

Section 1

Performance Report

Summary of Performance Against SR2002 Public Service Agreement Objectives and Targets

Aim: to deliver security for the people of the United Kingdom and the Overseas Territories by defending them, including against terrorism, and act as a force for good by strengthening international peace and security.

Table 1: Performance Against Public Service Agreement Targets for 2003/04 to 2005/06			
PSA Target	Supporting Performance Indicator (where relevant)	Assessment at 1 April 2004	Report Paragraphs
Objective I – Achieve success in the military tasks that we undertake at home and abroad.			
<p>1. Achieve the objectives established by Ministers for Operations and Military Tasks in which the UK's Armed Forces are involved, including those providing support to our civil communities.</p> <p>Overall Assessment: On Course</p>		<p>On Course</p> <p>The Armed Forces achieved a high degree of success against the policy and military objectives set for all Operations overseas, including in Iraq, Afghanistan, the Balkans, Sierra Leone, and the Democratic Republic of Congo. Continuing support was provided to the civil authorities at home</p>	7-28
<p>2. Improve effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and a reduction in potential sources of future conflict, where the UK can make a significant contribution. JOINT TARGET WITH DfID AND FCO.</p> <p>Overall Assessment: Not yet assessed</p>		<p>Data on performance against the PSA target is not yet available. The cross-departmental programme continued to develop over the year, with MoD developing and refocusing defence relations programmes and initiatives, working to support conflict prevention initiatives across Africa, the Middle East, Europe, Central America and Asia, and undertaking wider-ranging conflict prevention work under the Defence Diplomacy Programme.</p>	48-50
Objective II – Be ready to respond to the tasks that might arise.			
<p>3. By 2006 ensure that a minimum of 90% of high-readiness forces are at their required states of readiness with no critical weakness.</p> <p>(As set out in MoD's 2002/03 Annual Report and Accounts, from 1 April 2003, reporting against this target covers all forces, not just those at high readiness.)</p> <p>Overall Assessment: On Course</p>		<p>On Course</p> <p>The proportion of units with no critical weaknesses reported by their military commanders increased steadily over the year from 77% in the first quarter to 93% in the fourth quarter.</p>	32-36

Table 1 (continued): Performance Against Public Service Agreement Targets for 2003/04 to 2005/06			
PSA Target	Supporting Performance Indicator (where relevant)	Assessment at 1 April 2004	Report Paragraphs
Objective II (continued) – Be ready to respond to the tasks that might arise.			
<p>4. Recruit, retain and motivate the personnel needed to meet the manning requirement of the Armed Forces, so that by the end of 2004, the Royal Navy and RAF achieve, and thereafter maintain, manning balance, and that by the end of 2005, the Army achieves, and thereafter maintains, manning balance.</p> <p>(Manning balance is defined as between –2% and +1% of the requirement, and is measured against the target prevailing at the time. Since the total manning requirement of whole Service manning is dynamic, this target will itself fluctuate over the PSA period.)</p> <p>Overall Assessment: On Course</p>	Achieve manning balance.	<p>On Course</p> <p>The trained strength of the Navy was 96.8% at end year, remaining just below manning balance over the year.</p> <p>The trained strength of the Army was 97.2% at end year, having made significant progress towards manning balance over the year.</p> <p>The trained strength of the RAF was 98.5% at end year, having remained within target over the year.</p> <p>Some improvement in critical shortage groups, but progress slow. Continuing shortages in all three Services.</p>	73-75
	Achieve single Service guidelines for deployed separated service.	<p>On Course</p> <p>RN: Average separated service for Able Ratings 169 days over 3 year period.</p> <p>Army: Average tour interval 23.3 months, but with variation. Royal Armoured Corps 14 months, Infantry and Royal Artillery 18 months.</p> <p>RAF: 5.4% of personnel more than 140 days detached duty over 12 months and 2.4% of personnel more than 280 days detached duty over 24 months.</p>	160
	Improve the living conditions of Service personnel and their families.	<p>On Course</p> <p>3,347 new-build Single Living Accommodation bedspaces delivered and 1,402 Service family houses upgraded in 2003/04.</p>	96-97
<p>5. Strengthen European security through an enlarged and modernised NATO, an effective EU military crisis management capacity and enhanced European defence capabilities. JOINT TARGET WITH FCO.</p> <p>Overall Assessment: On Course</p>		<p>On Course</p> <p>Good progress made: NATO has enlarged by seven members and is modernising its capabilities and reforming its structures to adapt to the new threats and challenges we face. We continue to be at the forefront of developing European defence capabilities that will strengthen both NATO and the EU. The UK is working effectively to ensure coherence between the two organisations.</p>	43-47

Table 1 (continued): Performance Against Public Service Agreement Targets for 2003/04 to 2005/06			
PSA Target	Supporting Performance Indicator (where relevant)	Assessment at 1 April 2004	Report Paragraphs
Objective III – Build for the future.			
<p>6. Develop and deliver to time and cost targets military capability for the future, including battle-winning technology, equipment and systems, matched to the changing strategic environment.</p> <p>(All assessments subject to NAO validation).</p> <p>Overall Assessment: Slippage</p>	On average, in-year slippage of equipment in-service dates of fewer than 10 days for new major projects, to be attained during 2003/04 and maintained throughout the PSA period.	Slippage 2.2 months average slippage for new projects in 2003/04.	123
	On average, in-year slippage of equipment in-service dates of fewer than 4 weeks for existing major projects, to be attained during 2003/04 and maintained throughout the PSA period.	Slippage 2.8 months average slippage for existing projects in 2003/04.	123
	97% of customers' key requirements attained during 2003/04 and maintained throughout the PSA period.	On Course 98.8% of customers' key requirements met in 2003/04.	123
	On average, no real terms increase in major project costs, to be attained during 2003/04 and maintained throughout the PSA period.	Slippage 2.7% average increase in costs measured against project approvals in 2003/04.	123
Value for Money			
<p>7. Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability. Year-on-year output efficiency gains of 2.5% will be made each year from 02/03 to 05/06, including through a 20% output efficiency gain in the DLO.</p> <p>Overall Assessment: On Course</p>	Reduce the per capita cost of successfully training a military recruit by an average of 6% by April 2006.	On Course 4.2% average reduction in cost of successfully training military recruit by April 2004 against end-year target of 4%.	110
	Achieve 0% average annual cost growth (or better) against the Major Equipment Procurement Projects.	Slippage 3.1% average increase in costs measured against estimated cost at beginning of year.	123
	Reduce by 20% (relative to April 2000) the output costs of the DLO, while maintaining support to the Front Line.	On Course 6.8% cumulative reduction in Logistics costs against end-year target of 6%.	138
	Reduce MoD Head Office and other management costs by 13%.	On Course 10.6% cumulative reduction in Head Office costs against end-year target of 9%.	184
	Identify for disposal land and buildings with a Net Book value of over £300m.	Ahead Cumulative value of £230M land and buildings identified for disposal by April 2004 against end-year target of £134M.	101

Output and Deliverables

Operations

Objective

To succeed in the tasks the MoD undertakes.

Public Service Agreement Target (SR2002 MoD Target 1)

- Achieve the objectives established by Ministers for Operations and Military Tasks in which the United Kingdom's Armed Forces are involved, including those providing support to our civil communities.

Performance Measures and Assessment

Achieve operational success for operations and other Ministerially directed tasks:

- *The Armed Forces achieved a high degree of success against the policy and military objectives set for all operations overseas, including in Iraq, Afghanistan, the Balkans, Sierra Leone, and the Democratic Republic of Congo;*
- *A minimum nuclear deterrent capability was maintained throughout the year;*
- *The security of the UK's Overseas Territories, including Cyprus, the Falkland Islands, and Gibraltar, was maintained;*
- *Continuing support was provided to the civil authorities at home, including in Northern Ireland, in civil emergencies (particularly the provision of emergency fire cover across the UK until June 2003), in the routine provision of Search and Rescue and of Fisheries Protection services, and in the investigation and disposal of suspected explosive devices.*

Other Measures

Monitor the proportion of the Armed Forces, including Reserves, involved in the prosecution of contingent and enduring operations and other Ministerially directed tasks:

- *The proportion of regular forces deployed on Operations and other Military Tasks declined from a peak of about 35% overall in the first quarter of the year (including about 47% of the Army), to about 20% overall (including about 23% of the Army) across the remainder of the year;*
- *Some 4,000 Reservists, about 9% of total Reserve Forces, have been involved in Op TELIC since the end of the main conflict phase.*

Further Sources of Information

- Quarterly PSA reports to HM Treasury www.hm-treasury.gov.uk/performance/MoD.cfm and www.mod.uk;
- *Operations in Iraq: First Reflections*;
- *Lessons for the Future* (assessment of performance on Operation TELIC);
- MoD Evidence to the House Of Commons Public Accounts Committee on Operation TELIC – *United Kingdom Military Operations in Iraq (HC 60)*;
- MoD Evidence to the House of Commons Defence Committee on *Lessons of Iraq (HC 57)*;
- *Delivering Security in a Changing World* (Defence White Paper and supporting essays);
- *UK Defence Statistics 2004*.

Figure 2: Principal Deployments of the Armed Forces on 1 April 2004



Geographic Support Main Building, GSGS 12205(CAD), Edition 3-GSGS, October 1995 59/04 OP31/03/04 For briefing purposes only. Maps produced by DGIA are not to be taken as necessarily representing the views of the UK Government on boundaries or political status.

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Iraq

7. The main warfighting phase of Operation TELIC ended in May 2003. The Department's initial report – *Operations in Iraq: First Reflections* – setting out the role of the UK Armed Forces during the main period of hostilities in Operation Telic and drawing early conclusions, and a subsequent, more comprehensive analysis – *Operations in Iraq: Lessons for the Future* – are available at www.mod.uk, together with a range of further information on ensuing activity in Iraq.

The MoD also cooperated closely with the House of Commons Public Accounts and Defence Committees and with the National Audit Office during their own enquiries into the earlier phases of Operation TELIC. Copies of their reports are available at www.parliament.the-stationery-office.co.uk/ and www.nao.org.uk/publications/vfmsublist/index.asp.



Warrior armoured vehicles of the Princess of Wales Royal Regiment prepare for a patrol in southern Iraq.

8. The UK continued to work throughout the year for a stable, united, law-abiding Iraq, at peace with its neighbours and enjoying representative government. Over 30 nations contributed troops to operations in Iraq, while many others pledged aid. United Nations Security Council Resolution (UNSCR) 1483, adopted on 22 May 2003, acknowledged the status of UK and US Forces as Occupying Powers in Iraq. The UK commanded Multinational Division South East, covering the provinces of Al-Basrah, Al-Muthanna, Dhi Qar and Maysan. In October 2003, UNSCR 1511 authorised the Multinational Force to undertake stabilisation tasks. On 15 November 2003, the Iraqi Governing Council set out a political timetable, leading to the assumption of authority by a sovereign Iraqi government by the end of June 2004. Following the end of warfighting, some 18,000 UK forces remained in Iraq (from a peak of some 46,000 personnel). This reduced to 9,500 by August 2003 and remained at roughly that level throughout the rest of the year.



A soldier attached to the Cheshire Regiment mans an observation post in Basrah.

9. Early successes included the construction of a water pipe-line from Kuwait to Umm Qasr in the first week of April 2003, delivering up to two million litres of drinking water daily. The Umm Qasr Water

Treatment Plant was also operational by the first week of April 2003, treating up to three million litres a day. Humanitarian and reconstruction work continued throughout the year, with UK forces delivering a number of small-scale "Quick Impact Projects" that significantly and speedily improved the quality of life for many ordinary Iraqis. Projects included assistance to schools, hospitals and to the Marsh Arab community. Army engineers also helped with the restoration of power, water and infrastructure throughout Multinational Division South East. UK Forces have worked hard throughout the year to develop the capacity of Iraqis to provide security in their own country. Joint patrols by Iraqi police and UK Forces began in mid-April 2003. By 1 March 2004, there were some 75,000 Iraqi police in Iraq, with over 12,000 of those recruited in the UK area. UK Forces were training six battalions of the Iraqi Civil Defence Force and led the development of the Iraqi Coastal Defence Force (ICDF), training 10 of its officers at Dartmouth in the UK. The Ministry of Defence Police also has around 20 officers in Iraq, where they play a key role in the development of the Iraqi Police Service. The range and quality of the work of UK Forces in Southern Iraq has been recognised by several independent bodies, including the House of Commons Defence Committee, while UNOPS and UNICEF have praised UK Forces for the humanitarian help they have given local people in tackling the long-standing problem of unexploded ordnance left by Saddam's wars.



Troops from the Cheshire Regiment support an Iraqi police patrol in southern Iraq.

10. Reserve Forces made an invaluable contribution to this work. By the start of March 2004, almost 10,000 Reservists (out of a total Reserve Force of just under 45,000) had been involved in Operation TELIC, with over 4,000 involved in the post-conflict phase. Their military contribution has ranged from the provision of complete reserve units, including medical units, to the reinforcement of regular units and formations of all the Services. In addition, using their wide range of individual skills and experience, Reserve personnel have been able to participate in peace support activities in such areas as local government development, education and economic reform. At the same time, Reserves continued to contribute on a voluntary basis to other operations around the globe. Their versatility and commitment continue to prove their worth and demonstrate that the 1997 Strategic Defence Review's aspiration for a useable, relevant and integrated Reserve Force is working successfully in practice.



South Eastern Iraq.

Other Overseas Operations

Afghanistan

11. UK Armed Forces continued to play an important role in Afghanistan, helping the Afghan Transitional Authority (ATA) and the Afghan people to rebuild their country. Our largest single contribution during the year and since has been to the NATO-led International Security and Assistance Force (ISAF). This comprises around 300-350 troops in Kabul contributing to the maintenance of security across

the capital, at the international airport and in the ISAF Headquarters as part of the Kabul Multinational Brigade. Additionally, since March 2003 we have been carrying out a very successful local training programme for Junior Non-Commissioned Officers for the Afghan National Army and in July 2003, we deployed a Provincial Reconstruction Team (PRT) of 100 troops to the northern city of Mazar-e-Sharif and its surrounding provinces. This was followed by the deployment of a second PRT of some 30 troops to the city of Meymaneh, also in North West Afghanistan. These PRTs play an important role in helping the ATA extend its capacity and its reach, and assist in developing a secure and stable environment and in stimulating security sector reform and reconstruction. Although military-led, key parts of the PRTs are provided by representatives from the Foreign and Commonwealth Office and Department for International Development. In June 2004, we transferred both PRTs to the ISAF as part of our commitment to the expansion of the Force. We also contributed the bulk of the troops needed for a new Forward Support Base and Quick Reaction Force, both based in Mazar-e-Sharif, and we currently have about 260 troops deployed in North West Afghanistan. A further 190 personnel from several other nations, including Afghans, are also serving as part of the ISAF in the region.



Northern Afghanistan.

The Balkans

12. During the year, the UK provided a reduced, but still significant, contribution in both Bosnia and Kosovo, and one of the four Battalions of the NATO Balkans-wide Operational Reserve Force (ORF). Additionally, the UK has been involved in a number of conflict prevention programmes across the Balkans, including supporting the EU's Op CONCORDIA in the former Yugoslav Republic of Macedonia. Following

progressive stabilisation over the last 10 years, NATO announced at the Istanbul Summit in June 2004 that the NATO Stabilisation Force (SFOR) operation in Bosnia and Herzegovina will now conclude at the end of 2004. NATO and the EU are now working together to deploy a new and distinct follow-on EU mission to the country, including a military component under the Berlin Plus arrangements. The UK will provide the initial lead of the EU Mission. This will work in close partnership with a limited continuing NATO Headquarters in Sarajevo.

13. NATO's review of operations in the Balkans in 2003 set out a regional approach to security operations. This change in operational concept enabled a reduction of about 40% (from around 18,600 to 11,200) in the number of troops deployed under SFOR in **Bosnia and Herzegovina**, with the UK's contribution falling by about 20% (from around 1,200 to 960). SFOR continued its successful peace stabilisation operation and assisted international work to normalise the country. Between November 2003 and March 2004, the UK Battle Group in Multinational Task Force (North West) was central to operations recovering illegal arms and ammunition: over 115 tonnes of weapons were seized from 32 caches. The MoD also led the foundation of a multinational Peace Support Operations Training Centre to train young Bosnian officers from both entities in peace support operations, helped the International Organisation for Migration to provide de-mobilised soldiers with assistance in starting their own business, offered advisory support to the Office of the High Representative, and continued to support the International Criminal Tribunal for the Former Yugoslavia (ICTY) through detention of indicted war criminals.



Balkans.

14. In **Kosovo**, the UK contribution to the NATO Kosovo Force (KFOR) mission dropped from a battalion to a smaller but highly effective contribution of around 200 troops, retaining the capability to deploy across the whole of Kosovo. In addition, around 70 Ministry of Defence Police officers are stationed in Kosovo, working with the UN Interim Administrative Mission and the Kosovo Police Service on a wide range of international policing tasks, operational to administrative, including responding to the challenges posed by the outbreak of violence in March 2004. Following the outbreak of violence, the Operational Reserve Force was also used to good effect to help restore a safe and secure environment. Lead elements of the Ready Battalion (1st Battalion, The Royal Gloucestershire, Berkshire and Wiltshire Regiment) began deploying to Kosovo on 18 March 2004 within 24 hours of NATO's Activation Order, returning to the UK 30 days later after the situation had been stabilised. MoD involvement with the Kosovo Protection Corps (KPC) continued with the provision of a serving UK 2* officer as the KPC Co-ordinator to assist the KPC in fulfilling its mandated role of civil emergency activity and "train the trainer" de-mining programmes.

15. In **Macedonia**, Op CONCORDIA ran from 31 March to 15 December 2003 and successfully provided security for international monitors who were overseeing the re-entry of Macedonian security forces into former crisis areas. This was the first European Union military operation conducted under the European Security and Defence Policy, and drew on NATO assets and capabilities under the Berlin Plus arrangements. The UK contributed 2 staff officers to HQ Op CONCORDIA and 1 watchkeeper. The Operation's success was demonstrated by the replacement of military support with a civilian police mission in December 2003.

Sierra Leone

16. As part of the United Nations Mission in Sierra Leone (UNAMSIL), the UK has provided 22 personnel, comprising a Headquarters contingent of 7 (including the key posts of Chief of Staff Force and Chief of Staff Observers) in the capital Freetown, and 15 United Nations Military Observers deployed throughout the country. UNAMSIL's main objectives are to assist the Government of Sierra Leone to extend its authority, restore law and order and stabilise the situation progressively throughout the entire country, and to

promote a political process leading to a renewed disarmament, demobilisation and reintegration (DDR) programme and the holding of free and fair elections. Significant progress has been made, enabling local government elections in May 2004, and handing back primacy in the Northern and Southern regions to the Government on 10 June 2004 on conclusion of the DDR programme. However, recognising that the Government of Sierra Leone is not yet in a position to take over full control of the country without international support, the United Nations has extended UNAMSIL in a reduced form until June 2005, with the United Kingdom's contribution reducing to 13 posts.



Sierra Leone.

17. In addition to this UK operational commitment to the UN, MoD is closely involved in the process of Security Sector Reform in Sierra Leone. The UK-led International Military Advisory and Training Team (Sierra Leone) (IMATT(SL)) currently comprises 98 UK personnel and 12 internationals. IMATT(SL)'s role is to develop the Sierra Leone Armed Forces (RSLAF) into an effective and democratically accountable armed force capable of carrying out the defence missions and tasks assigned to it by the Government of Sierra Leone. HMG has made the commitment that IMATT(SL) will remain in some form until at least 2010. The current campaign plan aims to have reduced the team to a strength of 25 by the end of 2009.

18. Commander IMATT(SL) is also responsible for Op VOSPER, an Information Operation using selected military activity (ship visits, exercises and training teams). This supports the capacity-building activities with the RSLAF and demonstrates UK commitment to supporting the stability of Sierra Leone.

Democratic Republic of Congo



An RAF Hercules Transport at Entebbe Airport, supporting the EU Stabilisation Force deployed to Bunia in the Democratic Republic of Congo.

19. Operation ARTEMIS (July-September 2003) was launched as the first EU military operation without recourse to NATO assets. Based around a major French contribution, the EU deployed over 2,000 troops, including 94 from the UK, to Bunia in the Democratic Republic of Congo in response to a UN Security Council Resolution to establish an interim emergency multinational force. The Operation successfully stabilised the security conditions and improved the humanitarian situation, pending the deployment of a reinforced UN Mission.



Democratic Republic of Congo.

Other Military Tasks

Independent Nuclear Deterrent

20. Throughout the year, the UK's Trident submarine force maintained an independent nuclear deterrent capability at sea in support of NATO's strategy of war prevention and as the ultimate guarantee of our national security.

Security of Overseas Territories

21. In **Cyprus**, UK Forces maintained important military facilities within the Sovereign Base Areas of Akrotiri and Dhekelia. Both UK and US Forces used RAF Akrotiri extensively as a forward-mounting base in support of operations in Iraq. UK Forces based in the **Falkland Islands** continued to demonstrate the Government's commitment to the security of that territory, including South Georgia and the South Sandwich Islands. **Gibraltar**-based UK Armed Forces continued to provide valuable support, logistic, communications and training facilities in support of UK operations.

Search and Rescue

22. The Royal Navy and Royal Air Force maintained a year-round 24-hour search and rescue helicopter service, based at eight locations around the British Isles and also on Cyprus and the Falkland Islands. Other Service assets, in particular the Royal Air Force's Mountain Rescue Service and Nimrod maritime patrol aircraft, were also used for search and rescue. The Armed Forces' rescue services were called out on 1,772 occasions in 2003/04 (compared with 1,670 in 2002/03) and assisted a total of 1,317 people, including 103 military personnel.

Military Aid to the Civil Authorities

23. Overall responsibility for security and civil emergencies within the UK rests with the Home Office. Responses to specific incidents are managed by lead government departments, the emergency services, the devolved executives, and a wide range of other civil authorities (for details see www.ukresilience.info). MoD provides Military Aid to the Civil Authorities by drawing almost exclusively on resources designed and funded for other Defence tasks.

24. By far the largest category of requests for Military Aid is for investigation of suspected explosive devices. The Police outside London rely on the MoD to provide this support, which is partly funded by the Home Office. Support from bomb disposal teams was requested on 675 occasions in 2003/04, compared with 431 occasions in 2002/03 and 957 in 2001/02. Other aid is generally small-scale with the Police being the source of the majority of the requests. We estimated in February 2003 that we were receiving 30 to 40 such requests per annum (*Official Report*,

25 February 2003, Column 444W) with the number increasing. Government and local authority investment in civil response (for instance in flood prevention and defences) is, however, showing some signs of reducing the number of 'no-notice' requests for assistance.

Military Aid to the Civil Power in Northern Ireland

25. The Armed Forces continued to play an important role in supporting the Police Service of Northern Ireland in maintaining law and order, especially in the face of the threat from dissident republican groups. Military patrols supported the Police in searching for and capturing terrorists, their weapons and other equipment, and in dealing with serious public disorder. As part of our normal process of keeping force levels under review in consultation with the Chief Constable of the Police Service of Northern Ireland, we were able to reduce the number of Service personnel committed over the year, from 14,320 on April 1 2003 to 14,030 on April 1 2004. We also continued to rationalise the Defence estate in Northern Ireland, including vacating a number of bases and installations across the Province.

Op FRESCO

26. The settlement of the national fire dispute meant that it was possible to stand down the 11,000 personnel committed to the provision of emergency fire cover in June 2003. Although it was recognised that there was no alternative but to provide emergency fire cover, the commitment had a significant impact on the Armed Forces. Subsequent contingency planning for provision of emergency fire cover by the Armed Forces has drawn on lessons learned from the dispute. In parallel, however, the Office of the Deputy Prime Minister's framework for the modernisation of the fire service recognises that Armed Forces' support should not be taken for granted in future.

Fisheries Protection

27. The Fishery Protection Squadron of the Royal Navy's Portsmouth Flotilla delivered 908 Fisheries Patrol Days from 1 April 2003 to 31 March 2004, made 1,710 boardings (an increase of 28% over the previous year), and identified 4,076 fishing vessels and 84 infringements. In fulfilment of the MoD's agreement with the Department of the Environment, Food and Rural Affairs, 23 vessels were detained.

The Royal Navy now delivers the majority of the Fisheries Patrol Days required, using the 3 recently commissioned ships of the new River Class Offshore Patrol Vessels – HMS TYNE, HMS SEVERN and HMS MERSEY. These capable ships are leased by the Royal Navy under innovative, and to date very promising, arrangements with Vosper Thornycroft.

Counter-Drugs Operations

28. The Armed Forces provided valuable assistance to HM Customs and Excise and other anti-narcotics agencies around the world. In particular, units deployed to the Caribbean continued to undertake patrols and joint operations with the US Coast Guard and drug-enforcement agencies. For instance, during a six-week period from November 2003 to January 2004, UK Forces facilitated the disruption of 14 tonnes of cocaine and the arrest of 13 traffickers.

Activity Levels of the Armed Forces

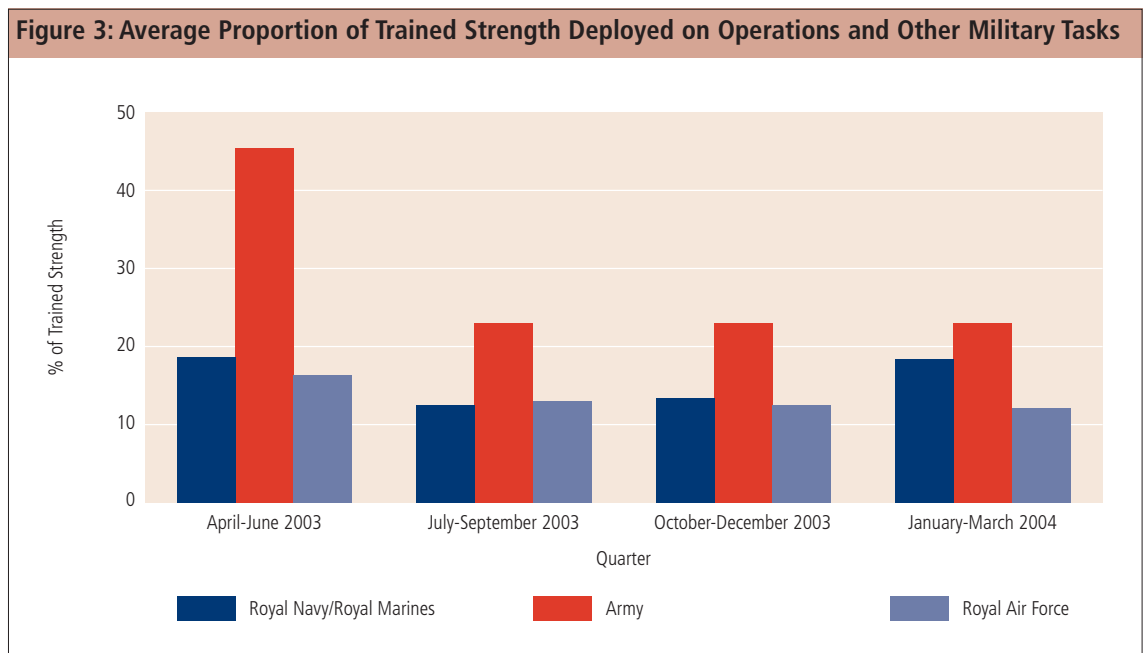
29. With the end of war-fighting operations in the Gulf, activity levels, as measured by the numbers of personnel deployed on Operations or other Military Tasks, for all three Services declined from the high levels seen in 2002/2003, with Royal Navy activity in particular depressed during the middle of the year as units recuperated, ships underwent maintenance and personnel took leave. Sustaining commitments in Iraq at the same time as in Northern Ireland, the Balkans, Afghanistan and other theatres meant however, that demands on the Army remained high. The Royal Air Force flew a total of 48,550 hours on operations, including 29,000 on Operation TELIC.

30. As set out in Supporting Essay 2 to the Defence White Paper *Delivering Security in a Changing World*, published in December 2003, our planning assumptions have developed to reflect the level and frequency of

Table 2: % of Trained Strength of Regular Forces Deployed on Operations and other Military Tasks

	2002/2003				2003/2004			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Royal Navy/Royal Marines	17.5%	13.0%	16.5%	28.5%	18.7%	12.8%	14.0%	17.7%
Army	24.6%	23.9%	32.5%	55.6%	46.9%	23.2%	22.9%	22.6%
Royal Air Force	12.6%	10.9%	19.1%	21.8%	16.5%	13.0%	12.9%	12.1%

Notes
 (1) Percentages exclude those either preparing for, or recovering from, deployments and are quarterly averages. Figures are based on man-day equivalents and cannot be compared across the Services. A list of Military Tasks can be found on the Department's website (www.mod.uk).
 (2) This data is collected through Service personnel management systems and local command reports.

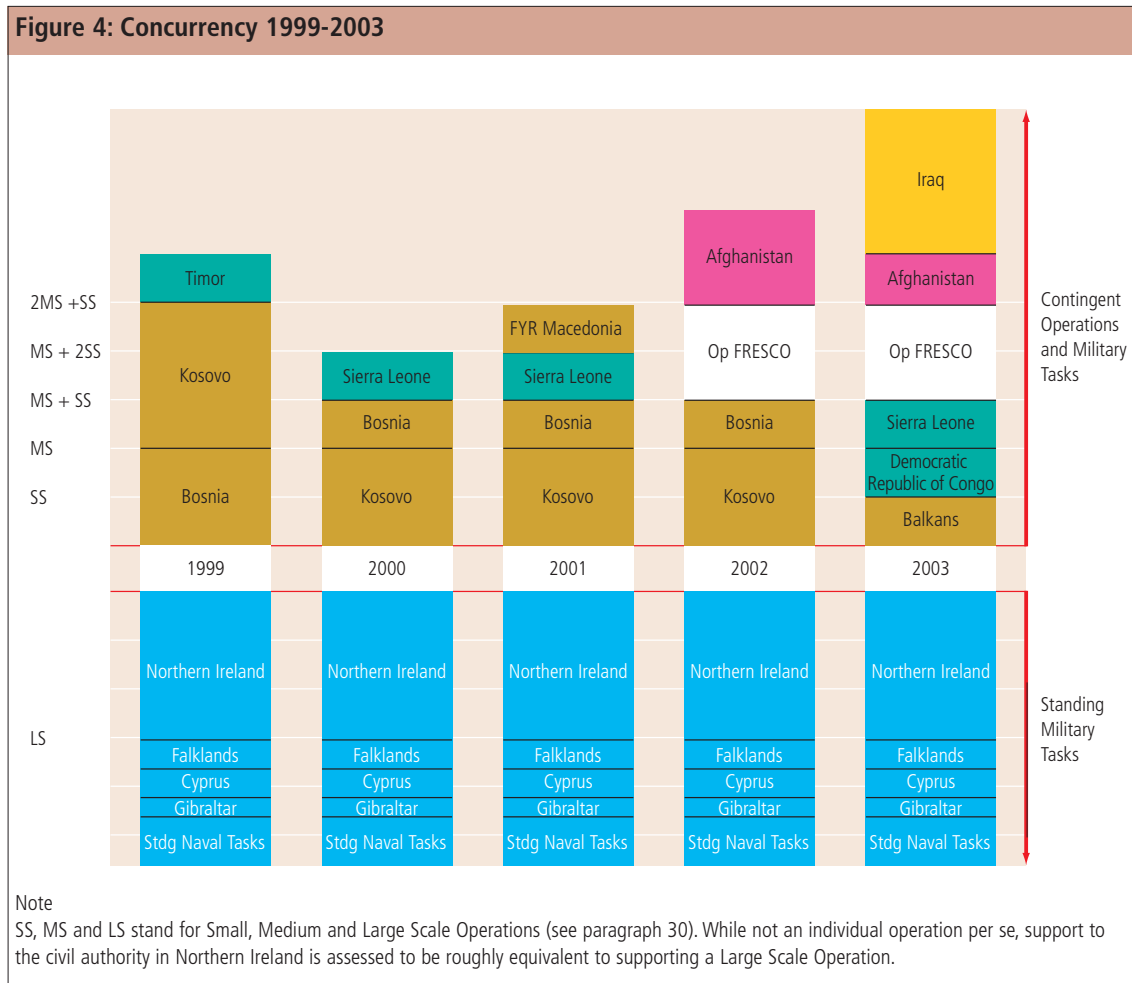


deployments for the more complex and demanding pattern of operations now necessary. We therefore now plan:

- that as a norm and without creating overstretch, we should be able to mount an enduring Medium Scale (MS) peace support operation simultaneously with an enduring Small Scale (SS) peace support operation and a one-off Small Scale intervention operation;
- that we should be able to reconfigure our Forces rapidly to carry out the enduring Medium Scale peace support operation and a Small Scale peace support operation simultaneously with a limited Medium Scale intervention operation; and
- that, given time to prepare, we should be capable of undertaking a demanding one-off Large Scale (LS) operation while still maintaining a commitment to a simple Small Scale peace support operation.

Additionally, we must also take account of the need to meet standing commitments with permanently committed forces, such as Quick-Reaction Alert Aircraft designed to maintain the integrity of UK airspace.

31. These assumptions set out what we plan to be able to achieve. In reality, we would expect to face periods where we are operating both above and below these levels. Our ability to sustain operations in excess of these assumptions will depend on a variety of factors including the nature and duration of the operations themselves. Figure 4 below sets out in broad terms the concurrency levels of the operations and other Military Tasks in which the Armed Forces have been engaged from 1999 to 2003. It is not definitive, but gives a general indication of the scale of military activity over this period.



Effectiveness

Objective:

To be ready to respond to what might arise.

Public Service Agreement Target (SR2002 MoD Target 3)

- By 2006 ensure that a minimum of 90% of high-readiness forces are at their required states of readiness with no critical weakness.

Performance Measures and Assessment

All Force Elements to meet planned readiness targets with no critical or serious weaknesses:

- *The proportion of Force Elements with no critical weaknesses reported by their military commanders increased steadily over the year from 77% in the first quarter to 93% in the fourth quarter.*

Other Measures

Assess our ability to generate and deploy, sustain and recover UK Armed Forces as required:

- *Operations in Iraq and elsewhere during the year effectively demonstrated our ability to deploy and sustain forces on operations and recover them thereafter, but highlighted a number of shortfalls. Some of these have already been addressed and we are looking carefully at how we can improve our ability to prepare in advance of commitment to specific deployments.*

Further sources of information

- Quarterly PSA reports to HM Treasury;
- MoD Evidence to the House Of Commons Public Accounts Committee on *Operation TELIC – United Kingdom Military Operations in Iraq (HC 273)*;
- MoD Evidence to the House of Commons Defence Committee on *Lessons of Iraq (HC 57)* and Government Response (HC 635);
- *Operations in Iraq: First Reflections*;
- *Lessons for the Future* (assessment of performance on Operation TELIC);
- *Delivering Security in a Changing World* (Defence White Paper and supporting essays).

Readiness

32. The Armed Forces undertake operations and other Military Tasks as required by the Government. A system of graduated readiness ensures that the right Force Elements (e.g. a Royal Navy ship, an Army brigade, or Royal Air Force aircraft and crew) are ready to deploy when they are needed. Each Force Element is set a planned and funded 'readiness target'. Performance against these targets is then used as a measure of whether the Armed Forces are achieving the level of military capability for which they are resourced. In previous years, we reported on

the readiness of rapidly deployable Force Elements only. As noted in the *Annual Report and Accounts 2002/03*, this did not provide a complete picture of overall military capability. In order to give a better picture of the ability of the Armed Forces to cope with the levels of operational activity currently undertaken, readiness reporting since 1 April 2003 has therefore covered all Force Elements at readiness. Force Elements are deemed to be 'ready' only if they achieve their required states of readiness – i.e. they meet the appropriate levels of collective performance, manning and equipment for that

readiness state – and have sufficient logistic support to maintain that state of readiness for a period thereafter. Force Elements on operations may be deemed 'ready' where they could in principle be redeployed in their primary role within required readiness times.

33. There was steady improvement over the year in the proportion of Force Elements with no critical weaknesses as reported by military commanders (see Figure 5 below). The relatively low readiness levels at the beginning of the year reflect the inevitable impact of Operation TELIC and Operation FRESCO on the Armed Forces' capability; the steady improvement thereafter reflects the process of subsequent recuperation (see paragraphs 34 to 36 below). By the fourth quarter of the year (January to March 2004), 93% of Force Elements were meeting their planned and funded readiness levels with no critical weaknesses reported. The Armed Forces continued to meet their operational commitments and Military Tasks throughout the year.

34. Following the drawdown of the maritime component in the Gulf region in the early part of the year, the **Royal Navy** went through a period of recuperation with many ships requiring unscheduled upkeep, notably those of the Royal Fleet Auxiliary. This period included post-operation leave for many personnel and resulted in a diminished level of readiness. Towards the end of the year, levels recovered as units regenerated to their required readiness. Readiness was further affected by a shortage of trained personnel in some critical skills, mitigated in part by the use of full-time Reservists.

35. As anticipated, readiness levels in the **Army** fell during the first half of the year while forces recuperated from the Large Scale war-fighting operation in Iraq. In the second half of the year, effective recuperation produced a continuing improvement in readiness levels.

36. Following the end of offensive operations in Iraq, there was a significant reduction in the number of **Royal Air Force** personnel and Force Elements deployed on operations. Since their return from the Gulf, these forces have been recuperating, with readiness levels steadily improving as a result. However, there are concerns about the dilution of the balance of experience on frontline RAF squadrons and equipment shortages in some areas.



Sustainability and Deployability

37. The Armed Forces are funded routinely to achieve the peacetime readiness states described above and to fulfil a range of standing Military Tasks. Additional funding is required to prepare for contingent operations, deploy forces into theatre, and sustain and then recover them.

38. The deployment of the Armed Forces on operations involves the preparation, mounting and movement of personnel and equipment, together with large quantities of containerised supplies through air and sea ports. This demanding task requires the reinforcement of UK military assets with strategic airlift and sealift assets from both military allies and the commercial market, particularly at the most demanding scales of effort. The Defence Transport and Movements Agency's strong commercial position enables it to secure assets to meet planning timelines. In addition, in order to secure access to additional assets to reinforce dedicated RO-RO shipping and strategic transport aircraft, the UK has joined several multinational strategic lift initiatives.

39. Some supplies that could not easily be obtained within anticipated warning times need to be maintained against the levels of effort and the concurrency assumptions set out in the Defence White Paper *Delivering Security in a Changing World: Future Capabilities*. The demands of operations in Iraq and elsewhere during the year effectively demonstrated our ability to do this. Inevitably, there will be a variance between what we plan for and what we find we need for a specific operation.

40. We are looking carefully at how we can improve further our ability to prepare in advance of a commitment to specific operational deployments. In particular, the Department is examining ways of engaging industry earlier in the preparation period to increase the likelihood that urgently purchased equipment and modifications are delivered to the frontline in good time. However, the speed with which the Department is able to apply lessons, such as the introduction of an effective consignment tracking system, depends upon a number of factors including the complexity of technical solutions and competing demands for resources.

Joint Rapid Reaction Forces (JRRF)

41. The JRRF are a pool of highly capable Force Elements, maintained at high readiness and trained to the required joint standards. In practice, the operational tempo over the year exceeded the previous JRRF planning requirement (to be able to mount and sustain a single, non-enduring, medium-scale war-fighting operation, in addition to a medium-scale peacekeeping operation by March 2005). Some 46,000 personnel (including 5,000 Reservists), built mainly upon the JRRF, deployed to the Middle East on Op TELIC at the peak of activity there, and a medium-scale commitment of around 9,000 personnel, drawn in part from the JRRF pool of high-readiness forces, remains in the region. Simultaneously, 19,000 Service personnel (many drawn from high-readiness forces) participated in fire-fighting duties on Op FRESCO, whilst others contributed to concurrent operations in Afghanistan, the Balkans and Sierra Leone. We have therefore already demonstrated the level of capability required, but have also identified continuing shortfalls in certain specialist areas. Action is in hand to address these. As set out in the Defence White Paper *Delivering Security in a Changing World*, we are looking further in light of experience in Iraq and elsewhere at the forces assigned to the JRRF to reflect the increased frequency of Small and Medium Scale operations.

Delivery of Medical Support

42. Following the Deployable Medical Capability Study (completed in April 2004), we have concluded that we require 400 beds to support a focused intervention at Medium Scale, with an overall requirement of 600 beds (a reduction of 200 from our previous assessment) to support up to three concurrent operations (Medium/Medium/Small). We plan to achieve the capability by 2006 using modules containing the medical consumables and medicines needed to deploy state-of-the-art medical equipment to field hospitals.

Policy

Objective:

To help build a safer world.

Public Service Agreement Targets (SR2002 MoD Targets 2 and 5):

- Improve the effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and a reduction in potential sources of future conflict, where the UK can make a significant contribution (Joint target with DfID and FCO);
- Strengthen European Security through an enlarged and modernised NATO, an effective EU crisis management capacity and enhanced European defence capabilities (Joint target with FCO).

Performance Measures and Assessment:

Shaping NATO and the EU in line with wider UK interests:

- *Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia acceded to NATO. The UK continued to provide them with practical assistance;*
- *NATO Response Force reached interim operational capability;*
- *Further streamlining of NATO command structures;*
- *Further progress towards coherent NATO/EU institutional architecture enabling flexible responses to crises. Articles in EU Constitutional Treaty ensuring European Security and Defence Policy consistent with NATO;*
- *Creation of European Defence Agency, progress in addressing identified European capability shortfalls, and development of EU Battle Groups Concept;*
- *Successful EU military missions in Macedonia and Congo.*

UK military contribution:

- *The UK continued to commit almost all its forces, including nuclear forces, to NATO. Contribution of equipment and personnel for interim air policing in the Baltic States. Considerable forces offered for initial rotations of the NATO Response Force.*

Effective Defence policy on conflict prevention:

- *Development and refocusing of defence relations programmes and initiatives. Cross-Whitehall conflict pools enhanced and put to good use;*
- *Significant progress on verification and disarmament of Libya's WMD programmes, and programmes for destruction of Russian chemical weapons;*
- *Support to international efforts for collection, stockpile management & destruction of surplus Small Arms and Light Weapons. Completion of negotiations on Protocol on Explosive Remnants of War;*
- *UK/US agreements on framework for missile defence cooperation and arrangements for the upgrade of radar at RAF Fylingdales. UK Missile Defence Centre established;*

Effective Defence participation in the Government's long-term strategy for countering terrorism;

- *Continuing development of capabilities identified in SDR New Chapter. Development of collective NATO and EU Chemical, Biological, Radiological and Nuclear defence capabilities;*
- *Strengthened defence capability to respond to the threat of international terrorism overseas and at home, including creation of Civil Contingencies Reaction Forces.*

Further Sources of Information

- Quarterly PSA reports to HM Treasury;
- MoD Evidence and Government Response to the House of Commons Defence Committee on *The Defence White Paper 2003* (HC 465 and HC 1048);
- MoD Evidence and Government Response to the House of Commons Defence Committee on *Arms Control and Disarmament (Inspections) Bill* (HC 321 and HC 754);
- MoD Evidence and Government Response to the House of Commons Defence Committee on *The Government's Proposals for Secondary Legislation under the Export Controls Act* (HC 620 and Cm 5988);
- MoD Evidence and Government Response to the House of Commons Defence Committee on *Strategic Export Controls: Annual Report for 2001, Licensing Policy and Parliamentary Scrutiny* (HC 474 and Cm 5943) and MoD Evidence on *Strategic Export Controls: Annual Report for 2002* (HC 390);
- MoD Evidence and Government Response to House of Commons Defence Committee on *A New Chapter to the Strategic Defence Review* (HC 93 and HC 975);
- MoD Evidence and Government Response to the House of Commons Defence Committee on the *Draft Civil Contingencies Bill* (HC 557 and Cm 6078);
- MoD and FCO Evidence to the House of Commons Defence Committee on *European Security and Defence* (HC 1165);
- *Istanbul Summit Communiqué, issued by the Heads of State and Government participating in the meeting of the North Atlantic Council, 28 June 2004*
http://nato.usmission.gov/News/ISUM_Communique_062804.htm;
- *Council Joint Action 2004/551/CFSP of 12 July 2004 on the establishment of the European Defence Agency*, <http://ue.eu.int/uedocs>;
- *European Council NATO-EU Planning, Consultation and Operations Document SN 307/03 of 11 December 2003*, <http://ue.eu.int/uedocs>;

- *Treaty establishing a Constitution for Europe*, <http://ue.eu.int/igcpdf/en/04/cg00/cg00087.en04.pdf>;
- *Delivering Security in a Changing World* (Defence White Paper and supporting essays);
- *Delivering Security in a Changing World: Future Capabilities*;
- *The G8 Global Partnership: Progress Report on the UK's Programme to Address Nuclear, Chemical and Biological Legacies in the Former Soviet Union*, published jointly by FCO, DTI and MoD in November 2003, www.dti.gov.uk/energy/nuclear/fsu/news/First_annual_report.pdf;
- Papers for the 2004 NPT Prepcorn, www.fco.gov.uk;
- Papers for the 2003 CWC Review Conference, www.opcw.org;
- *Protocol V on Explosive Remnants of War*, www.gichd.ch/ccw;
- *November 2002 Missile Defence public discussion paper*, www.mod.uk/issues/cooperation/missile_defence.htm;
- *Draft Civil Contingencies Bill*, <http://www.ukresilience.info/ccbill/index.htm>;
- *UK Defence Statistics 2004*.

NATO and European Defence

43. The MoD and the Foreign and Commonwealth Office contributed to good progress over the year in strengthening NATO and developing the European Union's European Security and Defence Policy. The accession to NATO on 29 March 2004 of Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia brings the Alliance to 26 members, strengthening security for all in the Euro-Atlantic area. The MoD played an important part in helping these Allies to prepare for membership by providing practical help including English language training, secondment of UK advisers to Defence Ministries and staff training in the UK. We have continued to construct a coherent institutional architecture that allows flexible responses to crises by a NATO operation, an EU operation with recourse to NATO assets under Berlin Plus arrangements, or an autonomous EU operation as appropriate.

44. During the year, the UK supported NATO in taking key steps to streamline its Command Structure. Allied Command Operations is now the single strategic command with operational responsibilities. Allied Command Transformation, as the other strategic command, takes responsibility for overseeing the transformation of Allied forces and capabilities. We also helped deliver the NATO Response Force (NRF), which will provide Allies with a flexible, deployable, technologically advanced and interoperable force. An interim operational capability

for the NRF was achieved in October 2003 and the full capability is expected by October 2006.

45. The UK continued to commit almost all its combat forces to NATO, in addition to our nuclear forces and the majority of our support and enabling capabilities. We contributed equipment and personnel to NATO's interim air policing solution in the Baltic States, implemented on their accession. The UK has led the way in Europe in providing truly deployable capability and maintaining significant forces at very high readiness. We have offered considerable forces for initial rotations of the NRF, including a deployable maritime component command, the deployable land component command (the Allied Rapid Reaction Corps) and the UK's Joint Force Air Component Command Headquarters. Recognising the vital role envisaged for the NRF, the UK intends to continue to support future requests to generate forces.

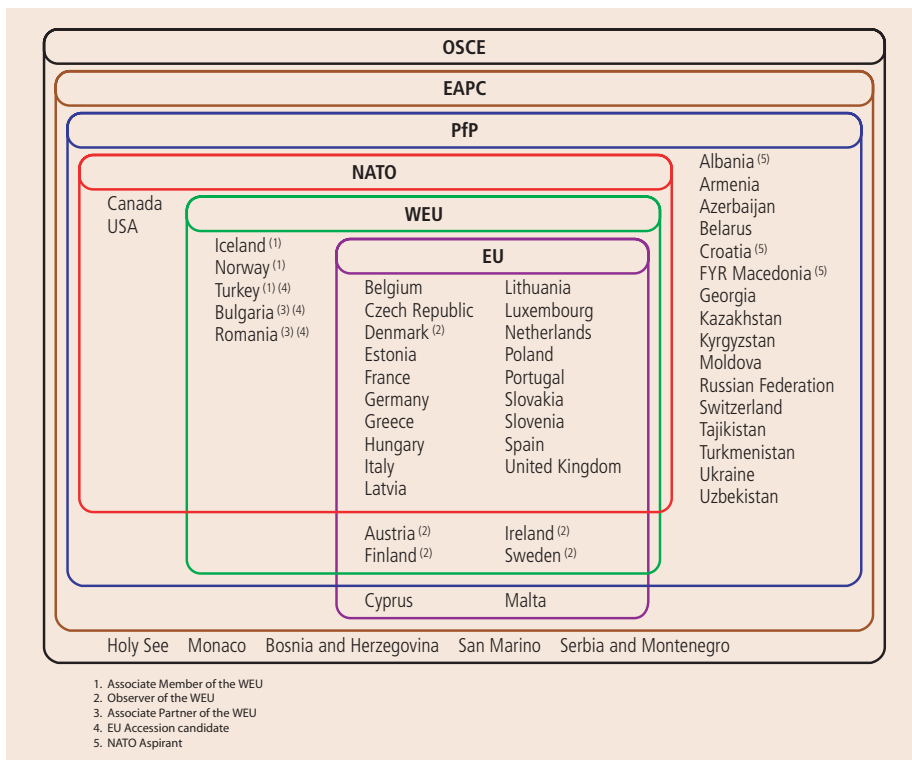
46. The UK continued to pursue practical improvements to Europe's military capabilities that will benefit both NATO and the EU. We have been instrumental in the creation of a European Defence Agency to oversee and drive forward capability improvements, and have continued to push forward the European Capabilities Action Plan to address capability shortfalls against the Helsinki Headline Goal. We have also worked with partners to outline a new Headline Goal for ESDP (Headline Goal 2010), reflecting the changing strategic environment and the need for the EU to be able to respond more quickly

to crises. The importance of rapid response is also behind the EU's Battle Groups Concept, which we originally developed with France and Germany. It looks to EU Member States to provide a number of very high-readiness force packages (of around 1,500 personnel each) designed principally for use in response to requests from the UN.

47. Two EU military missions were successfully completed in 2003/04: Operation CONCORDIA in the Former Yugoslav Republic of Macedonia and Operation ARTEMIS in the Democratic Republic of Congo. These demonstrated that the EU is able to conduct crisis management operations both within Europe and further afield. Building on this, the UK will command an EU military operation in Bosnia from the end of 2004. This operation, conducted with

recourse to NATO planning facilities as agreed under Berlin Plus arrangements, will support the EU's wider civil objectives in Bosnia. The strategic partnership between the EU and NATO will be further strengthened by improved liaison arrangements now agreed between the EU Military Staff and NATO. Also, the EU's ability to predict and react to emerging crises using its range of security tools will be enhanced by the creation of a Civil-Military Cell with the ability to set up an ad hoc Operation Centre in certain limited circumstances if other operational headquarters are not available. The UK negotiated defence articles in the EU Constitutional Treaty ensuring that the European Security and Defence Policy continues to develop in an open, flexible and militarily robust way consistent with our commitment to NATO.

Figure 6: The European Security Structure – Post NATO/EU Enlargement



Defence Diplomacy and Conflict Prevention

48. We currently have 22 military observers and 434 troops on UN operations, who represent 1.07% of UN military manpower. The majority of these are in Cyprus, where the UK has continued to support the United Nations Force In Cyprus (UNFICYP) mission, providing over 400 troops (out of an overall force of about 1,250 personnel), predominantly in the Nicosia area. Their duties include patrolling the buffer zone between the Greek and Turkish Cypriot communities and providing reassurance. The period between December 2003 and April 2004 saw intense diplomatic efforts by the United Nations, supported by the Guarantor Powers and the European Commission, to achieve a solution to the Cyprus problem. On 24 April 2004, referendums were held on both sides of the island. The referendum in the Turkish Cypriot community was carried (65% voted yes), but in the Greek Cypriot community, the settlement proposals were opposed by a large majority (76% voted no). Accordingly, the Annan Plan, which was designed to be self-executing in time for a reunited island to enter the EU on 1 May, became null and void. The UK's offer of territory from the Sovereign Base Areas, which was an integral part of the Plan, also became null and void. Cyprus joined the EU on 1 May as a divided island, with the *acquis* suspended in northern Cyprus. In light of this outcome, the UN Secretary General subsequently undertook to conduct a review of UNFICYP's mandate, force levels and concept of operation. Other current commitments include contributions to UN Mission in Sierra Leone (see paragraph 16 above) and to the Verification and Monitoring Team in Sudan.

49. During the year, the MoD created a new grouping of Defence Relations directorates in order to improve the strategic direction, management and delivery of the UK's defence relations activities overseas both within and outwith the Conflict Prevention Pools, and to link our bilateral activities to defence policy, through regional strategies and country objectives. Further details are set out in the Defence White Paper *Delivering Security in a Changing World* and its supporting essays, available at www.mod.uk. Good progress on the UK's main defence relations programmes and initiatives was maintained over the period. The *Russian Resettlement Programme* continues to be a model programme – the principles of which have been used in the last year to scope projects for Ukraine, Georgia and Moldova. MoD has worked closely with Serbia and

Montenegro to prepare for a resettlement programme to begin in late 2004. The *Junior Staff Officers Course* in Slovakia, developed from a UK/Netherlands initiative, to prepare students from NATO and partner countries to take part in multinational operations, became fully operational with the first course in early 2004, and, combined with the output of the British Military Training team based in the Czech Republic, represents a significant contribution towards developing the operational capability of allies and partner nations. The civilian MoD Police (MDP) also provide around 100 officers – mainly constables and sergeants – on overseas missions in a number of locations. These are mainly in Kosovo (see paragraph 14) and Iraq (see paragraph 9), where they are recognised as doing a good job in difficult circumstances, but also include Kenya and Pitcairn Island (in the South Pacific). The MDP has been recognised as a Centre of Excellence for international policing and undertakes pre-deployment training for its own officers and those from Home Department Police Forces.

50. The Global and Africa Conflict Prevention Pools continued to promote a coherent cross-Whitehall approach in HMG efforts to prevent, contain and manage conflict. The innovative inter-departmental approach allows the UK to improve its response to conflict, both in the short and longer term, by combining skills and expertise across Whitehall. At the end of March 2004, the Global Pool was funding 15 strategies relating to conflict prevention, divided between regional and country strategies and 'themed' strategies (such as Security Sector Reform). These have ranged from rapid support in immediate post-conflict situations (e.g. Afghanistan, Iraq), to long-term stability and confidence-building work in intractable problem areas such as the Middle East and the frozen conflicts in the Former Soviet Union. The Africa Pool has been successful in providing an effective joined-up UK contribution to African peacekeeping operations in Burundi, Côte d'Ivoire and Liberia, as well as playing a significant role in peace processes in Sudan and the Democratic Republic of Congo. The latter have been achieved while maintaining a high level of ongoing programme engagement in a range of other countries, particularly in respect of creating African capability and capacity for regional peace support operations. Defence Advisory Team activity and commitment continued to broaden over the period to cover the full ambit of Security Sector Reform. Recognition both in Whitehall and abroad of the Team's expertise, capabilities and contribution to

structural reform overseas is reflected in the growing and increasingly diverse portfolio of its engagements. The team has been particularly effective in providing assistance to countries in Central and Eastern Europe, the Middle East, South and South East Asia, Africa, the Caribbean and Central and South America.

Counter-Terrorism

51. The MoD has continued to work closely with other Government Departments on developing the UK's broader response to the threat we face from international terrorism. While there is no specific military solution to this problem, the Armed Forces have an important contribution to make to each of the four strands of the UK's counter-terrorist strategy. Conflict prevention, peace-support operations, and defence diplomacy can all assist in prevention by tackling some of the underlying causes of terrorism. The military can play an important role in pursuing terrorists and those who support them. And the Armed Forces are able, through long-standing and well-practised arrangements, to respond to requests from the civil authorities for help in protecting the public and preparing to handle the consequences. We continue to develop the capabilities that the SDR New Chapter identified as necessary for the military to play their full part in this broad spectrum of activity. In addition to the continuing operations to ensure security in Iraq and to assist in rebuilding Afghanistan (as set out in paragraph 11 above), the Armed Forces have been engaged in maritime interdiction operations in the Mediterranean and Arabian Seas and in the crucial task of building the counter-terrorist capacity of other nations.

Counter Proliferation and Arms Control

52. The Department continued to make a major contribution to the UK's arms control and counter-proliferation activities during 2003-2004. International treaties form the basis of the UK's efforts in arms control. Defence officials participated actively within UK delegations in a number of international meetings during the year, including the Preparatory Committee for the 2005 Nuclear Non-Proliferation Treaty Review Conference (for which the MoD produced a working paper on the verification of the dismantlement of nuclear warheads and their components) and the first Review Conference of the Chemical Weapons Convention (for which the MoD drafted nine major papers).

53. UK conventional arms control activities continued to contribute to conflict prevention and stability across the OSCE area through inspections, evaluations and confidence and security building measures. Under the terms of three key treaties (Conventional Forces in Europe (CFE), Vienna Document 1999 (VD99), and Open Skies (OS)), the UK received 19 inbound inspections or evaluations (including five on British Forces Germany), and conducted 14 outbound inspections or evaluations on non-NATO signatories. The UK also initiated a joint OS mission with the Russian Federation over Georgia in February 2004, which was the first of its kind and an all-round success. Conventional arms control policy focused on the adapted CFE, which will move the treaty from a bloc-based to a state-based treaty once the Russian Federation meets its Istanbul 1999 commitment to withdraw its forces from Georgia and Moldova, enabling the treaty to be ratified. Details of UK holdings declared under the CFE Treaty can be found in *UK Defence Statistics 2004*, available at www.mod.uk.

54. Significant progress was made in helping Russia destroy its stockpiles of chemical weapons (CW). Following completion of the UK's first project in early 2003, our second project – the procurement of equipment for an electricity substation at Shchuch'ye – is now well under way, jointly funded by UK, Norway, the EU and the Czech Republic. The UK signed a Memorandum of Understanding with Canada in November 2003, under which Canada will make a grant of some C\$33M for the UK to implement on its behalf the construction of a railway to support the Shchuch'ye CW destruction facility. Further details of the MoD assistance programme are available at www.dti.gov.uk/energy/nuclear/fsu/mod.shtml.

55. The MoD has also continued to contribute to international consideration of conflict-related humanitarian concerns. Negotiations on the new legally binding Protocol V (to the Geneva Convention) on Explosive Remnants of War (ERW) were successfully concluded in November 2003. The Protocol contains new provisions that will offer significant humanitarian benefit to those in areas affected by ERW, making clearance of unexploded ordnance quicker and more effective. The UK fully supports the aims of Protocol V and intends to ratify it later this year.

56. The MoD is one of the major advisory Departments on implementation of Export Controls, which changed significantly during the year with the implementation of the Export Control Act 2002, and contributes actively to the development of various international Export Control regimes.

57. Together with FCO and DfID, the MoD is also contributing towards collection, stockpile management and destruction of surplus Small Arms and Light Weapons, with a focus on Man-Portable Air Defence Systems, which pose a significant threat to military and civilian aircraft, particularly in terrorist hands.

Proliferation Security Initiative

58. In May 2003, President Bush launched the Proliferation Security Initiative (PSI). Under this, nations are striving to establish a more co-ordinated and effective basis to impede and stop states and non-state actors of proliferation concern from trafficking in WMD and delivery systems. The UK has taken a leading role in the development of the PSI. The MoD hosted and chaired two of the six Operational Expert Meetings, and led an air-interception Command Post Exercise.

Chemical, Biological, Radiological and Nuclear Defence (CBRN Defence)

59. Unfortunately, it remains the case that international arms control and non-proliferation efforts do not preclude the possibility that Chemical, Biological, Radiological or Nuclear weapons might in some circumstances be used against us or our Allies, whether by states or terrorists. The UK therefore continues to develop its ability to counter the threat posed by CBRN weapons. Working with NATO and EU allies, we have sought to build collective CBRN defence capabilities. This has culminated in the development of the NATO Multinational CBRN Defence Battalion. The UK contributes forces to this specialist unit designed to help protect deployed NATO forces from CBRN attack. A similar EU initiative is also progressing well, as part of the Equipment Capabilities Action Plan.

Missile Defence

60. We also continue to consider the wide range of issues relating to defending against ballistic missiles, and to work on these in international forums, in particular within NATO structures. NATO has completed a feasibility study assessing Active Layered Theatre Ballistic Missile Defence, and is studying the

viability of territorial missile defences. Work is in hand to determine how NATO might acquire active theatre missile defence by 2010, through a mixture of national and common capabilities. In June 2003, we signed a UK/US Memorandum of Understanding outlining the framework for future co-operation on missile defence activities, and agreed an Annex in December 2003 detailing arrangements for the upgrade of the ballistic missile early warning radar at RAF Fylingdales, for use as part of the US ballistic missile defence system. In addition, the UK Missile Defence Centre was established and opened by the Minister for Defence Procurement on 18 July 2003. The Centre is jointly resourced by Government and industry and provides the primary technical interface between the UK and US Governments on strategic missile defence.

Civil Emergency Response

61. The MoD played a significant supporting role in the development of the overall civil emergency mechanism. We were, for instance, involved in the development of the Civil Contingencies Bill prior to the public consultation process that commenced in June 2003. The Bill is currently before Parliament. Enhancements in our ability to co-ordinate a response to civil emergencies, identified as part of the New Chapter of the Strategic Defence Review, were also taken forward. Joint Regional Liaison Officers were appointed for each of the MoD's eleven regions, working within the Army's regional brigade structure, but acting on behalf of all three Services. This mechanism allows us to co-ordinate our activity with the civil authorities in the regions, through the Regional Resilience Forums introduced by the civil authorities in 2003, Local Resilience Forums and other contacts.

62. The fourteen Civil Contingencies Reaction Forces, identified as a means of providing additional MoD support, were also formed during 2003, achieving full operational capability at the end of the year. The Civil Contingencies Reaction Forces are drawn from the Armed Forces' Reserves. Their formation will enable the Reserves to play a full role in the response to major emergencies, on the same basis as the rest of the Armed Forces, but also drawing on the strong regional presence of the Reserves across the UK. They are already playing a role in the exercise programme organised by the civil authorities in the regions, reflecting the MoD's longstanding engagement in the civil exercise programme.

Essay: Defence White Paper

In December 2003, the Ministry of Defence published its once-a-Parliament White Paper, *Delivering Security in a Changing World*. It provides an updated assessment of the security environment, and serves as a policy baseline against which the Department will make the decisions to provide the Armed Forces with the structures and capabilities they require to carry out the operations they can expect to undertake. It represents an evolution of the expeditionary strategy articulated in the 1998 Strategic Defence Review (SDR), and builds on the conclusions of the SDR New Chapter of 2002 and recent operational experience.

The White Paper identifies the three key challenges to our peace and security that now confront us: international terrorism, the threat associated with the proliferation of weapons of mass destruction, and the challenges posed by failed and failing states.

In response, it makes the case for a rebalancing of the UK's Armed Forces. In addition to our standing Military Tasks and overseas commitments, our Armed Forces must be optimised to conduct three concurrent Small and Medium Scale operations, at least one of which is an enduring peace support operation. This reflects our experience of the pattern of operations since the SDR, and is what the Department judges the trend to be for the foreseeable future. These forces must also be capable of rapidly projecting military effect further afield than the core regions set out in the SDR (Europe, the Middle East and the Mediterranean) to encompass sub-Saharan Africa and South Asia, and to meet the wider threat from international terrorism on a global basis. Key to this will be our ability to exploit successfully the benefits to be derived from advances in technology, in particular those associated with "networked enabled capability" (NEC).

In building this into our plans, the Armed Forces must, of course, retain the ability to adapt at longer notice for the less frequent, but more demanding, Large Scale operations. The policy set out in the White Paper seeks to strike this balance. We will plan to maintain a broad spectrum of capabilities to ensure that we are able to conduct limited national operations, or be the lead or framework nation for coalition operations at Small to Medium Scale. But we do not envisage needing to replicate the same range of capabilities at Large Scale, given that it is inconceivable that the most demanding of operations could be undertaken without the involvement of the United States (either leading a coalition or as part of NATO).

In planning for the future, the Department will concentrate on enhancing our ability to deliver military effects, and continue the move away from assessing military capability by the numbers of platforms and personnel in the inventory. This will require considerable change – in mindsets as well as force structures and operational planning. As the Secretary of State said in his statement to the House of Commons on 11 December 2003, "Resources must be directed at those capabilities that are best able to deliver the range of military effects required, whilst dispensing with those elements that are less flexible". This will mean reductions in some of the older surface vessels, heavy armour and single-role fast jets, to enable further investment in today's highest priorities – medium-weight forces, precision strike, logistics and NEC – to enable us to deliver ever more precise and rapid military effect.

In setting the policy context, the White Paper will determine the shape of our Armed Forces for many years to come. Following its publication last December, the Department constructed a thorough examination of its capabilities and overheads in order to establish the precise nature of an appropriate force structure and future equipment programme to support the policy set out in the White Paper. This will ensure that we have the right capabilities we need for the challenges ahead, and that we are spending our resources in the best possible way. A further White Paper, *Delivering Security in a Changing World: Future Capabilities* (Cm 6269), published in July 2004, detailed the force structure changes emerging from that examination.

Resource Management

Annual Budget

Objective

- To control expenditure within budgeted limits.

Performance Measure and Assessment

Defence budget not overspent:

- *Net resource expenditure of £34,651M against resources voted by Parliament of £35,653M;*
- *Additional operational expenditure of £1,493M during 2003/04, against Estimates provision of £1,748M;*
- *Resource DEL outturn £30,033M against provision of £30,902M;*
- *Capital DEL outturn £5,648M against provision of £6,088M;*
- *Combined DEL outturn £35,681M against provision of £36,990M.*

Further Sources of Information

- *UK Defence Statistics 2004;*
- *MoD Evidence to the House of Commons Defence Committee on Annual Report and Accounts 2002/2003 (HC 589-i);*
- *Central Government Supply Estimates 2003/04 Main Supply Estimates (HC 648);*
- *Central Government Supply Estimates 2003/04 Spring Supplementary Estimates (HC 350);*
- *Ministry of Defence Departmental Resource Accounts 2003/04.*

Defence Budget and Spending

63. For the first time this year, the Ministry of Defence achieved an unqualified opinion from the Comptroller and Auditor General (C&AG) that the Departmental Resource Accounts in Section 2 of this report give a true and fair view of the state of affairs of the Department and of its net resource outturn, recognised gains and losses and cashflows for the year. This is a significant achievement towards which the Department has been working since publishing its first full Departmental Resource Accounts, for 1999/2000.

64. Table 3 compares performance against the estimates approved by Parliament. Request for Resources 1 (RfR 1) covers the Departments day-to-day running costs. Request for Resources 2 (RfR 2) covers the net additional cost of operations (see paragraph 66 below). Request for Resources 3 (RfR 3) covers war pensions and allowances. MoD expenditure in 2003/04 was contained within voted provision, with an overall Net Resource¹ underspend of £1,002M or just over 2.8%. The underspend against RfR 1 was mainly the result of lower than expected asset depreciation and cost of capital charges following management action to reduce holdings of obsolete assets. In addition, following the Quinquennial review of fixed assets in 2002/03, there were fewer downward valuations of assets than had been anticipated.

65. 2003/04 was the first year of managing the Defence budget under Stage 2 of the Resource Accounting and Budgeting regime, and the MoD was not initially subject to a cash Departmental Expenditure Limit (DEL). The Department's estimated cash requirement for the year was derived from its resource plans and was consistent with the overall resource control totals and standard commercial accounting practice. However, during the year, the MoD was asked

to constrain its cash spending. This did not change the overall defence budget, which remained exactly as set out in the 2002 Spending Review settlement, but it did require action to constrain activities which generated cash expenditure in year.

66. The Department is voted additional resources (RfR 2) to cover the net additional costs of Operations. No formal budget is set. The Department's performance against the estimate included in the Spring Supplementary Estimates, including for capital expenditure, is set out in Table 4 below. Overall expenditure in 2003/04 was £1,493M, about 85% of the provision, including £1,311M for operations in Iraq, £104M for operations in the Balkans (Bosnia, Kosovo and the Former Yugoslav Republic of Macedonia), £36M for operations in Afghanistan, and £1.7M for operations in Africa (Democratic Republic of Congo and Sierra Leone)³

67. Details of how the MoD's expenditure for 2003/04 is broken down in respect of the three primary objectives of our Public Service Agreement are set out in detail in Schedule 5 and Note 26 to the Departmental Resource Accounts, and summarised in Table 5 below.

Table 3: 2002/03 Parliamentary Controls (£M)²

	Final Voted Provision	Departmental Resource Accounts	Variation
Request for Resources 1	33,082	32,302	-780
Request for Resources 2	1,414	1,233	-180
Request for Resources 3	1,158	1,116	-42
Net Resources	35,653	34,651	-1,002
Net Cash Requirement	30,087	29,338	-749

Table 4: Net Additional Costs of Operations against Spring Supplementary Estimates (SSE) 2003/04 (£M)⁴

	DEL	Outturn	Variation
Resource DEL (RfR2)	1,414	1,233	-180
Capital DEL	334	260	-74

Table 5: Resources by Departmental Objectives 2003/04 (£M)⁴

	Net
Objective 1: Achieving success in the tasks we undertake	3,481
Objective 2: Being ready to respond to the tasks that might arise	26,777
Objective 3: Building for the future	3,156
(Total RfRs 1 & 2)	33,415
Paying war pensions and allowances (RfR3)	1,116
Total	34,531

¹ Including both cash and non-cash items.

² Includes Resource Departmental Expenditure Limit and Annually Managed Expenditure, less Resource Appropriation-in-Aid (e.g. profit/loss on disposal of capital items and stock).

³ Details set out in Note 27 to the Departmental Resource Accounts 2003/04.

⁴ Excludes £120M for excess Appropriation-in-Aid and Consolidated Fund Extra Receipts included in total outturn of £34,651M in Table 3 (see Note 7 to the Defence Resource Accounts 2003/04).

68. In addition to the Parliamentary control totals set out above, against which Departmental expenditure is presented in the Departmental Resource Accounts and audited by the National Audit Office, the Treasury issues separate Departmental Expenditure Limits covering both the majority of the Department's operating costs (excluding some non-cash costs specifically relating to nuclear provisions) and capital expenditure. In 2003/04, MoD expenditure was contained within the DELs for both its capital and its resource expenditure, with an overall underspend of £1,309M, or 3.5%. As noted above, the resource underspend was primarily caused

by lower than expected non-cash depreciation and cost of capital charges. The capital underspend arose from the end year accounting for the value of assets transferred to contractors under PFI projects. This underspend has been carried forward to 2004/05 as agreed under standard end year flexibility rules. Detailed figures by Top Level Budget Holder are set out in table 6 below.

	DEL	Outturn
Combined DEL	36,990	35,681
Resource DEL⁵	30,902	30,033
Allocated to TLBs:		
Commander-in-Chief Fleet	3,281	3,242
General Officer Commanding (Northern Ireland)	657	649
Commander-in-Chief Land Command	5,166	5,079
Commander-in-Chief Strike Command	3,753	3,385
Chief of Joint Operations	497	524
Chief of Defence Logistics	8,054	7,836
2nd Sea Lord/Commander-in-Chief Naval Home Command	691	693
Adjutant General	1,718	1,720
Commander-in-Chief Personnel and Training Command	1,025	995
Central	2,642	2,695
Defence Procurement Agency	2,895	2,875
Corporate Science and Technology	423	420
Departmental level accounts adjustments ⁶		-81
Capital DEL⁷	6,088	5,648
Allocated to TLBs:		
Commander-in-Chief Fleet	36	37
General Officer Commanding (Northern Ireland)	40	43
Commander-in-Chief Land Command	172	21
Commander-in-Chief Strike Command	43	40
Chief of Joint Operations	32	22
Chief of Defence Logistics	1,274	1,210
2nd Sea Lord/Commander-in-Chief Naval Home Command	29	28
Adjutant General	26	41
Commander-in-Chief Personnel and Training Command	20	18
Central	-27	-96
Defence Procurement Agency	4,309	4,296
Corporate Science and Technology	0	0
Departmental level adjustments ⁸		-12
Notes:		
(5) Includes all operating costs in RfR1 less items accounted for as Annually Managed Expenditure, such as nuclear provisions. Excludes expenditure on Conflict Prevention activities (See Table 4)		
(6) Departmental adjustments not apportioned to TLBs		
(7) Includes all expenditure on fixed assets, less the income from the sale of such assets. Excludes expenditure on Conflict Prevention activities (See Table 4)		

Losses and Write-Offs

69. Details of the losses reported are set out in Note 29 to the Departmental Resource Accounts (pages 161-165 below). £423M (over 90%) of the losses reported in 2003/04 arose from five cases. Of these, the write down of £287M in the assessed value of the submarine facility at Devonport (in essence a technical accounting adjustment), the write-off of £48M development costs following withdrawal from the MRAV project and the write-off of £18M equipment in Northern Ireland all reflect changes in the Department's planning assumptions and requirements in light of the changing security environment. The abandoned claim of £39M for project VIXEN represents the final closing of the books on a project cancelled in February 1997. The £31M write down for the Astute Class Training Service PFI is required by accounting rules following slippage to the planned In Service Date of Astute to reflect the reduced use the Department will in practice now derive from the contract.

70. The Departmental Resource Accounts also identify further write-offs that have not yet been brought to completion and will be formally incorporated in future years' accounts. A significant proportion of these relate to procurements already reported on in detail to Parliament. These include £205M for Chinook Mk3 Helicopters, £118M for the Defence Stores Management System and £75M for Nimrod MRA4. Several of these projects have also been examined in detail by the National Audit Office. In addition, £314M arises from our withdrawal from the multinational Long Range TRIGAT project in 1995, and our decision not to proceed to production of Medium Range TRIGAT in 2000. Under the terms of the Memorandum of Understanding governing these projects, we cannot close these transactions until all work is complete and all intergovernmental transactions finalised. Inevitably, it takes time formally to close the books in these often complex cases, but we are working to reduce this as far as possible.

71. The changes envisaged in the Defence White Paper *Delivering Security in a Changing World* of December 2003 and set out in the *Future Capabilities* paper of July 2004, combined with the significant organisational efficiencies and rationalisations included in the Department's SR2004 efficiency programme following the Lyons and Gershon Reviews, will generate further write-offs over the next ten years as force structures are adjusted to meet changing circumstances.

72. Further information on the financial performance of the Department can be found in the Departmental Resource Accounts at Section 2 of this publication.

Manning Levels

Objective

To achieve broad manning balance within each Service (headline numbers and mix) and to recruit and retain sufficient MoD civil servants.

Public Service Agreement Target (SR2002 MoD Target 4)

- Recruit, train, motivate and retain the personnel needed to meet the manning requirement of the Armed Forces, so that by the end of 2004 the Royal Navy and the RAF achieve, and thereafter maintain, manning balance, and that by the end of 2005, the Army achieves, and thereafter maintains, manning balance. (*Manning balance is defined as between -2% and +1% of the requirement, and is measured against the target prevailing at the time.*)

Performance Measures and Assessment

Trained strength of forces between -2% and +1% of the overall requirement by 31 December 2004 (RN and RAF) and by 31 December 2005 (Army):

- *As of 1 April 2004*
 - RN trained strength of 37,470, or 96.8% of overall requirement (compared to 97.6% on 1 April 2003);
 - Army trained strength of 103,770, or 97.2% of overall requirement (compared to 95.5% on 1 April 2003);
 - RAF trained strength of 49,120, or 98.5% of overall requirement (compared to 98.5% on 1 April 2003);
- *Substantial mobilisation of Reserves in-year for operations.*

Critical shortage groups:

- *Some improvement in critical shortage groups, but shortages remain in all three Services;*
- *Reduction in overall shortfall in medical personnel from 26% to 23%.*

Enhanced Diversity:

- *Progress made on implementing MoD's Race Equality Scheme and introducing our Unified Diversity Strategy. All three Armed Services and the MoD named in the top ten public sector ethnic minority employers;*
- *Overall Service ethnic minority strength of 4.9% (including Commonwealth recruits), just short of overall goal of 5% ethnic minority representation. UK ethnic minority intake 2.1% RN (target 2.5%), 2.8% Army (target 2.9%), 1.8% RAF (target 2.6%);*
- *As at 1 April 2004, women comprised 8.9% of UK Regular Forces (8.7% on 1 April 2003), and 11.6% of the total 2003/04 intake (12.3% in 2002/03);*
- *Civilian diversity targets exceeded for disabled personnel in MoD Senior Civil Service and Band D, and women in Band B. Targets just missed for women in Band D and disabled and ethnic minority personnel in Band B. Significantly below target for women and ethnic minority personnel in MoD Senior Civil Service and ethnic minority personnel in Band D.*

Reduce number of Service personnel medically downgraded and level of civilian absence:

- *Enhanced Regional Rehabilitation Units produced quicker return of referred personnel to active service;*
- *Increase of 1,120 (6.1%) in number medically downgraded result of improved application of revised procedure and stringent requirements for operational deployments;*
- *Average civilian sick absence 7.6 days (previous year 7.6 days, PSA target 7.0 days, public sector average 8.9-10.6 days).*

Further Sources of Information

- Quarterly PSA reports to HM Treasury;
- MoD Evidence to HCDC on *2002/03 Report & Accounts* (HC589-i);
- *Delivering Security in a Changing World* (Defence White Paper and supporting essays);
- *Unified Diversity Strategy*;
- *Race Equality Scheme (RES) 2002-2005*
www.mod.uk/linked_files/racial_equality.pdf;
- *RES first progress report*
www.mod.uk/linked_files/issues/personnel/2003_race_equality_report.pdf;
- *CRE Partnership Agreement*;
- *The Defence Health Programme 2003/2007*;
- *CIPD survey: Employee Absence 2004: A Survey of Management Policy and Practice* (The CIPD headline absence rates were 9.1 working days lost per employee overall and 10.7 days for the public sector)
www.cipd.co.uk/subjects/hrpract/absence/empabs04.htm;
- *CBI survey: Room for Improvement: CBI Absence and Labour Turnover 2004*, in association with AXA, copies available from TSO (The CBI figures were 7.2 working days lost per employee overall and 8.9 days for the public sector);
- *Naval Manning Agency Annual Report and Accounts 2003/04*;
- *Army Personnel Centre Annual Report and Accounts 2003/04*;
- *RAF Personnel Management Agency Annual Report and Accounts 2003/04*;
- *Defence Dental Agency Annual Report and Accounts 2003/04*;
- *UK Defence Statistics 2004*.

Service Manning Levels

73. At the end of 2003/04, the **Royal Navy and Royal Marines** had a shortfall of some 1,250 personnel against the trained strength requirement (a deficit of 3.2%). This is a slight increase from the position at the beginning of the year when the deficit was 2.4%. During the year, there was continued pressure on the requirement and reductions in wastage rates during initial training. However, reduced inflow and high outflow of RN Ratings have

offset these gains. Shortages in some branches remain a concern, including engineering trades, Warfare Leading Hands and Petty Officers, Submarine Leading Hand Communicators, Royal Marine Other Ranks and Medical Assistants (Submarines).

74. As at 1 April 2004, the **Army** had a shortfall of 2,960 personnel against the requirement (a deficit of 2.8%), representing a continuing trend of improvement from the deficit of 4.5% of last year.

This was primarily due to strong recruiting and inflow to trained strength, and good levels of retention. Premature Voluntary Retirement (PVR) rates for non-commissioned ranks improved, from 5.5% to 5.3%, while for Officers there was a marginal deterioration from 3.4% to 3.7%. Manning shortages exist within 26 Army trade groups in the Royal Logistics Corps, the Royal Electrical and Mechanical Engineers, the Royal Signals, the Royal Engineers, the Intelligence Corps and the Army Medical Services. These 'pinch point' trades are being targeted with a package of financial and other measures to alleviate the high levels of operational commitment experienced by the individuals within the groups.

75. The manning position in the Royal Air Force remained fairly stable during 2003/04 with the overall manning deficit being around -1.5%. Shortages in certain key branches and trades, such as medical officers and junior officer navigators remain a concern. The average number of exits from the Service through PVR remains constant at 2.1% for officers and down from 3.9% to 3.7% for airmen.

Table 7: Strength and Requirements of Full Time UK Regular Forces, Full Time Reserve Service (FTRS) and Gurkhas

	Royal Navy/Royal Marines			Army			Royal Air Force		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
Trained Requirement	39,180	38,510	38,720	106,970	106,980	106,730	49,990	49,640	49,890
Trained Strength	37,490	37,600	37,470	100,420	102,120	103,770	49,200	48,900	49,120
Variation	-1,690	-910	-1,250	-6,560	-4,850	-2,960	-790	-750	-770
Untrained Strength	4,860	4,960	4,500	14,380	14,880	13,650	4,120	4,700	4,650
Total UK Regular Forces	42,350	42,560	41,970	114,790	117,000	117,420	53,320	53,600	53,770

Notes:
 Figures are rounded to the nearest ten and may not sum precisely to the totals shown. Figures include UK regular forces, trained Gurkhas, full time Reserve personnel and Nursing Services Personnel.

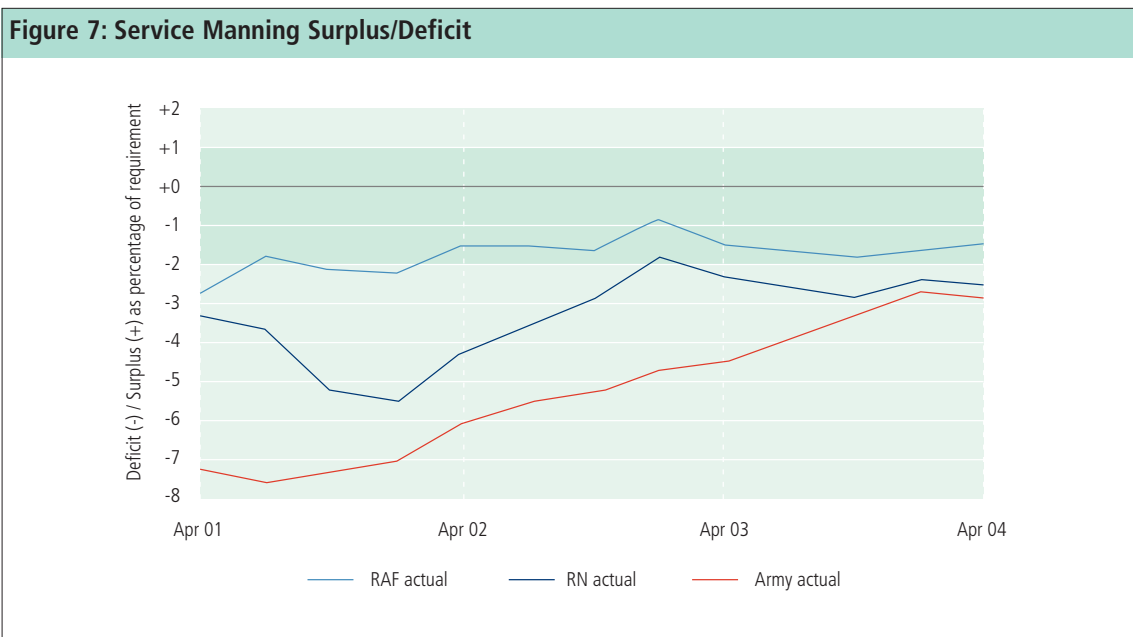


Table 8: Intake to UK Regular Forces from Civilian Life

	Royal Navy/Royal Marines			Army			Royal Air Force		
	01/02	02/03	03/04	01/02	02/03	03/04	01/02	02/03	03/04
Officer intake	410	420	340	820	900	880	450	460	520
Other rank intake	4,600	4,800	3,780	14,030	15,710	14,310	3,340	3,990	3,640
Total intake	5,010	5,220	4,120	14,850	16,610	15,190	3,780	4,450	4,160

Notes:
 Figures do not include full time Reserve personnel, Gurkhas or the Home Service battalions of the Royal Irish Regiment. Figures are rounded to the nearest ten and may not sum precisely to the totals shown.

Table 9: Outflow of UK Regular Forces

	Royal Navy/Royal Marines			Army			Royal Air Force		
	01/02	02/03	03/04	01/02	02/03	03/04	01/02	02/03	03/04
Officer outflow	530	510	470	1,070	970	950	670	580	620
Other rank outflow	5,270	4,780	4,300	13,290	13,580	13,640	3,860	3,670	3,410
Total outflow	5,800	5,300	4,770	14,360	14,550	14,600	4,530	4,250	4,040

Notes:
 Figures include outflow from the untrained strength. They do not include full time Reserve personnel, Gurkhas or the Home Service battalions of the Irish Regiment. Figures are rounded to the nearest ten and may not sum precisely to the totals shown.

Defence Medical Services (DMS)

76. Recruitment into the DMS has improved and a number of actions are in hand to improve retention. In January 2004, the shortfall of medical officers stood at 20%, compared with 24% in January 2003. The overall position for the DMS has also improved across the same period, with a shortfall of 23% (not including those in training), compared with 26% the previous year. In January 2004, there were around 350 more fully trained medical personnel than there had been in 1999, with over 500 more in the training pipeline. Around 40 consultants are due to be accredited over the next four years. As at March 2004, 7 consultants and 13 vocationally trained GPs had joined the DMS under the "Golden Hello" scheme. Nevertheless, shortfalls remained in critical specialties, including general surgeons, orthopaedic surgeons, anaesthetists and A&E and ITU nurses; sustaining a high operational tempo within harmony and clinical governance remains challenging. Despite these difficulties, DMS personnel have successfully supported deployed operations in Iraq, Bosnia, Kosovo, Afghanistan, and Sierra Leone during the year, and as of 10 May 2004, 414 Regular and Reserve personnel from the DMS were deployed overseas.



Medical teams prepare to receive casualties flown to a Field Hospital by an RAF Chinook.

77. The requirement for military medical manpower is driven by the need to support deployed operations. The Deployable Medical Capability Study examined what is required to support Defence Planning Assumptions and concluded that it was possible to adjust the balance of Regular and Reserve personnel, and thereby reduce the number of Regular personnel required at high-readiness. This should reduce the overall shortfall in Regular medical personnel against requirement to about 10% by August 2004, although shortages will remain in some critical specialties.

Reserves

78. The role of the Reserves is to reinforce and support the regular Armed Forces in time of crisis. The Reserve Forces continue to play a vital role in support of expeditionary operations, for which they have been providing between 10 and 15% of total UK Forces. During 2003/04, Reservists continued to be mobilised for Operation TELIC in Iraq, contributing some 25% of the land force in the early stages of peace support operations in late 2003. Reservists were also mobilised for operations in the former Yugoslavia, for the International Security Assistance Force in Afghanistan and in support of operations against international terrorism. Additionally, Reservists contributed training time in support of the Armed Forces' efforts to maintain fire emergency cover in the UK during Operation FRESCO. A breakdown of Reserve manpower strengths is shown in Table 10. Lessons drawn from the mobilisation of Reserves in support of operations in Iraq will inform restructuring of all Reserve Forces in order to maximise the support they provide to operational capability. The support given to Reservists called out for operations and their families has also been the subject of surveys, which will inform future work.

79. In support of the defence and security of the UK, Civil Contingency Reaction Forces achieved full operating capability on 31 December 2003. These are based upon the command and control structure of Territorial Army units and include volunteers from all the Volunteer Reserve Forces. They are designed to support the national emergency services in the full range of emergency events which may require the deployment of a large disciplined manpower component.

Volunteer Reserve Forces (VRF)

80. Approximately one fifth of the Armed Forces' Reserves are volunteers from the general public, who undertake paid training and accept a liability for call out for permanent service in an emergency. The training given to volunteer Reservists helps to develop leadership, team working and communication skills, as well as offering the opportunity to acquire a variety of other skills such as driving and first aid. In addition, the training builds self-confidence, self-reliance and physical fitness. It is the view of the Department that these skills and personal qualities are as vital to the success of UK firms and organisations as they are to the Armed Forces. In times of shortages of regular manpower, the Armed Forces are increasingly able to make use of Reservists, including volunteer Reservists, to undertake periods of full time service which are of benefit to the Regular Forces, to the volunteer's reserve unit and to the individual volunteer.

81. All Services have reviewed and enhanced their recruiting efforts for the Volunteer Reserve Forces in order to maintain their trained strengths. The Department recognises that the ability to mobilise and deploy Reserves depends upon the three-way relationship between the MoD, the Reservist and the employer. The SaBRE (Supporting Britain's Reservists and Employers) Campaign continues to offer advice and support to employers during the mobilisation process. During the year, it became a condition of enlistment or re-engagement into the Volunteer Reserves for Reservists to agree to their membership being disclosed to their employer.

Table 10: Strength of the Reserve Forces at 1 April 2004^[1]

	Regular Reserves			Volunteer Reserves		
	RN/RM	Army	RAF	RN/RM ^[2]	Army ^[3]	RAF ^[4]
Strength	10,700	31,200	9,500	3,800	38,300	1,600
<i>of which mobilised</i>	—	100	—	—	2,900	—
Individuals liable to recall	12,000	110,700	27,100	*	*	*
TOTAL	22,700	141,900	36,600	3,800	38,300	1,600

Notes:

(1) Figures exclude FTRS personnel (3) Includes Officer Training Corps and non-regular permanent staff
(2) Excludes University Royal Navy Unit personnel (4) Excludes University Air Squadron personnel
— denotes zero or rounded to zero * denotes not applicable

Sponsored Reserves (SR)

82. Sponsored Reserves (SR) are members of the workforce of a civilian contractor providing specialist support to the Armed Forces in peacetime and during operations. When the reservists are called out to support operations, they come under military authority. There are five active SR contracts, four of which were called upon (some individual Sponsored Reservists more than once) to support operations during 2003/04:

- A contract for strategic sealift with AWSR Consortium provides the Royal Navy with Ro-Ro ships and 156 personnel as crews. 64 were mobilised during the year.
- A contract with Vosper Thornycroft provides a full time civilian systems engineer to maintain and support the complex, predominantly commercial off-the-shelf, survey system aboard each of the 2 new hydrographic survey vessels HMS ECHO and ENTERPRISE. A total of 5 personnel are involved to support a watch rotation cycle, although none was mobilised during the year.
- The Army's Heavy Equipment Transporter programme contracts a third of the required total of vehicles and crews from Fastrax Consortium and is fully integrated into Army units in the UK and Germany. It was successfully deployed on Operation TELIC in Iraq. 23 Sponsored Reserves were mobilised during the year.
- An arrangement with the Meteorological Office provides the RAF with the Mobile Meteorological Unit of up to 53 personnel. They continue to be heavily tasked in support of operations in Iraq and in the former Yugoslavia. 101 Sponsored Reserves were mobilised during the year.
- Engineering support for communications aircraft of 32 Squadron RAF is provided by Serco Aerospace (up to 16 personnel). They were mobilised for the first time in support of Operation TELIC. 31 Sponsored Reserves mobilised during the year.

Civilian Manning Levels

83. The Department employed 109,000 Full Time Equivalent civilian staff on 1 April 2004⁹. This was an increase of 1,470 over last year's figure of 107,530 Full Time Equivalent staff. The figures for UK-based staff have decreased slightly with the bulk of the increase being attributable to locally engaged civilians supporting our operation in Iraq, which grew by 1,430 Full Time Equivalents during the year. An increasing number of civilian staff now deploy to operational theatres alongside their uniformed colleagues. Some work alongside key military commanders as Policy Advisers to provide accurate and timely policy advice on the full range of political, legal and presentational issues. Some provide local contractual, secretariat and financial advice to deployed forces. Lists are maintained of civilian staff prepared to deploy overseas at short notice, or available for augmentation duties in the UK to allow 'round the clock' manning in the event of a crisis.



The secretariat team of MoD civil servants deployed with the UK military logistic headquarters during the campaign against Iraq.

Diversity

84. The MoD Diversity Panel was established nearly two years ago. It meets twice a year and is chaired by the Permanent Secretary and Chief of the Defence Staff. The Panel comprises senior MoD personnel and 9 external members, representing different strands of society, who bring a wealth of experience to help MoD take forward departmental diversity objectives. This year the Panel produced a Unified Diversity Strategy for MoD staff, service and civilian, which is encouraging a more consistent approach to diversity across the Department.

⁹ The civilian workforce numbers quoted in this report are against the new Civilian Workforce Level 0 definitions that were changed following the public consultation in line with the National Statistics Protocols (see www.dasa.mod.uk for more information).

Table 11: Civilian Recruitment ¹						
	2001/02		2002/03		2003/04	
	Non-Industrial	Industrial	Non-Industrial	Industrial	Non-Industrial	Industrial
Total number of staff recruited ²	4,754	1,848	4,399	1,119	4,397	1,279
Number and percentage of women recruited	2,473 (52%)	455 (24.6%)	1,979 (45%)	256 (23%)	2,172 (49%)	300 (23%)
Number and percentage of ethnic minorities recruited ³	165 (3%)	20 (1%)	145 (3%)	21 (2%)	144 (3%)	21 (2%)
Number and percentage of people with disabilities recruited ³	116 (2%)	21 (1%)	68 (2%)	20 (2%)	77 (2%)	25 (2%)
Appointments of less than 12 months in respect of those posts specified in Annex A of the CSCRC.	0	0	0	0	0	0
Extensions up to a maximum of 24 months, of appointments originally made for a period of less than 12 months (with reasons). ⁴	9	29	15	4	21	1
Recurrent short term appointments.	0	0	0	0	21	40
Short term appointments where highly specialised skills are required. ⁵	3	13	0	0	4	0
Appointments under Government programmes to assist the long term unemployed. ⁶	4	0	8	0	5	0
Secondments. ⁷	11	0	13	1	20	1
Extensions to secondments (with reasons). ⁸	3	0	2	0	1	0
Re-appointments of former civil servants.	88	17	102	35	110	11
Transfers of staff with their work (not under TUPE).	0	0	0	0	28	3
Transfers of staff from other public services without work (excluding public bodies staffed exclusively by civil servants). ⁹	13	0	38	2	95	0
Appointments of surplus acceptable candidates to shortage posts.	0	0	0	0	7	0
Appointments of disabled candidates under modified selection arrangements.	4	1	17	0	9	1
Supported employment appointments.	0	0	0	0	0	3
Number of exceptions reserved for the Commissioners' use.	0	0	0	0	0	0
Any appointments exceptionally approved by the Commissioners under the Orders in Council, outside the terms of the Code.	0	0	0	0	0	0

Notes:

- (1) Figures in this table differ from those published in UK Defence Statistics 2004 because of definitional differences including those described in the notes below.
- (2) Figures for 2001/02 exclude recruitment to Trading Fund Agencies. Figures for all years exclude Locally Employed Civilians and Royal Fleet Auxiliary. The exception categories reflect the information required to be published in the revised Civil Service Commissioners Recruitment Code. Historical data is provided where possible.
- (3) Figures are compiled from questionnaires returned by individual recruits.
- (4) The majority of these extensions were to meet short-term requirements whilst permanent replacements were sought. Fair and open competition has been used wherever possible.
- (5) This shows the number of staff recruited where the requirement was short term and required specialist skills and where holding an open competition would not have identified any further candidates.
- (6) An exception approved by the Commissioners following the launch of the Government's Welfare to Work – New Deal Programme. Figures exclude those New Deal candidates recruited through normal open and fair competition.
- (7) Excludes other Government Departments, but includes for example, local authorities, hospitals, etc.
- (8) Extensions owing to a requirement to utilise one individual's knowledge of PPP/PFI.
- (9) Figures for 2002/03 include 32 MD Police officers transferred from Home Office Police Forces. Figures for 2003/04 include 82 MD Police officers transferred from Home Office Police Forces.

Race Equality Scheme

85. The MoD's Race Equality Scheme (RES), which encompasses the Armed Forces, the MoD Civil Service and the MoD Police, was published in May 2002. It covers the period 2002-2005 and confirms the Department's continuing commitment to promote equality of opportunity and good relations between people from all ethnic groups. Specifically, it records how the Department intends to fulfil its obligations under the Race Relations (Amendment) Act 2000. We are working towards full implementation of the Scheme and the first progress report was published in January 2004. We participated again in the Business in the Community Race for Opportunity scheme, and all three Armed Services and the MoD were named in the top ten public sector ethnic minority employers.

86. Although there is still much to be done, particular achievements included provision of translation and interpretation services for housing, welfare and pay enquiries, changes to the Armed Forces' clothing policy to take account of cultural and religious differences, and provision of special operational ration packs for those with particular dietary requirements. On the civilian side, a pilot junior development scheme for ethnic minority staff received positive feedback and is being run again. Good progress has been made towards building relevant race equality considerations into the Department's procurement processes, and work continues to introduce race equality into day-to-day business, including the development of a process for checking all relevant policies for compliance with race and other diversity legislation.

Service Equal Opportunities and Diversity

87. The Armed Forces continued to work closely with the Commission for Racial Equality under the terms of a second Partnership Agreement, signed in July 2003. This focuses on progress against expected outcomes in relation to recruitment, retention, career progression, cultural change, complaints procedures, leadership accountability and implementing race

equality policies. Ethnic minority representation in the Armed Forces continued to increase. At 1 April 2004 it stood at 4.9% (9,320) of trained strength including Commonwealth recruits, just short of our overall 2004 goal of 5% ethnic minority representation. The individual Services' achievements against their 2003/04 targets for recruitment of UK ethnic minorities are set out in table 12. Our goal for the next two years is for each Service to increase the proportion of UK ethnic minority recruits by at least 0.5% each year.

88. As at 1 April 2004, women made up 8.9% (18,390) of Armed Forces' personnel, up from 8.7% (17,920) in April 2003. The Armed Forces recruited 2,710 women in 2003/04, a decrease of 530 over the previous year (3,240), representing 11.6% of the total intake (against 12.3% the previous year). Broken down by Service, the Royal Navy recruited 580 women (14.2% of total intake), the Army 1,260 (8.3% of total intake), and the Royal Air Force 870 (20.9% of total intake).

89. The Services recognise the importance of family life and there are already a number of options available to help personnel achieve a better balance between work and home commitments. Recent initiatives include:

- **Screening from Deployment for Childcare Reasons:** A Servicewoman who returns to work after a period of ordinary Maternity Leave will not be deployed on operations and exercises either overseas or in the UK for at least six months after the birth of her child, unless she volunteers otherwise. Single Service arrangements may permit further screening from deployment where this does not compromise operational capability;
- **Deployment of Serving Parents:** The Services will also endeavour not to deploy both serving parents of dependant children at the same time, where this does not affect operational capability;

	Naval Service	Army	RAF
Overall Target 03/04	2.5%	2.9%	2.6%
Overall Achievement	2.1%	2.8%	1.8%

Note: these figures are single Service estimates of UK ethnic minority intake.

- **Flexible Working:** Regular Service personnel may request to vary their working patterns, such as starting and finishing the working day at different times from those considered to be the norm within a particular Service working environment, where this does not impinge on operational capability. Priority for flexible working requests is given to those who are the primary carers for young children or for disabled, sick or elderly relatives.

Civilian Equal Opportunities and Diversity

90. The MoD is not yet meeting all of its civilian diversity targets. However, there are some encouraging indicators for the future: both the Fast Stream and MIDIT (the MoD's main internal development scheme) exceeded their targets for the intake of ethnic minority staff and there is a slow but steady increase in the percentage of women at Band B. These are all potential feeder grades for the SCS but will take time to feed through. A combination of low turnover and low baseline limits MoD's ability to increase the level of minority groups in the SCS.

91. The Department is recognised for having good diversity and work-life balance policies, but their impact has been slow to materialise and a number of initiatives are in hand to facilitate improvement. A new post of Diversity Catalyst has been created to advise the Personnel Director on how to improve the Department's performance in its efforts to achieve a more diverse and representative workforce, and the coming year will see a renewed impetus to promote and embed diversity and work life balance across the Department and foster a more supportive culture for minority groups.

92. The Department currently has three diversity focus groups representing civilian minority groups: the Ethnic Minority Steering Committee (EMSC); the Disability Steering Committee (DSC), and the Lesbian, Gay, Bisexual and Transgender (LGBT) group. The work of these groups continues to represent members' views and to raise issues relevant to promoting the equality and diversity agenda. The DSC hosted the Department's first disability conference in October 2003 for around 200 disabled personnel and

Table 13: Diversity Statistics and Targets of MoD Senior Civil Servants (Level 0)

	2001/02 Target	2001/02 Achievement	2002/03 Target	2002/03 Achievement	2003/04 Target	2003/04 Achievement	2005 Target
Women	9.0	8.9	11.0	8.3	13.0	8.8	15.0
Ethnic Minorities	2.7	1.6	2.9	3.1	3.0	2.2	3.2
Disabled	1.0	2.6	1.7	2.6	1.9	3.7	2.0

Table 14: Diversity Statistics and Targets of MoD Band B Civil Servants (Level 0)

	2001/02 Target	2001/02 Achievement	2002/03 Target	2002/03 Achievement	2003/04 Target	2003/04 Achievement	2005 Target
Women	13.0	13.6	14.0	15.1	15.0	16.6	16.0
Ethnic Minorities	2.2	2.4	2.4	2.3	2.7	2.5	3.0
Disabled	2.8	4.2	3.2	3.8	3.6	3.3	4.0

Table 15: Diversity Statistics and Targets of MoD Band D Civil Servants (Level 0)

	2001/02 Target	2001/02 Achievement	2002/03 Target	2002/03 Achievement	2003/04 Target	2003/04 Achievement	2005 Target
Women	34.0	34.0	36.0	35.1	38.0	36.7	40.0
Ethnic Minorities	2.5	2.7	3.0	2.9	3.5	2.9	4.0
Disabled	5.3	9.4	5.6	8.4	5.8	6.9	6.0

1. Percentages of Disabled and Ethnic Minority staff have been calculated as percentages of staff with known disability status or ethnicity.
2. All the tables above are based on the new definitions of the civilian workforce as proposed and agreed through a public consultation in line with the National Statistics Code of Practice Protocols. See www.dasa.mod.uk for more details.

line managers. The EMSC hosted their second ethnic minority conference in January 2004 for around 200 ethnic minority staff and line managers. Both events were declared a success by the attendees. The LGBT group intends to hold its first workshop event for members in June 2004, when the way forward and the group's objectives will be discussed.

Service Personnel Health

93. Keeping our soldiers, sailors and airmen fit for task remains a high priority. Improved data collection and analysis has shown that the main causes of medical downgrading are musculo-skeletal injuries and mental health. Locally-based provision of mental health services is being enhanced in line with developments in the NHS, with in-patient care being provided within the private sector. The Defence Medical Information Capability Programme (DMICP) remains on track with a planned phased in-service date starting in December 2005 and work is in hand to ensure it remains aligned with the NHS's National Programme for Information Technology (NPfIT).

94. Regional Rehabilitation Units (RRUs) have been enhanced to facilitate rapid access to diagnosis and treatment and have proved a great success. 65% of those who would have been referred for surgical opinion were found not to require surgery and therefore returned to work 6-18 months sooner than they would have previously. As at 1 January 2004, some 19,500 Service personnel (about 10% of the Armed Forces) had been reported medically downgraded (which mainly limits their deployability on operations). For the RN/RAF, some 20% were permanently downgraded and had been accepted as fit for alternative tasks; it is not currently possible to differentiate between temporary and permanent downgrading for the Army. Analysis suggests that a recent increase in the number medically downgraded is partly the result of improved application of the revised downgrading and reporting procedure. It is also linked to the current high operational tempo, which drives strict compliance with downgrading criteria to ensure unfit Service personnel do not deploy on operations. In order to provide a measure that is more reliable to commanders, work continues to develop a metric to measure "fitness for task" across all three Services.

Civilian Sick Absence

95. After an initial downward trend, the number of days lost through sickness of civilian non-industrial staff has now stabilised around 7.5 calendar days for the 2003 calendar year. The actual position as at 31 December was rounded at 7.6 days lost. As predicted in the 2002 report, the Department missed its PSA target of 7.0 days. This levelling out has been largely as a consequence of more accurate reporting of sick absence and has been replicated across other large Government Departments and the Private Sector. The MoD continues to compare favourably with the wider Public Sector – recent CBI and CIPD surveys suggest an average of 8.9 to 10.6 days lost per year in the Public Sector (including MoD) and 6.9 to 7.0 in the Private Sector. We continue to improve the quality of sick absence data available and have introduced a new absence reporting system following World Health Organisation guidelines.

Defence Estate

Objective

To have infrastructure of the right size and quality, effectively and efficiently managed.

Public Service Agreement Targets (SR2002 MoD Targets 4 and 7)

- Recruit, train, motivate and retain the personnel needed to meet the manning requirement of the Armed Forces:
 - Improve the condition of the housing in which our people live. There will be substantial new investment in family accommodation in the UK to improve the living conditions of Service personnel and their families to Standard 1 for condition by November 2005.
- Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability:
 - Achieve £500M receipts for disposal of surplus land and buildings, and identify for disposal land and buildings with a Net Book Value of over £300M (from 1 April 2003 to 31 March 2006).

Performance Measures and Assessment

Improve Single Living Accommodation to Grade 1 standard by delivering 1,000 Grade 1 bedspaces through Project SLAM and 1,500 Grade 1 bedspaces through other projects:

- *3,347 new-build bedspaces delivered in 2003/04 through Project SLAM and parallel projects by 31 March 2004.*

Improve Service Family Accommodation in the UK by upgrading 1,200 family houses to Standard 1 for condition:

- *1,402 Service family houses upgraded in 2003/04. 22,800 of 41,700 long-term core stock requirement now at Standard 1 for condition.*

Draw up Core Sites implementation plan by March 2004:

- *Core Sites implementation plan approved by Defence Estates Committee in February 2004;*
- *Proposals to Lyons Review for 3,900 posts to be relocated from London and the South East.*

Achieve gross estates disposal receipts of £187M and identify land and buildings for disposal with cumulative value of £134M by April 2004:

- *Accrued gross disposal receipts from surplus land and property of £207M in 2003/04 (in addition to £278M in 2002/03);*
- *Assets with Net Book Value of £95M transferred to Defence Estates in 2003/04 for disposal producing cumulative value of £230M.*

Demonstrate reduction of through-life costs and timeframes by using prime contracting methods, and by producing methodology to assess value for money efficiencies by 31 March 2004:

- *Regional Prime Contracting programme meeting strategic programme. Contract for Scotland live 1 October 2003. Contract for South West awarded 26 March 2004;*
- *Successful delivery of stand alone Prime Contracts and other PPP projects;*
- *Methodology for assessing efficiencies determined, trial model produced, and 80% of required baseline information established by 31 March 2004.*

Further Sources of Information:

- Quarterly PSA reports to HM Treasury;
- *Defence Estates Framework Document*;
- *Defence Estates Agency Annual Report & Accounts 2003/04* (HC661);
- *The Stewardship Report on the Defence Estate 2003*;
- *Defence Housing Executive Corporate Plan 2003*;
- *Defence Housing Executive Annual Report and Accounts 2003/04*;
- *Final Report of the Lyons Review: Well Placed to Deliver? – Shaping the Pattern of Government Service*;
- *Delivering Security in a Changing World* (Defence White Paper and supporting essays);
- *UK Defence Statistics 2004*.

Service Accommodation**Single Living Accommodation**

96. The Secretary of State announced in 2001 the allocation of £1Bn ring-fenced funding for Single Living Accommodation (SLA) improvements over ten years. Project SLAM was set up to manage this and is now delivering new-build and refurbished Grade 1 Single Living Accommodation. Owing to changed programme requirements and minor delays in construction, Project SLAM only delivered 150 new-build bedspaces during 2003/04 (at RM Poole) against the original target of 1,000 for the year, with a further 2,371 bedspaces under construction at 14 other sites. However, this in-year shortfall was more than made up by the delivery of 3,197 bedspaces in 2003/04 through a number of legacy and parallel projects against the original target of 1,500. Overall, therefore, 3,347 Grade 1 bedspaces were delivered against the target of 2,500, and as at 31 March 2004, some 16,428 bedspaces out of a total of some 93,627 were at Grade 1.

Service Family Accommodation

97. The Defence Housing Executive (DHE) continued its housing modernisation programme, upgrading 1,402 Service family houses to Standard 1 for condition against an in-year target of 1,200 upgrades. Since gaining Agency status in 1999, the DHE consistently met or exceeded its annual upgrade targets. By 31 March 2004, some 22,800 properties were at Standard 1 for condition, (about 55% of the estimated long-term core stock requirement) and

95.5% of Service families were housed in properties at Standards 1 or 2. DHE was merged into Defence Estates from 1 April 2004.

Estates Management**Estate Rationalisation: Core Sites**

98. 91% of MoD personnel are currently employed at identified Core sites. Following the endorsement of the Core Sites implementation plan by the Defence Estates Committee in February 2004, Defence Estates is taking forward work to scope and identify options for further rationalisation of our estate and to increase further the proportion of personnel employed on core sites. This should produce more efficiencies in the running costs of the estate.

Lyons Review

99. In April 2003, the Chancellor of the Exchequer and the Deputy Prime Minister asked Sir Michael Lyons, Director of the Institute of Local Government Studies at the University of Birmingham, to conduct an independent study into the scope for relocating a substantial number of public sector activities from London and the South East of England to other parts of the United Kingdom. Sir Michael published his report, *Well Placed to Deliver? – Shaping the Pattern of Government Service*, on 15 March 2004. The MoD has relocated a significant amount of Defence activity out of London and the South East in recent years, and indeed the Defence Procurement Agency's move to Bristol (involving some 7,200 posts) and the

Meteorological Office's move to Exeter (involving some 1,000 posts) were used as case studies by the Review. Building on this experience and the work already underway in the Department to rationalise the Defence Estate, the MoD put forward a strong set of proposals which will result in a further 3,900 posts moving out of London and the South East by 2010 and 340 posts being cut. These are:

- Rationalising Woolwich station in south-east London and relocating units as appropriate (1,020 posts relocated, 100 posts cut);
- Closure of the Army Technical Foundation College (ATFC) at Arborfield in Berkshire (1,230 posts relocated, 180 posts cut);
- Relocation of the Disposal Services Agency (DSA) from London (80 posts relocated);
- Relocation of the Defence Medical Service Training Centre (DMSTC) (1,070 posts relocated, 60 posts cut);
- Rationalisation of the Defence Science and Technology Laboratory (DSTL) (490 posts relocated).

100. Some of these are still subject to further work and will require consultation with the Trade Unions and Ministerial consideration before final decisions on whether to proceed.

Estate Disposals

101. Under the PSA target of achieving £500M Accrued Estates Disposals Receipts from 1 April 2003 to 31 March 2006, Defence Estates was set a target of £187M gross disposal receipts from surplus land and property in 2003/04, and achieved £207M. Major sites sold during the year included the RAF Staff College in Bracknell, Berkshire; Deyesbrook Barracks in Liverpool; Stiles Way, Antrim in Northern Ireland; Support Engineering Facility Exeter; RAF St Athan in South Wales; and the TA Centre at Gillingham, Kent. Assets with a net book value of £95M were transferred from user commands to Defence Estates for disposal.

Prime Contracting

102. The prime contracting initiative is delivering significant Estate management efficiencies. The roll out of the five Regional Prime Contracts (RPCs) continued to meet its strategic programme. The Core Services element of RPC (Scotland) went live on 1 October 2003 as planned, is delivering tangible results and has started to improve the level of service. The contract for RPC (South West) was awarded on 26 March 2004 and went live on 1 June 2004 with phased acceptance of core service provision leading to full operation by April 2005. The innovative approach taken by RPC (South West) in developing a through-life management plan and whole-life costing model, which is now being used as a model for the subsequent RPCs, earned the Integrated Project Team the Minister for Defence Procurement's Smart Acquisition award during the year. Planned contract awards for the three remaining RPCs are for the South East in November 2004, Central in May 2005, and East in October 2005. A number of stand-alone Prime Contracts have also been delivering improvements.

103. Regional Prime contracting is intended to deliver 30% value for money efficiencies in estate management by 2008/2009 (against a baseline for 2004/2005). Support to the programme has included development of a DE policy for the transition to Prime Contracting and a "lessons learned" database to disseminate best practice to the wider project management community. Work was also undertaken to ensure that through-life value for money efficiencies from the introduction of Prime Contracting could be identified and tracked. A methodology for assessing efficiencies was determined and a trial model produced by 31 March 2004, and 80% of required baseline information established. The full working version is expected to be agreed and delivered by the end of March 2005.

Other Procurement Initiatives

104. Project Aquatrine is a pan-departmental Public Private Partnership project split into three geographic regions across the estate, encompassing the MoD's sewage works, water processing plants and water mains, sewers and drains, removal of surface water and water supply for fire fighting use. The project is delivering better value for money, whilst mitigating risk water management through the transfer of responsibilities to the service provider. A 25-year contract covering the Midlands, Wales and South West England and delivering 30% savings against traditional procurement methods was awarded on 17 April 2003, only four months after announcing

the preferred bidder, and the contract was awarded the Minister for Defence Procurement's excellence award for Smart Acquisition. Contract awards for the remaining two packages are expected during 2004, leading to in-service dates in 2005. Project Vanguard, for provision of non-core support services to the Army Training Estate (ATE), commenced on 1 April 2003, and became fully operational in February 2004. The contract covers around two-thirds of the Defence Estate in terms of land area, and provides range bookings, administration, information management and accommodation services, training area and range operations and management, catering and specialist rural services.

Reputation

Objective

To enhance our reputation with the UK public and internally within MoD and the Armed Forces.

Performance Measure and Assessment

5% increase in positive responses in aspects of Defence where the level of positive responses is less than 70%:

- *No change in overall average of 57% positive replies to external opinion survey;*

Further Sources of Information

- Detailed Opinion Surveys published on www.mod.uk;
- *Delivering Security in a Changing World* (Defence White Paper and supporting essays);
- Papers supplied to *The Hutton Inquiry*.

Communicating the Work of the Department to the Public

105. The work of the Ministry of Defence and the Armed Forces was never far from the public eye throughout the year, mainly as a result of operations in Iraq. Media reporting has been extensive. Despite concerns on some specific issues, our reputation research demonstrates that the Armed Forces continue to have the overwhelming support of the British public.

106. MoD Press Officers are responsible for day-to-day liaison with the media. They respond to questions from journalists as stories develop and provide the media with the factual background required. Our work is also explained via the workings of Parliament, in the form of answers to Parliamentary Questions, debates on defence issues and Ministerial statements (see Annex D). Beyond Parliament and the Press Office, the MoD uses a number of other means to explain its work and to get its messages across to the public. The news pages of the MoD website www.mod.uk received some 40,000 visits per day during the Iraq conflict and the online photo library www.photos.mod.uk received 3 million page requests in 2003. The Department also made a large quantity of material available to Lord Hutton's Inquiry into the circumstances surrounding the death of Dr David Kelly.

107. Each year, we conduct a wide array of activities, to which the public is invited. The Defence Tourer exhibition travels around the UK to locations as varied as county shows and shopping malls, attracting in the region of 120,000 visitors annually, while the Defence Schools Briefing Teams aim to visit 750 secondary schools each year, with an estimated 150,000 children taking part. All three Services also have Presentation Teams that undertake an annual UK tour to explain their roles and responsibilities to invited audiences. The Services also participate in many events that give the public the opportunity to view their skills and professionalism. Examples from the past year include HMS NORTHUMBERLAND's attendance at the London Boat Show, the Aldershot Army Show, which was attended by 60,000 people, and the RAF's involvement in the International Air Tattoo at Fairford, which was seen by 100,000 visitors each day.

MoD and Armed Forces Reputation

108. The successful achievement of many Defence objectives depends upon public support. The Department carries out regular public opinion surveys and surveys of staff, using an independent market opinion company, to test the reputation of the MoD and the Armed Forces, which help identify where action may be necessary. External opinion polls continue to demonstrate a high level of public support for the work and professionalism of the

Armed Forces (see Table 14 below). In a poll undertaken by MORI, 84% said that the UK needs strong Armed Forces and 77% said that they make the world a safer place. Less favourable responses were received on some issues, for example on whether the Armed Forces were well equipped (38%). Opinion among Service personnel and MoD Civil Servants was broadly consistent with public opinion but in some cases attitudes were more strongly marked than the equivalent general public perception.

Table 16: External Opinion Survey Results (Percentage of Positive Replies)
(Survey in December 2003 of 2,094 adults aged 15+ across 200 sampling points in Great Britain)

Statement		Change since 02/03
UK needs strong armed forces.	84%	-1%
Confidence in the ability of the UK Armed Forces to defend UK.	85%	+5%
UK Armed Forces make the world a safer place.	77%	+1%
Confidence in the ability of UK Armed Forces to defend overseas territories.	81%	+3%
UK Armed Forces have the highest professional standards.	70%	-4%
Confidence in the ability of UK Armed Forces to protect UK citizens overseas.	67%	+7%
The UK Armed Forces look after their people.	60%	+1%
Confidence in ability of UK Armed Forces to protect UK overseas economic interests.	60%	+5%
MoD is as open as it can be about its activities.	46%	-1%
UK Armed Forces are well equipped.	38%	-6%
MoD and UK Armed Forces promote their best people regardless of race, gender, religion or sexual orientation.	49%	-5%
UK Armed Forces make a positive contribution to wider communities.	42%	0%
MoD should support British industry's efforts to export military equipment.	38%	-1%
MoD and UK Armed Forces carry out their activities with due regard to environment	34%	-2%
MoD spends taxpayers' money wisely.	23%	-1%
Average	57%	0%

Enabling Processes

Training

Objective

To improve training and education to support changing operational and business needs.

Public Service Agreement Target (SR2002 MoD Target 7)

- Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability:
 - Reduce the per capita cost of successfully training a military recruit by an average of 6% by April 2006.

Performance Measures and Assessment

Complete 60% of Defence Training Review (DTR) recommendations by 31 March 2004:

- 73% of all DTR recommendations completed.

Efficient delivery of training by reduction in the per capita cost of successfully training a military recruit by an average of 4% from 2001/02 baseline by April 2004; reduction in personnel lost from the training pipeline (against Service targets by trade / specialisation); and reduction in average time overrun of time taken to train a military recruit to agreed standard:

- 4.2% average reduction in cost of successfully training a military recruit by April 2004;
- RN: rating wastage reduced to 25% in line with SR02 target profile of 30% for the year;
- Army: wastage reduced by 5.8% in line with SR02 target profile;
- RN: rating pipeline overrun reduced to 11% in 03/04, in line with SR02 target profile;
- Army: pipeline overrun reduced by 6 days in line with SR02 target profile.

Quantifiable improvements in output of training and education through:

Basic Skills (RN / RAF): improvement of 50% of new entrants below National Level 2 basic skills by one level within one year of entry;

Basic Skills (Army): all new entrants below National Level 2 in basic skills to achieve National Level 1 within 3 years of entry:

- RN – Meeting targets – Training Programmes ensure all recruits achieve the required standard;
- RAF – Meeting targets – Few RAF recruits are below the required standard on entry;
- Army – Plans in place to meet targets with an initial assessment of basic skills ability now undertaken at recruiting offices and a network of tutors in place.

Information Communication Technology: all new entrants without competence level 1/2 in use of Information and Communication Technology to be in appropriate training scheme:

- RN (including Royal Marines) – Greater than 95%;
- RAF – Greater than 95%;
- Army – Achieving approximately 30%;
- Award of Defence e-Learning Delivery and Management Capability contract in July 2004.

Achievement of planned and agreed single-Service and Joint collective training and exercise programme:

- Some 80% of major exercises completed, but exercise activity inevitably affected by operational activity and resource constraints.

Further Sources of Information

- Quarterly PSA reports to HM Treasury;
- Evidence presented to House of Commons Defence Committee on *The Army Training and Recruiting Agency* (HC124-i);
- Evidence presented to House of Commons Defence Committee on *Duty of Care* (HC 620-i);
- *Modernising Defence Training*: Report of the Defence Training Review;
- Director of Operational Capability's *Appraisal of Initial Training* (February 2003), *Departmental Progress Report* (July 2003) and *Director of Operational Capability's Re-Appraisal of Initial Training* (July 2003);
- *Defence Academy Annual Report 2003/04* (to be published in October 04);
- *Naval Recruiting and Training Agency Annual Report and Accounts 2003/04*;
- *Army Training and Recruiting Agency Annual Report and Accounts 2003/04*;
- *RAF Training Group Defence Agency Annual Report and Accounts 2003/04*;
- *Defence Medical Education and Training Agency Annual Report and Accounts 2003/04*;
- Ministry of Defence Policy Paper no. 6: *Individual Training and Education in the Armed Forces*;
- *Delivering Security in a Changing World* (Defence White Paper and supporting essays).

Individual Training

109. The Defence White Paper and MoD Policy Paper no. 6 on *Individual Training and Education* highlighted the calibre of training and education delivered to our young soldiers, sailors and airmen, who enjoy a high reputation worldwide. Sustaining and building on our success in this area was at the heart of the Defence Training Review (DTR) 2001. By 1 April 2004, 73% of the Defence Training Review's recommendations had been completed against a target of 60%, up from about 45% in April 2003. This included a series of 20 recommendations designed to improve the way in which the Department prepares personnel to work in the acquisition field, improved

arrangements for accreditation of Service and MoD civilian courses to nationally recognised awards, and improved arrangements for the delivery of e-learning.



Territorial Army soldiers on exercise in Cumbria.

110. All three Services have also continued to make progress towards the PSA target of reducing the per capita cost of successfully training a military recruit by 6% by April 2006 through savings in input costs and better management of the training pipeline, achieving an overall average reduction of 4.2% against a target of 4% by the end of March 2004. There are inevitably continuing tensions between achieving these efficiency targets and other initiatives, including the implementation of all the recommendations of the Director of Operational Capability's *Appraisal of Initial Training* (paragraph 116 below) in respect of supervisory ratios for Army training which may impact on future efficiency achievements. These are being kept under review.

Collective Training

111. In addition to personal training, it is essential that individuals, teams, units and the Services train together so that they are able to operate jointly when deployed on operations. Collective training activity continues to be constrained by the pressure of operational commitments and availability of Forces, including for joint Alliance and multinational collective training.

Basic Skills for our People

112. Beyond the specific training necessary to undertake the professional tasks of any serviceman, the MoD aims to ensure that all personnel achieve a minimum standard of literacy and numeracy. Around 7,500 new recruits per year require development in one or both of these areas. With DfES assistance, the MoD has now instigated mandatory screening and assessment of all new entrants to the Armed Forces, and the Services are working to facilitate learning opportunities for all personnel with a literacy or numeracy need. Similarly, all civilian employees are offered Basic Skills (literacy or numeracy training) as a development opportunity.

Training and Education for the Information Age

113. Operations in the networked battlespace will place new demands on our people and it is imperative that they are properly prepared. The Skills Framework for the Information Age (SFIA) programme is intended to equip the right people with the right IT skills across Defence. Currently, more than

95% of RN new recruits and RAF new recruit airmen, and approximately 30% of new recruit soldiers receive ICT Fundamental Skills Training. We need to keep pace with changes in technology, as increasing digitisation means that our people require up-to-the-minute IT skills to perform effectively. We must also develop our capacity to deliver training more flexibly, as operational pressures require minimising time spent on residential training. The Defence e-Learning Delivery and Management Capability (DELDMC) project is planned to provide a managed service, bringing coherence and efficiency to the distribution of e-learning across Defence, as the learning portal through which our people will access on-line learning, and a 10 year contract was signed with BT plc in July 2004.

The Rationalisation of Specialist Training

114. The programme to rationalise specialist training across Defence initiated in the DTR will provide modernised specialist training, responsive to current and future operational needs and to the increasing requirement for joint operations. Progress this year has been slower than originally planned, but the procurement strategy was approved in March 2004, and six Federated Defence Colleges stood up on schedule on 1 April 2004. The Federated Defence Colleges train against common objectives in the specialist trade areas of: Electrical Mechanical Engineering; Aeronautical Engineering; Communications and Information Systems; Security, Language Intelligence and Photography; Logistics; and Police and Personnel Administration. The Federated Colleges are an interim step in the progression to pan-Defence rationalised training delivered in partnership with industry.

Defence Academy: Education, Training and Research

115. The Defence Academy, which vested in April 2002, brings together 8 main colleges and schools. This has been a very busy and productive year for the Academy in terms of education and training of students across the Colleges, with 100,766 student place days delivered by the Joint Services Command and Staff Course and 226,180 student place days delivered by the Royal Military College of Science. Courses in all colleges have continued to develop to cover new concerns including terrorism, homeland

security and peace support operations. The Royal College of Defence Studies has attracted an increasing number of students from other Government Departments and the private sector with a final term course on leadership in the strategic environment. The Defence Leadership Centre also ran a successful strategic leadership programme for senior officers and officials. The Royal Military College of Science has continued to develop as the Tri-Service and civilian focus for undergraduate technical training and to introduce new postgraduate courses in programme and project management. Initial Gate approval has been given for a Campus Integrator at Shrivenham to oversee all service support and building work, and for an Academic Provider when the current contract with Cranfield University comes to an end in 2006.

Monitoring and Evaluation of Training

116. In the latter part of 2002 and Summer 2003, the Director Operational Capability conducted two independent cross-cutting examinations of the Initial Basic and Specialisation Training of non-officer recruits of all 3 Services. Making good the recommendations arising from those appraisals has been a very high priority for each of the Services and a great deal has been achieved in improving the way in which the Department discharges its duty of care. In order to demonstrate our commitment to training, the Department has now invited the Adult Learning Inspectorate (ALI) to commence independent inspections of our training and education provision. These will focus in the first year on care and welfare issues. The open reporting of ALI inspection findings will drive continuous improvement activity and enable Defence training and education provision to be benchmarked against national standards.

Civilian Training

117. A new strategy for civilians in Defence introduced in 2002 emphasises (amongst other things) better skills planning and giving greater priority to development of employees. As part of this strategy, MoD has become much more pro-active in developing and sustaining individual potential to meet business needs. We are placing in sharper focus what the Department requires from its people and providing clearer structures around which to shape development discussion and activity. We are

reviewing our competence structures with a view to developing a skills framework which will enable every job in the department to be defined and explained in terms which will be understandable to all staff. Staff in turn will be able to judge their fitness for each job, drawing on their own skills profile which will also enable them to identify more accurately their personal training and development needs. To support this and provide better information about the options available at all levels, we are creating a single intranet portal for career and development advice.

118. In line with the Government skills strategy and to support the drive for greater professionalism across the Civil Service, we are looking to improve standards across all levels of the Department. At the basic level, we are developing a strategy for assessing and improving the literacy, numeracy and IT skills of the civilian workforce; we are promoting NVQs and apprenticeships where these qualifications meet the business need; and we are promoting a programme of Higher Education qualifications including a Foundation Degree specifically aimed at Government employees. We are working with our military colleagues to ensure that training and qualifications are accredited wherever appropriate to support our aim that MoD should be an employer of choice.

119. As part of wider public service reform we are engaged in a Cabinet Office initiative, Improving Professional Capacity, which aims to develop a more effective and efficient Civil Service through better defined professional skills paths. Allied to this, we are also involved in a Civil Service Management Board initiative to develop a Sector Skills Council for Central Government. It is envisaged this will help us to identify the skills and experience that we need and to match training and development opportunities to gaps identified in a more structured way.

120. We have a number of management development schemes in place, including a new band B development scheme, which will provide continuing development and tailored postings necessary to meet the requirements of leadership positions in the Senior Civil Service (SCS); the Acquisition Leadership Development Scheme which aims to develop current and future leaders for acquisition; the SCS Higher Potential Development Scheme; and MIDIT. We also

have staff engaged in a number of personal development schemes including Public Sector Leadership and Druidstone. We have nearly 300 internal trainees currently studying for a professional accountancy qualification and 350 studying for qualifications below the professionally recognised level. More than 400 people in the HR function successfully achieved the MoD Certificate in HR Practice in its first year of operation and 2,147 Finance Licences had been issued up to July 2004. We encourage and support professional development and external accreditation of engineers and scientists, and in the last year, 67 engineers and scientists have completed their initial professional development through the Defence Engineering and Science Group Student and Graduate Training Scheme.

Procurement

Objective

To improve the procurement of equipment.

Public Service Agreement Targets (SR2002 MoD Targets 6 and 7)

- Develop and deliver to time and cost targets military capability for the future, including battle-winning technology, equipment and systems, matched to the changing strategic environment:
 - On average, in-year slippage of equipment in-service dates of fewer than 10 days for new major projects, to be attained during 2003/04;
 - On average, in-year slippage of equipment in-service dates of fewer than 4 weeks for existing major projects, to be attained during 2003/04;
 - 97% of customers' key requirements attained during 2003/04;
 - On average, no real terms increase in major project costs (measured against project approval levels as set out in the Major Projects Report), to be attained during 2003/04.
- Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability:
 - Achieve 0% average annual cost growth (or better) against the Major Equipment Procurement Projects (measured against estimated project costs at the beginning of the year).

Performance Measures and Assessment

Delivery of planned equipment with less than 15% variance between planned and actual asset delivery values in-year:

- *Equipment valued at over £3.6Bn delivered, with progress in key programmes to modernise our equipment capabilities;*
- *In-year variance of -3% between planned and actual asset delivery values.*

97% of customers' key requirements met:

- *98.8% of customers' key requirements met.*

Achieve customer satisfaction rating of 74%:

- *In-year customer satisfaction rating of 70%.*

In-year slippage of major equipment projects of 0.5 months, including fewer than 10 days for new projects and 4 weeks for existing projects:

- *2.4 months average slippage overall;*
- *2.2 months average slippage for new projects;*
- *2.8 months average slippage for existing projects.*

On average no increase in major project costs measured against approvals and against estimated project costs at the beginning of the year:

- *2.7% average increase in costs measured against approvals;*
- *3.1% average increase in costs measured against estimated cost at beginning of year.*

No excess against DPA resource control totals:

- *Outturn within resource control totals.*

Review implementation of Defence Industrial Policy:

- *Review published in November 2003.*

Further Sources of Information

- Quarterly PSA Reports to HM Treasury;
- Evidence given to the House of Commons Defence Committee on *Defence Procurement* (HC 694) and Government response (HC 1194);
- Evidence given to the House of Commons Defence Committee on *Defence Procurement* (HC 572-ii, iii);
- *Major Projects Report 2003*;
- Evidence given to the House of Commons Public Accounts Committee on *Major Projects Report 2003* (HC 383-i,ii);
- *Defence Procurement Agency Corporate Plan 2003*;
- *Defence Procurement Agency Business Plan 2003*;
- *Defence Procurement Agency Annual Report and Accounts 2003/04*;
- *Excellence in Defence Procurement 2004: Equipping the Armed Forces*;
- Ministry of Defence Policy Paper no.4: *Defence Acquisition*;
- Ministry of Defence Policy Paper no.5: *Defence Industrial Policy*;
- First Review of Defence Industrial Policy;
- *Delivering Security in a Changing World* (Defence White Paper and supporting essays);
- *UK Defence Statistics 2004*.

Procurement Performance

121. The Equipment Programme, which includes projects that harness new technologies and concepts, is rigorously reviewed each year. This ensures that the MoD makes the best possible use of available resources and provides the UK Armed Forces with the capabilities they need for operations today and in the future. Performance against the Equipment Programme is reported by capability areas. Significant equipment milestones in the year included contract award for the Skynet 5 PFI satellite communications service, selection of Hawk 128 as Advanced Jet Trainer for the Royal Air Force and Royal Navy, and contract activation on the multi-national A400M military transport programme. Taken together with the equipment delivered into service, these represent considerable progress in moving forward key programmes to modernise our equipment capabilities.

122. The tables at Annex E show the deliveries accepted in 2003/04 and/or planned as of 31 March 2004 for 2004/05, for major equipment projects. The Defence Procurement Agency (DPA) delivered equipment valued at over £3.6Bn during the year, including acceptance into service of two large Auxiliary Oilers (tankers) and one survey vessel, and achievement of the in-service date for Bowman battlefield communications equipment on schedule. This represented 97% of the asset value planned for delivery in-year and exceeded a Departmental target of less than 15% variance between planned and actual asset delivery value.

123. The table below summarises performance against project management and operating cost targets as set out in the MoD's PSA agreement and the *DPA Corporate Plan*. The DPA continued to do well in meeting 98.8% of customers' key requirements (Key Target 1), exceeding the PSA target of 97%, and in managing internal costs (Key Target 5). The average in-year forecast programme slippage for major projects (Key Target 2) was 2.4 months overall. This breaks down as an average slippage of 2.2 months for newer projects (reflecting revised forecasts from the Type 45

Destroyer, Typhoon Aircrew Synthetic Training Aids and Airborne Stand-Off Radar System projects) and 2.8 months for older projects (reflecting revised forecasts from the Brimstone anti-armour missile and Nimrod Maritime Reconnaissance Aircraft (MRA4) projects). The average in-year cost increase was 2.7% measured against approval levels (Key Target 3) and 3.1% compared to estimated project costs at the beginning of the year. This reflected revised forecasts for the A400M, Skynet 5, Beyond Visual Range Air-to-Air Missile, Joint Combat Aircraft, Nimrod MRA4, T45

Table 17: Defence Procurement Agency – Key Targets and Achievements				
No.	Efficiency	2001/02	2002/03	2003/04
1 ¹	Predicted achievement of projects' core requirements	97%	97%	98%
	Outturn	98.6%	99.5%	98.8%
2 ¹	Average cumulative slippage of in-service dates not to exceed	11.4 months (11.9) ²	12.1 months (12.3) ²	0.5³ months
	Outturn (of which in-year slippage)	12.5 (1.1)	19.0 (7.2)	(2.4)
3 ¹	Average cumulative cost variation not to exceed	2.5% (2.8%) ²	2.2% (2.7%) ²	0%³
	Outturn (of which in-year)	2.4% (-0.3%)	8.1% (5.4%)	(2.7%)
5	Excess against Resource Control Totals (excludes nuclear RCT) ⁴	4	0	0
	Outturn		0	0
6 ⁵	Asset Deliveries – variance between planned values and actual values not to exceed			
No.	Quality	2001/02	2002/03	2003/04
4	Customer satisfaction rating	70%	70%	74%
	Outturn	66.7%	72.5%	70%
Notes:				
(1) Covers all equipment projects in the development and manufacture phase included in the Major Projects Report until 31/3/04. From 04/05 all projects over £20M that have passed their main investment decision point, but not yet achieved ISD, will be included.				
(2) Following the National Audit Office review of the Major Projects Report data, the baseline in-service dates and costs were subsequently amended, leading to revised targets.				
(3) For 2003/04 onwards only, the in-year, rather than cumulative, performance will be measured and reported. This is consistent with PSA targets.				
(4) This measure applies to 2002/03 and 2003/04 only; the target is to have no excess against Resource Control Totals. From 04/05, a revised target has been introduced, comprising a basket of measures. Measure i) covers asset turnover, measure ii) measures the value of assets delivered as a multiple of operating cost, and measure iii) measures the value of assets added to the balance sheet as a multiple of operating cost. Actual target levels will be established at the beginning of each financial year based on the Agency opening position.				
(5) A new Key Target introduced for 04/05 onwards.				

Destroyer, Brimstone, Support Vehicles, CIP (Combat Battlefield Application Toolset, Digitisation of the Battlespace (Land) Infrastructure, Platform Battlefield Information System Application) and Light Forces Anti-Tank Guided Weapons System projects. PSA and DPA Key Targets for cost and time were therefore missed, as was DPA Key Target 4 on customer satisfaction. Further details on the DPA's performance can be found in the *Major Projects Report*, published annually by the National Audit Office and also in the *DPA Annual Report and Accounts*.

Smart Acquisition Programme

124. Smart Acquisition (SA) was initiated in 1998. Estimated reductions of some £2Bn were made to the MoD's planned equipment programme between 1998 and 2008. However, Smart Acquisition is now normal practice and data to support notional Smart Acquisition savings proved to be unreliable. The MoD is discussing with the NAO how to establish reliable performance metrics. Currently the most reliable metrics are from the National Audit Office *Major Projects Report 2003*, which indicate that Smart Acquisition programmes currently have less slippage and fewer cost overruns compared to legacy programmes. Examples of best practice in 2003/04 included:

- Skynet 5 applied partnership arrangements with industry, financial and legal advisers, for the delivery of an innovative contract in a highly complex technical area;
- The NITeworks team has broken down Intellectual Property Rights barriers with industry, and exploited Network Enabled Capability through innovation with high tempo and excellent stakeholder management;
- Project Aquatrine (see paragraph 104 above, under Defence Estates) demonstrated excellent management of key stakeholders, clear focus on environmental issues, effective risk transfer to industry and achieved contract signatures within 4 months of selection of preferred bidder.

125. Following the arrival of Sir Peter Spencer as Chief of Defence Procurement and DPA Chief Executive in May 2003, a review of Smart Acquisition in the DPA was launched to identify the way forward for improving Agency performance. A number of initiatives were set up to achieve this, including improved skills development, risk management, through-life management and joint working with industry, as well as business processes and organisational changes. This work is ongoing and may take some time to impact on performance results.

Acquisition Leadership Development Scheme (ALDS)

126. The ALDS aims to develop leadership in Smart Acquisition. Its membership is selected from Service personnel, MoD civil servants and industry. During 2003/04 it reached 462 current members, including an in-year intake of 123 new members and sabbatical returns.

Private Finance Initiative (PFI)

127. The Private Finance Initiative continues to play an important role in the provision of defence services and the MoD seeks to involve the private sector, where appropriate, in the delivery of efficient services for Defence. We remain committed to using PFI wherever this delivers best value and does not compromise operational effectiveness. This can include support close to the front line, as demonstrated in Op TELIC by the Heavy Equipment Transporter (HET) PFI. We signed five more PFI deals in 2003/04, with a capital value of £1.8Bn (see Table 18), bringing total capital investment through PFI to over £4.0Bn. Further details on our PFI programme are provided in note 22 to the Departmental Resource Accounts in Section 2, pages 149-151. We have a robust and diverse forward PFI programme (see Table 19) with an estimated capital value of approximately £4.0Bn.

Table 18: PFI Deals Signed in 2003/04

Project Name	Capital Value ¹ (£M)
MoD-wide Water and Waste Water – Project Aquatrine Package A	154
Defence Sixth Form College	20
Pan-Government Records Management & Archive (Hayes PPP)	11
Skynet 5 (Provision of a range of satellite services)	1,079
Colchester Garrison	539

Note:
(1) Estimates based on private sector's capital investment where known (or otherwise the capital value of the Public Sector Comparator).

Table 19: Major PFI Projects In Procurement or Under Consideration, as at 31 March 2004

Project Name
Allenby/Connaught ¹
Aquatrine Packages B and C (MoD-wide Water and Waste Water)
Armada (Devonport Support Services and Fleet Accommodation Centre) ²
Armoured Vehicle Training Service
C Vehicles (Earthmoving and Specialist Plant, Engineer Contractors and Materials Handling services)
Combined Aerial Target System
Corsham Development Project (rationalisation and development of the MoD Estate)
Defence Training Review
Future Provision of Marine Services
Future Strategic Tanker Aircraft
Northwood PPP (support services and associated infrastructure)
Portsmouth 2 (provision of fully serviced family housing)
RAF Brize Norton Service Families Association
Royal School of Military Engineering
UK Military Flying Training System

Note:
(1) Redevelopment of barracks in Aldershot and Salisbury Plain areas, and long-term provision of associated support services.
(2) Signed July 2004, estimated capital value £54M.

Defence Industrial Policy

128. The MoD is responsible for providing the Armed Forces with high quality equipment at best value for money for the taxpayer. We are also firmly committed to the UK manufacturing sector, and to promoting a strong and competitive UK defence industry that brings economic and technological benefits to the nation. Defence equipment decisions have to reconcile any tensions between these two objectives. The Government's Defence Industrial Policy, published jointly by the MoD and the Department of Trade and Industry in October 2002, set out the framework through which these issues should be considered, and we have continued to work closely with industry and other Government Departments on its implementation. As promised when it was launched, in November 2003 we published a review of progress over the first year of implementation of the policy. The conclusions are set out in *Defence Industrial Policy – One Year On*. The review highlighted that the policy had been a significant driver in bringing

together government and industry and underlined the importance of engaging jointly in actions to deliver our objectives. We are grateful for the high level of support from industry. We plan to publish a further review this winter. We are also in the early stages of work to develop Defence Industrial Policy into an industrial strategy. This is being taken forward with DTI and HMT, keeping industry in touch through National Defence Industries Council arrangements.

Defence Exports

129. The MoD provides a high standard of support to legitimate defence exports. In 2003, the UK won defence orders of close to £5Bn, including the sale of EH 101 to Japan, Lynx to South Africa, Typhoon to Austria, and further orders to the United States related to the development of the Joint Strike Fighter. In a global market characterised by uncertainties about future threats, and with other nations' resource priorities competing against their defence budgets, this was a major achievement for our defence industry.

Logistic Support

Objective

To provide more responsive, integrated and efficient logistic support.

Public Service Agreement Target (SR2002 MoD Target 7)

- Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability: year-on-year output efficiency gains will be made each year from 2002/03 to 2005/06, including through a 20% output efficiency gain (relative to April 2000) in the Defence Logistics Organisation:
 - Reduce by 14% (relative to planned expenditure in 2002/03) the output costs of the Defence Logistics Organisation by April 2006, while maintaining support to the Front Line.

Performance Measures and Assessment

DLO delivery to TLBs of 98% of level of logistic support agreed in Customer Supplier Agreements (CSAs):

- *The DLO delivered 94.3% of the logistic support outputs called for by its Customer Supplier Agreements.*

Output costs of DLO cumulatively reduced by 6% by April 2004:

- *DLO output costs reduced by 3.7% in 2003/04, producing a cumulative reduction of 6.8% by 1 April 2004.*

Achieve total savings of at least £565M by April 2006 through Lean Support Continuous Improvement, Reliability Centred Maintenance, and Management of Material in Transit:

- *£297M of efficiencies in logistics support during 2003/2004 by taking end-to-end process perspective.*

Achieve £20M cash receipts from sale of surplus equipment:

- *The Disposal Services Agency achieved £22M in gross cash receipts.*

Further Sources of Information

- Quarterly PSA reports to HM Treasury;
- MoD Evidence to the House of Commons Public Accounts Committee on *Progress in Reducing Stocks* (HC 566);
- National Audit Office report on *Through Life Management* (HC 698);
- National Audit Office report on *Operation Telic – United Kingdom Military Operations in Iraq* (HC 60);
- MoD Evidence to the House Of Commons Public Accounts Committee on *Operation Telic – United Kingdom Military Operations in Iraq* (HC 273);
- MoD Evidence and Government Response to the House of Commons Defence Committee on *Lessons of Iraq* (HC 57-iii and HC 635);
- *Operations in Iraq: First Reflections*;
- *Lessons for the Future* (assessment of performance on Operation TELIC);
- *Review of Logistics to the Armed Forces, Hansard, Columns 26-27WS*
- *Delivering Security in a Changing World* (Defence White Paper and supporting essays);
- *UK Defence Statistics 2004*;

- *ABRO Annual Report and Accounts 2003/04;*
- *Defence Aviation Repair Agency Annual Report and Accounts 2003/04;*
- *Warship Support Agency Annual Report and Accounts 2003/04;*
- *Defence Communication Services Agency Annual Report and Accounts 2003/04;*
- *Defence Storage and Distribution Agency Annual Report and Accounts 2003/04;*
- *Defence Transport and Movements Agency Annual Report and Accounts 2003/04;*
- *Medical Supplies Agency Annual Report and Accounts 2003/04;*
- *Disposal Services Agency Annual Report and Accounts 2003/04.*

Logistic Support

130. Effective logistic support is a key enabler for ensuring forces are ready for operations. The DLO continued throughout the year successfully to meet the demanding operational logistic requirements of the front line while taking forward a wide ranging programme to improve further the ways in which the MoD and industry provide logistic support.



Soldiers of the Royal Gloucestershire, Berkshire and Wiltshire Regiment disembark from a C-17 transport in Kosovo.

In-year Delivery of Logistic Support

Performance Against Customer Supplier Agreements

131. The level of support provided by the Defence Logistics Organisation (DLO) to the Armed Forces is agreed and funded through Customer Supplier Agreements (CSAs) between the Chief of Defence Logistics and each of the other ten Top Level Budget holders. CSAs define, within the resources allocated, the logistic outputs to be provided by the Chief of Defence Logistics to support the Commanders-in-Chief and other Top Level Budget Holders in their delivery of military capability at the levels specified in

their own Service Delivery Agreements. In 2003/2004, the DLO achieved the agreed service levels for delivery of 94.3% of its logistic support outputs, against a target of 98% – marginally below last year's performance of 94.5%.

Supporting Operations in Iraq

132. The DLO Logistic Operations Centre (DLOC) continued to provide a more effective means of integrating the outputs of the Supply Chain and, to improve co-ordination of strategic movement and the delivery of logistic support from the home base to the operational theatres. Plans have been put in place to align the DLOC more closely with the Defence Transport and Movement Agency (DTMA).

133. The MoD has recognised the strategic requirement to track the location of individual components and consignments for some time. Op TELIC exposed the shortcomings in the current systems, the short-term rectification of which is being addressed as follows: an existing and proven system, Total Asset Visibility (TAV), was brought into service in early 2003 to enhance fielded UK systems; £17.5M was allocated to improve current consignment tracking systems; and a review of policy, procedures and training was carried out and acted upon.

134. In the longer term, the MoD is running two associated projects: Management of the Joint Deployed Inventory (MJDI); and Management of Materiel in Transit (MMiT). These will further improve the ability to track materiel to the front line and develop a 'picture' of the location of logistic materiel through the Supply Chain.

135. Within the DLO and Defence Communication Service Agency, the task of recuperating stocks and equipment to pre-TELIC funded level baseline has progressed well. The maritime and fixed wing areas progressed to plan. Recuperation of the land equipment was affected in part by the retention of certain equipments in Iraq to support ongoing operations.



Soldiers of 17 Port & Maritime Regiment unload supplies from the Royal Fleet Auxiliary Fort Rosalie using Mexe-Float lighters in the Gulf.

Improving Efficiency and Effectiveness

136. The Defence Logistics Organisation is working successfully to deliver very substantial efficiency gains. We aim to achieve total savings rising to at least £565M by April 2006 through initiatives such as Lean Support Continuous Improvement, Reliability Centred Maintenance, and Management of Materiel in Transit. By taking an 'end-to-end' process perspective, the Department has already achieved £297M of efficiencies in logistics support during 2003/04.

137. For example:

- The Tornado Nose Radar Bay at RAF Marham is now operating a lean maintenance regime with a 'demand pull' supply chain. With no additional personnel or equipment, this has enabled the Bay to meet the nose radar maintenance requirements for the entire Tornado GR4 Force. This has reduced the overall service manpower requirement by 17 posts and proves the single Depth Support concept;
- Review of the Base Overhaul regime for Warrior armoured vehicles enabled the Warrior repair cycle to be reduced by 38 vehicles during the year, and a further 7 by summer 2004, returning 45 vehicles to the Field Army. This represented a productivity improvement of around 20%;
- The Joint Supply Chain (JSC). The review of the expeditionary Supply Chain in Op TELIC has completed and many of the in-theatre recommendations have been implemented and are yielding improvements in the effectiveness and efficiency of the supply chain.

138. Our SR2002 PSA sets a target of a 20% output efficiency gain in the DLO relative to April 2000. As advised in the *Annual Report and Accounts 2002/2003*, this target was rebased to a 14% saving relative to April 2002, reflecting the change in the Government's cost of capital rate from 6% to 3.5% in April 2003, which made it harder for the DLO to achieve savings from asset reductions. Against that new baseline, the DLO achieved 3.7% savings in 2003/04, for a cumulative total of 6.8% savings, ahead of the target of 6% by April 2004. These savings are being delivered by over 300 separate measures monitored and tracked by a comprehensive benefits tracking system linked to the DLO Change Programme. Key elements are set out below.

Improving Support Solutions

139. The DLO has been working to improve the effectiveness and efficiency of its logistic support solutions. During the year this has included:

- Creating twelve Pathfinder Integrated Project Teams (IPTs) to lead a breakthrough in equipment support solutions. They are expected to challenge accepted practice and find ways to improve delivery of logistics capability to the front line while achieving the best value for money for Defence. The lessons and experience gained will be shared with the wider IPT community;
- Working with IPTs across the Sea, Land and Air environments, the Lean Support Continuous Improvement Team (LSCIT) successfully developed, piloted and implemented a new approach to forward repair and capital spares purchase planning – "Zero-Based Planning". This delivered benefits of £5M in 2003/04, with a further £30M expected over the next three years;

140. The Future Defence Supply Chain Initiative (FDSCi) was established in 2002, and received Ministerial approval to enter the Assessment Phase in October 2003. As part of the Defence Logistics Transformation Programme (DLTP), FDSCi considers a range of options for improving the efficiency and effectiveness of the Defence Supply Chain. FDSCi aims to reduce costs of ownership, by £34M per annum, whilst maintaining or improving service levels and enhancing operational capability. Alternative models of in-house provision are being developed and will be considered for comparison with a potential partnered solution, for which proposals have been sought from industry by competition. An announcement of the way ahead will be made around Spring 2005, with implementation of the preferred solution around six months later.

Working with the Defence Procurement Agency (DPA)

141. The DLO and DPA have set up a Procurement Reform Programme to exploit better their collective purchasing power by co-ordinating procurement activities. The Procurement Reform Implementation Office (PRIO) is now working to establish, test and refine the basic joint underpinning processes.

Working with Customers

142. The DLO is working with the Permanent Joint Headquarters (PJHQ) and the Front Line Commands to establish a standing Joint Force Logistic Component HQ within PJHQ. This will improve the planning and delivery of in-theatre logistic support at the tactical level, which was a lesson from both Exercise SAIF SAREEA and Op TELIC. We aim to achieve Initial Operating Capability by the end of 2004, and Full Operating Capability a year later.

143. We are also taking a new approach to the Defence land vehicle fleet by adopting industry best practice for the Services. So far, improved management has enabled a reduction of the land fleet by over 2,000 vehicles. During 10-month trials of vehicle storage in Controlled Humidity Environments, a reduction in maintenance and service has already saved over 1,500 labour days.

Working with Industry

144. We are always seeking to improve how we and industry can work together to mutual benefit. For example, introduction of an availability-based contract for support of RB199 engines fitted in Tornado reduced the number of modules being repaired at Rolls-Royce's Ansty facility by 40%, with the benefits shared between the MoD and Rolls-Royce, and saving a further £17M for Defence over the next three years.

Reducing Stockholdings

145. The DLO also continues to work to ensure that the Department holds only the minimum stock and capital spares needed to support the front line. In line with this, stockholdings continued to reduce in 2003/04, including a £377M reduction in the capital spares needed to support fixed and rotary wing aircraft. Reductions delivered by existing DLO review programmes were complemented by the findings and recommendations of the End-to-End Review Team. Further rationalisation is a key theme of logistics transformation.

Transforming Logistics Delivery

End-to-End (E2E) Logistics Review

146. In addition to the various initiatives set out above, in July 2003, a review of 'end-to-end' (E2E) Air and Land logistic support reported on how logistic support to Air and Land forces, including Naval Aviation and the Royal Marines, can be streamlined across organisational boundaries, from industry to the front line, and thereby generate improved logistic effectiveness and savings for investment in other Defence priorities. The Minister of State for the Armed Forces reported the findings to Parliament on 10 September 2003. The E2E Review Final Report proposed a future support strategy recognising that small and medium-scale operations outside Europe are now the norm, and that these will require logistic support that is joint, flexible, rapidly-deployable and robust. A more detailed Demonstration Phase validating the proposed scope and pace of change was completed in April 2004. It concluded that the original recommendations were sound and that the postulated benefits could be achieved.

147. One of the E2E recommendations resulted in the role of the Chief of Defence Logistics as Process Owner for logistics across Defence being reinforced and codified. As a consequence of this change, combined with the recognised need to bring together the various different strands of logistics reform into one programme, all logistic change projects were brought together under the Defence Logistics Transformation Programme (DLTP). The DLTP includes the End-to-End Review and the logistics elements of the DLO Change Programme and aims to form a single, coherent programme of logistics transformation, across organisational boundaries from industry to the front line.

DLO Restructuring

148. In parallel, the DLO carried out a review of its structure and internal processes to create a streamlined organisation that can deliver logistic support and sustainability with greater effectiveness and efficiency. This identified six critical success factors: a more robust and 'intelligent' relationship with the front line; an organisation focused on what it produces rather than what it uses; people with the skills needed to succeed in the new climate; a more strategic relationship with industry; better use of our purchasing power to get better value for money; and a DLO structure that meets requirements. Achieving this requires reorganising the DLO to develop a better relationship with the Defence Procurement Agency that will deliver effective through-life management options, to minimise conflicts between the DLO head office and its business units, and to address the fact that, compared to industry standards, too high a proportion of DLO staff are currently involved in support functions. The DLO is therefore creating senior posts responsible for ensuring coherence in the delivery by IPTs of the outputs agreed with their customers, and developing common enabling services, such as personnel and finance, across the DLO and working jointly with the DPA where appropriate. The new structure is being introduced progressively from 2005, but in due course should produce significant further financial benefits and a reduction of some 3,000 posts.

Equipment Disposals

149. The Disposal Services Agency (DSA) had a successful year in which it achieved £22M in gross cash receipts, exceeding its in-year target of £20M. Combined with estates disposals of £207M, this gives a total annual Departmental figure of £229M. Major capital disposals, including regeneration and modernisation work by UK industry, included: the completion of the sale of one Type 22 frigate to Chile (HMS Sheffield); the completion of the sale of five Offshore Patrol Vessels to Bangladesh; the completion of the sale of three C-130 aircraft to Austria; the final instalment of a ships and Seawolf missiles sale; the sale of HMS Scylla and several other smaller vessels; and the sale of Wessex and Gazelle aircraft.

Management

Objective

To improve management, accountability and efficiency across the Department.

Public Service Agreement Target (SR2002 MoD Target 7)

- Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability. Year-on-year output efficiency gains of 2.5% will be made each year from 2002/03 to 2005/06, including through a 20% output efficiency gain in the Defence Logistics Organisation:
 - Reduce the per capita cost of successfully training a military recruit by an average of 6% by April 2006;
 - Achieve 0% average annual cost growth (or better) against the Major Equipment Procurement Projects;
 - Reduce by 14% (relative to April 2002) the output costs of the Defence Logistics Organisation, while maintaining support to the Front Line;
 - Reduce MoD Head Office and other management costs by 13%;
 - Identify for disposal land and buildings with a Net Book Value of over £300M.

Performance Measures and Assessment

- Achieve 5% cumulative overall efficiency improvement compared to 2001/2002:
 - 2.9% overall improvement during 2003/04, and 5.2% cumulative overall improvement compared to 2001/2002;
 - 4.2% cumulative reduction in training costs (target of 4.0%);
 - 3.1% in-year cost growth on Major Equipment Projects (target of 0%);
 - 6.8% cumulative reduction in Logistic costs (target of 6.0%);
 - 10.6% cumulative reduction in Head Office costs (target of 9.0%);
 - Cumulative value of £230M land and buildings identified for disposal (target £134M).

Individual sub-targets are reported on in detail respectively under Training, Procurement, Logistic Support, Modernising Defence, and Defence Estate.

Introduce a new Departmental Business Management System with identified Departmental Process Owners to improve management efficiency and coherence.

- *Business Management System approved in October 2003, but full implementation delayed by diversion of resources to deliver MoD input to Gershon Review;*
- *Continued development of risk identification and management arrangements.*

Continue to meet requirements for safety, health, the environment and fire:

- *Continued to meet all health and safety obligations;*
- *Active participation in development of Government policy on sustainable development;*
- *Concluded a best practice review of health and safety in the MoD in a joint project with the Health and Safety Executive.*

Further Sources of Information

- Quarterly PSA reports to HM Treasury;
- *Delivering Security in a Changing World* (Defence White Paper, and supporting essays);
- *Delivering Security in a Changing World (Future Capabilities)*.
- *UK Defence Statistics 2004*;
- Evidence given to House of Commons Defence Committee on *Annual Report and Accounts 2002/03* (HC 589-i);
- *Releasing Resources to the Front Line: Independent Review of Public Sector Efficiency* <http://www.hm-treasury.gov.uk>;
- *The Stewardship Report on the Defence Estate 2003*.
- *MoD Sustainable Development Report 2003/04*

Efficiency

150. The Department is committed to increasing value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability. Our overall PSA target is to achieve year-on-year output efficiency gains of 2.5% over the period from 2002/03 to 2005/06. It is measured by the weighted average of performance against a set of process-related supporting sub-targets, the weighting being determined by the relative resources covered by each sub-target. We made a 2.9% overall improvement in 2003/2004, and remain on track to achieve the overall target. Results are set out in table 20 below.

151. Additional information on the routine management of the Department in line with Government standards is set out in Annex D. Further detail on the five individual sub-targets can be found in the respective sections of this report on Training (paragraph 110), Procurement (paragraph 123), Logistic Support (paragraph 138), Modernising Defence (paragraph 184), and Defence Estate (paragraph 101). But in summary:

- the **Training** supporting target is on its planned trajectory;
- the **Procurement** supporting target has not been achieved;
- the **Logistics** supporting target is ahead of its planned trajectory;

- the supporting target to reduce Head Office and other **Management** costs is slightly above the planned trajectory; and
- the **Estates** supporting target is running well ahead of plan.

152. The good logistics performance, which counts for over two-thirds of the overall target, and of three of the other four sub-targets, means that despite so far missing the procurement sub-target (which counts for 6% of the overall target), the Department's overall performance is slightly ahead of the overall planned trajectory.

Efficiency Review

153. This has been the second year in which the MoD has tracked its efficiency performance using a system of process-related supporting targets. The experience gained proved invaluable in responding during the year to the cross-Government Efficiency Review led by Sir Peter Gershon. In response to the Efficiency Review, the Department is now developing a more comprehensive efficiency programme, with much more sophisticated tracking of benefits and enhanced governance arrangements, which will be set out in more detail in the associated Service Delivery Agreement and Technical Note for the Department's efficiency target in SR2004. Reporting against this will commence in 2005/06.

Table 20: Efficiency Improvements					
Target	Weighting	Cumulative Trajectory			
		2002/03	2003/04	2004/05	2005/06
Reduce by an average of 6% the per capita cost of successfully training a military recruit to the agreed standard.	9	2%	4%	5%	6%
Achievement		1.7%	4.2%		
Achieve 0% average annual cost growth (or better) against the equipment procurement projects included in the Major Projects Report, while meeting customer requirements.	6	0%	0%	0%	0%
Actual in-year cost growth		5.7%	3.1%		
Reduce by 20% the output costs of the Defence Logistics Organisation, while maintaining support to the Front Line.	68	2%	6%	10%	14%
Achievement		3.1%	6.8%		
Reduce MoD Head Office and other management costs by 13%.	5	5%	9%	12%	13%
Achievement		6.3%	10.6%		
Identify for disposal land and buildings with a net book value of over £300M.	12	£84M	£134M	£258M	£300M
Achievement		£135M	£230M		
Overall Target	100	2%	5%	8%	10%
Overall Achievement		2.3%	5.2%		

Notes:
2003/04 figures subject to validation. The 2002/03 achievement against the Procurement and Logistics targets, and the overall achievement, have been amended from those reported in the *Annual Report and Accounts 2002/2003* to reflect subsequent checking and validation.

Business Management System

154. The Department has been developing a Business Management System (BMS) to improve the coordination of work across Top Level Budget boundaries and to ensure continuous improvement in the delivery of core defence outputs. The BMS is a management framework which defines the Department's high level business processes and their interconnections, and through single point accountability, enables Process Owners to identify where process improvements can be made and efficiencies delivered.

155. In October 2003, the Defence Management Board endorsed a paper which set out the principles of the BMS and provided direction for further development work. The Head Office Board has been acting as the BMS Steering Group. The Department aims to have a BMS Framework in place by April 2005.

Performance Management

156. 2003/04 saw further development of the MoD's performance management regime. At the heart of this regime remains the Defence Balanced Scorecard, which is used to communicate the Defence Management Board's priorities and forms the framework for planning across the Department (see accompanying essay). The year has seen greater vertical alignment of performance indicators throughout the management levels of the Department's tiered planning system, with departmental targets remaining tied to the external Public Service Agreement reporting internal outputs. During the year the NAO launched a preliminary study into PSA reporting systems across Government. A number of their findings are now being incorporated.

Corporate Governance and Risk Management

157. The MoD continued to develop its system of internal control to maintain compliance with developing Government requirements, drawing on the work being carried out as part of the Government-wide programme to improve the handling of risks to Government objectives. New initiatives being implemented include smarter approvals and management of acquisition risks; improved management of scientific and information risks; a revised approach to protective security; and embracing business continuity management planning as an integral part of good management. Active management of risk is now fundamental to the effective achievement of Defence objectives, and is central to the way business is conducted within the Department. It informs operational decision-making, contingency planning, investment decisions and the financial planning process, and risk forms an integral element of the Defence Management Board's performance reviews. Combined with other audit assurance work, this has ensured that the MoD was able to produce a fully compliant Statement on Internal Control for 2003/04 (to be found in Section 2 of this document) in accordance with revised Treasury instructions.

Safety, Health, Environment and Fire (SHEF)

158. The MoD is a very active participant in the development of Government policy and targets on sustainable development. The MoD has reported progress in the first *MoD Sustainable Development Report 2003/04*. The Department attaches great importance to ensuring the health and safety of Service and civilian personnel and others affected by our activities. A joint project with the Health and Safety Executive covering a best practice review of health and safety in the MoD was completed. The review consisted of a close analysis of the processes for auditing SHEF in the Department and concluded that the internal audit system was effective and robust. The Department produced a detailed, risk-based report on Safety (in its widest sense) in the MoD for consideration by the Defence Environment and Safety Board. More details on Safety, Health, Environment and Fire activities can be found at Annex D.

Essay: MoD Performance Reporting – The Defence Balanced Scorecard

The MoD has continued to use the balanced scorecard performance management approach to assess both current and forecast performance and to help set strategic planning resource priorities. The process has been firmly embedded across the whole Department for at least the past three years. Throughout this period the departmental scorecard objectives have continued to be refined by the Defence Management Board to ensure focus is maintained on the Department's PSA targets and other key areas of strategic priority, both at DMB level and across all levels of the MoD. Departmental performance metrics and reports are now designed and policed by identified "process owners", at 3★ level, one for each objective. This ensures that comparisons between the three Services, and all 11 TLBs, can be made more effectively, and that wherever possible, greater standardisation of measurement can be achieved. Scorecard data is regularly used, not only to facilitate DMB discussions and decisions, but also as the basis of reporting Departmental performance to Parliament, No 10, HM Treasury and the Cabinet Office.

The Department's internal auditors reviewed the scorecard process in 2002 and concluded at the end of the year that it provided substantial assurance of the robustness of the underlying data and analytical systems. Since then further external reviews of scorecard data have continued to take place. An examination of our PSA reporting arrangements by the National Audit Office during 2003/04 has helped to tighten further auditability. A second NAO review is currently underway into the performance reporting of front line unit readiness.

MoD performance management expertise has been used to help other Government Departments, local authorities and other nations' Defence forces, including the US Department of Defense, develop their own performance management regimes. A number have subsequently chosen to adapt the MoD scorecard system. We continue to develop the system further in house to meet our own needs better. We are also considering its potential for selling into wider markets as a commercially available performance management tool.

Building for the Future

Personnel Strategy

Objective

To invest in personnel and develop them for the future.

Public Service Agreement Target (SR2002 MoD Target 4)

- Recruit, train, motivate and retain the personnel needed to meet the manning requirement of the Armed Forces, so that by the end of 2004, the Royal Navy and RAF achieve, and thereafter maintain, manning balance, and that by the end of 2005, the Army achieves, and thereafter maintains, manning balance:
 - Achieve single Service guidelines for deployed Separated Service.

Performance Measures and Assessment

Achieve stable Premature Voluntary Release rates for each Service:

- Royal Navy 2% Officers, 5% Ratings:
 - As at 1 April 2003: 2.5% Officers, 5.3% Ratings;
 - As at 1 April 2004: 2.4% Officers, 5.7% Ratings;
- Army 4% Officers, 6% Soldiers:
 - As at 1 April 2003: 3.4% Officers, 5.5% Soldiers;
 - As at 1 April 2004: 3.7% Officers, 5.3% Soldiers;
- Royal Air Force 2.5% Officers, 4% Other Ranks:
 - As at 1 April 2003: 2.1% Officers, 3.9% Other Ranks;
 - As at 1 April 2004: 2.1% Officers, 3.7% Other Ranks.

Achieve separated Service targets:

- Royal Navy: no more than 660 days separated service over 3 years for Able Seaman within TOPMAST; no more than 60% of time away from base port over 2 years for non-TOPMAST personnel:
 - At 1 April 2004 the average separated service for Able Ratings was 169 days over a 3 year period. (Data not yet available for other personnel.)
- Army: 24 month average interval between unit tours:
 - At 1 April 2004, average tour interval was 23.3 months, but with significant variation. The Royal Armoured Corps averaged 14 months, the Infantry and Royal Artillery 18 months.
- Royal Air Force: no more than 6% of personnel with more than 140 days detached duty over 12 months; no more than 4% of personnel with more than 280 days detached duty over 24 months:
 - 5.4% of personnel more than 140 days detached duty over 12 months;
 - 2.4% of personnel more than 280 days detached duty over 24 months.

5% increase in positive responses to internal Service Attitude Surveys:

- Continuous high levels of Service satisfaction;
- Aggregate increase of 2.9% (to 70.6%) in positive responses to Civilian attitude survey.

Further Sources of Information

- Quarterly PSA reports to HM Treasury;
- *Delivering Security in a Changing World* (Defence White Paper and supporting essays);
- *UK Defence Statistics 2004*;
- *The Armed Forces Overarching Personnel Strategy*;
- Evidence given to House of Commons Defence Committee on *Armed Forces Pensions and Compensation* (HC 96-i/ii) and Government Response (Cm 6109);
- Defence White Paper 2003 Supporting Essay on People (Cm 6041-II);
- Evidence given to House of Commons Public Accounts Committee on *Improving service delivery: the Veterans Agency* (HC 551) and Government response (Cm 6271);
- *Veterans Agency Annual Report and Accounts 2003/04*;
- *Naval Manning Agency Annual Report and Accounts 2003/04*;
- *Army Personnel Centre Annual Report and Accounts 2003/04*;
- *RAF Personnel Management Agency Annual Report and Accounts 2003/04*;
- *Civilian Attitude Survey, Paperclips, September 2004*;
- *Strategy for Veterans* (www.veteransagency.mod.uk/vasec/strategy.pdf);
- Medical studies on Gulf Veterans:
 - ◆ *Psychiatric Disorder in Veterans of the Persian Gulf War of 1991*, Stimpson et al, British Journal of Psychiatry, 2003, 182, 391-403;
 - ◆ *Gulf War Illness – Better, Worse, or Just the Same?*, Hotopf et al, British Medical Journal, 2003, 327, p1370;
 - ◆ *Incidence of Cancer Among UK Gulf War Veterans*, Macfarlane et al, British Medical Journal, 2003, 327, p1373;
 - ◆ *Miscarriage, Stillbirth and Congenital Malformation in the Offspring of UK Veterans of the First Gulf War*, Doyle et al, International Journal of Epidemiology, 2004, 33, 74-86;
- *1990/1991 Gulf Conflict – UK Gulf Veterans Mortality Data: Cause of Death* (www.dasa.mod.uk);
- *Clinical Findings in 111 Ex-Porton Down Volunteers*, Lee et al, Journal of the Royal Army Medical Corps, 2004, 150, 14-19.

Service Personnel Developments

Premature Voluntary Release (PVR)

159. In order to gauge the success of Armed Forces' personnel retention, the MoD tracks the number of Servicemen requesting to leave the forces before the end of their agreed term, against the goal of stable long-term PVR rates of 2% and 5% for RN Officers and ratings respectively, 4% and 6% for Army Officers and soldiers, and 2.5% and 4% for RAF Officers and other ranks. Figures for April 2003 and April 2004 are set out below. Numbers have been broadly stable over the year.

Harmony and Separated Service

160. The purpose of Harmony is to allow Service personnel to have sufficient time away from operations for unit and formation training, personal training and development, and to spend time at home with their families. All three Services have agreed 'Harmony Guidelines'. At 1 April 2004, the average separated service for Able Ratings was 169 days over a three-year period. Further data for Navy personnel is not yet available. 2003/04 saw a continuously demanding operational tempo, and enduring high levels of commitment drove Army tour intervals for some units well below the guidance figure of 24 months, although the average was just under target at 23.3 months. The RAF achieved its guidelines with only 5.4% of RAF personnel serving more than 140 days detached duty over 12 months, and only 2.8% of personnel serving more than 280 days detached duty over 24 months. The Services have identified critical shortage groups that have borne the brunt of deployments. A tri-Service group was therefore set up to examine the management of those trades hardest hit by operations, while work continued to identify means of ameliorating the impact of operations on all of our personnel. Rollout of the Joint Personnel Administration System over the next few years will greatly enhance our ability to make meaningful comparisons across the three Services.



A soldier of the Royal Irish Regiment is welcomed home.

Operational Welfare Package (OWP)

161. The Operational Welfare Package policy and its implementation continued to be well received and was employed extensively during the year, specifically during Op TELIC. Considerable efforts and resources were directed towards delivering the OWP equitably and communication between those in-theatre and at home was significantly improved. In addition, we successfully trialled and deployed portable communications systems for early entry and manoeuvre forces, and developed early entry welfare equipment packs and more meaningful welfare policy provision for submariners.

Armed Forces Pay Award

162. The Government accepted in full the independent Armed Forces Pay Review Body (AFPRB) recommendation of an above inflation pay award of 2.8% (3.2% for the lowest paid privates and lance corporals). The award compared favourably with those of other public sector workers. Baroness Dean departed after 5 years as Chair of the AFPRB, and was replaced by Professor David Greenaway. There

	RN Officers	RN Ratings	Army Officers	Army Soldiers	RAF Officers	RAF Other Ranks
April 2003	2.5%	5.3%	3.4%	5.5%	2.1%	3.9%
April 2004	2.4%	5.7%	3.7%	5.3%	2.1%	3.7%

are also two new Review Body members, Dr Peter Knight from the University of Central England and Mr Robert Burgin, a former Group Managing Director of Cambridge Water plc, Gas and Electricity Companies.

Housing

163. The Defence Housing Strategy is now in place to direct the future provision of housing through a 'mixed economy', comprising both high quality service family accommodation in the right locations to support mobility and choice for those individuals who choose greater stability. The Strategy will be delivered through a mix of private finance, rentals, hirings and capital expenditure, together with the provision of more help and advice for Service personnel on their housing options. As far as possible, basing and posting will also be focused to enable greater choice. As part of the Defence Housing Strategy, a Business Process Review of the Management and Delivery of Defence Housing has been completed. A number of recommendations were made to enable more effective and efficient management and delivery and to improve customer service, including the merger of DE and DHE, which took place on 1 April 2004. Performance against Service Family Accommodation upgrade targets is reported at paragraph 97.

Families

164. The Service Families Task Force continued to address issues affecting Service Families. A tri-Service relocation policy and aide memoire, to be given to all families when they are notified of a posting, was produced. The Tri-Service Schools Liaison Policy was issued, implemented and reviewed, resulting in a better and more co-ordinated liaison with schools and local authorities. The Tri-Service Families Working Group was re-vitalised to address policy issues affecting communications with families, housing, education, children, Foreign and Commonwealth families, and health. Consideration of family issues is firmly embedded within the personnel policy process and Ministers and officials across Government are fully aware of the unique position and challenges faced by the families of Service personnel.

Pension and Compensation Scheme

165. A bill to introduce the new Armed Forces Pension and Compensation Scheme is progressing through Parliament. Significant progress has been made on the Tri-Service Act, though the timetable remains demanding.

Resettlement

166. An Early Service Leavers policy was developed and agreed with the single Services to ensure all Service personnel, regardless of length of service, receive some form of resettlement. Guidance Notes for Early Service Leavers Resettlement Staff were issued in February 2004. Based on available data for the first five months of the year, 96.6% of Service leavers who make use of the Career Transition Partnership find employment within six months of discharge.

Service Personnel Strategy

167. The Armed Forces Overarching Personnel Strategy (AFOPS) provided a useful framework and was the driving force behind a number of important change initiatives. However, we have recognised that AFOPS does not focus sufficiently on the future and does not present information in a particularly manageable format. Consequently, the Service Personnel Plan and Balanced Scorecard were implemented, on 1 April 2004, to improve the analysis of how we are delivering sufficient, capable and motivated personnel today, and how we are preparing for the challenges of tomorrow.

Civilian Personnel Developments

168. The Civilian HR Transformation programme is implementing the new strategy for civilian personnel that was introduced in 2002. The six overall objectives are: an effective strategic HR capability leading the development of the civilian contribution to defence; better planning and preparation for the future; a sharper focus on performance; a line management culture of managing work through people; a better experience of working in MoD; and a more open, diverse and participative culture. Details on specific programme developments are tracked under the Defence Change Programme, and reported under the section below on Modernising Defence.

Personnel Attitude Survey Results

Royal Navy

169. The Personnel Attitude Surveys remained broadly the same as the previous year with the same top three issues for both satisfaction and dissatisfaction. RN personnel were most satisfied with security of employment (86%), medical and dental facilities (73%) and kit replacement (69%). They were least satisfied with the inability to plan own life long term (64%), degree of recognition and reward for long hours other than pay (58%), and separation from family and friends (53%). These reflect the benefits of employment in the Royal Navy and the nature of its role.

Army

170. A large number of officers and soldiers reported their satisfaction with Army life was high. Job security and job satisfaction topped the list. Satisfaction with combat clothing and equipment increased steadily between December 2002 and December 2003. The top two factors of dissatisfaction were operational commitments and the impact of Army lifestyle on personal and domestic life, with growing concern regarding accommodation, harmony, equipment and conditions of service. The level of officer satisfaction with the frequency and length of operational tours decreased between December 2002 and December 2003, while the level of soldier satisfaction remained steady.

RAF

171. The majority of officers and airmen reported they enjoyed serving in the Royal Air Force. Job satisfaction, quality of line management and the opportunity to gain qualifications and extend skills and knowledge topped the list. The main areas of concern were the effects of operational commitments, the effects of change programmes, civilianisation and contractorisation and the impact of Service life on family life.

Civilian

172. We have now concluded the second year of the continuous Civilian Attitude Survey, with improvement across the majority of areas covered, and an aggregate increase in positive responses of 2.9% to

70.6% overall. Over 90% of staff reported a good or better awareness of the how their job contributes to the Department's aims and objectives. 84% stated they were encouraged to develop their skills and knowledge at work and 86% that they had been spoken to, in the previous six months, about their performance, progress and development. In addition, there was an increase in the number of people who felt the MoD was an Equal Opportunities Employer as well as in those who felt fairly treated at work.

Investors in People (IiP)

173. At 31 March 2004, all MoD staff, military and civilian, apart from those in newly formed units, were working in organisations recognised as Investors in People. Six Top level Budget (TLB) areas had achieved recognition at that level and two further TLBs were working towards recognition at that level. A programme of recognition and post-recognition review is taking place, with a number of organisations making effective use of the internal review arrangements. We have played a leading role in the development of Investors in People across the Civil Service and in the development of a new national IiP Standard.

Veterans

174. The Department supports the Under Secretary of State in his role as Minister for Veterans with responsibility for drawing together policy and delivery across Government on issues affecting veterans. The work entails close cooperation with other Government Departments, the Devolved Administrations and the corporate and the voluntary sectors, particularly the ex-Service organisations.

Strategy for Veterans

175. The Strategy for Veterans published in March 2003 was developed to cover three areas of activity: improvements in the transition from service to civilian life; provision of support to veterans who need it; and enhancement of the recognition and status of veterans in society. During the year, projects involving a range of stakeholders have been continued or launched:

- The start of a new pilot study into the mentoring of vulnerable veterans, linked to the new Early Service Leavers policy;
- The start of work with the Department of Health and the Devolved Administrations to improve the understanding in the NHS of Service-related health problems affecting veterans;
- A range of initiatives with the public, voluntary and corporate sectors to prevent or tackle homelessness and joblessness among veterans;
- The start of work with the Home Office and HM Prison Service to ensure that every Prison Service Resettlement Team in the UK is aware of the support that the ex-Service organisations can provide for ex-Service prisoners and their families both during the period of imprisonment, when shortly to be released, and after release;
- Development with Citizens Advice Bureaus and others to improve veterans' advice arrangements, available to them across Government;
- Cooperation with the £27M Big Lottery Fund 'Veterans Reunited' programme to allow Second World War veterans to attend commemorative events linked to the 60th anniversaries of the Second World War in 2004/5;
- Cooperation with the Home Office and the UK Passport Service on the provision of concessionary passports for UK veterans and their carers attending Second World War commemorations in 2004/5;
- The launch of a major education project on veteran-related issues led by DfES and the Imperial War Museum, initially linked to and funded under the 'Veterans Reunited' programme;
- Preparation of a series of booklets on major campaigns, initially linked to the 60th anniversaries;
- Preparation for the introduction of a new 'UK Veteran' badge which will be issued in the first instance to First and Second World war veterans and those veterans involved in the 'Veterans Reunited' programme;
- The start of work with other Government Departments and the ex-Service organisations to develop a pilot 'Veterans Awareness Week' to be held for the first time in July 2005.

1990/91 Gulf Veterans

176. The £8.5M MoD sponsored research programme into the health of veterans of the 1990/91 Gulf Conflict has continued throughout the year. A number of medical/scientific papers have been published as a result including, in December 2003, a paper in the British Medical Journal reporting the incidence of cancer among veterans and, in March 2004, a paper in the International Journal of Epidemiology looking at the reproductive health of veterans. Mortality data for veterans of the 1990/91 Gulf Conflict is published every six months, with 2003/04 figures issued in July 2003 and January 2004: these showed there is no difference in the overall mortality of Gulf veterans compared to the control group.

Operation TELIC Veterans

177. A research programme into the health of Service personnel returning from recent and ongoing operations in Iraq was announced on 7 May 2003. Three main studies are underway; a study into the physical and psychological health, a study on relevant battlefield exposures, and a study to establish normal levels of uranium in the urine of a military population that did not deploy.

Depleted Uranium (DU)

178. A retrospective DU testing programme for concerned veterans of the 1990/91 Gulf Conflict and Balkans operations, developed by the independent Depleted Uranium Oversight Board, was prepared and a pilot testing exercise began in March 2004 at centres in London and Glasgow. The MoD's voluntary biological monitoring programme for DU for Op TELIC personnel has continued. As at 31 March 2004, some 250 personnel had had urine tests for DU. Contracts were issued for the first proposals in MoD's DU research programme. The first review workshop was held in October 2003. The research programme continues and a second workshop is planned for October 2004.

Porton Down Volunteers

179. In March 2004, a paper reporting the clinical findings in 111 ex-Porton Down Volunteers seen at the Medical Assessment Programme was published in the Journal of the Royal Army Medical Corps.

The study found no clinical evidence linking ill-health with participation in the volunteer programme, and found no unusual patterns of disease. The separate epidemiological survey of Porton Down Volunteers continues. The Crown Prosecution Service continues to consider a single potential case for prosecution, having ruled that in all other cases there was insufficient evidence to prosecute former scientists involved in the testing of chemical agents on human volunteers between 1939 and 1989.

Medical Assessment Programme

180. The Medical Assessment Programme, based at St Thomas' Hospital in London, was originally established to provide as full a diagnosis as possible to veterans of the 1990/1991 Gulf Conflict concerned about their health. The scope has since been extended to include former Porton Down Volunteers and, on 7 May 2003, it was announced that the Programme would also see veterans of Op TELIC. During 2003/04, the Programme saw 51 veterans of the 1990/91 Gulf Conflict, 5 Porton Down Volunteers and 16 veterans of Operation TELIC. Of those who responded to a patient questionnaire, 97% were satisfied with the Programme.

Essay: The Hutton Report – Learning the Lessons

Following the publication of the Hutton Report on 28 January 2004 into the death of Dr David Kelly, the PUS announced that the Department would be reviewing its procedures in light of Lord Hutton's findings. Lord Hutton's Report made two direct criticisms of the Department with regard to Dr Kelly: not telling him in advance that his name would be confirmed if it was put to the Department and not having a system in place to ensure he was informed the moment his name was made public. Both of these criticisms have been accepted and appropriate responses taken in terms of the way the Department communicates with and supports individuals in the media spotlight.

Learning the lessons of Hutton and providing the best personnel processes and support mechanisms for staff is a continuing project in MoD and across Government. We are always working to improve our procedures and we are taking account of the wider lessons of the Hutton Inquiry to build on work already underway before the Inquiry to streamline the guidance and training available to staff and line managers. The Department's rules on contact with the media have been closely examined in the light of the Inquiry. This review concluded that the current rules are broadly "sound" but we are taking the opportunity to issue updated rules in line with our drive to make all guidance as clear and straightforward as possible.

Contact with the Media

It remains vital for the coherent presentation of Defence that the Press Office is informed of communication with the media by anyone within the Department. Therefore our core rule remains – all contact with the media must be authorised in advance. The Department has conducted an audit of posts requiring media contact to identify post holders whose duties bring them into regular contact with the media. The aim of this has been to ensure that individuals who are required to communicate with the media in their posts have the appropriate training and support from the Press Office, and perform this duty within the boundaries of MoD and civil service rules. October 2004 will see the issue of a Defence Council Instruction containing the Department's reinforced rules on contact with the media, reflecting the lessons of Hutton and wider Departmental experience.

Issues of Conscience

The Civil Service and the MoD encourage people to speak up when they feel something is wrong. The Department is issuing comprehensive guidance on the appropriate ways to raise what are termed issues of conscience or professional concerns, both informally and formally in a Defence Council Instruction in October 2004. Generally, the best way to do this is through the normal management chain but there may be circumstances when an individual would find it difficult to raise the matter with his or her manager. To cater for this, MoD has nominated four senior officials who can be approached in confidence with any such concerns by civil servants working in any part of the Department. They are Richard Hatfield (Personnel Director), Carl Mantell (Director General Central Budget), Deborah Loudon (Director General Security and Safety) and Stan Porter (Commercial and Supplier Relations Director in the Defence Procurement Agency).

Parliamentary Committees

Comparatively few staff in the Department will ever experience appearing before Parliamentary Committees, but for those who do, part of the future preparation for these appearances will be a pre-assessment of any media implications likely to arise from it. A member of the Press Office will attend each evidence session, and a post appearance debrief will give individuals a chance to talk about their questioning by a Committee. Advice on media attention is available from the Press Office. These new measures are reflected in the Department's revised guidance for witnesses appearing before Select Committees which the Secretary of State approved in August 2004.

Training

Staff will, in the course of their work, sometimes find themselves operating under pressure. We are examining how we can improve the training given to line managers firstly to identify, and subsequently to support staff who may be in this position. The MoD's civil/military working structure is a unique environment, and this extension of training will therefore also be aimed at those military personnel who manage civilians.

Personnel Policy and the rules

More generally, the personnel rules and guidance that exist within each Top Level Budget (TLB) and Agency must follow the MoD core set of personnel rules and be easy to use and consistently applied throughout the Department. This will greatly facilitate movement throughout the Department and across TLB boundaries. The PUS has written to all TLB holders and Agency and Trading Fund Chief Executives reinforcing this point and the HR Transformation programme will build on this in updating and clarifying policies and rules wherever necessary.

Modernising Defence

Objective

To modernise Defence to meet future military requirements.

Public Service Agreement Target (SR2002 MoD Target 7)

- Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability:
 - Reduce MoD Head Office and other management costs by 13%.

Performance Measures and Assessment

Implementation of the Defence Information Strategy to provide Defence Information Infrastructure Initial Operating Capability by July 2005 and Full Operating Capability by December 2008, and ensure personnel are competent in the use of Information and Communication Technology:

- *Defence Information Infrastructure programme on course. Incremental improvements to MoD computing infrastructure underway. Head Office element of DII went live 24 May 2004.*

Smaller and more effective Head Office, reducing numbers by 600 to 3,000 for return to Main Building, and cumulative reduction of 9% in Head Office and other management costs by April 2004:

- *10% reduction in Head Office posts;*
- *4.3% further reduction in Head Office and other management costs in year, producing 10.6% cumulative reduction since April 2002.*

Implementation of baseline civilian Human Resources Management System (HRMS) with complete roll-out by April 2004:

- *Successful roll-out of HRMS across the Department.*

Achieve Initial Gate approval for establishment of civilian personnel Service Delivery Organisation by March 2004:

- *Initial Gate approved March 2004.*

Implementation of Joint Personnel Administration System (JPAS):

- *Implementation of JPAS on track. Harmonisation of pay and allowance policies endorsed and procurement strategy approved.*

Further Sources of Information

- Quarterly PSA reports to HM Treasury;
- *Delivering Security in a Changing World* (Defence White Paper and supporting essays);
- *Armed Forces Personnel Administration Agency Annual Report and Accounts 2003/04;*
- *Pay and Personnel Agency Annual Report and Accounts 2003/04;*
- *UK Defence Statistics 2004.*

Defence Change Programme

181. The Defence Change Programme joins up the major change initiatives across defence and introduces strong central direction and guidance to produce a single, coherent and prioritised modernisation programme that ensures key initiatives have robust governance and plans, with clearly identified benefits. The Programme aims to maximise investment in front-line operational capability by driving through improvements in departmental business processes. It is supported by the £580M Defence Modernisation Fund secured from HM Treasury in the 2002 Spending Review. Rigorous governance arrangements are key to the success of the Defence Change Programme. These include:

- **Top level ownership:** Senior Responsible Owners have been appointed for all major change initiatives and are personally accountable for maximising the delivery of benefits. Each programme is sponsored by one of the Department's Ministers;
- The **Defence Change Programme Board** leads, directs and manages the Defence Change Programme. The Board is responsible for cross-cutting issues such as common risks and interdependencies, together with loading and capacity issues; and
- Chaired by the Secretary of State, the **Change Delivery Group** challenges and supports major change initiatives across Defence and manages allocation of the Defence Modernisation Fund.

182. Key central enabling elements of the programme are set out in more detail below. Other important aspects of the overall change programme are covered separately in this report. These include modernisation of Estate delivery (paragraphs 102-104), Defence Training and Education (paragraphs 109-110) and Logistics Transformation (paragraphs 146-148).

Enabling Infrastructure

183. Following on from the Defence Information Strategy, good progress has been made in delivering the **Defence Information Infrastructure (DII) Programme**. The DII Programme will establish a

single information infrastructure for Defence, replacing over 300 diverse information systems across 2000 locations worldwide. This programme will also enable many of the other benefits delivered by the Defence Change Programme, such as the modernisation of both military and civilian human resource management. It will also provide critical support to elements of the Equipment Programme and to the development of Networked Enabled Capability, which future military operations will demand. Placement of the main DII contract is expected in early 2005. Incremental improvements to the Department's computing infrastructure are already well underway, including the Head Office element of the DII, which went live as scheduled in May 2004, closely followed by Fleet HQ in July 2004.

The >home Programme

184. The >home (Head Office Modern Environment) Programme is a comprehensive modernisation programme embracing the redevelopment of Main Building, and the introduction of new technology and improved working practises. The Main Building Redevelopment (MBR) project remains on budget and several months ahead of contract completion. Approximately 3,100 staff began reoccupying Main Building over the summer of 2004, culminating in full building occupancy in September 2004. The increased capacity of Main Building allows the MoD to remain on target to dispose of five other buildings (Northumberland House, Metropole Building, St Giles Court, Great Scotland Yard and St Christopher House). Main Building redevelopment has been used as a catalyst for change at the corporate centre of the MoD, allowing activities to be concentrated as part of an overall reduction in staff in central London from 6,000 to 4,900 since 1999. St George's Court has been retained to accommodate some 900 non-Head Office personnel required to be in London, while the Old War Office continues to house the Defence Intelligence Staff. We reduced Head Office and other management costs by a further 4.3% during the year, reaching a cumulative reduction of 10.6% against an end year cumulative target of 9%. We are therefore slightly ahead of target to achieve the 13% reduction by April 2006 called for in our SR2002 PSA.



The Ministry of Defence's Main Building, Whitehall.

Managing People

185. We continued to introduce new information systems and harmonised and simplified personnel policies and processes designed to modernise service personnel management. The Joint Personnel Administration programme will be rolled out across the three Services towards the end of 2005 and through 2006, enabling considerable financial savings, chiefly through a leaner administrative function, as well as significant practical benefits, including management information to support evidence-based policy making, improved tracking of personnel deployed on operations and identification of reinforcements. The project continues to progress satisfactorily. Harmonised and simplified pay and allowances policies have been endorsed, the procurement strategy was agreed in early 2004 and we are now working with the contractor, EDS, to deliver the system. The Joint Personnel Administration Centre (JPAC) was opened in Glasgow in June 2004.

186. The Civilian Human Resources Transformation Programme has two pillars, to define the MoD's future requirements for personnel services and to develop the organisation to deliver those services. Good progress has been made with both pillars, and the project to deliver the Service Delivery Modernisation Programme passed its Initial Gate in March 2004. Additionally, the new Human Resource Management System (HRMS), covering all the Department's civilian staff, was successfully rolled out across the Department by the end of March 2004. This provides a core personnel management tool that will over time facilitate a more strategic approach to civilian skills and workforce planning.

Working with other Government Departments

187. In addition to the specialist military capabilities routinely provided by the Services to Home Departments, such as search and rescue, fisheries protection and explosive ordnance disposal (see Output and Deliverables), the MoD continued to expand its work with other Government Departments, Devolved Administrations and agencies. This both maximises the most efficient delivery of defence objectives, and also ensures that the significant contribution we can make to wider Government objectives is understood and taken into account by the Departments concerned.

188. Good progress was made to expand joint working with the **Department of Health** under the NHS/MoD Partnership Board. A surgical team from the University Hospital Birmingham NHS Trust deployed to Bosnia in 2003 to provide clinical care to deployed troops. When not deployed, military doctors and nurses worked within the NHS, providing health services for both military and civilian patients. The NHS has been actively engaged in ensuring that reception arrangements for military patients returning from Op TELIC worked effectively. Since June 2001, University Hospital Birmingham Trust has been the main receiving hospital for routine aeromedical evacuations back to the UK. We remain committed to developing further the military medical centre of excellence already up and running at the Royal Centre for Defence Medicine (RCDM) in Birmingham. The University of Central England and the Defence School of Health Studies deliver nurse training in Birmingham. We continued to work closely with the Southampton University Hospitals NHS Trust to provide a paediatric aeromedical evacuation capability for Service dependants stationed overseas. There are also good working relations between the MoD's Defence Leadership Centre, the NHS Leadership Centre, and the Centre of Health Leadership Wales.

189. Working with the **Department for Education and Skills**, our youth initiative in schools, Skill Force, was successfully established as a public interest company supported by grant in aid. It continues to use former Service personnel to deliver key skills training to disaffected young people with

outstanding impact on their attendance, employment and education outcomes. With an almost 80% reduction in those not entering employment, education or training on leaving school, Skill Force represents excellent value for money. Each team produces outcomes which save £0.5M annually to the public purse. As set out in Training, in Enabling Processes, we also provide a wide range of training and education to Defence personnel, ranging from basic literacy and numeracy skills to complex technical and professional training, and we work to ensure that this training is recognised by appropriate national qualifications.

190. In taking forwards issues affecting **Service Veterans**, we have coordinated our work closely both with other Government Departments and a wide range of corporate and voluntary sector stakeholders. Key Government partners during the year included the Department of Health and the Devolved Administrations on health initiatives affecting veterans; the Office of the Deputy Prime Minister and the Department of Work and Pensions on initiatives to tackle aspects of social exclusion among some veterans; the Department of Culture, Media and Sport and the New Opportunities Fund (now the Big Lottery Fund) on the 'Veterans Reunited' initiative; the Department for Education and Skills on education projects linked to veterans issues; the Department for Constitutional Affairs on public information strategies of potential benefit to veterans; and the Home Office and UK Passport Service on passport concessions for Second World War veterans attending commemorative events in 2004/05.

Science, Technology and Equipment

Objective

To invest in technology and develop equipment capability for the future.

Performance Measures and Assessment

Access to the technology the MoD needs to support defence capability requirements:

- *Establishment of Research Acquisition Organisation on schedule;*
- *Placing of research contracts for over £440M;*
- *Establishment of three Defence Technology Centres;*
- *Establishment of a Tower of Excellence for Underwater Sensors.*

Assessment of Future Capability Requirements:

- *Future capability requirements and gaps assessed and identified.*

Coherence, Integration and Affordability of the Equipment Plan:

- *The 2004 Equipment Plan made provision for continued investment in areas identified as key to the UK's future military capability.*

Further Sources of Information

- Quarterly PSA reports to HM Treasury;
- *Defence Science and Innovation Strategy*
www.mod.uk/issues/science_innovation;
- *Delivering Security in a Changing World* (Defence White Paper and supporting essays);
- *Delivering Security in a Changing World: Future Capabilities*;
- NAO report on *The Management of Defence Research and Technology* (HC 360);
- Defence Science and Technology Laboratory (Dstl) *Annual Report and Accounts 2003/04*;
- *UK Defence Statistics 2004*.

Technology in Support of Capability Requirements

191. In addition to driving forward the Departmental Science and Technology research programme (placing contracts for over £440M), the MoD science staffs made a significant contribution to the planning and conduct of operations in Iraq, and also to the post-conflict "lessons identified" process. Science and technology research has led to notable advances in the protection and treatment of personnel, and has identified scope for significant savings in both near-term and long-term equipment acquisition.

192. The main benefits that MoD obtains from its investment in Science and Technology are provision of war winning capability, from support to front-line operations to far-reaching novel technology solutions; underpinning operational, procurement and capability analysis which leads to enhanced performance, new capabilities, cost reduction and risk reduction in the Equipment Programme; identification of emerging threats and the potential solutions to them; enabling the UK to be a significant player in the international arena as a valued partner for research and project collaboration; major enabling support to the battle against terror and the gathering of information to combat it; and through technology transfer, helping to underpin the competitiveness of our national Defence industry.

193. We have cooperated closely with the National Audit Office in its review of *The Management of Defence Research and Technology* during the year. The NAO review was a positive document and stated that progress was being made through greater alignment with MoD high level policy and strategy, a move to managing research by outputs for greater focus of research on what we wish to achieve, good progress on competition of the work and partnership initiatives, such as Defence Technology Centres (see below). We accept the NAO report's view that a good start had been made but further work was required. We are looking to draw on their suggestions to build on our progress.

Management of research by output

194. The MoD is moving towards management by output rather than management by input. Within this, the Science and Technology community has developed a set of seven outputs for the direction and management of the Science and Technology research programme; each strategy sets out what it is trying to achieve and how success will be measured. We have also established a new Research Acquisition Organisation, which is located at the Defence Academy in Shrivenham.

Initiatives for partnership

195. Three Defence Technology Centres (DTCs) were established last year, for Data and Information Fusion, Human Factors Integration, and Electromagnetic Remote Sensing. We are looking to establish an additional DTC, and subject areas are being considered. The DTCs are a key element in achieving improved collaboration with industry and academia. They represent a new approach to delivering the Department's research needs: MoD concentrates on defining the outcomes it requires, allowing the DTC industrial and academic partners the freedom to use their combined expertise and experience to propose innovative and cost-effective solutions. We also established a further Tower of Excellence, for Underwater Sensors, in addition to those for Guided Weapons and Radar established last year (Towers of Excellence are focused towards the system-level application of research).

Defence Science & Technology Laboratory (Dstl)

196. Dstl provides the Government's core expertise on defence and security-related science and engineering. This year there have been many defence and security-related problems where science and technology have provided the solution or supported key decisions, not least in Iraq where we have continued to make a significant contribution to military operations. Dstl published an initial technical strategy and will now work with MoD to identify those areas where Dstl involvement in the programme should be a priority and where most impact can be made. At the end of year, Ministers endorsed Dstl's proposals to concentrate its activities on three core

sites at Porton Down, Portsdown West and Fort Halstead. It will now focus on how it intends to move to a more integrated laboratory, not only with regard to the physical environment, but also in terms of business processes, culture and technical capability.

Future Capability Requirements

197. Early visibility of potential future capability gaps is important to deliver a balanced defence capability that will continue to allow the Armed Forces to meet the Government's requirements over time. Potential shortfalls in the Armed Forces' future operational effectiveness are assessed by a variety of means including scenario modelling taking account of anticipated concurrency demands. The results, together with the outcome of the annual Equipment Capability Audit, provide a rounded picture of where capability gaps might arise. This work informs the Defence Strategic Guidance and the Equipment Plan, and the results are routinely reported to the Defence Management Board. Our future requirements were set out in the July 2004 White Paper *Delivering Security in a Changing World: Future Capabilities*.

Coherence, Integration and Affordability of the Equipment Plan

198. The 2004 Equipment Plan, building on the additional resources made available in the 2002 Spending Review, has made provision for continued investment in those areas identified as key to the UK's future military capability. This includes investing in areas such as Network Enabled Capability, deployability and precision effects. The Department's ability to identify, prioritise and appropriately fund key capabilities such as these has been improved by the effective use of the Decision Conferencing process, which draws together stakeholders from across the Department, and the utilisation of Whole Life Cost data.