



MINISTRY OF DEFENCE

MOD Public Service Agreement

# Autumn Performance Report 2009-10



## Introduction

This report shows performance over the period 1 July to 30 September 2009 against the Departmental Strategic Objectives agreed in the 2007 Comprehensive Spending Review. Progress against Performance Indicators (PIs) 1.1 and 2.1 contribute to performance against the Foreign and Commonwealth Office-led Public Service Agreement on Conflict. PI 1.1 also contributes to the Home Office-led Public Service Agreement on Counter Terrorism.

### MOD Departmental Strategic Objectives 2008-09 to 2010-11

#### **Objective 1: Achieve success in the military tasks we undertake at home and abroad.**

PI 1.1: **Success on operations**, assessed against the military strategic objectives for each operation or military task we are conducting, including counter terrorism.

**Overall Assessment:** *Some progress – Combat forces withdrew from Iraq ahead of schedule. The situation in Afghanistan remains serious.*

#### **Objective 2: Be ready to respond to the tasks that might arise.**

PI 2.1: **UK Defence Contingent Capability and delivery of Force Elements at Readiness**: Our ability to maintain forces at the readiness we deem necessary to respond to possible threats, assessed against the requirement set out in Strategic Guidance and the Defence Plan.

**Performance:** *Some progress: Readiness for contingent operations improved over the reporting period following a degradation in the previous quarter.*

PI 2.2: **Manning Balance**: Our ability to attract, recruit and retain the military personnel we need to deliver the capability to succeed on current operations and support our future readiness, assessed against what we deem to be the appropriate size and structure of the Armed Forces.

**Performance:** *Some progress. The Army remained within Manning Balance. The RN and RAF moved closer to Manning Balance.*

**Overall Assessment:** *Some progress. Readiness for contingent operations has improved. The Army remained within Manning Balance and the other two Services are forecasting a return to Manning Balance by the end of the financial year.*

#### **Objective 3: Build for the future.**

PI 3.1: **Procuring and supporting military equipment capability, through life**, assessed against achievement of targets for key user requirements; the full operational capability date; and in year variation of forecast costs for design, manufacture and support.

**Performance:** *Some progress. One sub indicator suggests meeting target; data on the remaining two is insufficiently mature.*

PI 3.2: **Procuring and supporting military non-equipment capability, through life**, assessed against achievement of targets for Key User Requirement, Full Operational Capability date, and in year variation of forecast costs.

**Performance:** *Not yet assessed. Reported for the first time in a new format.*

PI 3.3: **Sustainable Development**, assessed against achievement of objectives for sustainable consumption and production, climate change and energy, natural resource protection and environmental enhancement, and sustainable communities.

**Performance:** *Strong progress. Six out of eight sub indicators are reporting that they are on target.*

**Overall Assessment:** *Strong progress. Whist all sub indicators are reporting progress, one is being reported against for the first time in a new format.*

## **Value for Money**

Under the Comprehensive Spending Review, the MOD is committed to value for money reforms generating annual net cash-releasing savings of £3.15 billion by 2010-2011 (raised by £450M at Budget 2009), building on savings of £2.7 billion during the 2004 Spending Review period.

**Overall Assessment:** *On track to meet savings targets.*

## DEFENCE STRATEGIC OBJECTIVE 1: Achieve success in the military tasks we undertake at home and abroad.

**PI 1.1: Success on operations**, assessed against the military strategic objectives for each operation or military task we are conducting, including counter terrorism.

### Overall DSO Assessment

*Some progress – remaining military tasks completed in Iraq and combat forces were withdrawn by the end of July. In Afghanistan, the situation remains serious.*

Progress is being made against the military strategic objectives underpinning the UK's current operations and military tasks:

- In Iraq, remaining military tasks were completed and an end to the combat mission declared on 30 April 2009. All combat forces were withdrawn from Iraqi territory before the expiry of legal permissions at the end of July 2009. A defence training and maritime support agreement to provide continuing assistance to the Iraqi Navy has been agreed;
- Progress continues to be made in Afghanistan but it is slow and the situation remains serious. The Presidential election and local elections of 20 August 2009 were the first to be administered by the Afghan government in thirty years. Security was led by Afghan National Security Forces, supported, where required, by ISAF forces. The elections went ahead despite insurgent attempts to prevent them from occurring. British forces contributed to this effort by engaging in offensive operations against insurgents in central Helmand and supporting Afghan National Security Forces, where required, in providing security to voting stations on election day.

### Iraq

Between July and September 2009, UK Armed Forces deployed in Iraq (Operation TELIC):



- completed an orderly withdrawal to comply with the expiry of our current legal permissions at the end of July.
- handed over their contribution to the defence of Iraqi territorial waters and oil platforms to the United States. Royal Navy ships continued to assist wider coalition efforts in the Gulf outside of Iraqi territorial waters.

In early June, the Iraqi Cabinet endorsed a UK defence training and maritime support agreement that sees around 100 Royal Navy personnel continue to provide training and assistance to the Iraqi Navy, as well as protection of Iraqi territorial waters and offshore oil platforms. This agreement went to the Iraqi Council of Representatives for ratification, but due to issues of quorum was not fully considered prior to parliamentary summer recess. However, on 23 October the agreement was finally passed by the Iraqi parliament and ratified by the Presidency Council ten days later. UK forces are now resuming their military tasks under the terms of this agreement.

Separately, the UK took the lead for Iraqi officer training and education at the Iraqi Military Academy Al Rustimiyah, near Baghdad, under the NATO Training Mission. This activity is covered by NATO's Long term Agreement.

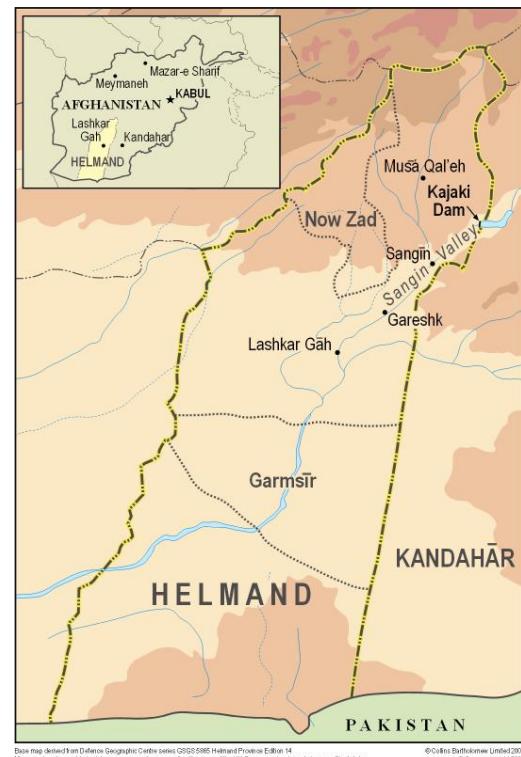
Troop numbers steadily reduced throughout this period as the July expiry date of the legal permission to remain in Iraq approached. By the end of September, force levels in support of Operation TELIC stood at around 1,700, with around only forty of those actually based in Iraq (in the British Embassy Defence Section, and NATO Training mission).

## Afghanistan

Between 1 July and 30 September 2009, UK Armed Forces deployed in Afghanistan continued to contribute to the NATO-led International Security Assistance Force (ISAF) efforts to support the elected Government of Afghanistan as it expanded and consolidated its authority across the country.

The principal mission of British forces during the period was Operation PANCHAI PALANG (Panther's Claw) which began on 19 June and sought to clear insurgents out of the Taliban-controlled Babiji area of Central Helmand. This was a joint UK-Afghan operation with support from Danish and Estonian forces. It was synchronised with US operations in Nawa and Southern Helmand. During the course of the operation, the Afghan National Army contingent, mentored by 2<sup>nd</sup> Battalion The Mercian Regiment (Worcesters & Foresters), cleared numerous compounds and, together with the Afghan National Police, manned checkpoints, providing invaluable and positive interactions with the local population.

The final push in the five-week long operation began on 20 July 2009 when the 2<sup>nd</sup> Battalion The Royal Welsh (The Royal Regiment of Wales), in Warrior armoured vehicles, accompanied by a Danish battalion, carried out an armoured sweep south west of Spin Masjed, while 160 men from The Black Watch, 3<sup>rd</sup> Battalion The Royal Regiment of Scotland, carried out an air assault to secure ground west of Babiji. Over the following 24 hours the The Black Watch, 3<sup>rd</sup> Battalion The Royal Regiment of



Data map derived from Defense Geographic Center Series (GDB-5085) Humanitarian Products Edition 14. Maps or reduced size not to be taken as necessarily presenting the views of the UK Government on boundaries or political status.

© Crown Copyright 2007

Scotland with the Light Dragoon Battle Group drove the remaining Insurgent presence out of the area. The end of the operation was marked by a shura at Pay Kalay on 26 July 2009 attended by Helmand's Governor Mangal, Taskforce Helmand's Brigadier and local tribal representatives. The next phase, which immediately followed the end of offensive operations, involved the civilian-military effort to consolidate the Afghan Government's influence in the area to build security and the rule of law, and to encourage economic development.

This quarter, July – September, saw some of the heaviest fighting which tragically resulted in 49 UK fatalities. UK personnel put their lives on the line to help the people of Afghanistan to build a strong and stable country; we cannot pay high enough tribute to the job that they are doing, or the sacrifice some of them have made.

Elsewhere in Helmand, British forces have continued to undertake activities which aim to provide security in the major population areas and create the conditions for the Government of Afghanistan to increase its influence and control. Operation CHASMI PALANG was the overarching Task Force Helmand operation for the deployment of 19 Light Brigade in support of this goal and Operation SHERJAH PALANG sought to consolidate all the deliberate activity which was conducted to set conditions across the Task Force Helmand's area, preparing for the next major relief in place – HERRICK 11.

Following his campaign review, Commander ISAF, General McChrystal, released his initial assessment of the situation in Afghanistan to NATO Allies on the 17 September. The Assessment recommended that ISAF adopt a more comprehensive Counter-Insurgency approach to its operations, focussing on the needs of the Afghan people, and the process of 'Afghanisation' in which the international effort will gradually transferred to Afghan control. A key element of this approach is "Embedded Partnering". This method of operating should see Afghan National Security Forces and ISAF Forces conducting operations under a more integrated structure with Afghan forces being 'partnered' at every level of command. Partnering will build on the mentoring and training role currently undertaken by British forces in Helmand and work is underway to determine how it will affect the nature and role of UK forces over the coming months.

#### Elsewhere in the world, UK Armed Forces:

- continued to deploy around 11 personnel in the Balkans (Sarajevo). The drawdown, which was announced by the Secretary of State for Defence in March 2009, reflects the significant progress made by Kosovo over the last twelve months in reinforcing stability and the changing requirements of the NATO force in Kosovo (KFOR);
- provided some 271 personnel for UN operations; Cyprus (260), Democratic Republic of Congo (7), Sudan (2) and EU African Mission in Sudan/Darfur (AMIS) (2);
- met continuing standing commitments, with forces based in Cyprus (some 2,384 personnel), the Falkland Islands and Ascension Island (some 1,101 personnel),

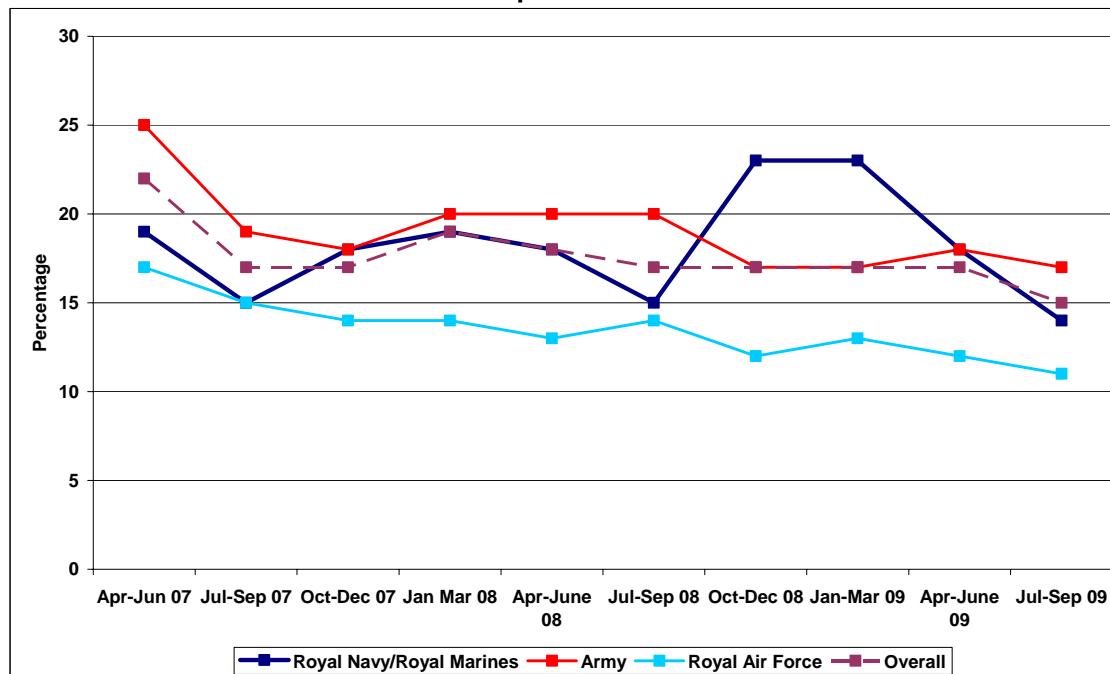
Gibraltar (some 126 personnel) and British Indian Ocean Territories (some 37 personnel);

- contributed to the NATO standing naval presence in the Atlantic and Mediterranean;
- maintained the UK's independent nuclear deterrent; and continued to protect UK airspace and waters and provide support to the civil authorities in search and rescue, fishery protection, bomb disposal and counter-drugs activities;
- contributed to HMG's counter-terrorism strategy by delivering military advice and assistance across all four strands (Pursue, Protect, Prepare, Prevent), including training assistance to a number of high priority countries in capabilities such as land and maritime border security, counter-terrorist detention, public order, and aviation security;
- contributed to UK led counter-piracy operations off the Horn of Africa as part of NATO, EU and coalition initiatives as well as helping protect World Food Programme shipping.

## Activity Levels

Between 1 July and 30 September 2009, 14% of the Royal Navy (18% in the previous quarter), 17% of the Army (18% in the previous quarter) and 11% of the RAF (12% in the previous quarter) were deployed on operations and undertaking Military Tasks. In total, some 15% of regular Armed Forces (measured as man-day equivalents for each service) were deployed on operations and undertaking Military Tasks (17% in the previous quarter). The decreases were due to the drawdown of the final elements of forces in Iraq on Operation TELIC and completion of a large naval exercise off Brunei called Exercise TAURUS 09.

**Percentage of the Armed Forces deployed on Operations and undertaking Military Tasks since April 2007**



A detailed breakdown of the proportion of the Armed Forces deployed on operations and undertaking Military Tasks is below.

Deployed on Contingent Operations					Undertaking Military Tasks				
	Oct-Dec 08	Jan-Mar 09	Apr-Jun 09	Jul-Sep 09	Oct-Dec 08	Jan-Mar 09	Apr-Jun 09	Jul-Sep 09	
<b>Royal Navy</b>	13%	12%	5%	5%	10%	11%	13%	9%	
<b>Army</b>	9%	9%	11%	10%	8%	8%	7%	7%	
<b>Royal Air Force</b>	7%	7%	6%	5%	5%	6%	6%	6%	
<b>Overall</b>	9%	9%	8%	8%	8%	8%	9%	7%	

The table reflects numbers of personnel deployed or undertaking military tasks. In the case of deployment on contingent operations, for each person deployed there will usually be at least two other people committed either preparing to deploy, or recovering from deployment. In addition, there are large numbers of personnel in direct support of military operations and tasks including intelligence gathering, provision of medical support and the procurement of equipment to meet urgent operational requirements.

## DEFENCE STRATEGIC OBJECTIVE 2: Be ready to respond to the tasks that might arise:

### Overall DSO Assessment

*Some progress. Readiness for contingent operations has improved. The Army remained within Manning Balance and the other two Services are forecasting a return to Manning Balance by the end of the financial year.*

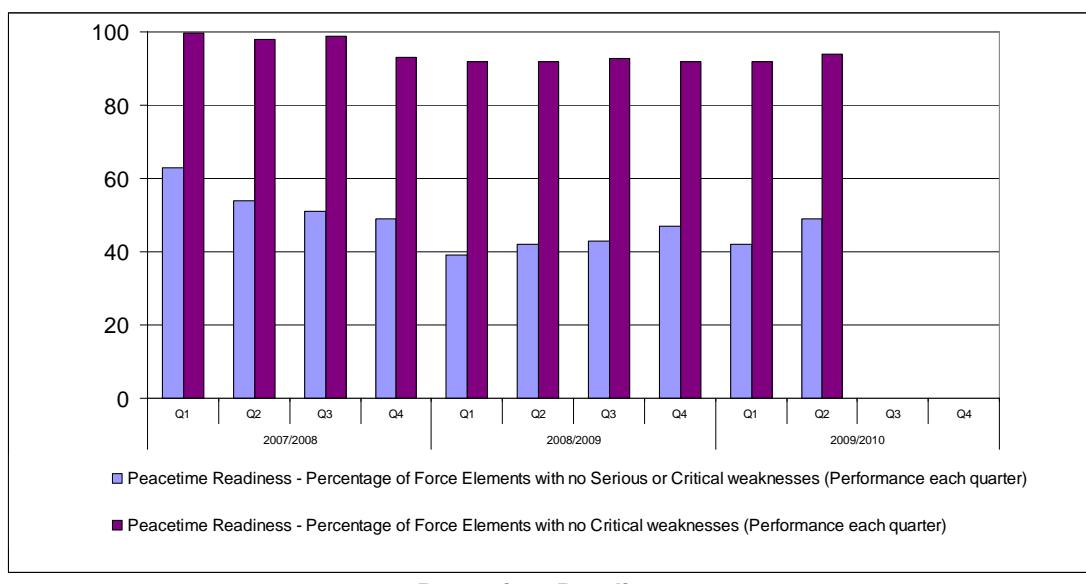
**PI 2.1: UK Contingent Capability and delivery of Force Elements at Readiness:** Our ability to maintain forces at the readiness we deem necessary to respond to possible threats, assessed against the requirement set out in the Strategic Guidance and the Defence Plan.

### PI Assessment

*Some progress. Readiness for contingent operations has improved by seven points, resuming an overall upwards trend over the previous year.*

The Armed Forces' overriding priority is achieving operational success. They have been operating at, or above, the level of concurrent operations that they are resourced and structured to deliver since 2002. In such circumstances, the Armed Forces cannot simultaneously be ready for the full range of potential contingent operations provided for in the planning assumptions.

As part of the transition from reporting against the 2004 Spending Review readiness target to the 2007 Comprehensive Spending Review objective we have reviewed the detailed methodology and targets underpinning our readiness assessment to ensure that they reflect current operational priorities rather than those of five years ago. Some longer term readiness targets for forces, not required for current operations, were relaxed in 2008 to allow resources to be focused on operational priorities. Currently 49% of force elements reported no serious or critical weaknesses against their peacetime readiness levels from July to September 2009, this is an increase from the first quarter of 2009-10 (42%).



**PI 2.2: Manning Balance:** Our ability to attract, recruit and retain the military personnel we need to deliver the capability to succeed on current operations and support our future readiness, assessed against what we deem to be the appropriate size and structure of the Armed Forces.

#### PI Assessment

*Some progress has been made by all three Services. The Army remains in Manning Balance, the RN and RAF continue to move towards Manning Balance and are forecast to achieve it by the end of the financial year.*

The manning picture has continued to improve in terms of overall numbers as a result of significant recruitment and retention action and economic circumstances. The Trained Strength against the Requirement is slightly higher. There are substantial increases in the numbers joining the Untrained Strength (predominantly recruits) of the Regular Forces and reductions in the number of personnel leaving the Trained Strength. This will, in due course, lead to greater Gains to the Trained Strength.

There has been a significant improvement in recruiting by all three Services by exploiting a significantly higher level of interest in a career in the Armed Forces. This interest is in part fuelled by the economic situation, which is acknowledged to be a temporary stimulant. A particular benefit of having a larger recruiting pool is that the Services are able to select high quality recruits, whom, it is hoped, will recognise the benefits of military service as a long term career. As each of the Services move towards Full Strength the main effort will be to correct the imbalances in Pinch Point trades, many of which are affected by high operational demands. The recruitment of Ethnic Minorities remains a considerable challenge and the overall increase is to be welcomed. All three Services have comprehensive strategies to encourage greater representation of Ethnic Minorities in order to attain a balance in the Armed Forces that better reflects the ethnicity balance in society.

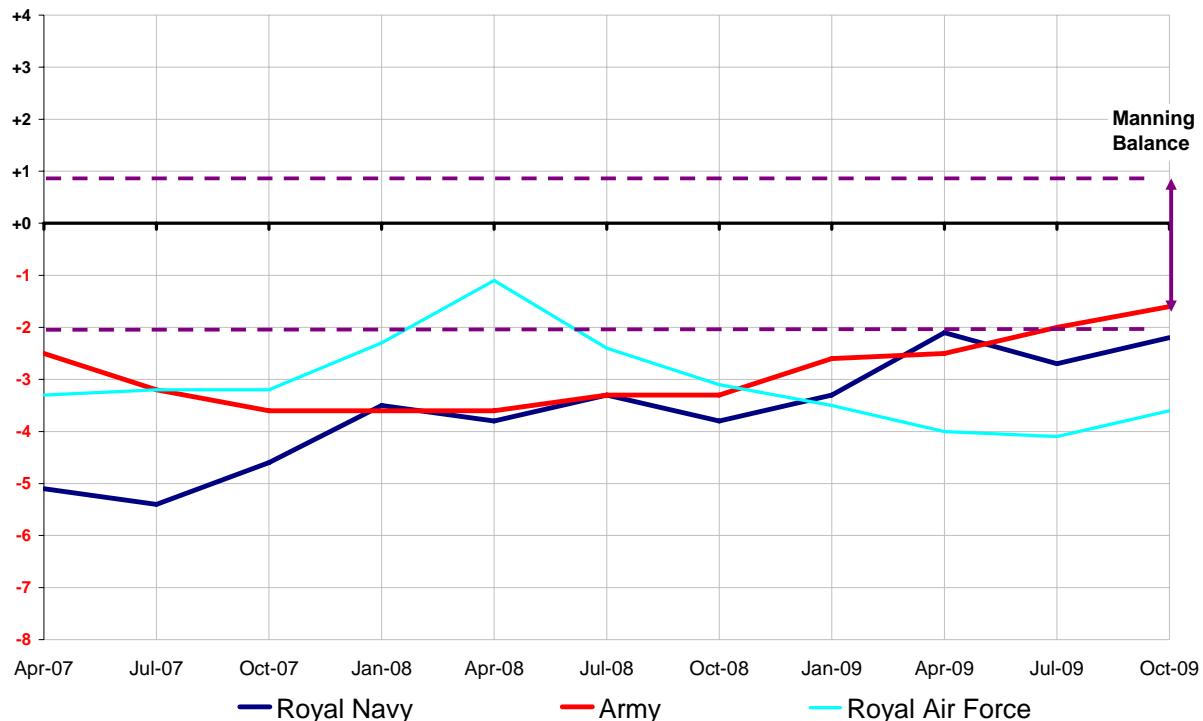
The decreasing level of Outflow over the past 12 months is very encouraging and the focus is now swinging towards the retention of our Service personnel, particularly those personnel in Pinch Point trades, to maintain operational capability and robust manning structures. Current retention levers such as Financial Retention Incentives, career breaks, the tri-Service Commitment Bonus and improved support to families, will be essential and must continue to be refined and targeted at the most vulnerable trades.

## Assessment<sup>1</sup>

### Manning Balance<sup>2</sup>

As at 1 September 2009:

- Naval Service Manning was at 97.8%, 0.2% below Manning Balance;
- Army Manning was at 98.4%, and in Manning Balance;
- Royal Air Force Manning was at 96.4%, 1.6% below Manning Balance.



<sup>1</sup> Owing to introduction of a new personnel administration system (JPA), the military manpower data in this report from April 2007 are provisional and may be subject to a qualification at some later date.

<sup>2</sup> Manning Balance is defined as between -2% and +1% of the trained strength requirement, and is measured against the requirement prevailing at the time. Since that requirement is dynamic, the underlying baseline numerical target varies over the PSA period.

## Gains to Trained Strength<sup>3</sup>

UK Regular Forces<sup>1</sup> changing from "Untrained" to "Trained" Status<sup>2</sup>

	FY 2009-10		
	to 30 Jun 09	to 31 Aug 09	End of Year Target <sup>3</sup>
<b>Naval Service</b>			
Total Officers	760 <sup>P</sup>	1,220 <sup>P</sup>	3,476
Other Ranks	60 <sup>P</sup> 690 <sup>P</sup>	120 <sup>P</sup> 1,100 <sup>P</sup>	
<b>Army</b>			
Total Officers	2,540 <sup>P</sup>	4,020 <sup>P</sup>	9,593
Other Ranks	200 <sup>P</sup> 2,340 <sup>P</sup>	300 <sup>P</sup> 3,710 <sup>P</sup>	
<b>Royal Air Force</b>			
Total Officers	700 <sup>P</sup>	1,220 <sup>P</sup>	3,591
Other Ranks	110 <sup>P</sup> 590 <sup>P</sup>	200 <sup>P</sup> 1,020 <sup>P</sup>	

### Notes

Achieved numbers have been rounded to 10. When rounding to the nearest 10, numbers ending in "5" have been rounded to the nearest multiple of 20 to prevent systematic bias

Where rounding has been used, totals and sub-totals have been rounded separately and so totals may not equal the sums of their rounded parts

<sup>P</sup> Denotes provisional due to ongoing validation of data from the JPA system. Figures are as recorded on JPA in the period ending on the date shown.

1 - UK Regular Forces includes Nursing services and excludes Full Time Reserve Service personnel, Gurkhas, the Home Service battalions of the Royal Irish Regiment and mobilised reservists.

2 - Regular personnel whose untrained strength flag on JPA changes from "Yes" to "No". This typically happens when trained recruits complete Phase II training. The exceptions being Army Officers who are trained on completion of Phase I, and some specialities groups in the Royal Navy and RAF who are required to complete additional Phase II training.

3 - Targets are those set by the Single Services and are not generated by DASA.

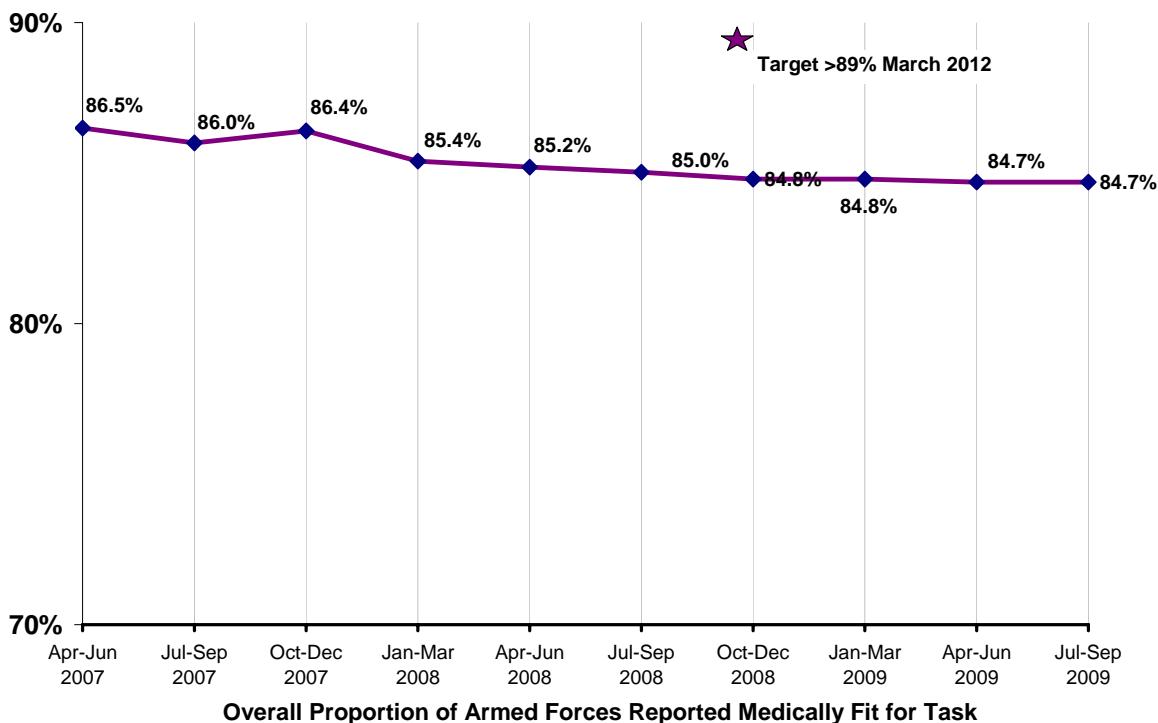
4 - Analysis by DASA of the flow of Personnel from Untrained to Trained has shown that approximately 25% of the annual output from Phase II training occurs in each quarter. This does vary but there is no evidence of a consistent and strong seasonal effect.

<sup>3</sup> This data is not used in the assessment of PI2.2, but is provided to illustrate the recruiting aspect of the manning position of the Armed Forces.

## **Medically Fit For Task<sup>4</sup>**

At least 90% of Service personnel to be medically fit for task by 1 April 2012

As at 30 September 2009 84.7% (84.8% in last quarter) of the Armed Forces were reported as fit for their primary task and are fully deployable. The vast majority of those not fit for their primary task are working normally and continue to contribute to operational effectiveness, but their deployability is limited. There remains a significant lack of confidence in the data and work is underway to improve the accuracy.



## **Voluntary Outflow Rates<sup>5</sup>**

	Long term sustainable rate	01 Sep 09
Naval Service Officers	2%	4%
Naval Service Other Ranks	5%	5.4%
Army Officers	4.1%	N/A
Army Other Ranks	6.2%	4.8%
Royal Air Force Officers	2.5%	2.5%
Royal Air Force Other Ranks	4.0%	4.4%

Source Data: DASA Monthly Manning Report

Voluntary Outflow information has not been published for the Army since the introduction of JPA due to the ongoing validation of data.

<sup>4</sup> This data is not used in the assessment of PI2.2, but is provided to illustrate the delivery of capability, by showing the numbers Service personnel medically fit for their primary task and deployable on operations.

<sup>5</sup> This data is not used in the assessment of PI2.2, but is provided to illustrate the retention aspect of this PI.

### Levels of Individual Separated Service<sup>6</sup>

	Guidelines	Performance
Royal Navy / Royal Marines	In any 36 month period, no one to exceed 660 days separated service.	Fewer than 1% of Royal Navy personnel exceeding 660 days separated service. Increasing numbers of personnel approaching limits.
Army	In any 30 month rolling period no one to exceed 415 days separated service. Trained Strength not to experience separated service in excess of 280 days (all codes) in any 24 month period.	10.3% of Army personnel breached the Army individual Harmony guideline. <sup>7</sup>
Royal Air Force		As at 1 Apr 09 5% of Royal Air Force personnel breached their target.

<sup>6</sup> This data is not used in the assessment of PI2.2, but is provided to illustrate the retention aspect of this PI

<sup>7</sup> The Army will not complete a full Harmony cycle until Jan 2010. The current figure is the last recorded figure and will be updated in Jan 2010.

## OBJECTIVE 3: Build for the future.

### Overall DSO Assessment

**Strong progress.** Whilst all four sub indicators are reporting progress, one is being reported against for the first time in a new format. The lack of historic data on this limits the assessment that can be made.

## PI 3.1 Procuring and supporting military equipment capability through life.

### PI Assessment

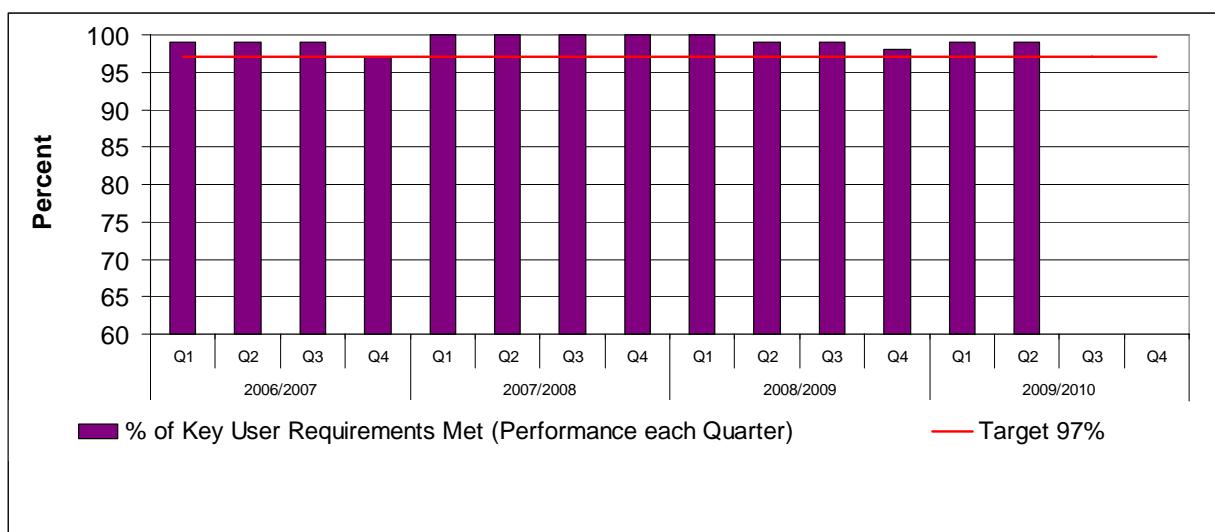
**Some progress.** Three sub indicators suggest the target will be met, and the remaining indicator is not yet sufficiently mature.

## Assessment against Performance Indicators

**PI 3.1.1** Achieve at least 97% of Key User Requirements for all Category A to C Projects that have passed Main Gate Approval, to be achieved throughout the PSA period.

As at 30 September 2009, 99% of Key User Requirements had been reached.

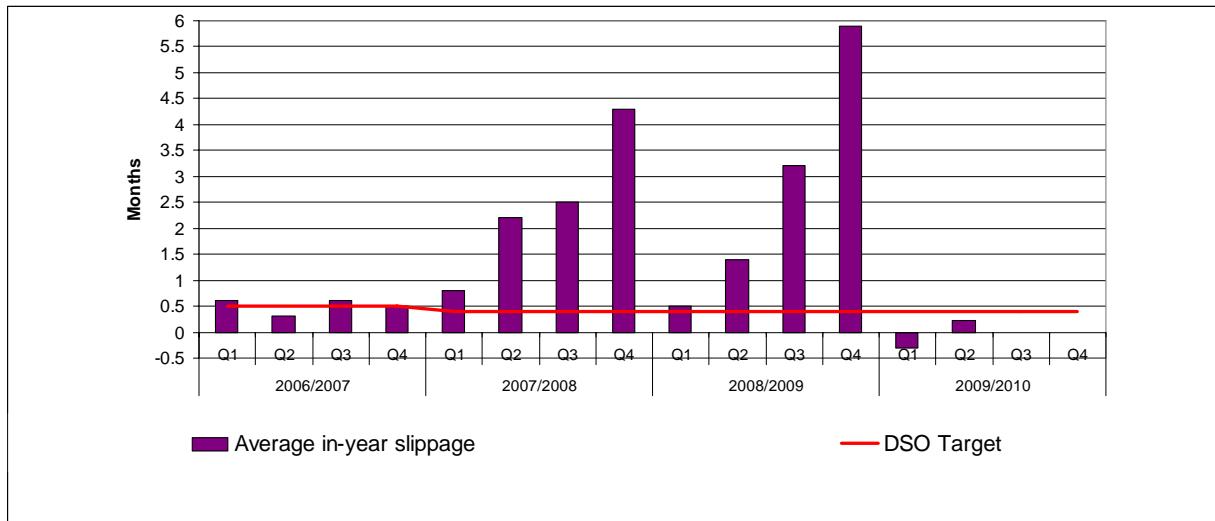
Performance against Key User Requirements



**PI 3.1.2** Average in-year variation of forecast In Service Dates (ISD), for all Category A to C Projects that have passed Main Gate Approval, to be no more than +0.4 months.

As at 30 September 2009, current average in-year variation is 0.23 months.

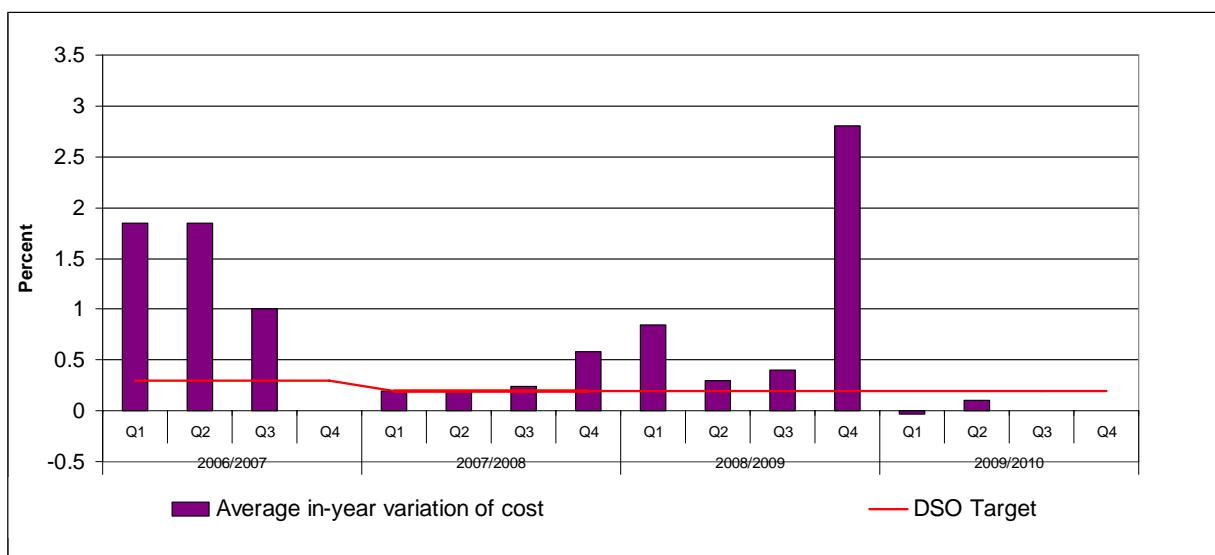
**Performance against In-year variation of forecast In Service Dates**



**PI 3.1.1** Average In-Year variation of forecast costs for Design and Manufacture phase, for all Category A to C projects that have passed Main Gate approval, of less +0.2%.

As at 30 September 2009, cost growth was at 0.1% across all Category A-C projects.

**Performance against In-year variation of forecast costs for Design and Manufacture phase**



**PI 3.1.4 Supporting military equipment capability through life**

The supporting military equipment capability through life element of this measure is being reported for the first time this quarter. The assessment relates to key support outputs, covering that part of the support that the Defence Equipment & Support Top Level Budget is responsible for, but does not encapsulate the element of support which is undertaken directly by the relevant Front Line Command. The baselines for these judgements are contained in internal agreements between DE&S and the appropriate Front Line Command. The overall assessment is that the risk of the full expectations not being met is low.

The specific Front Line Command positions are as follows:

**Fleet** – The Surface Ship overall performance has seen a general improvement as demonstrated by an increase in platform and equipment availability. Frigates performance remains a concern around overall fleet fragility and upkeep period overruns. The submarine (SSN) programme remains extremely taut with resource constraints and equipment age making delivery of the required performance challenging.

**Air** – Overall aircraft serviceability rates are stable and meeting targets.

**Land** – Overall there is some risk to delivery of the agreed level of routine non-operational outputs due to the focus on operations. This is reflected in reduced spares support and lower base overhaul throughput for non-operational platforms. Despite this the Land Forces are not reporting an impact on training. Non-operational helicopters have met their required flying hours within the quarter and serviceability is gradually improving.

## PI 3.2 Procuring and supporting non military equipment capability through life.

### PI Assessment

*Not yet assessed. This is the first report in this format, and even though the report suggests “strong progress” historic data is not available to determine the trend.*

Our initial intention in reporting on infrastructure procurement was to apply single performance targets and metrics to a snapshot of a diverse range of modernisation and rationalisation programmes at varying stages in their lifecycles. This led to unrepresentative results, which it would not have been helpful to include in performance reports. Following an evaluation of the requirement to demonstrate how we are building for the future, a more structured and granular approach has been devised involving collecting, evaluating and reporting information on the progress of individual programmes against their specific targets. This is set out below.

We continue to focus on the Non-Equipment Investment Plan (NEIP), a grouping of some 60 investment programmes which cover a wide range of activity including accommodation and IT projects. The performance report is based on a sample of the 13 projects which account for nearly 50% of the revenue expenditure (RDEL) and over 75% of the capital spend (CDEL) of the overall NEIP.

The format now makes use of a traffic light colour system to quickly show performance of projects. The key for assessing progress is below.

	Green	Yellow	Amber	Red
Key User Requirements	>95%	>90%	>85%	<85%
Costs	>98%	>93%	>85%	<85%
Schedule	< 1 Month	< 2 Months	< 3 Months	> 3 Months

*NB. A project reporting meeting more than 95% of Key User Requirements would be marked Green, whereas one meeting fewer than 85% would be marked Red.*

## Assessment

All projects in the sample are reporting good progress against budget and schedules and that key performance indicators (KPIs) and key user requirements (KURs) are being achieved. Across the sample over 99.5% of KURs were achieved in the reporting period

<b>Programme</b>		
<b>Objective</b>	<b>Current Position</b>	<b>Commentary</b>
<b>KURs</b>		Weighted average success rate is 99.5%
<b>Cost</b>		Two projects reported minor overspends at the end of the reporting period, but overall costs are within budget. With the exception of one minor forecast overspend, all projects expect to be completed within budget.
<b>Time</b>		Two projects reported minor slippage in the reporting period, but only one is forecasting a minor delay in its completion date. Overall the NEIP projects are on schedule.
<b>Commentary:</b> The individual projects within the NEIP sample are all reporting good progress. With minor exceptions (which are being managed), they are within budget and on schedule.		

## Project Performance Summary

<b>NON-EQUIPMENT INVESTMENT PLAN OVERALL ASSESSMENT</b>			<b>KUR</b>	<b>Cost</b>	<b>Time</b>
<b>Procurement</b>					
1 Defence Information Infrastructure (Future)					
2 Programme to Rationalise & Integrate Defence Intelligence Staff Estate					
3 Defence Equipment & Support Collocation					
4 DFTS (Defence Fixed Telephone System)					
5 Regional Prime Contract (Central) )					
6 Midland Medical Accommodation					
7 Single Living Accommodation Modernisation (SLAM)					
<b>Support</b>					
8 BORONA (reducing the Defence Estate in Germany)					
9 Whole Fleet Management (JAMES)					
10 Corsham New Environment (CNE)					
11 Allenby/Connaught PPP					
12 Defence Training Review Package 1					
13 Royal School of Military Engineering (RSME)					

<b>Non-Equipment Investment Plan Programme – Detailed Project Reports</b>	
<b>1. Defence Information Infrastructure (Future)</b>	The programme is on track to deliver a secure and coherent information infrastructure across Defence at minimum whole life cost whilst maintaining continuity of service. The programme has made significant rollout progress so far and is now focussed on the delivery of the required functional capability to the user. The DII Programme has delivered just under 93,000 terminals and around 218,800 accounts to DII(F) users across 701 sites.
<b>2. The Programme to Rationalise and Integrate Defence Intelligence Staff Estate (PRIDE)</b>	The PRIDE programme will collocate key Defence Intelligence units. Construction work has started and is on schedule for completion by Autumn 2013.
<b>3. Defence Equipment &amp;Support Collation</b>	Work began in 2003 on the feasibility and benefits of collocating parts of what is now DE&S to Abbey Wood in Bristol. The resulting Collocation Project is facilitating better decision-making in the early stages of acquisition and is improving the through-life management of defence equipment, thereby driving down costs and improving the delivery of capability to the Front Line. The collocation will result in DE&S vacating six other sites in England.
<b>4. DFTS (Defence Fixed Telephone System)</b>	DFTS is the provision of Telecommunications services to the UK and some overseas locations through a Public and Private Partnership (PPP) with a UK contractor from 1997 until 2012.
<b>5. Regional Prime Contract (Central)</b>	The RPC (Central) geographic region comprises the West Midlands, the North West and North East of England together with Wales. The Prime Contract requires the contractor to deliver all core estate services (planned and reactive maintenance) for the individual establishments across the region and meet building condition targets. All assets will be maintained to at least their existing condition and will comply with statutory requirements.
<b>6. Midland Medical Accommodation (MMA)</b>	The MMA Project aims to provide a strategic focus for Defence Medical Services (DMS) at DMS Whittington, Lichfield to support the development of a Midlands based military centre of clinical, research and training excellence no later than by March 2014.
<b>7. Project SLAM (Single Living Accommodation Modernisation)</b>	Project SLAM is a tri-service project to deliver modern, high quality single living accommodation (SLA) for our Armed Forces personnel across England, Wales and, to a lesser extent, Scotland. Defence Estates and the Prime Contractor are responsible for design, construction and initial seven year maintenance of the new facilities. By September 2009 it had delivered 13,740 bed spaces. Project activity (Bed spaces delivered) in the reporting period was 1,224 bed spaces.
<b>8. BORONA</b>	The BORONA Programme is tasked with reducing the Defence Estate in Germany. From 2010 to 2017 three major formations will be moved from Germany to UK, other units will be relocated within Germany to Gutersloh Garrison, leading to the closure of Rhine Garrison in 2014 and Munster Station in 2017 (the latter completing the closure of Osnabruck Garrison).
<b>9. Tri-Service Whole Fleet Management (WFM) &amp; JAMES</b>	WFM is a major change programme enabled by the Joint Asset Management and Engineering Solution (JAMES), a new management information system. This will provide better management of the Defence Land Fleet and facilitate training using substantially fewer vehicles. During the current reporting period the planned full operating capability of the Land Training Fleet was achieved as scheduled and within budget. JAMES 1 roll-out will be completed as scheduled in March 2010.
<b>10 Corsham New Environment (CNE)</b>	Corsham New Environment Programme comprising two coordinated projects. The Corsham Development Project is the Private Finance Initiative (PFI) contract for the provision of a new estate development and the Business Change Project ensures continuity of Information Services & Systems services and support to operations during the transition to the new development. The project faces no substantive issues impacting on completion to agreed time, cost and quality for the main construction programme.

**11. Allenby/Connaught PPP**

Project Allenby/Connaught is the largest MOD PFI accommodation and services project. The 35 year contract was let in April 2006 and has a total through life value of around £8Bn of which £1.3Bn is capital expenditure involving extensive new build and refurbishment programmes. It provides modern living and working accommodation for military and civilian personnel in Aldershot and at five garrisons located in the Salisbury Plain Area, which accommodate nearly 20% of the Army's overall strength. . The project also provides a full range of support services.

The project is currently three and a half years into the eight year construction phase of the project. Service delivery and the construction programme meet contracted performance requirements.

**12. Defence Training Review (DTR) Package 1**

The Defence Training Review Programme will deliver specialist training on a tri-service basis. National Centres of Training Excellence will provide MOD and Service personnel with the best possible opportunities, training and living environment. Package 1 of the Programme covers three Defence Colleges; Defence College of Aeronautical Engineering, Defence College of Communications and Information Systems and Defence College of Electro Mechanical Engineering.

Work to date has increased confidence that the project will be affordable, value for money and deliverable, but there remain challenges particularly with affordability in the early years of the project.

**13. Royal School of Military Engineering (RSME)**

Royal School of Military Engineering Public Private Partnership (RSME PPP) project is a 30 years project lasting until 2038. A private sector partner will assist the RSME in achieving the best value for money (vfm) solution for the delivery of individual training to maintain and improve the quality of the Military Engineers provided to the Field Army. The contractor provides training, training support, soft services, hard facilities management and infrastructure to the RSME.

Good progress has been made towards meeting Key User Requirements (KURs).

**PI 3.3 Build for the future (by procuring and supporting military capability, and through sustainable development).**

**PI Assessment**

***Strong progress. Six of eight indicators forecast meeting targets. Of the remaining two, one reports the target unachievable as is consulting on the setting of a revised target.***

In November 2008 the Defence Secretary agreed a Sustainable Development Strategy, a Climate Change Strategy and a Sustainable Development Report and Action Plan.

**Assessment against Performance Indicators**

**Sustainable Procurement**

Target: Become a national leader in Sustainable Procurement by December 2009. Using the Government's Sustainable Procurement Task Force Flexible Framework as the measuring tool. The MOD's position on the Flexible Framework is measured against five themes: People; Policy; Strategy & Communication; Procurement Process; Engaging Suppliers; and Measurements & Results. The specific targets are to reach Level 3<sup>8</sup> in four themes and Level 5 for engaging suppliers by December 2009, and Level 5 in all themes by 31 March 2011.

**Assessment: Unachievable**

MOD continues to make progress against the Sustainable Procurement Task Force Flexible Framework. However, resource constraints mean we cannot now achieve the December 2009 target. Defra are currently consulting on new targets to reach Level 3 by 2012 and Level 5 by 2015.

**Waste management**

Target: Departments to increase their recycling figures to 40% of their waste arisings by 2010.

**Assessment: Exceeded target**

MOD achieved 51% in recycling and reuse of its waste by March 2009. We will continue to minimise waste and maximise recycling and recovery, aiming to be a zero waste to landfill organisation by 2020.

Target: Departments to reduce amount of controlled waste by 5% by March 2011 and 25% by March 2020 relative to baseline levels.

**Assessment: On target**

The Department is on track to meet a 5% reduction in total waste arisings by March 2011. As of March 2009 the Department has reduced its total waste arising against the agreed baseline by approximately 4%.

<sup>8</sup> There are five levels of performance against each matrix theme: Level 1 Foundation; Level 2 Embed; Level 3 Practice; Level 4 Enhance; Level 5 Lead.

### **Energy use in buildings**

Target: Reduce carbon dioxide emissions by 15% by 2010-11 and by 30% by 2020, relative to 2004/05 levels. Tonnes of CO<sup>2</sup> emitted per annum from Defence estate.

#### Assessment: On target

MOD has reduced CO<sub>2</sub> emissions from the Defence Estate by around 12% from the 2004-05 baseline levels, we expect to achieve the target by 2010-11.

### **Fuel use and travel**

Target: Reduce carbon dioxide emissions from road vehicles used for Government administrative operations by 15% by 2010-11, relative to 2005-06 levels.

#### Assessment: At risk

We have made an overall reduction of 5.8% in carbon dioxide emissions from administrative road vehicles relative to 2005-06 baseline levels. This now includes reporting on civilian Grey fleet (use of staff's own cars for business travel) data and we have re-benchmarked the 2005-06 levels to include these figures. Analysis of Grey fleet usage has identified areas where emissions could be reduced by switching users to the less polluting White fleet. This coupled with anticipated financial pressures on travel budgets and recalibration of White fleet data to eliminate operational usage provides scope for putting the department back on track to achieve the target.

### **Water management**

Target: Reduce water consumption by 25% on the office and non-office estate by 2020, relative to 2004-05 levels.

#### Assessment: On target

In 2008-09 there has been a 26% reduction in water consumption (including leakage) relative to the 2004-05 levels<sup>9</sup>.

### **Biodiversity condition**

Target: 95% of Sites of Special Scientific Interest (SSSIs) in sole ownership or control in target condition by March 2010 (England only)

#### Assessment: On target

In September 2009 90.7% of SSSIs in England were in target condition. MOD has a Joint Partnering Agreement with Natural England. Work is underway to secure similar agreements with Wales, Scotland and Northern Ireland for which there are separate targets against which we achieved: 67.6% in Scotland (target 95% by 2010), 76.2% in Wales (target 85% by 2013) and 62.5% in Northern Ireland (target 95% by 2013) of SSSIs (or equivalent)

Target: Zero Environmental Enforcement Notices served by environmental enforcement agencies.

#### Assessment: On target

No enforcement notices have been served on MOD. MOD continues to meet its legal obligations and liaises with environmental enforcement authorities where necessary.

---

<sup>9</sup> Due to the lack of available data, 2004-05 baselines were based largely on estimates. MOD is now able to gather water usage data for 85% of the defence estate.

## Value for Money

To enable the delivery of our Departmental Strategic Objectives and to ensure resources are delivered to front line priorities, the MOD will make at least £3.15Bn (raised by £450M at Budget 2009) in net cash-releasing savings over the CSR07 period ending in 2010-11. These savings are being generated in a number of ways including: improvements in various Corporate Enabling Services; efficiencies that have allowed reductions in civilian numbers working in the Defence Equipment and Support areas and improvements in the way we support our Defence Equipment.

### Overall Assessment

*Some progress. MOD is on track to meet savings targets.*

The Government intends to deliver a total of £35Bn of Value for Money (VFM) savings by 2010-11 and MOD is on track to deliver £3.15Bn of savings towards this goal. This is composed of a £2.7Bn target agreed under the Comprehensive Spending Review 2007 and a £450m increase agreed at Budget 09. These savings will be sustainable, cash-releasing gains net of implementation costs and are all being recycled to ensure maximum resources are focused on delivering our primary objective of success on operations.

In the first 18 months of the CSR07 VFM Programme, MOD has achieved in the order of £1.2Bn savings through a number of initiatives detailed in our 2008-09 Annual Report. Updates from the most significant programmes are below.

- Improvements in various Corporate Enabling Services have delivered in the order of £250m savings. Around £190m of these savings have been delivered through an effectiveness led change programme to improve Performance, Agility, Confidence and Efficiency in our Defence Equipment & Support area. The first year of the programme netted early savings of around £150m for 2008-09. Now into year two, we have established programmes as part of our approach to managing delivery of military capability and integrated business planning is bedding in. Flexible Resourcing is rolling out successfully, enabling us to more readily move our people to where the business most needs them and collocation remains on track. In addition, our Streamlined Head Office was successfully launched on 1 April 2009, representing a 25% reduction in Head Office posts. The focus of the Streamlining programme is shifting to developing and embedding new ways of working the Head Office, enabling effective delivery to the front line.
- Since 2000 the MOD has radically changed the process by which it supports the Armed Forces across the globe. Around a further £116m of savings have been delivered since the start of CSR07 VFM Programme through a change programme to deliver better support to the Front Line.

### Torpedoes Capability Contract - an example of equipment support savings

In order to deliver more affordable programmes and retain operational sovereignty within the torpedoes sector, significant industrial transformation was required. A new Contract for Availability<sup>10</sup> was signed in April 2009 delivering a more cost effective solution for the joint support of both the Spearfish heavyweight torpedo and the Sting Ray lightweight torpedo, delivering annual savings of £6.5 million.

- In some cases, the Department has chosen to reprioritise its expenditure, to ensure our highest priority – delivering success on operations in Iraq and Afghanistan – is supported most effectively and efficiently. This has meant we have reallocated funding from lower priority areas to deliver greater value overall. Alternatively, we have funded these high priorities by finding new ways to do activities, such as a greater use of video conferencing technology to help reduce travel and subsistence costs.

An internal audit of systems and processes to deliver and report VFM savings has been completed. Savings will also be reviewed by the National Audit Office, which will report on each Department's claim during the 2007 spending period.

### Spending Review 2004 Over Delivery

The MOD agreed with HM Treasury that £267m of savings delivered in the SR04 period can be reported as early delivery towards our Comprehensive Spending Round 2007 VFM target.

### Strengthening MOD's approach to delivering VFM savings

The MOD is firmly committed to deliver the recommendations of the Operational Efficiency Programme. Kevan Jones MP (Under Secretary of State) has been appointed as Value for Money (VFM) Minister with the support of a Ministerial Board composed of the Minister for Strategic Defence Acquisition Reform, the Vice Chief of the Defence Staff, the 2<sup>nd</sup> Permanent Secretary and senior officials, ensuring senior ownership for driving efficiency. We have established a single VFM programme to implement a long term strategy allowing MOD to deliver the VFM agenda, encompassing all initiatives from the VFM programme, the OEP and the Public Value Programme. We have strengthened our internal processes through the implementation of recommendations from our internal audit and are committed to the regular benchmarking of our back office functions as well as increased use of collaborative procurement routes.

---

<sup>10</sup> Contracting for Availability is the process whereby the management of assets is handed over to a defence contractor who is expected to deliver an agreed level of equipment support. This gives the contractor greater flexibility and consequently enables more innovative and efficient approaches to asset management.

## Further Information

Further details including previous quarterly performance reports and the *Ministry of Defence Annual Report and Accounts* for 2009-10, can be found at [www.mod.uk](http://www.mod.uk).

In its December 2006 *Third Validation Compendium Report* on the quality of data systems underpinning Public Service Agreement Targets (HC 127), the National Audit Office concluded that the data systems underpinning the targets on operations, manning balance and equipment procurement were fully fit for measuring and reporting performance against these targets, and that the system underpinning the target for readiness was broadly fit for purpose. This report can be found at [www.nao.org.uk](http://www.nao.org.uk).