

# Business Plan 2012–2015

## Ministry of Defence

31 May 2012

*This plan will be updated annually*



MINISTRY OF DEFENCE

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# A) Vision

Our vision is to deliver versatile, agile and battle-winning Armed Forces, working effectively with each other, directed and supported by a professional Ministry of Defence, with people ready to lead, accept responsibility and spend wisely, protecting our security in a changing world.

Our priorities for 2012/2013 reflect this vision. They are:

**To succeed in Afghanistan** – the main effort for the MOD. Our Armed Forces are working to protect the UK by creating security and stability in Afghanistan and training members of the Afghan National Security Forces (ANSF) to help the Afghans to provide their own security in the future.

**To continue to fulfil our standing commitments**, including strategic intelligence, the strategic nuclear deterrent, defence against direct threats to the UK and its overseas territories, counter-terrorism and military aid to the civil authorities. Carrying out these roles is essential to our security and supports key British interests around the world.

**To succeed in other operations we are required to undertake** at home and overseas, by providing a defence contribution to UK influence (including working with the Department of Business, Innovation and Skills (BIS) to promote defence exports), by defending our interests by projecting power strategically and through expeditionary operations, by providing security for stabilisation, and by providing a defence contribution in support of other government departments. In 2012 this includes providing our contribution to the London Olympic and Paralympic Games.

**To transform Defence by:**

- **Restructuring the Armed Forces and their capabilities**; implementing the outcome of the Strategic Defence and Security Review (SDSR), including re-building the Armed Forces Covenant; and developing a New Employment Model;
- **Implementing the new Defence Operating Model**, in response to the Defence Reform Unit's review, creating a simpler and more effective organisation and delivering significant reductions in running costs; and
- **Delivering Defence in the most effective, efficient and sustainable way** by meeting benchmarking, efficiency and Government sustainable development targets, building on the Defence Reform Unit's review.

**Philip Hammond, Secretary of State for Defence**

# **B) Coalition priorities**

## **Structural Reform Priorities**

### **1. Restructure the Armed Forces and their capabilities**

- Ensure that the UK has the required Force Structure, training and equipment to carry out operations, as part of the implementation of the SDSR

### **2. Deliver the Armed Forces Covenant and develop the New Employment Model**

- Develop the New Employment Model and deliver the Armed Forces Covenant meeting a promise of fair treatment, on behalf of the nation, to ensure our Armed Forces and their families are valued and respected

### **3. Transform Defence**

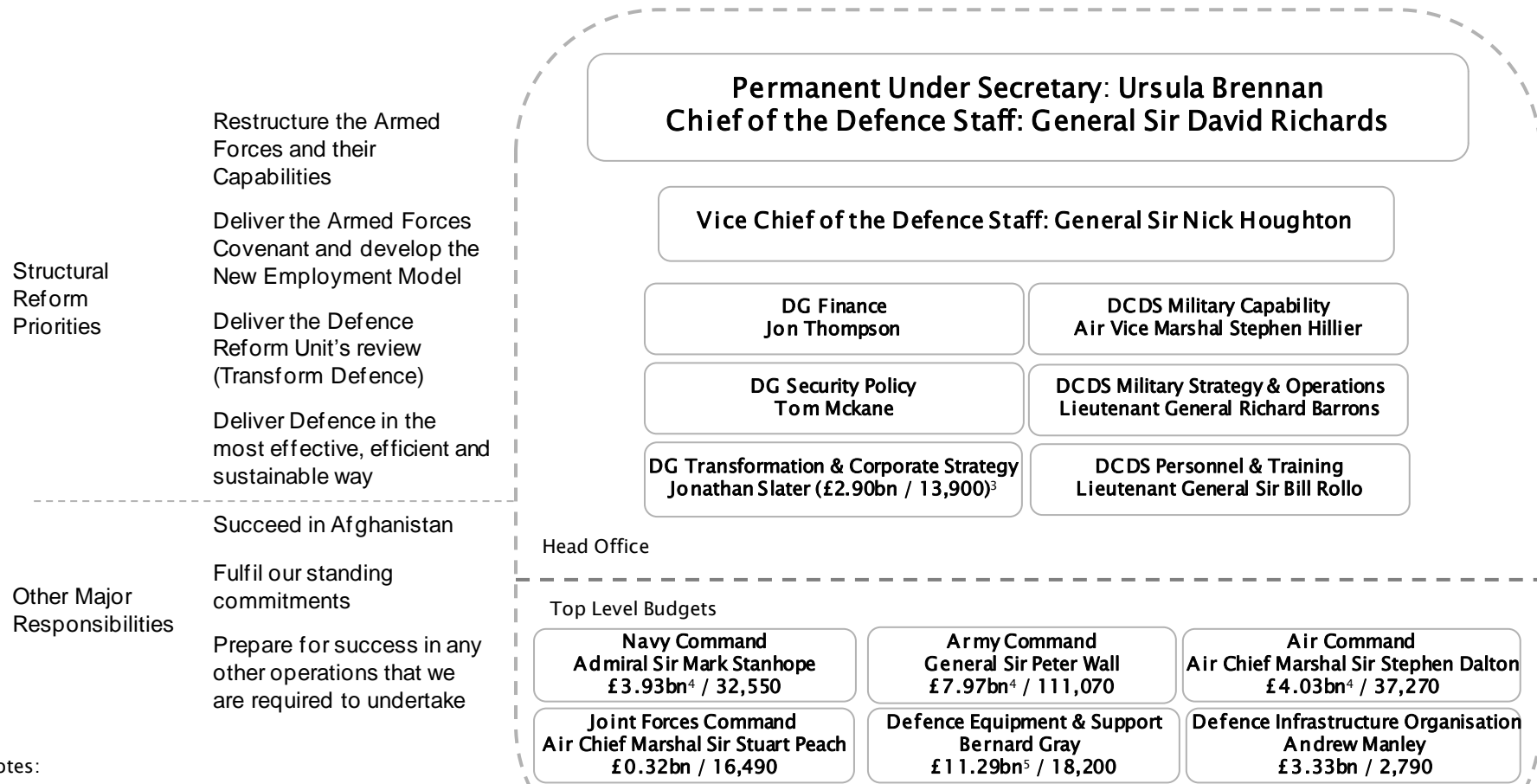
- Implement the new Defence Operating Model (in response to the Defence Reform Unit's review) creating a simpler and more effective organisation and delivering significant reductions in running costs

### **4. Deliver Defence in the most effective, efficient and sustainable way**

- Meeting benchmarking, efficiency and Government sustainable development targets, building on the Defence Reform Unit's review

# Departmental Responsibilities

This page sets out who in the Department leads on its major responsibilities, including its Coalition priorities.



Notes:

1. Indicative budget allocation for Financial Year 2012/2013.
2. Reflects Defence Reform Outcomes.
3. Head Office and Defence Business Services Top Level Budget.
4. This includes provision for equipment support.
5. This does not include money for new equipment and other areas of spend which are managed corporately.
6. Personnel numbers are as at 01 Apr 2012. Regular Forces includes all trained and untrained personnel. Gurkhas, Full Time Reserve personnel and mobilised reservists are excluded. Civilian strength measured in FTE terms includes MOD core and Trading Fund personnel but excludes Locally Employed Civilians (LEC) and Royal Fleet Auxiliary (RFA) personnel.
7. For more information see: <http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/Structure/OrganisationChartsJune2010February2011.htm>

## C) Structural Reform Plan

This section sets out the key actions the department will take to implement its Coalition structural reform priorities. An implementation update will be published online, setting out our progress in completing them.

Additional actions, including our contributions to cross-cutting Government agendas, can be found in Annex A. All commitments and end dates relating to legislation and pre-legislative scrutiny are subject to parliamentary timetables

### 1. Restructure the Armed Forces and their capabilities

<b><u>ACTIONS</u></b>	<b><u>Start</u></b>	<b><u>End</u></b>
<b>1.1 Build constructive bilateral relationships including with the US:</b>		
i. Deliver annual review of US / UK Trade Co-operation Treaty	Mar 2013	Mar 2013
<b>1.2 Build constructive bilateral relationships including with France:</b>		
i. Deliver A400M Steering Committee annual review	Nov 2012	Nov 2012
ii. Conduct Joint User Group study on A400M to inform operating techniques and procedures and identify opportunities for synthetic and live training	Started	Dec 2014
iii. Establish with France the Combined Joint Expeditionary Force (CJEF)	Started	Dec 2016
iv. Exercise the Combined Joint Task Force Headquarters (CJTF HQ)	Dec 2012	Dec 2012
v. Achieve CJEF Initial Verification of Concept (IVOC)	Dec 2012	Dec 2012
vi. Achieve CJEF Full Verification of Concept (FVOC)	Dec 2016	Dec 2016
<b>1.3 Build constructive multilateral relationships, in particular with NATO</b>		
i. Restructure Headquarters Allied Rapid Reaction Corps (HQ ARRC)	Started	Apr 2015
ii. Identify UK commitment to new NATO Command Structure	Started	Nov 2012
iii. Implement UK commitment to new NATO Command Structure	Dec 2012	Dec 2014
<b>1.4 Take forward work to develop the Queen Elizabeth Class Carriers noting that decisions on the second carrier will be taken at the next SDSR</b>		
i. Regenerate carrier skills and capability	Started	Dec 2020

# 1. Restructure the Armed Forces and their capabilities

<b>ACTIONS</b>	<b>Start</b>	<b>End</b>
ii. Introduce HMS QUEEN ELIZABETH into service	Dec 2016	Dec 2016
iii. Introduce HMS PRINCE OF WALES into service	Dec 2020	Dec 2020
<b>1.5 Take forward restructuring activities as set out in the SDSR in the Royal Navy including:</b>		
i. Deliver Tranche 1 of the plan to reduce the number of RN personnel by around 5,000	Started	Sep 2012
ii. Deliver Tranche 2 of the plan to reduce the number of RN personnel by around 5,000	Dec 2012	Jul 2013
iii. Reduce the number of RN personnel by around 5,000	Started	Apr 2015
iv. Implement endorsed RN outcomes from the Future Reserves 2020 study	Started	Dec 2018
v. Introduce maritime WILDCAT into service	Started	Jun 2015
vi. Introduce MERLIN Mk2 into service	Started	Sep 2013
vii. Introduce MERLIN MK4 into service	Started	Jul 2017
<b>1.6 Take forward restructuring activities as set out in the SDSR in the Army including:</b>		
i. Deliver Tranche 1 of the plan to reduce the number of Army personnel by around 20,000	Started	Sep 2012
ii. Deliver Tranche 2 of the plan to reduce the number of Army personnel by around 20,000	Started	Jul 2013
iii. Deliver Tranche 3 of the plan to reduce the number of Army personnel by around 20,000	Dec 2012	Jul 2014
iv. Deliver Tranche 4 of the plan to reduce the number of Army personnel by around 20,000	Dec 2013	Jul 2015
v. Reduce the number of Army personnel by around 20,000	Started	Dec 2018
vi. Implement endorsed Army outcomes from the Future Reserves 2020 study	Started	Dec 2018
vii. Reduce the non-deployable regional administrative structure to enhance our front line focus	Started	May 2015
viii. Deliver the Army 2020 Study	Jun 2012	Jun 2012
ix. Restructure deployable divisional headquarters	Started	Apr 2015
x. Restructure to deliver the new brigade structures identified by Army 2020	Started	Apr 2015
xi. Disband 19 Light Brigade	Started	Sep 2012
xii. Publish, with the Defence Infrastructure Organisation (DIO), the Army Rebasing Plan	Dec 2012	Jan 2013
xiii. Undertake preliminary unit moves to support the return of Army personnel from Germany	Started	Dec 2015
xiv. Return the Army from Germany	Started	Dec 2020

# 1. Restructure the Armed Forces and their capabilities

<b>ACTIONS</b>	<b>Start</b>	<b>End</b>
xv. Rationalise wider equipment holdings in the light of experience on operations and improved fleet management	Started	Apr 2020
xvi. Deliver Warrior Capability Sustainment Programme (CSP)	Started	Dec 2020
xvii. Take forward work to deliver a new range of medium weight armoured vehicles	Started	Dec 2022
xviii. Take forward work to replace unprotected support vehicles with protected ones	Started	Dec 2021
xix. Take forward work to deliver a range of Land Environment Intelligence, Surveillance, Target Acquisition and Reconnaissance (ISTAR) capabilities	Started	Jan 2020
xx. Take forward work to deliver a range of capabilities to counter explosive ordinance and improvised explosive devices (IEDs)	Started	Jan 2020
<b>1.7 Take forward restructuring activities as set out in the SDSR in the Royal Air Force including:</b>		
i. Deliver Tranche 1 of the plan to reduce the number of RAF personnel by around 5,000	Started	Sep 2012
ii. Deliver Tranche 2 of the plan to reduce the number of RAF personnel by around 5,000	Dec 2012	Jul 2013
iii. Reduce the number of RAF personnel by around 5,000	Started	Apr 2015
iv. Implement endorsed RAF outcomes from the Future Reserves 2020 study	Started	Dec 2018
v. Reduce the Tornado fleet from 40 to 18 Force Elements	Started	Mar 2015
vi. Achieve 4th Typhoon squadron Initial Operating Capability (IOC) to accelerate Typhoon Force growth and increase multi-role capability	Started	Mar 2013
vii. Achieve 5th Typhoon squadron Initial Operating Capability (IOC) to accelerate Typhoon Force growth and increase multi-role capability	Apr 2013	Mar 2015
viii. Achieve Typhoon Force Full Operating Capability (FOC)	Mar 2018	Mar 2018
ix. Switch to the Short Take-Off and Vertical Landing (STOVL) variant of Joint Combat Aircraft (LIGHTNING II)	Started	Apr 2023
x. Achieve LIGHTNING II Initial Operating Capability (IOC) for land based operations	Mar 2019	Mar 2019
xi. Achieve LIGHTNING II Initial Operating Capability (IOC) for maritime based operations	Mar 2021	Mar 2021
xii. Withdraw the three variants of the TriStar transport / tanker aircraft from service	Started	Mar 2014

# 1. Restructure the Armed Forces and their capabilities

<b>ACTIONS</b>		
	<b><u>Start</u></b>	<b><u>End</u></b>
<b>1.8 Retire the MOD's Sea King helicopters</b>		
i. Work with the Department for Transport to enable it to assume responsibility for UK search and rescue (SAR) before the retirement of the MOD's Sea King helicopters.	Started	Mar 2016
<b>1.9 Review Force Generation</b>		
i. Implement the endorsed outcomes from the Force Generation Review	Started	Mar 2015
<b>1.10 Restructuring activities for Interim Force 2015 implemented in the RN, Army and RAF</b>	<b>Started</b>	<b>May 2015</b>



## 2. Deliver the Armed Forces Covenant and develop the New Employment Model

<b>ACTIONS</b>	<b>Start</b>	<b>End</b>
<b>2.1 Introduce the Armed Forces Bill</b>		
i. Publish the Armed Forces Covenant Annual Report 2012 (to include input from the 3rd Sector in line with the Civil Society Compact)	Dec 2012	Dec 2012
<b>2.2 Issue a revised Service Personnel sub-Strategy to include New Employment Model (NEM) principles</b>		
i. Conduct NEM programme projects identified by NEM Estimate (to include Future Accommodation Project (FAP))	Started	Jun 2012
ii. Deliver NEM Final Report (to include costed options) to inform Annual Budget Cycle 13 (ABC13)	Sep 2012	Sep 2012
iii. Develop NEM policy, software and implementation plan	Sep 2012	Apr 2015
iv. Implement NEM policy	Apr 2015	Apr 2020
v. Develop Future Armed Forces Pension Scheme (FAFPS) policy, software and implementation plan	Started	Apr 2015
vi. Implement FAFPS	Apr 2015	TBC
<b>2.3 Work with Charities</b>		
i. Develop a strategy, reflecting the Civil Society Compact, for working with Charities	Jun 2012	Dec 2012

### 3. Transform Defence

<b>ACTIONS</b>	<b>Start</b>	<b>End</b>
<b>3.1 Conduct work-stream analysis to review effectiveness and efficiency of:</b>		
i. Armed Forces force generation, including harmony and tour length		Ongoing
ii. Identify and implement Defence Equipment & Support (DE&S) Interim Structure to support the transformation of acquisition and support	Started	Mar 2013
iii. Identify and implement proposed future DE&S Organisation Design via The Materiel Strategy		Ongoing
iv. Restructure infrastructure management to transform estate management	Started	Apr 2015
v. Complete detailed Defence Infrastructure Organisation (DIO) organisational design	Started	Aug 2012
vi. Establish strategic asset management programme	Started	Jun 2012
vii. Award Next Generation Estate contracts		Ongoing
viii. Restructured DIO and Full Operating Capability (FOC)	Apr 2014	Apr 2014
ix. Release land with the potential capacity to deliver between 26,000 and 31,000 new homes, in support of the DCLG initiative <i>'to release public sector land to deliver up to 100,000 homes within the Spending Review period, and support economic growth'</i>	Started	Apr 2015
<b>3.2 Implement Defence Reform review endorsed outcomes:</b>		
i. Achieve Joint Forces' Command (JCF) Full Operating Capability (FOC)	Started	Apr 2013
ii. Implement New Head Office structure	Started	Apr 2013
iii. Publish Interim Command Plans	Started	Jul 2012
iv. Publish Command Plans	Oct 2012	Apr 2013
v. Implement Holding to Account	Jul 2013	Jul 2013
vi. Implement new financial model	Started	Mar 2013
<b>3.3 Ensure departmental transformation efforts are targeted to achieve maximum efficiencies:</b>		
i. Assess ongoing initiatives against major blocs of functional and commodity spend.	Started	Oct 2015
ii. Take action to ensure initiatives are targeted at areas that will yield the greatest efficiencies	Started	Oct 2015

### 3. Transform Defence

<b>ACTIONS</b>	<b><u>Start</u></b>	<b><u>End</u></b>
<b>3.4 Reduce the number of MOD civilians in the core Department by around 20,000</b>		
i. Deliver Tranche 2 by implementing Voluntary Early Release Scheme (VERS) 12/14	Started	Mar 2014

## 4. Deliver Defence in the most effective, efficient and sustainable way

<b>ACTIONS</b>	<b>Start</b>	<b>End</b>
<b>4.1 Take forward activities to achieve efficiencies, including as part of the Defence Reform agenda, and to reduce non-front line costs by £2bn per annum by 2014/15 through:</b>		
i. Equipment support savings	Started	Apr 2015
<b>4.2 Review of Single Source Pricing Regulations (The Yellow Book)</b>		
i. Implement endorsed outcomes	Jan 2013	Dec 2013
<b>4.3 Define and deliver a long-term sustainable development strategy that supports the delivery of the Department's Greening Government Commitments</b>		
i. Mainstream sustainable development principles within Defence strategies, policies, decision-making processes and associated programmes, projects and activities	Started	Apr 2015
ii. Monitor delivery of sustainable development programmes	Started	Mar 2015
iii. Cut greenhouse gas emissions from the defence estate and business related transport by 25% in line with Government 2015 targets	Started	Mar 2015
iv. To have progressively reduced the non-office water consumption by 7% between Apr 2011 and Mar 2015 (from 2009/10 baseline)	Started	Mar 2015
v. To have progressively reduced the amount of waste Defence generates by 25% between Apr 2011 and Mar 2015 (from 2009/10 baseline)	Started	Mar 2015
vi. To have met the Government's 2015 target for diverting waste from landfill	Started	Mar 2015
vii. Agree targets for reducing our key suppliers' greenhouse gas emissions	Mar 2014	Mar 2014
viii. Agree targets for reducing our key suppliers' water consumption and waste	Mar 2015	Mar 2015
ix. Comply with Government Buying Standards in departmental and centralised procurement contracts	Started	Mar 2015
x. Include a report on progress in mainstreaming sustainable development throughout the Department's operations, procurement and policy in the Department's Annual Report and Accounts	Jul 2013	Jul 2013
xi. Achieve sustainable development objectives and targets:	Apr 2015	Apr 2015

## 4. Deliver Defence in the most effective, efficient and sustainable way

<b><u>ACTIONS</u></b>	<b><u>Start</u></b>	<b><u>End</u></b>
<b>4.4 Reduce the Armed Forces reliance on fossil fuels</b>		
i. Reduce the Armed Forces fossil fuel consumption by 18% by 2020/21 (from 2009/10 baseline)	Started	Mar 2021

## D) Departmental expenditure

### Planned expenditure and major projects <sup>1</sup>

This section sets out the Department's planned expenditure over the Spending Review period, as agreed with the Treasury, and expected cost for the 2012/13 financial year on the Department's major projects.

Planned Expenditure (£bn)	2011/12 (budgeted)	2012/13	2013/14	2014/15
<b>Total departmental expenditure limits <sup>2</sup></b>	<b>38.0</b>	<b>34.3</b>	<b>33.9</b>	<b>33.2</b>
Programme Spending	28.5	25.1	24.7	24.4
Capital Spending	9.5	9.1	9.2	8.7

Major Projects Expected Cost (Top 4, £bn)	2012/13	Whole Life Cost
Typhoon	0.74	18.2
Astute Submarine	0.59	5.7
Type 45 Destroyer	0.17	5.7
Queen Elizabeth Class Carrier	0.60	5.1
<b>Total (All major projects)</b>	<b>3.29</b>	<b>67.1</b>

#### Definitions:

*Programme spending:* spending on activities, goods and services, such as pay and benefits

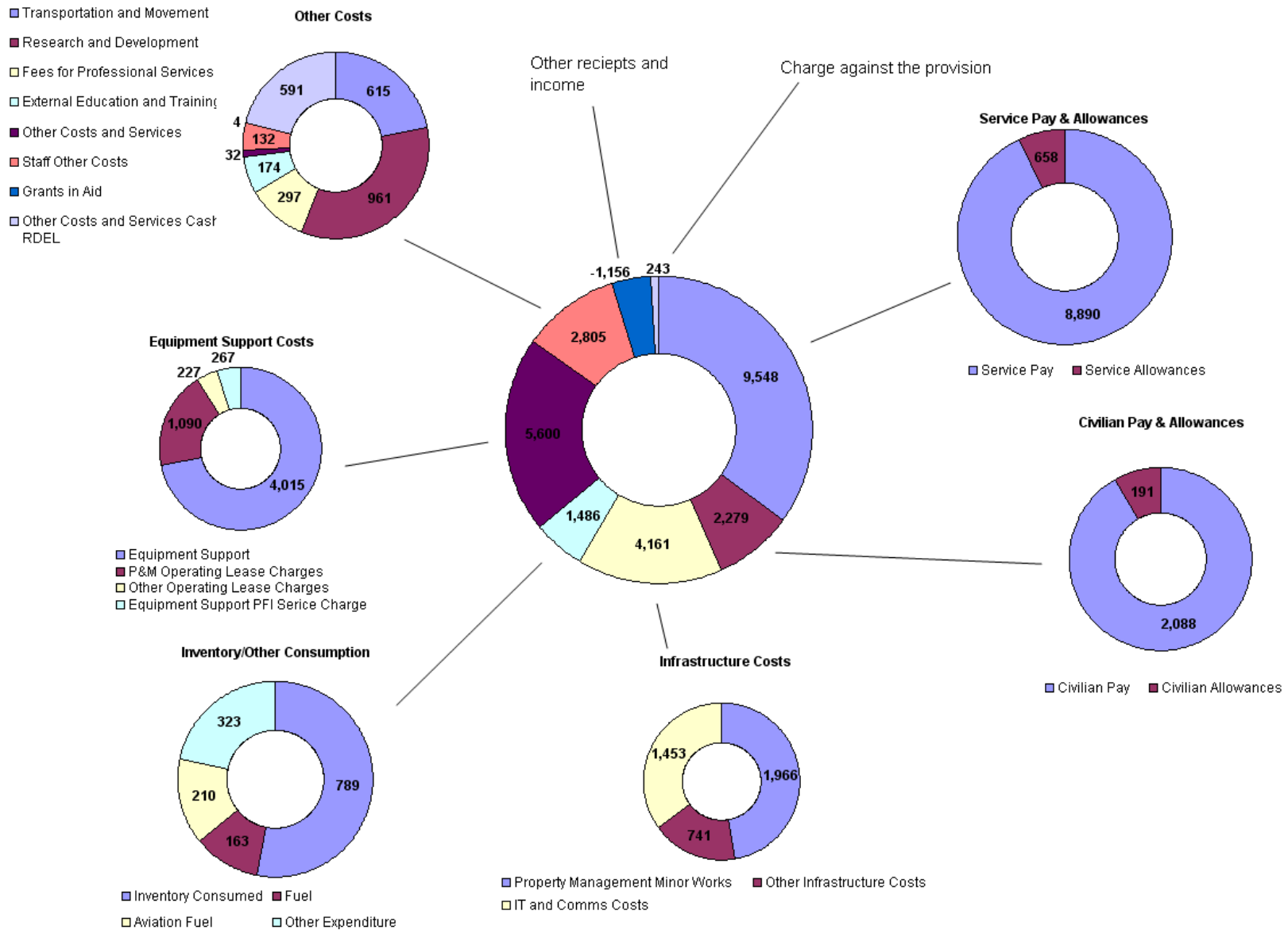
*Capital spending:* spending on assets with a lasting value, such as buildings and equipment

<sup>1</sup> Excludes departmental Annually Managed Expenditure. Includes operations for 2011-12. Numbers may not sum due to rounding

<sup>2</sup> Excludes depreciation

# Indicative budget allocation

This chart sets out further detail on how the Department's settlement will be allocated for the 2012/13 financial year across our key programmes and activities.



## Departmental efficiency

This data allows the public to compare the Department's operations to other organisations by setting out the cost of common operational areas, and sets out the Department's efficiency plans for 2012/13.

Spending Category	Latest Data	Actions to improve operational efficiency in 2012/13
<b>HR</b>	64,600 as at Dec 2011	32,000 civilian reductions by 2020. In addition, the cross-government pay freeze has been implemented and work is ongoing on allowances.
<b>Estates</b>	The cost of Office Estate was £71.5m at the end of FY 10/11	A large scale Estates Rationalisation programme is in place.
<b>Procurement</b>	Total procurement spend was £5.1bn as at Dec 2011	Common Commodity Procurement centralisation is underway. The Department is working with Government Procurement Services (GPS) to optimise the transition of MOD spend.
<b>Major Projects</b>	The Department's Major Projects had total contract value of £67.1bn at the end of FY10/11	Considered in the Materiel Strategy.
<b>Information Technology</b>	Total IT & Comms spend was £961m at the end of FY10/11	The Department's Chief Information Officer (CIO) is working with Top Level Budgets and Agencies to enable them to achieve Level 3 Information Assurance Maturity (IAMM) and is investigating the benefits of achieving Level 4 IAMM
<b>Corporate Services</b>	£9.81m on HR £34.88m on Finance £23m on Procurement £1.96m on Legal £9m on Communications as at Dec 2011	Defence Business Services (DBS) (comprising Civilian HR, Vetting, Finance and Knowledge and Information) was established in 2011, by bringing together a number of corporate services into a single organisation. This is the start of a journey to improve the delivery of enabling services so they are much more efficient, affordable and customer-focused.
<b>Fraud, Error and Debt</b>	1,025 Fraud Incidents Reported but unable to provide a value, and £109.2m Debt identified as at Dec 2011	The Department has just completed a review of its current fraud risk management arrangements relating to prevention, detection and investigation. The review has made a number of recommendations including the development of risk assessment methodology and fraud risk indicators. Proposals are being developed to improve the effectiveness of the Department's arrangements.
<b>SMEs and Voluntary Organisations</b>	£686m spent with SMEs and £148m with voluntary and community sector organisations as at end of FY10/11	Considered in the Materiel Strategy.



# E) Transparency

## Indicators and other key data

The Department has adopted the following input and impact indicators to help the public assess the effects of our policies and reforms on the cost and impact of public services. These indicators, and the other data specified here and in our Open Data Strategy, will be regularly published online.

Description	Type of data
<b>General indicators</b>	
Additional cost of operations in Afghanistan, per Service person deployed	Input indicator
Additional cost of new equipment (Urgent Operational Requirements (UOR)) for operations in Afghanistan, per Service person deployed	Input indicator
Average percentage by which the cost of the Department's Equipment Programme (EP) varies compared to forecasts in year	Input indicator
Cost of major Force Elements (FE): ship, brigade, aircraft (fixed wing) and helicopter	Input indicator
Direct personnel costs, per Service person <sup>1</sup>	Input indicator
Progress toward a stable and secure Afghanistan <sup>2</sup>	Impact indicator
Number of Service and MOD civilian personnel deployed on all operations in a year	Impact indicator
Percentage of Service personnel that are deployable	Impact indicator
Number of Force Elements (FE) (typically ships, ground force sub-units and aircraft) showing critical or serious weakness against the total number of FE for Strategy for Defence (SfD) priorities	Impact indicator
Percentage of Service personnel (split by Officers and Other Ranks (OR)) who are satisfied with Service life in general	Impact indicator
Overall public favourability of the UK Armed Forces	Impact indicator
Number of attaches and advisors deployed in support of conflict prevention and defence diplomacy activities	Other key data
Cost / Benefit ratio of the most critical programmes within the Defence Transformation Portfolio that have first business case approval	Other key data
Average number of months that the MOD Equipment Programme (EP) is delayed in year	Other key data
Percentage change in filling skills areas where there are insufficient trained Service personnel to meet the specified requirement	Other key data
Defence spending as a percentage of Gross Domestic Product <sup>3</sup>	Other key data

<sup>1</sup> Direct personnel costs, per MOD civilian are included in the Department's QDS.

<sup>2</sup> This informs the detailed updates to Parliament provided by the Foreign Secretary as a Written Ministerial Statement (WMS) in the House on behalf of the Secretary of State for Defence and the Secretary of State for International Development.

<sup>3</sup> Using the NATO definition of defence expenditure.

## Open data

This section sets out as a summary MOD's commitment to open data. Further details, including what new datasets will be published when, will be set out in full in MOD's Open Data Strategy, to be published this summer.

The MOD Open Data Strategy outlines how the department will proactively release datasets of public interest for the period 2012–2014. These fall into three categories of data: Big Data, My Data, Satisfaction and Experience Data. The MOD has identified the following key priorities:

- Review and refresh currently released datasets at regular intervals  
Review published datasets, against the five star quality rating and measurement system
- Improve the data quality of published datasets  
Review those datasets that have been published in non-reusable formats, converting and re-publishing them in a reusable, non-proprietary format. Datasets to achieve a minimum three star quality standard
- Targeted engagement with public facing aspects of the Department and arms length bodies  
There are functions within MOD that were originally established for purely Defence purposes that have developed to serve a much wider public service.<sup>1</sup> It is intended that those areas that do have an element of public service receive targeted engagement to deliver the strategy
- Identify and publish further data sets of public interest  
Key data release commitments will be undertaken. These fall into the category of Big Data, which is data routinely collected as part of everyday activities or specific initiatives. The majority of datasets MOD creates fall into this data category. Further datasets will be identified through the targeted engagement activities

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<sup>1</sup> e.g. The UK Hydrographic Office (UKHO)