

MANAGEMENT IN CONFIDENCE

DIO/DITP/0035

10 Sept 12

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Copies to:

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DEFENCE REFORM – LIABILITY REVIEW REPORT DEFENCE INFRASTRUCTURE ORGANISATION (DIO) FINAL REPORT

Reference;

- A. D/PUS/9/1 (056) dated 17 Feb 11.
- B. DRU/05/06 dated 18 Nov 11.
- C. D/VCDS&2ndPUS/1/1/6 dated 18 Jan 12.
- D. DITP/0034 dated 30 Apr 12.
- E. DITP/0028 dated 29 Jun 12.
- F. CEDIO/11/15 dated 3 Aug 12

1. Further to reference 'E' and 'F', please find attached at Annex 'A' the proposed Organisational structure detailing the planned DIO Target Operating Model¹, Senior Manager position for April 2013². For convenience Table 1 plots the baseline data for these posts from April 2010 to 2012.

Table 1. Senior Staff DIO Baseline Data

Grade	DE at 01/04/10	DIO at 01/04/11	DIO at 01/04/12
OF8 (SCS Pay Band 3 equivalent)	1	0	0
SCS Pay Band 3	0	1	1
SCS Pay Band 2	1	1	2
OF 7 (SCS Pay band 2 equivalent)	0	1	1
SCS Pay Band 1	7	8	11
OF 6 (SCS Pay band 1 equivalent)	3	4	4
Total	12	15 ¹	19 ^{2,3}

Notes

- 1 includes 2 x transferred 1 star posts; Hd Soft FM (OF6) and Hd PFI's (SCS Band 1) and 1 x 2 star DSAPT post (OF7)
- 2 includes 2 x 1 star posts; Hd DIO Transformation Programme and Hd Footprint Strategy (both SCS Band 1 posts).
- 3 HRD currently recognise 19 senior DIO posts which include approval for SCS 1* BP Commercial post – currently in recruitment

2. You will be aware that the DIO star count isn't planned to reduce immediately; and that CE DIO judges the current organisation to be seriously under-managed at the senior

¹ Target Operating Model – DIO Enhanced Operating Model

² Covers SCS Band 1-2, OF5-7 and Band B staff.

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level bearing in mind the scale of ambition he has for this organisation and the size of the task to deliver substantial future benefits.

3. At Table 2, the senior staff numbers, by grade and FY, are set out below in the proposed new Target Operating Model for 2013; however in support the following points should be considered:

- The size and scale of the DIO enterprise when compared to Defence Estates.
- Recognising that only 2 SCS (or military equivalent) posts were transferred into DIO from TLBs, other than from Defence Estates, despite the increase in scope and scale of the activities now part of the business.
- The robust analysis which underpins the new DIO Enhanced Operating Model.
- That there are a number of lited posts necessary to deliver major change programmes over the next few years.
- The potential for further reductions in senior posts, which the procurement of a DIO Strategic Business Partner will bring.

Table 2. Proposed Senior Staff DIO Enhanced Operating Model³

Grade	01/04/13	01/04/14	01/04/15	01/04/16
SCS Pay Band 3	1	1	1	1
SCS Pay Band 2	2	1	1	1
OF 7 (SCS Pay band 2 equivalent)	1	1	1	1
SCS Pay Band 1	14	13	11	10
OF 6 (SCS Pay band 1 equivalent)	3	3	3	3
Total	21	19	17	16

4. **Size and Scale of the DIO enterprise.** The baseline provided at reference E, for the Defence Liability review, refers back to the Defence Estates' senior management structure. In April 2011 DIO took responsibility for a number of areas that previously sat with other TLBs, for example Soft FM, Utilities management and spend, Infrastructure PFIs, Overseas Accommodation, SLA Management, the Defence Accommodation Stores, Strategic Asset Management and the Departments Infrastructure Programme. DIO is now a large and complex business, equivalent to a top FTSE 30-50 company based upon an asset base of £21bn and a budget of over £3bn. In financial terms the DIO is now between 50% and 70% larger in budget than its processor organisation. Core to delivery confidence must be a robust senior management team who are held accountable for delivering the planned programme benefits; without a core team of capable senior officers this will not be possible. CE DIO is confident that the proposed 'start' count contained within Annex A, is justified and has been rigorously tested within DIO.

³Assumes that approval is given for 21 x SCS/Military equivalent posts.

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5. **Senior Staff Transfers.** Since April 2011 some 650 staff transferred into DIO from other TLBs, (other than Defence Estates) under Tranche 1⁴ transfers. However only 2 SCS or military equivalents were added to the DIO senior staff numbers, the Hd of Soft FM and Hd of PFIs posts. Additionally a further 22 Band B/OF5 staffs were transferred under this initiative. Although further transfers of Non-industrial staff are due to take place in Autumn 12 under Tranche 2 transfers, the highest grade transferring will be C1. I therefore speculate there have been compensating reductions within other TLBs but they have been taken to support their own savings targets, rather than transfer to or earmarked against the DIO.

6. **Operating Model Design.** The future design of the DIO's EOM, is the result of a full years worth of detailed analysis and testing of existing arrangements. This has included the review and revising of all business processes, volumes of work, technology activity and management information to underpin the resultant organisational design. CE DIO has scrutinised this data with his executive board and is content that the DIO organisation design is underpinned by robust and comprehensive business analysis and re-engineering; augmented by volumetric business activity data. This has produced organisational wide FTE staff numbers, which CE DIO is now highly confident will provide a sustainable baseline on which to launch the EOM. Building upon this approach the EOM organisational Design has then been rigourously tested to ensure that it is the optimum model deliverable across grade, function and location. Annex D is work book used to justify each post in the senior structure with corresponding volumetric data.

7. **Lifed Posts.** We have a number of significant major programmes within the DIO's change portfolio, to deliver over the next few years: our Transformation Programme; delivering a new Technology Solution; Strategic Business Partner Procurement; contract reform through HESTIA and the NGECs; developing the footprint strategy and the Basing Optimisation Programme. These rightly have attached senior staff, as the portfolio matures there will be a natural reduction in staff numbers beyond the April 2013 target of this Liability Review. Table 3 below provides an indication of the proposed 2013 EOM numbers for senior staff together with an indication of the lifed posts.

8. **Procurement of a Strategic Partner.** Over and above the new operating model and the delivery of major programmes there are anticipated further reductions in the numbers of senior officer posts if 'DIO operational delivery type posts'⁵ are transferred to the Strategic Business Partner, leaving the HO/SAPT function as the 'governing authority'⁶.

⁴ Tranche 1 transfers were where the post content was more than 80%.

⁵ Defence Infrastructure Delivery Organisation (DIDO).

⁶ Defence Infrastructure Guiding Authority (DIGA) – Intelligent Customer role.

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Table 3. Post 2013 and the Strategic Business Partner⁷

	DIGA [Governance]	DIDO [Operations]	Transformation and Lifer posts	Totals
SCS Pay Band 3	-	-	1	1
SCS Pay Band 2	-	1	1	2
OF 7 (SCS Pay band 2 equivalent)	1	-	-	1
SCS Pay Band 1	5	5	4	14
OF 6 (SCS Pay band 1 equivalent)	1	2	-	3
Total Senior Posts	7	8	5	21
Band B1	9	36	10	55
Band B2	13	141	21	175
OF5	5	3	1	9
Total Band B/OF5	27	180	32	NA
Total	34	188	37	238

Notes

1 There are lifed posts in Transformation, Operations, HQ and SAPT

10. **Comparison Data** Table 4 below summarises the changes to post numbers from April 2011 up to April 2013. This indicates that at SCS level, there is a proposed increase of Pay Band 1 posts from 9 to 14, there is also a modest decrease in Band B/OF5 of 12.5% with a proposed loss of 34 posts. However, taking a longer term view there are further savings planned upon delivery of the change programmes; resulting in a further reduction of 5 x SCS posts and 32 Band B/OF5 grades.

Table 4

Grade	Apr 11 Annex C refers	Apr 12 Annex B refers	Apr 13 Annex A refers
SCS Band 2	1	2	2
OF7	1	1	1
SCS Band 1	8	9	14
OF 6	4	4	3
Band B1	44	60	55
Band B2	181	201	175
OF5	9	12	9
Total	248	288	238

11. **Conclusion** CE DIO recognises that the DIO star count is not planned to reduce in the short term, however he judges the current organisation to be seriously under-managed at the senior level bearing in mind the scale of ambition he has for this organisation and the size of the task to deliver substantial future benefits.

⁷ Assumes that approval is given for 21 x SCS/Military posts.

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12. This submission seeks to increase the DIO start count from April 13, recognising that a numbers of SCS posts are lifed to delivery very large programme benefits.



Enclosures:

- Annex A DIO Organisation Chart - 1 April 2013
- Annex B DIO Organisation Chart – 1 April 2012
- Annex C DIO Organisation Chart – 1 April 2011
- Annex D Workbook - Volumetric data supporting senior posts within the EOM