



MINISTRY OF DEFENCE

MOD Public Service Agreement

Autumn Performance Report 2008-09

Annex A

Public Accounts Committee
Recommendations



PROGRESS AGAINST PARLIAMENTARY ACCOUNTS COMMITTEE REPORT RECOMMENDATIONS

Departments are required to report their activity in following up outstanding Parliamentary Accounts Committee (PAC) Report recommendations in relation to PAC reports where the Government response (the "Treasury Minute") was published between April 2007 and September 2008 . Details of these are listed within this Annex. This report will be updated in the Spring of 2009.

Public Accounts Committee Recommendations

Thirteenth Report (2006/07) Smarter Food Procurement in the Public Sector

Serial	PAC Recommendations	Response Reported in the Treasury Minute	Departmental Action and Current Status
1	<p>PAC conclusion (v): For many children and adults, publicly provided meals form a key element in their daily diet, but not all public bodies make the most of the opportunity to promote healthier eating. They and their contractors should assess regularly the dietary requirements of all their existing and potential customers, including the elderly and those from ethnic and religious minority communities, canvassing customer views as part of regular quality audits of catering services. Frontline organisations should work with contract caterers to introduce healthier food combined with educational events that encourage healthy eating, and introduce ‘traffic light’ systems to highlight the nutritional value of each menu option.</p>	<p>The Department accepts this conclusion. The MOD’s nutritional policy is set by the Expert Panel on Armed Forces Feeding (EPAFF), whose overarching aim is to educate Service personnel about nutrition and healthy eating. Under the direction of EPAFF, a series of nutritional guides for commanders, caterers and individuals has been developed and issued. In addition, a nutritional DVD has also been made available to all Service units with a supporting presentation to reinforce the message being sent to recruit training units. The MOD also established a web-based service for personnel to seek nutritional advice from their consultant dieticians and nutritionists.</p>	<p>The nutritional guides, DVD and web-based nutritional service remain extant. In terms of canvassing customer views this is delegated to the front line Commands and achieved through the routine messing meetings held in Military units, both Non Pay as You Dine (PAYD) and PAYD, and Ships. In terms of introducing a “traffic light” system this was conducted in the 1980’s and 1990’s with limited success. We do not currently advocate returning to this system but have shifted our emphasis from a menu display to educating the individual. We have developed, for the military chef, an electronic food/dish database which calculates the nutritional value of each dish. This allows the military chef to design nutritionally balanced menus for the Service personnel both on operations and in barracks. Notwithstanding this, in the era of individual choice and a policy of serving food from self service hotplates our ability to control an</p>

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			<p>individual's diet is limited to the nutritional awareness education provided through the guides. Additionally, the Defence Health Strategy Working Group is currently developing an Armed Forces Weight Management Policy and recently commissioned a report from Defence Science & Technology Laboratory (Dstl) into obesity in the Armed Forces, both of which, when their recommendations are known, will inform this Department's policy.</p>
2	<p>PAC conclusion (vi): There are wide disparities in the prices paid by public bodies for the same food items, ranging from between 32 pence and £1.10 for a standard 800g loaf of wholemeal bread, and between 17 and 44 pence for a pint of milk. Following the example of the Ministry of Defence, Departments should conduct regular benchmarking surveys or draw upon publicly available or commercially generated pricing information, and secure explanations from frontline organisations where significant price variations exist. They should also encourage greater use of e procurement methods to stimulate increased competition and greater transparency of prices.</p>	<p>The Department accepts this conclusion. The use of e-auctions contributed to the savings achieved within food procurement as part of the Supply Chain Excellence Programme. The MOD continues to conduct regular benchmarking surveys and e-auctions.</p>	<p>Where practical MOD continues to use e-auctions to determine competitive procurements. Monthly benchmarking of products sourced under the worldwide food supply contract has assured MOD that our prime contractor continues to source commodities consistently below the industry recognised Price Index. As a positive measure to encourage the use of e-auctions at sub-contract level, MOD has agreed to share the auction costs with its prime contractor. The savings achieved to date have justified this approach.</p>

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3	<p>PAC conclusion (vii): A lack of commercial skills and knowledge about the specialist food and catering market undermines the ability of frontline procurers to strike good deals with the major national wholesale food or multi-national contract catering companies. The three Departments (the Department for Education and Skills, the Ministry of Defence and the NHS Purchasing and Supply Agency) and the Prison Service, working with the Office of Government Commerce, should use their collective purchasing power to negotiate with the major food and catering firms for a larger share of the £95 million earned annually by contract catering firms from their suppliers by way of volume discounts and rebates.</p>	<p>The Department does not accept that there is a lack of commercial skills/market knowledge within its organisation, which prevents it from placing competitive sourcing arrangements. The MOD has a dedicated commercial team and employs within the Defence Food Services Integrated Project Team, staff with specialist food and catering knowledge, who continue to refresh their knowledge of the market through training, development and research. The MOD has also invested in developing a Category Management Team that supports the activities of the commercial and catering staff and shares information with other Government Departments via the OGC's Food Procurement Group.</p>	<p>MOD is represented at the Office for Government Commerce (OGC) Food Category Board (FCB). This group is chaired by Department for Children, Schools and Families (DCSF) and is responsible for the overall delivery of the objectives of the collaborative food board project. MOD also provides Category Management Team, Commercial and Senior Food Inspector representation at the OGC Food Strategy Team (FST). The FST is responsible for developing and delivering the overall food project strategy and managing the future procurement landscape. FST is led by DCSF and is responsible for defining the objectives and managing the overall output of the project work streams. The work streams have been organised into six key areas to deliver the food strategy. Key areas: Supplier Engagement, Collaborate Procurements, E-Procurement Solutions, Strategic Contract Management, Logistics, Food Prices.</p>
4	<p>PAC conclusion (xi): The Committee expects to see measurable progress within two years (by 2008-09) towards</p>	<p>The conclusion is accepted by the MOD, in so far as their contract will realise the quoted savings over the life of the</p>	<p>The Source Plan created by the Procurement Reform Category Management Team (PR CMT) in</p>

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	<p>savings of some £20 million promised by the Ministry of Defence over the five year life of its new main food contract.</p>	<p>contract.</p>	<p>2006 identified potential savings of £19.4M from operational and non-operational food supply, across the life of the five year Food Supply Contract (FSC). The first full year of the contract would see savings of £4.6M but these would reduce each year as the MOD introduced the Pay As You Dine (PAYD) system across the three Services and consequently savings would eventually flat line once PAYD was fully implemented.</p> <p>In Year One of the FSC (Oct 06 – Oct 07) the MOD actually identified savings of £6.8M and, while savings in Year Two have yet to be formally presented, we are on track to meet our efficiency targets. Furthermore, compared with the previous contract this FSC is also delivering significant additional savings in relation to food supply to operational theatres overseas.</p> <p>In summary, measurable progress has been made and the MOD FSC is delivering the expected efficiency savings.</p>
<p>5</p>	<p>PAC conclusion (xii): The National Audit Office has demonstrated that it is possible for public bodies to</p>	<p>The conclusion is accepted, in part, by MOD as it reflects the present working practices within the Department,</p>	<p>The Department has now outsourced more than 50% of its UK feeding commitment to contract</p>

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	<p>increase the proportion of food purchased competitively from local or regional producers while complying with EU requirements. Following the lead of the Ministry of Defence in working with the UK meat industry, the three departments together with the Department of Environment, Food and Rural Affairs (DEFRA), should explore with UK food producers ways to increase the amount of UK produce purchased by the public sector. Public bodies should also be able to demonstrate that the animal welfare and food production practices of their suppliers adhere to the standards under which UK producers operate and satisfy themselves that enough independent spot checks and inspections are taking place.</p>	<p>particularly in the context of the department's working relationship with the UK meat industry. The MOD does, however, need to ensure the year round availability of its 'Core List' commodities, which supply our worldwide operational commitments. This cannot be achieved, cost effectively, with a policy of local or regional buying alone.</p>	<p>caterers, who are required to seek best value for money in the open market consistent with meeting EU quality standards. For the residual 'Operational' feeding commitment, both UK and overseas, a single contractor has been engaged and the MOD works in partnership to explore opportunities to purchase domestic product where it is considered fit for purpose. This is duly recorded in the Public Sector Food Procurement Initiative (PSFPI) pan-government annual report, collated by DEFRA, and indicates a rise from 2006-2007 of 43% indigenous food to 2007-2008 of 59%.</p> <p>All products purchased by the MOD comply with EU quality and animal welfare standards, and increasingly consider both sustainable and ethical criteria. Monitoring is undertaken by an in-house QA team, contractor and sub-contractor verification.</p>
6	<p>PAC conclusion (xiv): Public sector procurers should seek to increase the proportion of food purchased from 'Fair Trade' sources that offer the same standard at a competitive price.</p>	<p>The conclusion is accepted by Department. It is the intention of the MOD to test, through its Food Selection Panel, a wider range of fair trade products in the future for inclusion on the 'Core List'.</p>	<p>When we select foods for the Department Core List, sustainability and ethically traded products are an important part of our selection criteria. If the product meets our</p>

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	<p>In some cases fair trade products will be more expensive but departments should work with the supply chain to improve competitiveness while still securing a fair price for producers.</p>	.	<p>stringent quality standards and provides Value for Money (VFM) then, wherever possible, we select these products. Currently 90% of all coffee supplied on the MOD Core List is fairly traded.</p>

Fourteenth Report (2006/07) Delivering Digital Tactical Communications through the Bowman CIP Programme

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7	<p>PAC conclusion (i): There is no individual within the Department with full responsibility for ensuring that the Bowman CIP project meets its objectives. In 2006, the Department belatedly appointed a senior officer to act as Senior Responsible Owner. But he lacks the authority and time to effectively discharge this onerous responsibility and is only supported by a small staff. In applying the Senior Responsible Owner concept, the Department should equip those appointed to such challenging positions with the funding, authority and trust to fully discharge their responsibilities in line with the guidance issued by the Office of Government Commerce.</p>	<p>The Department notes the Committee's views and agrees that in its earlier stages the Bowman and CIP projects would have benefited from stronger high-level governance arrangements. The MOD believes that the governance arrangements, which were developed in the light of the OGC guidance in 2003 and as the programme evolved, provide a robust framework for delivering the Bowman CIP programme. The senior officer now responsible for the delivery of networks such as Bowman CIP that underpin Network Enabled Capability (NEC) has the authority, position within the Department and support to ensure that obstacles to delivery are addressed and overcome while maintaining coherence with other projects supporting the wider NEC capability.</p> <p>It is the Department's policy that large and complex projects or groups of projects will have a senior responsible owner appointed on behalf of and accountable to the Defence Management Board. In addition, under the Department's Defence Acquisition Change Programme, the Directors of Equipment Capability will fulfil the Senior</p>	<p>As part of the ongoing development of governance responsibilities, the Deputy Chief of the Defence Staff (Equipment Capability) was appointed as the Senior Responsible Owner for Network Enabled Capability in 2007.</p>

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		<p>Responsible Owner (SRO) role for each of their projects that are not covered by specific SRO appointments. Although the senior responsible owner may not have full financial or command/line management authority over all those delivering the projects, he or she will be empowered, have a good knowledge of the requirement, be competent to resolve conflicting priorities and be able to exert influence outside traditional management or command chains. This is consistent with the OGC guidance.</p>	
8	<p>PAC conclusion (ii): The Department took nine months to approve the revised deal struck with General Dynamics UK in October 2005. Time is money for the Department and its contractors, and delaying delivery of a much-needed capability could also cost lives. The Department intends to action the relevant recommendations from its Enabling Acquisition Change review to improve its in-house approvals processes. The Department should also engage the Treasury and other relevant government departments in developing a leaner, more responsive approval process so</p>	<p>The Department agrees that responsiveness is an important attribute of the investment approvals process, alongside the need to ensure that proposals are soundly based and provide good value for money.</p> <p>Implementation of the recommendations of the Enabling Acquisition Change report is being taken forward through the Defence Acquisition Change Programme. A number of changes to the approvals process have already been made. These include:</p> <ul style="list-style-type: none"> • the involvement of the Defence Management Board in the most significant investment decisions; 	<p>Process changes, recommended by the Enabling Acquisition Change report, are being taken forward through the Defence Acquisition Change Programme, as indicated in the Treasury Minute.</p>

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	<p>that decisions can be made in a more-timely manner.</p>	<ul style="list-style-type: none"> • the addition of the Defence Commercial Director to membership of the Department's Investment Approvals Board; and • the delegation of the approval of the lower value lower risk equipment and support projects to the new Defence Equipment and Support organisation. <p>Other changes that will be introduced shortly include:</p> <ul style="list-style-type: none"> • a more streamlined scrutiny process which aims to ensure that project teams have, at an early stage, a clearer picture of the information required at the main decision points and simplifies the production of business cases; • for larger projects, the inclusion of support costs in Main Gate equipment approvals; • independent cost estimates; and • the requirement to carry out commercial due diligence before contract signature. <p>The MOD is engaged with HM Treasury to develop a more responsive procurement approvals process. Although engagement with other Government</p>	

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		<p>Departments does take place in the context of the approvals process, this does not impact on approval timelines.</p>	
9	<p>PAC conclusion (iii): The Bowman CIP project timescale was clearly unrealistic, and the inherent complexity and technological challenges were under-estimated. The Department should re-design its scrutiny processes and better align these and its assurance processes so that they are fit to deal with the challenges of Modern defence acquisitions and to take into account the culture of over-optimism endemic in much defence procurement.</p>	<p>The Department accepts the general thrust of the Committee’s views. The Department recognises that the timescales set for the Bowman and CIP projects were challenging and was aware of the potential technical and complexity challenges, but on balance believed that the risks were worth taking in order to achieve coherence between the two projects and the earliest possible delivery of this important new capability. The deployment on operations of a militarily useful Bowman CIP from April 2005 was an important step forward. The Department recognises, as a general issue, the need for greater realism in the planning of defence capability and agility in the acquisition system.</p> <p>Changes being introduced through the Defence Acquisition Change Programme, including the streamlining of process, better cost estimating and greater use of incremental acquisition are aimed at improving the acquisition system to provide better delivery of capability to the front line, and improved value for money for the taxpayer.</p>	<p>The Defence Acquisition Change Programme continues to take forward changes that are aimed at improving the acquisition system and how risk and technological complexity is managed.</p> <p>For example, the Department has undertaken work to examine the relative benefits of incremental, evolutionary, off the shelf and the standard CADMID approaches to acquisition in delivering capability more quickly to the frontline.</p> <p>The Department recognises that the full benefits of many of these changes will take a number of years to realise.</p>

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10	<p>PAC conclusion (iv): The vehicle conversion challenge posed by the unexpected variation in the land vehicle fleet could have been predicted if the fleet had been properly surveyed before contracts were placed. The problem was compounded by the absence of good data on vehicle configurations, and the practice, particularly in the army, of Modifying vehicles without managing and tracking the Modifications. Until the Department obtains adequate standing information on vehicle condition and configuration, it should re-emphasise to Users the importance of maintaining standard configurations wherever possible and should survey representative samples of vehicles before commencing Modification work.</p>	<p>The Department accepts that there is an issue with capturing and tracking information about Modifications to vehicles. The UK Armed Forces' vehicle fleet consists of many types, which in some cases are themselves sub-divided into many variants according to role and parent unit. This fleet is, in some cases, up to 40 years old and over time and for good reasons has been subject to extensive Modifications to meet the evolving operational or safety environment.</p> <p>Given the general knowledge the MOD had about the age and condition of the vehicle fleet, it was recognised that configuration control was an issue at the outset of Bowman conversion. A platform presentation programme was put in place that brought some commonality to the fleets but could not allow for platform-to-platform variations. The MOD accepts in retrospect that more detailed survey and preparation work would have enabled the true scale of the variations present in the vehicle fleets to be better understood and the conversion programme to have proceeded more smoothly.</p> <p>As a result in part of experience with the Bowman CIP conversion programme the</p>	<p>Procedures for the tracking and configuration control of the vehicle fleet continue to develop. In particular they have been greatly improved by the introduction of Joint Asset Management Engineering Solutions 1 (JAMES 1) to the Army and within the Bowman CIP programme itself the introduction of the Bowman Asset and Configuration Management System (BACMS) for which fielding to the user began in September 2008. The extension of the Bowman CIP 5 uplift programme to help balance the flow of new capability to the front line with the priority of support to current operations is being exploited to capture the right level of vehicle configuration data.</p>

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		<p>Department is working hard to address vehicle configuration control issues and believes significant improvements will flow as more capable electronic engineering and configuration management systems enter service. Until then, the better use of existing data alongside revised processes within the Army will deliver worthwhile improvements.</p>	
11	<p>PAC conclusion (v): Complex new systems such as Bowman CIP are more expensive to support and will require more on-going training than their simpler predecessors. To encourage more serious consideration of Through Life Management issues and better inform future investment decisions, the Department should validate the quality of the key data underpinning decisions on the delivery of through life management capability including measures of financial maturity, and clarity about the capability needed.</p>	<p>The Department agrees that clarity on requirements and the quality of data are key factors in the successful delivery of through life capability management. The Defence Acquisition Change Programme is addressing these issues. For example, the MOD's capability planning process has been reformed to support through life capability management and now follows a multi-stage process to establish capability requirements, identifying risk and pressures relating to such areas as the industrial capacity, funding and maintaining the effectiveness of current capability.</p> <p>Implementation of this process is expected to mature towards the end of 2007. Much of the data that underpins this work is generated by the newly formed Defence Equipment and Support (DE&S) organisation through its</p>	<p>Following the introduction of Through Life Capability Management within capability planning, the Defence Acquisition Change Programme is now moving the MOD to a more programme-based approach to capability delivery (in contrast to the existing largely project-centric approach). This builds on what has already been put in place to enable more coherent through life decision-making and will provide greater agility in meeting the requirements of the front line.</p>

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		<p>equipment Through Life Management Plans (TLMPs). The DE&S has initiated a programme of work to simplify and improve the design of TLMPs and complete a 100 per cent refresh of the data they contain by the end of the current financial year.</p>	
12	<p>PAC conclusion (vi): Bowman CIP was accepted in service in March 2004 with 27 major provisos that reflect the limited operational capability of the initial system. The Department should only accept that General Dynamics UK has cleared the provisos on the basis of robust trials-based evidence and should not pay any outstanding amounts until it is satisfied that the Armed Services are getting the capability they asked for.</p>	<p>The Department agrees with the Committee on the importance of robust testing and trialing as a basis for accepting equipment into service. Acceptance of the next increment of Bowman CIP (Bowman CIP 5) will be based on the evidence gathered through extensive trialing activity in 2006 and 2007. These trials will graduate from highly demanding technical field trials to operational field trialing in the hands of the user. This trialing methodology will ensure that the capability delivered by General Dynamics UK is fully verified and validated before it is deployed on operations.</p> <p>Included in this process is the clearance of outstanding provisos against full systems acceptance. In order to ensure the delivery of the required capability a number of significant outstanding payments to General Dynamics UK remain and will be held pending the delivery of the contracted requirement.</p>	<p>Bowman CIP 5 was accepted into service in January 2008 following an extensive series of technical and user trials and based on the evidence gathered throughout.</p> <p>To date, 21 of the 27 Bowman provisos have been cleared (accepting in the case of the Personal User Data Terminal a capability shortfall) and under current plans the remaining 6 (as well as the outstanding CIP provisos) will be cleared before full system acceptance is agreed. Contractual milestones are in place for completion of the remaining work and final payment will not occur until the agreed capability is delivered.</p>

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13	<p>PAC conclusion (vii): The Department has removed several important capabilities from the existing Bowman CIP programme. The Department has developed plans which it is confident will now deliver the most vital aspects of capability without further delay. The capabilities being delayed, such as the ability to communicate with allies, remain important, not least to reduce the risk of further friendly fire deaths. The Department is confident that, to date, no lives have been lost due to this deferral. It should, within the next year, develop a realistic forward plan to ensure the Armed Forces do not have to forego these capabilities for longer than is absolutely necessary.</p>	<p>The Department remains confident that the revised Bowman CIP programme approved in 2006 will deliver the coherent and stable austere Bowman CIP capability necessary to provide the basis for Network Enabled Capability in the land environment. The Department notes that this level of capability, Bowman CIP 5, will improve on the ability of the current version to communicate with allies by secure voice by also providing an ability to transfer standard formatted messages or e-mail with allies, as explained in the supplementary memorandum of evidence submitted in response to Question 155. Bowman CIP will therefore increasingly contribute to our Combat Identification capability and the minimisation of the risk of fratricide.</p> <p>The Department continues to believe that the deferral of technically risky capability from the current Bowman CIP programme was prudent. The Department confirms that it is working to define plans for future capability releases beyond Bowman CIP 5 and expects to consider these plans as part of its routine planning process. Among the factors that will shape these plans are the ability of the front line to absorb further large-scale changes and the constraints imposed by operational</p>	<p>Having been accepted into service in January 08, the fielding of Bowman CIP 5 has started. It is now in operational use with the Navy, and has been fielded to selected Army units to conduct experimentation to de-risk the first deployment of the capability expected in 2011. The scheduled clearance of outstanding provisos will see the realisation of the minimum austere capability to deliver NEC.</p> <p>The technically risky capability elements deferred from the current programme have now been defined for future Bowman CIP capability releases. These will be supplemented in due course by the inclusion of requirements developed as lessons are learned from the operational deployment of Bowman CIP 5. Capability development on these lines will be taken forward through the Department's normal planning process.</p>

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		<p>tempo.</p> <p>The Department envisages a periodic capability release programme providing both capability enhancements and maintenance that will be informed by the current validation work on the delivery of deferred capability.</p>	
14	<p>PAC conclusion (viii): In addition to the timescale slippage, the Department has agreed to pay a further £121 million to General Dynamics UK to deliver Bowman CIP, despite a much reduced number of platforms to be converted, and some aspects of the requirement being shuffled to another project. Securing value for money in the long-term will require the Department and General Dynamics UK to work together collaboratively to cost-effectively deliver and sustain the capability required by the Armed Forces. To support this objective, the Department and General Dynamics UK should regularly assess the strength of their relationship.</p>	<p>The Department agrees with the Committee on the importance of working in partnership with industry to secure long-term value for money. The MOD's Key Supplier Management process employs a range of tools aimed at improving and maintaining the relationship with our key suppliers, and measuring and driving performance improvement in both the supplier and the MOD.</p> <p>The Integrated Project Team (IPT) dealing with Bowman CIP and General Dynamics UK have been actively engaged in that process. Looking ahead, the IPT is also working to measure and improve the strength of its partnering with General Dynamics UK and other companies involved in this work. This should yield benefit within the remainder of the current contract as well as informing any potential longer-term partnering arrangements.</p>	<p>To improve joint working between the Department and General Dynamics UK, the Integrated Project Team (IPT) holds bi-monthly Joint Board and Strategic Board meetings with General Dynamics UK. The quality of the relationship is reviewed at these meetings using the MOD's Key Supplier Management tool and this has shown that there have been improvements in the quality of the relationship.</p> <p>Additionally, the Managing Director of General Dynamics UK, Director General ISTAR in the Defence Equipment and Support organisation and the IPT Leader met recently to explore how to strengthen further the relationship and to work together collaboratively. The IPT has commenced discussions with General Dynamics UK towards establishing a partnering</p>

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			arrangement to underpin future, longer term business relationships.

Twenty First Report (2006/07) Progress in Combat Identification

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15	<p>PAC conclusion (i): The Department has failed to develop viable Combat Identification solutions to counter the risks of friendly fire incidents, despite their devastating effects, and despite the recommendations made by the Committee of Public Accounts in both 1992 and 2002. Some improvements have been made, for example for air and naval operations, but the Department needs to address the outstanding areas without further delay.</p>	<p>The Department fully recognises the importance of Combat Identification in enabling the Armed Forces to conduct military engagements quickly and decisively with the minimum overall casualties and to minimise the risk of fratricide in combat. The MOD notes for example the historically very low overall level of combat casualties in war fighting operations in Iraq in 1991 and 2003 as an important measure of military effectiveness to which Combat Identification contributes. However, the MOD accepts that there is more that can be done to improve the Combat Identification capability of the Armed Forces. To this end, a Senior Responsible Owner for Combat Identification was appointed in 2004 to lead the MOD's Combat Identification programme in a step change improvement in the Department's capability. The Department also identified priority areas for improving Combat Identification capability, broadly the challenging ground to ground and air to ground environments and when fighting alongside coalition partners.</p>	<p>The Senior Responsible Owner continues to lead improvements in Combat Identification capability. Given the nature of current operations the emphasis is on the air to ground (including helicopters) and ground to ground environments in particular with United States forces.</p> <p>In June 2008, the Department refined the doctrine for Combat ID in the light of current operations.</p> <p>The Department has continued a close working relationship with coalition partners to develop interoperable Combat ID solutions, including ratification of a joint Combat ID Standard in November 2008, and a continued investment in the Coalition Combat ID demonstrations sponsored by the United States and NATO Allied Command Transformation. This has involved participation in BOLD QUEST in September 2007 and BOLD QUEST PLUS in July 2008. We are beginning the planning process for BOLD QUEST 2009.</p>

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		<p>The Department has a well defined policy on Combat Identification and continues to invest heavily in a range of equipment systems that contribute to Combat Identification capability, to play a leading role in co-ordinating Allied efforts on interoperable technical and procedural solutions and to pursue improvements across all elements of military capability, including organisation, concepts and doctrine, information and training as well as equipment. The MOD's view is that, given the nature of warfare, the complete elimination of the risk of fratricide is not a realistic aim.</p> <p>The Department's Combat ID programme is addressing current operations and establishing enduring capability for the long term. Improved capability, such as the Bowman secure tactical radio communications system, has been deployed on operations, as well as equipment to meet specific operational requirements such as blue force tracking systems, improved targeting pods for ground attack aircraft and ground-to-air radios which enable UK ground patrols to talk directly to Coalition aircraft. Improved equipment for forward air controllers is also being delivered and improved tactics; techniques and procedures for</p>	<p>The BOWMAN secure tactical radio system has been deployed to all theatres, and Blue Force Tracking systems for Ground Forces and Helicopters have been delivered under UORs. Improved targeting pods and improved equipment for forward air controllers have also been delivered as Urgent Operational Requirements (UORs) and valuable lessons identified on digitally aided close air support that will be taken forward by the Joint Fires Integration project.</p> <p>Reaper and Hermes 450 Unmanned Aerial Vehicle systems are operating in theatre.</p> <p>A Combat ID capability audit has taken place, facilitated by Dstl. The report is due in December, but early indications are that it lends further weight to the application of a broad spectrum of measures, rather than a single technical 'silver bullet', and supports the approach the Combat ID programme has taken.</p> <p>The UK (alongside its coalition partners) continues to investigate credible technological Combat</p>

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		<p>air-to- ground operations have been introduced. It is also planned to introduce into theatre later this year a significantly enhanced reconnaissance and surveillance capability using the Reaper (formerly known as Predator B) and Hermes 450 Unmanned Aerial Vehicle (UAV) systems.</p> <p>For the longer term, the introduction over the next few years of new capabilities such as the ASTOR airborne radar surveillance system will improve enduring capability. To guide longer-term activity, a full-scale audit of Combat Identification capability to identify current capability and shortfalls is being conducted, building on earlier work. This, together with more use of operational analysis and human factors research will help to address balance of investment issues and inform decisions to be made on investment in new or enhanced capability. The Department continues to work closely with the United States and NATO partners on achieving interoperability within Combat Identification. For example, the Department is actively involved in Exercise BOLD QUEST, a multinational technology demonstration in the United States in September 2007 that will help to inform UK decisions on investment in</p>	<p>Identification solutions as part of the BOLD QUEST series of demonstrations. The focus of BOLD QUEST 2009 is air to ground Combat Identification – the UK priority environment. It will inform the US analysis of alternatives and compare the leading air to ground technologies.</p> <p>The UK Combat ID programme has been established according to OGC best practice, and was subject to an OGC Gateway 0 review in July 2008, which identified no ‘red’ issues.</p>

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		<p>interoperable air-to-ground capability and will explore a more networked approach to Combat Identification.</p> <p>The Department is also reviewing the implementation of its Combat Identification programme to ensure that it conforms to the Office of Government Commerce best practice model for change programmes.</p>	
16	<p>PAC conclusion (ii): Over half of the equipment programmes for Combat Identification have been delayed, deferred or re-scoped during the last four years. A Battlefield Target Identification System will not be available until early in the next decade. Equipments such as Blue Force Tracker and Bowman communications system may improve situational awareness in the meantime, but the inevitable time lag in analysing and collating information from these systems will restrict their potential for positive target identification. The Department therefore needs to develop a timetabled plan for introducing a credible target identification system.</p>	<p>Improvements in situational awareness through developments such as Bowman will undoubtedly contribute significantly to Combat Identification; but the Department accepts that introducing such capability to provide reliable positive identification in near real time in the complex ground and air-to-ground environments within the foreseeable future is not realistic, given the challenges involved. Target identification systems are likely to remain a pillar of Combat Identification capability. The Department accordingly continues to work on improving target identification systems with a focus on the priority areas of the ground and air-to-ground environments. Technical solutions have been slow to mature and while the Battlefield Target Identification System concept was initially seen as promising, it has been clear for some time that such a target identification system would not on</p>	<p>The Department keeps its requirements under constant review, including those for Combat Identification capability. Improved target identification systems remain an area of interest, in particular for the priority areas of air-to-ground and ground environments. The Department therefore continues to work closely with allies on a range of potential interoperable target identification technologies that offer improved performance.</p>

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		<p>its own effectively address the risk of fratricide across the priority areas.</p> <p>The Department has therefore identified, in close co-operation with allies, a range of potential target identification technologies (including the Battlefield Target Identification System) that could provide interoperable solutions across the priority areas. Coherent programmes for credible target identification systems based on interoperable technologies will be considered as part of the Department's routine planning process and, subject to normal scrutiny and prioritisation, timetabled plans will be developed.</p>	
17	<p>PAC conclusion (iii): Progress in procuring the Battlefield Target Identification System has been held up for six years awaiting allies' decisions. The Committee recommended in 2002 that the Department develop methods of co-operation with allies on Combat Identification, but preliminary decisions are yet to be made. The Department needs to reach agreement with allies on procuring a system, or introduce, as an interim, a more limited</p>	<p>The Department accepts that – partly as a result of the technical complexity of the problem – it has taken longer than we would have wished to reach a common position with allies on the technology to be used for the Battlefield Target Identification System. Following active engagement by the Department, the principal allies have now reached consensus on a technical solution. The United States for example now has funding for a programme that is compatible and aligned with the UK's continuing Battlefield Target Identification System programme. The Department</p>	<p>The Department is keeping closely abreast of the plans of allies, especially those of the United States, for the provision of improved target identification. In particular, the Department is seeking technical clarity on the US plans for improved air to ground target identification, the UK's highest priority environment, to inform the way forward.</p>

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	<p>national programme, focusing on the key risk areas such as ground-to-ground combat.</p>	<p>currently expects the UK programme to proceed to Initial Gate in early 2008 with a primary focus on the ground environment. Other allies are moving towards acquiring similar capability. Given that the risks associated with the international solution are being overcome, the Department therefore does not intend to proceed with a limited national solution, which would provide no benefit in coalition operations.</p> <p>As indicated in the previous response, the Department continues to work actively with the United States and other allies to reach agreement on technical and procedural solutions for other aspects of the priority areas with current efforts focused mainly on air-to-ground combat. This reflects the increasing emphasis on air-to-ground combat in contemporary coalition operations and that air-to-ground fratricides have historically resulted in greater loss of life.</p>	
<p>18</p>	<p>PAC conclusion (iv): The Department's Senior Responsible Owner on Combat Identification has no budgetary or line management responsibility. The Department should identify what impact the Senior Responsible Owner has been able</p>	<p>It is the Department's policy that large and complex projects or groups of projects have a Senior Responsible Owner appointed on behalf of and accountable to the Defence Management Board. Although the Senior Responsible Owner may not have full financial or command/line management authority</p>	<p>Combat Identification programme governance was reviewed by an OGC Gateway Review team in June 2008. No "red" issues were identified although some shortcomings in the formalities of the programme were identified for further action. The Senior Responsible Owner was</p>

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	<p>to make since the role was established in 2002, and determine whether giving greater management authority would increase the effectiveness of the role.</p>	<p>over all those delivering the capability, he or she will be empowered, have a good knowledge of the requirement, be competent to resolve conflicting priorities and be able to exert influence outside traditional management or command chains. This is consistent with Office of Government Commerce guidance.</p> <p>Since the Combat Identification appointment was made in 2004, the Senior Responsible Owner has made a number of important interventions. In particular, he has represented Combat Identification as a discrete and important enabling capability within the Department's planning process, ensuring that proper consideration is given to its priority. He has represented the UK internationally and particularly with the United States as the key ally on Combat Identification. For example, he attended a senior US Army and Marine Corps meeting during a crucial discussion of the way ahead. The Senior Responsible Owner was the focus for UK hosting of the important multinational exercise URGENT QUEST in 2005, which paved the way for decisions on Battlefield Target Identification System technology and is playing a similar role for UK participation in the multinational US-</p>	<p>praised for formally initiating the programme using the OGC Managing Successful Programmes (MSP) model</p>

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		<p>hosted exercise BOLD QUEST in September 2007, which will look at air-to-ground Combat Identification issues. The Senior Responsible Owner is leading the review of the implementation of the Combat Identification programme.</p> <p>The Department believes that the current arrangements for the Combat Identification Senior Responsible Owner role are working well but will keep the position under review as the programme progresses.</p>	
19	<p>PAC conclusion (v): During Operation TELIC the Department produced 60,000 Aide Memoire cards to raise awareness of Combat Identification, but failed to distribute them to front line troops. The Department regretted this failure, which it attributed to more general difficulties with supplies in Iraq. Cards are now given to personnel before deployment. The Department should determine how successful they have been in raising awareness among the troops concerned.</p>	<p>The content of the original Combat Identification aide memoire cards has now been subsumed into the generic All Arms Tactical Aide Memoire to which theatre specific tactical aides memoir are addenda. It is generally very difficult to assess the operational benefit of a specific element of training in a rigorous way, but no incidents of fratricide involving UK forces similar to those that occurred during Operation TELIC in March 2003 are known to have occurred since that time.</p> <p>However, the Department agrees that the scope for assessing the general effectiveness of tactics, techniques and procedures for Combat Identification should be investigated. This will be</p>	<p>Assessing the effectiveness of current Combat ID training and Tactics, Techniques and Procedures is included in Combat ID research and analysis plans and in the Research Priorities for Financial Year 2008/2009.</p>

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		pursued by the Senior Responsible Owner for Combat Identification.	
20	<p>PAC conclusion (vi): As the Committee recommended in 2002, the Department has developed a database on the fratricide incidents, but does not collate data on fratricide rates of our allies or on non-combatant casualties. The Department should update the database regularly and expand it to include data on allied fratricide rates and non-combatant casualties. The Committee also recommended in 2002 that the information gathered in the database be analysed and disseminated appropriately within the United Kingdom and to allies. The Department should share the database with our allies to promote greater joint interest in finding effective solutions.</p>	<p>The Department agrees that collating; analysing and sharing information about casualties resulting from fratricide incidents is an important research activity that underpins work on improving Combat Identification capability. The Department maintains research data on fratricide incidents and has participated in international collaborative research on the subject with key allies to promote greater collective understanding of the issues. For reasons explained to the Committee (supplementary memorandum submitted by the Ministry of Defence 27 July 2006), the Department's research data does not include non-combatant casualties.</p>	<p>The Department continues to fund Dstl to maintain a research database to collate information about casualties that appear to result from friendly fire and to participate in collaborative research with coalition allies.</p>
21	<p>PAC conclusion (vii): It took between eight and 28 months to conclude the Boards of Inquiry investigations into the four friendly fire incidents during Operation TELIC, and in one case it was a further 27 months before the findings were made publicly</p>	<p>The Department accepts that every effort should be made to publish as soon as possible the findings of Boards of Inquiry dealing with high profile cases. Following a recent review of policy, Departmental guidance has been issued on the proactive publication of information about the reports of Boards of Inquiry in cases</p>	<p>The Department continues to follow the new guidance described in the Treasury Minute</p>

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	<p>available. There will inevitably be variations in the time taken to complete investigations due to differing levels of complexity and the possibility of criminal prosecutions. But once complete, the Department should make every effort to publish the findings of Boards of Inquiry within one month of the investigation being concluded.</p>	<p>where there is likely to be significant public interest, such as operational and training fatalities or serious injuries and major equipment loss or damage.</p> <p>This guidance responds to the requirements of the Freedom of Information Act 2000 and requires the convening order, terms of reference, findings, recommendations and Convening Authority/Reviewing Authority comments of such Boards of Inquiry to be published as a defined class of information in the MOD Publication Scheme under the Act. The Department therefore expects that Board of Inquiry reports that fall into this category will normally be made available to the general public via the MOD website within two months of completion of the report to allow time to brief the next of kin on its contents and to prepare the report for publication.</p>	
22	<p>PAC conclusion (viii): It took the Department over six months to inform the Committee that it could not provide information on allied fratricide rates and non-combatant casualties requested at the hearing. The Department should in future provide promised information no later than four</p>	<p>The Department accepts the need for timely responses to requests for information made during Committee hearings. In line with Treasury guidance, the Department will aim to send such follow up information to the PAC Committee normally within a fortnight of the hearing. If it is likely to take longer, perhaps because further research is</p>	<p>The Department continues to follow Treasury guidance in this area.</p>

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	weeks after the hearing. Where more time is required, the Department should agree an appropriate timetable for delivery within a week of the hearing.	required, the aim is to provide information by a month after the hearing. If additional information needs to be sent later or if it has proved impossible to gather, the Department will inform the PAC Committee as soon as possible.	

Thirty Fourth Report (2006/07) Recruitment and Retention in the Armed Forces

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23	<p>PAC conclusion (i): There are shortfalls of personnel in all three Services. In April 2007 the shortfall was 5,850 and the Armed Forces as a whole were of 3.2 per cent under strength.</p>	<p>The Department accepts the conclusion of the Committee. The current shortfall is higher than we would wish. In part, this is a result of current restructuring work where strengths are falling before corresponding decreases in manning requirements. The Department recognises the importance of taking the necessary steps to address the shortfall, and has action in place.</p> <p>All three Services are carrying out a range of activities to increase recruitment. The Royal Navy (RN) is examining more flexible approaches to the employment of its manpower and developing an Integrated Recruitment and Retention Strategy to foster higher levels of retention. In future Naval recruitment staff will work more closely with regional commanders to raise awareness of the Royal Navy and its career opportunities. The Army recruiting organisation has initiated the One Army Recruiting (OAR) change programme, which will provide a more efficient and effective recruiting process across both the Regular and Territorial Army. The Royal Air Force is already seeing some success from the recent</p>	<p>In September 2008 the shortfall of personnel was 5,950 and the Armed Forces were 3.3 per cent under strength. The current shortfall therefore remains higher than we would wish.</p> <p>As previously reported, the Department and the single Services fully recognise the importance of reducing this shortfall and continually take steps to address recruitment and retention issues.</p>

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		marketing campaign, which has resulted in an increase in both officer and airmen recruits.	
24	PAC conclusion (ii): The increasing frequency of deployments on overseas operations and time away from home are factors causing people to leave the Armed Forces.	<p>The Department partly accepts the Committee's conclusion. There are many reasons why people leave the Services each year and these are dependent on age, rank and personal circumstances. It is true that one of the reasons given in the NAO survey for leaving was 'time away from home' (around 35 per cent of those surveyed cited this as a reason) and frequency of deployments (again approximately 35 per cent). However this needs to be balanced against one of the main satisfaction factors of job security. Over the last 10 years voluntary outflow rates taken across the Services have fluctuated only marginally year on year. However, the Department continues to monitor the situation carefully.</p> <p>The Department's recruitment and retention levels compare favourably with the public and private sector and other parts of the public sector. The Chartered Institute of Personnel Development Report on Recruitment and Retention Turnover 2006 gave turnover for the Production Industry at 8.2 per cent compared with the MOD's</p>	<p>There are many reasons why people leave the Services each year and these are dependent on age, rank and personal circumstances and the Department continuously monitors the views of Service Personnel on a broad selection of retention issues, principally through Continuous Attitude Surveys.</p> <p>Recruitment and retention levels continue to compare favourably with the public and private sector. The Chartered Institute of Personnel Development Report on Recruitment and Retention Turnover 2008 gave turnover for the Production Industry at 8.7 per cent compared with the MOD's 5.6 per cent.</p>

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		<p>5.2 per cent. It suggests that the Armed Forces are good at keeping their people, which is particularly important as we have limited opportunity to recruit laterally, unlike other employers. Through the Continuous Attitude Surveys (CAS), the Department monitors Service personnel's views on a raft of retention issues.</p> <p>The buoyancy of the job market will inevitably exert a degree of 'pull' on people's decision to leave the Services and individuals with particular skills, such as qualified pilots and communications engineers, will always be in demand. However, the Professional Aviator and other financial retention initiatives (FRIs) for RAF aircrew are good examples of targeted retention policies.</p> <p>A number of measures are also being implemented to manage better the time between deployments, such as the Royal Navy's Rebalancing Lives initiative, which was introduced in 2002. The Army is seeking, where appropriate, to contractorise Regular Army Assistance to Training (RAAT) tasks, to reduce support to training tasks and minimise equipment</p>	

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		<p>maintenance without having a detrimental effect on Army outputs. Meanwhile the RAF has increased the Military Provost Guard Service to reduce the guarding task for RAF regular personnel, increase the employment of short term contract manpower to cover pressure points, reduce the number of un-established commitments and place new focus on conditions of service and work life balance.</p>	
25	<p>PAC conclusion (iii): There are indicators of overstretch in specific areas, such as severe shortfalls in personnel in some specialist trades, such as nurses, linguists and Leading Hands, and the routine breaking of harmony guidelines.</p>	<p>The Department accepts that there are shortfalls in some specialist trades and that they are stretched. A Manning Pinch Point Steering Group meets quarterly to review manning figures and to initiate action to alleviate pressure on pinch point trades. Measures implemented range from reviewing current establishments, mobilising Reserves, seeking assistance from the other two Services, rank ranging appointments and extending engagements to considering a financial retention incentive.</p> <p>Before a Financial Retention Incentive can be considered, a thorough manning review is required. This examines all the issues surrounding the population, their causes and potential financial and non-</p>	<p>This work is continuous. There is no change to the response provided previously.</p>

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		financial solutions. FRIs will be recommended by AFPRB as part of a comprehensive financial and non-financial package upon which the MOD is required to provide annual progress updates.	
26	PAC conclusion (iv): Financial incentives have met with some success in retaining people in the short term, but several key factors for people leaving, such as workload, inability to plan ahead outside work and the impact on family life, have not been addressed sufficiently.	The Department accepts the conclusions of the Committee, and welcomes their conclusion. However, it should be acknowledged that while our Forces are heavily committed there is going to be pressure on certain areas. The Department has expanded its research programme through the development of Valuing and Investing in Service Personnel (VISP) and the Armed Forces Continuous Attitude Survey (AFCAS) in order to understand better the reasons for people leaving and to apply appropriate measures to encourage them to stay. A wide range of measures is in place to improve retention including: career management, improvement to conditions of service and work/life balance, extensions to normal engagement lengths, commitment bonuses and targeted Financial Retention Incentives.	The Service Personnel Plan encompasses a broad range of projects which link into the many personnel initiatives which affect all aspects of military life from reducing wastage during New Entry training, improving Terms and Conditions of Service, providing better support to families, improving single and families accommodation, through to caring for our injured personnel and veterans. The “Nation’s Commitment: Cross-Government Support to our Armed Forces, their Families and Veterans (Cm 7424)” published in July 2008, articulated a wide range of new measures that will complement the existing provisions. It will address both the disadvantages imposed by service life on our people and their families and the circumstances where service justifies special treatment.
27	PAC conclusion (v): The Department lacks information on the costs of its recruitment and	The Department accepts the conclusions of the Committee. The Department, in conjunction with the 3	In response to the Committee’s conclusion the MOD introduced a generic template for each proposed

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	<p>retention measures and has performed limited investment appraisal on its range of financial incentives.</p>	<p>Services, has revised the policy guidance for all future FRI submissions. In future, each case will contain details of key performance indicators, comprehensive details of the issue and details of the post project evaluation to be completed. In addition, these will include cost benefit analyses to quantify the benefits achieved in each case. The new Joint Personnel Administration system will provide a better source of management information.</p>	<p>Financial Retention Incentive (FRI). The evidence base required for introduction of a FRI has been strengthened by requiring: comprehensive details of the issue and its effect on operational capability; cost benefit analysis to quantify the benefits achieved; details of the key performance indicators, success criteria, exit strategy and details of the post project evaluation to be carried out. The progress of each FRI is monitored on a regular basis and they can be terminated early should circumstances warrant this.</p>
28	<p>PAC conclusion (vi): The Department does not have a long-term strategy to ensure a steady supply of highly qualified specialist personnel especially where there are shortages.</p>	<p>The Department does not accept the conclusion of the PAC. The Service Personnel Plan, which was introduced in 2006, provides a structure for the prioritisation and delivery of Service personnel policy over the next 15 years. It reflects the challenges and opportunities that the operational environment, demographic changes and the changing expectations of personnel and their families present to the MOD. Under the auspices of the Service Personnel Plan, work is underway to ensure the effective delivery of financial and non-financial conditions of service to achieve the recruitment, retention and motivation of sufficient, capable individuals to meet</p>	<p>As previously reported, work on Armed Forces Terms and Conditions was underway and has now delivered a range of policy proposals to support the retention and recruitment of personnel. For example, the introduction of a part-time working policy in 09/10 will enable the retention of personnel who would currently be lost to the Armed Forces. Furthermore, other new initiatives such as Defence Career Partnering will provide the opportunity to enhance the skills of our personnel whilst benefiting from the skills that our Defence partners can bring into the Armed Forces. These proposals, combined with our efforts to ease the movement between the Regular and Reserve vocations thereby</p>

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		<p>manning requirements. In addition work is underway to develop a retention positive and coherent Armed Forces Terms and Conditions package, which initially will focus on proposals for more flexible working arrangements.</p>	<p>keeping personnel and their skills within Defence, are tangible outcomes from our Service Personnel Plan.</p>
29	<p>PAC conclusion (vii): Short term cuts in recruitment have had long term impacts on manning levels which are almost impossible to recover from and appear to have more money to mitigate in the long run.</p>	<p>The Department partly accepts the conclusions of the Committee. The Department recognises the need to learn from lessons from the past, including the decision to slow Royal Navy recruiting in the mid-1990s in response to 'Options for Change'. The RAF has applied these lessons to its recent reductions, using careful management of normal outflow and redundancy to meet the reduced target while still maintaining a steady flow of new recruits. Around £3 million of additional marketing funding was expended to raise the profile of RAF careers and remind potential recruits that despite the RAF reducing in size, many rewarding career opportunities remain.</p> <p>Despite the restructuring process, recruiting was good in 2006-07 with the Service intake up by 1,210 (6.7 per cent) on their achievement in the previous year. Over recruiting in certain areas is used where possible, but</p>	<p>The Department considers this to be part of its day-to-day work.</p>

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		rescheduling training and using temporary facilities limits the extent to which this can balance out shortfalls.	
30	PAC conclusion (viii): The Department sets annual targets for recruitment but they do not take account of the need to fill in some of the gaps resulting from previous recruiting shortfalls.	<p>The Department does not accept the conclusion of the Committee. The Department routinely adjusts its annual recruitment targets to take account of the previous year's performance and other forecasts. Annex 34.1 illustrates this point.</p> <p>A number of initiatives have been introduced to deal with earlier shortfalls. The Royal Navy, for example, have developed a scheme to speed up promotion for General Service Ratings who joined in the mid-90s. Other measures being considered include, lateral recruitment, Recruiting Bounty Scheme Golden Hellos for new recruits and Transfer Bonuses for Service personnel from other trades. The In-service Training Total (ITT) targets are calculated annually to allow for past performance and are balanced against our training schools capacity in any one-year.</p>	As previously reported, the Department routinely adjusts its annual recruitment targets to take account of the previous year's performance and other forecasts.
31	PAC conclusion (ix): Nine out of ten of the Army's top ten officers were educated at independent schools, whilst three quarters of Army	The Department accepts the conclusions of the Committee. However, a more balanced insight can be gained from a breakdown of officers from this year's intake of the Advanced	In 2007 the proportion of state school entrants to the Royal Military Academy Sandhurst rose to around 62% whilst state school representation on the 2007 Advanced Command and Staff Course

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	<p>scholarships in 2006-07 went to students from independent schools.</p>	<p>Command and Staff Course. See Annex 34.2.</p> <p>This course is designed to provide selected officers with a broad understanding of the full range of operational and management issues across Defence as preparation for potential promotion to the senior ranks. It is a highly competitive course and only the top 10 per cent of OF3 & 4s (Major or Lt Col equivalents) of each Service are selected; it is designed to capture the very best in each service who have the potential to achieve the highest ranks. The majority of entrants (around 56 per cent) to the Royal Military Academy Sandhurst are now from the State Sector.</p>	<p>was again over 60%.</p>

Thirty Sixth Report (2006/07) Reserve Forces

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32	<p>PAC conclusion (i): All of the Volunteer Reserve Forces face significant shortfalls in manpower from some 16 per cent in the Territorial Army to some 36 per cent in the Royal Auxiliary Air Force.</p>	<p>The Department accepts the Committee's conclusion. Since these figures were published, the manning position has improved considerably. Major efforts, by all three Services, supported by appropriate resources, are underway to address the manning shortfalls and many of the Committee's recommendations, such as improving the training and support available for Reservists, have been successfully implemented.</p> <p>The Royal Navy Reserves (RNR) is now on course to meet its projected manning levels, the Royal Marine Reserves (RMR) position has now started to improve and is now increasing in strength, and Royal Auxiliary Air Force (RAuxAF) recruiting has improved since the position last year. For the Territorial Army (TA), who made up a large majority of the Reserve Forces, 2006 was the best manning year since 1999, and the Department continues to closely monitor TA manning levels. A new programme to incentivise ex-Regulars to join the Volunteer Reserves was announced in August 2007.</p>	<p>The Department continues to actively progress manpower shortfalls through the recruiting initiatives. Reservist manning is also being considered by the Strategic Review of Reserves, which is due to report in January 2009.</p>

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33	<p>PAC conclusion (ii): People have been joining the Territorial Army despite failing basic fitness tests.</p>	<p>The Department accepts the Committee's conclusion. While most recruits who join the TA meet our basic fitness requirements, if individuals do not, and their potential is recognised, they are given a training programme and encouraged to try again when they have improved their level of fitness. Many join the Reserves because of the opportunities offered there to develop their fitness but, conversely, research indicates that fitness is a barrier to others. There can be a perception that people believe they are "not fit enough" to join the Reserves. The Department believes that rather than losing potential recruits, it must strike the right balance between fitness on entry and potential.</p> <p>In line with the conclusions of the Report, to look creatively as ways to increase the options available for those wishing to join. The <i>Armyfit</i> website, which offers free tailored on-line fitness programmes, was launched in February 2007, and has received nearly a million unique visitors. Of these, over 4,000 have gone on to complete an online application form to join the Army – Regular or TA. However, great care is taken to ensure that all Reservists who are mobilised for service on operations meet a prescribed level of</p>	<p>Actioned. The Army is also undertaking a trial in Northern England and Scotland to assess the viability of providing routine Occupational Health for Reservists through Defence Medical Services. The findings of this trial are expected in early 2009.</p>

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		<p>fitness commensurate with their role in theatre, and the Department takes precautions to ensure Reservists and Regulars alike are fit to operate in demanding environments such as those of Afghanistan and Iraq. Where individuals fail their pre-deployment tests, they are given time to undertake further training to improve their fitness levels to ensure they are prepared properly to deploy. Individuals may be stopped from deploying where they are unable to meet the required fitness standards in the time available.</p>	
34	<p>PAC conclusion (iii): The Department does not know if, on operations, Reservists are more likely than Regulars to experience fitness problems which require evacuation back to the United Kingdom.</p>	<p>The Department accepts the conclusion of the Committee. Since the report's publication, the situation has improved considerably. The Royal Marine Reserve achieve the same levels of fitness as their Regular comrades before deploying on Operations. TA personnel are required to take and pass Military Annual Training Test Level 2, and on deployment are required to meet Level 1 – the same standard as Regulars.</p> <p>The Department does necessarily deploy some members of the TA on operations, who cannot do this, having been accepted 'at risk' by the receiving formation. This can only occur where the individual Reservist has been judged and</p>	<p>Actioned. The Training Review Board continues to mitigate the risk presented by the few individuals who cannot achieve the required fitness levels.</p>

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		<p>assessed by a Training Review Board, which includes representation from the Receiving Unit. This Board mitigates the risk, and ensures that the Commander of the receiving Unit is aware of it. No one, who fails this Board, is deployed. In most instances, this occurs when the individual has essential skill sets, such as a surgeon whose role is judged to be less physically demanding than that of a frontline soldier and the Department is therefore able to accept a lower level of fitness in order to ensure their vital skills are available.</p>	
35	<p>PAC conclusion (iv): On routine training and on pre-deployment training, Reservists are not being given the opportunity to train alongside Regulars, nor with the equipment they will use on operations.</p>	<p>The Department agrees with the Committee's conclusion. Since the report was developed, the Department has introduced a number of steps to implement the NAO's recommendation encouraging greater synergy between regulars and reservists deploying on operations. The majority of those deploying on operations are now given the opportunity to train alongside their Regular colleagues. Every effort is made to ensure that mobilised Reservists get the same opportunities as Regulars, but by the nature of some specialisations and the mobilisation process itself, there may still be times when some individuals are unable to train with the Unit that they will serve with.</p>	<p>Pre-deployment Reservist training continues to be integrated with Regular training where practicable. Routine training of Reservists is being considered as part of the Strategic Review of Reserves, which is due to report in January 2009.</p>

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		<p>Where practicable, integrated training takes place alongside Regulars. For example, 40 Commando RM recently deployed on Operation HERRICK (Afghanistan) with nearly 80 Reservists, mostly RMR, who are being mobilised for 12 months in order that they are fully trained and integrated into the Unit. They were mobilised in April, and having completed their training, deployed to Afghanistan in October.</p> <p>Reservists are issued exactly the same personal equipment as the Regulars on mobilisation.</p>	
36	<p>PAC conclusion (v): The Royal Naval Reservists rarely go to sea, as the Reserve is increasingly confined to force protection duties.</p>	<p>The Department accepts the conclusion of the Committee. Following the NAO report's publication, the RNR have implemented the Reserves Integration Project, which addresses the terms and conditions of service needed to provide a flexible career path between the Regulars and the Reserves. Fundamental to this is the alignment of branches and skill sets.</p> <p>The Royal Navy is working to ensure that all RNR Recruits will go to sea within 18 months of joining, and RNR's provide extensive support to Exercises at sea, such as the recent NOBLE MARINER, when many specialist billets in the Embarked Maritime Headquarters were</p>	<p>The Royal Navy continues to provide extensive support to maritime exercises at sea wherever possible, and the Royal Naval Reserve's enduring commitment to force protection of Gulf Royal Fleet Auxiliaries continues.</p>

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		<p>filled by RNR.</p> <p>On Operations, apart from individual deployments, the General Service Seaman (Reserve) branch has an enduring commitment to Force Protection for the Gulf Royal Fleet Auxiliaries for the next two years. This requires around 30 Reservists to be deployed at any time.</p>	
37	<p>PAC conclusion (vi): A number of Reservists have valuable civilian skills, which are not systematically utilised at present.</p>	<p>The Department accepts the conclusion of the Committee. In line with its recommendation, the Department is developing a method of capturing the civilian skills of Reservist based on the Office for National Statistics' Standard Occupational Classification, and it is the Departments ambition to incorporate this facility onto Joint Personnel Administration (JPA is the new Tri-Service defence personnel administration system). Separately, the RNR already operates a civilian skills database.</p> <p>Where operationally necessary, a Commander may make full use of a Reservist's civilian qualifications and skills (and as the Committee heard this was the case in the early stages of Operation TELIC in Iraq). It must, however, be understood that many Reservists join up to undertake duties</p>	<p>The Department continues to develop a method of capturing Reservist civilian skills, which is being aligned with the nascent Defence Skills Framework initiative which is due to deliver in 2012, but hope to have incorporated an interim ability to track civilian skills into JPA by the middle of 2009.</p> <p>The policy for making full use of Reservists' civilian skills is being considered as part of the Strategic Review of Reserves, which is due to report in January 2009.</p>

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		<p>and skills that would normally not be available to them in their civilian life. Current policy, taken from "Future Use of the UK's Reserves", published by DRFC on 7 February 2005, is that <i>"We will not mobilise a Reservist to take advantage of his or her civilian skills if he or she joined to serve in a different role, except with the express agreement of the Reservist and his or her employer."</i> The policy ensures that unless there is a clear operational necessity for a particular skill or trade, a Reservist will not be mobilised solely on the basis of their civilian skills.</p> <p>This recognition is vital if the Department is to maintain relationships with both the Reservist and their employer. The Department is aware of the vital support given by employers to the functioning of the Reserves, and it would be unwise to jeopardise this by laying itself open to accusations of getting skilled personnel 'on the cheap' by appearing to take trained staff from an employer.</p>	
38	<p>PAC conclusion (vii): Reservist personnel have not been receiving prioritised medical treatment for either physical injury sustained on operations or for mental health problems, which develop post-mobilisation.</p>	<p>The Department partially accepts the conclusions of the Committee. While mobilised, all Reservists are entitled to the same access to medical treatment as Regulars; that includes access for physical injury and / or illness and mental illness. At the time of their demobilisation,</p>	<p>The provision of prioritised medical treatment for Reservists injured on operations continues to be identical to that for their Regular counterparts.</p>

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		<p>Reservists have the opportunity to declare medical problems and undergo medical examination.</p> <p>The Reserves Mobilisation and Training Centre at Chilwell, where most reservists are demobilised, has access to rapid MRI scans through the Tri-Service Regional Rehabilitation Unit at RAF Cranwell to obtain definitive diagnosis for musculo-skeletal problems. Access is provided within 10 days of request. Medical Officers at Chilwell then have rehabilitation services on site to treat musculo-skeletal conditions and have accelerated access to the Ministry of Defence Hospital Unit Host Trusts in the same way as regular soldiers for all specialties. However, many Reservists choose to return home for referral. Under these circumstances, they will be treated along NHS timelines based on clinical need. Where medical issues are identified prior to demobilisation, the period of mobilisation can be extended to continue to treat the soldier until he is well enough to return to civilian life. Once demobilised reservists medical support is provided by the NHS.</p> <p>For Reservists with mental health problems, it is long established that once</p>	

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		<p>they are demobilised, medical care becomes the responsibility of their own local NHS primary care trust and the majority of Veterans' physical and mental health needs are met by these provisions. However, the MOD recognises that it has an expertise to offer in certain specific circumstances, and in November 2006, it launched a new initiative – the Reserves Mental Health Programme (RMHP). The RMHP is open to any current or former member of the UK Volunteer and Regular Reserves, who has been demobilised since 1 January 2003 following an overseas operational deployment as a reservist, and who believes that the deployment may have adversely affected their mental health; take-up for this programme has been low thus far.</p>	
39	<p>PAC conclusion (viii): The welfare support most used by Reservists and their families is provided by their Reserve unit, but not all units have dedicated welfare resources.</p>	<p>The Department accepts the Committee's conclusion. Since the Report was published, much has been done to improve the support available for the families of mobilised Reservists along the lines recommended by the Committee, and the Department's aspiration is that support available to Reservists and their families, when a Reservist is mobilised, be no different to that offered to Regular personnel.</p>	<p>The unique challenges of Reservist welfare provision is being considered as part of the Strategic Review of Reserves, which is due to report in January 2009.</p>

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		<p>As examples of the improvements made, Reserve Units can now mobilise personnel specifically for welfare duties when personnel from that Unit are mobilised – depending on the circumstances of the Unit involved. Once around 20-30 Personnel are mobilised, the Unit will be automatically authorised to mobilise others to support them, and their families at home. Also, the Single Point of Contact scheme is being extended to cover the families of mobilised Reserves, as well as Regulars, on Operations.</p>	
40	<p>PAC conclusion (ix): The Department has made some major decisions about the future of the Reserve Forces, yet does not know what they cost.</p>	<p>The Department accepts the conclusion of the Committee and has fully adopted its recommendations. Work is well advanced on a project aimed at improving the cost information the Department has available on the Reserves by initiating a detailed study of the costs and outputs of Volunteer Reserves. A report is due by the end of 2007 – the Department hopes this will aid future balance of investment decisions relating to the Reserves.</p>	<p>The report of the cost of Reserves was delivered, and informed the Strategic Review of Reserves, which is due to report in January 2009.</p>

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41	PAC conclusion (x): The Department monitors and collects information on areas of diversity such as race and gender, but not on the socio-economic or educational background of its Reserve personnel whether on recruitment or promotion.	The Department accepts the conclusion of the Committee. The intention is to record such information in future, but this will require substantial amendment to the Joint Personnel Administration system, and will therefore take some time to implement.	This work remains in the JPA change programme and is a longer-term project.

Forty Sixth Report (2006/07) Ministry of Defence: Major Projects Report 2006

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42	<p>PAC conclusion (1): The Department's Review of 20 of its largest projects cut their forecast costs by £781 million, but £448 million of this expenditure did not result in a saving to the Department as a whole as it was transferred to other budgets. The Department will have to forgo other – so far unspecified – activities, which might otherwise have been financed from those budgets. As an integral part of any further reviews, the Department should quantify the opportunity cost to the recipient's budget of having to absorb such transfers of expenditure, and the impact on their continued ability to plan and deliver the capabilities originally expected from those budgets.</p>	<p>The Department accepts this conclusion. The principle applied to the transfers was to ensure that costs were allocated in such a way that the performance of individual project teams in controlling direct project costs could be effectively measured, for example maintaining defence-critical industrial capability, in accordance with the Defence Industrial Strategy. This generally cannot be controlled at an individual project level. Other costs, not directly related to delivery of the project, were transferred to other lines where it made sense to manage them and where any necessary trade-offs could be made to live within our means. In making these decisions the Department took full account of the potential impact on the receiving area and will continue to do so. Where such instances arise in the future the Department will take steps to ensure any opportunity cost is quantified.</p>	<p>The Department continues to allocate costs to the most appropriate budget lines, adjusting budgetary provisions where appropriate.</p>
43	<p>PAC conclusion (2): The Department has made investment decisions based upon inaccurate forecasts. Such decisions should be contingent on the outcome of an expert independent assessor's examination of the technical, financial and commercial</p>	<p>The Department broadly accepts this recommendation. As part of the Defence Acquisition Change Programme a number of measures are being put in place to ensure the technical, financial and commercial maturity of major projects. These include requiring all major projects to provide evidence that cost estimates</p>	<p>The Department recognises the value of independent assessment and the final requirement for major projects to be subject to independent financial and technical advice came into force in April 2007. Since then, a number of Category A projects have received Main Gate</p>

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	<p>maturity of the major projects and the likelihood they will deliver military benefits anticipated, similar to the examination conducted on the Future (Aircraft) Carrier.</p>	<p>have been created or verified by suitably expert organisations independent of the project and that independent technical advice has been obtained from an agreed expert source. "Independent" in this context need not mean external to the Department; this will be dependent on the nature and scope of the project.</p> <p>In addition, the Department has established a due diligence unit to examine the commercial maturity of major projects before contract award. Projects with an "adverse" rating will not be permitted to proceed to contract and will be referred back to the Department's internal approving authorities.</p> <p>The Department agrees with this conclusion. The Defence Industrial Strategy (DIS) has provided a catalyst for the assessment of the industrial capability necessary to support submarine design and build activities. The establishment of the Astute Key Supplier Forum (KSF) is evidence of the resultant good working practices being developed between Department and Industry. These are already bringing benefit to the Astute programme through innovative design solutions and improved collaboration. Importantly these benefits will flow through</p>	<p>approval. These include Project FALCON Increment C (deployable communications equipment), Tier 3 Accommodation, DII(F) Increment 2b (deployed DII(F)), Tri-Service Whole Fleet Management and Project BORONA HQ ARRC. All have been subject to independent cost estimating and technical advice.</p> <p>The Commercial Assurance and Due Diligence Team was set up under the Defence Commercial Director (DCD) in April 07. The team provides commercial scrutiny for all CAT A and B IAB Cases. This involves scrutinising the procurement strategy and proposed commercial deal, including verification of the contract terms, prior to finalisation of the contract. The review includes an assessment of the risks, governance and technical feasibility of a project in order to provide an opinion as to whether the requirement will be deliverable under the proposed commercial terms and that it contains an appropriate balance of incentives and protections to ensure MOD receives an adequate level of</p>

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		<p>to the Successor programme.</p> <p>The KSF is very much an active, joint engagement strategy, regularly reviewed and constantly alive to suggestions regarding more efficient ways of working. In addition, within our wider key supplier management and supply network processes, the Department is monitoring the supply chain for existing and potential weaknesses, to assess to project and cost implications, and develop mitigating strategies. This improved, constructive and open dialogue is building a common understanding of risks and opportunities, enabling a better understanding of the cost of industrial sustainment across the submarine design and build enterprise. The Department plans to do the same for others areas of capability.</p>	<p>service from the contractor during the life of the proposed contract. Over 100 different projects have been scrutinised since April 2007.</p> <p>Recent review has been carried out on the Nuclear facilities at Aldermaston. DCD has instigated an independent external review of the commercial arrangements for the AWEML contract to run the Nuclear Weapons Capability Sustainment Programme (NWCSP) at AWE. AWE and MOD have conducted a review of the strategy and balance of investment for certification, and how this drives major investment decisions. This will be subject to an independent external review in November 08. The Nuclear Research Advisory Council (a Non-Departmental Public Body) carries out an independent review on the technical programme each year and reports to MoD's Chief Scientific Adviser.</p> <p>An Independent Financial Review conducted by Price Waterhouse Coopers (PWC) on NWCSP in December 2007 was used to support the NWCSP Review Note</p>

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			considered by the IAB in June 2008.
44	<p>PAC conclusion (3): The cost increases and delays on the Astute Class submarine project in part stem from failure to preserve the submarine supply chain. The Defence Industrial Strategy, introduced in December 2005, provides a framework against which to make judgements on the sustainment of critical industrial capabilities. The Department should routinely quantify the cost implications and operational benefits of sustaining critical defence capabilities for individual projects. The Department will also need to apply the learning from the Astute project in planning for a successor to the nuclear deterrent.</p>	<p>The Department agrees with this conclusion. The Defence Industrial Strategy has provided a catalyst for the assessment of the industrial capability necessary to support submarine design and build activities. The establishment of the Astute Key Supplier Forum (KSF) is evidence of the resultant good working practices being developed between Department and Industry. These are already bringing benefit to the Astute programme through innovative design solutions and improved collaboration. Importantly these benefits will flow through to the Successor programme.</p> <p>The KSF is very much an active, joint engagement strategy, regularly reviewed and constantly alive to suggestions regarding more efficient ways of working. In addition, within our wider key supplier management and supply network processes, the Department is monitoring the supply chain for existing and potential weaknesses, to assess to project and cost implications, and develop mitigating strategies. This improved, constructive and open dialogue is building a common understanding of risks and opportunities, enabling a better understanding of the cost</p>	<p>The Department has addressed these capability issues on a sector basis in implementing the DIS. In addition to the submarine industrial capability, we are making progress in:</p> <ul style="list-style-type: none"> • The surface maritime sector, where consultation with the industry, in particular transparency on our intentions relating to the forward programme, including Future Carrier, are informing establishment of a long terms business agreement with the BVT Joint Venture.; • The Rotary wing sector, with the Strategic Partnering Arrangement with Agusta Westland; • The Fixed Wing Sector, where discussions with BAE Systems are underway with the aim of a longer term agreement; • The Complex Weapons Sector, where industry, in close consultation with MOD, has collectively formed Team CW. Following the commencement of an Assessment Phase in July 2008, the team is currently developing

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		<p>of industrial sustainment across the submarine design and build enterprise. The Department plans to do the same for others areas of capability.</p>	<p>and testing the viability of Team CW meeting our complex weapons requirements and retaining key industrial capabilities and technologies through a partnering arrangement with MOD.</p> <p>All these initiatives have as one of their major aims the balancing of MOD's requirements and industry's capabilities, and the sustainment of critical defence capabilities</p>
45	<p>PAC conclusion (4): The Government has announced plans to embark on a major project to build a successor to the nuclear deterrent, which is estimated to cost in the region of £19 billion and take up to 18 years. Many of the cost overruns on older projects have been due to over-ambition in the original design and a failure to properly understand and budget for costs. The Department will need to apply the learning from Astute to this new project, including how to realistically plan and use Computer-Aided Design, keeping to the required timescale in the design and build cycle; and using new methods of</p>	<p>The Department agrees, but provides the following clarification. The White Paper <i>The Future of the UK's Nuclear Deterrent</i> gave initial procurement cost estimates in the range of £11-14 Billion (at 2006-07 prices), and a timeline of 17 years to design, manufacture and commission a new class of submarines. The programme has just entered the concept phase during which cost estimates will be refined and detailed programme plans will be developed. Clearly these plans will need to draw heavily on lessons learned from the Astute programme. In particular, the programme will work to a construct that is similar, but not identical, to the arrangements in place for the successful Vanguard programme.</p> <p>The role of Design Authority will revert</p>	<p>In addition, to providing the operational capability required by the Royal Navy, the building of the Astute Class will de-risk future submarine technology and is crucial to sustaining the industrial capability necessary to design and build the Successor Deterrent. MOD acknowledged the need to maintain the key supplier base for the Astute and Successor Deterrent programmes in the Defence Industrial Strategy. The Future Submarine Programme is mid-way through its Concept Phase and remains on track for Initial Gate in September 2009. The programme continues to learn lessons from the Astute experience – the team is a collaborative one with MOD</p>

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	<p>construction pioneered in the United States of America.</p>	<p>back to the MOD to provide both a better balance between risk and major investment decisions, and to use the technologies developed through the Astute programme where possible to reduce the risks associated with introduction of the new class. Finally, work with the United States of America will continue, as outlined in an exchange of letters between Mr Blair and President Bush in December 2006, including building on progress made through Astute to further refine submarine design and build processes.</p> <p>The Department accepts this recommendation. Since formation of Defence, Equipment and Support (DE&S) organisation on 2 April 2007, a range of additional HR flexibilities have been delegated by the Department to enable this. These include the ability to promote, in a limited number of cases, Team or senior Project Leaders, in situ. This delegation, based on both individual merit and achievement, provides continuity and stability at critical stages within a project. Minimum tour lengths are now agreed for DE&S staff on appointment to projects in order to better manage personnel succession planning, staff retention and provide greater stability in project management.</p>	<p>retaining the role of Design Authority. A Programme Support Office has been established to support the SRO, building on OGC best practice. The programme as a whole has been subject to an OGC Level 0 review and, recently an initial review by the NAO.</p>

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		<p>DE&S seeks to undertake active career management intervention. This provides for the managed advancement of key staff and conversely, where performance is not judged acceptable, individuals are provided with opportunities that better match their skill sets. Poor performance is not tolerated.</p> <p>DE&S is piloting a Reward and Recognition strategy to further enhance and link improvements in business performance with the effectiveness, and hence efficiency, of Business Units, Teams and the individual.</p> <p>DE&S seeks to share learning and best practice with a range of other Government Departments. As an example, DE&S is represented at a senior level at the HR Director's Forum (South West).</p>	
46	<p>PAC conclusion (5): Key staff are neither held to account for a project's failure, nor rewarded for its success. The Department will now promote staff in post to retain vital skills, and continuity at key stages of projects, or move staff on in the case of failure. The Department should document its approach and how it will measure</p>	<p>The Department accepts this recommendation. Since formation of Defence, Equipment and Support (DE&S) organisation on 2 April 2007, a range of additional HR flexibilities have been delegated by the Department to enable this. These include the ability to promote, in a limited number of cases, Team or senior Project Leaders, in situ. This delegation, based on both individual merit</p>	<p>Since formation of Defence, Equipment and Support (DE&S) organisation on 2 April 2007, a range of additional HR flexibilities have been delegated by the Department to enable this. The additional HR flexibility to undertake managed advancement from B2 to B1 level has been utilised on 13 occasions to October 2008 to</p>

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	<p>success, so as to evaluate the expected benefits against the outcomes; and it should share its learning with other government departments.</p>	<p>and achievement, provides continuity and stability at critical stages within a project. Minimum tour lengths are now agreed for DE&S staff on appointment to projects in order to better manage personnel succession planning, staff retention and provide greater stability in project management.</p> <p>DE&S seeks to undertake active career management intervention. This provides for the managed advancement of key staff and conversely, where performance is not judged acceptable, individuals are provided with opportunities that better match their skill sets. Poor performance is not tolerated.</p> <p>DE&S is piloting a Reward and Recognition strategy to further enhance and link improvements in business performance with the effectiveness, and hence efficiency, of Business Units, Teams and the individual.</p> <p>DE&S seeks to share learning and best practice with a range of other Government Departments. As an example, DE&S is represented at a senior level at the HR Director's Forum (South West).</p>	<p>ensure stability and maintained performance in key areas and projects.</p> <p>DE&S does not tolerate poor performance and where performance is not judged acceptable, individuals are provided with opportunities that better match their skill sets. DE&S Chief Operating Officer has introduced a 'rate the leader' system under which he actively and personally looks at IPTL performance quarterly. During its first year of operation DE&S piloted arrangements which make a link between delivery and financial reward for some senior staff. The pilot showed that motivation to deliver cannot be achieved through financial reward alone, particularly given the constraints on public sector pay. DE&S is currently considering how to take forward lessons learned from the pilot. In 2007-08 bonus arrangements across MOD were refined to focus on high performance and delivery. DE&S is represented at the newly formed HR Leaders Council Forum organised by the Cabinet Office.</p>

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			<p>The Forum brings together forty two HR Directors from a range of Government Departments and aims to build on HR Professionalism to improve performance and to drive change. The DE&S Forum member has recently become part of a Working Group set up to look at how poor performers in government departments can be identified quickly and managed more effectively. Additionally, DE&S has set up a South West HR Directors Forum which shares best practice and interchange across Government Departments in the West Country.</p>
47	<p>PAC conclusion (6): The Department has not received a share of the gains on the restructuring of the Skynet 5 satellite communications deal. It is also doubtful whether the gain achieved by the contractor, Paradigm, is balanced by the increased risk Paradigm was taking on under the restructured deal. Rather than relying on theoretical models and contractor assurance, the Department should determine the share of the gains to which it is entitled.</p>	<p>The Department accepts the need to determine the share of the gains to which it is entitled. However the restructuring of the Skynet 5 satellite communications deal was not about financial gain versus risk, nor was it about refinancing per se. Appraisal work carried out showed that the threshold for the Department to receive any gain would not have been reached at the restructuring juncture. No money was retained by the company following the restructured finances. It was all placed into the new deal, to aid overall affordability, in pursuit of decreased risk to service provision, through satellite launch loss.</p>	<p>The Department's standard contract for PFI now requires that gains from refinancing are shared by the contractor 50%/50% with the Department using standard methodology devised by Treasury's Refinancing Taskforce. Prior to this, four of the Department's PFI projects were refinanced by contractors. In each case the Voluntary Code of Conduct negotiated and implemented by HM Treasury for the refinancing of PFI projects was adhered to by the contractors.</p>

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48	<p>PAC conclusion (7): The Department has not always sufficiently understood the capabilities of its key suppliers, to act as an intelligent customer. The Department should build on its Key Supplier Management initiative and work with suppliers to identify areas where more joint training and skills development would help develop a stronger shared ethos and mutual understanding.</p>	<p>The Department accepts that joint training gives MOD and industry staff the chance to learn together and formulate common understanding of key concepts. The Defence Industrial Strategy indicated a desire to see more joint acquisition education with industry through the Defence Academy. Overall there has been a marked increase in joint interactions, aided by a range of marketing initiatives, including the publication of the Guide to Acquisition Training and Education (GATE) setting out all the courses available; but greater participation from industry is still welcomed.</p> <p>Within the Defence College of Management and Technology (DCMT), industry participation is increasing in its Technical Employment Training, coaching and people development, and longer-term educational programmes including the Defence Acquisition Management MSc, Programme and Project Management MSc and the MBA (Defence). In addition, the Department and DCMT are developing new courses, including a new Defence Strategic Commercial Programme, to be run at Shrivenham in January 2008. Industry is also benefiting from the</p>	<p>The joint MOD/industry Human Resources Group (a sub-group of the National Defence Industries Council) has initiated a joint one year Pilot Programme to identify common skills gaps across the defence sector and to determine joint development measures to fill these gaps. This includes the development of joint workforce planning principles, addressing Air Maintenance engineering skills gaps and learning from experience in nuclear engineering skills planning for wider exploitation.</p> <p>Another specific example of working jointly with Industry to develop training is that the Technology Division within the Defence Academy has a Memorandum of Understanding with MBDA for collaborative work in research projects and course development/delivery, including:</p> <ul style="list-style-type: none"> • Technical Employment Training – 20 attended Technical Foundation Course October 2007 • Network Enabled Capability • People Development –

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		<p>formation of Defence Acquisition Learning, as a new component of DCMT, which offers over 150 courses and is able to respond to special industry requirements.</p>	<p>Battleship Technology</p> <ul style="list-style-type: none"> • E-learning <p>Defence Leadership and Management Centre have also had joint development of courses, including:</p> <ul style="list-style-type: none"> ▪ Defence Strategic Portfolio and Programme Management (IBM) <p>Industry is increasingly participating in longer term educational programmes, for example 19 members from Industry have been on the 4 Defence Academy Technical Employment Training courses that have been conducted since course inception in 2005. There have been 16 Industry students on Project and Programme Management MSc course (8 in January 2007 and a further 8 in January 2008 (inc BAe, BT, Zurich Insurance))</p> <p>Defence Acquisition Learning benefits from Industry commercial expertise by having LogicaCMG as a contracted training deliverer and has provided accredited training for BAe Systems Commercial Staff under the Wider Markets Initiative.</p> <p>Defence Academy uses a wide</p>

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			<p>range of marketing activities to ensure industry are aware of the opportunities available to them, including:</p> <ul style="list-style-type: none"> - 2nd PUS letters to Industry - Industry briefing day held at Defence Academy 4 July 2007 - Formal launch of DaLearning 2 October 2007 - Presentation stand at Defence Systems & Equipment International (September 2007) and ITEC Conference in Cologne (April 2007) - Round Table City Forum on DIS development (May 2007) - Regular briefing/ mailing of course information to Defence Attaches globally - GATE2 publication and launch event with industry July 08 - Articles in DMJ and RUSI - “Symposia at Shrivenham” - a programme of authoritative symposia on defence-related topics, offering excellent value for money, attracting experts and interested parties from government departments, academia and, primarily, Industry. 20 events annually, each with associated

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			<p>exhibitions that target:</p> <ul style="list-style-type: none"> • Up to 2500 delegates per year • Over 850 companies <p>Although Industry welcomes visibility of MOD Training and Education it is generally speaking not willing to commit to the same level of investment in professional skills (as in the public sector) and hence there isn't more joint Training and Education. More flexibly delivered blended learning is being developed as part of DACP upskilling and may be more attractive for Industry. In accordance with the rules of Wider Market Initiatives a charge is made for Training and Education places and only spare capacity can be offered to Industry.</p>

Sixty First Report (2006/07) Managing the Defence Estate:

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49	<p>PAC Conclusion (1): More than half of single living accommodation and over 40 per cent of accommodation for families does not meet the Department's definition of high-quality accommodation and is therefore substandard. The Department needs to prioritise upgrades to the 138 houses at the lowest Standard 4 and then to the 2,000 Standard 3 houses, irrespective of location. Occupants should be offered the opportunity to move to other accommodation for the duration of works, including rented accommodation. The Department should not allow any more housing to fall into Standard 4.</p>	<p>It is accepted that much of the Service Families Accommodation (SFA) and Single Living Accommodation (SLA) is below the top standard. The Department recognises the scale, importance and sensitivity of the need to upgrade and improve Service accommodation. Considerable investment in accommodation has therefore taken place in the last 6 years, which has led to 20,000 new SLA and 12,000 upgraded SFA. Given the numbers of properties involved (71,000 SFA and 165,000 SLA worldwide) and the legacy of decades of under-funding, this task will inevitably take time to complete. However, as part of the Comprehensive Spending Review, £550 million was ring-fenced for the upgrade of housing and other living accommodation over the next three years.</p> <p>So far as SFA is concerned, the Department has identified a 10-year upgrade programme based on an anticipated investment of £38 million for 2008/09 and £48 million per annum thereafter. This represents a planned</p>	<p>The Housing Directorate no longer allocates SFA categorised as Standard 4 for Condition (S4fC). As at November 2008, there is a legacy of 70 families occupying S4fC properties, all of whom have been offered the opportunity to move to SFA of better condition, of which:</p> <ul style="list-style-type: none"> • 43 occupants wish to remain in situ • 15 occupants are yet to reply and are being hastened • 8 occupants wish to move and will be so. • 4 occupants are moving out due to posting <p>By March 2012 there should be no properties in UK at either S3fC or S4fC. We are aiming to bring that date forward as far as possible within the funding available.</p> <p>637 upgrades to SFA were achieved in FY 2007-08. 600 properties are to</p>

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		<p>increase of over £20 million in 2008-09 and £30 million a year thereafter on previously planned levels of investment. It will be targeted at areas of greatest need first – principally houses in the two lowest standards for condition plus houses which are needed urgently because of unit moves – thus the unit cost of the early upgrades will be relatively high. In addition to the 5,500 upgrades completed over the last three years, the programme will deliver 600 upgrades in 2007-08 and 2008-09 and up to 800 per annum in subsequent years.</p> <p>Unless the work is of a minor nature it is normal for it to take place when the property is unoccupied as this avoids any inconvenience to the family. If that is not the case and the occupants are content, the Department offers wherever possible temporary accommodation while the work is being carried out. In addition to upgrading properties, around £32 million is being spent during 2007-08 on improvements such as new kitchens or bathrooms which, while not sufficient to fully upgrade a house to the next level, will make a significant contribution to the quality of life of the occupants. The current funded upgrade programme will ensure that no Service families will need to be housed within Standard 4 accommodation by April</p>	<p>be upgraded in FY 2008-09 (371 completed as at September 2008) and 800 in each year thereafter. In parallel, a 'Strategic Facilities Plan (SFP)' will provide upgraded kitchens and bathrooms across the estate; which will not amount to a formal upgrade of the property, but will materially improve the quality of life for occupants.</p> <p>Since 2003, the Department has improved some 30,000 SLA (through SLAM, other projects and major PFIs) and it is planned to deliver a further 30,000 by 2013. Funding has been allocated in the programme for a further phase of SLA upgrading in the five years to 2018. Recent Project SLAM deliveries include 1,338 bed-spaces at Catterick and a further 147, 72 and 42 bed spaces at Leconfield, Pirbright and Lymstone respectively</p>

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		<p>2009.</p> <p>Turning to SLA, the Department has committed an additional £80 million to the Single Living Accommodation Modernisation project (SLAM) over the next three years (2008-09 to 2010-11). This is in addition to the £335 million already announced for SLAM Phase 2. Since 2003, the Department has improved some 20,000 SLA (through both SLAM and other projects and major Private Finance Initiatives). These upgrades include the recent opening of 452 single en-suite bedrooms at Tidworth, 144 new bed spaces at the Duke of Gloucester Barracks South Cerney and a further 96 bedspaces at RAF Wittering. It is planning to deliver a further 30,000 improved bed spaces by 2013. Funding is in place for a further phase of SLA upgrading in the five years to 2018.</p>	
50	<p>PAC Conclusion (2): Poor accommodation for single personnel and for families has a negative impact on retention but the impact on retention rates of upgrading accommodation is poorly understood. The Comptroller and Auditor general concluded in previous work that it is more costeffective to retain</p>	<p>The Department is very well aware that there is a link between the quality of accommodation and retention. This is tested as part of the annual Tri-Service Continuous Attitude Survey (CAS), which features a series of questions on accommodation to establish its influence on the intention to stay or leave the Armed Forces. Although accommodation does not normally feature within the top four reasons</p>	<p>The earlier Departmental response identifies there are too many factors to make a direct correlation between savings resulting from investment in accommodation and resultant reduced recruiting and training costs. AFCAS is a resourced tool and the best medium to monitor Service Personnel opinions on accommodation, and its subsequent</p>

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	<p>personnel than to recruit and train replacements. The Department should investigate the relationship between the quality of accommodation and retention rates, to assess how far extra investment to achieve a swifter improvement in the condition of housing could expected to be offset by savings in recruitment and training costs.</p>	<p>to leave, the CAS is a constant reminder of the importance the Armed Forces place on decent accommodation. That is why we will be spending over £8 billion on accommodation in the next 10 years. It is not, however, possible to show a direct link between additional investment in accommodation and reduced recruitment and training costs because there are too many other factors, which might influence the latter.</p>	<p>factor in their retention.</p>
51	<p>PAC Conclusion (3): Service personnel and their families who are living in the worst accommodation do not know when their housing will be upgraded. As it works to improve substandard accommodation, the Department should publish detailed programmes of the houses and single living spaces it intends to upgrade well in advance to give Service personnel and their families more information.</p>	<p>The Department programmes upgrading of housing over a two year rolling programme and publishes this to the Armed Forces. Residents on housing estates within the programme are informed as soon as possible and, as the programme is refined to minimise disruption to occupants, individuals are given at least three months advance notice of work through local meetings involving representatives from DE and Modern Housing Solutions (the Housing Prime Contractor). By April 2009 no Service personnel should be housed in Standard 4 accommodation. The Department also has identified a 10-year investment programme for service housing of £38 million for 2008-09 and £48 million per annum thereafter. Information about work to be carried out on SLA is provided to Service personnel through the chain of command.</p>	<p>Information about work to be carried out on SLA is provided to Service personnel through the chain of command; and to occupants of SFA and the Services Families Federations as part of routine Housing Directorate business.</p> <p>Each project line now has a detailed communication and stakeholder strategy to ensure all parties are fully sighted on project scope, mobilisation, construction timelines and points of contact. All FY 2009-10 upgrades have been extensively reviewed and a similar review is to be undertaken with the SFP.</p>

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52	<p>PAC Conclusion (4): There are significant gaps in the Department's understanding of the cost of its estate and it still has no effective way of knowing where funding is needed most. The Department should improve its understanding of the costs of maintaining and running its estate. In particular, it should:</p> <p>a) develop a deeper knowledge of the costs which lie with the three Services and other internal customers, including funding for Minor New Works and the overheads of Customer Estate Organisations and Site Estate Representatives; and</p> <p>b) implement Integrated Estate Management Plans for all defence sites, compiled according to a standardised methodology.</p>	<p>The Department fully accepts that more work is needed to understand the cost of the estate, so that there can be no doubt where funding is needed most. DE has been asked to capture the data lying within the three Services and other internal customers, which will lead to improved visibility and understanding of estate information. This work will be completed by September 2008.</p> <p>The completion of standardised Integrated Estate Management Plans (IEMPs) for all MOD sites is a very high priority and good progress is being made. As of September 2007, 60 per cent of MOD sites had formally agreed IEMPs in place. IEMPS at all other sites remain at the draft stage and it is anticipated that all MOD sites will have an authorised IEMP by March 2009.</p> <p>As a major step in providing greater clarity on the estate overall, the Department will be producing, in early 2008, a Defence Estate Development Plan (DEDP). The Plan will set out the first framework, looking forward to 2030, for the coherent development of the estate to meet the future needs of defence, and the priorities for investment and rationalisation arising from it. Decisions and actions emanating from the management of the</p>	<p>The Department has now implemented a revised Asset Physical Condition Methodology in line with Industry standards that on an asset by asset basis will assess the current physical condition against target condition, identifying any specific faults, the cost of rectifying those faults and the impact of correction on the future condition score.</p> <p>This information is included in an updated Estate Planning Tool (EPT v.3.1) that now forms the basis of the standardised estate management plans enabling units along with industry partners to maximise the impact of maintenance funding. DE has oversight of this data and coordinates prioritisation of spend in discussion with the TLBs.</p> <p>As part of the implementation of EPT 3.1 all Station estate staff will have updated training on EPT and IEMPs. Revised IEMPs based on the new methodology are being drafted with 66% now on EPT. Additionally IEMPs must now be endorsed by local estate staff, Customer Estate Organisations and the unit</p>

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		Plan will be notified to the appropriate Command chains to ensure personnel are informed accordingly.	commander to ensure coherence between local needs and departmental planning objectives. We remain on target for all sites to have agreed IEMPs by March 2009.
53	PAC Conclusion (5): The Department had to spend an additional £20 million in its contract with Modern Housing Solutions after underestimating the work required to maintain family accommodation. With better management information, the backlog could have been identified earlier, and the cost would almost certainly have been less.	The payment of £20 million reflected the poor condition of family accommodation encountered at the beginning of the contract and the need to maintain more houses than originally assumed. The Department accepts that better management information should have been available in respect of the condition of family accommodation. It has put in place a full condition survey, which is complete in Scotland and will be completed in England and Wales by end of June 2008. The Department is confident that the contract is now properly funded to maintain all family accommodation across England and Wales. However a further assessment will be made when the housing condition survey is complete.	The data collection for the full condition-based asset survey of SFA in England and Wales has been completed and is being validated and compiled into a database. It is expected that validated data will be available early in 2009. This greatly improved management information will enable spend to be correctly prioritised and will greatly reduce the risk of a recurrence of the problem experienced in FY 2006-07.
54	PAC Conclusion (6): In 2006–07 £13.5 million of planned maintenance work was deferred in response to budget cuts, whilst the resurfacing of tennis courts and the construction of sports pitches went ahead. If the Department has to make cuts to the budget for the defence estate in future, it should	The Department accepts that better co-ordination is required in future and new processes have been implemented since the NAO report was written. However, the Department believes that it is right that the Armed Forces should be able to spend some of their resources on their highest estate priorities. Sporting facilities are often considered a high priority because physical	The need to defer work because of in-year budget cuts has not recurred, but should it ever do so, the improved availability of estate condition data through EPT and units' IEMPs will ensure that deferrals are targeted at the lowest priority work.

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	<p>consider planned maintenance together with other projects and target cuts at the lowest priority work. The Department should develop a funded plan for the completion of the deferred work, so it can hold contractors to their contractual obligations on the overall condition of the estate, and avert long-term damage to the buildings.</p>	<p>fitness is vital to the effectiveness of Service personnel on operations. Leisure facilities, including sports pitches, are also essential to team building and morale. In 2006-07, deferrals and injections were managed in liaison with customers who set their own priorities for the estate. Service accommodation was specifically excluded from any such reductions. Of eight sports facilities considered, each case was fully supported by a business case and only four actually had work carried out.</p> <p>The Department is developing an Estate Planning Tool, which, together with asset condition information and simplified processes, will enable better targeting of resources in future. The Department is working with its suppliers to ensure that last year's cuts will have no impact on the suppliers' ability to deliver their contractual obligations. The over-arching priority is to ensure that operational commitments are properly supported.</p>	
55	<p>PAC Conclusion (7): Defence Estates and the centre of the Department received almost no advance warning of the Minor New Works projects that the three Services and other internal customers ordered in 2006-07. As a result, expenditure on the estate</p>	<p>The Department fully accepts that the arrangements for planning Minor New Works (MNW) have been inadequate. It has introduced new procedures to address this conclusion. These have ensured that an agreed programme of MNW for 2008-09 was produced by the end of December 2007. DE will cost and secure confirmation</p>	<p>New procedures for the programme management of MNWs are in place with key annual milestones of: provision of the programme (Dec); costing information (Apr – Jun); and delivery (by end Mar). There has already been a measurable improvement in performance. In</p>

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	<p>could not be planned, prioritised and programmed in an effective way. The three Services and other internal customers of Defence Estates should develop funded lists of Minor New Works well in advance of each financial year to allow Defence Estates to prioritise these projects effectively, and to build sensible and cost-effective programmes of work.</p>	<p>of funding from Customer Estate Organisations by April 2008 with programme delivery and cost risks held by DE after that date. Lessons learned from this work are being studied by both DE and the internal customers. Improvements to the processes will be introduced for the following year as required.</p>	<p>2007/08, 35% of MNWs were priced by June, itself an improvement over the previous year, but in 2008-09 76% were priced by the same date. The introduction of a Master Programme which will record all programmed MNW and their progress through the project stages from identification to physical completion (including financial transfers) will provide a coherent source of key information for management purposes.</p>
56	<p>PAC Conclusion (8): The Department employs only 56 per cent of the safety works staff and 57 per cent of the quantity surveyors that it needs on its estate. The Department is exposing itself and its employees to significant Health and Safety risks whilst the lack of quantity surveyors impairs the scrutiny of project contracts. The Department should:</p> <p>a) establish the specific risks arising from current skills shortages and put in place measures to mitigate these risks;</p> <p>b) see how other public and private</p>	<p>The Department accepts that there are skills shortages of specialist staff within DE and that action is required to correct this. Although a number of measures have been put in place, the Department is still suffering from similar levels of vacancies. To address the real concerns that the Committee have highlighted, a number of mitigation measures have been adopted including Estate Professional and Talent Management Schemes. DE is using more expertise available both with its supplier community and by using additional external resources. The Committee recognised that the Department is introducing a graduate recruitment scheme to address these concerns in the longer-term.</p> <p>A review of other public sector</p>	<p>The current recruitment campaign for Quantity Surveyors looks more promising. Whilst DE still faces a shortage of H&S staff in some areas, our contractors continue to take the major responsibility for H&S and performance is better than the industry average. Specific risks arising from skills shortages are monitored by the DE Executive Committee and mitigating action is in place for each.</p> <p>It is believed that the current downturn in the construction industry may have a positive impact on recruitment in a number of specialist skill areas.</p>

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	<p>sector organisations overcome similar skills shortages and adopt successful practices; and</p> <p>c) allow sufficient pay flexibility to attract appropriately skilled staff to fill the empty posts.</p>	<p>organisations has indicated similar recruitment problems in these specialist areas and out sourcing at a significant cost has been used. Pay levels in the private sector for these scare skills are, however, significantly higher than those available within the Department. Other ideas are being considered, including the use of special payments in respect of these specific skills.</p>	
57	<p>PAC Conclusion (9): The Department's pilot project at RAF Kinross showed that implementing energy saving measures at its defence sites would bring environmental benefits and recurring financial savings of more than £2 million annually. The Department should implement energy-saving measures on the sixteen sites it has already identified as soon as possible and should roll out similar work at all its other sites, starting with those that consume the most energy.</p>	<p>The Department is already implementing this recommendation. The Kinloss project focused on improved Building Energy Management Systems. The lessons from this work have been widely promulgated. Three sites, RAF Brize Norton, RAF Lossiemouth and RAF Halton are progressing Building Energy Management System projects at a total cost of £670,000 with projected annual energy and carbon savings of £538,000 and 1092 tons carbon respectively. Many other schemes are under consideration.</p> <p>Building on the Kinloss experience the Department has put in place for 2007/08 an additional £5 million fund specifically for energy projects. As at 21 November 2007, 31 energy improvement projects are being taken forward this Financial Year to a value of £3.8 million. For this investment we are predicting an</p>	<p>Work is being co-ordinated through the Estate Utilities Board (EUB), a cross-Departmental group charged with the development and implementation of energy policy, co-ordination of effort and representing all the users of the MOD estate. We have put in place appropriate governance arrangements to ensure accountability and support at senior levels.</p> <p>A total of £8.8M has been allocated for energy efficiency projects over the last two years. £3.8m was spent in FY 2007-08. Some 21 projects were funded in 2007-08 with estimated annual savings of £1.2M and 9,380 tonnes CO². As part of this work three Building Energy Management System (BEMS) projects are now in progress at RAF</p>

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		<p>energy bill saving of £1.5 million every year and an annual reduction in carbon emissions of 4044 tons. Of these 31 projects, a total of 17 involve heating-related Building Energy Management Systems projects, which include a further phase of work at RAF Kinloss and the work at RAF Brize Norton, RAF Lossiemouth and RAF Halton.</p> <p>To encourage innovation further, and build on the lessons learned at RAF Kinloss, we have incentivised the Regional Prime Contractor in the South West through a partnership arrangement to cut energy consumption by 10 per cent across 10 Royal Navy and Royal Marine sites. If successful, the initiative will be applied to other parts of the estate.</p>	<p>Brize Norton, RAF Lossiemouth and RAF Halton at a cost of £670,000 with projected annual energy and carbon savings of £538,000 and some 4,000 tCO2 respectively. A further 11 projects have been identified for funding in 2008/09 costing a total of £1.2M with projected annual savings of £573,000 and 5,340 tCO2 respectively. Other suitable projects are currently being assessed from a 'pool' of 46 proposals.</p> <p>We have incentivised the Regional Prime Contractor in the South to cut energy consumption by 10 percent across 10 Royal Navy/Royal Marine sites creating potential annual cost savings of £750k and reducing CO2 emissions by 2,400 tonnes per year. If successful, it is intended to extend this trial across other regions.</p> <p>We are using the Defence Related Environmental Assessment Methodology (DREAM), or where applicable the Building Research Establishment Environmental Assessment Model (BREEAM), to ensure energy efficiency is incorporated into new buildings and</p>

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			<p>refurbishment projects. In addition we are focussing data management, audit activity and investment onto the top 220 energy consuming sites, which account for some 76% of MOD's non operational energy consumption.</p> <p>To incentivise reductions across the top 220 sites we have, in addition to the SOGE targets, applied a 15% energy efficiency target for 2010-11 against a 2004-05 baseline. Respective energy budgets will be progressively reduced in line with this target from 2008-09.</p> <p>We are rolling out Smart automated electricity and gas metering across the estate with the initial focus being on the top 220 sites and are confident that this service will generate savings by better informing decisions through the provision of reliable data and effective monitoring.</p>