

5 Apr 12

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DEFENCE REFORM SENIOR LIABILITY REVIEW – AIR TLB REPORT

Introduction

1. All TLB holders were requested to conduct a formal review of non-front line senior liability by 1 Apr 12 and to submit a report setting out their conclusions and detailing their plans to reduce senior liability.¹ This report details the conclusions of the AIR TLB review in the format requested by the DRU.²

Scope

2. The Air TLB has reviewed all RAF senior liability counting posts for OF5 to 2-star or equivalent civilian rank. The liability baseline for the review was set at 1 Apr 11 and the apportionment of senior liability between Air and the other TLBs was established by validating data from the Air Manpower Forecasting System with JPA records. The review has taken into account the work of the Capability and Structures Review (CSR), which was commissioned by CINC Air in 2009 and from which the RAF 2013 Operating Model has been developed. The review has identified all senior liability reductions achieved under CSR and recent Planning Rounds³ and these are presented in this report as a percentage of the Air TLB baseline and assessed against the initial and stretch targets of 25% and 33% respectively. The review has not had sight of the plans of other TLBs due to the necessary phasing of reports and it has drawn no assumptions as to the potential outcomes of other programmes of Defence reforms (e.g. DMS20). The review has produced a summary of all changes to senior posts since 1 Apr 11 and provides details of proposed further changes to Apr 13 and beyond. It has identified some senior liability reductions that were taken immediately prior to 1 Apr 11 and the report presents the case to include these reductions in the overall totals for the Air TLB. Organisational structures charts have been produced to show the HQ AIR structure at 1 Apr 11 and the proposed HQ AIR structure under the 2013 Operating Model. The review examined potential challenges and risk to the delivery of planned or further reductions in senior liability and these are covered under proposed areas for further work.

Liability Baseline

3. The RAF senior liability baseline and apportionment between TLBs is detailed in Table 1 below.

¹ DRU/05/06 dated 18 Nov 11.

² DRU/05/06 dated 12 Mar 12.

³ Up to and including PR11.

Table 1⁴

Rank	AC	DE&S	CTLB	JFC	LF	DIO	RN
OF7	10	1	0	1	0	0	0
OF6	27	5	2	6	0	0	0
OF5	115	25	20	14	5	0	0
Civilian	110						
Total	263	32	22	22	5	0	0

The Air TLB has influence over only 40% of RAF liability as 60% of the RAF senior cadre serve Defence in other TLBs, most notably CTLB, DE&S and JFC. Table 2 below shows the forecast of RAF service senior liability from 1 Apr 11 out to 2015.

Table 2⁵

	Rank	Baseline	31-Mar-12	31-Mar-13	31-Mar-14	31-Mar-15
JFC	AIR	0	6	7	7	4
	GC	10	15	14	12	13
DIO	AIR	0	2	2	5	2
	GC	0	1	1	1	1
DE&S	AIR	0	14	6	3	2
	GC	10	22	27	17	10
CTLB	AIR	10	20	26	53	45
	GC	20	115	125	128	114
AC	AIR	4	15	29	20	29
	GC	15	100	90	80	88
LF	AIR	0	0	1	2	2
	GC	0	0	0	0	0
RN	AIR	0	0	0	0	0
	GC	0	0	0	0	0
GLOBAL	AIR	101	117	101	97	84
	GC	274	235	264	260	241
Grand Total		376	352	365	347	325

It should be stressed that only the baseline figures in this forecast have been validated and the forecast figures remain subject to change. However, this longer-term forecast demonstrates how 'snap shots' of liability can be misleading and that liability fluctuates from one year to the next, primarily as a consequence of how competed and rotational posts are factored into liability forecasts. All such posts⁶ attract 1/3 liability with rotational posts factored into the forecast in sequence and competed posts factored in as an average. Clearly, anomalies can occur as a consequence of rotational posts being taken out of sequence and one or other service competing strongly for appointments. The review confirmed that the 1/3 allowance in liability for such posts balances out over time, but there is always the potential for liability and strength figures to be confused; this review has focussed only on liability.

⁴ Air Rank liability is recorded as a single figure on the Air Manpower Forecasting System (MFS) and OF7 and OF6 apportionment has been broken out as the guidance was not to include OF8/9 posts in the review.

⁵ This table is taken from MFS and includes liability for OF8/9 and liability for rotational and competed posts.

⁶ There are currently 166 rotational and 70 competed posts.

Organisational Structure

4. We were requested to provide Organisational structure charts in this report reflecting the HQ AIR structure at 1 Apr 11 and the RAF '2013' HQ AIR Operating Model. These charts have been provided at Annexes A and B, but we question their utility as a means of demonstrating reductions in senior liability and consider them totally ineffective as a means of assessing the efficiency of an organisation or its ability to deliver capability and meet its outputs. These charts do not include full details of all OF5 or Band B posts, but they do illustrate 'at a glance' the far-reaching change that is being made to HQ AIR's organizational structure. The rationale behind the 2013 Operating Model was to create a model that that was coherent with the Future Defence Operating Model and the principles of Defence Reform. The model has as its heart a more collaborative working culture, including the increased adoption of matrix management, enhanced management of information and greater devolvement of responsibility and prioritisation. The 2013 Operating Model has been developed following the significant achievements of the Capability and Structures Review, which sought initially to deliver 32% savings against the cost of the Headquarters' manpower establishment by the end of FY 14/15 and to focus the Headquarters' output into providing a more effective support to the Front Line and PJHQ. The delivery of the 2013 structure is progressing at pace and accounts for a significant proportion of the senior liability reductions delivered or planned to date.

Liability Reductions

5. Table 3 below provides an overview of the senior liability reductions that have or will be delivered as a consequence of CSR, implementation of the 2013 Operating Model and previous Planning Rounds. A summary of the reductions by post is at Annex C.

Table 3

Post	Baseline	2013	Change	%
OF7	10	9	-1	10%
OF6	20	18	-2	10%
OF5	111	83	-28	25%
Officer	110	80	-30	27%
Total	251	192	-59	24%

The overall reduction in senior liability is 24% of the baseline liability in Air TLB. This figure would increase to 25% if reductions made immediately prior to 1 Apr 11 and detailed at Annex C were included. These reductions were identified as part of the CSR and the decision to accelerate delivery of these reductions is indicative of Air TLB's determination to reform. Although these savings fall the 'wrong side' of the baseline, they are very much part of the functional restructuring and delayering of the organisation and as such we judge that they should be included in the overall reductions delivered by the review.

Proportionality

6. The challenge set by the senior liability review was to deliver reductions in senior liability in broad proportion to the overall manning reductions. The 24% reductions highlighted in the report would appear to exceed this target if one accepts that the overall liability reductions for the Air TLB as a whole for the period 1 Apr 11 to 1 Apr 15 amounts to 14%.⁷ It is acknowledged that the rationale for the initial and stretch targets of 25% and 33% are based on the following facts: the senior cadre is judged to be out of proportion with a reducing manpower base; in the past, reductions in the number of senior leaders has not kept pace with overall manpower reductions; and the simple fact that the senior cadre is no longer affordable. While we would not disagree with

⁷ Liability reducing from 38,830 to 33,500.

these facts, there are also very good reasons why this situation has developed. The Air TLB, by embracing the Whole Force Concept, has now replaced 36% of its force with non-regular manpower. This manpower delivers many of our transactional functions at the producer level, but governance functions have been retained in the regular Service and these require the exercise of discretion and authority, which sits naturally in most organisations at a senior level. Similarly, and as recognised in your initial note, the scale of UK ambition and capability significantly exceeds many of our allies, and we must exercise care not to degrade this intellectual capital beyond a point where we would be unable to sustain our support to Defence or to the wider UK interest. We remain committed to the delivery of change and to the development of our 2013 Operating Model to ensure it is supported by agile, lean and effective processes and structures. However, on balance, we judge a 24% reduction in senior liability to be a satisfactory return for **this stage** of the process. We recognise that Defence reform is an iterative process and further work will be required.

Further Work

7. The 2 key constraints to identifying further senior liability reductions within the Air TLB are the uncertainty regarding the outcomes of a number of Defence reforms and the fact that we are currently unsighted on the plans of the other TLBs to reduce their senior liability. We await the outcome of DMS20 with interest, not least because a large proportion of both our regular service and civilian senior personnel are employed in the medical field. We also expect further liability to transfer from CTLB to the AIR TLB to support the relocation of Capability to HQ AIR. Additionally, we will need to assess the impact of the other TLBs plans to reduce senior liability as and when they are developed. The fact that 60% of the RAF senior cadre serve in other TLBs means that their plans have the potential to affect both our capacity to meet Defence outputs and the construct and sustainability of RAF career structures. The need for coherency across the TLBs on this matter is well understood and we welcome the scrutiny and consolidation work that the DRU plans to undertake once all reports have been submitted. It is critical that the wider implications of each TLB's proposals for the single Services and the department as a whole are fully understood, and the RAF would welcome early sight of the proposed reductions of senior RAF liability at these TLBs to enable the Air Secretary to evaluate their overall impact. In the meantime, the work of the CSR team will continue to test and refine the 2013 Operating Model.

Conclusion

8. The Senior liability review set TLB holders a challenging target to deliver 25% reductions in senior liability stretching to 33% by 1 Apr 13 while recognising that delivery of these targets would be phased over a number of years. The Air TLB has reviewed the RAF senior liability as at 1 Apr 11, apportioned it between TLBs and validated this baseline using the Air Manpower Forecasting System and JPA. Reductions in senior liability resulting from CSR, delivery of the 2013 Operating Model and previous Planning Rounds have been identified and amount to 24% of the total Air TLB senior liability. This level of reduction would increase to 25% if reductions taken immediately prior to the 1 Apr 11 were included in the review. A summary of all reductions has been provided together with organisational charts that show the HQ AIR structure at 1 Apr 11 and the proposed 2013 HQ AIR Operating Model. The review has confirmed that reform within the Air TLB is proceeding at pace and that reductions in liability are more than in proportion to the overall manning reductions demanded from the TLB. The phasing of the reviews of other TLBs and the potential implications of their plans to Defence outputs and the construct and sustainability of RAF career structures means that further work, in consultation with the Air Secretary, will be required once other TLB plans have been developed. Uncertainty surrounding the impact of other Defence reform programmes, such as DMS20 could also impact on the delivery of further reductions in senior liability. We welcome the scrutiny and consolidation work that the DRU plan to undertake following completion of all the liability reviews and it will be critical that the wider implications of each TLBs proposals for the single Services and the MOD are fully understood.