

# Background Quality Report: DASA Departmental Resources Statistics

## Section 1: Introduction

### 1.1 Overview of the statistical output

The Departmental Resources section of Chapter 1 of UK Defence Statistics sets the high level context for Chapter 1 and the UK Defence Statistics publication as a whole.

These statistics set out Defence expenditure over time and include breakdowns by expenditure group, budgetary area and departmental strategic objectives. Defence spending is compared to other areas of government. There are also tables estimating spending on equipment, the value of fixed assets and the external income earned by the MOD. The data is consistent with that in the MOD's resource accounts which have been audited by the National Audit Office (NAO).

#### History

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

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

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

#### Strengths and Weaknesses

Strengths of these statistics include: thorough commentary including explanations of changes in accounting practices; presentation of time series to allow comparison over time; and a clear presentation of accounts data. In addition, as the tables are derived from accounts data that has been audited by the NAO, the data is of good quality.

The main weakness of these statistics is that the tables are quite heavy on footnotes.

#### Future Changes

The method for reporting and controlling defence spending will change again from 2010-11 (for Budgets) and 2011-12 (for Estimates & Accounts (Outturns)) following Treasury plans to simplify the control framework. The Clear Line of Sight (CLOs) alignment project aims to

ensure consistency in presentation as well as promoting better value for money. The main change is that the separate near-cash and non-cash controls within resource budgets will be removed. Of those transactions previously recorded in non-cash budgets:

- cost of capital charge will be removed from budgets, Supply Estimates and Resource Accounts;
- provisions, revaluations, write-off of bad debt and exchange rate gains/losses will be moved from DEL budgets into AME; and
- depreciation, impairments and notional audit fees will remain in Resource DEL.

These classification changes, which will be reflected in all Departmental Estimates, have the effect of reducing DEL budgets across departments in all years. However, the adjustments have no impact on the purchasing power of departments or the planned level of expenditure.

Other reporting changes include:

- (Parliamentary) Annual estimates will be voted net of income - removes differences in treatment between budgets, estimates and accounts
- (Parliamentary) Single supplementary estimates published in January plus publication of Annual Report & Accounts in June
- Non Departmental Public Bodies (NDPBs) to be included in Estimates and resource accounts
- Separate near and non cash limits removed from budgets - single RDEL; Single Use Military Equipment (SUME) ring fenced until 2014-15
- Parliamentary controls aligned with Estimates and Budgets; RDEL, CDEL, AME and Net Cash Requirement (NCR).

The main issue for MOD will be the removal of the boundary between RDEL and IRDEL (i.e. non cash costs). The relative size of, and fluctuations in, depreciation charges will then have the potential to affect the Department's aggregate RDEL position.

[Annex A of the Departmental Resource Accounts \(DRAc\)](#) for 2009-10 includes an historic time series of Departmental spending (Resource DEL, Capital DEL and AME) based on CLoS definitions and therefore will differ from those reported in previous years due to changes to the Control Framework. Data contained in UKDS has not be restated on this basis as the official reporting of Outturn expenditure on a CLoS basis does not come into effect until 2011-12. These presentational changes will be documented in next years UKDS. Full alignment of Budgets, Estimates and Outturns does not take place until 2011-12.

In UKDS 2011, we intend to add a new section to the Departmental Resources suite of statistics which outlines the main datasets which have been released under the Transparency Agenda. This will included detailed information of the finance related input and impact indicators agreed by the Cabinet Office and published in the MOD Business Plan.

### **Latest Publications**

1. The [Defence Resources section of UKDS 2010](#).
2. An explanation of [issues surrounding Resource Accounting and Budgeting \(RAB\)](#).
3. The [MOD Resource Accounts 2009-10](#).
4. [Introduction to UKDS 2010 Chapter 1](#).
5. [HMT PESA 2010](#) – data source and notes for Table 1.2
6. [National Statistics Quality Review](#)

## 1.2 Producer Information

These statistics are produced by the Defence Expenditure Analysis area within Defence Analytical Service and Advice (DASA) which is part of the Ministry of Defence (MOD). The Statistician responsible for these statistics is Nick Bennett who can be contacted by emailing [DASADESA-DEA-HOB@mod.uk](mailto:DASADESA-DEA-HOB@mod.uk)

Further details about how to contact DASA can be found [here](#).

## 1.3 Summary of method and processes used to compile outputs

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

HM Treasury (HMT) provide the underlying PESA data used in Table 1.2 (Expenditure by Departmental grouping): this is derived from the cross government COINS system. 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 Department.

## 1.4: Other Documentation

[DASA Pre-Release Access lists](#)  
[DASA confidentiality policy](#)  
[DASA revisions policy](#)  
[Statement of Administrative Data Sources](#)

# Section 2: Quality Dimensions

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

The data contained in these tables sets the high level context for the rest of UKDS Chapter 1. It is designed to complement the MOD's resource accounts and although some of the data reproduces what is in the accounts, it is provided in a more accessible way with time series to provide context and commentary to provide explanation of many of the terms used. Included in these statistics is a table showing spend against each of the MOD's Departmental Strategic Objectives over time.

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

We also answer questions from other parts of DASA: DASA Quad use the data for validation of personnel costs data; Economists in DASA DESA use this data for briefings and presentations.

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

Researchers, academics, politicians and journalists all use this data, often to make or support political points. Other external users include the Defence Industry, specifically we are aware of ADS group and BAE systems, and the Royal United Services Institutes (RUSI).

If you use this data in another way please [contact us](#).

### Unmet user needs

We have had requests to supply the following information.

- Expenditure data by Service and Environment. The MOD budget is not arranged and managed in a way that allows this question to be easily answered.
- Expenditure data broken down by regions. We no longer meet this request because the UK defence budget has never been allocated or planned on a regional basis and decisions on where contracts with industry are placed are not taken in order to benefit one local economy or industry sector over another.
- Data on the amount of spending on outsourcing. This cannot be easily defined from the data.
- Details of suppliers within a category of spend. Accounts data is used to produce outturn by expenditure group. Accounts data does not include supplier information.

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

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

Table 1.4 (Estimated Equipment Expenditure) is not badged as a National Statistic as there are concerns over the quality of data used for apportioning equipment and non-equipment in the Single Use Military Equipment (SUME) category of spend.

### Revisions

We follow the [DASA revisions policy](#). Where we have corrected errors we have alerted users by including 'r' markers and notes in the commentary to the table.

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

There is a time lag of around six months between the end of the financial year and the publication of this data. This is to fit in with the UKDS and MOD resource accounts production and publication timetables and to allow sufficient time for validation and analysis. These statistics cannot be published until after the MOD's resource accounts have been laid before Parliament.

There have been no punctuality issues with these statistics.

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

DASA publish these data through UK Defence Statistics which is freely available on the DASA website. This section of UKDS receives around 80-100 web hits per month. The data can be downloaded in several formats (e.g. Excel, PDF and HTML) and is accompanied by commentary to provide supporting information, along with links to related publications such as the MOD's resource accounts and HM Treasury's Public Expenditure Statistical Analysis.

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

DASA participate in the Oak Room group which is a MOD forum to discuss issues relating to the presentation of financial data.

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

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

The accounting data used in these statistics is produced to international financial standards (IFRS) and the underlying data feeds into the MOD resource accounts and the National Accounts.

The data in Tables 1.3 and 1.6 (Expenditure by principle headings and by strategic objectives) for spend on Research & Development is from accounts data which is not fully Frascati compliant. It is therefore different to the R&D figures in Table 1.8 which are the results of a survey of Frascati compliant expenditure as required by the ONS and EU. Further information about Research & Development statistics can be found in the Research & Development quality report.

The government has made a commitment to release transaction information. We foresee that there may be issues in the future when people try to compare this transactional level data to Table 1.3 (Expenditure by principal headings). This is because Table 1.3 includes all MOD spend as recorded in the accounts whereas some transactions have been redacted from the transaction data for national security reasons. For more information on this issue please see [this document](#).

The tables in UKDS are for historic and current outturn expenditure data. This is different to the budget (plans) data commonly quoted and used in the Defence Plan and Spending Review documentation. There are a number of reasons for these differences, particularly that the additional cost of operations are included in expenditure data but not budget data. **We have written internal briefing papers which explain the main differences. These can be provided upon request.**

Table 1.2 provides a comparison between Defence spending and spending in other areas of government which is from the Public Expenditure Statistical Analysis (PESA) data published by HM Treasury. There are some coherence issues with PESA data. The MOD data is based on Departmental accounting frameworks whereas PESA use the Classification of Functions

of Government (COFOG) definition of Defence. Treatment of pension costs also differ. Full notes detailing how the PESA definitions are applied can be found at the Treasury website using this [link](#).

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

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

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

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

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

Users are encouraged to provide feedback on UKDS through the feedback tool on the DASA website or through the annual consultation meetings. Users are informed of the latest changes to these statistics through the DASA website. [Minutes from the Official Statistics Consultation meeting](#) and the [DASA user feedback report](#) are available on the DASA website.

More informally, we monitor the requests for information that we receive from within the MOD and from outside, and respond accordingly.

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

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

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

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

In producing these statistics, we adhere to the [DASA 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 [DASA Pre-Release Access lists](#) are available on the DASA website.

We maintain good links with policy colleagues to ensure that these statistics are understood and prevent misuse. UKDS contains commentary explaining these statistics. We are currently conducting a commentary review and as part of this we will be incorporating information about the limitations of our statistics into the commentary.