



Ministry
of Defence



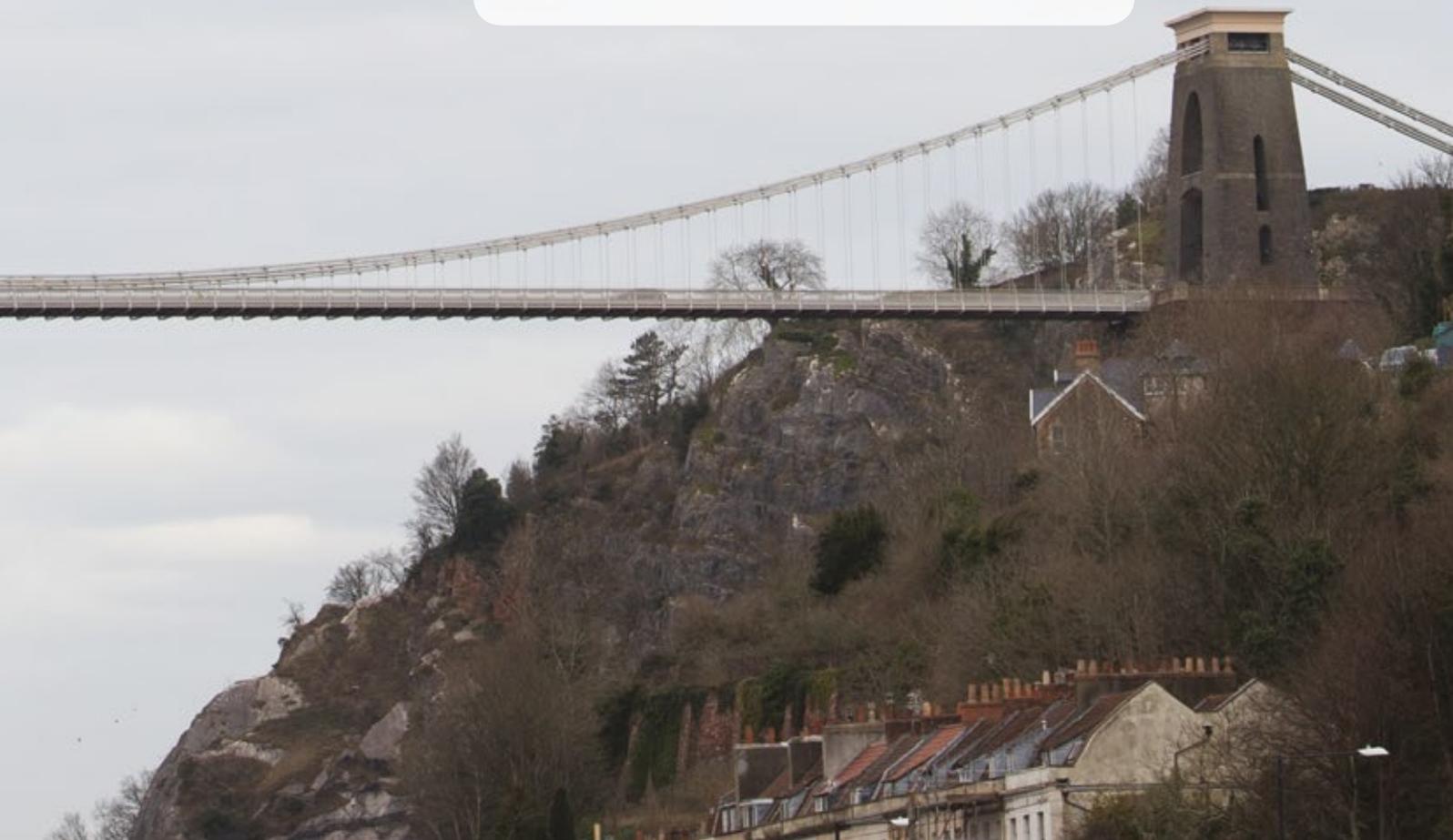
Defence Equipment and Support Corporate Plan 2015 – 2018



Equipping and Supporting UK Armed Forces

Contents

	Page
Foreword by the Owner	1
Preface by the Chairman	2
Introduction by Bernard Gray: Chief Executive and Chief of Defence Materiel	3
Our Purpose	4
What we do	5
The Current Context	7
Our Achievements in 2014 - 15	9
Our Ministers and Owner's Council	12
The DE&S Board	13
DE&S Executive Board	14
How we Work with our Customers	17
Chiefs of Materiel - Domain Responsibilities	18
Specialised Functional Teams	26
DE&S High level Objectives	28
Our Priorities in DE&S	30
How we will Deliver	32
Transformation	33
Benefits of Transformation	38
Our Resources	39
Safety	42
KPIs	Annex A
Glossary	Annex B



Foreword



by Philip Dunne MP, Minister (Defence Equipment, Support & Technology)

This is the second Corporate Plan for Defence Equipment and Support (DE&S) in its operation as a Bespoke Trading Entity, an Arm's Length Body of the Ministry of Defence (MOD). The three year programme of transformation being pursued by DE&S is a remarkable undertaking, not just in its ambition, but because it is being driven through in parallel with the improving performance of the organisation. Management of the biggest equipment projects is demonstrably getting better, there is a tangible focus on delivering equipment support more efficiently, and there are clear improvements in project cost and schedule management.

The Corporate Plan has been refreshed and updated to cover the period 2015-2018. It captures DE&S' key achievements from last year, and outlines the structure, purpose, priorities and objectives going forward. The Plan builds

on the tangible improvements and successes that DE&S has already delivered – both in terms of its complex programme of work, and the underpinning transformation activity.

The strategic context remains challenging, and moving forward we can expect further pressure on resources, a continuing need to deliver at pace and we will also have to respond to the requirements of this year's Strategic Defence & Security Review.

But it is clear that DE&S is making considerable progress in improving the efficacy of defence procurement, and the change programme is progressing well. What will not change is the focus on ensuring that DE&S provides the best possible support to our Armed Forces, and in doing so, delivers best value for money for taxpayers. These remain our priorities, anchoring the transformation programme and galvanising our endeavours.

A handwritten signature in blue ink that reads "Philip Dunne".

Preface



by Paul Skinner, Non-Executive Chairman

I am very pleased to have taken on the role of Chairman of DE&S at an important point in its transformation journey and following its establishment as a Bespoke Trading Entity in the wider Defence structure.

My role requires me to challenge and support the Chief Executive and the DE&S leadership team to ensure it is performing to the highest possible level and also to provide advice on its progress to Ministers. I have a number of well-qualified non-executive colleagues to support me in this and, together, we bring a broad range of skills and experience, as well as independent impartiality.

DE&S is undergoing unprecedented change and transformation, during which it must continue to deliver major equipment programmes and related support to ensure that the current and future needs of our Armed Forces are met. I am fully committed to supporting continued success

in these areas and the Board of DE&S, which provides strategic leadership and governance for the organisation, will ensure that it continues to deliver on its objectives.

This Corporate Plan is a vital element of that work and the Board will monitor performance against the corporate Key Performance Indicators contained in it. In delivering this Plan we shall be seeking to ensure that our relationships with our key Customers – the Front Line Commands and those responsible for Strategic Programmes – align with the operating model for Defence defined in the recent reforms.

It is clear to me that success is vitally dependent on our people and those working across DE&S must be suitably trained, empowered, motivated and skilled to deliver. I will ensure that we have the right resources to deliver this Corporate Plan and that we meet our commitments and responsibilities safely and professionally.

A handwritten signature in blue ink that reads "Paul Skinner". The signature is written in a cursive style with a horizontal line underneath the name.

Introduction



by Bernard Gray, Chief Executive and Chief of Defence Materiel

DE&S is now a year into its three year transformation programme. A great deal of progress has been achieved already, focused on harnessing the business freedoms we have been given, and creating the tools, skills and processes which will both transform DE&S and support our people so that we can best deliver to our Customers.

We have brought in the majority of our Transformation Partners (described as Managed Service Providers), who are providing key private sector expertise in the areas we need it most. Over the course of the next two years, we will work together to design, implement and embed the changes required to ensure DE&S is world class in delivering what our Customers need, driving value in what we do, and is able to compete for and retain the skills we need to succeed.

It is testament to our staff that alongside the transformation programme, which touches every part of the business, delivery of our immense programme of work has continued and indeed, improved. Equipment has been delivered on time, to cost and on schedule, underlining the determination, professionalism and increasing confidence across the organisation. We do all this with safety at the centre of our thinking, ensuring that we provide safe equipment to the Armed Forces, a safe working environment for our people and contractors, and take account of our responsibilities to the environment.

I am firm in my belief that DE&S can be as excellent as the equipment we deliver, and as skilled and capable as the Armed Forces we support. Going forward, we will continue our drive for better value for money, increased stakeholder confidence in our delivery and enhanced reputation of the organisation. Our recent performance and progress underlines the ambition of our staff and my own personal commitment to ensuring that DE&S achieves these goals.

A handwritten signature in blue ink, appearing to read 'B. F. Gray'. The signature is stylized and written in a cursive-like font.

Our Purpose:

To equip and support the UK's Armed Forces for operations now and in the future

We aspire to:

- *Be a professional, respected and world-class programme management organisation*
- *Exceed the expectations of our Customers; be trusted to get it right*

To meet our Customers' needs:

- *We will become a higher performing delivery organisation, which is better able to deliver vital equipment and support to the front-line, on time and at the agreed price*
- *We will play our part in generating a more strongly defined relationship between us and the Commands we support, to ensure the right incentives are in place and that we are held to account for delivery to the front-line*
- *We will have the agility and flexibility to respond to operational pressures and front-line needs as they emerge*



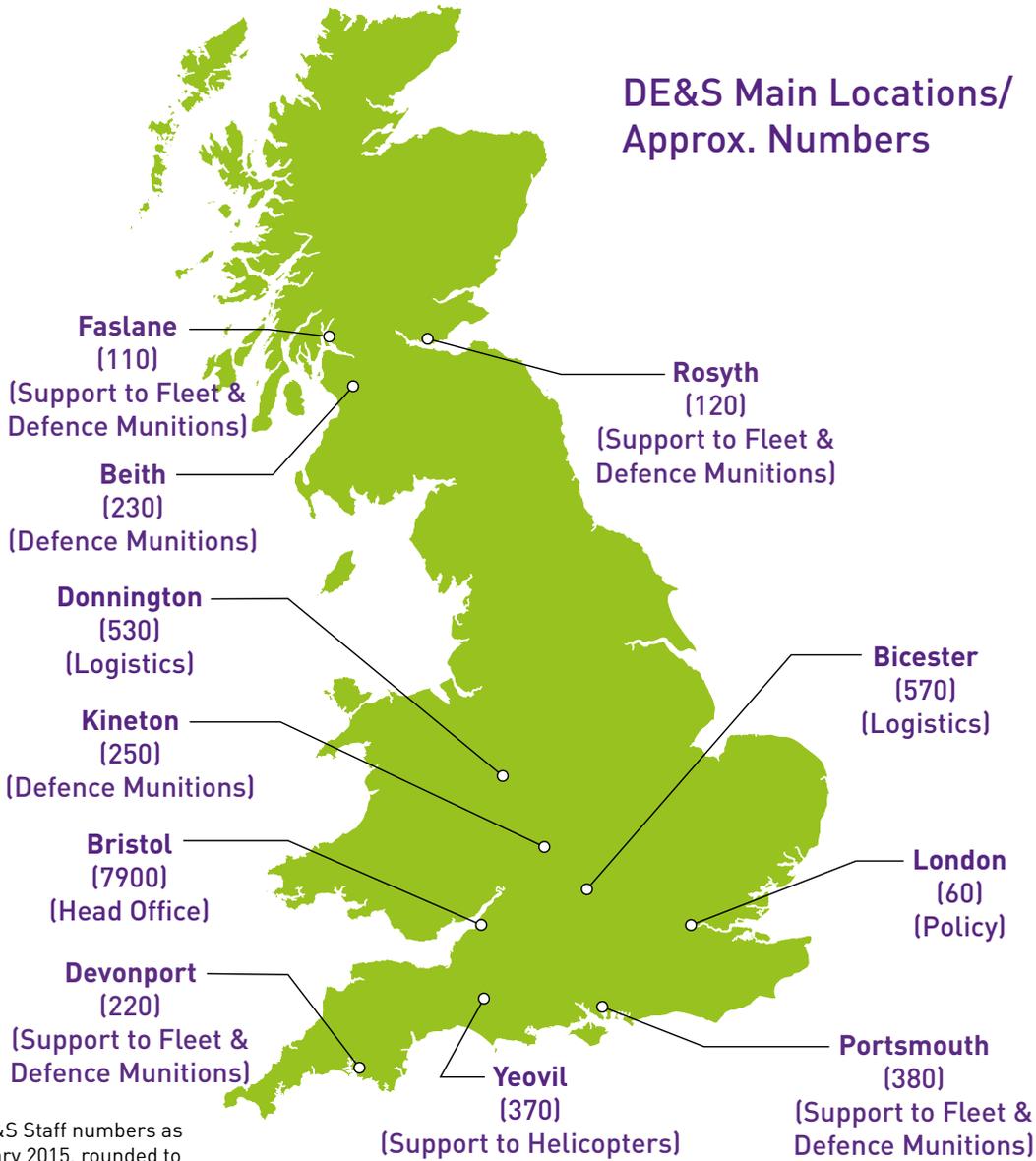
Staff paying their respects before a memorial service at DE&S headquarters

What We Do

DE&S was formed in 2007 following the merger of the Defence Procurement Agency and the Defence Logistics Organisation. Launched as a Bespoke Trading Entity in April 2014, DE&S manages a vast range of complex projects to deliver equipment and support to the UK's Armed Forces. Requirements and budgets are set by the Commands, giving them the flexibility to allocate funding in accordance with the requirements they consider to be most critical. The programme of work ranges from submarines, warships, aircraft and missiles, through to armoured vehicles, utility trucks, body armour and field kitchens. DE&S manages new equipment procurements, upgrades, updates and upkeep of

equipment in service; and undertakes disposals and decommissioning. In discharging its responsibilities, DE&S will deliver an Equipment Programme spend of some £132¹ Billion of taxpayers' money over a 10 year period.

Headquartered in Bristol, with staff at numerous locations across the UK and overseas, DE&S employs around 12,300 civilian and military staff. The range of specialist skills required to support the programme includes engineers, programme and project managers, logistics specialists, information specialists, commercial negotiators, financial controllers and safety experts; all of whom are focused on ensuring that the right equipment and support is available to our Customers and users.



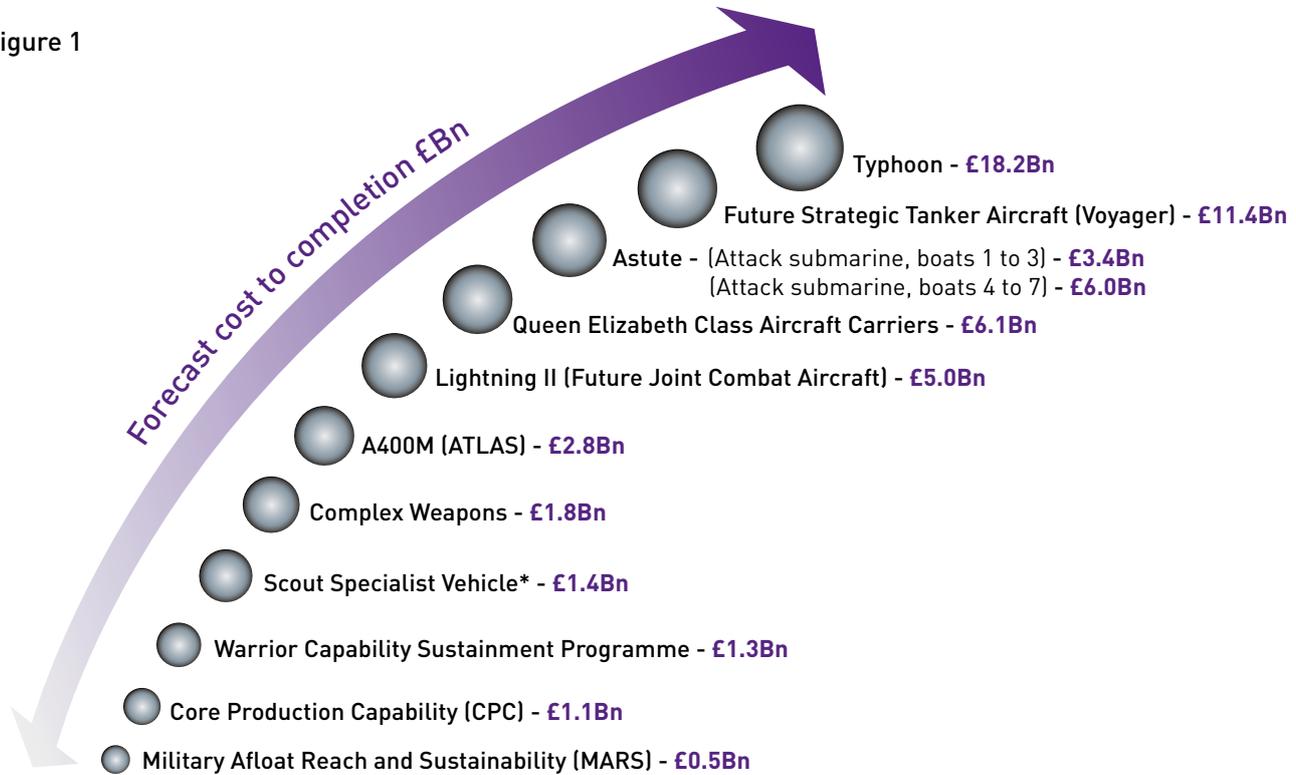
Source: DE&S Staff numbers as at 28 February 2015, rounded to the nearest 10

¹ Source: Defence Equipment Plan 2014.

Examples of Equipment Procurement and Equipment Support Expenditure

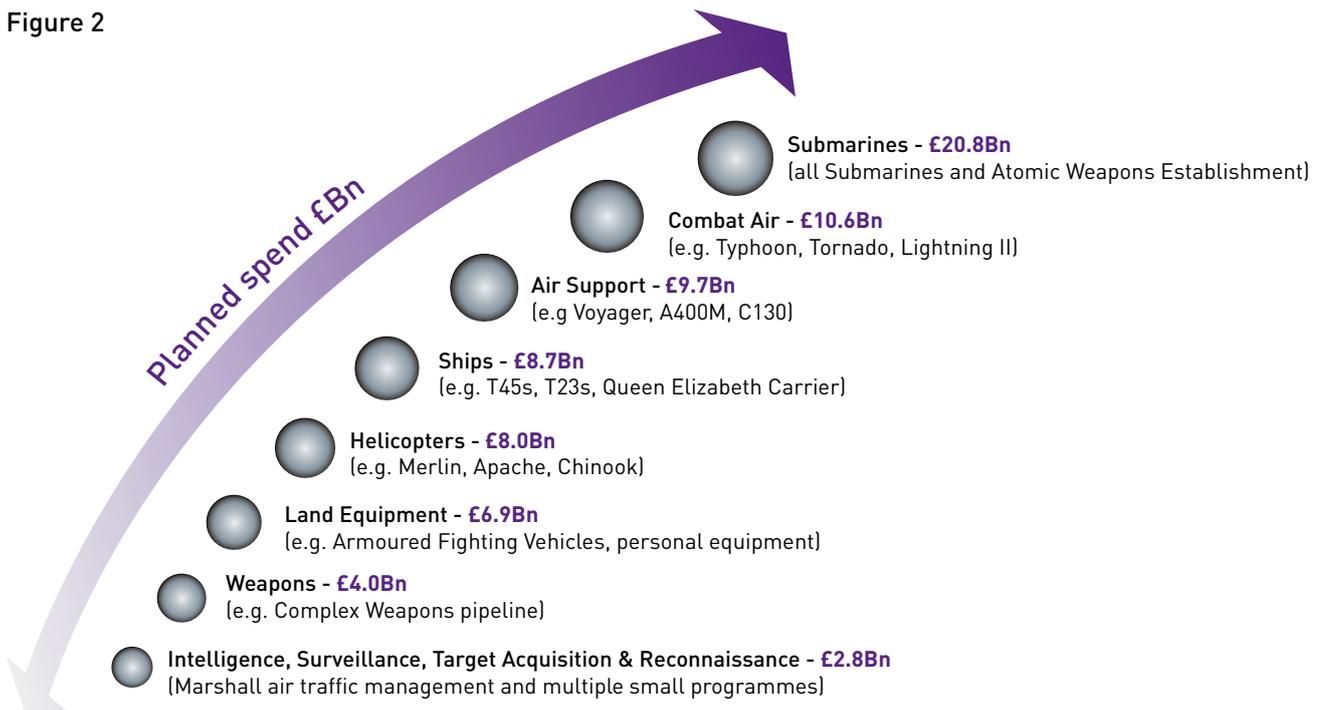
The following graphs provide an illustrative overview of expenditure across the DE&S programme of work. Taken as a snapshot in time, Figure 1 depicts our largest equipment projects as published in the 2014 Major Project Report. Figure 2 depicts the planned equipment support expenditure against each DE&S Operating Centre for the next 10 years, as published in the Defence Equipment Plan 2014.

Figure 1



* Post MPR14, Scout passed its 2nd Main Gate approval, leading to the award of a £3.5Bn manufacturing contract. Also post MPR14, a £1.5Bn contract was awarded to deliver air traffic management services under Project Marshall.

Figure 2



The Current Context

Transformation: Since 2010 the MOD has been implementing an extensive programme of Defence Transformation, covering force structures, equipment, personnel, bases, efficiency and reform. A number of fundamental changes have already been delivered, including delegations from Head Office to the Commands and the launch of a new operating model for Defence. A core element of the transformation agenda is the reform of the acquisition system, designed to ensure it becomes more efficient and effective. We will continue our work to transform DE&S, embedding the necessary business changes to ensure that, by 2017, we are "match fit" to face the future. Having completed what was our first transition year, we are moving into the second year of the three year transformation programme, which is being taken forward under the Materiel Strategy Programme.

Strategic Defence & Security Review (SDSR): The 2010 SDSR was designed to ensure that we have the right capabilities and personnel to face the challenges ahead. Sometime after the 2015 election, the new Government will undertake the next SDSR. We do not yet know the scope or approach that this work will take - this will be for the new Government to decide - but we expect it to consider whether our foreign policy and security policy objectives have changed, and to assess the implications for our Armed Forces. We will support the SDSR process as required by the MOD.

Our Customers: We will continue to develop strong relationships with our Customers: Navy Command, Army Command, Air Command, Joint Forces Command, Strategic Programmes and MOD Head Office, recognising their reliance on DE&S. DE&S is accountable to the Commands for the delivery of the agreed programme of work, as set out in the Command Acquisition and Support Plans. We will continue to play our role in delivering the capability requirements of those Customers and to Defence as a whole as set out in the Defence Plan. As part of the acquisition system, we will work to improve accountability, requirement-setting and delivery to performance, cost and time. In particular we will ensure that an effective change control mechanism is put into place to provide clarity to both Customer and deliverer on the implications of changes to requirements.

Our People: We recognise that our people are our most important resource and that the skills they possess are vital and must be maintained. Where those skills are in place we will value them, where they can be developed we will provide the investment to do so, and where they can only be found outside of DE&S we will compete vigorously to acquire them. In particular, we will create a performance building culture; one of personal accountability and recognition which is commensurate with the challenge and responsibilities against which our people deliver; and an inclusive environment where a wide diversity of talent is welcome and can flourish.

Our Suppliers: We will continue to work with our suppliers (including Prime Contractors and Small & Medium Enterprises) to meet the needs of our Customers, to deliver value for money for the taxpayer, and to build for future capability. Our first priority in doing so is to ensure that the right equipment is available to the Armed Forces in the right numbers and at the right time; we will negotiate robustly to deliver this requirement. In particular we will work with our suppliers to design an effective system to measure project performance and progress such as Earned Value Management.

Technology: We recognise the need to make more of the opportunities offered by emerging technologies and to adopt more of the innovation seen in other sectors to reduce the costs and increase the agility and flexibility of our military equipment and capability. In particular, we will continue to work via the Defence Suppliers Forum and its sub groups to ensure that defence is effectively positioning its current solutions as well as its future skills and capabilities to maximise the opportunities from new and non-defence technologies.

Financial Management: We will support the five Commands in their management of equipment and equipment support budgets totalling some £14 billion per annum, and will continue to lead the Department's efforts to drive down its total inventory holdings by disposing of unnecessary stock and tightly controlling new purchases. At the same time, we will manage the operating costs of DE&S itself within a budget that is set to reduce substantially year on year, by reducing our dependence on expensive private sector support and strengthening our internal capabilities where appropriate.

DE&S - Delivery and Success



The F35 Lightning – Our Lead Role in Capability Delivery

The procurement of the F-35 is the world's largest defence programme, with the UK taking a leading role in the development, testing and fielding of this highly capable multi-role aircraft. Significant progress has been achieved over the course of the last year, with the programme delivering increased operational capability with Block 2 air system upgrades. Flight testing is on-track to support the first operational squadrons with the US Marine Corps later in 2015. From a UK perspective, three aircraft have now been delivered and are supporting both operational testing and the training of the first wave of British pilots. A fourth aircraft is making good progress on the production line at Fort Worth, Texas and the Lightning Project Team recently committed to buy a further 4 aircraft as part of plans to deliver the UK's first operational squadron in 2018. The UK is playing a key role in developing the Joint Strike Fighter Global Support Solution, and is designated lead nation for establishing a national support solution. This in turn will help to shape the UK's F-35 Main Operating Base at RAF Marham and ensure that embarked operations on board HMS Queen Elizabeth can be supported globally from 2020.

Our Achievements in 2014 – 2015

Our three year programme of transformation began with a first year of transition. The past twelve months has seen DE&S embed its new governance structure, develop its transformation plan and start to apply the freedoms secured through the status of Bespoke Trading Entity. Specifically, we have:

- Ensured further, tangible improvement in the delivery of the DE&S Programme of Work, ensuring our best performance on costs since 2005 and on time since 2001, as recognised by the latest National Audit Office Major Project Report 2014
- Embedded the governance and accountability arrangements set out in the DE&S Framework Document²
- Deployed a series of measures under our new freedoms to improve the management of our workforce
- Ran the competition and awarded contracts to the first of our Managed Service Providers (MSPs) to help us deliver transformation
- Engaged the MSPs to understand our programme and business capabilities to ensure we have a baseline against which to measure our progress
- Worked with Head Office, Commands and wider MOD to establish Command Acquisition and Support Plans and a more disciplined Customer-DE&S interface
- Improved the rigor with which quarterly reviews of the programme are undertaken and our coverage of independent cost estimates
- Introduced time recording in our delivery Operating Centres and begun developing a mechanism for 'charging' DE&S Customers to enable the entity to 'trade'
- Defined and agreed 8 Key Safety Messages, which we are now embedding in support of our safety culture
- Implemented a new Communications and Engagement Strategy to engage the DE&S workforce with the organisation's vision and objectives and the role they need to play in achieving success
- Implemented revised training for commercial staff to improve contract administration, project control and relationship management

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/311029/20140513-des-framework-document-v1-May-2014.pdf

We have also had considerable project success:



Merlin Mk2, the advanced anti-submarine and maritime patrol helicopter for the Royal Navy, achieved its In Service Date early and to cost.



Voyager, RAF's new transport and air-to-air refuelling aircraft, achieved its In Service Date, on time and on budget.



A £90 million contract to fit the Royal Navy's new Wildcat helicopters with the next generation precision future anti-surface guided weapon was awarded.



Five more Reaper remotely-piloted aircraft began supporting operations in Afghanistan gathering vital intelligence in support of Afghan, UK and International Security Assistance Force troops.



The first Chinook Mk6, which benefits from a new Digital Automatic Flight Control System, was delivered to the RAF.



A £125 million DE&S contract to maintain, repair and upgrade the RAF's Tornado fast jets was awarded, saving millions for the taxpayer.



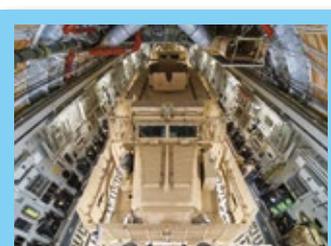
HMS Queen Elizabeth, the UK's biggest warship, was successfully floated out of dry dock.



Scout a highly-agile, tracked, medium-weight, fully digitised armoured fighting vehicle, contracted for manufacture.



The contract to build the three new Offshore Patrol Vessels was awarded and the build programme began.



DE&S played a crucial role in the redeployment of materiel from Afghanistan, reviewing all stock and coordinating the movement of thousands of vehicles, containers and other major equipment.



ARTFUL, the third of seven Astute Class attack submarines being built for the Royal Navy, was launched.

DE&S - Delivery and Success

Tomahawk Missiles – Innovation in Procurement - Securing Our Stocks

In light of emerging uncertainty over the long term production of Tomahawk Land Attack Missile (TLAM), which is the UK's long range strike capability of choice, the DE&S Weapons Operating Centre and Navy Command Headquarters (NCHQ) sought options for mitigating a significant risk to the availability of future stock. Despite no formal Option in the Annual Budget Cycle, or financial approval in place, the Project Team set about negotiating the potential procurement of surplus US inventory missiles with the US Department of Defense (DoD). Given the commonality in UK and US TLAM capabilities the option to procure surplus inventory offered excellent value for money for UK taxpayers, but had been unsuccessfully raised with the US Government on previous occasions. However, this time, with senior support on both sides of the Atlantic, and aided by a programme of senior briefings outlining the risks to UK stock holdings, the outlook appeared more positive. The Project Team coordinated a series of detailed dialogue with all key stakeholders, including NCHQ, the British Embassy and DoD, to determine the best available option. Concurrently, the Project Team commenced the groundwork for the requisite business case and financial approval in support of a positive outcome. This innovative approach culminated in a vastly reduced approvals timeframe and early submission of the Foreign Military Sales Letter of Request to the US Government. The Project Team was also able to negotiate early transfer of ownership for the initial batch of missiles to take advantage of available in year funding, resulting in significant mitigation of the risk to future UK TLAM stock levels.

Our Ministers and Owner's Council

DE&S is a Bespoke Trading Entity³, an Arm's Length Body of the Ministry of Defence. The Secretary of State for Defence is accountable to Parliament for all aspects of DE&S' performance, including its strategy, operation, performance and the effectiveness of its governance arrangements.

The Secretary of State for Defence delegates the day-to-day ownership responsibilities for DE&S to the Minister for Defence Equipment, Support and Technology (Min(DEST)).



The Rt Hon Michael Fallon MP
Secretary of State for Defence

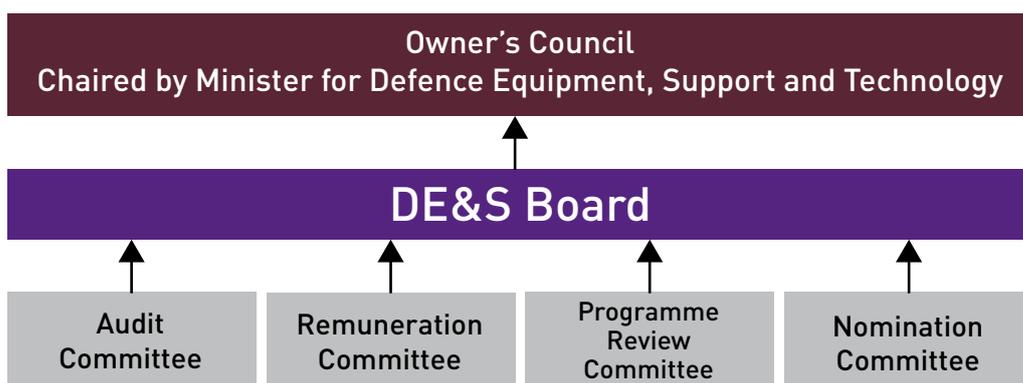


Philip Dunne MP
Min(DEST)

The Owner's Council

Min(DEST) chairs the Owner's Council through which he exercises formal oversight of the performance of the organisation. This includes setting DE&S' strategic objectives, approving the Corporate Plan and maintaining strategic oversight of performance. The Owner's Council meets at least four times a year. Membership includes the MOD Permanent Secretary

(PUS), the Director General Finance, the Director General Head Office and Commissioning Services - the Defence Authority for the Acquisition System - and the Deputy Chief of the Defence Staff (Military Capability) as the Customer representative. The DE&S Chair and DE&S Chief Executive also attend, and a standing invitation is extended to the Cabinet Office Chief Procurement Officer.



³ HM Treasury Publication, Managing Public Money July 2013 Chapter 7 Paragraph 11.

The DE&S Board

The DE&S Board is chaired by the lead Non-Executive Director and Chairman, Paul Skinner. Alongside him are four Non-Executive Directors: James Dorrian, Kathleen Harmeston, Paul Smith and Andrew Wolstenholme, who bring special skills and delivery in Human Resources, Finance, Audit and Project Management respectively. Other board members include the MOD Permanent Secretary (PUS), Deputy Chief of the Defence Staff (Military Capability) representing the Customer, the DE&S Chief Executive and the DE&S Director General Resources (as Chief

Finance Officer). Other Executives may attend as deemed necessary. The Director General Head Office and Commissioning Services will attend as PUS representative if required.

The Board provides strategic governance for DE&S and a robust forum for independent, non-executive support and constructive challenge to the Chief Executive and the Executive Board. The DE&S Board delegates some activities to sub-committees of the Board, namely the Audit, Remuneration, Programme Review and Nomination Committees. The Chairman ensures that the Board receives feedback on these sub-Committees and that it is able to consider their recommendations.



Paul Skinner - Chairman
Former Group Managing Director of Royal Dutch/Shell, Chairman of Rio Tinto and Chairman of Infrastructure UK in HM Treasury



Jon Thompson
MOD Permanent Secretary (PUS)



Bernard Gray
DE&S Chief Executive



Air Marshal Sir Stephen Hillier
Deputy Chief of the Defence Staff (Military Capability)



Michael Bradley DE&S
Director General Resources



James Dorrian - Non-Executive Director
Former Executive Vice President HR Royal Dutch Shell, HR Director Shell UK and Marketing Director Shell France



Kathleen Harmeston - Non-Executive Director
Former Managing Partner for ATos Consulting and Group Procurement Director for Royal Mail and the Cooperative Group



Paul Smith - Non-Executive Director
Former Ford UK Finance Director and presently a Non-Executive Director for a number of private and public sector organisations



Andrew Wolstenholme - Non-Executive Director
Previously a Construction Director for BAA plc and a Director of Innovation and Strategic Capability for the Balfour Beatty Group. Currently the CEO of Crossrail

The DE&S Executive Board

DE&S is led on a day to day basis by the Executive Board, which consists of CDM as Chief Executive, Director General Resources as Chief Finance Officer, the Director General Commercial and four Chiefs of Materiel who lead the delivery of the programme in their respective domains.



Bernard Gray
Chief of
Defence Materiel



**Vice Admiral
Simon Lister**
CoM (Fleet)



**Lt Gen
Sir Chris Deverell**
CoM (Land)



**Air Marshal
Simon Bollom**
CoM (Air)



Pete Worrall
CoM
(Joint Enablers)



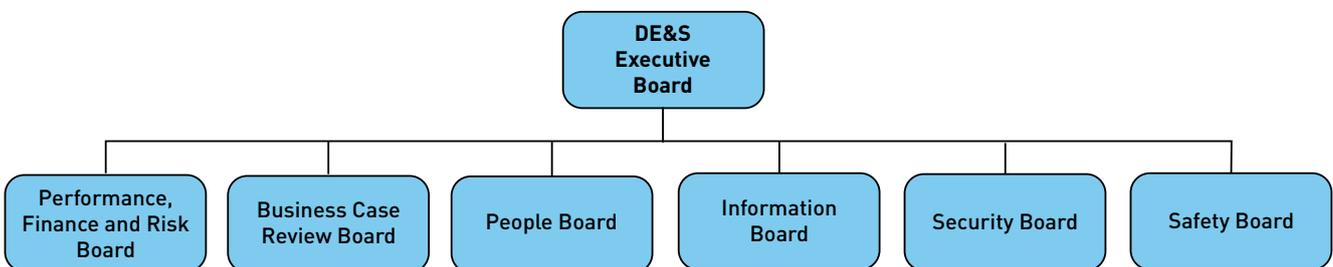
Susanna Mason
DG Commercial



Michael Bradley
DG Resources

The DE&S Executive Board provides collective direction and oversight of all DE&S activity. It is responsible for delivering the agreed Equipment Programme and associated support and services to Front Line Commands, within set Performance, Cost and Time targets; managing DE&S resources – human, finance and infrastructure – in an effective,

efficient and safe way to deliver DE&S' outputs; and managing and delivering the work required to successfully transform DE&S into a "match fit" organisation by 2017. The following subordinate Boards provide specialised support to the Executive Board.



DE&S - Delivery and Success

Project Marshall – Modern and Sustainable Air Traffic Management – Contracted Early – Driving Out Costs

The MOD's air traffic management equipment and infrastructure is ageing and expensive to sustain. Project Marshall was conceived to address this, and in October 2014, some 12 months earlier than had been originally planned, a £1.5 Billion contract was awarded to deliver modern and reliable air traffic management services until 2037. Accelerating the project brought new challenges for the Project Team, but it realises financial benefits earlier and ensures compliance with CAA regulatory requirements by the 31 December 2016 deadline. Project Marshall provides an important and sustainable capability, covering UK and deployed military aerodromes, and ensuring that military air traffic can operate in all weathers and remain legislatively compliant. Furthermore, the new contract provides capital investment to replace obsolescent equipment and will drive around £1 Billion in financial efficiencies by streamlining 70 existing contracts into a single service provision contract.

DE&S - Delivery and Success

Voyager – Innovative Procurement - Supporting Operations - Delivered on Time and On Budget

The Voyager aircraft is the RAF's new transport and air-to-air refuelling aircraft, replacing the TriStar and VC10 fleets. Provided via a £10.5 Billion Private Finance Initiative and crewed by RAF personnel, Voyager achieved its In-Service Date on time and on budget in May 2014. This highly complex project provides the largest aircraft in the RAF fleet and quickly demonstrated its worth. Delivery of this key capability ensured that the Falkland Islands Airbridge was delivered several years earlier than planned and allowed the aircraft to take over the Afghanistan Airbridge some three months early.

Voyager supported Op SHADER (the coalition campaign against ISIL), deploying within 12 hours of being tasked, and is now able to support coalition aircraft in addition to UK platforms. Voyager is routinely refuelling foreign receivers against emergency operational clearances and by December 2014, had offloaded 4,232 tonnes of fuel to UK and coalition aircraft; flying two sorties a day, six days a week.

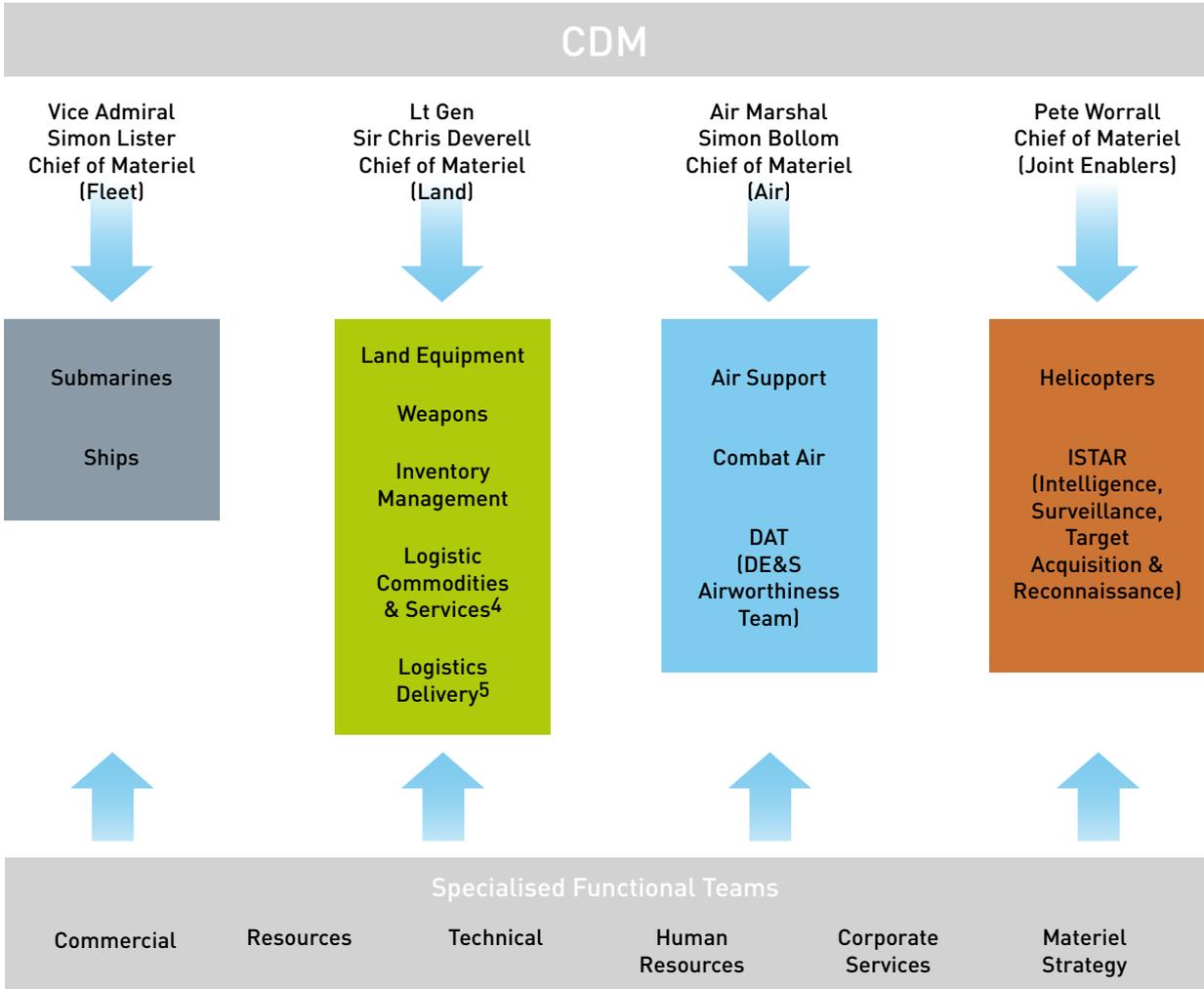


How We Work With Our Customers

DE&S works closely with the Front Line Commands and Strategic Programmes to provide the materiel required by the Armed Forces. At senior level, CDM leads the delivery of DE&S outputs to our Customers in the Commands and Head Office, engaging with Min(DEST), senior officials and military commanders throughout the wider MOD and across Government. CDM will sign the Command Acquisition and Support Plans (CASP) with each Customer, capturing formally the agreed outputs against which the DE&S teams will deliver.

DE&S staff provide a range of costing advice, technical expertise, and logistic and equipment support and personnel to current operations. We also have a lead role in contract negotiation and relationships with industrial suppliers to deliver equipment, support and logistics and other services.

Under CDM’s leadership, the DE&S business is organised into the four domains of Fleet, Land, Air and Joint Enablers. Each domain is headed by a 3* Chief of Materiel (CoM) who is responsible for the relationships with a Command and accountable to the Chief of Defence Materiel (CDM) for delivering their outputs to plan, and for safeguarding regularity and propriety. The CoMs are supported by Customer Relationship Teams who manage the day to day relationship between DE&S and the Commands. The CoMs oversee a number of Industry facing Operating Centres, led at Director level, and containing the project and support teams. DE&S also has a number of specialised functional teams who provide advice and support to the Board as outlined in the following graphic:



⁴ The LCS OC will transfer to the LCS(T) Delivery Partner on Service Commencement, currently planned to be 1 July 15.

⁵ The Logistics Delivery OC will stand up on 1 April 15.

Chiefs of Materiel – Domain Responsibilities

CoM(Fleet) is responsible for the availability and acquisition of ships, submarines, strategic weapons and the integration of maritime capability delivered by teams outside his core Ships and Submarine Operating Centres. CoM(Fleet) ensures that support to maritime operations is delivered coherently and effectively to the Customer's requirements.



Chief of Materiel (Fleet)
Vice Admiral Simon Lister

As at April 2015, examples of CoM(Fleet) Projects include:

In the concept or assessment phase

Successor – replacing the Vanguard Class to maintain the Nuclear Deterrent.



Mine-countermeasures Hydrographic Capability (MHC) - A transformational approach to MCM and H capabilities delivered by the current MCMVs and survey ships, by exploiting unmanned, off-board systems. The programme is now in Assessment Phase following IAC approval in June 2014.



Type 26 – Global Combat Ship - Proposed replacement to the current Type 23 Frigate that is currently in the detailed design and assessment phase.



Main decision to invest has been taken

Queen Elizabeth Class – Royal Navy Aircraft Carrier. Will provide a new Carrier Enabled Power Projection capability for the UK for the next 50 years.



MARS Fleet Tankers - will maintain the Royal Navy's dedicated bulk fuel Replenishment At Sea capabilities, supporting the fleet as an integrated part of the Task Groups, including Carrier Strike.



Due into service this year

HMS Artful – Astute Class submarine - planned operational handover.



Due out of service this year

RFA Orangeleaf – Support Tanker. Fleet Non-Operational Date planned for September 2015.



Examples of Support Activity:

- Support, maintenance and upgrade of Type 45 destroyers
- Comprehensive overhaul and refit of HMS VENGEANCE
- Supporting Capability Upgrades
- Complete the Upkeep period on T23 HMS MONTROSE

Operating Centres:

- Submarines
- Ships

CoM(Land) is responsible for the Land Domain which buys and supports ground combat and support equipment, all munitions (including Complex Weapons), logistic information systems, and a range of commodities for all three Services, and stores and distributes them.



Chief of Materiel (Land)
Lt Gen Sir Chris Deverell MBE

As at April 2015, examples of CoM(Land) Projects include:

In the concept or assessment phase

Viper Aster Mid-Life Refurbishment –

Extension of the ASTER Munitions essential to the Sea Viper capability. The Refurbishment will replace the explosive components that have reached their maximum life and address electronic obsolescence.



Main decision to invest has been taken

Scout Specialist Vehicle (SV) – Armoured cavalry capability to meet the requirements of Army 2020.



Spearfish Heavyweight Torpedo Upgrade

- As the only weapon embarked on submarines for operation against ships and submarines the Spearfish Upgrade project will exploit modern technologies to sustain a credible weapon. This will include digitisation of the weapon, a new insensitive munition warhead, changes to the fuel system and a new communications link.



Due into service this year

VIRTUS Pulse 1 – A fully integrated personal protection system for the dismounted soldier, including head and torso sub-systems with integrated load carriage, providing scalable protection and an emergency quick release system. The initial Tranche of VIRTUS Pulse 1 will be delivered to the Very High Readiness Brigades by December 2015.



Brimstone 2 - Brimstone 2 will be an Insensitive Munition (IM) variant of Dual Mode Seeker Brimstone, to be integrated on our combat aircraft. Also incorporating fire-and-forget anti-armour functionality of legacy Brimstone. It is a precision strike, HEAT Tandem Shaped Charge warhead capability, offering a low collateral capability for difficult target sets in a complex environment, out to a range of 12 km.



Due out of service this year

Fire Control Application (FCA) Mk1 –

A stand-alone ballistic computer, which is the primary means of calculating the firing solution for mortars, and the secondary means for AS90 and Light Gun. Entered service in 2003 and expected to be replaced by Mk2 in 2015.



Examples of Support Activity:

- Ten-year Service Provision Contract as part of the DSG sale transaction.
- In-service sustainment of contingent war stock of complex weapons and general munitions.
- Management of commodity items (Defence Clothing, Medical Delivery and General Commodities & Services). Inventory worth approximately £8.1Bn.
- Strategic deployment, sustainment support and recovery of materiel and personnel to support current and contingent operations.

Operating Centres:

- Land Equipment Operating Centre (LEOC)
- Logistic Commodities and Services (LCS) (LCS(T) Delivery Partner from 1 July 15)
- LCS Delivery (from 1 April 15)
- Weapons Operating Centre (WOC)
- Inventory Management Operating Centre (IMOC)
- Defence Support Chain Operations and Movements (DSCOM)

CoM(Air) oversees the Combat Air and Air Support Operating Centres and is responsible for: equipping and supporting Front Line Commands for air operations now and in the future; oversight of technical airworthiness and acting as Chief Engineer (RAF) to CAS (Chief of the Air Staff). CoM(Air) also Chairs the DE&S Safety Board.



Chief of Materiel (Air)
Air Marshal Simon Bollom

As at April 2015, examples of CoM(Air) Projects include:

In the concept or assessment phase

REAPER 15-19 Extension – Extension of the current REAPER UOR Capability from April 2015 to 2019.



Main decision to invest has been taken

Future Joint Combat Aircraft – The F-35 Lightning II shall be a joint strike asset which provides the UK with an affordable, survivable and sustainable expeditionary air capability that can contribute to the widest possible range of operations.



A400M Training - The A400M Training Service will provide training for aircrew, maintenance engineers and support personnel. It will be based in a purpose-built Schoolhouse at RAF Brize Norton.



Due into service this year

A400M – ATLAS is coming into service as the 2nd Tranche replacement for the C130 to provide a tactical air lift and strategic oversize lift capability.



P1Eb - Enhances Typhoon's air-to-ground capability and allows it to switch between air-to-air and air-to-ground which provides a multi-role capability. Nine P1E standard aircraft are now in service, with a further 18 to be delivered by 1 April 2015. P1Eb also includes upgrades for the aircraft's Defensive Aids Sub System (DASS) and the latest interoperability updates for Multifunction Information and Distribution Systems (MIDS).



Due out of service this year

HS-125 – 7-seat communication aircraft scheduled to be retired from Service 1 April 15.



Examples of Support Activity:

- Air domain logistics strategy/Inventory Management development
- Defence aircraft storage management
- RAF single Service lead within DE&S
- Improvement of DE&S/QinetiQ Air Division relationship

Operating Centres:

- Combat Air
- Air Support
- DE&S Airworthiness Team

CoM(Joint Enablers) is responsible for the delivery of equipment and support relating to Helicopters and ISTAR. As a Joint Forces Command (JFC) Board Member he is responsible for DE&S delivery of capability to JFC. CoM(JE) is the UK Deputy National Armaments Director.



**Chief of Materiel
(Joint Enablers)
Mr Pete Worrall**

As at April 2015, examples of CoM(JE) Projects include:

In the concept or assessment phase

Aircrew Protection Equipment and Detection (APED) – to provide flexible, variable, individual Chemical, Biological, Radioactive and Nuclear (CBRN) protection for aircrew conducting air operations under CBRN challenge or threat, imposing minimum physiological and psychological burden, not constraining the aircraft’s operational capability.



CROWSNEST – Airborne Surveillance and Control (ASaC) capability as a role-fit to Merlin Mk2 to replace Sea King Mk7 capability.

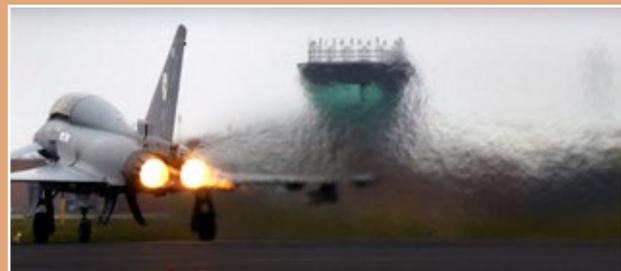


Main decision to invest has been taken

Merlin Life Sustainment Programme – 25 Mk3/3a aircraft being updated to overcome obsolescence and allow operation from Royal Navy ships.



Project MARSHALL - To provide safe operation of aircraft at 65 MOD-operated airfields and associated sites in the UK and overseas.



Due into service this year

Project JULIUS – Final deliveries of the glass cockpit for the in-service Chinook fleet.



FUCHs - Refurbishment and Return to Service of 9 FUCHs Area Reconnaissance and Survey Vehicles to FALCON Squadron.



Due out of service this year

UK Air Defence Command & Control System (DCCS) – The UK’s current Air C2 system (ISD of 2004), based at RAF Boulmer & RAF Scampton. The UK Recognised Air Picture is generated from multiple radar feeds (Air Defence and civilian / military ATC). It will be replaced by CERBERUS (FOC Dec 2015 (50%)).



Examples of Support Activity:

- Integrated Merlin Operational Support, Pricing Period 3 – forecast to begin Apr 15
- Chinook Through Life Customer Support 3 – forecast to begin Apr 15

Operating Centres:

- Helicopters
- ISTAR (Intelligence, Surveillance, Target Acquisition & Reconnaissance)

Specialised Functional Teams



Susanna Mason

Director General Commercial

provides strategic leadership across the full range of acquisition, procurement and commercial activities throughout DE&S. DG Commercial is the Head of Profession for all commercial staff in MOD, and represents the profession at our most senior level across government.



Air Cdre Michael Quigley

Director Technical

has responsibilities at MOD level as the Defence Authority for Technical & Quality Assurance. Within DE&S, Director Technical has responsibility for Safety, Engineering, Quality, Programme/Project Management, Technology Delivery and good management of information. Additionally Director Technical is the DE&S Chief Information Officer and has the responsibilities normally associated with an organisation's Chief Technology Officer.



Michael Bradley

Director General Resources

is the Senior Finance Officer for DE&S and has responsibility for the management of the DE&S budget. He leads the provision of advice and support on a range of financial and accountancy issues, including corporate finance, cost assurance and analysis, provision of key business services in through life investment assurance, and performance & risk management.



Barry Burton

Director Corporate Affairs

has responsibility for corporate governance, key stakeholder engagement, parliamentary business and policy and secretariat. Director Corporate Affairs ensures that the DE&S Boards have the necessary support; and as head of establishment at DE&S Abbey Wood, has responsibility for site infrastructure and security matters.



David Ball

Director Human Resources

has responsibility for the way that people across DE&S' mixed workforce of civil servants, military and contracted staff are led, managed and developed. He is supporting the changes in people management that form a central part of the Materiel Strategy programme.



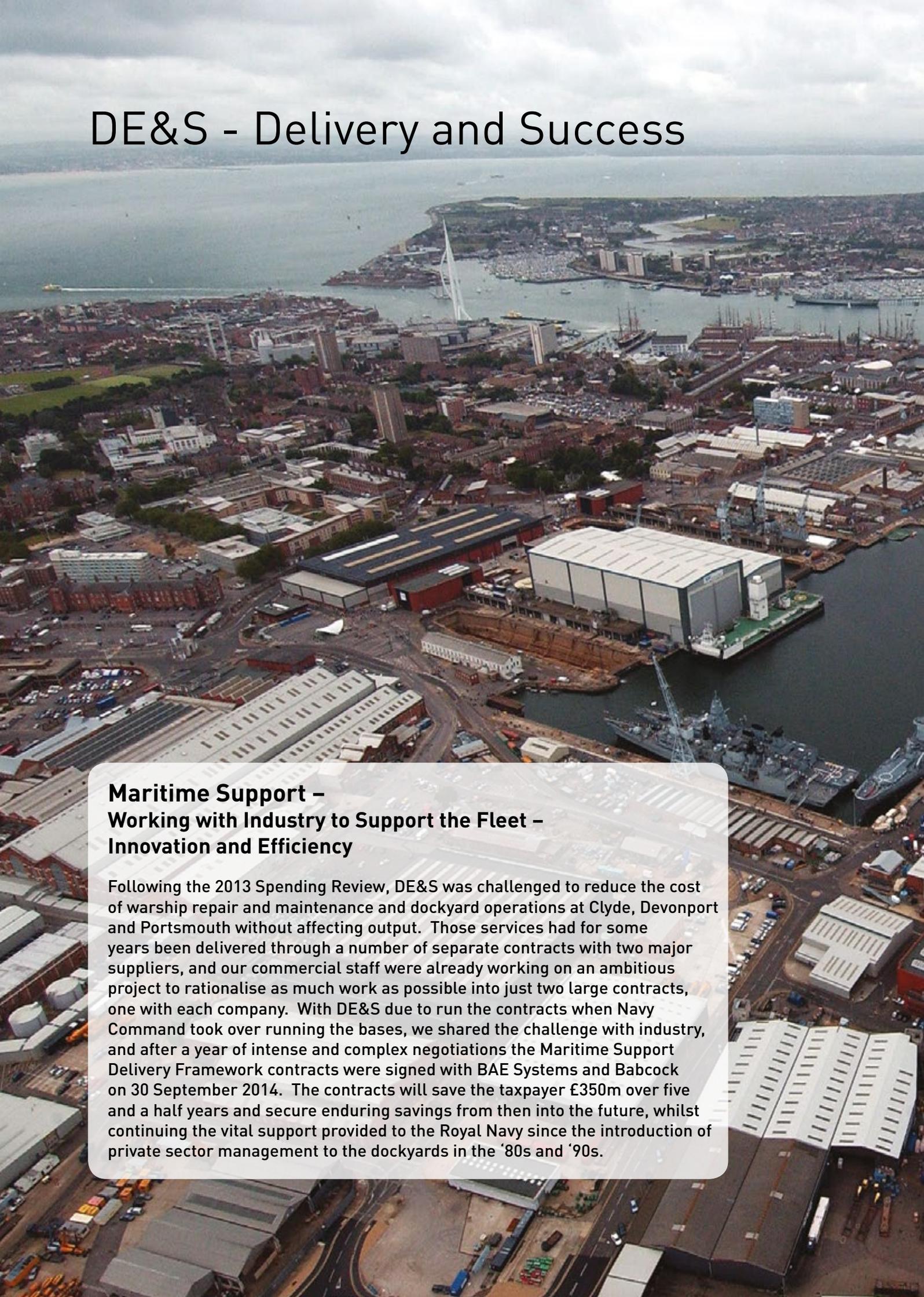
Richard Smart Until 10 Apr 15⁶

Director Materiel Strategy

has responsibility for the Materiel Strategy Programme, which is the main transformation programme in DE&S. Director Materiel Strategy is leading the work to address the long-standing problems in defence acquisition, and will oversee the development and implementation of new policies to ensure that DE&S operates differently, becoming more efficient and effective.

⁶ Recruitment for a successor is underway.

DE&S - Delivery and Success



Maritime Support – Working with Industry to Support the Fleet – Innovation and Efficiency

Following the 2013 Spending Review, DE&S was challenged to reduce the cost of warship repair and maintenance and dockyard operations at Clyde, Devonport and Portsmouth without affecting output. Those services had for some years been delivered through a number of separate contracts with two major suppliers, and our commercial staff were already working on an ambitious project to rationalise as much work as possible into just two large contracts, one with each company. With DE&S due to run the contracts when Navy Command took over running the bases, we shared the challenge with industry, and after a year of intense and complex negotiations the Maritime Support Delivery Framework contracts were signed with BAE Systems and Babcock on 30 September 2014. The contracts will save the taxpayer £350m over five and a half years and secure enduring savings from then into the future, whilst continuing the vital support provided to the Royal Navy since the introduction of private sector management to the dockyards in the '80s and '90s.

DE&S High-Level Objectives

DE&S has agreed the following high-level objectives with its Owner to be delivered across the period of this Corporate Plan.

a. DELIVERY (ongoing activity through to 2018)

Deliver safely the agreed DE&S Programme of Work and associated support and services to the Commands and Strategic Programmes:

- Improvement in delivery within the agreed performance, cost and time envelope and against other metrics included in the Command Acquisition Support Plans assessed over the course of a financial year
- Maintain, and where possible improve, delivery performance during transformation
- Ensure DE&S operating expenditure is within the allocated provision
- Provide ongoing availability of equipment that is safe to operate

b. TRANSFORMATION to a MATCH FIT ORGANISATION (from 2015 to 2017)

Implement the DE&S Transformation Plan to create a “match fit” organisation defined as:

- A Customer-focused, innovative, value-adding, best-in-class acquisition and support organisation recognised for its ability to deliver results and the professionalism of its people
- A self-confident organisation that is trusted and empowered to get on with its job

c. LEADERSHIP AND ENGAGEMENT

Build a culture of professionalism, continuous improvement, effective engagement and high performance through creating an exciting and challenging set of business targets where delivery will be rewarded. This will result in:

- Strong leadership behaviours, which will enhance the DE&S reputation and support our delivery of the programme of work
- Improved results in the annual DE&S Employee Engagement Survey
- Leaders at all levels using effective processes and tools in an agreed, defined, coherent and consistent manner

These High-Level Objectives are underpinned by a set of detailed Key Performance Indicators (KPIs), summarised at Annex A, which are designed to measure the effectiveness of DE&S’ delivery.

DE&S - Delivery and Success

A Vital Service Provision Contract – Strengthening In-Service Support - Securing Efficiencies

The Defence Support Group (DSG) was a Trading Fund owned by the Secretary of State. The MOD committed to sell DSG as part of the 2010 Comprehensive Spending Review and announced its intention to do so in the 2010 Strategic Defence and Security Review. The DSG Sale needed to be complete by the end of 2014/15, with a Service Provision Contract (SPC) to be placed with the new owners by 1 April 2015 to ensure continued support services. A competitive tender process started at the end of 2013, with evaluations and negotiations conducted jointly by DE&S, Army Headquarters and the Head Office Business Strategy & Governance team during summer 2014. The sale of DSG to Babcock was endorsed by MOD's Investment Approvals Committee and by Ministers, and announced on 17 December 2014, followed on 31 March 2015 by the signature of the SPC with Babcock. The SPC covers DSG's fleet management and engineering support services for a wide range of land equipment, from tanks to trucks to individual weapons. The business was valued at about £1.4 Billion over 10 years and the SPC should generate savings of around £450 Million over that period.

Our Priorities in DE&S

To deliver our High Level Objectives, we have set out a number of corporate Priorities; the areas we will focus on to ensure that we succeed. These are designed to support our people, and through them, delivery of the programme for our Customers.

Successful Delivery – delivering the DE&S Programme of Work to performance, cost and time

We will continue to improve our delivery against those elements of the Equipment Plan for which DE&S has responsibility - the DE&S Programme of Work - to performance, cost and time. We will ensure, through our relationships with Customers and suppliers that we are able to deliver the best possible equipment and support to the Armed Forces, supporting delivery of capability while delivering value for money for the taxpayer.

Specifically we will:

- Deliver the agreed Command Acquisition Support Plans to the specified time, cost and performance envelopes
- Deliver within a defined operating cost envelope
- Adopt a robust approach to the management of changes to the DE&S Programme of Work
- Harness and develop the skills of our people to continuously improve the delivery of our programme of work
- Be innovative in the delivery of more agile capabilities that deliver technological advantage
- Provide support to operations and Defence Plan Strategic Objectives
- Implement an effective Management Information system to underpin delivery of the DE&S Programme of Work
- Be delivery focused; safety driven

Successful Transformation – delivering increased capability and value

We will continue to transform the organisation, embedding and building the autonomy achieved through our status as a Bespoke Trading Entity. We will utilise the private sector expertise of the Managed Service Providers to deliver the improvements we seek and build the capability we need to sustain that change.

Specifically we will:

- Instil a strategic approach to transformation, led by the DE&S Executive Board and championed by the DE&S Senior Management Team (the DE&S 3* and 2* community), ensuring consistent, coherent and effective delivery of the programme of work
- Harness the specialist skills and experience of the Managed Service Providers to support our transformation
- Ensure our approach is anchored in delivering tangible outputs and changes that improve our efficiency and delivery of the programme of work
- Adopt a structured approach to managing the DE&S change portfolio

Successful Leadership – inspiring performance and managing outcomes efficiently and effectively

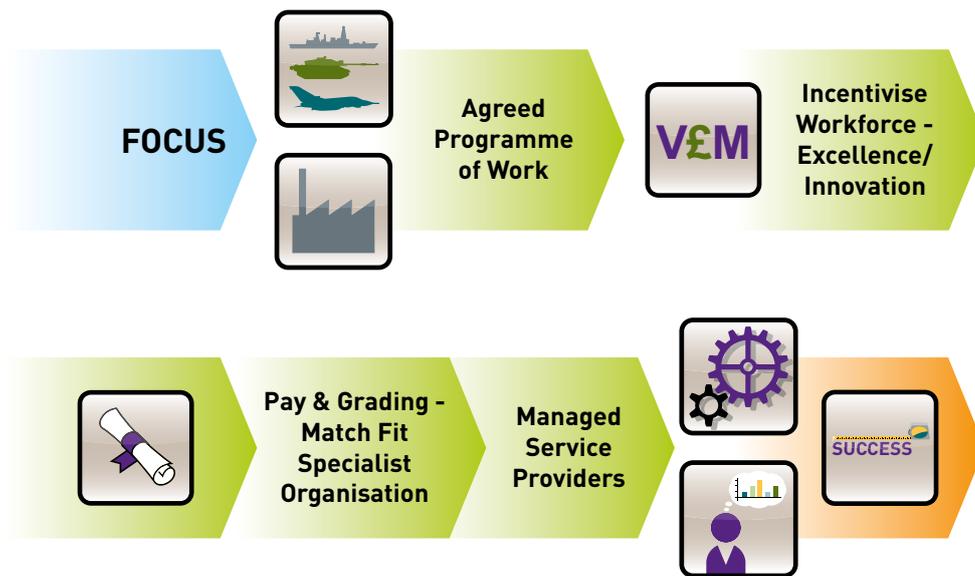
Underpinning all that we do is a recognition that leadership is key to our success. We will all manage our resources – human, financial, and infrastructure – effectively and efficiently to deliver our outputs. To better deliver our programme of work, we need a workforce that is properly skilled, properly developed and properly incentivised.

Specifically we will:

- Create an effective Human Resources organisation to plan and manage our workforce
- Generate a pay and grading system to meet our business needs
- Create strategic workforce plans that guide the recruitment and development of our people
- Develop our people's careers to meet current and future business needs
- Implement an effective performance management system
- Continue to improve our working environment
- Set clear corporate policies, and a standardised approach to assist and support through life administration of Safety and Environmental Management Systems for all Military Equipment and train our people accordingly
- Listen to employee feedback in the DE&S survey and take action to drive positive change and engagement in the organisation
- Continue to develop functional professionalism for all DE&S posts

How we will deliver

- We will focus on our Customers and suppliers to understand their needs and capabilities
- We will use that understanding in an agile and accountable way to deliver the agreed programme of work
- We will place cost and capital effectiveness at the centre of the proposals we make and the advice we offer, always cognisant of the imperative for value for money solutions, as we use taxpayers' money
- We will incentivise our workforce to strive for excellence and innovation in everything they do, both individually and collectively
- We will value their work and invest in the development of their skills, bringing in additional capability from the market where we need to
- We will develop a pay and grading strategy that delivers our need to become a specialist organisation that is "match fit"
- We will ensure that Safety and Environmental Protection remains at the 'centre of our thinking
- We will use the Managed Service Providers, who bring specialist skills and expertise as well as experience in supporting transformational change in large and complex organisations, to help us deliver our outputs where necessary
- We will put in place effective tools and processes to understand the impact of our work, measure our performance against our targets, forecast cash flow effectively and provide our stakeholders with the required information on what we are doing

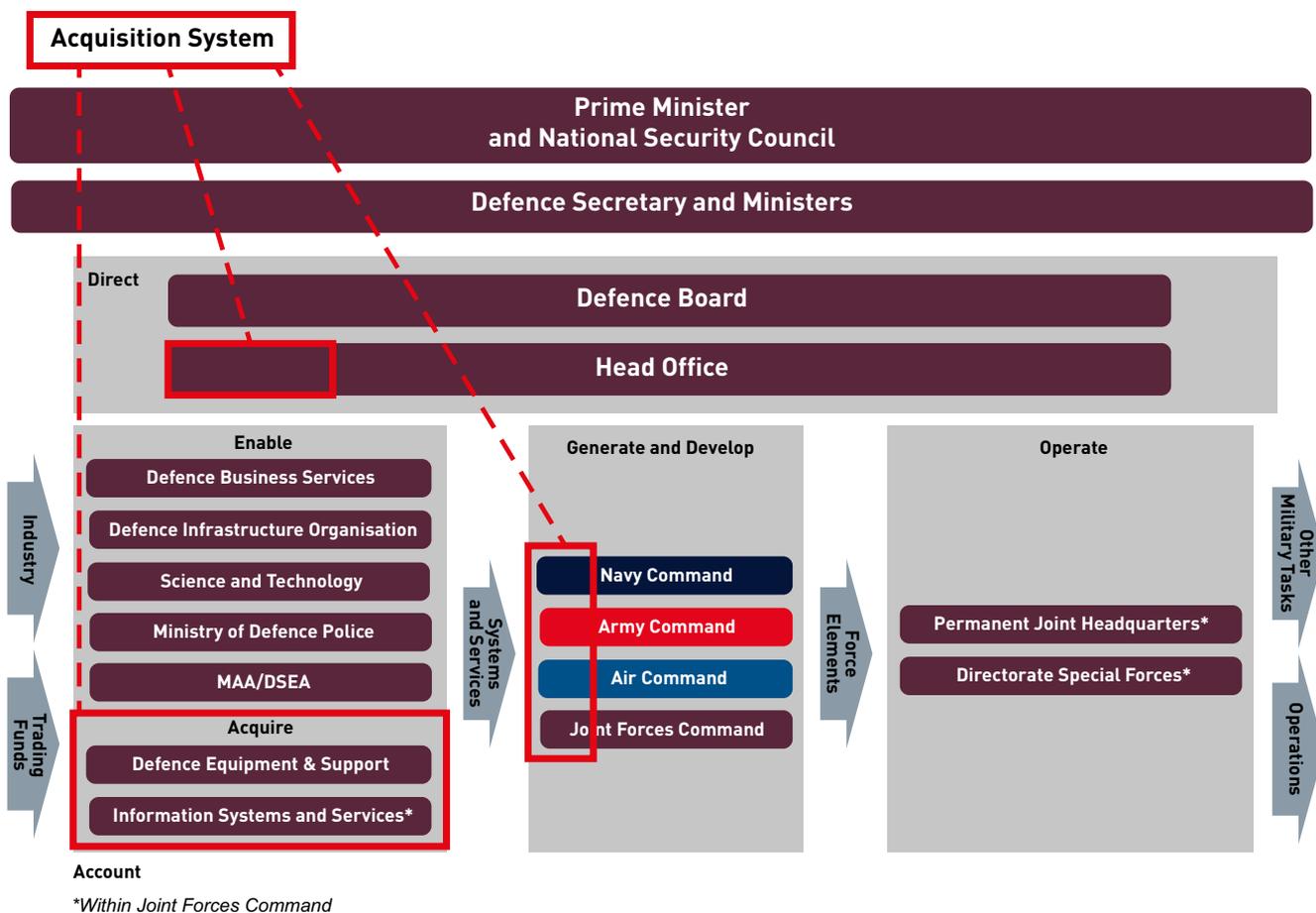


Transformation

DE&S transformation is taking place against a backdrop of wider Defence reform. Our transformation is aligned with the role as envisaged for DE&S in the Report on Defence Acquisition 2009⁷ and the work on wider Defence Reform led by Lord Levene⁸.

Since Lord Levene's Report, a new Defence Operating Model has been put in place. Reform of the Acquisition System, including DE&S, is underway within the

context of this Model. The key components are illustrated below. The Acquisition System Operating Model describes the accountabilities, functions and activities undertaken by individuals and organisations to ensure delivery of Equipment, Services, Logistics and Support⁹ to the Armed Forces.



The Defence Operating Model and key elements of the Acquisition System

⁷ Review of Acquisition for the Secretary of State for Defence. An independent report by Bernard Gray. October 2009.

⁸ Defence Reform An independent report into the structure and management of the Ministry of Defence. June 2011.

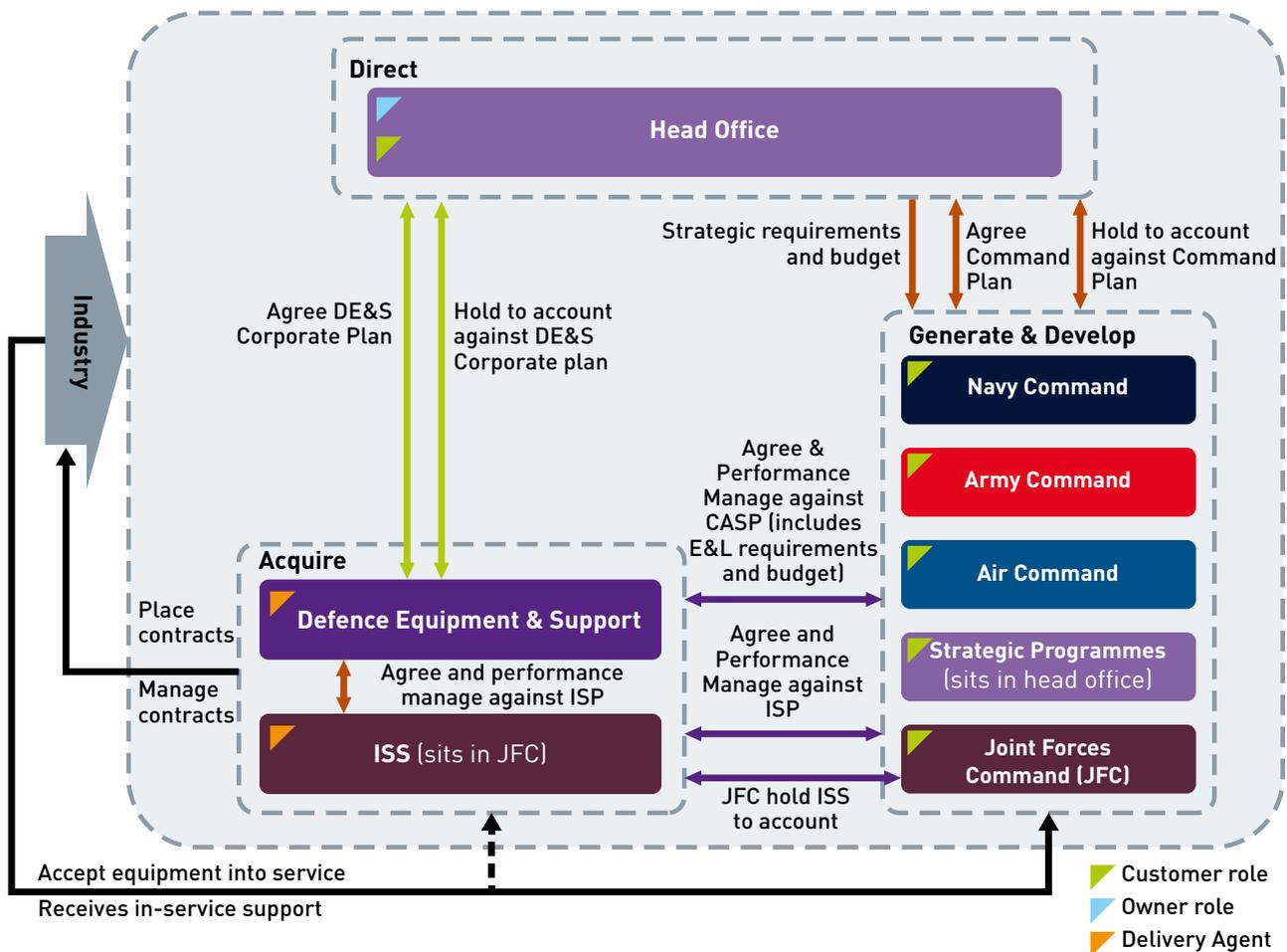
⁹ Information Systems and Services (ISS) is taking forward information related delivery.

Defence Equipment and Support

The changes to the Acquisition System will ensure greater clarity of responsibilities and accountabilities in acquisition. Head Office directs, delegates, empowers and holds to account. Commands (including Strategic Programmes) are responsible for setting the requirements for the Delivery Agents and in holding them to account for meeting them. The Delivery Agents - that is DE&S and Information

Systems and Services (ISS) - are Customer facing, trusted to advise Commands on the deliverability of their requirements, and capable of delivering them.

A simplified and improved Acquisition System with strengthened individual accountability will offer better value for money for Defence and the taxpayer in the delivery and support of the required military effect.



The Acquisition System's top level accountabilities, organisations and interactions

The DE&S Transformation Programme

Since our launch as a Bespoke Trading Entity in April 2014, the DE&S Executive has been leading the development of a substantial business transformation programme under the Materiel Strategy, putting in place the mechanisms and resources for delivering successful business change.

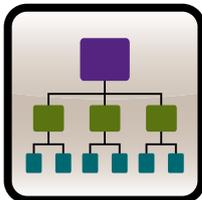
We are also bringing in tailored private sector skills to provide strategic support and assistance with our transformation, through contracts for

Managed Service Providers (MSPs). To date, three companies: Bechtel, CH2M HILL and PwC are acting as our transformation partners in defined areas of the business. With support from the MSPs, we will continue to focus on the outputs required by our Customers to deliver the following strategic transformation outcomes.



Individually accountable but delivering together

Individuals are personally accountable for delivery and empowered to get on with it. We work as a team to deliver value



Flexible delivery model

Work is delivered by the best person for the job, deployed efficiently



Consistent and coherent delivery

Leaders use processes and tools to coherently and consistently deliver reliable outcomes for our Customers



Constructive partnering with Customers

Challenging conversations happen early in the requirements setting process to agree the "art of the possible" and what represents "value" for defence



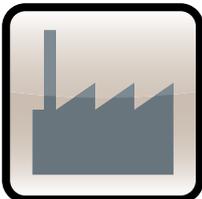
Strong professions and skills

Driving for excellence in our professional capability and skills



Measuring what matters to drive results

Performance is measured against what really matters and success is appropriately recognised



Driving value from suppliers

Commercial models that are sophisticated enough to drive value from the market place

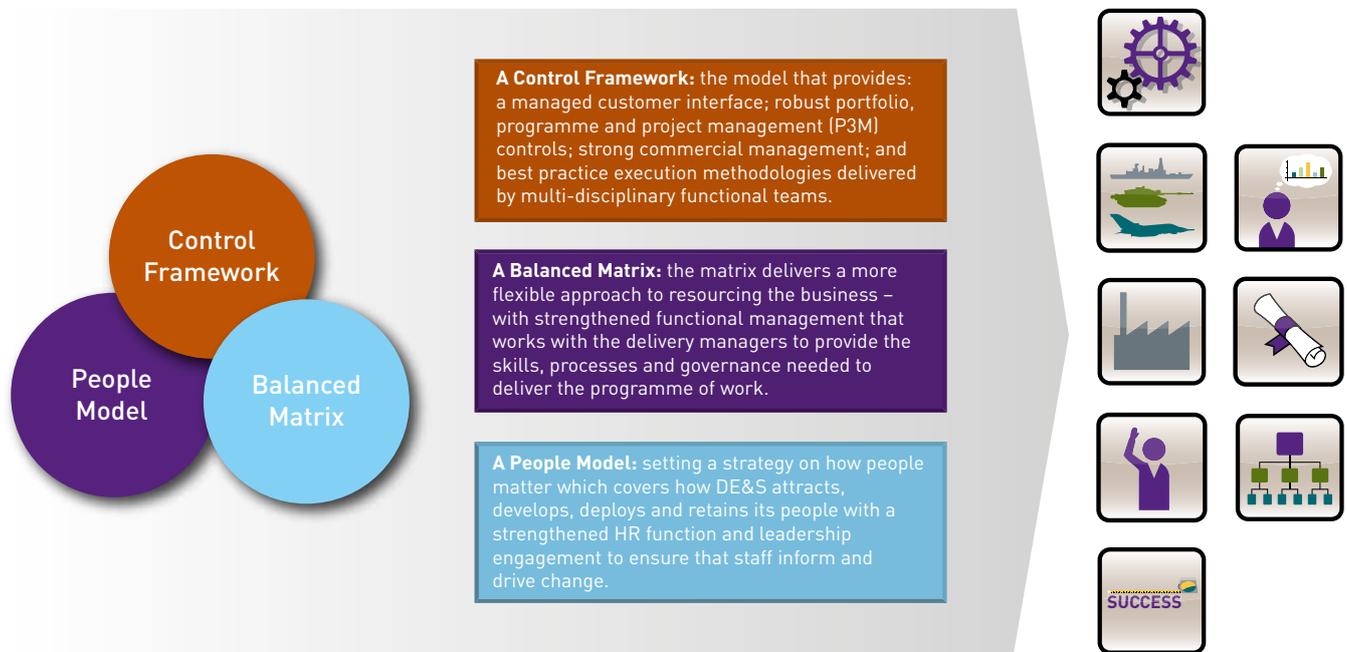


Business minded

Conscious of delivering value in everything we do and every decision we make

The establishment of DE&S as a Bespoke Trading Entity was the first step in delivering the transformation we need. As a Bespoke Trading Entity we have established new governance arrangements that provide opportunities to deliver more effectively

and efficiently. We have also appointed Managed Service Providers to provide the specialist skills and experience of large scale business transformation. The emerging transformation plan is based around the themes as shown below.



Collectively, these seek to deliver a DE&S Operating Model which comprises six elements:

- *Enterprise Structure, the People Model, that encompasses the functional matrix and corporate services required to deliver our transformation, underpinned with the talent required to make the operating model work.*
- *A Control Framework that defines accountability principles for where and how decisions are made and the processes and workflows that ensure they are implemented effectively.*
- *Information centred on performance metrics that align the Executive Team and the broader organisation around clear strategic objectives and priorities.*
- *Governance forums and a management drumbeat that enable priority cross-domain processes and interfaces to support strategic and operational decisions.*
- *Interface Management that links the Customer and Supplier to the core of the Operating Model.*
- *Behavioral expectations that establish how the organisation works together through the project lifecycle.*

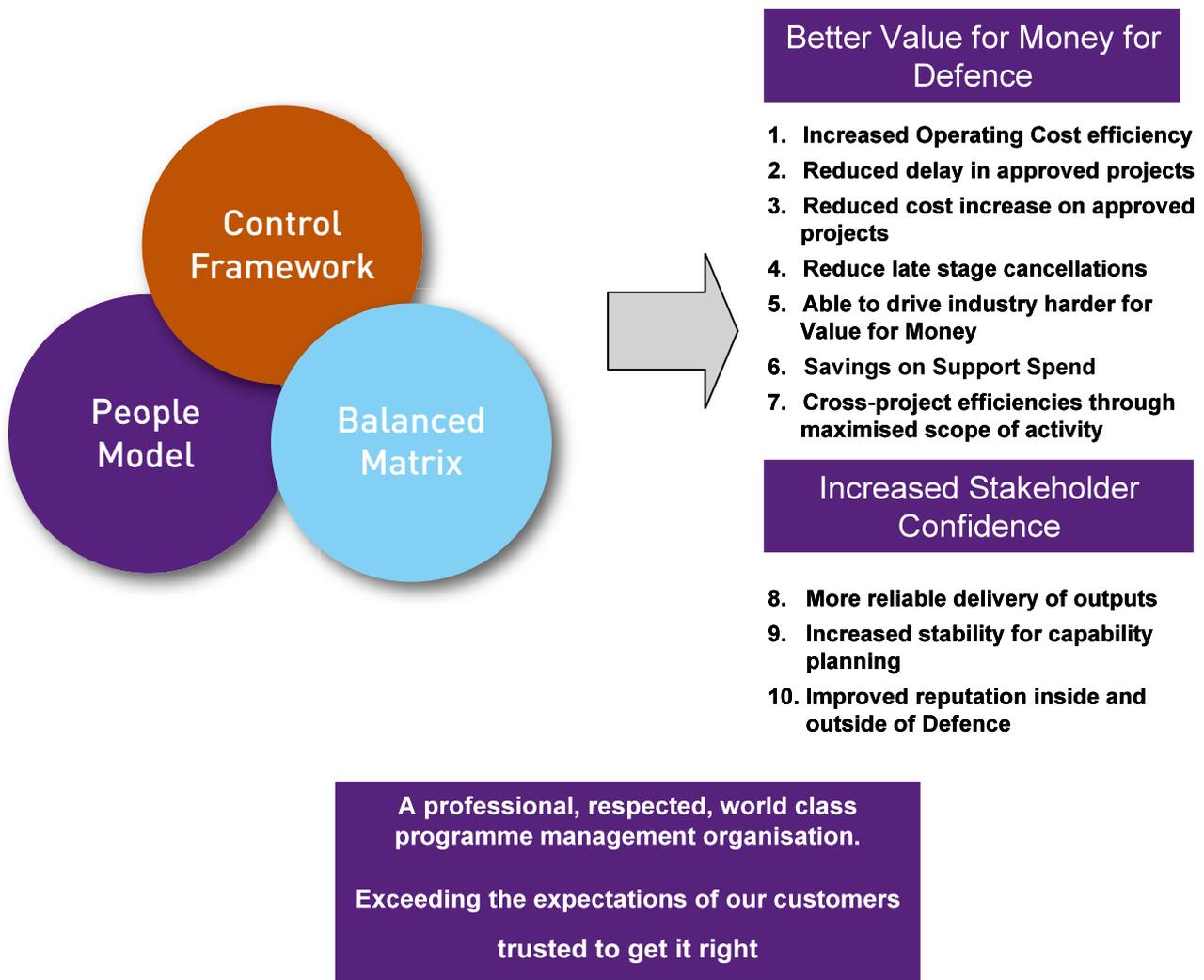
The outline of our approach to DE&S transformation, taking place over the next 3 years is detailed below.

	December 2015	December 2016	December 2017
Control Framework	<ul style="list-style-type: none"> • Enhancement of existing high level process architecture completed • Undertake pilot studies for new functions • Agree overarching process design principles • Implement priority process improvements 	<ul style="list-style-type: none"> • Develop 'Golden Rules' at corporate level which define 'ways of working' • Commence implementation of Domain processes tailored to the diversity of the business 	<ul style="list-style-type: none"> • Document detailed architecture • Implement Business ownership of process into business as usual • Assure consistency of process application across DE&S • Move towards a cycle of continuous improvement
Balanced Matrix	<ul style="list-style-type: none"> • Establish Functional leadership • Allocate ownership of process architecture to Business Process Assurance • Agree balanced matrix roles and accountabilities (in detail) 	<ul style="list-style-type: none"> • Implement resourcing management governance and tools • Develop new job roles • Agree prioritisation and escalation rules across the business and with customers • Implement resource prioritisation across the business 	<ul style="list-style-type: none"> • Realign resources to new functions • Implement operational balanced matrix
People Model	<ul style="list-style-type: none"> • Set up new HR function including HR controls framework • Map people to existing functions • Implement skills training for managers 	<ul style="list-style-type: none"> • Evaluate new job roles and families • Define new career paths • Implement new people policies • Develop workforce plans for each function • Implement new performance management process and train managers • Set up DE&S learning academy 	<ul style="list-style-type: none"> • Implement new career paths • Implement new grading structure • Implement full people model

Benefits of Transformation

Through achievement of our strategic transformation outcomes, the programme of change will secure significant benefits for DE&S and our stakeholders. Driving for better value for money in acquisition and support, we will increase stakeholder confidence in our delivery and enhance the reputation of the organisation.

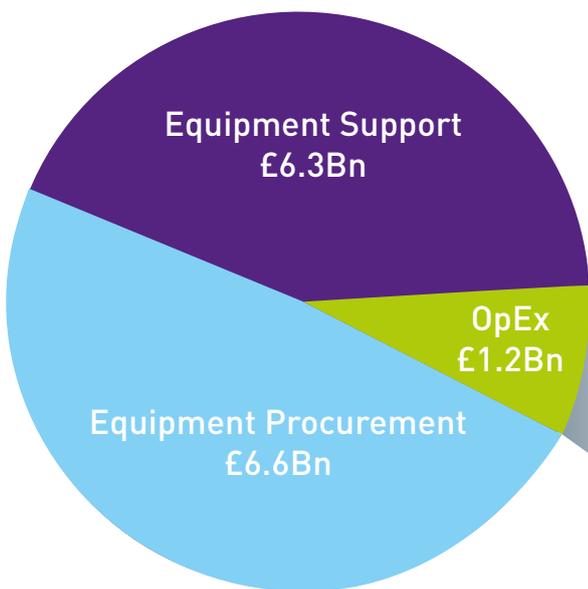
The three themes (underpinned by communications) will work together to deliver the benefits which will continue to evolve as our implementation plans develop.



Our Resources

Indicative Budget Allocations 2015 to 2016

This chart shows a DE&S Operating Expenditure 2015/16 of £1.2Bn shown proportionate to those elements of the Equipment Programme - some £12.9Bn¹¹, which DE&S will deliver on behalf of Customers.

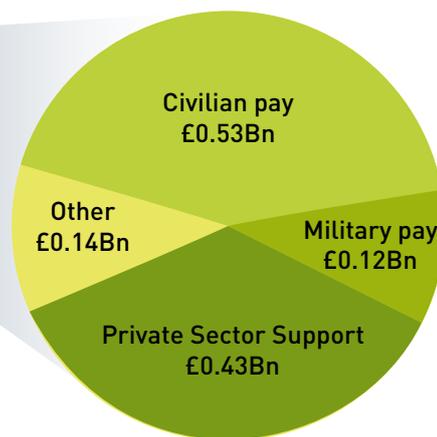


DE&S Operating Costs FY 2015/16 to 2016/17

The table below shows the indicative profile for DE&S annual operating costs.

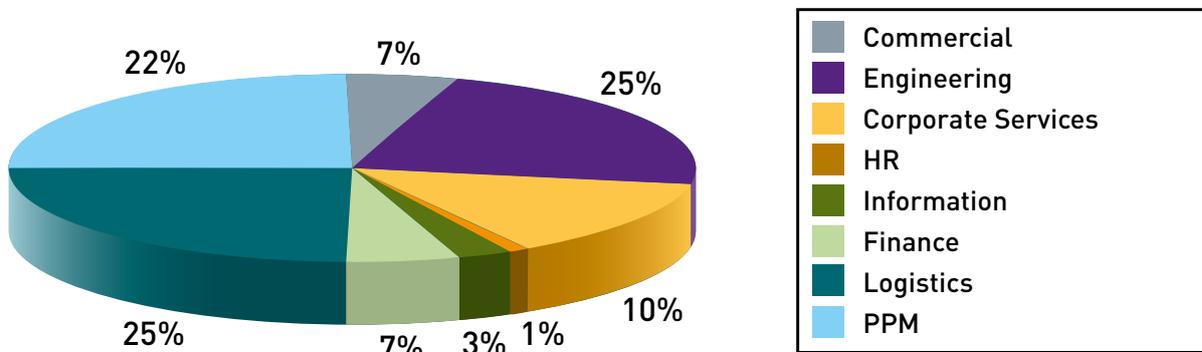
Financial Year	FY15-16	FY16-17	FY17-18
Annual Budget	£1.2Bn	£1.2Bn	£1.1Bn

The key to achieving this declining cost trajectory will be reducing our dependence on expensive Private Sector Support and strengthening our internal capabilities where appropriate. Private Sector Support is broadly defined as the amount of external capacity and capabilities purchased in the form of people and skills to supplement the DE&S in-house delivery of those elements of the Equipment Programme for which DE&S has responsibility.



People and Scope

DE&S employs a range of specialists across a broad spectrum of disciplines to deliver its objectives. A breakdown of functions is shown in the chart below¹⁰.



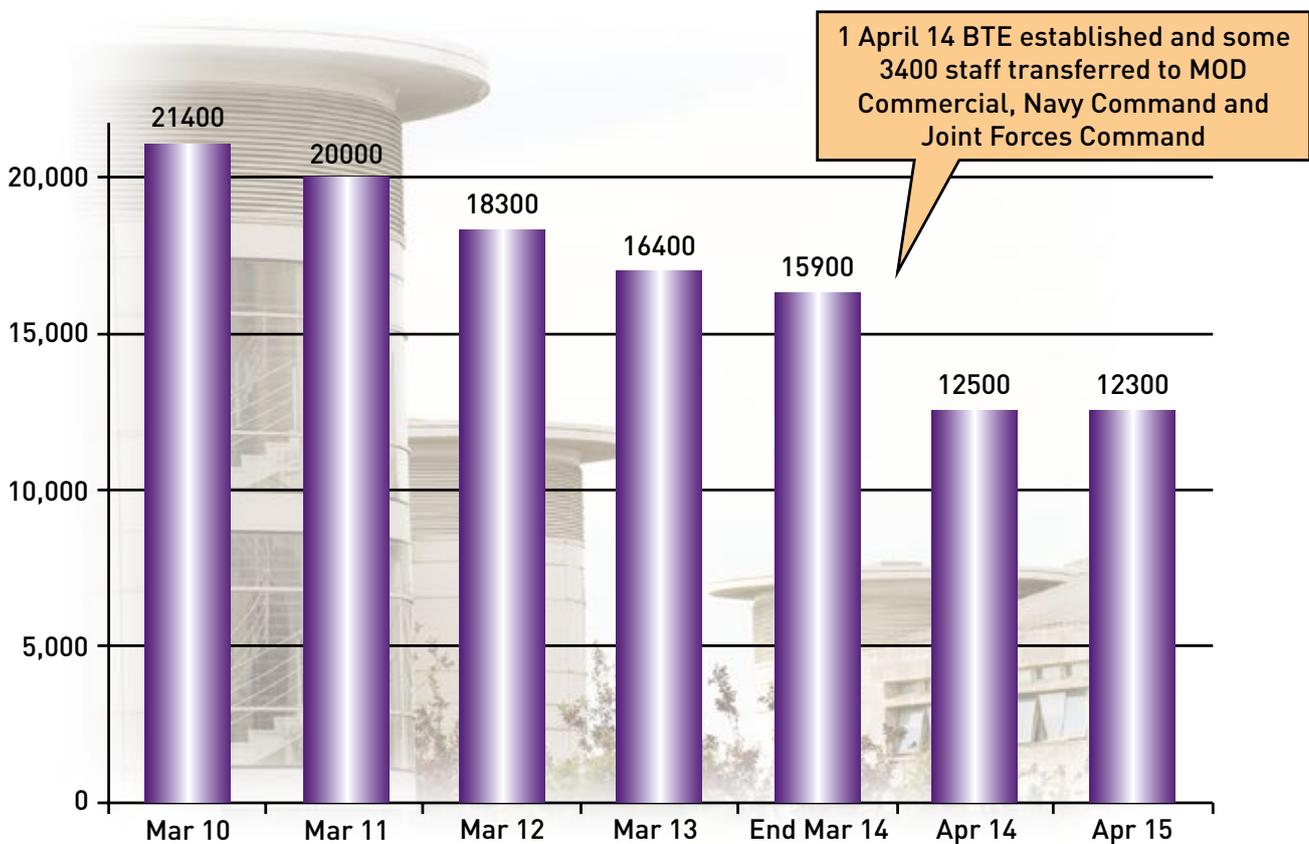
¹⁰ Source: HRMS Nominal Role (civ & mil staff) as at 28 Feb 2015.

¹¹ As per the Defence Equipment Plan 2014, excluding ISS elements, contingency and headroom.

DE&S Workforce Profile

Since 2010 the DE&S workforce has reduced by about 9,000, from 21,400 to a total at the end of March 2015 of 12,300¹². About 4,000 of this reduction has been through real reductions in numbers (some 18% of the total at 2010); the other 5,000 through changes in the boundaries and scope of DE&S, mainly from the movement of Information Systems and Services procurement, and management of the Naval bases to other parts of the MOD before DE&S was established as a Bespoke Trading Entity.

During FY 2015/16, depending on the outcome of the Logistics and Commodities and Services (LCS) Transformation Programme, approximately 1,250 staff could transfer out of DE&S under the TUPE¹³ Regulations as a result of outsourcing.



¹² Source: Operating Costs and Control Group data as at March 2015. Figures compiled using refreshed data source ie JPA and HRMS. The figures in the 2014 Corporate Plan drew only from HRMS.

¹³ Transfer of Undertakings (Protection of Employment).

DE&S - Delivery and Success

Offshore Patrol Vessels – Driving Progress - Sustaining Skills – Delivering Capability

For some time the MOD had been considering how best to meet the challenge of sustaining a skilled shipbuilding work force in the UK between the completion of construction of the blocks for the second Queen Elizabeth Class (QEC) Aircraft Carrier and the beginning of construction of the Type 26. The solution adopted has exploited the requirement for three new Offshore Patrol Vessels (OPVs), secured the vital skills needed to build the UK's future warships and will provide valuable capability for the Royal Navy. In November 2013 the Secretary of State made a statement about the deal reached with BAE Systems to improve the commercial arrangement for QEC, ensure the sustainable future of the UK warship building industry and secure the right entry conditions for the Type 26. The deal comprised commitments from BAE Systems on transformation/rationalisation and the construction of three OPVs to maintain the key skills required for Type 26, which assumes a skilled work force and a working shipyard to deliver it. Utilising an existing design created the opportunity to test and embed more effective ways of working with low risk. The critical challenge was translating the vision into a commercially deliverable proposition. In January 2014, approval was given for the long lead Items and this was followed in August 2014 with the approval to place the Build and Interim Support contracts. By October 2014 the steel for the first ship was cut and as of Jan 2015 the first unit is taking shape.



Safety

Safety and environmental protection are at the heart of our business in DE&S. We have designed our policies to ensure that we provide safe equipment to the Armed Forces, a safe environment for our people to work in and that we protect the environment in which we and our equipment work.

DE&S remains within the wider Ministry of Defence governance structure for Safety¹⁴ and as such, the Secretary of State for Defence requires the Chief Executive to minimise work-related fatalities, injuries, ill-health and adverse effects on the environment, and to reduce health and safety risks so that they are As Low As Reasonably Practicable (ALARP). To achieve this, DE&S has:

- developed a Delivery Plan that details the work necessary to implement our Vision for safety. The DE&S Safety Board take progress reports on this plan five times a year; and
- implemented a set of business performance indicators covering a variety of safety and environment-protection themes. The Safety Board takes progress reports on these at every meeting.

The Safety Board also takes performance reports against the eleven elements of an effective Health, Safety and Environmental Protection system, as detailed in Joint Service Publication 815 - Defence, Health, Safety and Environmental Protection - and from the individual DE&S Operating Centre assessments.

Beyond legal compliance, DE&S is a learning organisation which aims continually to develop and improve safety and environmental management across all areas of responsibility. We have agreed 8 Key Safety Messages which we are now embedding in support of our safety culture.

Key Safety Messages	
Leadership:	Safety leadership in DE&S starts at the top, and is visible and accountable at all levels of management and supervision.
SQEP (Suitably Qualified & Experienced People):	DE&S uses the appropriate level of SQEP for the business it is in.
Proportionate & Appropriate:	In DE&S, hazard analysis/risk assessment is a thinking process - a means to an end and not an end in itself.
Learning & Sharing:	In DE&S, we learn and share safety lessons when things go wrong, and share good practice from the things we do well.
Accountability & Responsibility:	Everyone in DE&S needs to understand their individual safety responsibilities and to whom they are accountable to.
Behaviour:	Everyone in DE&S acts in a safe and professional way at work.
Challenge:	Everyone in DE&S has a right and a duty to challenge anything they perceive as unsafe and receive a response.
Culture:	Everyone in DE&S understands, adopts and follows these safety messages - sensible and proportionate safety is the way we do business.

¹⁴ As required by the policy set out in Joint Service Publication 815 (Defence Health, Safety and Environmental Protection).

DE&S - Delivery and Success

Putting Safety at the Heart of Our Business

DE&S is committed to providing safe equipment to our Armed Forces, and a safe environment for our staff and our contractors. We continually develop and seek to strengthen our approach to safety matters, and are focused on embedding an effective and just safety culture across the business. In 2014, we put in place the final components of our system safety upskilling package. The package is based around a series of Role Profiles which recognise that all staff involved in acquisition safety can be mapped to one of seven roles. For each role, a profile specifies minimum competence requirements in the form of training and experience. The training element is satisfied by a suite of DE&S sponsored System Safety courses which use a combination of on-line and workshop-based learning. The modular design of the suite of courses means staff only undertake those relevant to their role, minimising the training burden. Safety is a priority for the entire organisation, supported by strong leadership and key subject matter experts. The final part of the suite to be rolled out was the Executive Module, a course designed to meet the needs of the most senior members of DE&S. For those staff who need to attain Practitioner status there is an end-of-training exam, with successful candidates being eligible for membership of the International Institute of Risk and Safety Managers (IIRSM).

DE&S Key Performance Indicators (KPI) 2015/16

ANNEX A

KPI 1 - CASP DELIVERY PERFORMANCE	Metric	NAVY	ARMY	AIR	JOINT FORCES	STRATEGIC PROGRAMMES
1.1 Achievement of CASP Milestones Over the year, percentage of strategic CASP milestones ¹⁵ to be met.	%	Green ≥90% Amber ≥80% <90% Red < 80%				
1.2 Procurement Projects ¹⁶ - Performance (KURs) For Demonstration and Manufacture phase projects, post Main Gate and pre-1SD and as agreed in the CASP: The percentage of Key User Requirements (KURs) that are forecast to be achieved at completion of the project.	%	Green ≥ 97% Amber ≥ 96% < 97% Red < 96%	Green ≥ 97% Amber ≥ 96% < 97% Red < 96%	Green ≥ 97% Amber ≥ 96% < 97% Red < 96%	Green ≥ 97% Amber ≥ 96% < 97% Red < 96%	Green ≥ 97% Amber ≥ 96% < 97% Red < 96%
1.3 Procurement Projects ¹⁶ - Cost						
1.3.1 For Demonstration and Manufacture phase projects, post Main Gate and pre-1SD and as agreed in the CASP: Over the year, the forecast aggregate cost variance against the baseline agreed in the CASP ¹⁷ .	Forecast cost variance (%)	Green ≤ 0.4% Red > 0.4%				
1.3.2 For Demonstration and Manufacture phase projects, post Main Gate and pre-1SD and as agreed in the CASP: Over the year, the number of projects forecasting excessive cost growth against the baseline agreed in the CASP ¹⁷ .	% of projects forecasting excessive cost growth	Green ≤15% Amber >15 <20% Red ≥20%				
	Threshold for excessive cost growth	1.75%	1.75%	1.75%	1.75%	1.75%

¹⁵ Each Command Acquisition & Support Plan (CASP) will define up to 12 strategic milestones that are jointly agreed between the Customers and DE&S to be met in-year and to criteria agreed in the CASP.

¹⁶ Approved Cat A-C procurement projects. Will also include a limited number of specific approved Cat D projects where these are critical to delivery of the Command Plan and are identified and agreed in the CASP.

¹⁷ CASPs are not yet agreed so the baselines are not yet finalised. It is assumed that the baseline agreed in the CASP will be the project data (at 50% confidence) held in Corporate Management Information Systems (CMIS) as at 1-Apr-15.

KPI 1 - CASP DELIVERY PERFORMANCE	Metric	NAVY	ARMY	AIR	JOINT FORCES	STRATEGIC PROGRAMMES
1.3.3 For Assessment phase projects, post Initial Gate and pre Main Gate and as agreed in the CASP: Over the year, the forecast aggregate variance in the approved Assessment phase cost, against the baseline agreed in the CASP ¹⁷ .	Forecast cost variance (%)	Green ≤ 3% Amber > 3% to ≤ 5% Red > 5%	Green ≤ 3% Amber > 3% to ≤ 5% Red > 5%	Green ≤ 3% Amber > 3% to ≤ 5% Red > 5%	Green ≤ 3% Amber > 3% to ≤ 5% Red > 5%	Green ≤ 3% Amber > 3% to ≤ 5% Red > 5%
1.4 CASP Procurement Projects¹⁶ - Time						
1.4.1 For Demonstration and Manufacture phase projects, post Main Gate and pre-ISD and as agreed in the CASP: Over the year, the forecast aggregate variance to ISD ¹⁸ , against the baseline agreed in the CASP.	Average variance per project (months)	Green ≤ 0.6 months Amber >0.6 months ≤ 0.8 months Red > 0.8 months	Green ≤ 0.6 months Amber >0.6 months ≤ 0.8 months Red > 0.8 months	Green ≤ 0.6 months Amber >0.6 months ≤ 0.8 months Red > 0.8 months	Green ≤ 0.6 months Amber >0.6 months ≤ 0.8 months Red > 0.8 months	Green ≤ 0.6 months Amber >0.6 months ≤ 0.8 months Red > 0.8 months
1.4.2 For Demonstration and Manufacture phase projects, post Main Gate and pre-ISD and as agreed in the CASP: Over the year, the number of projects forecasting excessive variance to ISD, against the baseline agreed in the CASP.	% of projects forecasting excessive time variance	Green ≤ 15% Amber > 15 < 25% Red ≥ 25%	Green ≤ 15% Amber > 15 < 25% Red ≥ 25%	Green ≤ 15% Amber > 15 < 25% Red ≥ 25%	Green ≤ 15% Amber > 15 < 25% Red ≥ 25%	Green ≤ 15% Amber > 15 < 25% Red ≥ 25%
1.4.3 For Assessment phase projects, post Initial Gate and pre Main Gate and as agreed in the CASP: Over the year, the forecast aggregate variance to the approved AP duration, against the baseline agreed in the CASP.	Threshold for excessive time variance (months)	2 months				
	Average time variance per project (month)	Green ≤ 2 months Amber > 2 months ≤ 3 months Red > 3 months	Green ≤ 2 months Amber > 2 months ≤ 3 months Red > 3 months	Green ≤ 2 months Amber > 2 months ≤ 3 months Red > 3 months	Green ≤ 2 months Amber > 2 months ≤ 3 months Red > 3 months	Green ≤ 2 months Amber > 2 months ≤ 3 months Red > 3 months

¹⁸ It is the intention from 2016/17 onwards to measure the delivery of D&M projects against their agreed Equipment Delivery Date (EDD) rather than ISD, once EDDs for all procurement projects have been defined and agreed in the CASPs.

KPI 1 - CASP DELIVERY PERFORMANCE	Metric	NAVY	ARMY	AIR	JOINT FORCES	STRATEGIC PROGRAMMES
1.5 CASP Equipment Support (Performance) 1.5.1 Availability % of ESP outputs agreed in the CASP that DE&S is wholly responsible for that are scored as Green or Yellow.	(%)	Green ≥ 80% Amber ≥70% < 80% Red < 70%	Green ≥ 80% Amber ≥70% < 80% Red < 70%	Green ≥ 80% Amber ≥70% < 80% Red < 70%	Green ≥ 80% Amber ≥70% < 80% Red < 70%	Green ≥ 80% Amber ≥70% < 80% Red < 70%
1.5.2 Reliability % of ESP outputs agreed in the CASP that DE&S is wholly responsible for that are scored as Green or Yellow.	(%)	Green ≥ 80% Amber ≥70% < 80% Red < 70%	Green ≥ 80% Amber ≥70% < 80% Red < 70%	Green ≥ 80% Amber ≥70% < 80% Red < 70%	Green ≥ 80% Amber ≥70% < 80% Red < 70%	Green ≥ 80% Amber ≥70% < 80% Red < 70%
1.5.3 Sustainability % of ESP outputs agreed in the CASP that DE&S is wholly responsible for that are scored as Green or Yellow.	(%)	Green ≥ 80% Amber ≥70% < 80% Red < 70%	Green ≥ 80% Amber ≥70% < 80% Red < 70%	Green ≥ 80% Amber ≥70% < 80% Red < 70%	Green ≥ 80% Amber ≥70% < 80% Red < 70%	Green ≥ 80% Amber ≥70% < 80% Red < 70%
1.5.4 Safety Process Administration ¹⁹ % of ESP outputs agreed in the CASP that DE&S is wholly responsible for that are scored as Green.	(%)	Green = 100% Amber ≥95% < 100% Red < 95%	Green = 100% Amber ≥95% < 100% Red < 95%	Green = 100% Amber ≥95% < 100% Red < 95%	Green = 100% Amber ≥95% < 100% Red < 95%	Green = 100% Amber ≥95% < 100% Red < 95%

KPI 2 - OPERATING EXPENDITURE EFFICIENCY
2. Reduce the total DE&S operating expenditure in line with agreed resource profile in the DE&S Corporate Plan, ie expenditure in 2015/16 to be no greater than £1,222M (adjusted where necessary to reflect changes in the Programme of Work).

KPI 3 - INVENTORY MANAGEMENT	Metric	DE&S
3.1 Reduce inventory holdings by end of 2015/16 to be no greater than £30.8Bn	£	Green ≤ £30.8Bn Amber > £30.8Bn ≤ £31.0Bn Red > 31.0Bn
3.2 Spend on Inventory Purchases (RMC, excluding fuel) during 2015/16 to be no greater than £1.0Bn	£	Green ≤ £1.0Bn Amber > £1.0Bn ≤ £1.025Bn Red > £1.025Bn

¹⁹ This KPI measures the proportion of the CASP Annexes containing a safety metric reporting 'green'. Specifically, it measures adherence to the administration processes around safety within DE&S' control (e.g. publicising the Safety and Environmental Management Plan, response times to safety questions and safety case reports), not the direct management of safety (which is a joint DE&S and Command responsibility).

KPI 4 - FORECAST ACCURACY & STABILITY	Metric	NAVY	ARMY	AIR	JOINT FORCES	STRATEGIC PROGRAMMES
<p>4.1 Forecast Accuracy (In year).</p> <p>In respect of expenditure on the DE&S agreed Programme of Work (EPP and ESP) by each Command-facing area, to achieve an in-year outturn within the agreed tolerance from the baseline (subject to any budget adjustments agreed between the Customers and DE&S).</p>	Outturn below baseline (%)	Green < -1% Amber between -1% & -1.5% Red > -1.5%	Green < -1% Amber between -1% & -1.5% Red > -1.5%	Green < -1% Amber between -1% & -1.5% Red > -1.5%	Green < -1% Amber between -1% & -1.5% Red > -1.5%	Green < -1% Amber between -1% & -1.5% Red > -1.5%
<p>4.2 Forecast Stability (10 year EPP).</p> <p>Underlying cost of EPP to vary by no more than 2% when measured on a like-for-like basis through the Quarterly Review of Programme Costs (QRPC) process (from QRPC 3 of the prior year to QRPC 3 of the reporting year)</p>	Variance to baseline (%)	Green <2% Amber >2% ≤3% Red >3%				
<p>4.3 Forecast Stability (10 year ESP).</p> <p>Underlying cost of ESP to vary by no more than 1.5% when measured on a like-for-like basis through the QRPC process (from QRPC 3 of the prior year to QRPC 3 of the reporting year)</p>	Variance to baseline (%)	Green <1.5% Amber between 1.5% & 2.5% Red >2.5%				

KPI 5 - CUSTOMER SATISFACTION	Metric	NAVY	ARMY	AIR	JOINT FORCES	STRATEGIC PROGRAMMES
<p>5.1 From 2015/16 onwards, a year-on-year increase²⁰ in the mean customer satisfaction score by each Command.</p>	Customer Satisfaction Score	Green = increase from previous score Amber = same as previous score Red = decrease from previous score	Green = increase from previous score Amber = same as previous score Red = decrease from previous score	Green = increase from previous score Amber = same as previous score Red = decrease from previous score	Green = increase from previous score Amber = same as previous score Red = decrease from previous score	Green = increase from previous score Amber = same as previous score Red = decrease from previous score

²⁰ The baseline for the year-on-year increase, and the target for 2016/17, will be established on the basis of the scores collected during 2015/16.

DE&S - Delivery and Success

DE&S – Delivery & Success Improving Project Delivery

Management of the biggest equipment projects is improving. As recognised by the National Audit Office Major Project Report 2014, we have ensured tangible improvement in delivery, achieving our best performance on cost since 2005 and our best performance on time since 2001. The forecast of 99% of key performance measures to be met matches the highest level over the last decade. These important statistics represent the results of the hard work to bring stability into the programme and deliver a genuine confidence boost to DE&S in our first full year as a Bespoke Trading Entity.

NAO MPR HEADLINE FACTS 2008-2014							
	MPR14	MPR13	MPR12	MPR11	MPR10	MPR09	MPR08
IN YEAR COST VARIANCE (£M)	-397	708	468	466	3,300	1225	205
IN YEAR TIME VARIANCE (MONTHS)	14	17	139	30	27	93	96
Key Performance Measures (Inc With Risks)	99%	98%	99%	98%	98%	96%	97%

Glossary

ANNEX B

The following abbreviations and acronyms appear in the DE&S Corporate Plan 2015–18.

ALARP	As Low As Reasonably Practicable
AP	Accounting Period
APED	Aircrew Protection Equipment and Detection
ASaC	Airborne Surveillance and Control
BTE	Bespoke Trading Entity
CAA	Civil Aviation Authority
CAS	Chief of the Air Staff
CASP	Command Acquisition Support Plan
CBRN	Chemical Biological Radiological and Nuclear
CDM	Chief of Defence Materiel
Cdre	Commodore
CEO	Chief Executive Officer
CMIS	Corporate Management Information System
CoM	Chief of Materiel
CPC	Core Production Capability
DASS	Defensive Aids Sub System
DAT	DE&S Airworthiness Team
DCCS	Defence Command and Control System
DE&S	Defence Equipment and Support
DG	Director General
DoD	Department of Defense
DSCOM	Defence Support Chain Operations and Movements
DSEA	Defence Safety and Environment Authority
DSG	Defence Support Group
E&L	Equipment & Logistics
EDD	Equipment Delivery Date
EPP	Equipment Procurement Programme
ESP	Equipment Support Programme
FCA	Fire Control Application
FY	Financial Year
HEAT	High Explosive Anti Tank
HM	Her Majesty's
HMS	Her Majesty's Ship
HR	Human Resources
HRMS	Human Resources Management System
IAC	Investment Appraisal Committee
IIRSM	International Institute of Risk and Safety Managers
IM	Insensitive Munitions
IMOC	Inventory Management Operating Centre
ISD	In Service Date

ISIL	Islamic State In the Levant
ISP	Information Service Plan
ISS	Information Systems and Services
ISTAR	Intelligence, Surveillance, Target Acquisition and Reconnaissance
JFC	Joint Forces Command
KPI	Key Performance Indicator
KUR	Key User Requirements
LCS	Logistics Commodities and Services
LCS(T)	Logistics Commodities and Services (Transformation)
LEOC	Land Equipment Operating Centre
Lt Gen	Lieutenant General
MAA	Military Aviation Authority
MARS	Military Afloat Reach and Sustainability
MCM	Mine Counter Measures
MCMV	Mine Counter Measures Vessel
MHC	Mine-countermeasures Hydrographic Capability
MIDS	Multifunction Information and Distribution System
Min(DEST)	Minister for Defence Equipment, Support and Technology
Mk	Mark
MOD	Ministry of Defence
MPR	Major Projects Report
MSP	Managed Service Provider
NAO	National Audit Office
NCHQ	Navy Command Headquarters
OpEx	Operational Expenditure
OPV	Offshore Patrol Vessel
PPM	Project and Programme Management
PUS	Permanent Under Secretary
QEC	Queen Elizabeth Class
QRPC	Quarterly Review of Programme Costs
RAF	Royal Air Force
RFA	Royal Fleet Auxiliary
RMC	Raw Materials and Consumables
SDSR	Strategic Defence and Security Review
SPC	Service Provision Contract
TLAM	Tomahawk Land Attack Missile
TUPE	Transfer of Undertakings Protection of Employment
UOR	Urgent Operational Requirement
WOC	Weapons Operating Centre

DE&S - Delivery and Success



Merlin – World Class Capability – Delivered Early – Delivered On Budget

The Merlin Capability Sustainment Programme updates the Royal Navy's Merlin Maritime Helicopters to ensure continued provision of their vital capabilities out to 2030 and likely beyond. 2014 saw the culmination of almost a decade of complex design, development and manufacture work, resulting in the delivery of a world-leading Anti Submarine and Maritime Patrol Helicopter, ahead of the approved schedule and hitting key cost and performance targets. Success was achieved through the combined efforts of the DE&S Project Team, Navy Command, the Merlin Helicopter Force, and Defence industry, whose collaborative approach delivered key results. The Merlin fleet will pay back the investment made in modernising its avionics and mission systems in a wide variety of important roles, including Anti-Submarine Warfare, Casualty Evacuation and Anti-Piracy.



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