



The [Finance & Economics Statistical Bulletin series](#) provide figures on the composition and scope of the Department's expenditure, information on the impact of defence spending on the wider economy, and compares the MOD's spending to that of other departments and other 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 the MOD to its suppliers. Also included, is a focus on the top ten companies by payments, as well as contracts placed and expenditure with Small and Medium-sized Enterprises (SMEs). Industry tables provide details of existing PFI contracts, and analysis of the impact of MOD spending on equipment and services in the UK. Trade data presents information on defence export orders, and payments made for services consumed by MOD establishments overseas.

Key Points and Trends

| | |
|-----------|---|
| ▲ £19.5Bn | <p>MOD Spend with UK industry in 2013/14. Broadly the same as in 2012/13, under half of which was on manufacturing.</p> |
| ◀▶ 42% | <p>Total MOD procurement expenditure with top 10 suppliers. Similar to previous years, the largest supplier was BAE Systems.</p> |
| ▼ £8.5Bn | <p>Estimate of identified UK export orders of defence equipment and services in 2014. A decrease of £1.3 Bn from 2013.</p> |
| ▼ 2,128 | <p>New contracts placed by MOD Core Department during 2014/15. A decrease of 200 (9 per cent) compared with 2013/14.</p> |
| ▲ £11.7Bn | <p>Value of new contracts placed during 2014/15. An increase of £5.5Bn (88 per cent) compared with 2013/14.</p> |
| ▲ 47% | <p>Proportion of new contracts placed competitively during 2014/15. An increase of 8 percentage points from 2013/14, the fifth year in a row that the proportion has increased.</p> |
| ▼ £822m | <p>MOD direct spend with Small and Medium-sized Enterprises (SMEs) in 2014/15. Represents 4 per cent of total MOD expenditure.</p> |
| ▼ 440 | <p>New contracts placed directly by MOD Core Department with SMEs in 2014/15. A decrease of 200 from 2013/14.</p> |

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Background quality report: [Background Quality Reports](#)

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 [Def Strat-Econ-ESES-PQFOI@mod.uk](mailto:DefStrat-Econ-ESES-PQFOI@mod.uk)

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Introduction

This Bulletin provides data on the impact of 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 the MOD's largest projects on which the main investment decision has been taken.

Organisations paid by MOD provides an analysis of organisations paid £5 million or more during 2014/15 by the MOD and the Trading Funds.

Holding Companies paid by MOD provides a further presentation of the data contained in **Organisations paid by MOD**, presenting the individual subsidiary organisations 'rolled up' into their holding companies.

Focus on Key Suppliers explores the nature and scope of MOD business with its key suppliers in industry and commerce, focussing on the top 10 suppliers in 2014/15. It examines the relative importance of MOD sales to individual company revenues and how this has changed over time; it then explores how the nature of MOD contracting with industry has changed.

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 all new contracts placed, during 2014/15 and earlier years, and whether they are competitive or non-competitive.

MOD payments on Private Finance Initiative (PFI) Projects details MOD payments on PFI projects during 2014/15.

Estimated Defence Expenditure in the UK details the estimated amount of money that MOD spent with UK industry and the types of goods and services bought.

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 (imports) by MOD establishments overseas and receipts for services from foreign governments, overseas establishments and US Forces based in the UK (Exports).

Context

The Information in this Bulletin has a wide range of uses 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.

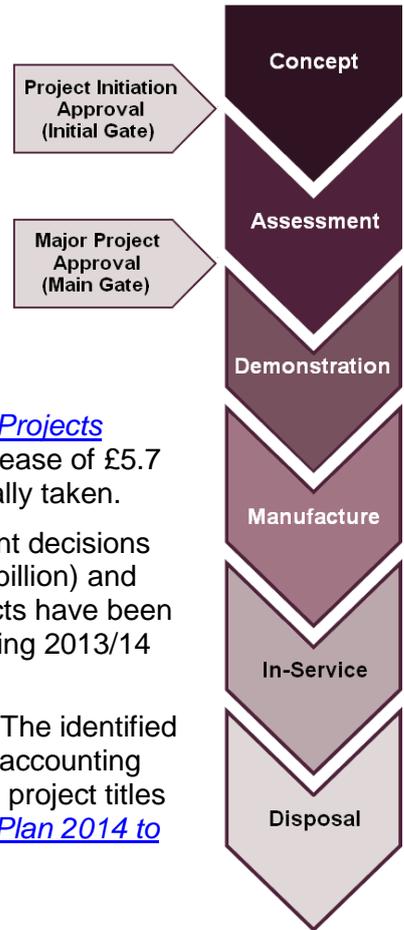
Designation can be broadly interpreted to mean that the statistics:

- 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 11 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. 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](#).



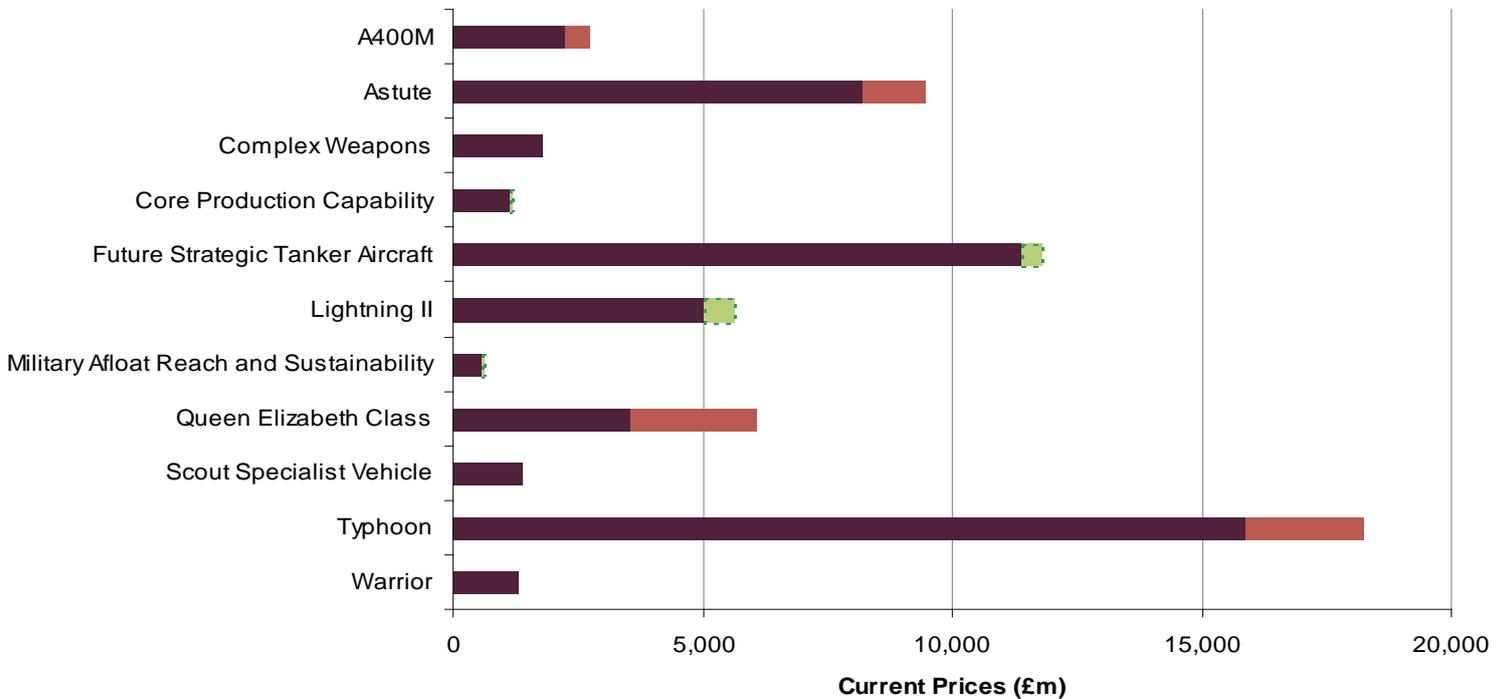
The largest post-Main Gate equipment project in 2014, by value was the Typhoon and Typhoon Future Capability programme with a forecast cost of £18.2 billion.

The total current forecast cost of the 11 projects in the [NAO's Major Projects Report and the Equipment Plan 2014 to 2024](#) is £59.2 billion, an increase of £5.7 billion (10.6 per cent) since the main investment decision was originally taken.

The three projects with the largest increase since the main investment decisions were taken are Queen Elizabeth Class (£2.6 billion), Typhoon (£2.4 billion) and Astute Boats 1-7 (£1.3 billion). The cost forecasts for these 11 projects have been relatively stable with an overall net cost reduction of £397 million during 2013/14 (0.7 per cent of the current cost to completion of £59.2 billion).

Approval forecast costs for several projects have changed this year. The identified causes in 2014 were mainly exchange rates, budgetary factors, and accounting adjustments and definitions. For full details of these changes and full project titles see [Appendix Four of the Major Projects Report and the Equipment Plan 2014 to 2024](#).

Forecast Costs of 11 Major Equipment Projects



- Shows the current forecast cost when associated with an underspend and the approved cost when associated with an overspend
- Shows the increase between cost at approval and cost now (overspend)
- Shows the decrease between cost at approval and cost now (underspend)

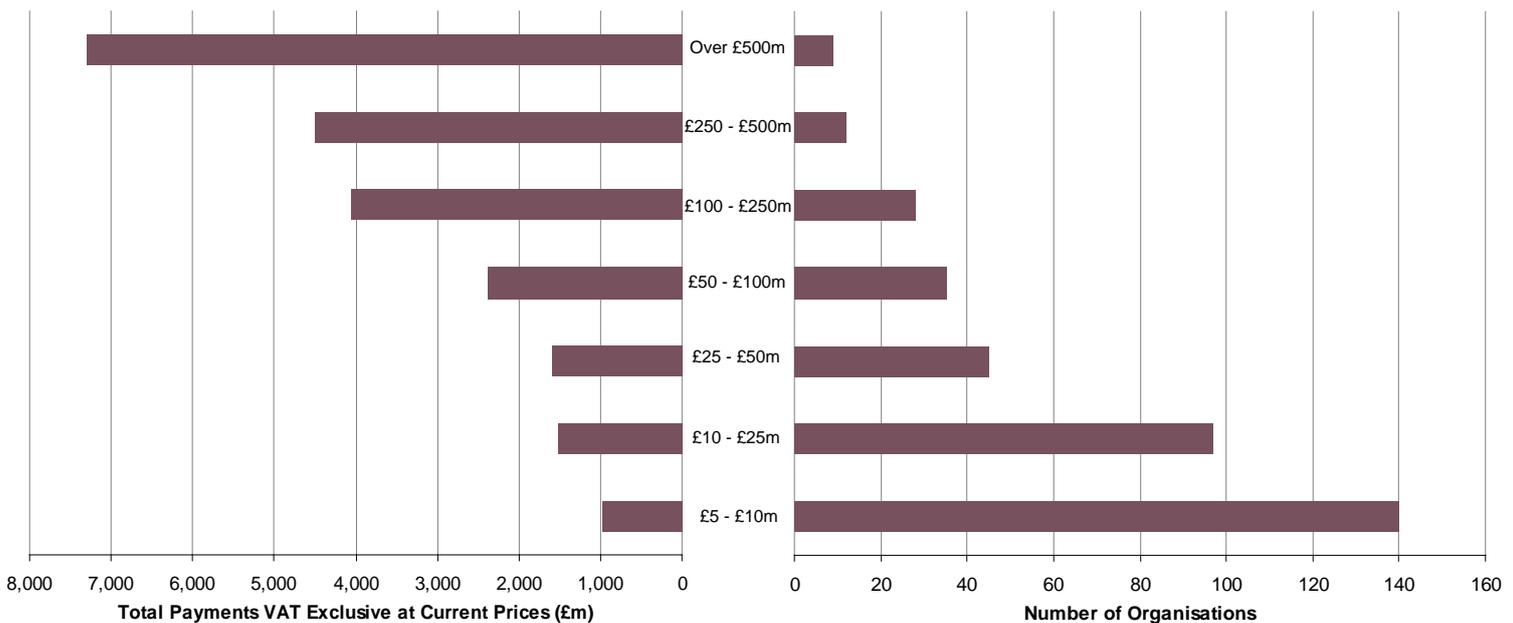
Source: Major Projects Report 2014

Organisations Paid over £5 million by MOD

This analysis presents payments through MOD's DBS finance systems (the MOD's primary bill paying authority) and by the MOD Trading Funds, Defence Science and Technology Laboratory (Dstl), United Kingdom Hydrographic Office (UKHO) and Defence Support Group (DSG) to UK and foreign owned organisations, including defence suppliers and intermediate bodies. These organisations include defence contractors and other government departments. DBS Finance is responsible for the majority of such payments (around 95% by value) made by the MOD, whilst the Trading Funds make their own payments. Other payments, which are not included in this analysis, are made, for example, via British Defence Staff (United States) and through local cash offices. Some organisations have been excluded from this analysis as their information has been redacted in line with agreed rules for [Transparency](#).

There were **some 365 organisations directly paid more than £5 million by MOD and the Trading Funds** during 2014/15, slightly more than the 356 reported in 2013/14. This number has remained relatively stable over the last six years. However, this represents less than 2 per cent of the 20,000 organisations paid by MOD and the Trading Funds in 2014/15, the vast majority receiving less than £5 million. A total of 10 suppliers received payments of over £5 million from one of the MOD Trading Funds.

Organisations Paid over £5 million



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

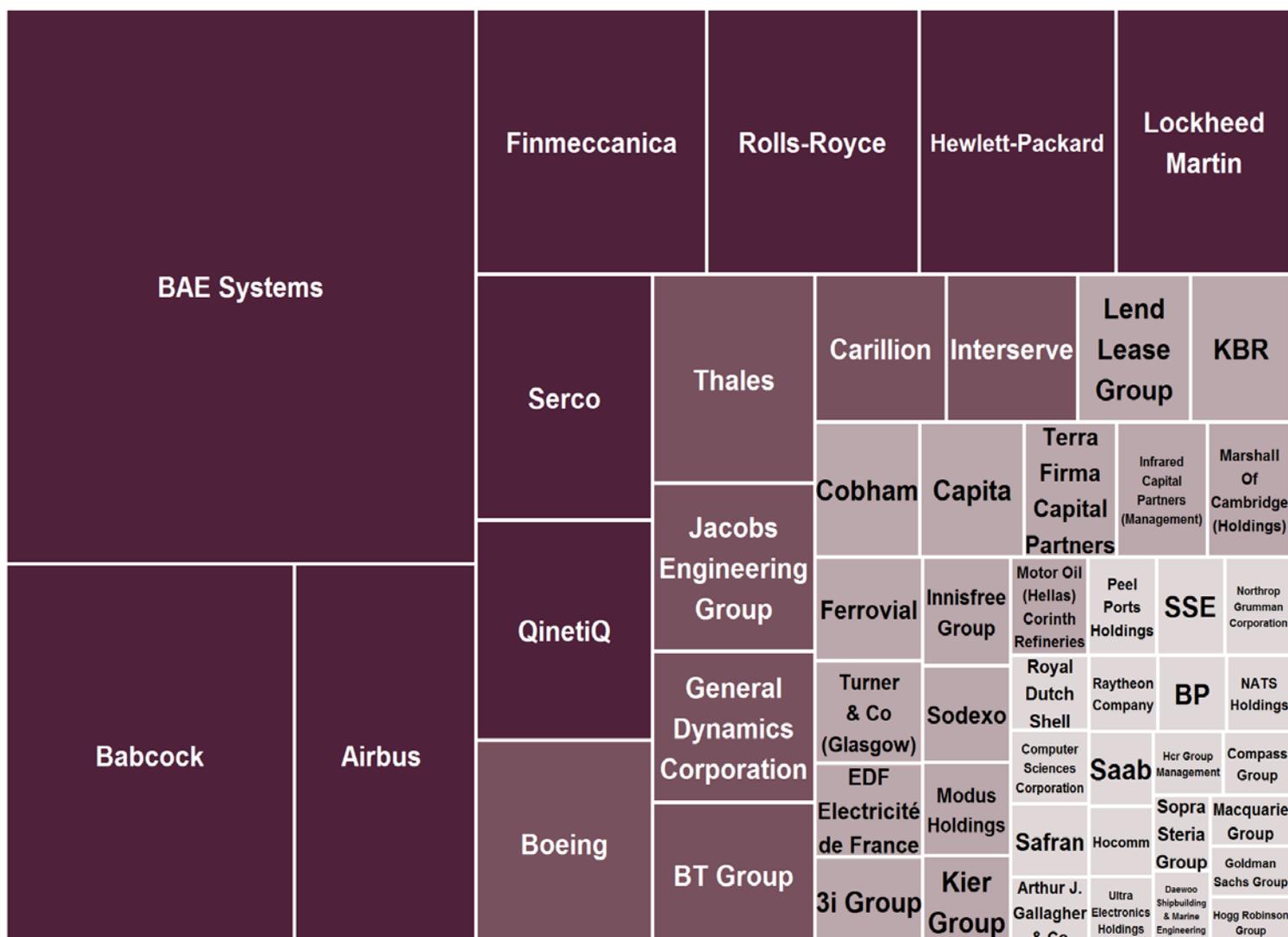
Holding Companies Paid over £50 million by MOD

Many of the 20,000 suppliers MOD and the Trading Funds paid in 2014/15 are subsidiaries of larger holding companies. The term 'holding company' refers to companies which are full or part owner 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 all 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 £50 million or more by MOD during 2014/15 are presented below.

In 2014/15 there were **52 holding companies paid more than £50 million** by MOD and its Trading Funds, this compares to 49 in 2013/14. There were **nine companies paid more than £500 million**, which includes QinetiQ for the first time since 2009/10.

Further information about the totals paid to these holding companies and the payments made to the subsidiaries that are part of the holding company structure can be found [here](#), in an interactive visualisation where the more detailed expenditure information is displayed when you click on the company that you are interested in.

Amount Spent with Holding Company in 2014/15



Over £500m

£250m - £500m

£100m - £250m

£50m - £100m

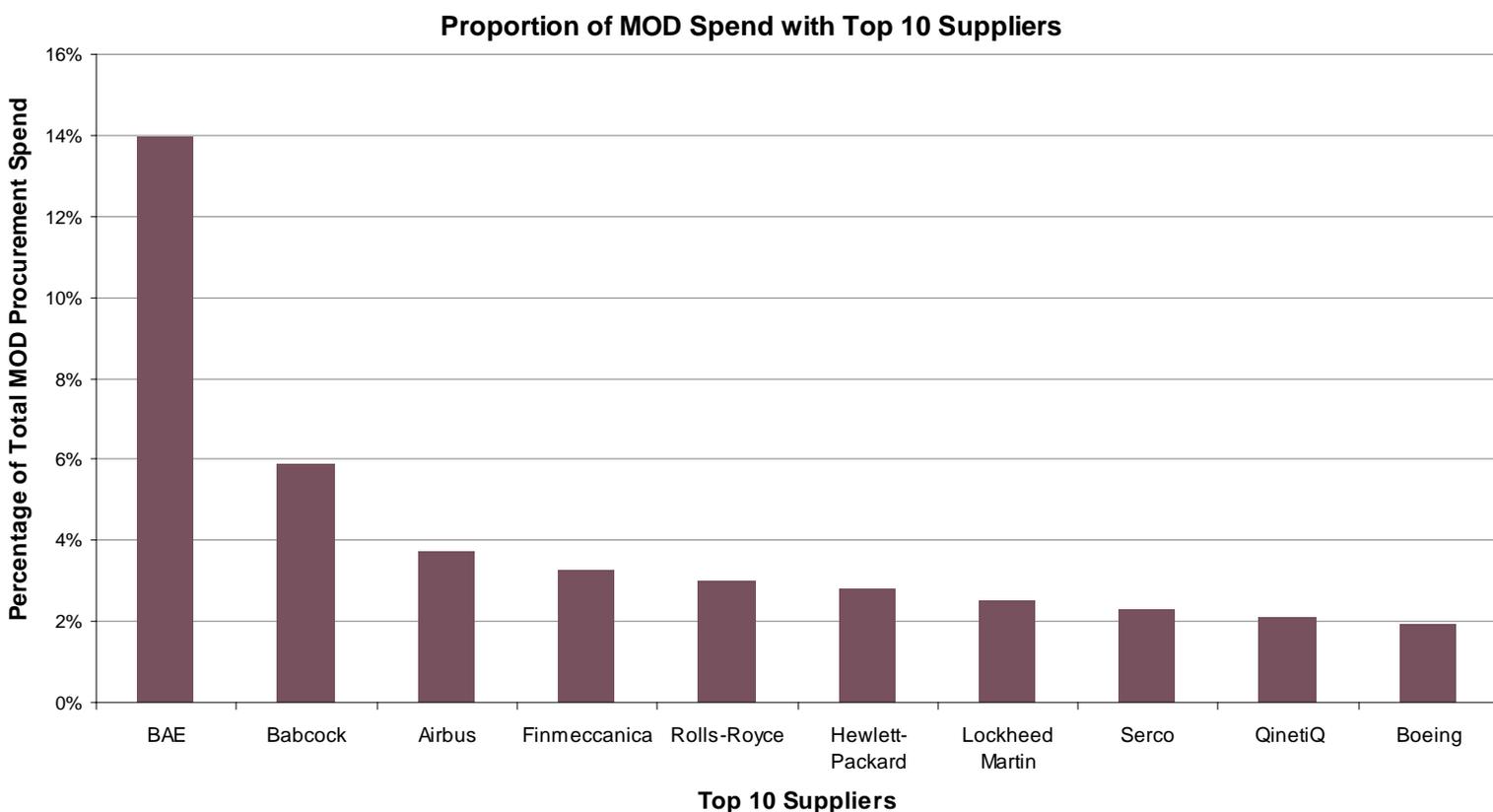
Source: Defence Economics analysis derived from DBS Finance and Trading Funds data sources

Focus on Key Suppliers – Expenditure with Top 10 Suppliers

This section explores the nature and scope of MOD business with its key suppliers within industry and commerce, focussing on the top 10 to whom it made payments in 2014/15. It examines the relative importance of MOD sales to industry revenues and how this has changed over time. It then explores how the nature of MOD contracting with industry has changed.

In 2014/15 nearly **42 per cent of total MOD procurement expenditure was with 10 suppliers**. In 2005/06 the same 10 suppliers received a 33 per cent share. The top 10 companies are the same as reported in 2013/14 and have remained fairly constant over the last few years. Most recently QinetiQ replaced Thales in the top 10 suppliers for 2013/14 and Boeing replaced General Dynamics in 2012/13. The inclusion of QinetiQ in the top 10 suppliers was partly the result of incorporating Trading Funds expenditure data in this analysis for the first time in 2013/14.

BAE Systems PLC was by far the largest defence supplier in terms of annual payments made by MOD, receiving 14 per cent of all MOD procurement expenditure in 2014/15, a position which has remained unchanged for the past decade. The remaining nine suppliers in the top 10 achieved an individual share of between 1.9 per cent and 5.9 per cent.



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

Focus on Key Suppliers – Dependency on MOD Business

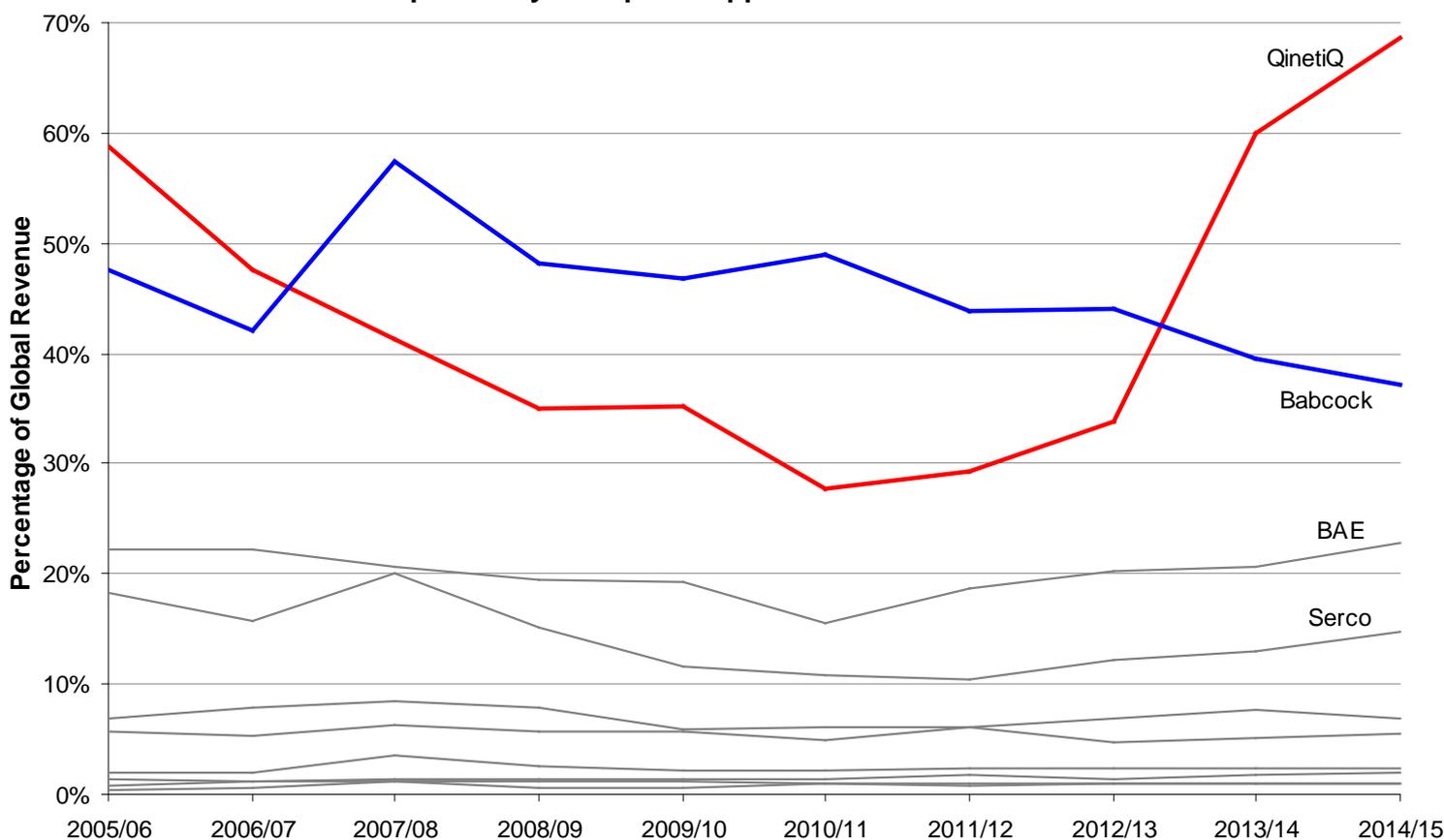
The chart below illustrates the dependency of key suppliers on MOD business by presenting total sales (i.e. payments received from MOD) as a percentage of global company revenues.

QinetiQ's dependence on MOD expenditure as a proportion of their annual revenue has increased significantly over the last two years and now stands at 69 per cent. The reason for this change is the recent sale of US Services business in 2014, which means that £410 million of global revenue, previously reported in 2013/14, was subsequently removed. This is also reflected in 2014/15. In addition, revenue from the MOD increased by over 10 per cent in 2014/15 compared with 2013/14.

For the majority of MOD's other top suppliers, MOD sales account for less than 20 per cent of their global revenue, although Babcock and BAE received 37 per cent and 23 per cent of their annual revenue from MOD in 2014/15.

The underlying trend suggests that generally, with the exception of QinetiQ, major supplier sales to MOD are declining, or remaining relatively constant, as a proportion of their global revenues. This reflects the consolidation and internationalisation of the global defence industry, and relative decline in MOD spending compared to global defence spending.

Dependency of Top 10 Suppliers on MOD Business



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

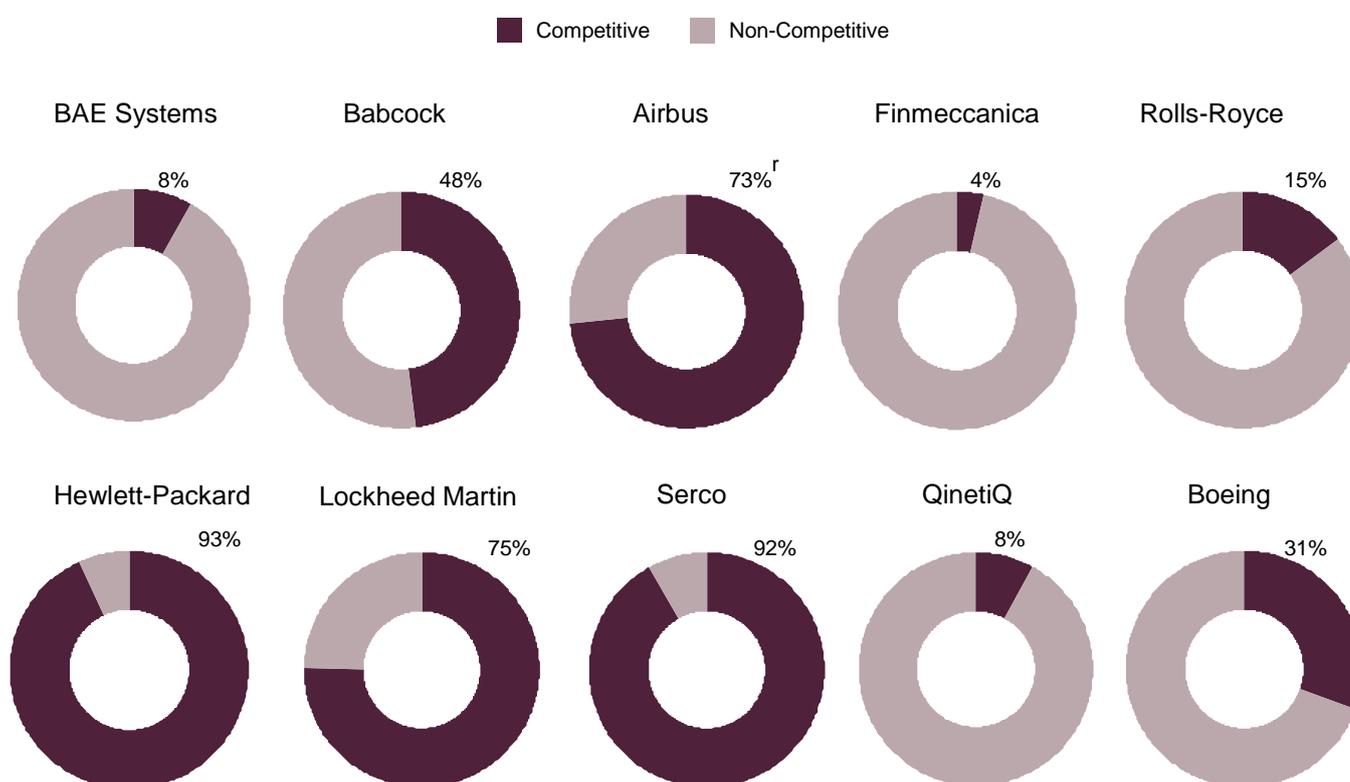
Focus on Key Suppliers – Levels of Competitive Contracting

The charts below show the revenue received by the MOD's top 10 suppliers from competitive contracts as a proportion of their overall sales to MOD during 2014/15. A competitive contract is any contract that has been awarded to a company following a bidding process, or competition, where the winning company is awarded the contract.

The analysis below shows that service based companies such as Serco and Hewlett-Packard tender a higher proportion of their work from competitively let contracts, in comparison to 'traditional' defence firms.

The **proportion of payments that MOD's top 10 suppliers receive from competitive contracts has fluctuated over time** and is very much dependent on the particular set of contracts held by a supplier during a particular year. Over the period though there is no evidence to suggest that the proportion of payments received from competitive contracts has increased or decreased to any great degree.

Levels of Competitive Contracting with Top 10 Suppliers



Source: Defence Economics analysis derived from DBS Finance data sources

The proportion of Airbus expenditure against competitive contracts has been revised from 74 to 73 per cent following the receipt of updated advice on the ownership share that Airbus has with one of its subsidiaries. This results in a change of less than one percentage point.

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

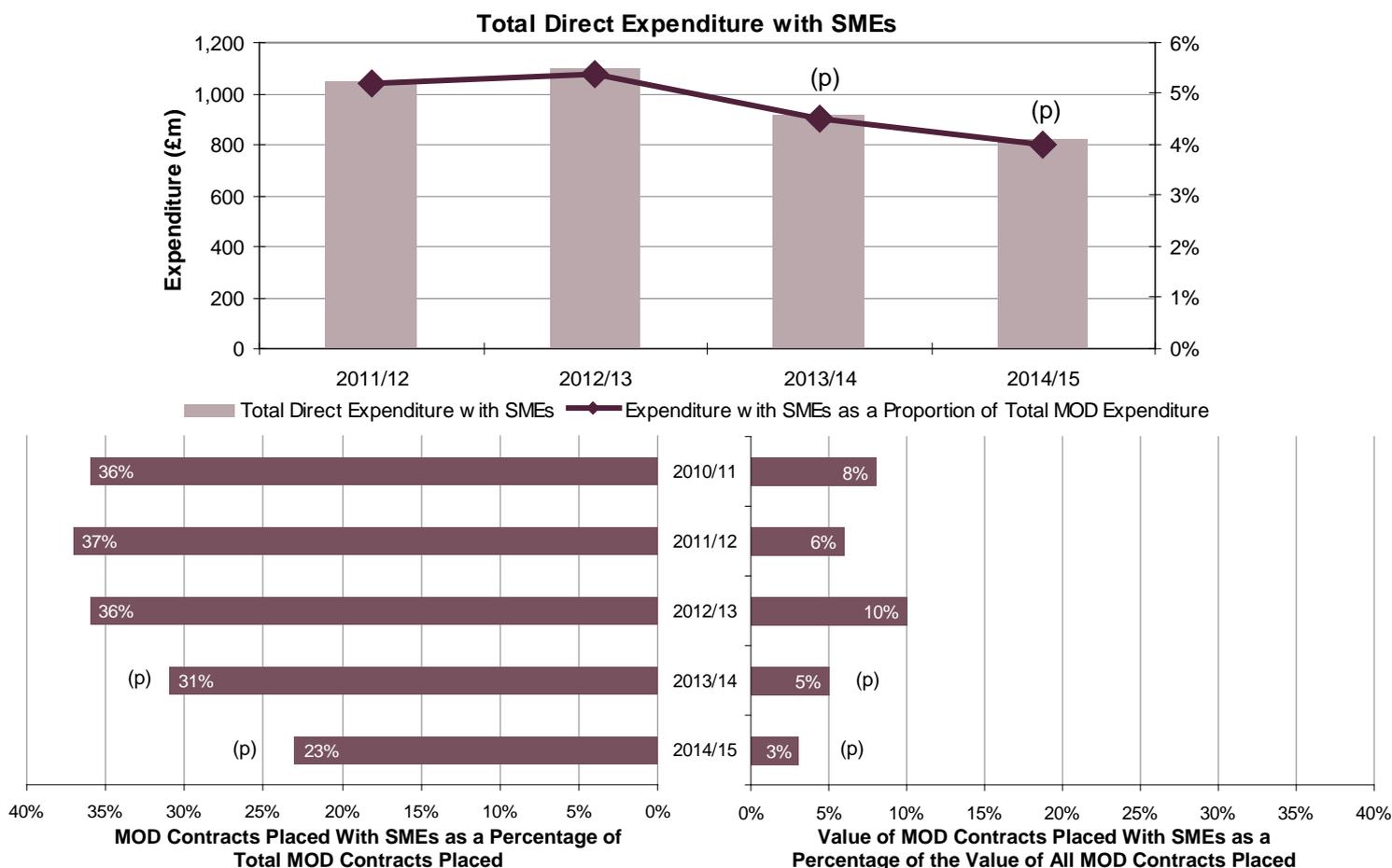
This section presents details of MOD expenditure and contracting with Small and Medium-sized Enterprises (SMEs). The Government is keen for more of its third party spend to be with SMEs and MOD is important to this because it accounted for some 46 per cent of the Government's overall £44 billion annual procurement expenditure in 2013/14.

In 2014/15 **MOD direct spend with SMEs amounted to around £822 million with just over 5,400 different suppliers**. MOD Core Department placed about 440 new contracts with SMEs having a collective value of around £320 million¹.

In 2014/15 the MOD Core Department placed a further 490 contracts with suppliers not assessed by Dun & Bradstreet (D&B)², having a collective value of about £3,542 million. This represents 26 per cent of all new contracts placed during 2014/15 compared to 18 per cent in 2013/14, continuing a year-on-year increase in the proportion of suppliers not assessed. **Therefore, it is important these estimates are considered minimums, particularly when comparing across years.**

Between 2010/11 and 2012/13 the proportion of new contracts placed with SMEs was reasonably consistent (between 36 and 37 per cent). In 2013/14, 31 per cent of new contracts were identified as placed with SMEs and in 2014/15 this decreased further to 23 per cent of new contracts being placed with SMEs. These falls were partly due to a lower proportion of suppliers being matched to D&B assessments. Although the proportion of contracts, by value, placed with SMEs has decreased, the overall value of new MOD contracts with SMEs increased from £297 million in 2013/14 to £320 million in 2014/15. Five contracts accounted for around £84 million (over 25 per cent) of the total value of SME contracts.

These figures remain provisional while MOD assesses, with the Cabinet Office, the viability of identifying the SME status of companies not currently assessed by D&B.



Source: Defence Commercial Supplier Relations Team

1. Since provisional estimates were published in August, this has been revised from £380 million because one contract was incorrectly valued.

2. 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.

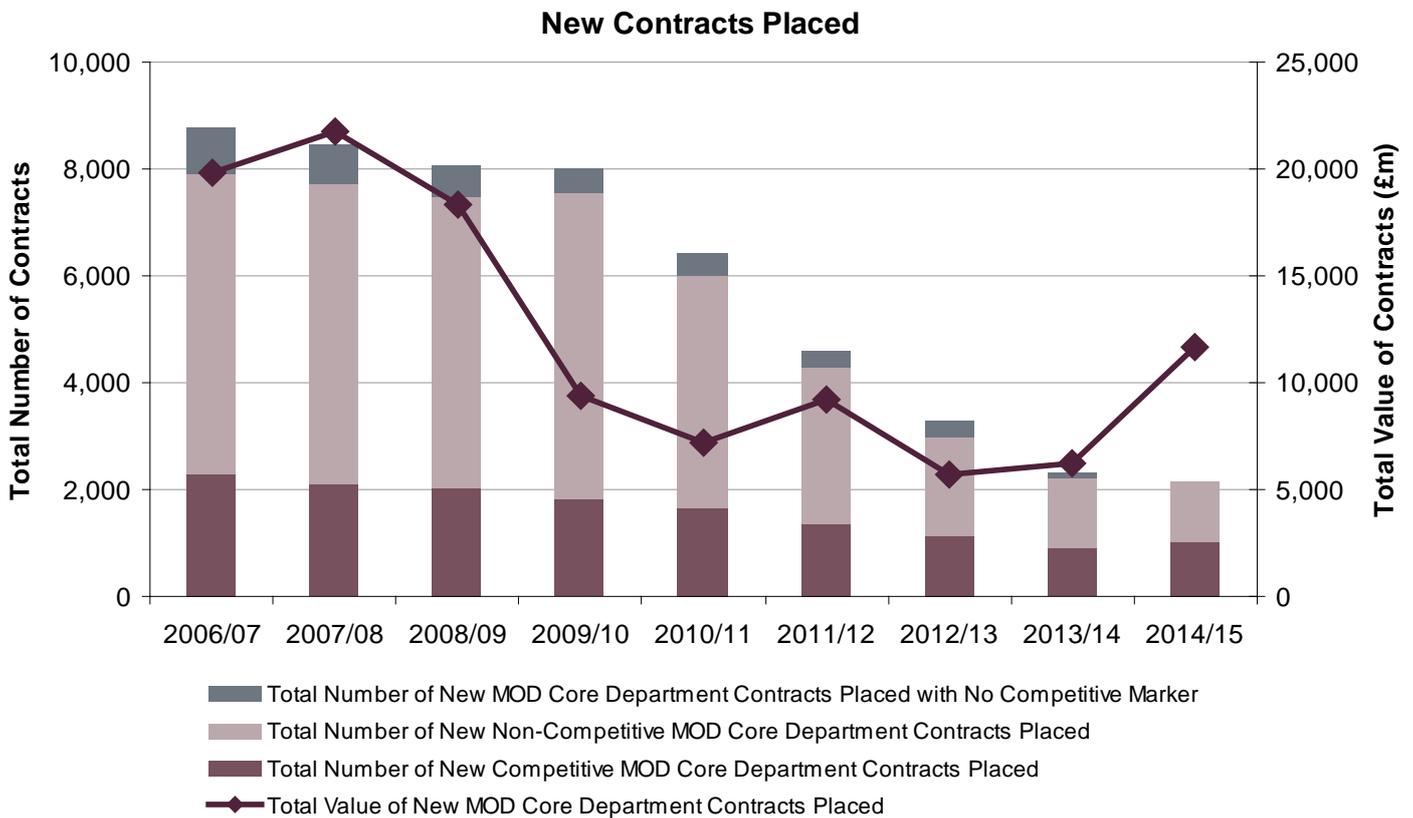
New Contracts Placed

MOD Core Department 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 by means of a DEFFORM 57, broken down by whether they were placed competitively or non-competitively. In 2014/15 **MOD Core Department placed just over 2,100 new contracts with a collective value of around £11.7 billion**. The number of new contracts placed in 2014/15 has fallen by 9 per cent from 2013/14.

The value of new contracts placed can fluctuate from year to year, affected by particularly high value contracts. In 2014/15 the value of contracts placed was nearly double the value in 2013/14. This was mainly due to the letting of one **competitive** contract totalling £1.4 billion for the design, procurement and installation of Military Air Traffic Management and two other **non-competitive** contracts, totalling £3.2 billion, for the Maritime Support Delivery Framework, covering the repair and maintenance of the Royal Navy's warships and submarines.

The 2014/15 new contracts data shows a continued annual increase in the proportion of new contracts let through competition, up from 23 per cent in 2009/10 to 47 per cent in 2014/15. This is principally the result of the significant fall in overall new contracts placed over this period, compared to the far smaller fall in the number of competitive contracts placed.



Source: Defence Economics (Defence Expenditure Analysis)

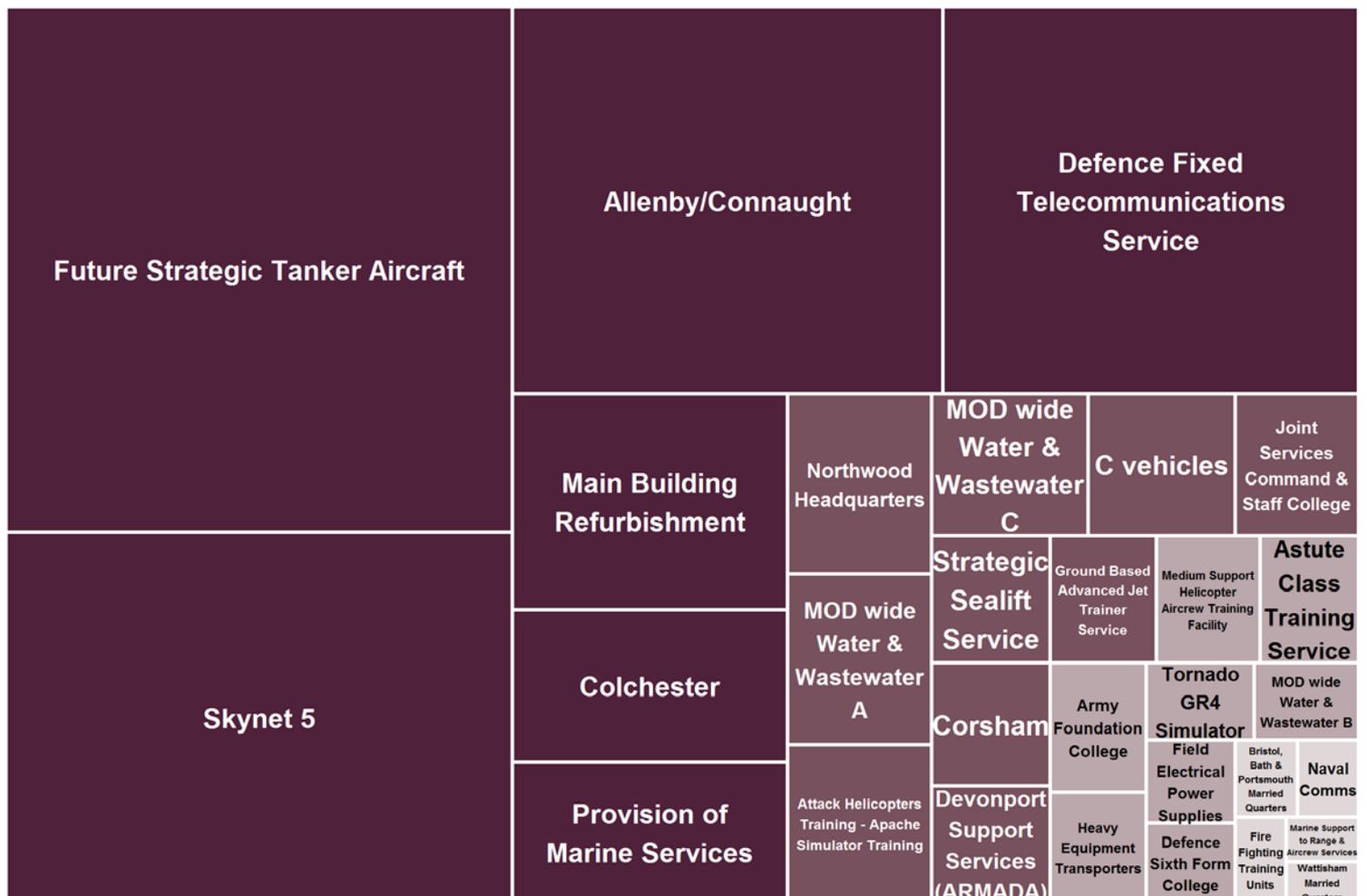
MOD Payments on Private Finance Initiative (PFI) Projects

This section provides an analysis of Private Finance Initiative (PFI) commitments and payments by MOD during the financial year 2014/15. 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.

Values represent payments made in year against contracts relating to the project, which may include unexpected additional works and services. These may not match the planned unitary charge for the year, which is the regular service payment made to the private sector partner for the provision of services. It is based on the 'signed' MOD projects from the HM Treasury PFI database as at April 2014 and payments data drawn from DBS Finance. More detailed information concerning through life planned unitary charge payments for all currently signed contracts can be found [here](#).

Future Strategic Aircraft (FSTA) was the PFI in receipt of the highest amount of MOD expenditure in 2014/15 (£490 million), followed by Skynet 5 (£350 million) and Allenby/Connaught at (£310 million).

Amount Spent on PFI Projects in 2014/15



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

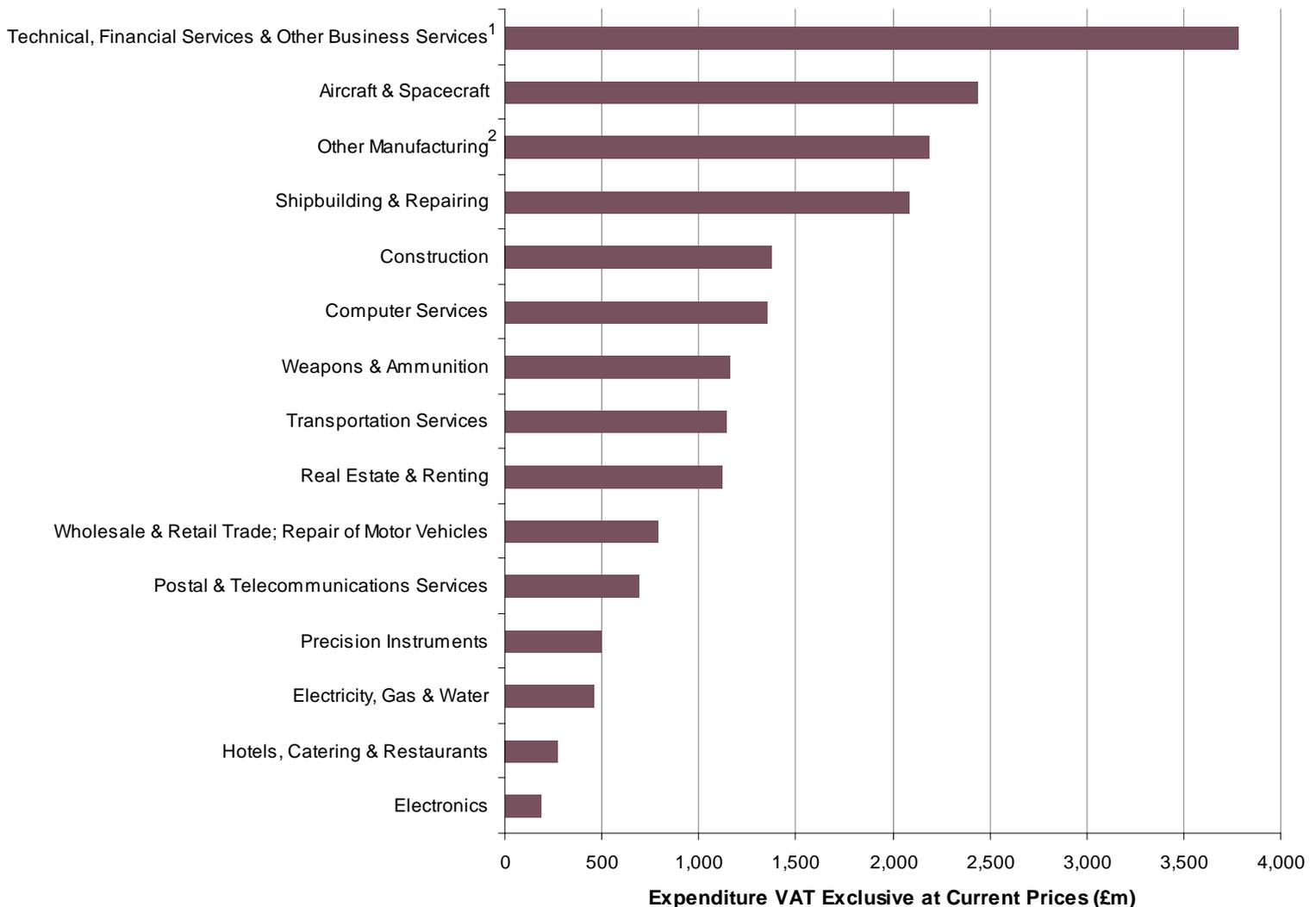
Estimated Defence Expenditure in the UK

This section presents an analysis of the amount of money MOD spends directly with UK industry and commerce, and the types of goods and services purchased. The industry groups are based on the [Standard Industrial Classification \(SIC\) 2007 guidelines](#) maintained by the Office for National Statistics.

In 2013/14, the **MOD spent just over £19.5 billion with UK industry**; similar to the 2012/13 figure. Manufacturing attracted under half of MOD expenditure with UK industry.

The industry group in receipt of the highest level of MOD expenditure was 'Technical, Financial Services and Other Business Services' at nearly £3.8 billion. This covers services for legal, accounting, management consultancy, and technical testing and analysis.

UK Defence Expenditure by Industry Group: 2013/14



Source: Defence Economics (Defence Expenditure Analysis)

1. Includes 'Financial Services, Business Activities, Education, Health, & Other Service Activities'.

2. Excludes 'Weapons & Ammunition', 'Electronics', 'Precision Instruments', 'Shipbuilding & Repairing' and 'Aircraft & Spacecraft'.

Estimates of Identified Defence Export Orders

The global defence export market in 2014 is estimated to be valued at more than £50 billion (\$83 billion), of which **£8.5 billion originates from the UK defence industry.**

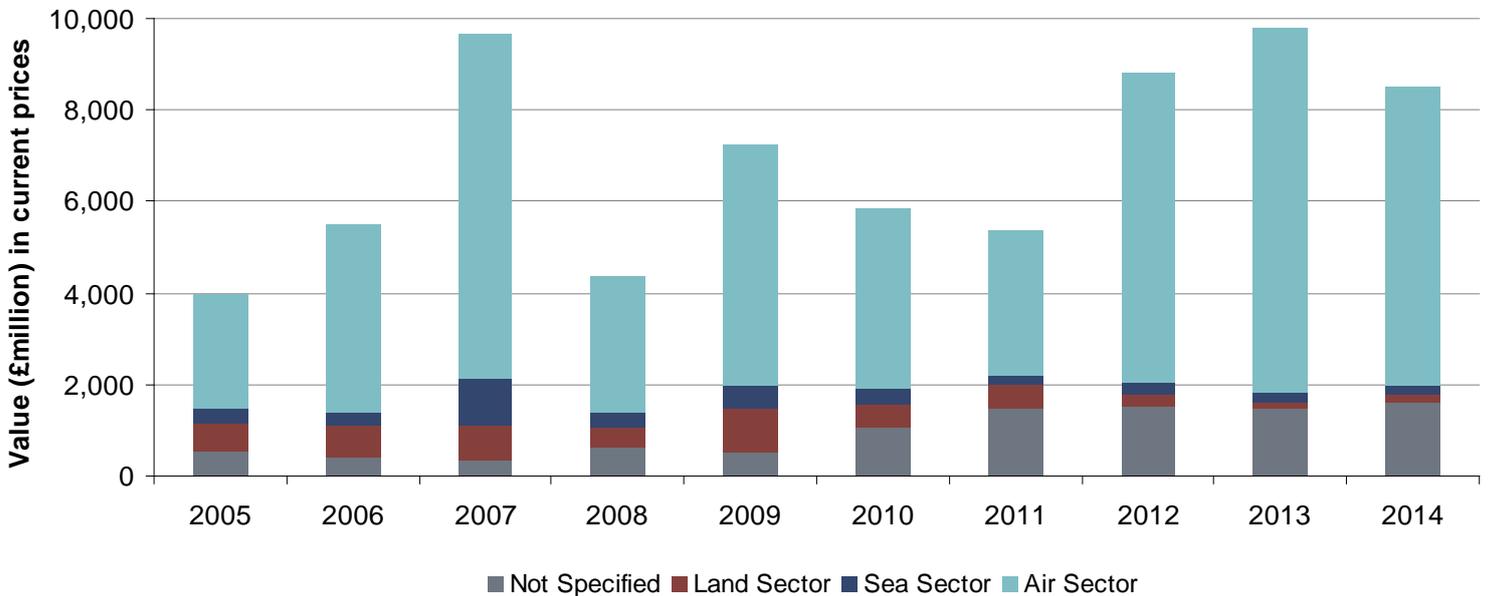
These included orders from France for Trent 700 engines for A330 Multi-Role Tanker Transport (MRTT); Advanced Short Range Air-to-Air Missiles (ASRAMM) to India; and the ForceShield Integrated Air Defence System plus Starstreak Missiles to Indonesia.

The UK's most important markets for defence and security exports were in the Middle East, North America and Asia Pacific.

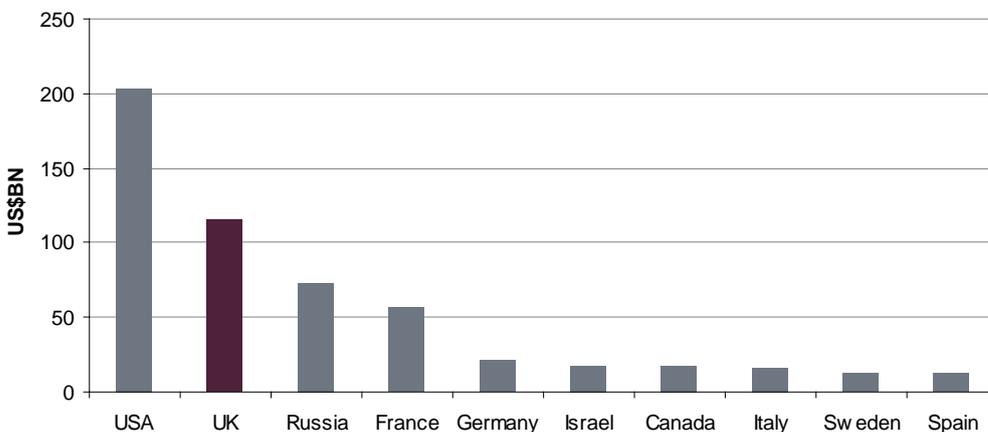
Over the last ten years, the UK had export orders totalling 19 per cent of the global total, the second highest behind the USA.

More information on identified export orders can be found in the [UKTI DSO Export Statistics for 2014](#). It should be noted that export orders can subsequently be cancelled, prolonged or changed at any time in the future after the initial order has been placed.

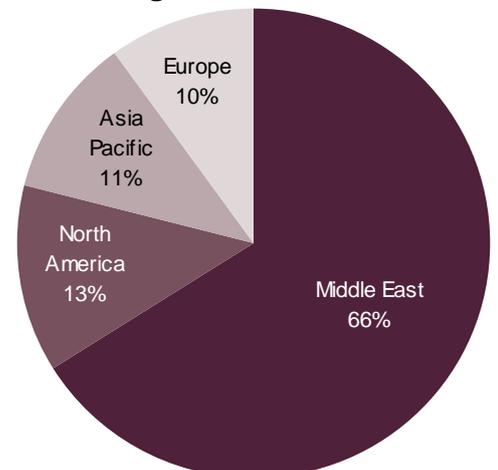
UK Defence Export Orders by Sector



Top Defence Exporters: 2005-14



UK Defence Export Orders to Regions: 2014



Source: UKTI 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, etc.) between UK residents and non-residents, and 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 in 2014 was - £3,091 million, made up of credits amounting to £245 million and debits of £3,336 million, about 10 per cent less than in 2013 but similar to earlier levels.

MOD Estimated Balance of Payments for 'Trade in Services'

Current Prices (£m)

| | 2007 | 2008 | 2009 | 2010 | | 2011 | 2012 | 2013 | | 2014 |
|----------------------|--------|--------|--------|--------|--|--------|--------|--------|--|--------|
| Net Balance | -2,338 | -3,061 | -3,276 | -3,170 | | -2,948 | -3,030 | -3,345 | | -3,091 |
| Total Debits | 2,763 | 3,366 | 3,619 | 3,504 | | 3,249 | 3,289 | 3,580 | | 3,336 |
| Total Credits | 425 | 304 | 343 | 334 | | 302 | 259 | 235 | | 245 |

Source: Defence Economics (Defence Expenditure Analysis)

Methodology

This short section on methodology sets out some simple processes and methods used in the compilation of some of the tables and charts used in this bulletin. More detailed explanations of the data sources and methodologies used can be found in the related [Excel tables](#) and in the [Background Quality Reports](#).

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 have previously quality assured 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. However, D&B haven't provided assessments for new MOD suppliers since 2014 and there is currently no planned date for the next update. For this reason the quality of the data cannot be guaranteed and the figures remain provisional.
- **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 Government Procurement Card (GPC) payments. The percentage calculation of total MOD expenditure with SMEs excludes expenditure on GPC as it has not been possible to determine the SME status of suppliers in receipt of 95 per cent of GPC payments. 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 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.

Defence Expenditure Outturn in the UK

All MOD expenditure is categorised by Resource Account Code (RAC) and a large proportion of this expenditure (on contracts) is also categorised by Standard Industrial Classification (SIC) group. This 'contracts' expenditure data is used to construct an RAC to SIC distribution matrix which forms the basis for how all MOD expenditure with UK industry is distributed across SIC groups in the final estimates. Expenditure with Atomic Weapons Establishment (AWE), MOD Trading Funds and international collaborative projects with NATO Eurofighter and Tornado Management Agency (NETMA) are removed early in the analysis, since they are poorly categorised at RAC level, and added back in after the matrix has been used to re-categorise expenditure into SIC groups. A separate analysis is undertaken for these because they are significantly high value and we are able to categorise expenditure to suitable SIC groups based on the expertise of the MOD project teams. This is because the expenditure data available for these elements is more easily categorised at SIC level. Expenditure with overseas contractors and other government departments is removed entirely.

Holding Companies

Holding Companies have been compiled from the expenditure data by supplier taken from the DBS Finance contract expenditure database. The suppliers, and their expenditure

details, are then mapped to Holding Company structures based on OneSource supplier information, where details of all registered companies are kept. 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 do not change much over time but any new companies that may potentially receive over £50 million are identified each year as part of the annual update. Where a company is part of an identified Joint Venture, such as AWE Management, expenditure will be attributed to the company based on their percentage share in the Joint Venture, i.e. currently Serco, Lockheed Martin and Jacob's Engineering each receive 33 per cent of reported MOD spend with AWE Management. Trading Funds data is included in the process. Excluded from the analysis are those companies and/or joint ventures which work as part of a consortium.

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 this expenditure is spent overseas. A return from DBS Finance provides details of whether reported expenditure overseas 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.

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 data of the contract as provided by the DEFFORM57. Details of the Competition marker are also taken from the DEFFORM57.

Glossary

Balance of Payments MOD Balance of Payments (BoP) statistics support the ONS estimate of the value of the UK's BoP, which 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.

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

DBS Finance provides expert information, advice and services to and on behalf of MOD business areas. They are responsible for payments to MOD suppliers totalling more than £27 billion a year, and for recovering £2 billion of receipts in respect of MOD invoices. 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 also an important source of capturing data on contract activity within the Ministry of Defence.

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 & Support (DE&S) At 1 April 2007, the Defence Logistics Organisation and the Defence Procurement Agency merged to form Defence Equipment & Support. DE&S equips and supports the UK's armed forces for current and future operations. It acquires and supports through-life equipment and services ranging from ships, aircraft, vehicles and weapons, to electronic systems and information services. DE&S satisfies ongoing requirements including food, clothing, medical supplies, maintenance and temporary accommodation, as well as operating HM Naval Bases and the joint supply chain for land, sea and air.

Defence Science and Technology Laboratory (DSTL) is a Trading Fund of the MOD created in July 2001. It supplies impartial scientific and technical research and advice to the MOD and other government departments.

Defence Support Group (DSG) is a Trading Fund of the MOD created following the merger of Army Base Repair Organisation (ABRO) and Defence Aviation Repair Agency (DARA) on 1 April 2008. Its focus remains solely on the delivery of the Defence Industrial and Technology Strategies by being a flexible, responsive, organisation that provides a cost competitive in-house maintenance, repair, overhaul and upgrade capability in support of the Armed Forces.

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 and is widely used for identifying, organising, and consolidating information about businesses.

Enabling Contract A contract which, once initially set up, can be used to procure goods and services where requirements arise on a regular basis, combining the benefits of reduced process costs and enhanced buying power resulting from a consolidation of requirements.

Government Procurement Card (GPC) 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.

Holding Company refers to companies which are full or part owners of other companies. For example subsidiaries and joint ventures.

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 projects' current status and progress to date. It also provides comparisons on current forecast costs and in-service dates.

Ministry of Defence (MOD) is the United Kingdom Government Department responsible for implementation of Government defence policy and is the headquarters of the British Armed Forces. The principal objective of the MOD is to defend the United Kingdom and its interests. The MOD also manages day to day running of the armed forces, contingency planning and defence procurement.

Miscellaneous Contracts The payment method employed by DBS Finance (the MOD's primary bill paying authority) for running service items such as the provision of utilities. Such 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 the MOD Branch and the supplier, and are legally binding.

National Audit Office (NAO) scrutinises public spending on behalf of Parliament. It is totally 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 also now members.

Office for National Statistics (ONS) is responsible for the production of a wide range of independent economic and social statistics, to improve our 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). From July 2001 a limited company, QinetiQ, is still partly owned by the MOD.

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.

Standard Industrial Classification (SIC) classifies business establishments and other statistical units by the type of economic activity in which they are engaged. The classification is maintained by the **ONS**.

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 also free to negotiate their own terms and conditions with their staff and for this reason their grading structures do not always match that of the rest of the Ministry. Examples in MOD include Defence Science & Technology Laboratory, UK Hydrographic Office and Defence Support Group.

UK Hydrographic Office (UKHO) was formed as a Trading Fund of the MOD in 1996 and is responsible for surveying the seas around the UK and other areas, to aid navigation.

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.

UK Trade & Investment Defence & Security Organisation (UKTI DSO) works with industry and overseas governments to ensure UK equipments, products and services are promoted in the best possible way and that the overseas customer's requirements are appropriately met and supported by industry through life.

Further Information

Symbols

| | |
|----|------------------------------|
| | discontinuity in time series |
| * | not applicable |
| .. | not available |
| p | Provisional |
| r | Revised |
| – | Zero or rounded to zero |

Italic figures are used for percentages and other rates, except where otherwise indicated.

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

There are no regular planned revisions of this Bulletin. Amendments to figures for earlier years may be identified during the annual compilation of this Bulletin. This will be addressed in one of two ways:

- i. where the number of figures updated in a table is small, figures will be revised and identified with the symbol "r". An explanation for the revision will be given in the footnotes to the table.
- ii. where the number of figures updated in a table is substantial, the revisions to the table, together with the reason for the revisions, will be identified in the commentary at the beginning of the relevant chapter / section, and in the commentary above affected tables. Revisions will not be identified by the symbol "r" since where there are a large number of revisions in a table this could make them more difficult to read.

Occasionally updated figures will be provided to the editor during the course of the year. Since this Bulletin is published electronically, it is possible to revise figures during the course of the year. However to ensure continuity and consistency, figures will only be adjusted during the year where it is likely to substantially affect interpretation and use of the figures.

The number of new contracts, and their value, in 2014/15 (pages 10 and 11) were updated in early November as part of a planned update to the bulletin. This update now includes late reported contracts which have a start date during 2014/15 and which have been added to the DBS Finance database between July and October 2015. Tables 5b and 6 of the excel tables have been similarly updated.

Further Information (cont.)

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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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