



MINISTRY OF DEFENCE

MOD Public Service Agreement

Autumn Performance Report 2008-09



Introduction

This report shows current performance against the Departmental Strategic Objectives agreed in the 2007 Comprehensive Spending Review. Performance Indicators (PIs) 1.1 and 2.1 contribute to performance against the Foreign Office-led Public Service Agreement on Conflict. PI 1.1 contributes to the Home Office-led Public Service Agreement on Counter Terrorism.

MOD Departmental Strategic Objectives 2008-09 to 2010-11

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

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

Overall Assessment: *Some progress – The pan-Iraqi security situation continues to improve. Operations in Afghanistan remain challenging.*

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

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

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

Performance: No change in Army performance, but slight reduction for Royal Navy and Royal Air Force.

Overall Assessment: *No progress – Although Readiness for contingent operations improved slightly, all three Services outside Manning Balance.*

Objective 3: Build for the future.

PI 3.1: **Procuring and supporting military equipment capability, through life**, assessed against achievement of targets for Key User Requirements; Full Operational Capability Date; and in year variation of forecast costs for design, manufacture and support.

Performance: One indicator of three forecasting meeting target.

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

Performance: Above target on all three indicators.

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

Performance: Some progress. Three of six indicators forecast targets being met.

Overall Assessment: *Some progress. Seven of twelve indicators forecast that targets are being met.*

Value for money

Under the Comprehensive Spending Review, the MOD is committed to value for money reforms generating annual net cash-releasing savings of £2.7 billion by 2010-2011, building on savings of £2.8 billion during the 2004 Spending Review period.

Assessment: On target

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

Overall DSO Assessment
Some progress – Pan Iraqi security improved. Operations in Afghanistan remain challenging.

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

Progress continues to be towards the achievement of the military strategic objectives underpinning the UK's current operations and military tasks:

- The security situation in Iraq improved and Iraqi Security Forces continued to perform well;
- Operations in Afghanistan continue to present significant security challenges, particularly, in the south and east of the country where the Taliban continue to use intimidation and violence against the local population. In Helmand, progress has been made along the Helmand River valley and we are expanding control with the Afghan Security Forces taking an ever more active role.

Between July and September 2008 UK Armed Forces:

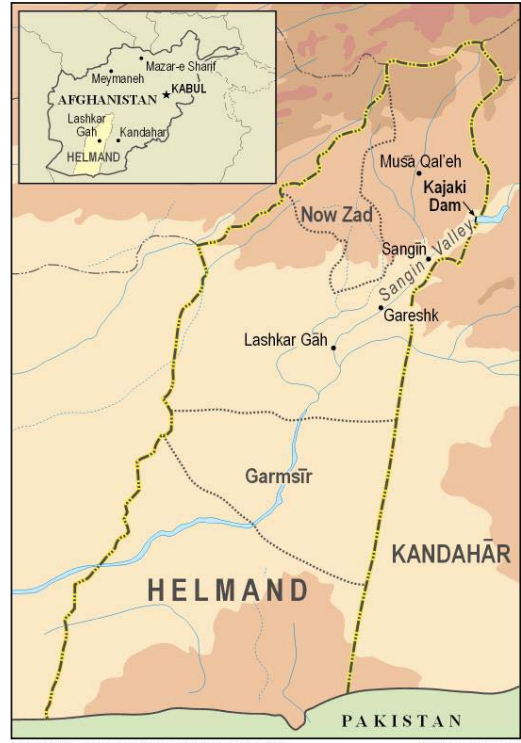
- have maintained their embedded posture within Iraqi Security Force (ISF) units on operations in Basra. The initiative forms part of UK's ongoing support to the Iraqi Army's 14th Division, having conducted extensive urban training with them, both at the individual and collective level.

The ISF have secured the gains achieved under Operation Charge of the Knights, showing ever-greater capability under their trainers and mentors in the UK Military Transition Teams (MiTTs). The ISF can now plan and execute their own strike operations in Basra, routinely detaining their targeted individuals and retrieving caches of weapons and explosives – often using information passed to the ISF by the local community. The UK remains on track to complete the training of 14th Division during 2009. Royal Navy personnel continued to train and mentor the Iraqi Navy and Iraqi Marines and maintained their policing of Iraqi oil platforms in the Northern Arabian Gulf. Broadly in line with the wider trends, the ISF have assumed a small increase in the level of responsibility for Naval defence.



Force levels in support of Operation TELIC remained at around 6,500, with around 4,100 troops based in southern Iraq.

- continued to support the NATO-led International Security Assistance Force (ISAF) in its efforts to support the Government of Afghanistan as it aims to expand and consolidate its authority across the entire country. It is crucial that ISAF helps to develop Afghan security forces and seeks to put an increasingly Afghan face on security operations. The long-term future of Afghanistan depends on its ability to manage its own affairs. Around 2000 British troops took part in a convoy to deliver a hydro-electric turbine 180 kilometers by road from Kandahar airfield to Kajaki Dam. The operation, codenamed 'OQAB TSUKA' or 'Eagle's Summit', involved a further 2,000 Afghan National Security Forces and ISAF troops from the US, Canada, Denmark and Australia. The turbine once installed and fully operational will help provide some 1.5 million southern Afghans with much needed electricity and irrigation. This is a good example of the progress being made by the Afghan National Army. A kandak (battalion) of ANA soldiers was intimately involved throughout the Kajaki operation working with Regional Battlegroup (South) (3 PARA). They defeated the enemy forces on either side of Route Harriet and cleared the village of Kajaki Sofla before they secured the route for the convoy through the area. Throughout this operation the cooperation between the ANA and 3 PARA was exemplary. The number of UK personnel in theatre contributing to these goals remained stable at approx 7,800 personnel over the period;

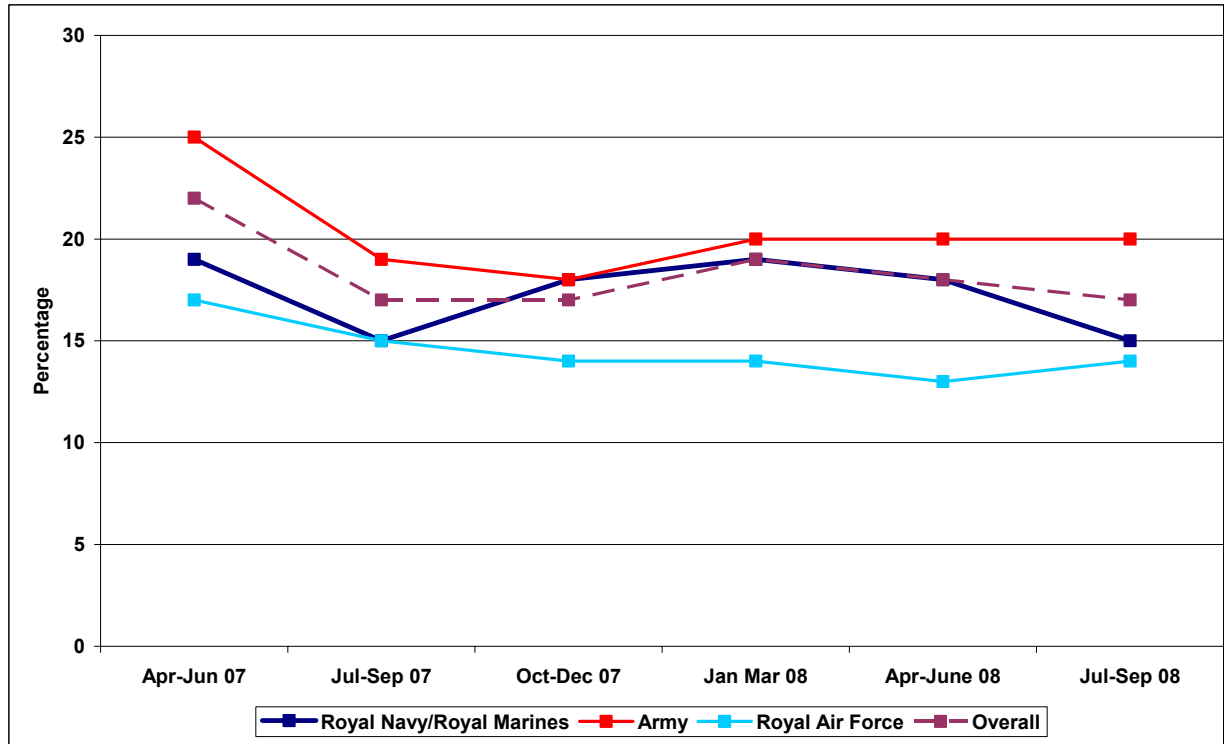


- continued to deploy around 160 Service personnel in support of peace in the Balkans (157 in Kosovo and 13 personnel in Sarajevo in the Headquarters and the Peace Support Operations Training Centre).
- provided some 305 personnel for UN operations; Cyprus (280), Democratic Republic of Congo (6), Georgia, Liberia (5), Sierra Leone (1), Sudan (6), Nepal (1) and EU African Mission in Sudan/Darfur (AMIS) (3);
- met continuing standing commitments, with forces based in Cyprus (some 2,658 personnel), the Falkland Islands and Ascension Island (some 1,110 personnel), Gibraltar (some 537 personnel) and Diego Garcia (some 36 personnel);
- contributed to the NATO standing naval presence in the Atlantic and Mediterranean;
- maintained the UK's independent nuclear deterrent; and continued to protect UK airspace and waters and provide support to the civil authorities for search and rescue, fishery protection, bomb disposal and counter-drugs activities.
- contributed to HMG's Counter-Terrorism strategy by delivering military advice and assistance to 7 priority countries in capabilities such as Land and Maritime Border Security, Counter-Terrorist Detention, Public Order, and Aviation Security.

Activity Levels

Between 1 July and 30 September 2008, 15% of the Royal Navy (18% in the previous quarter), 20% of the Army (20% in the previous quarter) and 14% of the RAF (13% in the previous quarter) were deployed on Operations and undertaking Military Tasks. In total, some 17% of regular forces (measured as man-day equivalents for each service) were deployed on Operations and undertaking Military Task (18% in the previous quarter).

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



A detailed breakdown of the proportion of the Armed Force deployed on contingent operations and undertaking military tasks is below.

	Deployed on Contingent Operations				Undertaking Military Tasks			
	Oct-Dec 07	Jan-Mar 08	Apr-Jun 08	Jul-Sep 08	Oct-Dec 07	Jan-Mar 08	Apr-Jun 08	Jul-Sep 08
Royal Navy	6%	6%	5%	6%	12%	13%	13%	9%
Army	11%	12%	13%	12%	7%	8%	7%	8%
Royal Air Force	7%	6%	7%	7%	7%	8%	6%	7%
Overall	9%	9%	9%	9%	8%	10%	9%	8%

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

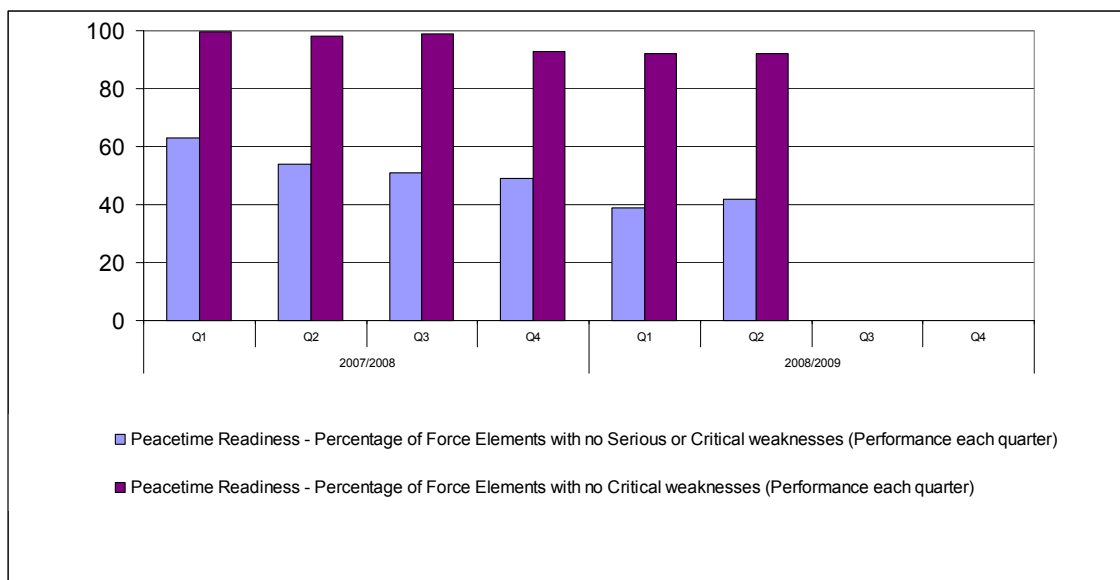
Overall DSO Assessment
No progress. Slight improvement in Readiness for contingent operations, but all 3 Services outside Manning Balance.

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

PI Assessment
Readiness for contingent operations slightly improved

The Ministry of Defence continues to report against a graduated readiness system that has evolved to ensure that the right force elements are ready to conduct the range of military tasks for which they may be needed. The priority for defence remains success on operations - specifically prosecuting the campaigns in Iraq and Afghanistan. This requires the Armed Forces to operate beyond the level that they are structured and resourced to sustain over the medium to long term. As a result defence cannot simultaneously maintain readiness levels across the force structure against the existing requirements and maintain current levels of operational activity.

The second quarter of the 2008/2009 reporting period sees a marginal improvement in the overall readiness picture with 42% of force elements not showing “serious” or “critical” weakness against target readiness compared with 39% in the first quarter. This report is the second of the Comprehensive Spending Review 2007 period and the second using methodology reviewed and implemented under the readiness reporting review of July 2008. Legacy reports continue to be shown even though the new methodology produces data with a 2-3% variance from previous reporting. The significant proportion of force elements showing serious and critical weakness can be attributed to continued high operational tempo. This has had a direct effect, for example, on the ability to conduct the level of collective training needed to prepare fully for other contingent operations. Inevitably the operational tempo means that the ability of force elements to engage in new contingent operations and military tasks is more limited than it otherwise would be.



Peacetime Readiness

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

PI Assessment

No progress. No change in Army performance, reduction in Royal Navy and Royal Air Force. All three Services outside Manning Balance.

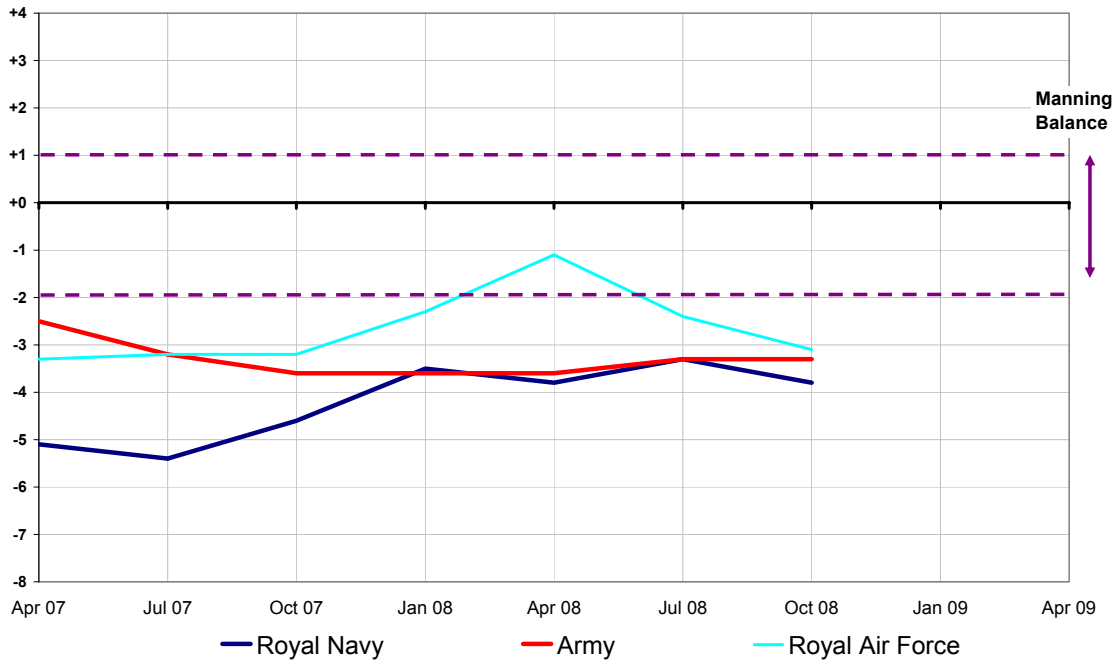
Sustaining operational effort significantly beyond Defence Planning Assumption levels combined with the challenge of implementing the changes in Service personnel numbers announced in the July 2004 White Paper against what has been, until recently, a challenging employment market, make the achievement and maintenance of Manning Balance extremely difficult. Manning levels in the Army have remained constant over the quarter, but, as forecast in the Annual Report and Accounts 2007-08, the Royal Air Force has again fallen below the manning balance range and the Royal Navy has also seen a drop. Recruiting targets for all three Services have increased in recent years and enduring measures are being funded both for this increase as well as targeted retention measures; the effects of these are starting to be reflected in improved forecast manning levels. In addition to headline manning level measures, retention efforts are being targeted at those trades where deficits are constraining overall effectiveness. The high continuing level of operations are preventing achievement of personal and unit harmony guidelines in parts of the Army and the Royal Air Force, with the Royal Navy seeing increasing numbers of units and personnel approaching limits. Historically, Manning Balances improve in the Armed Forces during periods of recession. The effect will be seen first if recruiting and re-joins increase and voluntary outflow decreases.

Assessment¹

Manning Balance²

As at 1 September 2008:

- Royal Navy³ manning was at 96.2%, 1.8% below Manning Balance;
- Army manning was at 96.7%, 1.3% below Manning Balance;
- Royal Air Force manning was at 96.9%, 1.1% below Manning Balance.



Gains to Trained Strength (numbers of trained recruits provided to the front line)

	Percentage of end of year target achieved/predicted	
	2006-07	2007-08
Naval Service	110%	105%
Army	95%	84%
Royal Air Force	81%	85%

No firm GTS data is available yet for FY2008/09; early indications for year end are for under-performance against increased targets.

¹ Owing to introduction of a new personnel administration system, data from April 2007 are provisional.

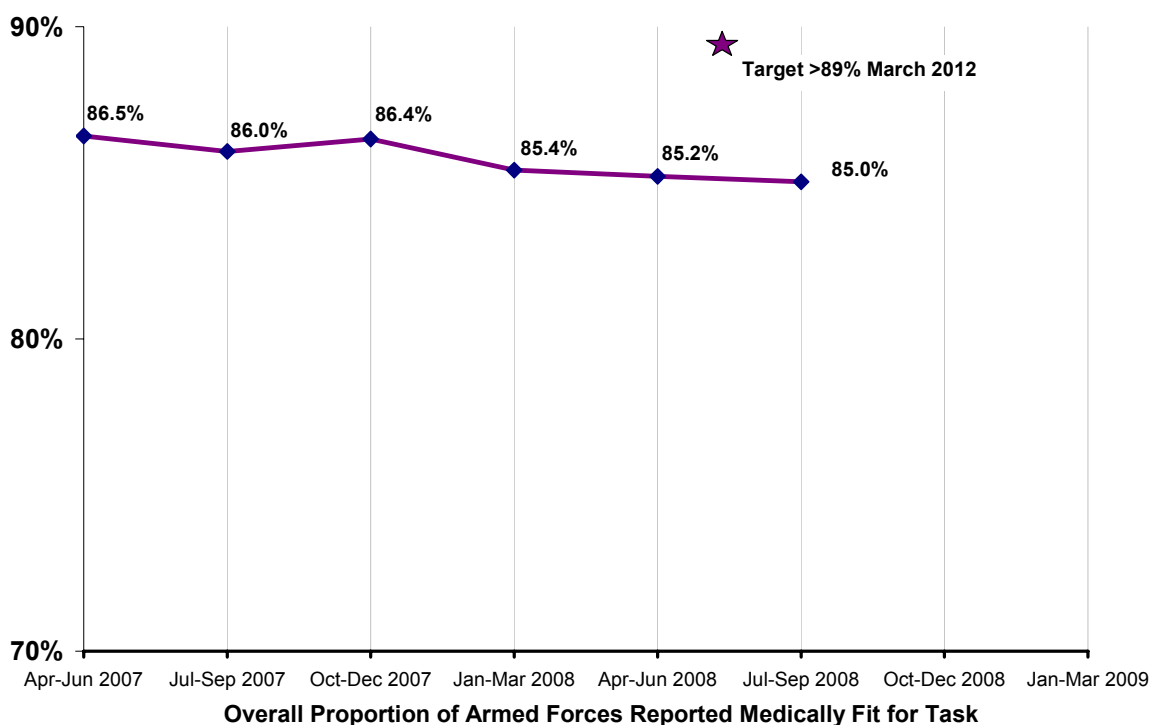
² Manning Balance is defined as between -2% and +1% of the trained strength requirement, and is measured against the requirement prevailing at the time. Since that requirement is dynamic, the underlying baseline numerical target varies over the PSA period.

³ Including the Royal Marines

Medically Fit For Task

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

As of 1 September 2008 85.03% of the Armed Forces were reported as fit for task. The vast majority of those not fit for their primary task are working normally and continue to contribute to operational effectiveness, but their deployability is limited.



Voluntary Outflow rates

	Long term sustainable rate	Year ending 1 September 2008
Naval Service Officers	2%	4.6%
Naval Service Other Ranks	5%	6.0%
Army Officers	4.2%	N/A
Army Other Ranks	5.6%	N/A
Royal Air Force Officers	2.5%	3.0%
Royal Air Force Other Ranks	4.0%	5.8%

Levels of Individual Separated Service

	Guidelines	Performance
Royal Navy / Royal Marines	In any 36 month period, no one to exceed 660 days separated service.	Fewer than 1% of Royal Navy personnel exceeding 660 days separated service. Increasing numbers of personnel approaching limits.
Army	In any 30 month rolling period no one to exceed 415 days separated service.	Data not available.
Royal Air Force	Trained Strength not to experience separated service in excess of 280 days (all codes) in any 24 month period.	6.1% of Royal Air Force personnel breached their target this quarter.

Unit Tour Intervals

	Guidelines	Performance
Royal Navy	Fleet Units to spend maximum of 60% deployed in a 3 year cycle.	The Royal Navy continues broadly to meet its Unit Tour Interval Harmony guidelines. Increasing numbers of units are approaching limits. The following front line corps were exceeding unit tour interval guidelines: Royal Artillery 21 months Royal Signals 19.6 months Royal Logistics Corps 15 months Some specialist units, particularly in the Combat Service Support trades had shorter tour intervals Worst affected branches include Ops Support and the RAF Regiment.
Army	24 month average interval between unit tours.	
Royal Air Force	Unit tour intervals to be no less than 16 months.	

Pinch Points

The latest Pinch Point data reported as at 30 September 2008.

Pinch Point Trades	Liability	Strength	Shortfall
Royal Navy – Operational Pinch Points			
Lt X SM Advanced Warfare Course Qualified	71	67	4/3%
RN Harrier GR7 Instructors	7	3	4/57%
GR7 Harrier Pilots – Lt	35	18	17/48%
Merlin Pilots	122	76	46/38%
Merlin Observers	116	69	47/41%
Merlin Aircrew men	103	80	23/22%
Leading Seaman General Warfare	1105	776	329/29%
Strategic Weapons Systems Junior Ranks	110	86	24/24%
Able Rate Warfare Specialist (Sensors Submariner)	173	134	39/22%
Able Rate Warfare Specialist (Tactical Submariner)	125	111	14/11%
Able Rate Diver	137	91	46/34%
Able Rate 1 Seaman	379	284	95/25%
Able Rate 1 Warfare Specialist	668	635	33/5%
Able Rate 1 Communications and Information Systems	367	335	32/9%
Leading Aircraft Controllers	75	41	34/44%
Royal Marines Other Ranks	3151	2895	256/8%
Sea-King & Lynx Avionics Supervisors	348	284	64/18%
Cat A Nuclear Watchkeepers	210	162	48/23%
Leading Seaman Mine Warfare	70	60	10/14%
Cat B Nuclear Watchkeepers	400	323	77/19%
Army – Operational Pinch Points			
Infantryman Pte-LCpl	14615	12968	1647/11%
REME Vehicle Mechanic Pte-Cpl	3625	3132	493/14%
REME Armourer Pte-Cpl	397	317	80/20%
REME Recovery Mechanic LCpl-Cpl	344	216	128/37%
Intelligence Operator – Military Intelligence Cpl-Sgt	690	462	228/33%
RE Clerk of Works SSgt-WO1	245	246	Plus 1/-0.4%
RE EOD Cpl-Sgt	222	95	127/57%
RA Gunner LBdr-Bdr	5048	4330	718/14%
RLC Ammo Rech Cpl-SSgt	285	157	128/45%
Army - Manning Pinch Points			
AMS ITU Nurse Cpl-Capt	121	35	86/71%

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AMS Emergency Medicine Nurse Cpl-Capt	101	38	63/62%
AMS Radiologist Maj	4	1	3/75%
AMS Orthopaedic Surgeon Maj+	13	7	6/46%
AMS Gen Surg Maj+	17	10	7/41%
AMS Anaesthetist Maj+	49	26	23/53%
AMS Gen Med Prac Capt+	153	137	16/10%
AMS Radiographer Cpl+	24	10	14/58%
AMS Registered General Nurse	293	263	30/10%
AMS Operation Department Practitioner Cpl+	95	82	13/14%
RA Unmanned Aerial Vehicle Operator (Level 4) LBdr-Bdr	280	237	43/15%
RE Mil Engr Geo Spr-WO2	332	292	40/12%
RE Mil Engr CS3 Spr-LCpl	704	593	111/16%
RLC Postal & Courier Op Pte-Cpl	433	350	83/19%
RLC Chef Pte-LCpl	1459	1366	93/6%
RSigs IS Engr Cpl-Sgt	237	202	35/15%
AGC(SPS) Mil Admin Pte-Sgt	2610	2302	308/12%
CAMUS Musician	300	231	69/23%
RE ME Fitter Spr-LCpl	549	395	154/28%
Royal Air Force – Operational Pinch Points			
Medical	278	218	60/22%
Pilot (Junior Officer)	1523	1252	271/18%
Flying Branch (Career Stream) (Senior Officer)	725	685	40/6%
Operations Support (Intelligence)	234	227	7/3%
Operations Support (Regiment)	267	240	27/10%
Operations Support (Flight Operations)	215	203	12/6%
Princess Mary's Royal Air Force Nursing Service	180	131	49/27%
Weapons System Operator (Air Load Master)	539	467	72/13%
Weapons System Operator (Linguist)	66	51	15/23%
Air Traffic Controller/Flight Operations Manager/Flight Operations Assistant	1253	1223	30/2%
Firefighter	543	495	48/9%
Gunner	1786	1625	161/9%
Movements Operator/Controller	863	847	16/2%
Military Transport Technician	355	142	13/4%
Royal Air Force – Manning Pinch Points			
Administration (Training)	231	201	30/13%
Chaplains	79	64	16/20%
Medical Support	91	80	11/12%
Operations Support (Fighter Control)	346	291	55/16%
Operations Support (Air Traffic Control)	430	370	60/14%
Dental	69	58	11/16%
Weapons System Operator (Junior Officer)	526	448	78/15%
Intelligence Analyst (Communications & Imagery)	684	593	91/13%
Environmental Health Technician	47	37	10/21%
Radiographer	11	7	4/36%
Mess Manager/Steward	489	448	41/9%
Musician	171	151	20/12%
SE Fitt	612	566	46/7%
Staff Nurse	30	24	6/19%
Lab Tech	15	9	6/40%
Med Asst/Admin	584	604	+20/+4%

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Dental Admin/Nurse	134	127	7/5%
Pers Admin	1489	1412	77/5%
Supplier	1832	1822	10/0.5%
MTD	1107	1028	79/7%
Aircraft Technician (Avionics)	3890	3362	528/14%
Engineering Technician (Weapons)	1588	1566	22/1%
General Technician Mechanical	890	413	477/54%

OBJECTIVE 3: Build for the future.

Overall DSO Assessment
Some Progress. One PI indicating targets will be achieved; two PIs indicating targets will be partially met.

This is the first time that the Ministry of Defence has reported against the full set of performance indicators for this objective. Procuring and supporting military equipment is exceeding target in one Indicator, with improvement in another but risks to Time and Cost have been identified. Procuring and supporting non military equipment capability through life is exceeding targets in all 3 indicators. Build for the future (sustainable development) is being reported here for the first time, and indications are that at least three of the six sub targets will be met.

PI 3.1 Procuring and supporting military equipment capability through life.

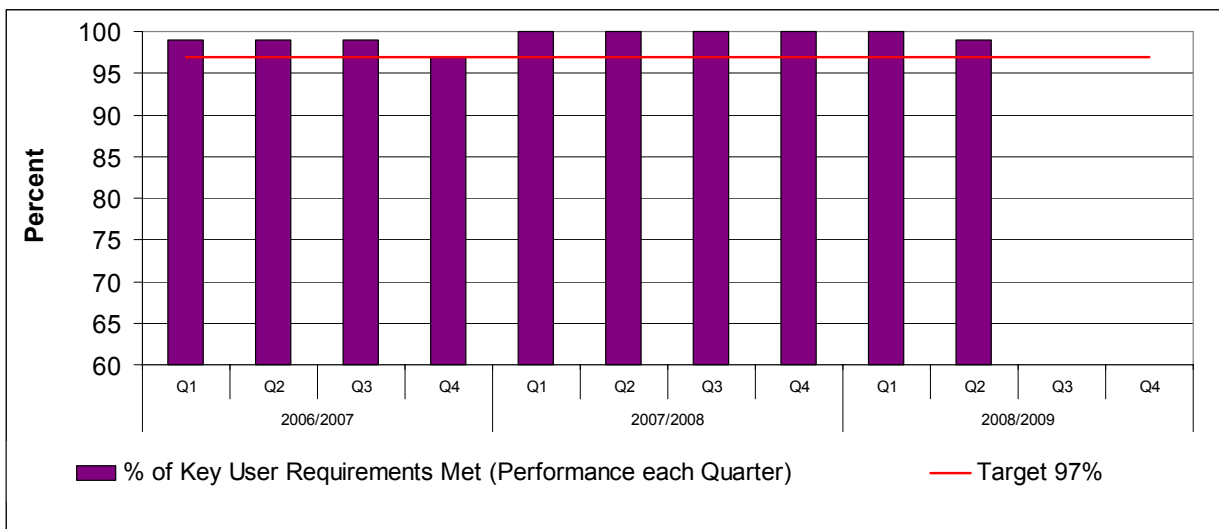
PI Assessment
One indicator above target, another is showing an improvement, but a number of risks to Time and Cost have been identified.

In the second quarter of this financial year previously identified risks to Time and Cost have matured and are reflected in the deterioration of the reported performance.

Assessment against Performance Indicators

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

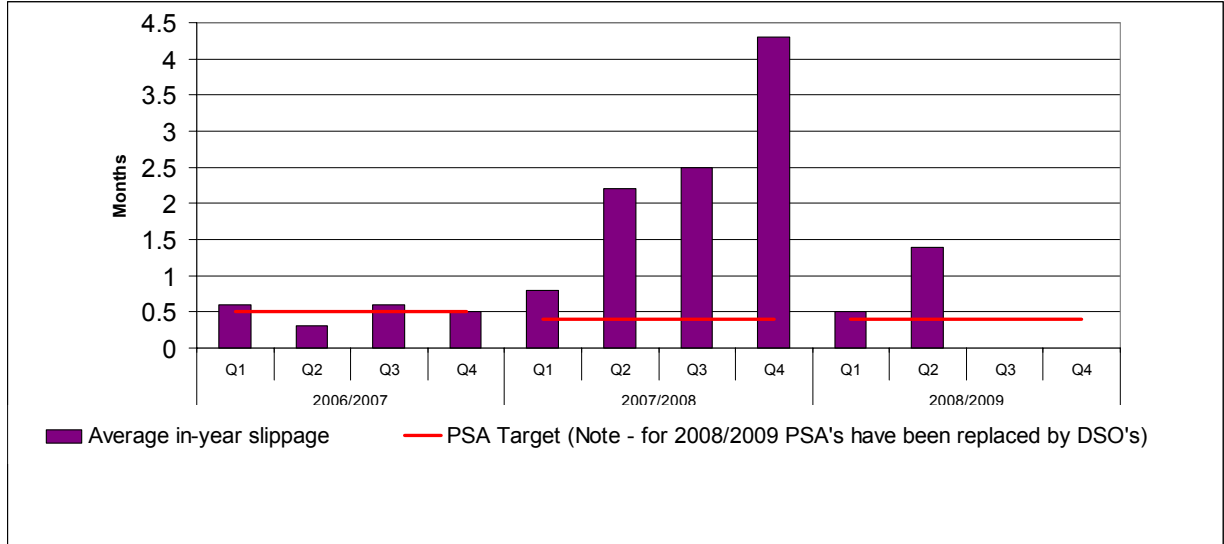
Forecast achievement of 99% of the Key User Requirements.



Performance against Key User Requirements

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

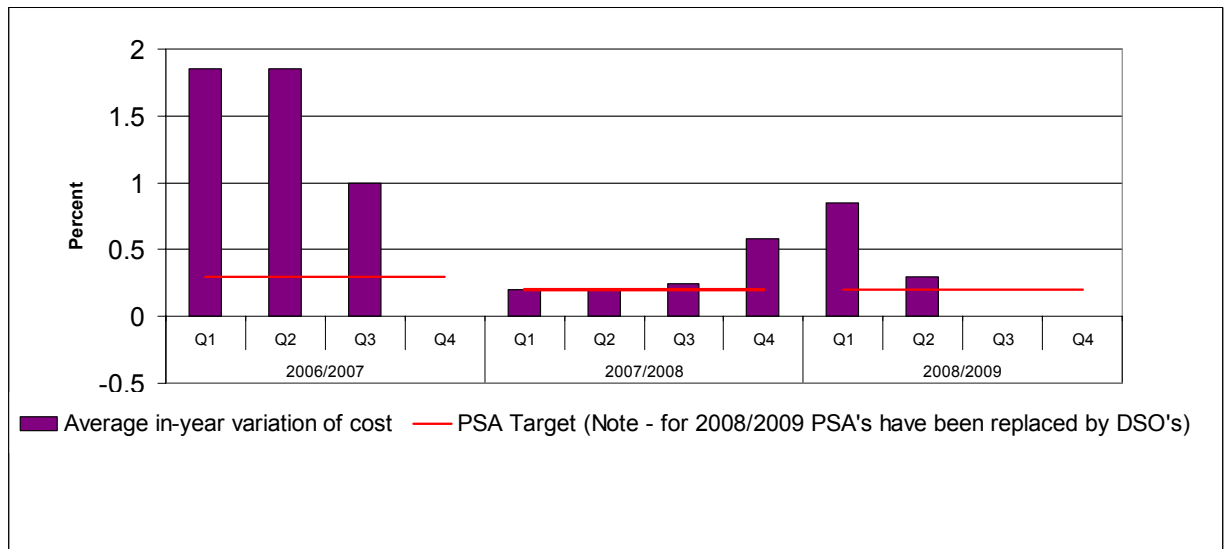
Average in-year forecast ISD slippage of 1.4 months.



Performance against In-year variation of forecast In Service Dates

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

Average in-year forecast cost increase of 0.3%.



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

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

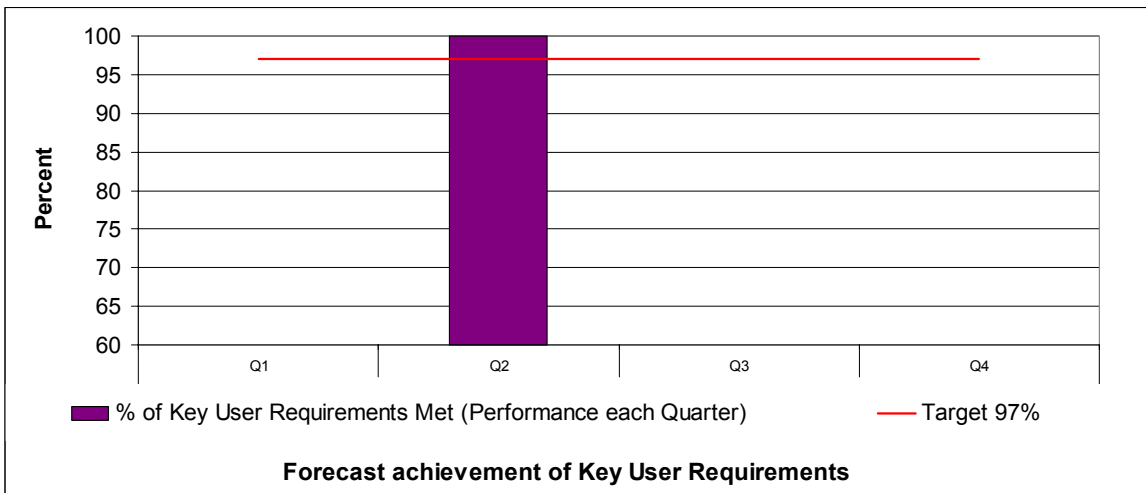
PI Assessment
All three indicators above target.

The Non Equipment Investment Plan (NEIP) comprises about 70 projects costing around £2.5billion a year, mainly consisting of a wide range of estate programmes. It also includes investment in major Information Systems projects.

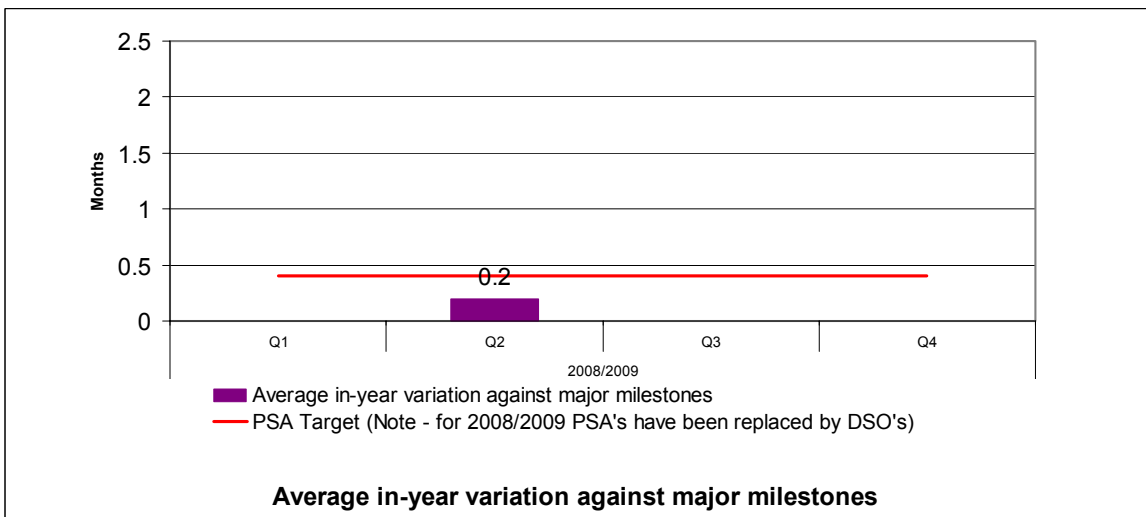
Reports are based upon a subset of ten representative projects with figures derived from Defence Change Programme reporting and self assessment updates from the relevant NEIP programmes.

Assessment against Performance Indicators

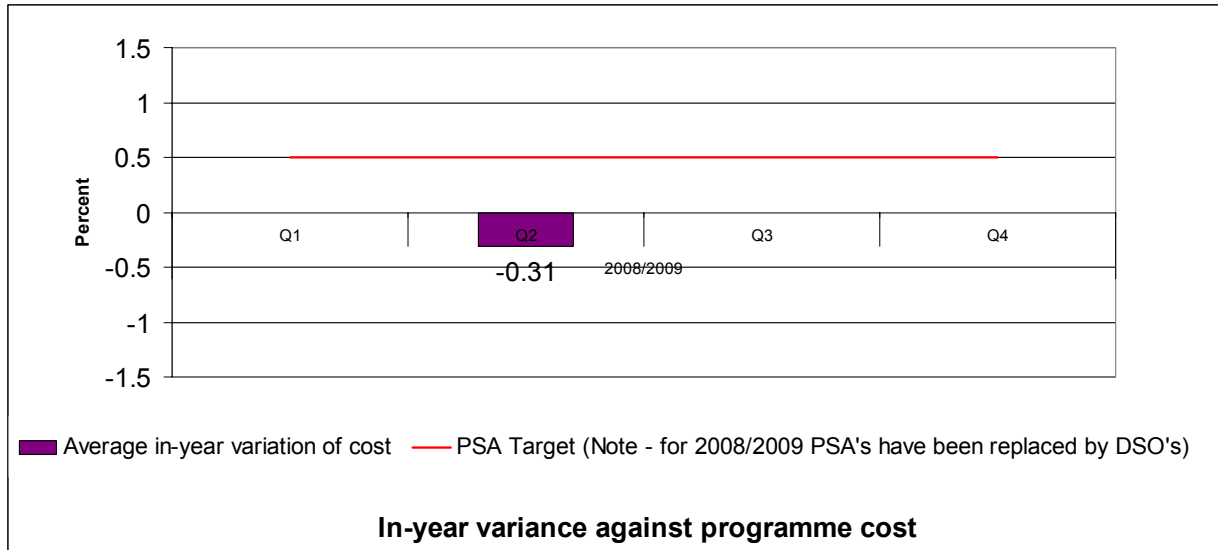
1. Achieve at least 97% of Key User Requirements across a representative subset of NEIP projects.
 Forecast achievement of 100%



2. Average in-year variation of forecast against major milestones across a representative subset of NEIP projects to be no more than 0.4 months.
 Average in-year variation is forecast at 0.2 months.



3. Average in-year forecast variation against the programme costs for the 10 year NEIP across a representative subset of NEIP projects of less than 0.5%. Average in-year variation against programme costs is forecast at -0.31%.



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

PI Assessment
Three of six indicators are meeting targets, with the remaining three reporting that they are on track to meeting their targets.

In November 2008 the Defence Secretary agreed a Sustainable Development Strategy, a Climate Change Strategy and a Sustainable Development Report and Action Plan. This is the first report against this PI. Three of the six targets are currently on track, and by 2009/10 five are expected to be, with the remainder broadly on track.

Assessment against Performance Indicators

Energy use in buildings

Target: Reduce carbon dioxide emissions by 15% by 2010/11 and by 30% by 2020, relative to 2004/05 levels. Tonnes of CO² emitted per annum from Defence estate.

Assessment: On track

MOD has reduced CO₂ emissions from the Defence Estate by around 10% from the 1999/00 baseline levels. At current predictions we expect to achieve the Government target by 2010/11.

Fuel use and travel

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

Assessment: Broadly on track

We have made around 5% reduction in carbon dioxide emissions from road transport relative to 2005/06 baseline levels. With more lower-emission cars entering the White Fleet pool in the near future, we expect to be on-track to meet the target by 2010/11.

Procurement

Target: Become a national leader in sustainable Procurement by December 2009. Reporting is on a calendar year basis using the Government's Sustainable Procurement Task Force Flexible Framework as the measuring tool. The MoD's position on the Flexible Framework is measured against five themes: People; Policy; Strategy & Communication; Procurement Process; Engaging Suppliers; and Measurements & Results. The specific targets are to reach Level 3⁴ in all five themes in 08/09 and by 2009-10 reach Level 3 in all themes and Level 5 in one theme.

Assessment: Broadly on track

MOD continues to make progress against the Sustainable Procurement Task Force Flexible Framework. MOD met the first objective – being at Level 1 in all five themes of the maturity matrix by April 2007 – and in August 2008 we were at Level 2 in all five themes. While, at current predictions we do not expect to achieve the target to reach Level 3 in all themes by 08/09, we expect to reach Level 3 in all themes and Level 5 in one theme by December 2009 (the Government target).

Waste management

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

Assessment: On track

MOD will continue to minimise waste and maximise recycling and recovery, aiming to be a zero waste to landfill organisation by 2020. Whilst there are wider risks around waste data, MOD has already achieved 34% recycling and reuse of our 278,000 tonnes of waste and we are on track to meet a UK Government target of 40% by 2010.

Water management

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

Assessment: On track

In March 2008 water use had already reduced by almost 23%, against the 2004/05 baseline, due to leakage reduction, against a government target of 25% by 2020.

Biodiversity condition

Target: Percentage of Sites of Special Scientific Interest (SSSIs) in sole ownership or control in target condition. Target of 86% by 2008/09. Work towards the Sustainable Operations on the Government Estate (SOGE) target of 95% of sites in target condition by 2010.

Assessment: Broadly on track

The Department has continued to improve the condition of the SSSIs it is responsible for managing and in September 2008 86% in England (against a Government target of 95% by 2010), 68% in Scotland (target 95% by 2010), 78% in Wales (target 85% by 2013) and 57% in Northern Ireland (target 95% by 2013) were in target condition.

Agreement now reached with DEFRA that if MOD commits to fund required SSSI improvement works against an agreed six year programme (out to 2015); MOD SSSIs in England will be assessed as meeting the 2010 SSSI target. Work is in hand to finalise the programme with Natural England and a wider programme to include all MoD SSSIs.

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

Value for Money

To enable the delivery of our Departmental Strategic Objectives and to ensure resources are delivered to front line priorities, the MOD will make at least £2.7Bn in net cash-releasing savings over the CSR07 period. These savings are being generated in a number of ways including: continuing to improve efficiency in all aspects of Defence business and by the re-prioritisation of activities and capabilities within Defence.

Overall Assessment
On Track

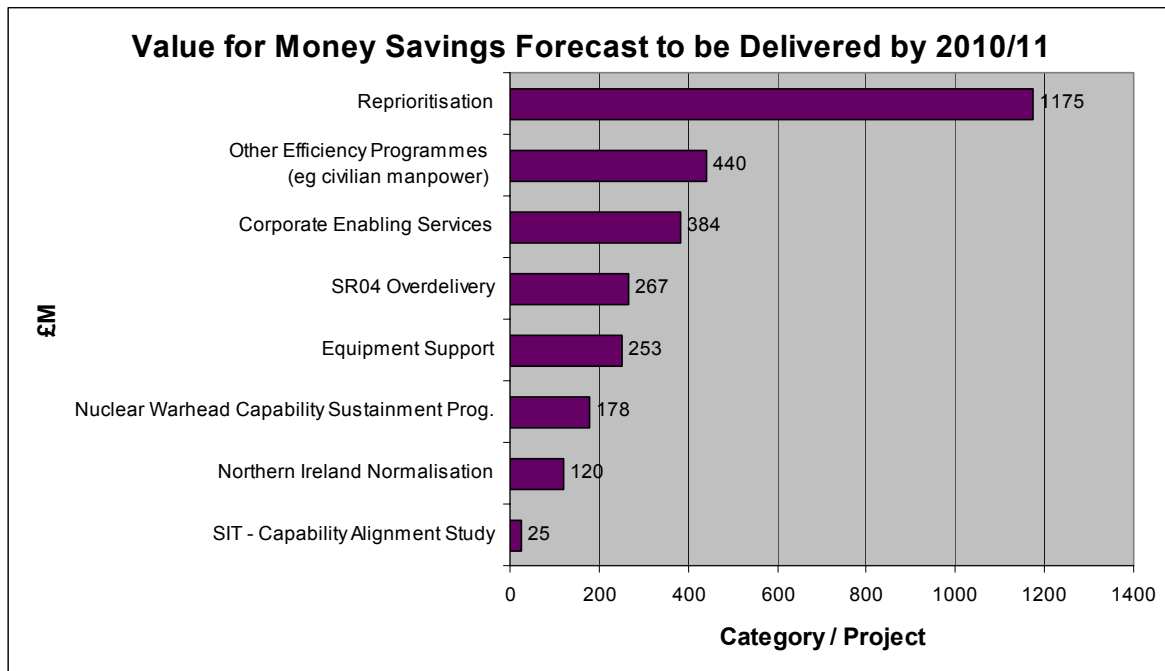
As part of the Comprehensive Spending Review 2007 (CSR07), in February 2008, the Ministry of Defence set out its Value for Money Delivery Agreement. This details how it would play its part in Value for Money (VfM) delivery, by making at least £2.7Bn in net cash-releasing savings while operating within its public spending settlement over the CSR07 period (2008/09 to 2010/11). This report sets out progress made towards delivering the £2.7Bn target, covering a range of key programmes across the spectrum of Defence business, and a cumulative assessment of the resources freed up by the measures. It also sets out next steps we intend to take to deliver the savings, whilst delivering our Departmental Strategic Objectives (DSOs).

Measurement of Value for Money Savings

The Department's VfM savings are measured against counterfactual baselines, representing what the activity would have cost without the VfM initiative. Following a number of organisational changes, work is ongoing to reconfirm these baselines; we expect this to conclude during the course of this financial year. We continue to identify additional savings measures, and therefore figures published at this stage will necessarily be provisional.

Savings Targets

The MOD has currently identified £2.7Bn of VfM savings by 2010/11, which are sustainable, cash-releasing gains, and net of implementation costs. The graph below presents indicative gains by 2010/11 for each of the programmes expected to make up the £2.7Bn in savings.



Achievement of Value for Money Savings

Within the first six months of 2008/09, the MOD has achieved more than £566M in net, cashable, sustainable savings through the Department's significant business change initiatives that contribute towards delivering the VfM target. These programmes are described below.

Reprioritisation - Planning Round & Equipment Plan Savings (2007 and 2008)

In some cases, the Department has chosen to reprioritise its expenditure, to ensure our highest priority – delivering success on operations in Iraq and Afghanistan – is supported most effectively and efficiently. This has meant we have reallocated funding from lower priority areas to deliver greater value overall, including:

- Gradual reductions in Gazelle helicopter flying hours;
- Accelerated retirement of five C130K Hercules aircraft, not fitted with Defensive Aid Suites needed for operational use;
- Rationalisation of the UK regional structure and army regional training division; and
- Accelerated retirement of Cormorant and Ptarmigan deployable communications systems.

We will continue to look hard across all aspects of the Department's expenditure to ensure the Ministry of Defence focuses its expenditure on its key priorities; this may mean further decisions are taken to reduce it in areas of lower priority.

Corporate Enabling Services

Corporate Enabling Services includes Streamlining and the continuing restructuring in the Defence Equipment and Support organisation (DE&S).

- **Streamlining** - The Streamlining programme is implementing the 25% cut in Head Office posts (approximately 1103 people) through: redeploying approximately 267 military personnel back to front line posts; and reducing the civilian headcount through natural wastage and the use of an Early Release Scheme (ERS). The ERS carried with it a one-off cost of around £47M for voluntary redundancies. As the structure and roles of individuals within the Head Office have now been confirmed, the focus of the Streamlining programme is shifting to developing and embedding new ways of working in the Head Office; enabling effective delivery of support to the front line. Financial savings of approximately £50M a year are expected. However, these benefits will not be realised until 2010/11, as the implementation costs of relocating staff, the collocation of Head Office into one building (at an estimated cost of £29M), and the ERS will absorb savings made in 2008/09 and 2009/10.
- **PACE** - Performance, Agility, Confidence and Efficiency (PACE), launched in March 2008, is DE&S' major change programme directed at enhancing the organisation's ability to deliver optimised support to the front line. The PACE programme has so far been focused primarily on devising the programme to deliver the changes, and to date it has delivered £66M in VfM savings. Based on current PACE manpower requirements, it is planned to reduce the overall number of DE&S personnel to around 20,000 by 31 March 2012. PACE is now starting to implement the changes including restructuring and collocating the organisation, more joint-working and long-term partnering with Industry and a review of acquisition to drive behaviours and processes that will reduce acquisition cycle times. Plans are in place for internal and external recruiting into specialist areas in order to improve support to operations and delivery of DE&S outputs, and to adjust for those staff that choose not to relocate following site moves. DE&S will also continue to run apprentice and graduate entry schemes to grow the next generation of skilled staff.

Overdelivery against the 2004 Spending Review Efficiency Target

The CSR07 savings target builds on a strong track record of efficiency delivery over a number of years. Page 21 sets out the final report on the Department's efficiency delivery in the Spending Review 2004 (SR04) period. In addition to the £3045M of savings achieved as part of the SR04 Efficiency Programme, the MOD delivered a further £267M of net, cash-releasing savings by March 2008. This has been deducted from the total saved under the SR04 Efficiency Programme and is reported as early delivery towards our CSR07 VfM target.

Equipment Support

Since 2000, the Department has radically changed the process by which it supports the Armed Forces across the globe. During the last six months, the Equipment Support programme has delivered £33M of VfM savings through its change programme to deliver better support to the Front Line. Examples of projects include the SWISS (Seawolf In Service Support) project to sustain the capability of the Seawolf ship defence missile system and to improve its availability by 25%, and the Nuclear Propulsion Sustainability and Availability contract. Together these projects have delivered around £16M of VfM savings in the first six months of 2008/09. Future Equipment Support savings will be delivered from projects including the replacement Sonar systems in all four V Class deterrent submarines and the update to the Type 23 frigate Command System which will address the increasing cost of obsolescence.

The Nuclear Warhead Capability Sustainment Programme (NWCSP)

NWCSP is a programme of work aimed at sustaining key skills in the Atomic Weapons Establishment (AWE) workforce and modernising some of its core research and manufacturing facilities, including the provision of some extra supporting infrastructure. A review of the Department's requirements and contracting arrangements has already realised £31M VfM savings against previous plans, whilst maintaining the planned delivery of support to this critical programme.

Northern Ireland

The drawdown in both military and civilian personnel in Northern Ireland, combined with site reductions, will release VfM savings around £114M by the end of 2008/09. As part of a wider fleet management programme, the RAF will withdraw from Aldergrove and Massereene Barracks will close, leading to further savings in the CSR period.

Science Innovation Technology – Capability Alignment Study

A review of research programmes has resulted in funds being reprioritised into activities better aligned to Defence's strategic needs. It is estimated that some £25M will be reprioritised in 2008/09 from this activity.

Other Efficiency Programmes

In addition to the programmes detailed above, there are a range of other programmes and initiatives within Top Level Budget areas to deliver VfM savings including travel and subsistence savings, civilian workforce cost reductions, organisational changes, and more efficient management of stock consumption. Defence is also implementing a programme to deliver cost reductions in the civilian workforce. Furthermore, the Department is on track to deliver against its Energy Efficiency targets and is taking forward a number of work strands to improve performance and sustainability including incorporating energy efficiency into all stages of new buildings and refurbishments. We will also deliver around £1M in VfM savings in 2008/09 through rationalising the Headquarters of British Forces Cyprus. Additional savings are expected to be generated by 2010/11 through plans to contractorise support activities in some areas of the Island.

EFFICIENCY - 2004 SPENDING REVIEW

**Overall Assessment
Targets Exceeded**

Objective

More flexible and efficient organisations and processes to support the Armed Forces.

2004 Spending Review Efficiency Targets

- Realise total annual efficiency gains of at least £2.828 Billion by 2007-08, of which three quarters will be cash-releasing.
- Reduce civilian staff numbers by at least 10,000;
- Reduce the number of military posts in administrative and support roles by at least 5,000;
- Be on course to have relocated 3,900 posts out of London and the South East by 2010.

We substantially overachieved against our financial and manpower targets. By 31 March 2008:

- £3.045 Billion of efficiency savings had been realised, over 80% of which were cash releasing. This is net of an additional £267m of over-achievement which has been carried forward against the department's CSR07 value for money target. No further gains are to be reported. A more detailed breakdown is provided in the table below.
- civilian personnel numbers had reduced by 18,620 against the April 2004 baseline
- 5,487 military administrative and support posts had been disestablished.

Relocations

We remain on course to meet the target of relocating 3,900 posts out of London and the South East by early 2010. 2,980 posts had moved by September 2008 and planned moves include around another 750 posts in the Defence Equipment and Support organisation to the Bristol area, which are already underway.

Detailed Breakdown of Achievement

PROGRAMME	Final Achievement to 31 March 2008 (£M)	Cashable gains (£M)
Force Structure changes	390	390
Corporate Services	249	155
Military Personnel Management	63	63
Civilian Personnel Management	47	47
Finance Function	13	13
Information Services	126	32
Procurement and Logistics	1809	1576
Equipment Procurement	374	374
Defence Logistics Transformation	1240	1151
Whole Fleet Management	93	9

PROGRAMME	Final Achievement to 31 March 2008 (£M)	Cashable gains (£M)
Estates Modernisation	77	17
Other Procurement	25	25
Productive Time	102	0
Organisational changes	3	3
Relocation	18	18
Manpower	506	506
RN	37	37
Army	88	88
RAF	200	200
Civilian	181	181
Additional measures	102	21
Adjustment ¹	135	135
TOTAL	3045*	2534
Note:		
1. Adjustment to avoid double counting of manpower savings.		

*Rounded

Further information on each initiative can be found in the Spring Performance Report and in the MOD Annual Report and Accounts 2007/08.

Maintaining service quality

All programmes contributing efficiency savings were required to demonstrate that where inputs have been reduced, the quality of outputs is being maintained.

**PROGRESS AGAINST PARLIAMENTARY ACCOUNTS COMMITTEE REPORT
RECOMMENDATIONS**

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

Further Information

Further details including previous quarterly performance reports and the *Ministry of Defence Annual Report and Accounts* for 2007-08, can be found at www.mod.uk.

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