



MINISTRY OF DEFENCE

MOD Public Service Agreement

Performance Report

Quarter 3 2008-09



Introduction

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

MOD Departmental Strategic Objectives 2008-09 to 2010-11

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

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

Overall Assessment: *Some progress – Iraqi security has improved and a date for the completion of UK military operations has been agreed. Military 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 improved slightly again.

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

Performance: Some improvement in Royal Navy and Army positions and as forecast a slight reduction for the Royal Air Force.

Overall Assessment: *Some progress – although readiness for contingent operations continued to improve slightly, all three Services remain 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; the full operational capability date; and in year variation of forecast costs for design, manufacture and support.

Performance: One sub indicator of three meeting target.

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

Performance: Not reported this quarter. Reporting is on a biannual basis.

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: Not reported this quarter. Reporting is on a biannual basis.

Overall Assessment: *No progress. Nine sub indicators are not reported against this quarter. Of the remaining three, one is reporting 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 achieved during the 2004 Spending Review period.

Overall Assessment: Not reported this quarter. Reporting is on a biannual basis.

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

Overall DSO Assessment

Some progress – Iraqi security has improved and a date for the completion of UK military operations has been agreed. Military 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 has improved and Iraqi Security Forces continued to perform well, ahead of the planned withdrawal of UK Armed Forces later this year;
- 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. Afghan Security Forces are, however, taking an ever more active role.

Between October and December 2008, UK Armed Forces deployed in Iraq (Operation TELIC):

- maintained their posture embedded within Iraqi Security Forces (ISF) units on operations in Basra. In particular, providing support to the Iraqi Army's 14th Division. In a survey in December, Basrawis put security as 15th on their list of issues – well below employment, public utilities and corruption. This reflects the success of the UK, and partner forces, in training Iraqi troops to deliver security, thereby allowing the Iraqi authorities to focus on tackling key social challenges.



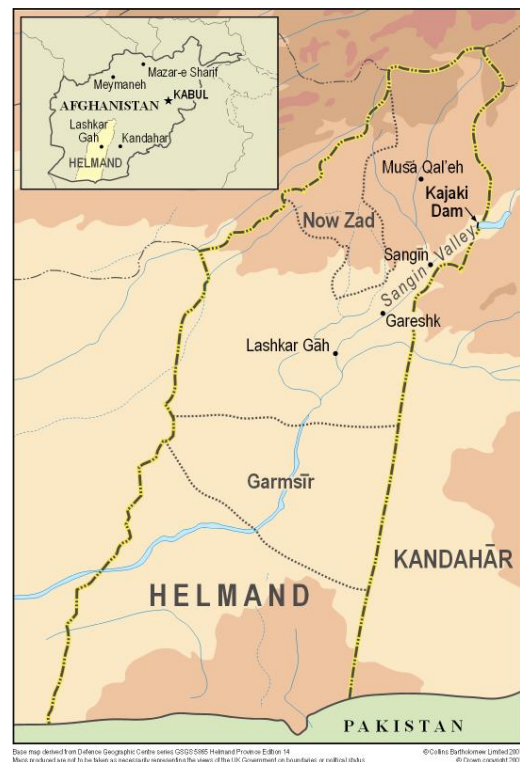
- contributed to the defence of Iraqi territorial waters and oil platforms, through Royal Navy ships patrolling the Gulf, A UK-led Coalition naval training team - has enabled the new Iraqi Navy to emerge from the broken force inherited from the previous regime. We are now discussing with the Iraqis how to meet their ongoing requirements for maritime support and training as part of long-term defence relationships.
- worked closely with the Iraqi civilian authorities to develop Basra International Airport, which is key to the ongoing economic development of Basra and southern Iraq. The airport handles some 4,000 passengers a month and, in December, it handled around 5,000 pilgrims during the Hajj. Scheduled commercial services operate routinely to Baghdad, Jordan and the Gulf States.

The force levels in support of Operation TELIC remained at around 6,300, with around 4,000 troops based in southern Iraq.

On 17th December, the Prime Minister agreed with Iraqi Prime Minister Maliki that the UK's current military tasks would be completed by 31st May, allowing our forces to withdraw by the end of July 2009. Subject to the Iraqis' precise requirements, around 400 troops will remain after July to provide long-term training and capacity building to the Iraqi Security Forces.

In Afghanistan, UK Armed Forces deployed on Operation HERRICK:

- continued to support the NATO-led International Security Assistance Force (ISAF) in its efforts to support the Government of Afghanistan, as the Government aims to expand and consolidate its authority across the entire country. The long-term future of Afghanistan depends on its ability to manage its own affairs. It is, therefore, crucial that ISAF develops the Afghan Security Forces (ASF), allowing increasingly for them to lead their own security operations.
- played a critical role in Operation SOND CHARA. The operation, involving some 1500 ASF, British, Danish and Estonian troops of Task Force Helmand (TFH) was launched to provide better security to the provincial capital of Helmand, Lashkar Gah, following recent attacks and to enable secure voter registration to take place in early 2009. This was one of the largest operations mounted by 3 Commando Brigade Royal Marines since the invasion of Iraq. It began in mid-December and continued through the Christmas period. The military plans incorporated effective immediate 'stabilisation' efforts, developed by the UK-led Provincial Reconstruction Team, who were consulted at a very early stage. Afghan National Security Forces were also involved in detailed collaborative planning. The Governor of Helmand province, Gulab Mangal, was instrumental in the planning of the operation which provided him with an opportunity to extend the authority of the government of Afghanistan into an area previously under Taliban influence. Initial assessment is that the Operation has been a huge success. The challenge over the next few months will be to build on this. Building on success will aid voter registration for the upcoming Presidential elections, promote poppy eradication and development of local security forces and promote long term development and economic growth. The Afghan National Police and Afghan National Army are now consolidating their recent gains, and as a result of this operation have the opportunity to maintain more effective control of over 180 square kilometres of territory for the Afghan Government. Military Stabilisation Support Teams have delivered immediate assistance to local nationals and organised a number of projects, including the rehabilitation of a Community Health Centre and a school.



The number of UK personnel in Afghanistan contributing to these goals was approximately 8,100 during the period;

Elsewhere in the world, UK Armed Forces:

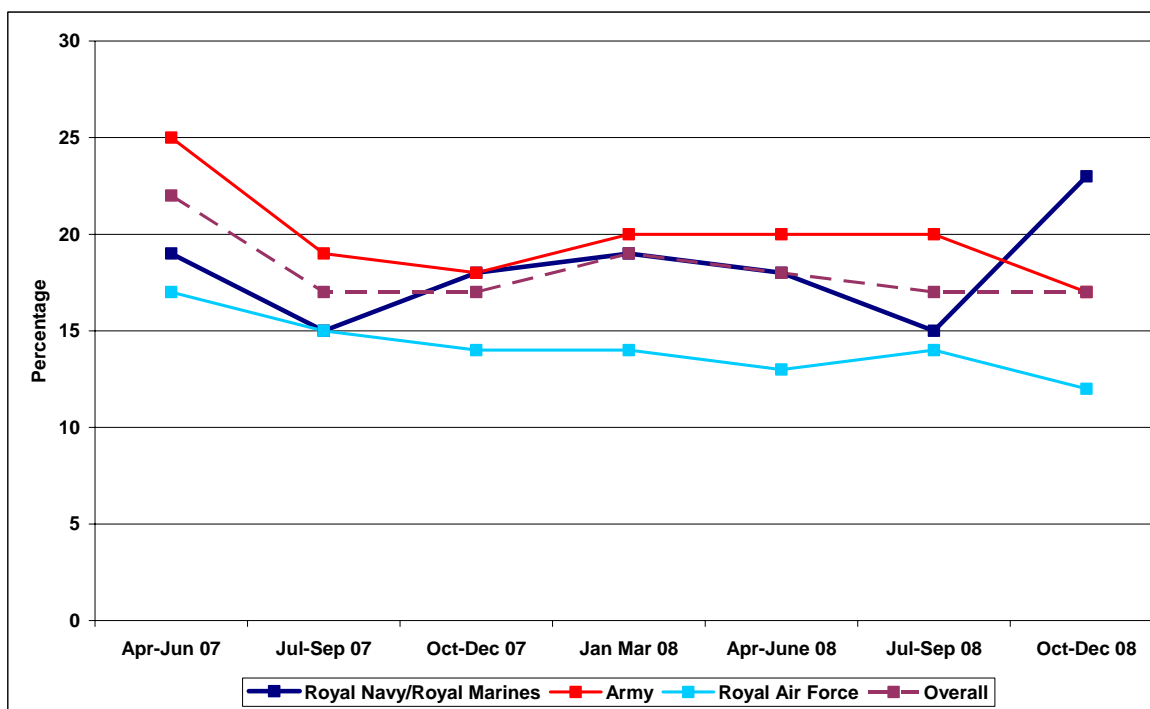
- continued to deploy around 170 Service personnel in support of peace in the Balkans (156 in Kosovo and 14 personnel in Sarajevo in both the headquarters and the Peace Support Operations training centre).

- provided some 302 personnel for UN operations; Cyprus (277), Democratic Republic of Congo (6), Georgia (5), Liberia (3), 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 2,277 personnel), the Falkland Islands and Ascension Island (some 1,063 personnel), Gibraltar (some 125 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.
- contributed to UK led Counter Piracy operations off the Horn of Africa as part of NATO, EU and Coalition initiatives as well as helping protect World Food Programme (WFP) shipping.

Activity Levels

Between 1st October and 31st December 2008, 23% of the Royal Navy (15% in the previous quarter), 17% of the Army (20% in the previous quarter) and 12% of the RAF (14% in the previous quarter) were deployed on operations and undertaking Military tasks. In total, some 17% of regular Armed Forces (measured as man-day equivalents for each service) were deployed on Operations and undertaking Military Tasks (17% in the previous quarter). The increases in Royal Navy personnel deployed largely reflect the deployment of 3 Commando Brigade.

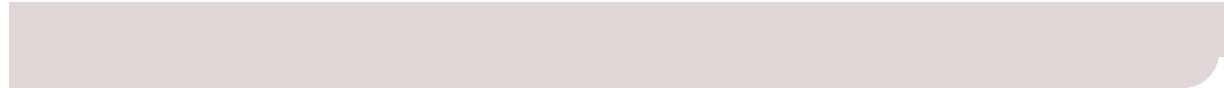
Percentage of the Armed Forces deployed on Operations and undertaking Military Tasks since April 2007



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

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

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



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

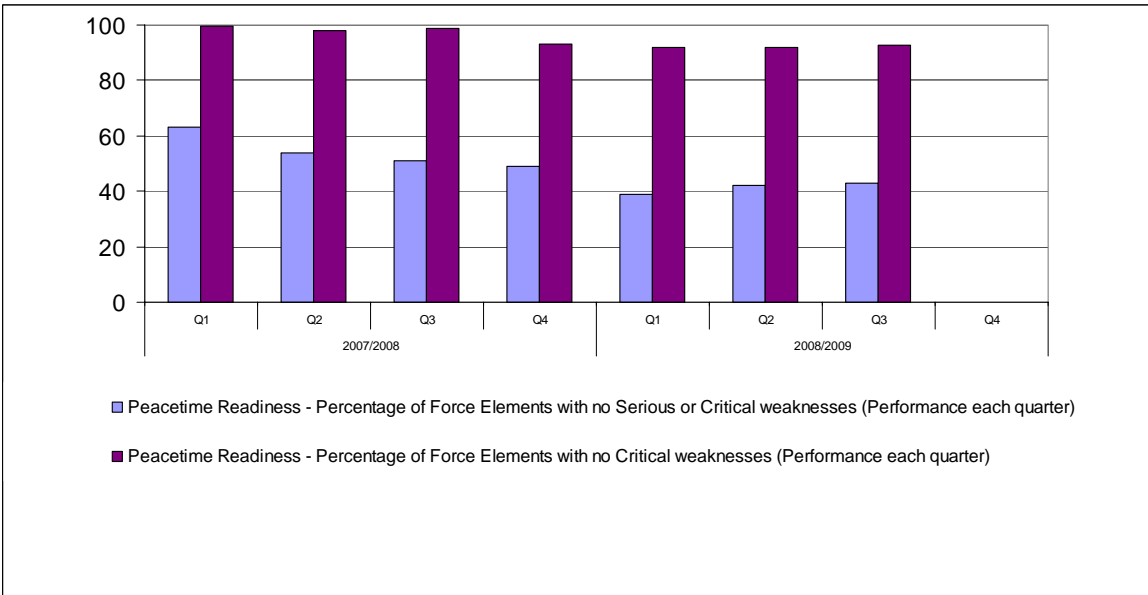
Overall DSO Assessment
Some progress. Continued slight improvement in Readiness for contingent operations, but all three Armed Services remain outside 'Manning Balance'.

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
Some progress. Readiness for contingent operations improved slightly for the second consecutive quarter.

The MOD 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 third quarter of the 2008/2009 reporting period sees a continued marginal improvement in the overall readiness picture, with 43% of force elements not showing "serious" or "critical" weakness against target readiness compared with 42% in the second quarter. This report is the third of the Comprehensive Spending Review 2007 period and the second using methodology reviewed and implemented under the readiness reporting review of July 2008. The significant proportion of force elements showing serious and critical weakness can again be attributed to the continued high operational tempo.



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

Some progress. Some improvement in Royal Navy and Army positions, planned reductions continue in the Royal Air Force. All three Services remain outside 'Manning Balance'.

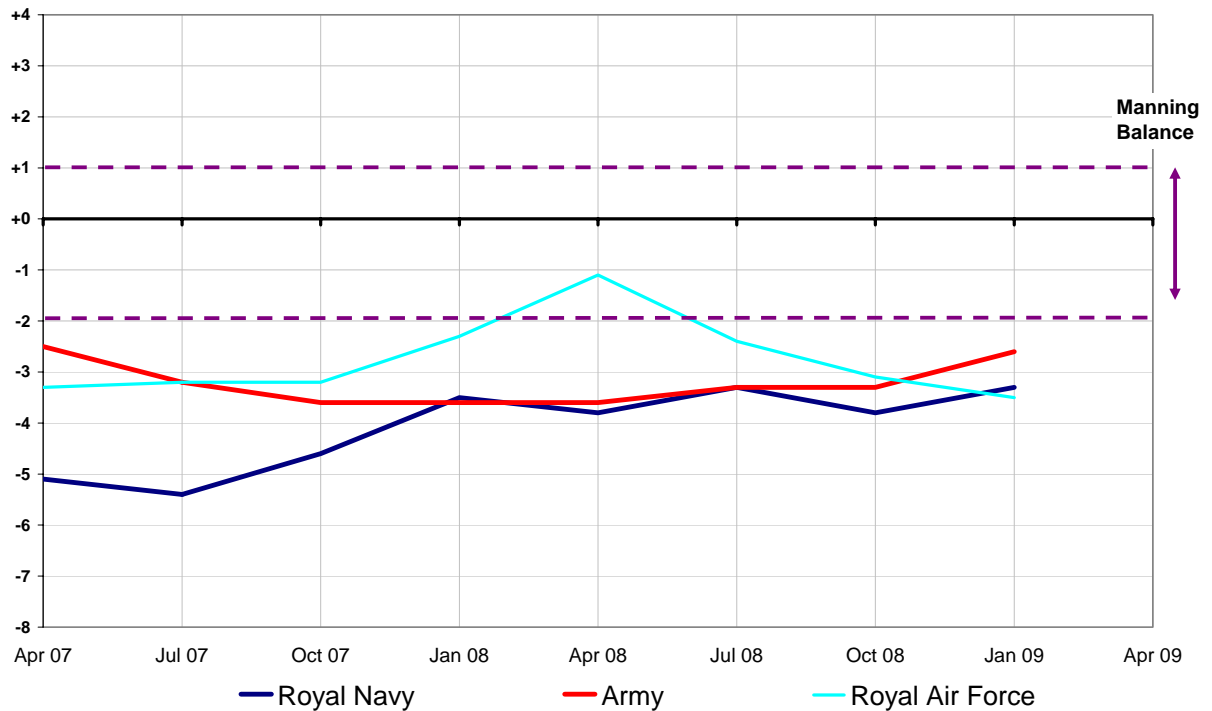
Sustaining operational effort significantly beyond Defence Planning Assumption levels, combined with the challenge of implementing the changes in Service personnel numbers announced in the July 2004 White Paper, against what has been, until recently, a challenging employment market, make the achievement and maintenance of manning balance extremely difficult. Manning levels in the Royal Navy and Army have improved slightly, but, as forecast the Royal Air Force has declined slightly. Recruiting targets for all three Services have increased in recent years and 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 – i.e. the amount of time that individuals and units are deployed away is greater than that assumed. This is occurring 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 1st January 2009:

- Royal Navy³ manning was at 96.7%, 1.3% below Manning Balance;
- Army manning was at 97.4%, 0.6% below Manning Balance;
- Royal Air Force manning was at 96.5%, 1.5% 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	2008-09
Naval Service	110%	105%	N/A
Army	95%	84%	N/A
Royal Air Force	81%	85%	N/A

No firm GTS data is available yet for FY2008/09; but 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.

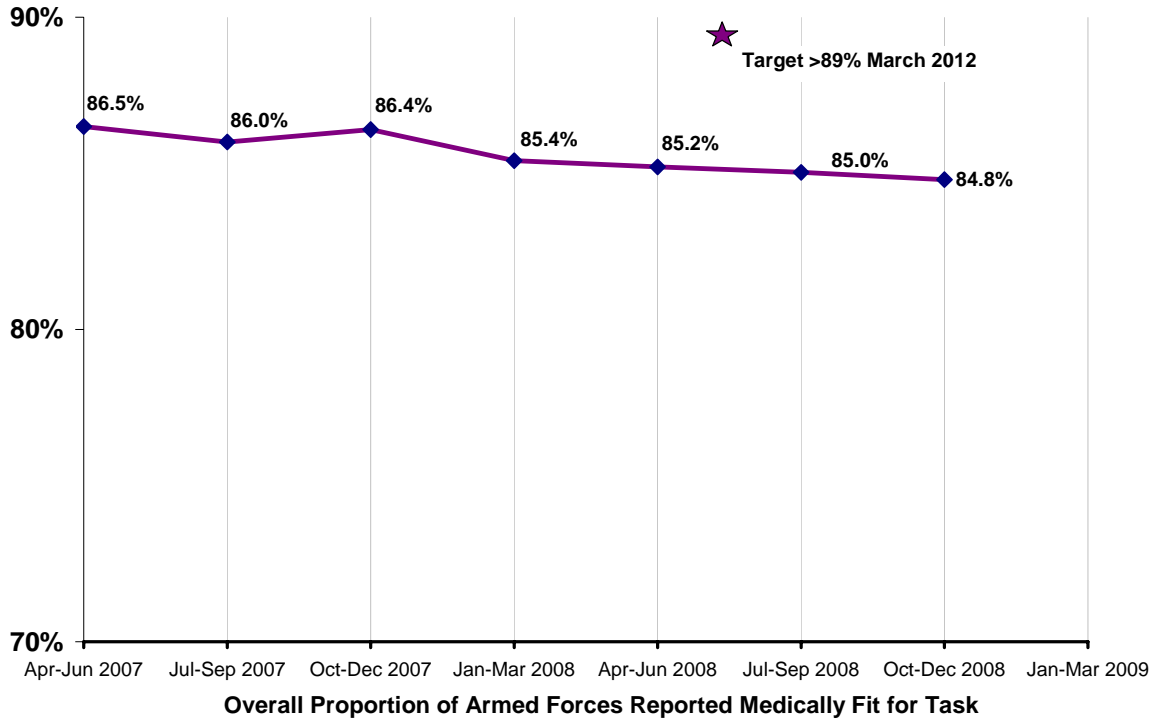
² Manning Balance is defined as between -2% and +1% of the trained strength requirement, and is measured against the requirement prevailing at the time. Since that requirement is dynamic, the underlying baseline numerical target varies over the PSA period.

³ Including the Royal Marines

Medically Fit For Task

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

As at 1st December 2008 84.8% of the Armed Forces were reported as fit for their primary task and are fully deployable. The vast majority of those not fit for their primary task are working normally and continue to contribute to operational effectiveness, but their deployability is limited. Work is underway to improve the accuracy of this reporting data.



Voluntary Outflow rates

	Long term sustainable rate	Year ending 1 October 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.	10.3% of Army personnel breached the Army individual Harmony guideline. ⁴
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.

⁴ The Army will not complete a full Harmony cycle until Jan 2010. The current figure is the last recorded figure and will be updated in Jan 2010.

Pinch Points

The latest Pinch Point data reported as at 30th January 2009.

Pinch Point Trades	Liability	Strength	Shortfall
Royal Navy – Operational Pinch Points			
Lt Cdr X SM Command Qualified	47	45	2/5%
Lt X SM IWC Qualified and SQEP	40	39	1/3%
Principal Warfare Officers	359	289	70/20%
Lt X SM Advanced Warfare Course Qualified	34	30	4/12%
RN Harrier GR7 Instructors	7	3	4/57%
GR7 Harrier Pilots – Lt	35	21	14/40%
Mine Clearance Diver /Mine Warfare Officers – Lt	81	47	34/43%
Merlin Pilots	122	78	44/36%
Merlin Observers	116	71	45/39%
Merlin Aircrew men	103	80	23/22%
Leading Seaman General Warfare	1105	815	290/26%
Strategic Weapons Systems Junior Ranks	110	86	24/24%
Able Rate Warfare Specialist (Sensors Submariner)	178	144	34/17%
Able Rate Warfare Specialist (Tactical Submariner)	124	116	8/7%
Able Rate Diver	135	95	40/30%
Able Rate 1 Seaman	388	291	97/25%
Able Rate 1 Warfare Specialist	666	635	31/5%
Able Rate 1 Communications and Information Systems	367	335	32/9%
Leading Aircraft Controllers	73	41	32/44%
Royal Marines Other Ranks	6525	6003	522/8%
Sea-King & Lynx Avionics Supervisors	348	284	64/18%
Cat A2 Nuclear Watch keepers	189	157	32/17%
Leading Seaman Mine Warfare	70	65	5/8%
Cat B Nuclear Watch keepers	377	316	61/16%
L Logs (CS) (P)	328	261	67/25%
AB Logs (CS) (P)	456	447	9/2%
L Logs (Pers)	239	222	17/7%
AB Logs (Pers)	392	391	1/0%
Army – Operational Pinch Points			
Infantryman Pte-LCpl	14980	13380	1600/11%
REME Vehicle Mechanic Cfn-Cpl	3521	3224	297/8%
REME Armourer Cfn-Cpl	377	303	74/20%
REME Recovery Mechanic LCpl-Cpl	339	213	126/37%
Intelligence Operator – Military Intelligence Cpl-Sgt	708	476	232/33%
RE Clerk of Works SSgt-WO1	248	237	11/4%
RE EOD Cpl-SSgt	131	109	22/17%
RA Gunner Gnr-Bdr	4987	4490	497/10%
RLC Ammo Tech Cpl-SSgt	306	176	130/42%
Army - Manning Pinch Points			
AMS ITU Nurse Cpl-Capt	121	35	86/71%
AMS Emergency Medicine Nurse Cpl-Capt	101	38	63/62%
AMS Radiologist Maj	4	2	2/50%
AMS Orthopaedic Surgeon Maj+	13	10	3/23%

AMS Gen Surg Maj+	17	10	7/41%
AMS Anaesthetist Maj+	49	23	26/53%
AMS Gen Med Prac Capt+	155	137	18/12%
AMS Radiographer Cpl+	24	12	12/50%
AMS Registered General Nurse	293	263	30/10%
AMS Operation Department Practitioner Cpl+	95	81	14/15%
RA Unmanned Aerial Vehicle Operator (Level 4) LBdr-Bdr	370	299	71/19%
RE Mil Engr Geo Spr-WO2	365	284	81/22%
RE Mil Engr CS3 Spr-LCpl	712	611	101/14%
RLC Postal & Courier Op Pte-Cpl	433	435	plus 2
RLC Chef Pte-LCpl	1459	1383	76/5%
RSigs IS Engr Cpl-Sgt	252	124	128/51%
AGC(SPS) Mil Admin Pte-Sgt	2666	2292	374/14%
CAMUS Musician	300	199	101/34%
RE ME Fitter Spr-LCpl	495	409	86/17%
Royal Air Force – Operational Pinch Points			
Medical	282	213	69/24%
Pilot (Junior Officer)	1490	1288	202/14%
Flying Branch (Career Stream) (Senior Officer)	677	576	101/15%
Operations Support (Intelligence)	229	224	5/2%
Operations Support (Regiment)	275	235	40/14%
Operations Support (Flight Operations)	224	219	5/2%
Princess Mary's Royal Air Force Nursing Service	179	128	51/28%
Weapons System Operator (Air Load Master)	577	503	74/13%
Weapons System Operator (Linguist)	63	50	13/21%
Air Traffic Controller/Flight Operations Manager/Flight Operations Assistant	1246	1228	18/1%
Firefighter	545	518	27/5%
Gunner	1924	1702	222/11%
Movements Operator/Controller	895	849	46/5%
Military Transport Technician	355	342	13/4%
Royal Air Force – Manning Pinch Points			
Chaplains	78	63	15/19%
Operations Support (Fighter Control)	342	293	49/14%
Operations Support (Air Traffic Control)	397	371	26/6%
Dental	71	57	14/20%
Weapons System Operator (Junior Officer)	513	439	74/14%
Intelligence Analyst (Communications & Imagery)	679	590	89/13%
Musician	175	152	23/13%
Survival Equipment Fitter	607	562	45/7%
Biomedical Scientist (Lab Tech)	15	9	6/40%
Dental Nurse	131	122	9/7%
Personnel (Support)	521	494	27/5%
Personnel (Training)	219	198	21/10%
Aircraft Technician (Mechanical)	4965	4299	666/13%
Aircraft Technician (Avionics)	3942	3437	505/13%
General Technician (Electrical)	551	491	60/11%
General Technician Mechanical	963	436	527/55%

OBJECTIVE 3: Build for the future.

Overall DSO Assessment

No Progress. One sub indicator reporting that targets are being achieved; two sub indicators below target and nine sub indicators are not reported against during this period. These nine are reported on a biannual basis.

PI 3.1 Procuring and supporting military equipment capability through life.

PI Assessment

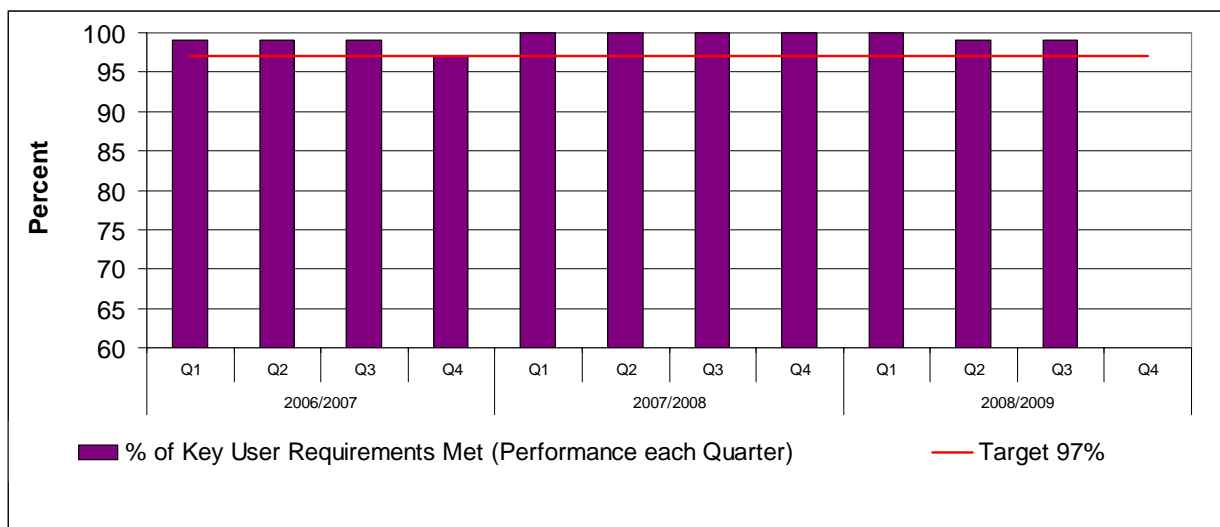
No progress. One indicator above target, but a number of risks to time and cost have been identified.

As reported 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.

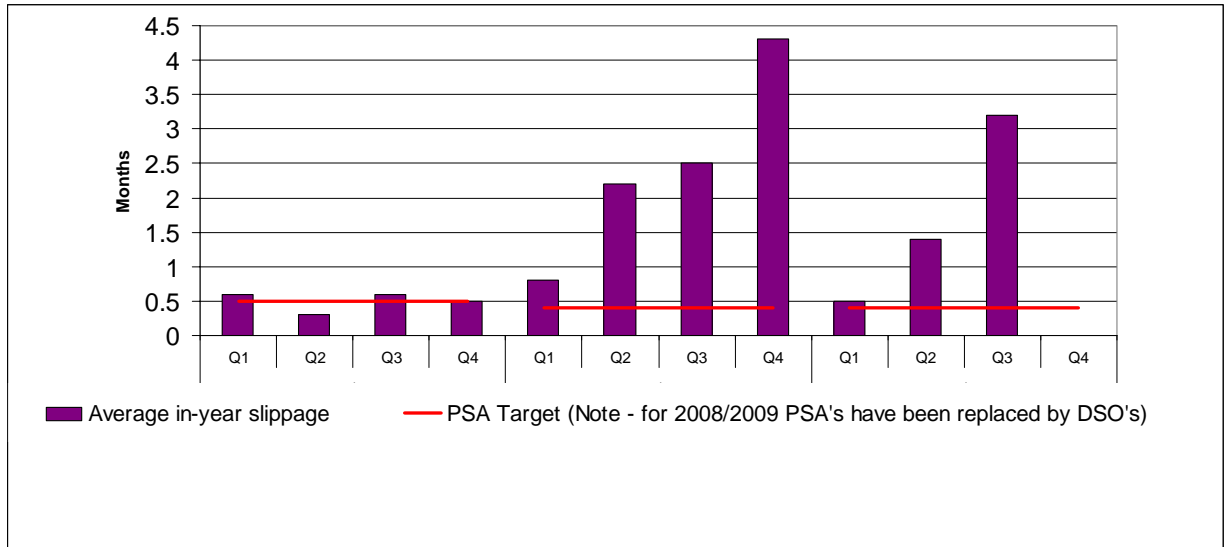
Forecast achievement of 99% of the Key User Requirements.



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.

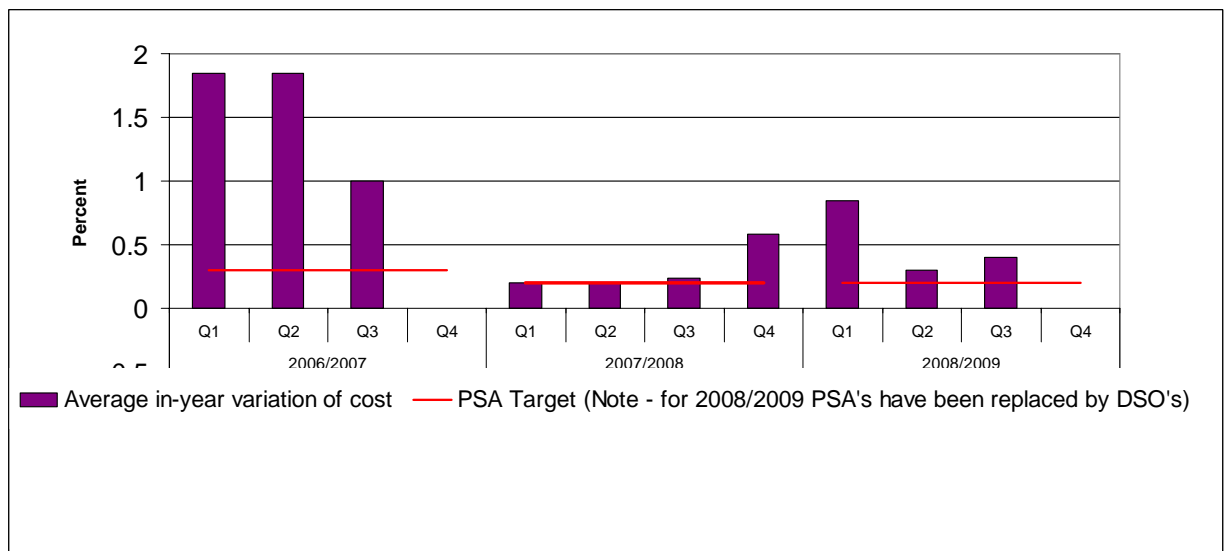
Average in-year forecast ISD slippage of 3.2 months.



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 0.4%.



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

Not reported this quarter. This is reported on a biannual basis.

The Non Equipment Investment Plan (NEIP) comprises about 70 projects costing around £2.5 billion 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 the Defence Change Programme reporting and self assessment updates from the relevant NEIP programmes.

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

PI Assessment

Not reported this quarter. This is reported on a biannual basis.

In November 2008, the Defence Secretary agreed a Sustainable Development Strategy, a Climate Change Strategy and a Sustainable Development Report and Action Plan. MOD is working with other Government departments to contribute to the Government's wider agenda. Performance against this is reported on a biannual basis.

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

Not reported this quarter. This is reported on a biannual basis.

As part of the Comprehensive Spending Review 2007 (CSR07), in February 2008, the MOD 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 indicator is reported on a biannual basis.



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,