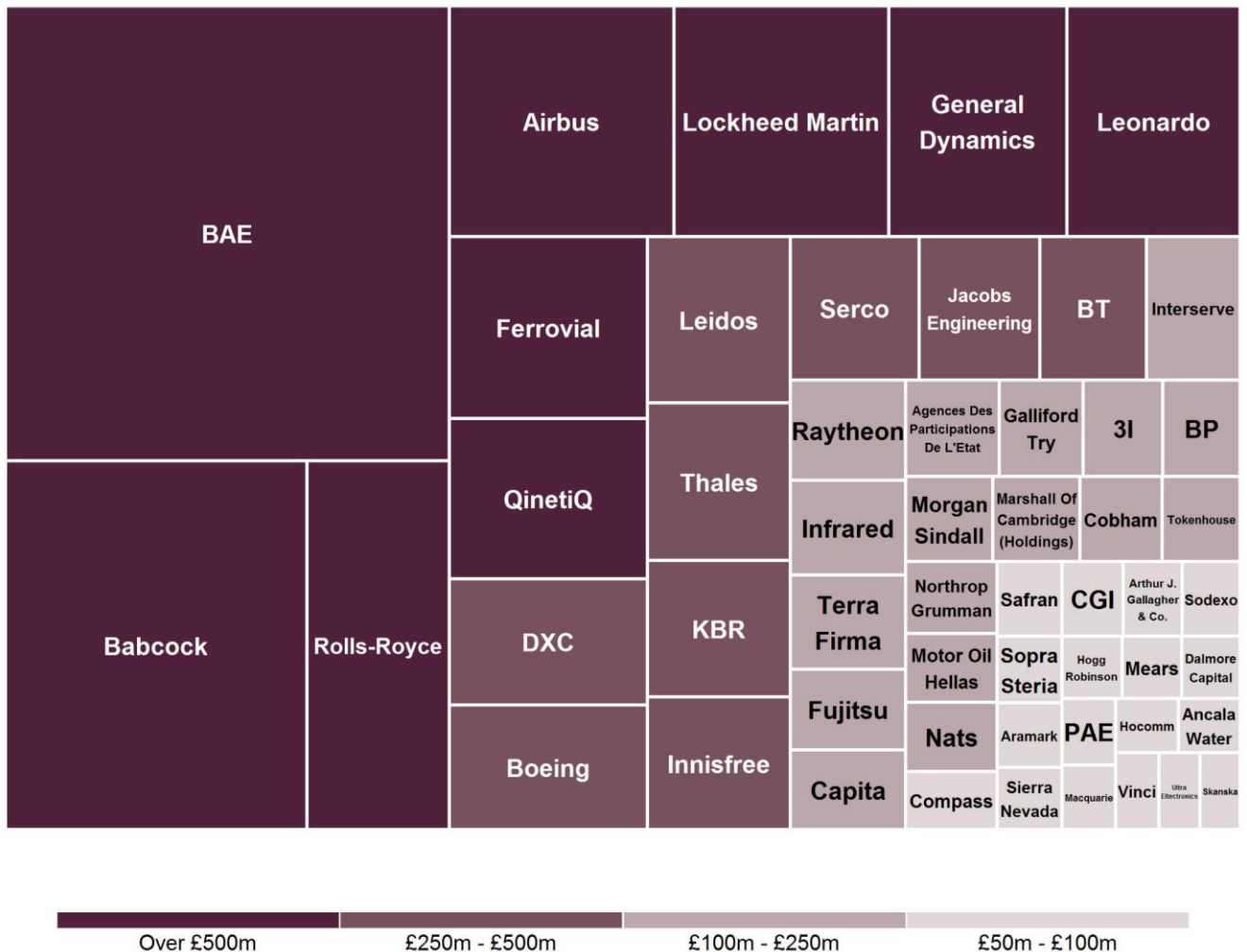
Source: Defence Statistics analysis using DBS Finance and UKHO / Dstl data sources

## MOD paid 53 holding companies over £50 million in 2018/19

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 2018/19 are presented below.

In 2018/19 there were **53 holding companies paid more than £50 million** by MOD, 10 more than in 2017/18 and similar to the number paid in 2016/17 at 52. There were **nine companies paid more than £500 million**, two more than the previous year. The total spent with these 53 holding companies was £17.1bn which represents 67% of the total expenditure in 2018/19.

**Figure 4: Holding Companies Paid over £50 million by MOD in 2018/19**



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

## The share of MOD expenditure with top 10 suppliers continues to rise

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 2018/19. 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 2018/19 over **43% of total MOD procurement expenditure was with 10 suppliers**. This is an increase from 42% in 2017/18 and continues an increasing trend over the last decade for these 10 suppliers from 36% in 2009/10. Total payments to these 10 suppliers increased by over £500 million in 2018/19.

Whilst there has been some internal movement within the Top 10 in 2018/19, the largest change compared to 2017/18 is the introduction of Ferrovial SA, replacing Thales in the Top 10. This is the first time Ferrovial SA has entered the Top 10 and is due to its ownership of Amey who following the collapse of Carillion PLC acquired sole ownership of the contracts they had previously shared. Ferrovial SA is a relative newcomer in terms of MOD spend, with no records of spend with its subsidiaries before 2013/14.

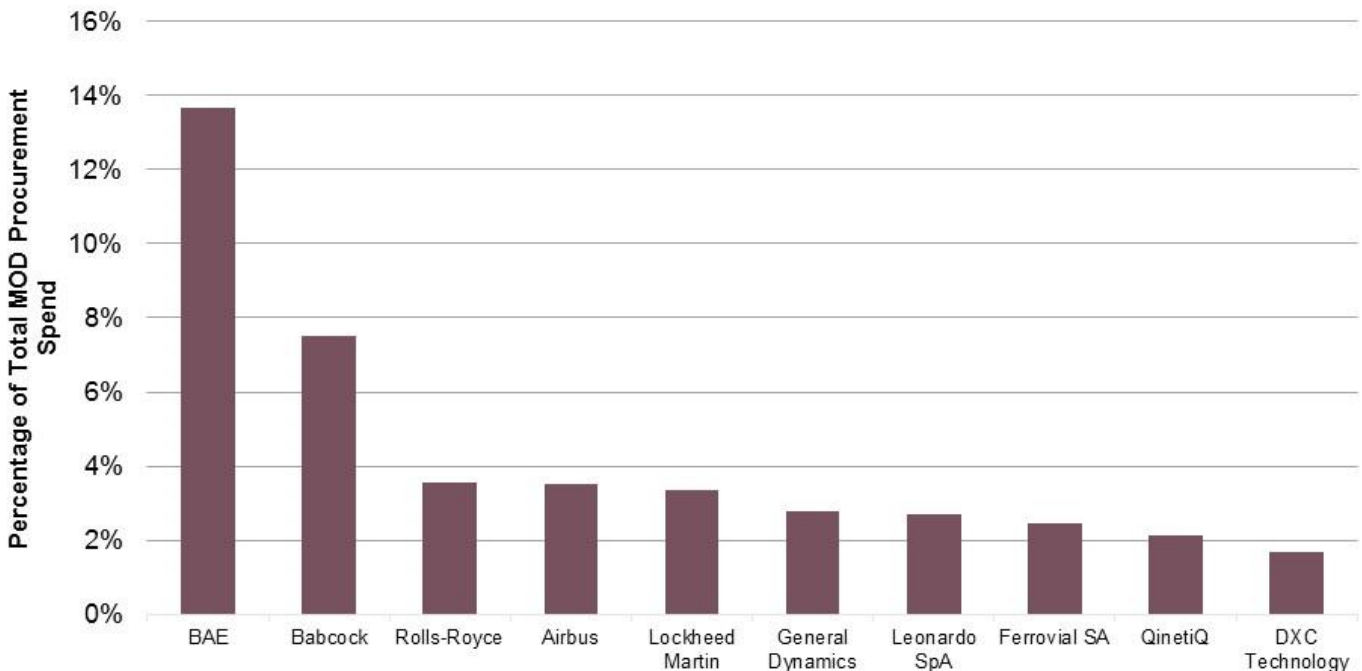
**Figure 5: MOD Procurement Expenditure with Top 10 Suppliers**



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 for over a decade, receiving almost 14% (£3,387m) of the total MOD spend in 2018/19, a small decrease on the 2017/18 figures.

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



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



## QinetiQ continues to have the highest dependency on MOD business

This section aims to demonstrate the dependency of the top 10 suppliers on MOD business by presenting total payments received from MOD as a percentage of their global company revenues.

QinetiQ remains the most dependent of the top 10 suppliers on MOD business with 64% of its global revenue coming from MOD payments. This figure has remained broadly consistent since 2014 when QinetiQ sold its US Services business which had previously been responsible for around 30% of the companies' global revenue.

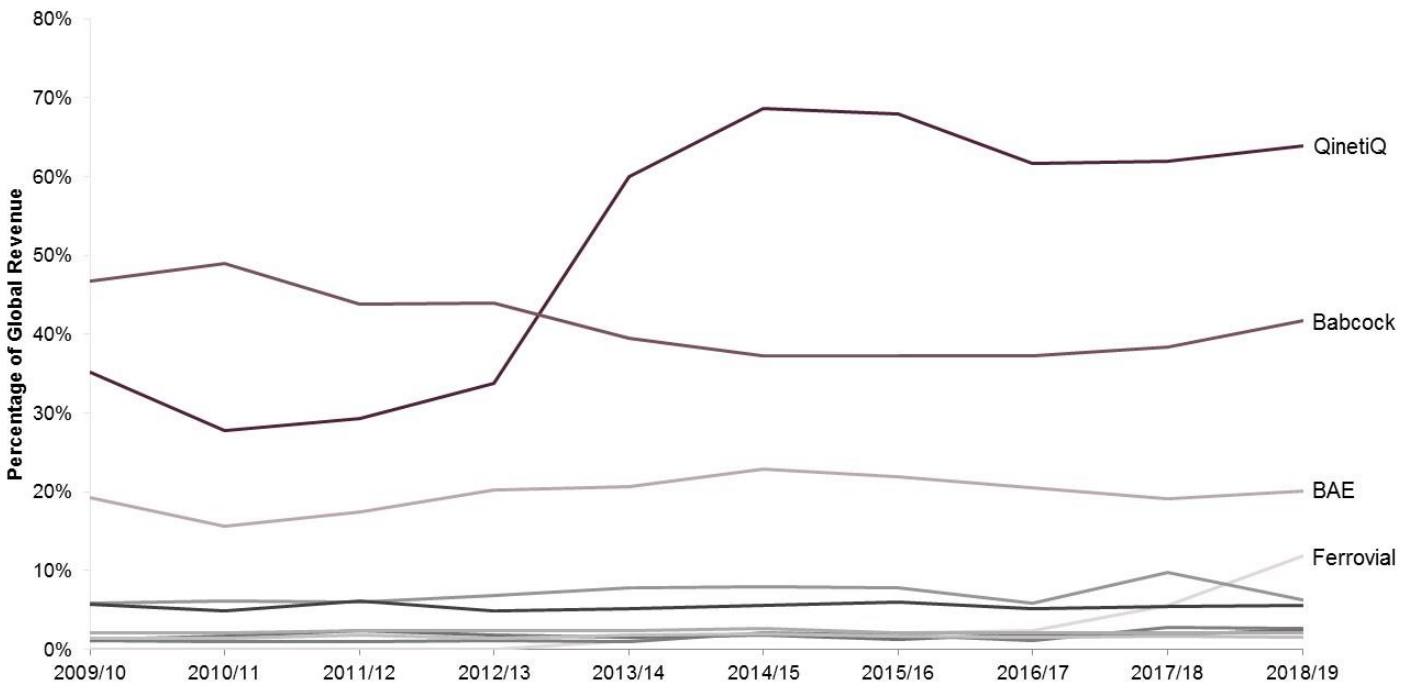
In 2018/19 42% of Babcock's global revenue came from MOD spend, an increase from 2017/18 at 38% and the highest the figure has been since 2012/13. This result comes following a 4% (£74 million) increase in MOD spending with Babcock and a decrease of 4% (£185 million) in Babcock's global revenue.

Over the past decade BAE, our highest paid supplier, has seen its dependency on MOD business fluctuate from a low of 16% in 2010/11 to a high of 23% in 2014/15. Since 2014/15 there have been small annual decreases in dependency however, in 2018/19 the figure increased slightly to 20%.

For the newcomer Ferrovial SA the MOD spend/global revenue dependency has increased from 1% in 2013/14 to 12% in 2018/19, this is attributable to the full takeover of the Carillion PLC Amey contracts.

**For the remaining 6 suppliers, MOD sales accounted for less than 10% of their global revenue.**

**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) Leonardo, Rolls-Royce, DXC, General Dynamics, Lockheed Martin and Airbus

## Competitive spend with MOD top 10 suppliers similar to 2017/18

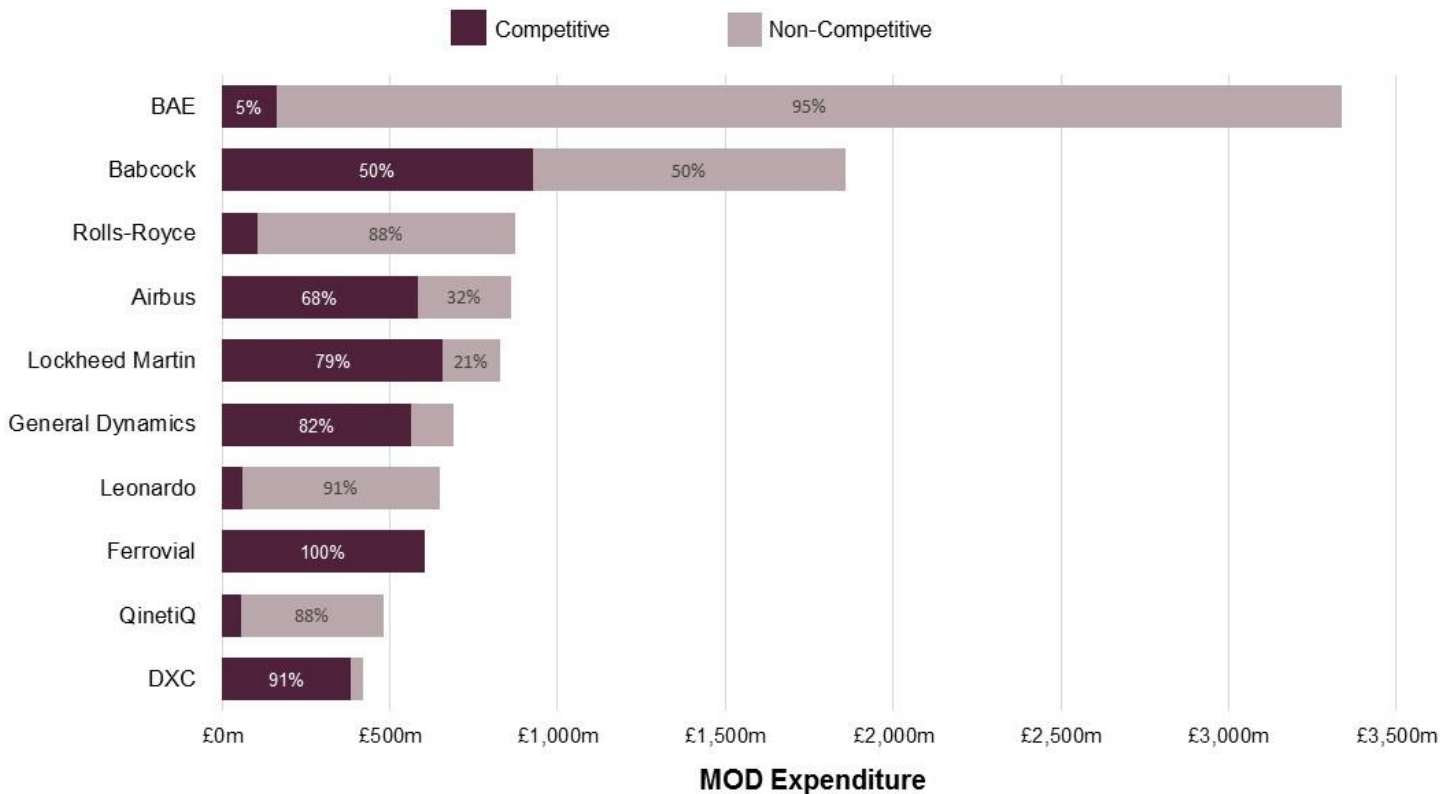
This section looks at the proportions and level of competitive expenditure for MOD’s top 10 suppliers. See the “MOD Expenditure by Type of Contract” (Page 5) section for more detail on what a competitive contract is.

The amount of competitive contracting depends on the type of company involved. Service based companies, such as DXC and Ferrovial, 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.

Overall the proportions have changed very little since 2017/18. The largest changes were with General Dynamics, who received 82% of payments through competitively let contracts in 2018/19, up from 74% in 2017/18, and Lockheed Martin who received 79% of payments through competitively let contracts, down from 85% in 2017/18.

BAE Systems has seen a significant change with the percentage share of payments received from competitive contracts, dropping from 20% in 2009/10 to 5% in 2018/19, while over the same period Babcock have seen a rise from 31% to a consistent level over the last three years of 50%.

**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 (£141m) has been excluded from these calculations as the competition status of the payments is not recorded. Therefore, total payments shown here may be slightly lower than those shown in the table 4 annex of the [ODS](#) tables.

## Value of new contracts placed by MOD increased by £2.9bn in 2018/19

MOD Core Department places numerous contracts each year for a range of goods and services, including major equipment projects, infrastructure and service support. The total value and number of contracts let in 2018/19 has been revised since the original release of this bulletin in order to capture late reporting of new contracts.

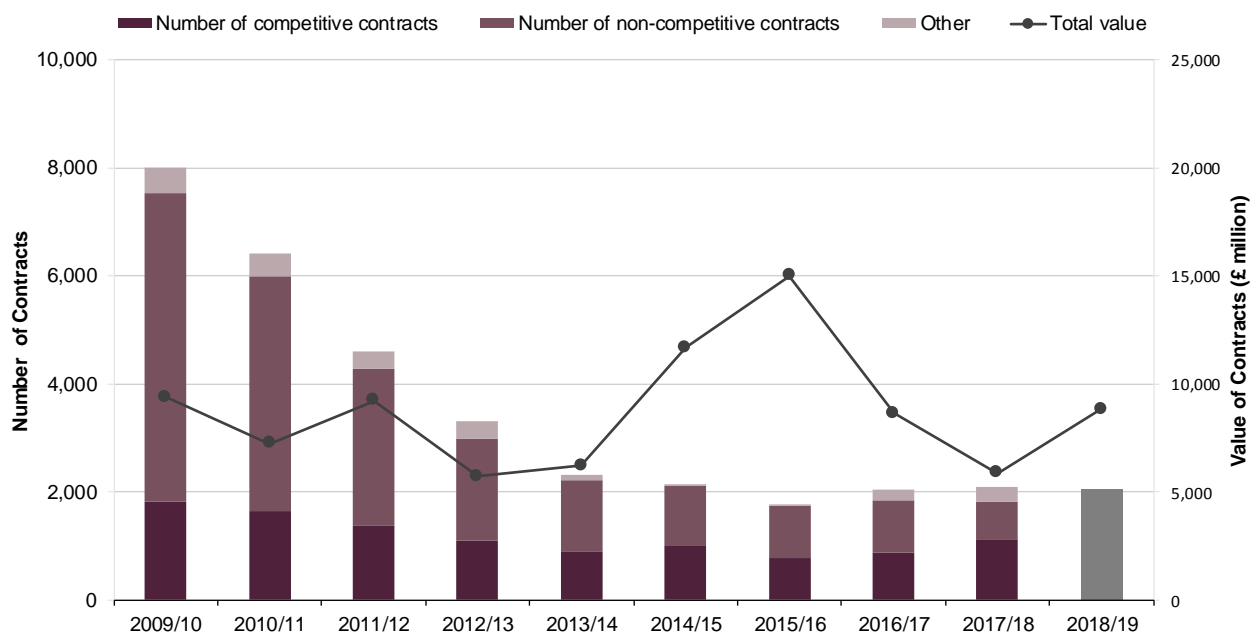
**MOD Core Department placed 2,039 new contracts in 2018/19 with a collective value of £8.8 billion.**

From 2009/10 to 2015/16 the number of new contracts let each year decreased rapidly. However, since 2016/17 the number of contracts let each year has been consistently around 2,000. The historic decrease 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.

The value of new contracts placed can be quite volatile and fluctuate from year to year, affected by particularly high value contracts, for example 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. In 2018/19 one new contract over the value of £1 billion was let, this was for the purchase of five Boeing E-7 aircraft to ensure the continued delivery of UK Airborne Early Warning and Control capabilities.

Due to data quality issues the competitive breakdown of figures in this section and the related tables has been temporarily removed for 2018/19, once the data quality issues have been resolved the competitive breakdown will be published. Further details can be found in the methodology section.

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



Source: Defence Statistics (Defence Expenditure Analysis)

## The MOD spent £2.5 billion on existing PFI projects in 2018/19

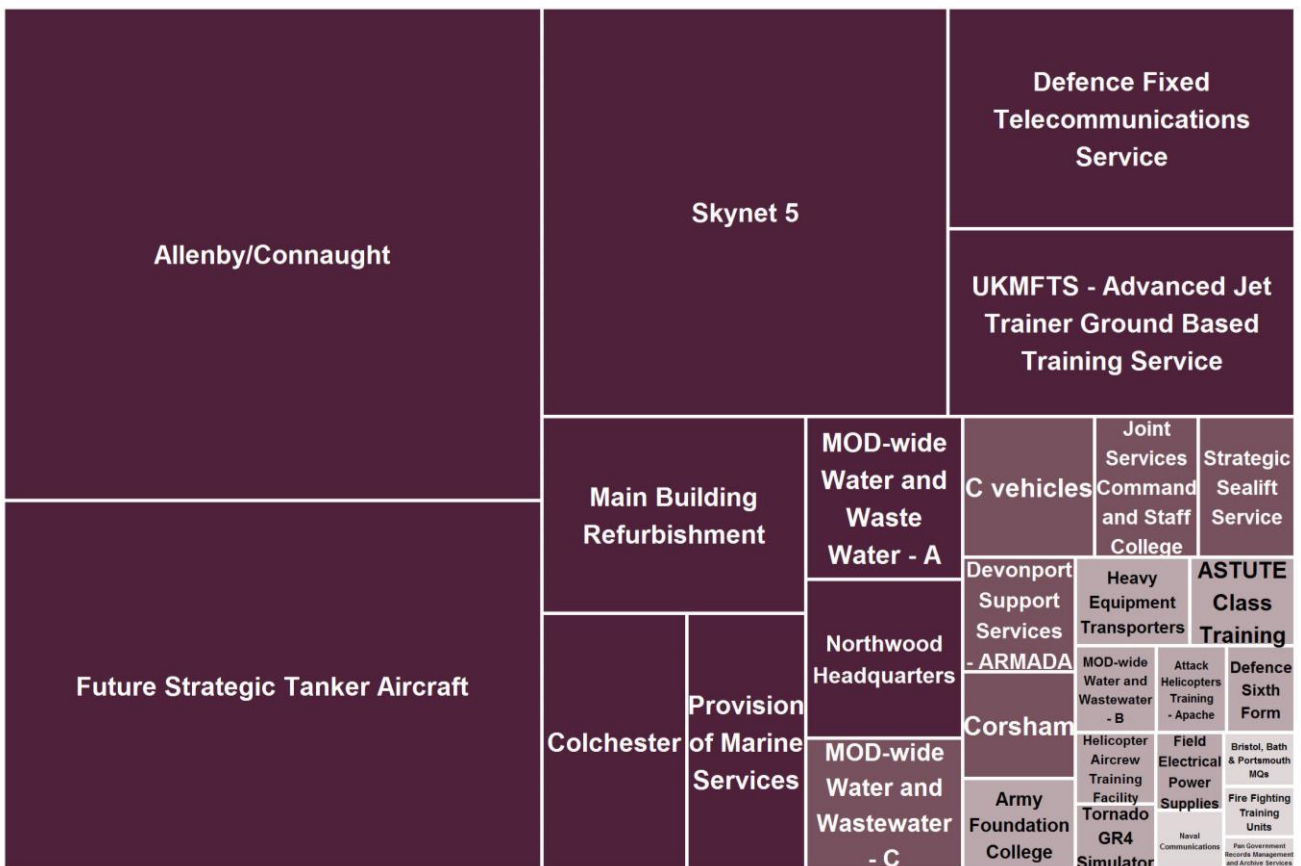
This section provides an analysis of Private Finance Initiative (PFI) commitments and payments by MOD during 2018/19. PFI is a system for providing capital assets (such as buildings, vehicles, equipment and water systems) for the provision of public services. Typically, the private sector designs, builds 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 2018. 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 in the HM Treasury [Private Finance Initiative report](#).

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 2018/19 (£585 million), followed by Future Strategic Tanker Aircraft (£439 million) and Skynet 5 (£365 million).

**Figure 10: Amount Spent on PFI Projects in 2018/19**



Source: MOD Private Finance Unit & Defence Statistics

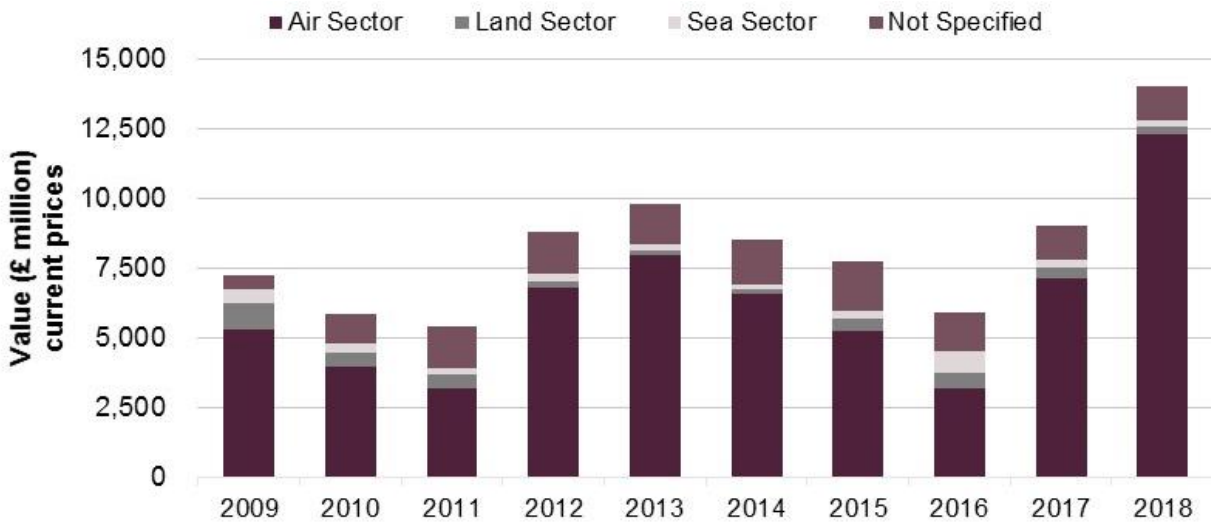


## UK Defence export orders increased by £5bn in 2018

In 2018 the UK won defence orders worth £14 billion (\$18.5 billion). This is worth 19% of the global defence export market, an increase of £5 billion compared to 2017.

The increase in 2018 is the result of an increase in export orders in the Air Sector of £5.2 billion compared to 2017, which was boosted in part by orders for Typhoon Aircraft and Brimstone Missiles to Qatar and F35 sales to the USA.

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



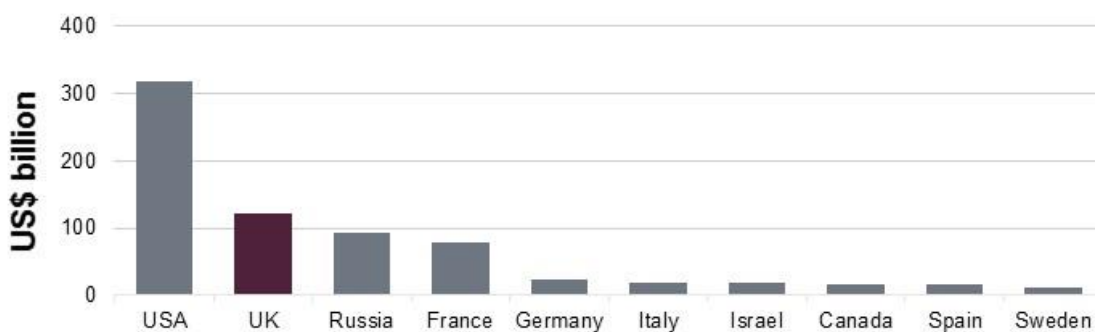
The Middle East remains an important regional market for the UK, with 77% of the UK's export orders in 2018, an increase from 66% in 2017, this has resulted in decreases across all other regions, most notably Asia Pacific down from 7% in 2017 to 2% in 2018.

**Figure 12: UK Defence Export Orders to Regions: 2018**



Over the last decade the UK has exported orders worth a total \$123 billion and maintains its position as the second highest defence exporter behind the USA.

**Figure 13: Top Defence Exporters 2009-2018**



Source: DIT Defence and Security Organisation

More information on identified export orders can be found in the [DIT DSO UK Defence and Security Export Statistics for 2018](#). It should be noted that export orders can be cancelled or changed at any time after the initial order has been placed.

## Methodology

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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.

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 formal contracts setup by MOD Core Department, where payment is made through DBS Finance. These contracts were previously set up by Commercial Officers with a DEFFORM 57 submission. With the implementation of MOD Contracting Purchasing & Finance (CP&F) end to end procurement system the contracts are input directly by Commercial Officers on to the system. Contracts have been included in the relevant financial year based on the start date of the contract entered on to CP&F.

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.

The competitive indicator is taken from the contract statistics form entered on CP&F. Since the introduction of CP&F in 2016/17 there have been ongoing issues with the visibility of data within the contract statistics forms attached to new contracts, hence the increased number and value of contracts where the competition marker is not known.

In 2018/19 the quality of the data worsened to the extent that meaningful results could not be drawn from the new contracts data. Therefore, the decision was made to remove the competition breakdown until the issues have been resolved. Defence Statistics are working with the appropriate teams to resolve the issue and ensure a wider coverage of these key data fields going forward. Once a sufficient quality of data has been achieved the tables will be revised.

## Glossary

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**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.

**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 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 was mandatory for all contracts where the Defence Business Services (DBS) was the payment authority. It was used to set up a contract with DBS for payment purposes and was an important source of capturing data on contract activity within the Ministry of Defence. The form has now been subsumed into CP&F as data is input directly to the system by Commercial Officers.

**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 MOD's 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 were previously set up by a DEFFORM 57. Details of HQ contracts are now recorded within CP&F with the data being input directly by Commercial Officers.

**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

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### 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.

### 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 to the Ministry of Defence under the [Freedom of Information Act 2000](#).

#### 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