

**MINISTRY OF DEFENCE
MID-YEAR REPORT TO PARLIAMENT
APRIL TO SEPTEMBER 2014**

Jon Thompson, Permanent Secretary

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Executive Summary

Combat operations have come to an end and the UK Armed Forces have left Southern Afghanistan. The UK's effort will now focus on training the Afghan Army's future officers and providing continuing support to the security ministries in Kabul. The UK has been engaged in air missions to assist the Iraqi government in defeating ISIL; and it has been assisting in the treatment and containment of the Ebola outbreak in Sierra Leone.

Defence transformation is progressing with the arrival of the Strategic Business Partner for the Defence Infrastructure Organisation and the award of contracts to deliver key enabling functions within the Defence Equipment and Support organisation, which is now a Bespoke Trading Entity.

The Department remains on track to achieve the structural progress necessary to deliver Future Force 2020, including making further progress in matching Armed Forces numbers against the targets for Future Force 2020.

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Introduction

This Mid-Year Report has been produced to inform debate and assist Parliamentary scrutiny of Departmental expenditure and performance of the Ministry of Defence. This report: summarises the progress Defence has made towards the Coalition's defence-related objectives; gives a mid-year summary of the financial status of the Department; summarises overall progress against the Major Projects currently underway; and provides an in-year view of personnel numbers, as well as the results of both the civilian and military personnel surveys.

PERFORMANCE AGAINST COALITION OBJECTIVES

The Coalition currently has six defence-related objectives. These are listed below, followed by a short summary of progress, challenges, and key headlines for each one.

1. Restructuring the Armed Forces and their capabilities – Ensuring that the UK has the required Force Structure, training and equipment to carry out operations, as part of the implementation of the Strategic Defence and Security Review (SDSR).

Work to implement the changes set out in the SDSR, including delivering the specific commitments in the Department's Business Plan, has continued to be a main priority and the Department remains on track to achieve the structural progress necessary to deliver Future Force 2020.

Headlines and challenges include:

- The first of the UK's new aircraft carriers, HMS Queen Elizabeth, was launched by HM the Queen at a ceremony in Rosyth in July 2014.
- Steel was cut for the first of three new Offshore Patrol Vessels in October 2014.
- The MOD awarded a £3.5 billion contract to General Dynamics UK in September 2014 for 589 Scout Specialist Vehicles, giving the Army enhanced intelligence, surveillance, protection, target acquisition and reconnaissance capabilities.
- A third Tornado GR4 Squadron will now continue to support RAF operations until March 2016.
- The RAF has introduced the Rivet Joint – a large all-weather electronic surveillance aircraft – into service in May 2014. This capability supported operations in Afghanistan and will do the same in Iraq.
- The new Voyager aircraft entered service on time in May 2014. The TriStar aircraft were retired from service in March 2014. Since then Voyager has assumed all Defence Air-to-Air refuelling responsibilities, including supporting Quick Reaction Alert in the UK and Falkland Islands, the deployment of fast jet aircraft overseas, and proving support to RAF and coalition aircraft over Iraq. Voyager has also assumed responsibility for passenger transport, including the redeployment of personnel from Afghanistan and the South Atlantic Airbridge.
- Notable progress has been achieved in delivering the programme of investment in helicopters set out in the SDSR, including bringing the first of the new Chinook Mk6 helicopters into service in April 2014 and achieving initial operating capability for the Merlin Mk2 and Army Wildcat helicopters in May and August 2014 respectively.
- October 2014 saw contracts worth £3.2 billion awarded as part of the Maritime Support Delivery Framework, which will support the management of the UK's naval bases.
- Since reaching initial operational capability on 1 April 2014, work is continuing to turn the Joint Expeditionary Force (JEF) from concept into reality, to meet the plan for full operational capacity in April 2018. Having signed up to support the JEF development programme, the first partner nation officers from Denmark, Estonia, Latvia, Lithuania, Netherlands, and Norway will be welcomed in JFC in early 2015.
- A review of the Defence Recovery Capability (DRC) was conducted in May 2014. The MOD and its charitable partners agreed that the capability was delivering effective recovery, whilst recognising areas for further improvement. Funding for the DRC has been agreed to 2021 and the requirement will be kept under review to ensure the capability and capacity continues to meet the needs of Wounded, Injured, and Sick service personnel.

- Defence has adopted a Whole Force Approach (WFA)¹, which is designed to manage all of the different elements of the Defence workforce more coherently. Under the delegated model recommended by Lord Levene, workforce planning is undertaken by the Top Level Budget (TLB) organisations, which are responsible for determining the optimum mix of Regulars, Reserves, Civil Servants, and other civilians (including contractors). Work is ongoing to review the manpower delegation controls, to see whether additional headcount and structural freedoms should be given to the TLBs to enable full implementation of the WFA.
- The three Services have significantly reduced numbers of personnel and expect to meet agreed departures fully by 2015. Around 12,130² Armed Forces personnel have been selected for redundancy under Armed Forces Redundancy Programme Tranches 1, 2, 3, and 4. As a result of a range of measures, Civil Service numbers are expected to be under 60,000 by 2015, a fall by over 27,000 since 2010.

2. Deliver the Armed Forces Covenant and develop the New Employment Model – Develop and deliver the New Employment Model and deliver the Armed Forces Covenant, which together respond to a promise of fair treatment, on behalf of the nation, to ensure our Armed Forces and their families are valued and respected.

The Department continues to take forward work to rebuild the Armed Forces Covenant, with the last Annual Report published on 16 December 2014. The Covenant defines the principles for ensuring that our Armed Forces personnel are not disadvantaged, in comparison to their civilian counterparts, in their access to public and commercial goods and services. It also recognises that in some cases special consideration is appropriate, especially for those who have given most, such as the injured and the bereaved. We are therefore changing our policy so that, from April next year, Service widows, widowers, and surviving civil partners will be able to retain their pensions for life, including if they subsequently remarry. Also of note during this reporting period, we saw an increasing number of companies pledging specific support for the Armed Forces Community. To date, over 370 companies have signed a Corporate Covenant. By July 2014, every Local Authority in Great Britain had signed a Community Covenant. In July, the Covenant Reference Group oversaw the allocation of a £40M fund to 16 organisations providing Accommodation Projects for Veterans. The Prime Minister announced the first eight successful bids for funding at the Annual Armed Forces Covenant event on 17 July this year. The other successful bids will be announced during the remainder of the reporting year. In the Chancellor's 2014 Autumn Statement, he announced that the Government would provide £21M of additional funding to: support key World War 1 and World War 2 anniversaries; help Veterans with Service-related hearing problems; and help the Gurkha Welfare Trust set up a third care home for Ghurkhas in Nepal.

New Employment Model

Work to develop the New Employment Model, which provides updated Terms and Conditions of Service for Service Personnel, has entered Stage 3 (Policy Writing and Implementation). The outputs of formal consultation undertaken in two phases from June 2013 – including a survey that was sent to 16,000 Service Personnel and generated a near 50% response rate – were reported to the Programme Board in early 2014. The results continue to shape policy across the programme and to frame measurable benefits metrics, some of which will be tracked over the long term through the Armed Forces Continuous Attitude Survey (AFCAS).

Combined Accommodation Assessment System

¹ WFA is a term used to describe an approach to delivering a balanced, resilient and fully integrated force structure, comprising Service Personnel (Regular and Reserve) and civilians (MOD Civil Servants and contractors), optimised to deliver the people (Human Capability) component of Defence's Operational Capability, at declared readiness and defined risk, in the most cost-effective and affordable manner. This will ensure that Defence's outputs are delivered by the right mix of capable and motivated people that represent the society we exist to defend, now and in the future.

² <https://www.gov.uk/government/collections/uk-armed-forces-redundancy-program-statistics-index>

In October 2014, the Minister for Defence Personnel, Welfare and Veterans announced a new system of charging for Service Accommodation. The Combined Accommodation Assessment System (CAAS) will replace the current Four Tier Grading (4TG) system for all Service Families Accommodation from 1 April 2016.

Forces Help to Buy scheme

The Forces Help to Buy (FHTB) three-year pilot scheme, announced in September 2013 for launch a year ahead of original schedule, was successfully launched in April 2014 and has enabled Service Personnel to bring forward an interest-free loan of up to 50% of their annual salary (capped at £25,000) to either buy their first home or remain on the property ladder. By the end of November 2014, 1,900 Service personnel had benefited from the £200M scheme and a further 1,400 military personnel had their applications approved by MOD. The scheme has paid out a total of just over £29M, with the average recipient receiving approximately £15,000 per claim. The scheme will have its first formal review in October 2015.

3. Transform Defence - Implement the new Defence Operating Model (in response to the Defence Reform review), creating a simpler and more effective organisation and delivering significant reductions in running costs.

Joint Forces Command (JFC)

The Joint Forces Command (JFC) has now reached full operating capability, with over 20,000 personnel (military and civilian, regulars and reserves) and operating with an annual budget of £4Bn. JFC supports our front-line formations and is responsible for the management of cross-cutting capabilities, such as Defence-wide intelligence, information, medical services, cyber, logistics, education and training, and conceptual and doctrinal development. It also commands the Permanent Joint Headquarters, the overseas Permanent Joint Operating Bases, and the United Kingdom's Special Forces.

The Material Strategy

The new DE&S was launched as a Bespoke Central Government Trading Entity on 1 April 2014 and is now an arm's length body to the rest of the MOD. It has significant freedoms, agreed with Her Majesty's Treasury and the Cabinet Office, to manage its own business, outputs, and workforce within an operating cost envelope set to drive significant efficiencies.

The DE&S remains within the public sector, but it is bringing in private sector expertise to assist the transformation of the business through contracts for Managed Service Providers (MSPs). In November 2014, CH2M was awarded contracts for Project Delivery MSP in the Land and Joint Enablers domains, with Bechtel being awarded contracts for the Air and Fleet domains. The contract for the Human Resources MSP has been awarded to PwC. The MSP for Management Information will be launched later this financial year. DE&S staff retain the responsibility for decision-making and running the entirety of the business. The MSPs will be working alongside them, providing support and assistance in specific clearly defined areas, and will play an important role in ensuring that DE&S is better able to deliver value for money for taxpayers, as well as the best possible delivery of complex projects and programmes for our Armed Forces.

The MOD is also making progress with Single Source Procurement Reform, now known as the Orange Book³. The principles underlying this were set out in Part Two of the Defence Reform Act 2014. The new framework is planned to come into effect at the end of 2014, with the full regime being operational from April 2015.

³ The previous arrangements, in place since the 1960s, were known as the Yellow Book.

Defence Infrastructure Organisation (DIO)

The Defence Infrastructure Organisation reached full operating capability for its new operating model by April 2014. Following a competition for a Strategic Business Partner (SBP), to bring in private sector expertise that will facilitate better planning and delivery of our infrastructure strategy, Capita was awarded the contract and began its role as the Executive Management team of the DIO in September this year.

Transforming Defence

The new delegated operating model for Defence, as recommended by Lord Levene's 2011 Defence Reform Report, achieved Full Operating Capability in April 2014. This model is set out in detail in *How Defence Works*, which is available on gov.uk⁴.

The Top-Level Budget holder responsibilities for the Head Office, corporate services, and Defence infrastructure have been brought together in the new role of Director General Head Office and Commissioning Services (DG HO&CS) from September 2014, to coincide with the arrival of the private sector Strategic Business Partner in the Defence Infrastructure Organisation. The DG HO&CS is responsible for driving further improvements in the management of the Head Office and in the department's corporate services; and has oversight of the governance and delivery of the key internal enabling services and the department's three Trading Funds.

A new internal control framework of 18 Defence Authorities came into effect on 1 April 2014⁵. These are responsible for managing corporate-level risks and ensuring that key activities are carried out on a coherent and consistent basis across Defence. They are also responsible for ensuring that the overall framework strikes the best balance within the delegated model between corporate needs and TLB freedoms.

This autumn, Lord Levene conducted his third annual review of progress on implementing Defence Reform. The Defence Secretary published the resulting report on 17 December 2014⁶, in which Lord Levene praised the "fundamental transformation that the Ministry of Defence has undergone in the last four years".

Personnel

The Chief of Defence Personnel (CDP), as the Defence Authority for People, is responsible for setting and assuring policies and processes for people, training and education, and health to enable the TLBs to adopt a capability-led Whole Force. The CDP organisation in the Head Office achieved Initial Operating Capability (IOC) in April 2014, taking responsibility for both Service and civilian HR strategy. It is now assessing the scope for further integration of its Service and civilian HR policy teams, with the aim of achieving Full Operating Capability (FOC) by 1 April 2015.

4. Delivering Defence in the most effective, efficient and sustainable way – Meeting benchmarking, efficiency and Government sustainability commitments, building on the

⁴ <https://www.gov.uk/government/publications/the-new-operating-model-how-defence-works>

⁵ The Defence Authorities include human resources, acquisition, IT, finance, health services, logistics, and security. The full list is published in *How Defence Works* (see above).

⁶ <https://www.gov.uk/government/publications/defence-reform-an-independent-report-into-the-structure-and-management-of-the-ministry-of-defence--2>

Defence Reform review.

The Defence budget remains balanced and affordable over the next ten years, with appropriate levels of contingency built in. In particular, our Equipment Plan has been reviewed in detail by the National Audit Office for the last three years, with the third report due to be published in early 2015. The Department has also continued to deliver an ambitious programme of efficiency savings. In particular it has:

- continued to deliver £4.3Bn of non-front-line savings (between 2010/11 and 2014/15) agreed in the 2010 Comprehensive Spending Review;
- commenced delivery of a further £1.1Bn of efficiency measures agreed during the 2013 Spending Review, to take place in 2015/16 onwards; and
- delivered £267m of efficiencies, as reported by the Cabinet Office during Financial Year 13/14, from cancelling projects that no longer met Defences needs and by re-scoping others.

Of note:

- in October 2014, the MOD agreed a new £1.5 billion contract to update and sustain military air traffic management. The Marshall programme will see approximately 70 contracts merged into one and is expected to save the taxpayer up to £1 billion over the next 22 years.

5. Safeguard Britain's national security – Working with the FCO and DfID to counter terrorism and weapons proliferation, create security, and reduce conflict; fulfilling our standing commitment and succeeding in Afghanistan and other operations we are required to undertake at home and overseas.

Afghanistan

The last UK forces redeployed from Helmand on 27 October 2014, marking an end to UK combat operations in the province. The Afghan National Security Forces (ANSF) are on track to assume full responsibility for security by 31 December 2014. The Bilateral Security Agreement and the NATO Status of Forces Agreement have been signed, providing the legal basis for the NATO Resolute Support Mission from 2015 onwards. The UK is reconfiguring for its role in the post-2014 NATO mission.

The ANSF have held their own against a determined enemy and this enabled the first democratic transition of power in Afghanistan's history earlier this year. The UK has committed to contributing £70 million per year to support the ANSF and will be providing advisors in the key security ministries to support institutional development. Continued UK leadership at the Afghan National Army Officer Academy will help to professionalise the Afghan Army by developing the Army leaders of the future.

Other operations

Iraq – British Forces have conducted air missions to assist the Iraqi government's military operations against the ISIL terrorists.

Syria – The Defence Secretary has announced that UK Reaper and Rivet Joint aircraft will fly surveillance missions over Syria. The Royal Air Force aircraft will be used to gather intelligence as the UK ramps up efforts to protect our national interests from the terrorist threat emanating from within the country.

Sierra Leone / Ebola – As part of the UK's wider contribution to helping tackle the Ebola outbreak, the MOD has deployed medical personnel, RFA Argus, and three Merlin Helicopters to help treat

and deliver transportation logistical support for medical teams and aid experts working in Sierra Leone.

6. Promote UK Growth – Exploiting Defence’s research and development programme, investment in defence infrastructure and equipment and working with UKTI / BIS to support promotion of Defence and Security sector Industries and Export (DSEI) campaigns.

The MOD continues to provide support to the UK Trade and Investment Defence and Security Organisation (UKTI DSO) for exports of Defence equipment, including working together at the Farnborough International Air Show and the Defence showcase at the NATO summit. The UKTI DSO 2013 annual statistics report shows that the UK has posted strong growth in exports of products and services, winning £13 billion of new defence and security business in 2013, compared to £11.5 billion in 2012.

Defence engagement activity is also providing opportunities to engage with other nations and showcase capabilities. The MOD has a uniquely important role in supporting these efforts, given that the Armed Forces is a pre-eminent user of many capabilities and this can be a key factor in the eyes of a prospective customer.

Defence Growth Partnership

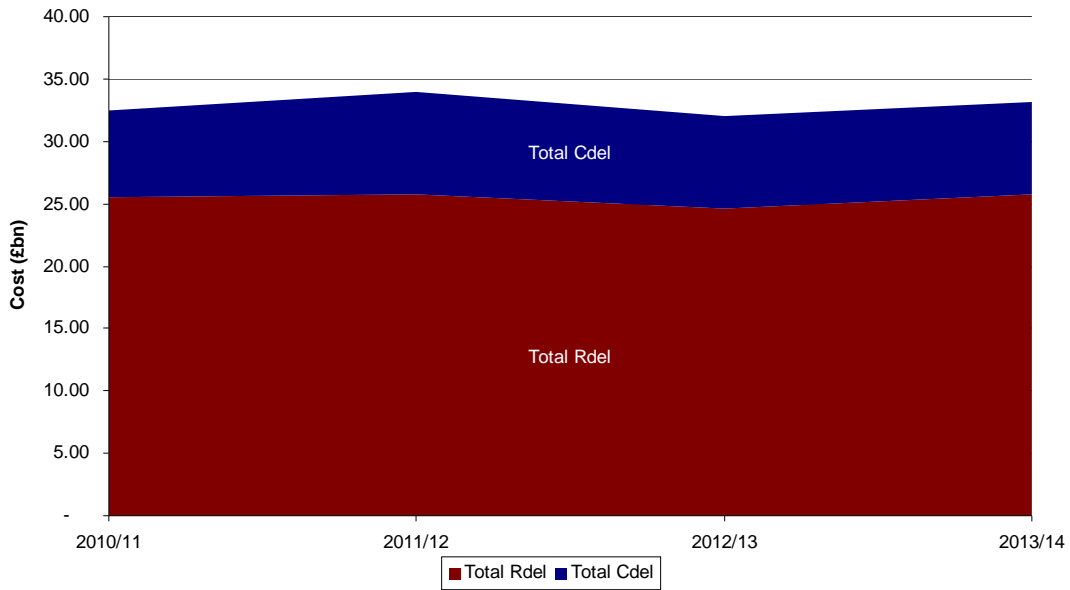
The MOD is supporting the Defence Growth Partnership (DGP), a joint initiative between Government and industry to ensure the UK retains a thriving defence sector. The DGP launched its implementation plan, *Delivering Growth*, in July 2014. This includes the creation of a Defence Solutions Centre in Farnborough; strengthening UKTI DSO; and the creation of a Centre for Maritime Intelligent Systems in Portsmouth. As the main customer of UK defence suppliers, the MOD supports the DGP in its vision for a stronger, more competitive defence sector.

FINANCIAL PERFORMANCE

This section gives information about various aspects of the financial performance of the MOD.

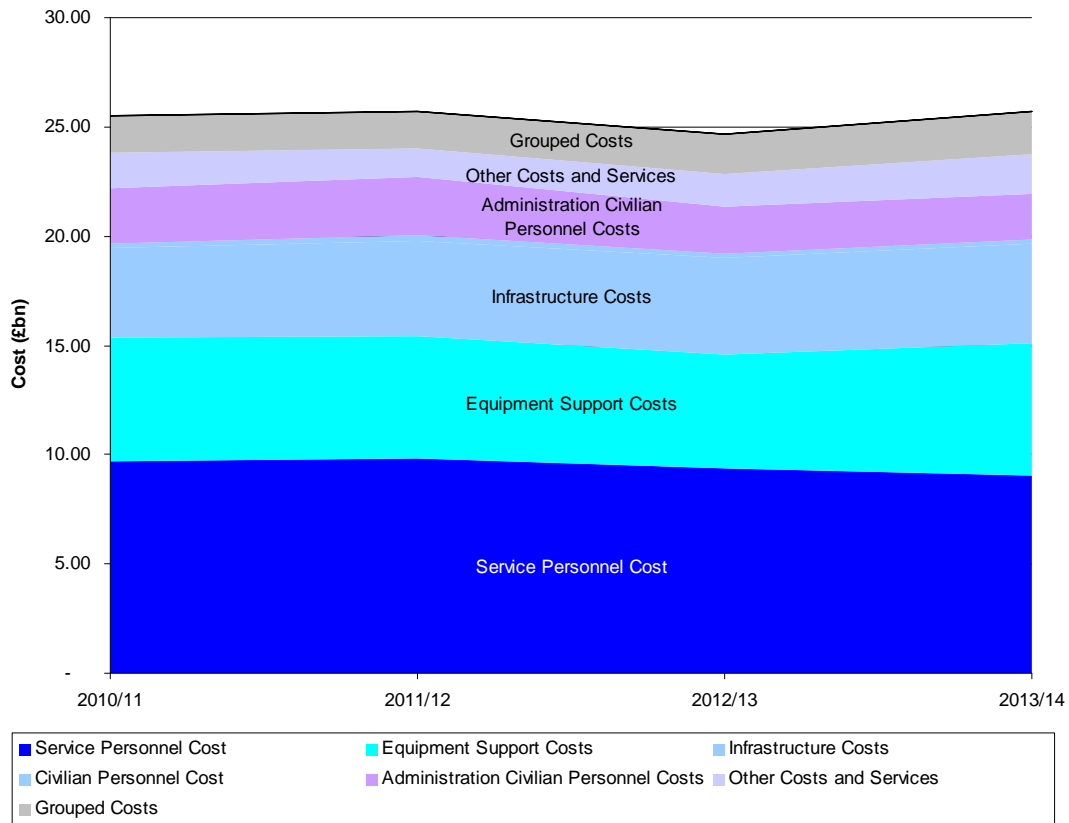
Financial Performance	Resources (£'000)						Capital (£'000)					
	Annual Plan 2014-15	Actual April to September 2014-15	Actual April to September 2013-14	Actual April to September 2012-13	Actual April to September 2011-12	Actual April to September 2010-11	Annual Plan 2014- 15	Actual April to September 2014-15	Actual April to September 2013-14	Actual April to September 2012-13	Actual April to September 2011-12	Actual April to September 2010-11
Total Departmental Expenditure Limit (DEL) - Voted (including depreciation but excluding operations)	35,597,900	16,275,671	16,788,559	16,465,458	16,215,894	16,321,836	7,483,700	3,498,586	3,142,213	2,995,183	3,339,586	3,787,319
Service Personnel Cost	8,816,100	4,282,474	4,512,207	4,830,815	4,856,221	4,843,516						
Civilian Personnel Cost	454,300	91,008	93,049	110,618	107,302	94,300						
Administration Civilian Personnel Costs	1,844,100	997,462	1,019,826	1,052,737	1,222,357	1,264,964						
Administration Other Costs & Services	22,100	6,989	6,301	22,740	9,158	11,726						
Infrastructure Costs	4,482,600	2,130,680	2,095,573	1,953,482	1,860,972	1,865,566						
Inventory Consumption	1,835,900	870,405	904,818	851,303	807,070	792,433						
Equipment Support Costs	6,441,300	2,943,965	2,634,678	2,447,735	2,479,758	2,377,224						
Research and Development Costs	1,041,600	440,286	392,113	384,021	362,944	527,047						
Other Costs and Services	1,907,200	893,554	805,610	882,745	811,534	641,626						
Receipts and Other Income	-1,114,100	-530,767	-580,311	-539,860	-636,981	-626,217						
Cash Release of Provisions	241,900	106,052	91,453	114,223	104,704	102,545						
Depreciation & Impairment Costs	9,450,000	3,956,113	4,727,742	4,279,376	4,146,697	4,346,325						
Depreciation & Impairment Costs Non Departmental Public Bodies	0	0	0	0		0						
Non Departmental Public Bodies Costs	174,900	87,450	85,500	75,523	84,158	80,781						
Capital Single Use Military Equipment							3,656,000	2,213,827	1,992,041	1,874,243	2,390,036	2,412,114
Capital - Fiscal							3,825,300	1,284,759	1,150,172	1,120,940	949,550	1,375,205
Capital - Fiscal Non Departmental Public Bodies							2,400	1,200	0	0		0
Check Total	35,597,900	16,275,671	16,788,559	16,465,458	16,215,894	16,321,836	7,483,700	3,498,586	3,142,213	2,995,183	3,339,586	3,787,319

Graphic: DEL Expenditure 2010-11 to 2013-14



- There was a dip in expenditure in 2012/13 following a Departmental underspend, which has since been allocated into future financial years;
- Our budget for 2014/15 is £33.6Bn of which £26.1Bn is RDEL and £7.5Bn is CDEL at Main Estimate;
- The budget in 2015/16 is £34,6Bn of which £27.5 Bn is RDEL and £7Bn is CDEL; and
- Our forward planning assumptions for the Equipment Programme (where the majority of the Departmental CDEL is budgeted) is that it will rise at 1% above inflation with the rest of the Defence programme rising in line with inflation, after 2015/16.

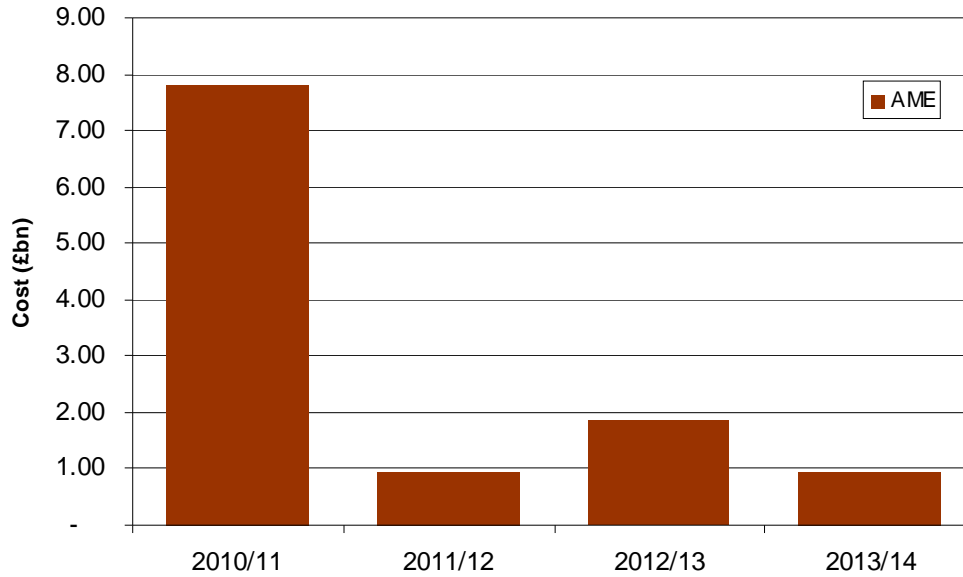
Graphic: Analysis of Resource DEL by type of expenditure 2010-11 to 2013-14



* Grouped Costs includes; income, admin, R&D, inventory consumed,

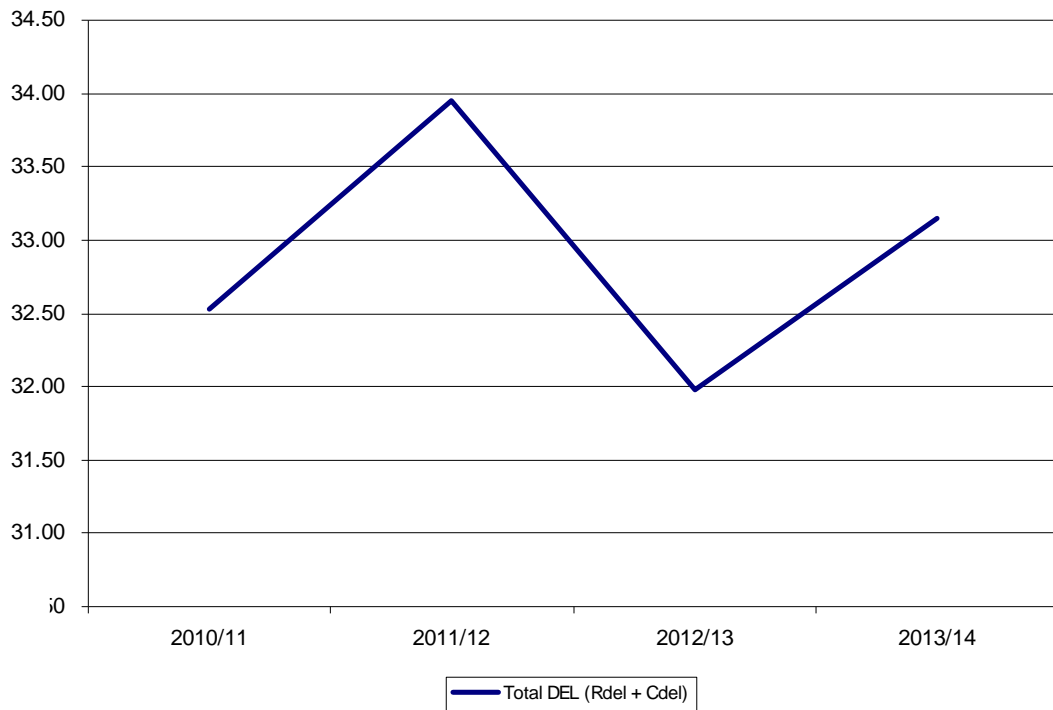
- This silt chart shows a slight decrease in the service personnel costs which reflects the transition towards Future Force 2020;
- Equipment Support costs are increasing from 2012/13 to reflect new equipment coming into service such as the Typhoon combat aircraft, the Astute submarines, and the Daring Class Type-45 Destroyers.

Graphic: Total Annual Managed Expenditure Limit (AME)



- The AME figure for FY 2010/11 is significantly higher than the other years as it includes depreciation and impairment costs associated with a number of SDRS-related programme cancellation decisions.

Graphic: Total Departmental Expenditure Limit (DEL) - Voted



- The dip in expenditure in 2012/13 shown on the line chart reflects an underspend in that year. Due to the Department's strong fiscal position, the Treasury has allowed the Department to roll-forward underspends into future years to supplement Defence spending.

MAJOR PROJECTS

The Government's transparency policy governs the publication of the data relating to major project delivery performance. It requires departments to publish the Major Project Authority's (MPA) delivery confidence assessments for Government's major projects, accompanied by the department's project narrative, every 12 months, showing the data six months in arrears⁷.

The latest MPA Annual Report was published in May 2014 and is available on <https://www.gov.uk/major-projects-authority-annual-report-2014>.

In parallel, the MOD published its data on the Government Major Projects Portfolio and this is available at:

<https://www.gov.uk/government/publications/mod-government-major-projects-portfolio-data-2014>.

Notable achievements that have been announced since the publication of the reports in May 2014 include:

- the Defence Infrastructure Organisation awarded a contract worth £400M for its strategic business partner (SBP) to Capita working with URS and PA Consulting (June 2014); and
- award of a £3.5Bn (ex-VAT) contract to General Dynamics UK to manufacture the Scout armoured vehicle (September 2014). This will provide the Army with 589 vehicles, to be delivered between 2017 and 2025.

⁷ Information on major project performance more recent than that published in the annual report is not permitted to be released into the public domain. The transparency policy and exemptions guidance is published at: <https://www.gov.uk/government/publications/major-projects-transparency-policy-and-exemptions-guidance>.

PEOPLE

Whole Department Family Workforce Size		As at 01 October 2014	01 October 2013	01 October 2012
Payroll Staff (1) Full Time Equivalent (FTE)	Department and Agencies	52,520	55,160	56,890
	Non departmental Public Bodies	290	250	210
	Department Family	52,810	55,410	57,100
Average Monthly Payroll Staff Costs		£182,420,093	£181,527,526	£193,151,226
Contingent Labour (2) FTE	Department and Agencies	1,520	2,720	1,840
	Non departmental Public Bodies	~	~	~
	Department Family	1,520	2,720	1,840
Average Monthly Contingent Labour Staff Costs		£11,685,410	£7,390,001	£5,899,627

Commentary:

The reasons for rising levels of contingent labour use include:

- a need for specialist skills which cannot be found among the permanent workforce being sought for one-off and short-life projects;
- the need to backfill behind deployed staff;
- inability to fill by permanent recruitment; and
- temporary measures whilst bulk recruitment campaigns are completed.

The requirement for contingent labour fluctuates significantly throughout the year. Numbers of FTE contingent staff are snapshots as at 1 October in each year and are not averages.

Department and Agencies Only		As at 01 October 2014	01 October 2013	01 October 2012
Workforce Shape (3) % FTE	Administrative Assistants and Officers	33.5	35.5	37.3
	Executive Officers	20.1	19.8	19.7
	Higher and Senior Executive Officers	36.4	35.5	34.1
	Grade 7/6	6.2	5.5	5.1
	Senior Civil Servants (SCS)	0.6	0.6	0.5
	Part Time (Headcount)	9.9	9.7	9.8
Workforce Dynamics (4,5) Headcount rate	Recruitment Exceptions	151	170	<i>Data not held</i>
	Annual Turnover Rate	2	4	15.9
Workforce Diversity (4,6) Headcount	Black and Minority Ethnic	4	3.8	3.7
	Women	37.9	37.3	37.2
	Disabled	*	*	*
Diversity of Senior Civil Servants (6,8)% Headcount	Black and Minority Ethnic	~	~	~
	Women	23.3	22.6	21.8
	Women (PB2 and above)	9.6	9.8	11.3
	Disabled	*	*	*
Average Working Days Lost (AWDL) (4,9) % FTE	Actual	7.74	7.8	7.97
	Standardised	'	'	'

Commentary:

Although a general recruitment freeze remains in place, there is still a need to recruit to fill certain specialist posts including:

- certain medical grades; teachers to educate the children of Service personnel; and other critical posts;
- training posts such as apprentices and fast-streamers;
- posts paid for in full by other parties (e.g. United States visiting forces and NATO support facilities).

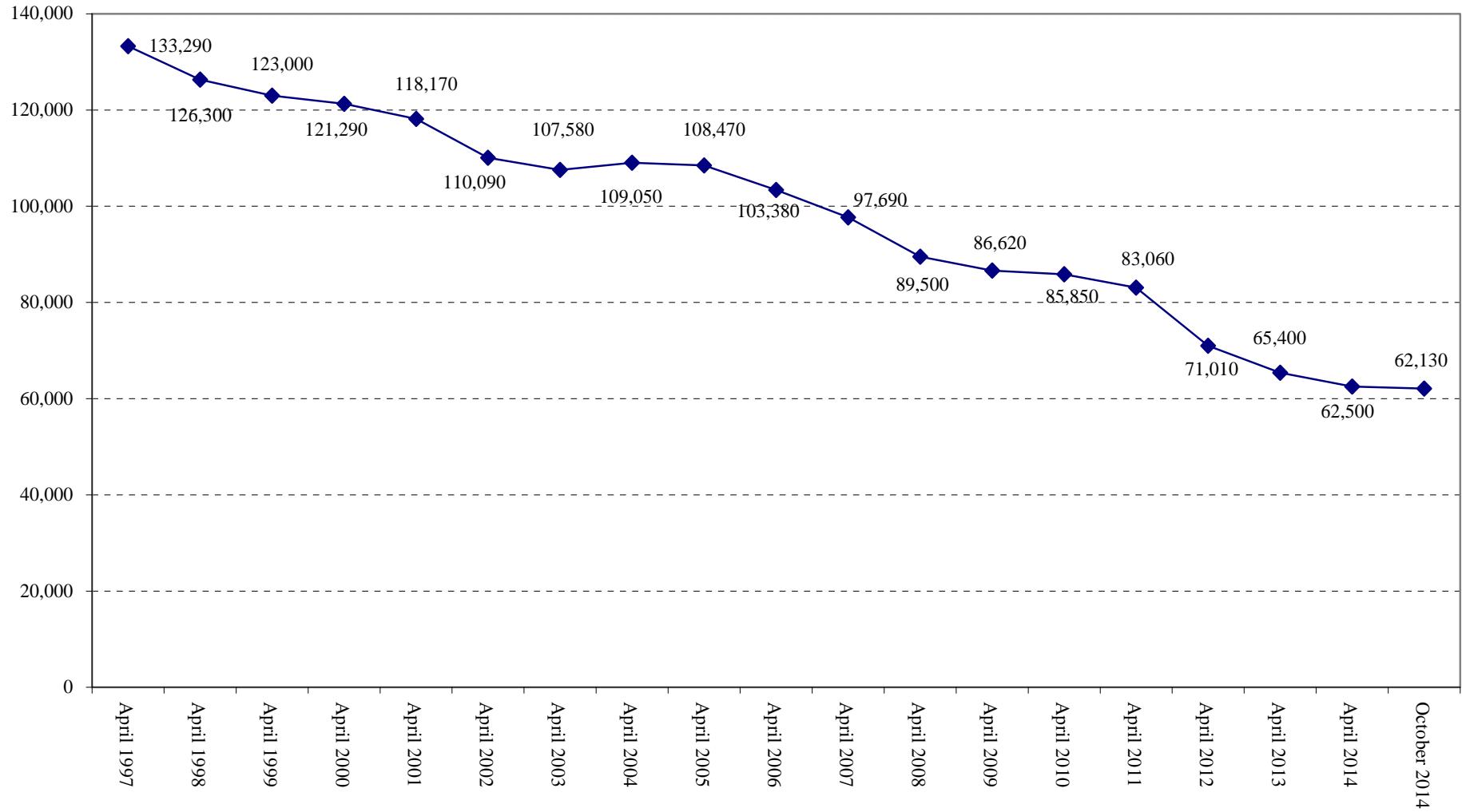
TLB Directors of Resources have delegated authority to agree which posts are business critical and can be filled.

In the six-month period 1 April – 30 September 2014, the number of external recruits to the Department was 1568. This included 'New Entrants' (1351), 'Re-hires' (183), 'Re-instatements' (11), and 'TUPE Transfers' (23).

The high number of staff leaving on Voluntary Early Release scheme during 2011/12 resulted in a turnover rate of 15.9% for the period.

Correction: the 2013 Mid-Year Report contained incorrect data for Recruitment Exceptions, Annual Turnover Rate, and Average Working Days Lost (Actual). The data presented here supersedes that information.

MOD Workforce - Level 0 Full Time Equivalent Numbers



Notes to the People Tables

1. Payroll figures include all industrial and non-industrial personnel, Trading Fund, and Royal Fleet Auxiliary personnel, but exclude Locally engaged civilians and personnel for whom no pay data are available. Average costs are mean monthly costs including the preceding 11 months. These figures are for total payroll, so include salary, allowances, non-consolidated performance awards, overtime, employer pension contributions, and employer NI contributions.
2. Contingent Labour includes Agency staff, Interim managers, and Specialist contractors, but excludes Consultants. Average costs are mean monthly costs including the preceding 11 months.
3. Workforce Shape figures include all non-industrial personnel, but exclude all Industrial personnel, Trading Funds, Royal Fleet Auxiliary, and Locally engaged civilians for whom equivalent grade are not available.
4. Workforce Dynamics, Workforce Diversity, and AWDL figures include all industrial and non-industrial personnel, but exclude all Trading Funds, Royal Fleet Auxiliary, and Locally engaged civilians for whom declaration data is not available.
5. Annual Turnover Rate cannot be calculated precisely as insufficient data is available regarding transfers within the MOD and vacant posts. An estimate of turnover has been provided which uses natural wastage combined with known transfers, divided by the average headcount strength.
6. Diversity percentages are calculated from known declarations of ethnicity, sexual orientation, and religion / belief, and exclude personnel whose declaration are unknown or who have chosen not to declare.
7. As a result of resetting the disability field on the MOD's Human Resources Management System on 18 April 2011, in order to accommodate the new mandated disability reporting requirements, insufficient numbers of personnel have subsequently made disability declarations to be able to report disability representation with any validity from July 2011. * denotes not available.
8. Figures for Diversity of Senior Civil Servants include all industrial and non-industrial and Trading Fund personnel, but exclude all Royal Fleet Auxiliary and Locally engaged civilians. Figures are based on staff numbers filling posts designated as an SCS function as classified for Cabinet Office Mandate submission and therefore do not include Analogue grades.
9. Standardised AWDL is an out-of-date definition for absence. The MOD now uses the updated Cabinet Office Definition of Actual AWDL. ' denotes not applicable.

MOD Staff Survey Results

Department only; People Survey Metrics		2014	2013	Percentage Change*
Engagement Index (%)		57	54	3+
Theme Scores (%)	Leadership and Managing Change	30	26	4+
	My Work	73	73	0
	Pay and Benefits	30	29	1+
	My Line Manager	62	61	1+
	Learning and Development	51	49	3+
	Resource and Workload	68	67	1+
	Organisational Objectives and Purpose	78	78	1-
	My team	76	74	2+
	Inclusion and fair treatment	73	72	1+

* rounded to nearest percentage point

The MOD 'Your Say' Survey

The Your Say Survey is the Department's internal civilian attitude survey.

What's happened since the 2013 survey?

The Your Say Survey 2013 closed at the end of October 2013 with over 26,000 taking part – up by more than 13% on 2012 to 50% with an engagement score of 54%. The 2014 Your Say Survey had a response rate of 51% and saw engagement increase by 3% points to 57% against a Civil Service-wide benchmark of 58%.

Leading and Managing Change

The MOD Your Say 2014 Survey highlighted that 30% of staff said that we were good at leading and managing change – a modest improvement of 4% since 2013. However, we want to continue to focus on making improvements in this area. Therefore, the Permanent Secretary has again made this one of his top three priorities to improve further. We have:

- launched a suite of Leadership Development opportunities for staff at Bands C-E (HEO-AA) including military equivalents and all Skill Zone staff, to complement the leadership development offer for Band Bs (Grade 6/7) and the SCS launched in 2013;
- developed a programme of bi-annual SCS conferences and quarterly Band B conferences to foster collegiate communities with opportunities in developing leadership knowledge and skills, including building resilience, diversity and inclusion;
- developed a mentoring strategy to raise the profile and benefits of mentoring, and increased the number of SCS registered as mentors to 41%, up from 13% in October 2013, in particular focusing on military and civilian mentoring. In addition to this work, mentoring is available to all staff irrespective of grade. Individual mentoring programmes exist across the department and training is available through the Defence Academy and Civil Service Learning to

individuals interested in becoming mentors. We are in the process of identifying what mentoring programmes are available across the department to ensure there is a consistent approach and promote best practice;

- put all the SCS through 360-degree feedback to help them understand how they are perceived as leaders and then utilise individual development plans;
- developed a Leadership and Engagement Strategy to focus on improving engagement through our leaders at all levels of the Department;
- developed team mentoring to enable teams with lower engagement scores to benefit from the best practice and experience of higher scoring teams, focusing on matching military and civilian teams to share best practice and learning;
- developed the MOD Unit Ambassadors Scheme to encourage SCS members to partner a business unit without regular access to members of the SCS. The scheme has around 30 members who regularly support a unit and act as champions for that unit across the Department;
- increased the visibility of senior leaders by Directors-General leading teams of SCS to visit bases and sites to understand the challenges and issues facing staff at a local level; and
- commissioned an independent training needs analysis of the skills, behaviours and experience required by senior leaders across Defence – with recommendations for action taken forward.

Band B (Grade 6+7) Engagement

In MOD Your Say 2013 Survey we witnessed Band B engagement improve by between 2.5-3.5% as a result of activities put in place to support this critical group of leaders. The results for 2014 are still being analysed for this grade. We have:

- provided more opportunities for our Band Bs to come together, network and create a community through quarterly conferences that are designed and delivered by groups of Band B volunteers to improve leadership capability within this group. So far there have been five conferences and a series of regional events held since August 2013;
- invited greater dialogue between our leadership cadre by inviting Band Bs to attend the SCS conferences and vice versa to share learning and develop closer joint working on leadership issues;
- developed the Band B corporate challenges programme giving Band Bs the opportunity to address specific Defence business challenges as a group.

Band C (HEO/SEO) Engagement

The MOD 2013 Your Say results highlighted that the Band C community, who form a significant percentage of our middle managers, were the least engaged group across Defence. As a result we have asked the Band B High Potential Development Programme (HPDP) cohort to run a series of workshops for this community to develop a strategy and action plan to improve engagement levels for Band Cs. We are also working with a global training organisation, Mind Gym, to deliver a learning and development diagnostic tool for Band Cs. The tool is based on 360-degree feedback, and linked to development interventions to improve the engagement and

management capability of this community. Analysis of 2014 results for the Band C community is not yet finalised.

Managing Performance

The 2012 survey highlighted that we should improve at managing poor performance or recognising good performance. We launched the new Performance Management process in April 2013 to help us to have more honest conversations about performance and identify areas where we can support improvement. We have seen a 5-percentage point increase in the number of people who think that poor performance is now managed effectively.

Communication

The survey suggested that many people didn't feel they had a voice in decision-making in the MOD, nor were they given an opportunity to get their ideas heard. We have:

- continued with the Permanent Secretary's blog to give staff the chance to talk direct to Jon Thompson about the things that matter most to them;
- launched other senior leadership blogs; and
- encouraged greater visibility of senior leaders through lunchtime seminars, floor walks and town halls, including a new programme of quarterly Defence Board town halls with Q&A sessions at TLB HQs around Defence.

Learning and Career Development

The 2014 Your Say survey saw an 3% increase in the uptake of learning and development opportunities by staff to 51%. Results indicated that 61% of individuals felt they were able to access the right learning and development opportunities when they needed to and 46% mentioned that the learning and development they had undertaken in the last 12 months had helped to improve their performance in the job. In addition, we have:

- undertaken an Annual Skills Review to understand where our capability gaps are across the eight skill priority areas, as well as setting in-year targets and holding the Heads of Profession to account to close the gaps in the priority areas; and
- launched pledges to support how we identify and develop talented staff in the MOD.

Armed Forces Continuous Attitude Survey (AFCAS) 2014

The AFCAS 2014 survey was sent to over 28,000 Regular Service Personnel between October 2013 and February 2014. With a response rate of 48%, (the same as last year, which was a record high), it is clear Service Personnel are keen to have their say.

The AFCAS survey forms part of an important set of statistics that underpin a robust evidence-based process for making personnel policies. AFCAS is used to understand a wide spectrum of personnel issues ranging from understanding the impact on Service life on morale and engagement to the impact of the New Employment Model and the Armed Forces Covenant.

The survey showed that there are differences in the results for the Royal Navy, Army and Royal Air Force which reflect the unique challenges faced by each Service.

Key results include:

Half (48%) of all Service personnel are satisfied with Service life in general, whilst 28% are dissatisfied. Officers continue to be more satisfied with Service life than Other Ranks. After earlier drops in morale, it appears that levels have now stabilised.

Satisfaction with pay and benefits remains low, particularly with regards to pension benefits where satisfaction levels have fallen from 60% in 2007 to 32% in 2014; however, the figure is unchanged on last year.

Impact of Service life on family and personal life continues to be the main reason personnel wish to leave their Service. However, *impact on Spouse/partner's career, Opportunities outside the Service and Morale* are also important factors.

The top five retention factors – namely *Dental provision, Job security, Healthcare provision, Pension, and Mental health provision* – remain unchanged from 2013. That said, *Pension* as a top factor continues to decline as a reason to stay in the Service.

Satisfaction levels with how well change is managed in the Service and the MOD have remained consistently low (achieving only 28% and 23% positive ratings respectively) and only 9% agreed that they felt more optimistic about the future of their Service as a result of Defence Transformation.

Further evidence to support the New Employment Model (NEM) was provided through a number of consultation activities; including qualitative and quantitative research and an on-line consultation. The survey was sent to 16,000 personnel and achieved the same high response rate as AFCAS (48%); it covered attitudes towards current employment conditions and reactions to proposals for revised conditions proposed under the NEM.

Service Personnel Harmony Rates

Harmony is defined as the freedom to enjoy leisure at the normal place of Duty or residence at place of Duty; this includes leave and adventurous training. Maintaining individual Harmony is important in sustaining military capability. In 2013, the way in which the Services report Harmony was standardised and each Service now report over the same three-year period. The new Individual Harmony Guidelines (IHG)⁸ equate to:

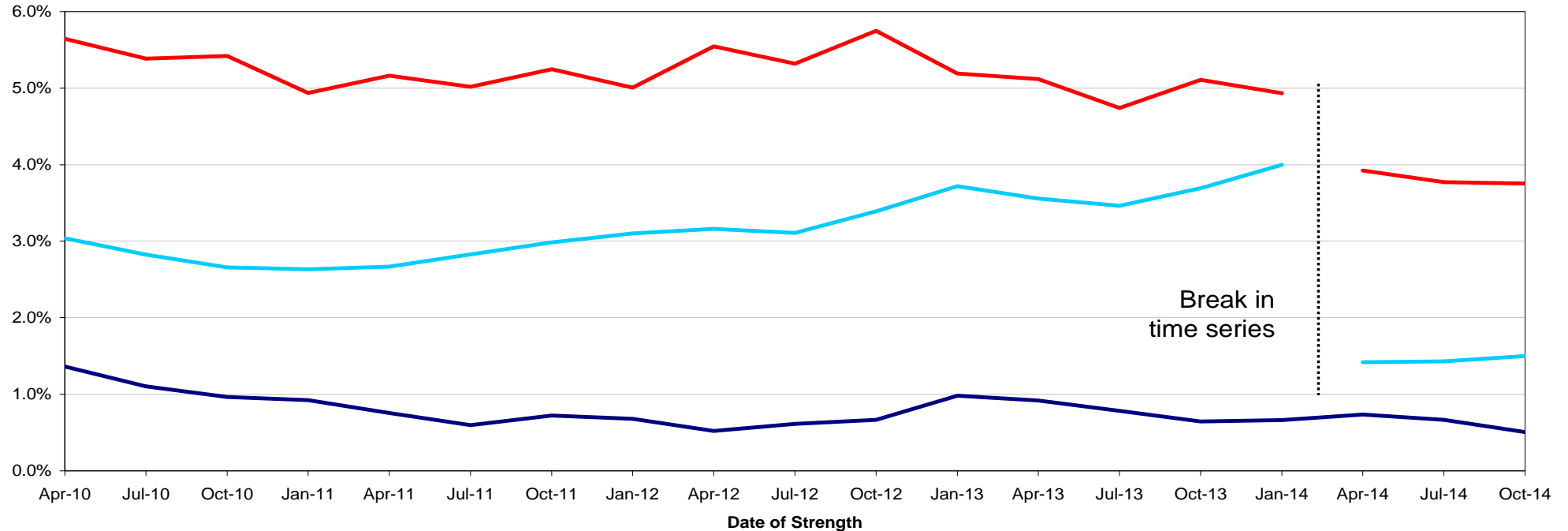
Naval Service – no more than 660 days over a rolling 3 year period;
Army – 498 days over a rolling 3 year period;
RAF – 468 days over a rolling 3 year period.

The breaches of harmony rates shown in the graphs below show the time periods before and after the reclassification to the same three-year rolling period for reporting Harmony breaches. This shows that Harmony has remained broadly constant, but this overall view masks critical breaches in some niche areas.

⁸ Equating to an average of 18 days/month (RN), 14 days/month (Army) and 12 days/month (RAF).

Graphic: Tri-Service Harmony Trend

Percentage Royal Navy & Royal Marines, Army and RAF Trained Regular Strength breaching Harmony limits, against Historic and New Guidelines as at 1 October 2014



Figures are for Trained UK Regular Forces, and therefore exclude, Full Time Reserve Service personnel, Gurkhas and mobilised reservists. Percentages are based on unrounded numbers.

For the **Naval Service**, personnel on trained strength are considered to be in breach of harmony guidelines on a particular date if they have spent more than **660 days away from home during the preceding 36 month period**.

Army Personnel on trained strength were considered to be in breach of harmony in the final month of the specified reporting period if they have spent more than 415 days in the 30 month period preceding. New guidelines for Army Personnel on trained strength are considered to be in breach of harmony in the final month of the specified reporting period if they have spent more than **498 days in the 36 month period preceding**.

Under previous guidelines personnel on the **RAF** trained strength were considered to have breached harmony guidelines if they have spent more than 280 days away from home in the 24 month period. Under the previous guidelines, percentages were calculated as a proportion of average strength for the 24 month period. From 1 April 2014 new guidelines are calculated on current Trained Regulars.

Under previous guidelines, if the average trained strength is recorded as being lower than the number of people having experienced separated service (arising as a result of reductions in the size of certain branches and trades) within the timeframe, the percentage is calculated using the proportion experienced separated service. New Guidelines for Personnel in the RAF trained strength are considered to have breached harmony guidelines if they have spent more than **468 days away from home in the 36 month period preceding**.

ANNEX: INDICATORS

Many of the indicators that the MOD has reported against since 2010 were closely linked to operations in Afghanistan. Following the end of combat operations in Afghanistan, the Department is reviewing whether it should continue to report against these indicators. In addition, some indicators can no longer be calculated as a consequence of changes under the delegated operating model. These two groups of indicators are shaded grey in the tables below.

INDICATORS				
The MOD has a wide range of responsibilities and the Defence Board uses a comprehensive collection of information to monitor and manage our performance in achieving our goals. Due to the nature of our objectives the best way for us to explain our progress is mainly through the written narrative that follows. A summary of some of the numerical indicators which show aspects of our performance that we believe will be of interest to the public, and that can be released without compromising security, can be found below.				
Impact Indicators	As at 01 October 2014	2013-14	2012-13	Comment
Progress towards a stable Afghanistan	90%	97%	96%	This is the percentage of Afghan National Security Forces against the NATO target. There are inevitable fluctuations in recruiting, retention, and attrition rates for the ANSF.
Number of Service and MOD civilian personnel deployed on all operations in a year	6,361	8,529	11,476	This is the total number of personnel deployed on operations both in the UK and overseas at 1 October 2014.
Percentage of Service personnel that are medically deployable	90.30%	90.50%	91.10%	This is the total percentage of personnel Medically Fully Deployable and Medically Limited Deployable on operations both in the UK and overseas at 1 October 2014.
Number of Force Elements (FE (typically ships, ground force sub-units and aircraft) showing critical or serious weakness against the total number of FE for Strategy for Defence (SfD) priorities	~	~	8%	This indicator can no longer be calculated as a consequence of changes under the delegated operating model.
Percentage of Service personnel (split by Officers and Other Ranks) who are satisfied with the Service life in general	59% / 46%	58% / 48%	59% / 50%	The drop in the Other Ranks percentage is likely to be the continued effect of pay restraint and redundancy implementation.
Overall public favourability of the UK Armed Forces	86%	85%	85%	The figure has risen slightly at 2014/15 mid-year point.

Input Indicators	01 October 2014	2013-14	2012-13	Comment
Note: the data underpinning these input indicators are not collected in such a way as to make a mid-year update possible.				
Additional cost of operations in Afghanistan per Service person deployed	<i>Not yet available</i>	£233,151	£297,025	This is the Net Additional Cost of Military Operations in Afghanistan (including urgent Operational Requirements) over the year, divided by the average endorsed manpower level (9000 from 1 Apr 13 to 31 Dec 13 reducing to 5200 from 1 Jan 14 to 31 Mar 14).
Additional cost of new equipment (Urgent Operational Requirements (UORs)) for operations in Afghanistan, per Service person deployed	<i>Not yet available</i>	11,064	37,000	This is the total spend on UORs over the year, divided by the average endorsed manpower level (9000 from 1 Apr 13 to 31 Dec 13 reducing to 5200 from 1 Jan 14 to 31 Mar 14).
Average percentage by which the cost of the Department's Equipment Programme (EP) varies compared to forecasts in year	<i>Not yet available</i>	-0.22%	0.26%	This figure is the average percentage by which the forecast costs of the Department's largest equipment procurement projects have varied over the year. The figure for 2013-14 is negative, meaning that the forecast cost of these projects fall on average by 0.22%.
Cost of major Force Elements (FE):				
Ship	~	£33.74M	£33.5M	This figure was previously calculated by attributing Defence expenditure to each of the major Force Elements. It can no longer be calculated as a consequence of changes under the delegated operating model. The figures provided for 13/14 were estimates.
Brigade	~	£668M	£654M	
Aircraft (fixed wing)	~	£7.56M	£8.34M	
Helicopter	~	£3.74M	£3.62M	
Direct personnel costs, per Service person	<i>Not yet available</i>	£52,553	£55,024	This shows the average cost of each of the Armed Forces personnel who have been employed on a full time basis over the financial year.