MINISTRY OF DEFENCE

Ministry of Defence

Annual Report and Accounts 2007-2008 Volume I:

Annual Performance Report

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Ministry of Defence
Annual Report and Accounts
Volume I

including the Annual Performance Report and
Consolidated Departmental Resource Accounts

2007-08

(For the year ended 31 March 2008)

Laid in accordance with the Government Resources and Accounts Act 2000

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Introduction

i. The Ministry of Defence's Annual Report and Accounts is a comprehensive overview of Defence and how the Department has used the resources authorised by Parliament from April 2007 to March 2008. It has two main sections: the first comprises the Department's Annual Performance Report for 2007-08, including performance against our Public Service Agreement (PSA) targets. The second comprises the Departmental Resource Accounts for 2007-08. There are also a number of Annexes containing background information on the Department, its organisation and administration. Further information is published in parallel on the Department's website at www.mod.uk/DefenceInternet/DefenceFor/Researchers/

Section One: Annual Performance Report

ii. Since 2000 the Defence Management Board has used a Balanced Scorecard to assist in the assessment, reporting and management of Defence performance. The scorecard for 2007-08 (see Annex D) encapsulates the Government's key objectives as set out in the Department's Public Service Agreement and the Board's wider supporting objectives and priorities, as set out in the *Defence Plan 2007*. A more detailed explanation of how the Defence Balanced Scorecard works is at Annex D. The Annual Performance Report is set out on the same basis as the Defence Plan, with four main sections on Purpose, Future, Enabling Processes and Resources. It reports performance against the targets set our therein. Each section contains separate chapters on the individual high level scorecard objectives, with a short performance summary and Assessment at the front, supplemented by an essay providing additional background on some relevant aspect of Defence business during the year.

iii. The Defence Plan and the Defence Balanced Scorecard are designed deliberately to evolve over time to reflect emerging top level priorities and changes in the way the Department is organised. Consequently, although the overall four-part structure remains consistent, there is inevitably a certain amount of change from one Defence Plan to the next in the top level supporting objectives and the way they are brigaded and presented. Significant changes in 2007-08 include:

- Revision of the structure of the *Future* section to focus more clearly on change and future capabilities;
- Merging Personnel and Manpower into a single integrated People chapter;
- Merging logistics and equipment acquisition into Equipment and Support, reflecting their closer integration in the Defence Equipment and Support organisation under the Defence Acquisition Change Programme;
- Merging financial and efficiency reporting into a single chapter;
- An expanded chapter on Safety, Security and Business Continuity, reflecting the Defence Board's increased focus on these areas; and
- The incorporation of the Department's Annual Corporate Governance Report at Annex B.

Public Service Agreement Targets

iv. At the highest level the Ministry of Defence's objectives are set out in the Public Service Agreement. The Annual Performance Report therefore starts with a summary of performance at of 31 March 2008 against the targets set in the 2004 Spending Review, including the separate Efficiency Target. Supporting detail is provided throughout the report, and a summary of the underpinning data systems is at Annex D. A full description of these targets and the way in which performance against them is measured, together with quarterly performance reports, can be found on the MoD website at www.mod.uk/DefenceInternet/DefenceFor/Researchers/.

Section Two: Departmental Resource Accounts 2007-08

v. The Department is required to prepare resource accounts for each financial year detailing the resources acquired, held, or disposed of during the year and the way in which it has used them. The Resource Accounts are prepared on an accruals basis in accordance with Treasury guidelines. They must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year. The Accounts are audited by the Comptroller and Auditor General and supported by the National Audit Office to ensure that they are true and fair and that they have been properly prepared. The Departmental Resource Accounts for 2007-08 together with the Comptroller and Auditor General's certification comprise Section Two of the Annual Report and Accounts.

Further Information

vi. The Annexes to the Annual Report and Accounts contain background information, mainly in regard to the administration of the Ministry of Defence. These include information on accounting to Parliament; the Department's Annual Corporate Governance Report; detailed conflict prevention assessments; a description of the Department's performance management system; summary performance of Defence Agencies, Trading Funds and Non Departmental Public Bodies; performance against Government Standards for efficient administration; and a summary of the major Defence equipment projects and international collaborative activity. Sources of more detailed information on specific aspects of defence performance and activity are set out at the end of the Report in Annex I. Further information, including the annual report on the work of the Defence Audit Committee are published in parallel on the MoD website at www.mod.uk/DefenceInternet/DefenceFor/Researchers/

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Ministerial Responsibilities

Secretary of State for Defence Rt Hon. Des Browne MP

The Right Honourable Des Browne MP was appointed Secretary of State for Defence on the 6th May 2006. The Secretary of State for Defence in the Cabinet Minister charged with making and executing Defence policy and with providing the means by which it is executed, the Armed Forces. As Chairman of the Defence Council and of its three Service Boards (the Admiralty Board, the Army Board and the Air Force Board) he is responsible for the command, administration and discipline of the Armed Forces on behalf of the Crown. Although ultimately responsible for all elements of defence, the Secretary of State is supported by three subordinate Ministers: The Minister of State for the Armed Forces, the Minister of State for Defence Equipment and Support and the Under-Secretary of State for Defence and Minister for Veterans. The Secretary of State assigns responsibility to them for specific aspects of the Armed Forces and the Ministry of Defence's business but retains specific responsibility for: policy, (including nuclear issues and European defence); operations; personnel; finance and efficiency; oversight of major acquisition decisions and Defence industrial issues; and media and communications.

Minister of State for the Armed Forces
Rt. Hon. Bob Ainsworth MP

Responsibilities
Defence policy and planning, including:
- Arms control and disarmament; export licensing
- International organisations
- US visiting forces
- Size and shape of the Armed Forces
- Intelligence and security, including counter terrorism
- Defence diplomacy
- Estate Policy

Operations, including:
- Overseas commitments and garrisons
- Northern Ireland
- Military Aid to the Civil Authorities
- Nuclear accident response
- Military assistance overseas

The Armed Forces (Regular and Reserves), including:
- Recruitment
- Readiness
- Sustainability
- Performance
- Training
- Reputation
- Inquiries, Boards of Inquiry, Inquests

Regional issues and the devolved Administrations

Defence Estates Committee

Defence Equipment & Support business in the Commons

Minister of State for Defence Equipment and Support
Baroness Taylor

Responsibilities
Defence Equipment and Support

Commercial policy throughout the Department

Defence Equipment Programme through life

Defence logistics support, including:
- Defence Support Group

Defence Industrial Strategy

Defence science and technology including:
- Defence Science and Technology Laboratory (Dstl)
- QinetiQ

Defence exports

International aspects of defence equipment and support

Defence business in the House of Lords

Under-Secretary of State for Defence and Minister for Veterans
Derek Twigg MP

Responsibilities
Service personnel issues, including:
- Education including Service leavers, Resettlement
- Pay/Allowance
- Equal opportunities
- Service families and Service children's education
- Defence Medical Services
- Cadets
- Compensation, and claims casework

Veterans affairs, including:
- Legacy veterans' health issues
- War Graves
- Medals and memorials
- Commemorative events
- Prisoners of War

Defence estates, including:
- Defence estates acquisition and disposal
- Service housing
- Heritage and Historic Buildings

Other issues, including:
- Hydrographic Office
- Meteorological Office
- Non-Departmental Public Bodies
- MoD Police
- Health and safety
- Low flying
- Civilian personnel and policy casework
- Visits by Peers and MPs/Armed Forces Parliamentary Scheme

Foreword

by the Secretary of State

The success of Defence is dependent on the men and women of the Armed Forces and the civilians who support them. I have seen for myself the exceptional job that they do, at home and abroad, often in very difficult circumstances. They play a vital role, defending the UK and its interests, and working to strengthen international peace and stability. I have huge admiration and respect for them.

The selfless commitment shown by all our servicemen and women is truly humbling. Some have paid the ultimate price, and many personnel have been wounded. The demands that we place on them, and their families, are considerable. We remain committed to ensuring that we provide the support that they need and deserve.

This has been a challenging year for Defence. The operational tempo remains high with the continuing operations in Afghanistan and Iraq. In those theatres and others, British Forces are making a huge contribution to international security.

In Afghanistan we, along with our international partners, are working to support the democratically elected Afghanistan Government. Our Armed Forces are providing the secure environment that is essential for their young democracy to flourish, their economy to grow and reconstruction and development to spread. We are seeing real progress, and there is now a tangible sense that life for many Afghans is improving.

With our help the Iraqi security forces continue to increase in professionalism and strength. Their growing capability is evidenced by their ability to take on responsibility for the security of southern Iraq. We look to Iraq's future with growing optimism, improvements in the quality of life and general conditions within Basra demonstrate how far we have come. But we recognise that real challenges remain, and are committed to supporting Iraq for as long as it needs us.

Making sure our Armed Forces have the right equipment is crucial to operational success. We are making real progress in developing our relationship with industry, promoting innovation and improving the whole procurement process. Our Armed Forces are now better equipped than ever before.

We have achieved a great deal this year, huge challenges no doubt lie ahead. We demand a lot of our people, military and civilian. But I know that they will continue to rise to this challenge.

Right Honourable Des Brown MP
Secretary of State for Defence

Preface

Over the past year we have continued to focus clearly on our primary goal: achieving operational success, particularly in Iraq and Afghanistan. We are making a significant commitment in both theatres; and in both theatres it is making a difference. We have been encouraged by the signs of improvement over the year. In Iraq the various communities have increasingly worked together, and with The International Coalition, to oppose the extremists and to restore security. The Iraqi Army, whom we help train, has grown in capacity and confidence. In Afghanistan, meanwhile, we continue to inflict tactical defeat on the Taliban, despite some hard fighting and some sad losses. But the key battle is for the hearts and minds of the ordinary Afghan people. Here, too, we are making gradual progress. We are helping to create the conditions where reconstruction and development can take root, and where legitimate governance can spread. The scale of the task is of course very large, so we have made little more than a start in Afghanistan. But it is an encouraging start.

We are, however, asking and expecting a great deal of our sailors, soldiers and airmen, regular and reserve, on the front line and in support. They are more than meeting those expectations. In return we must provide them with the tools they need to do the job. In April the Commanding Officer of 16 Air Assault Brigade, taking over as the Commander Helmand Task Force, said that he doubted whether the British Army had ever put a brigade into the field as well equipped, and that the equipment continues to improve with each deployment. Five years of sustained, high tempo operations have also severely tested how we support our people and their families, including veterans and the bereaved. As this Report shows, we have made progress across a broad range of issues, including pay, operational allowances, injury compensation and accommodation. A recent report by the House of Commons Defence Committee paid tribute to the medical care our people receive, both in theatre and in MoD hospital units in the United Kingdom, such as at Selly Oak. All of this helps address the issues underlying our manning shortfalls. But we recognise there is more to be done. We continue to invest heavily in improved accommodation, although inevitably we cannot do everything as quickly as we would like. The development of a cross-Government strategy to support the Armed Forces will make a major contribution. As the commitment to operations reduces, our principal aim is to restore capability for the medium and longer term and improve the Armed Forces' readiness for future operations.

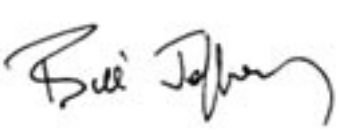
We have also been demanding, and getting, a great deal from our civilian workforce, whose numbers have fallen by over 17,000 over the last three years. The contribution they make, and their commitment to the purposes we serve, is often unrecognised and unsung. It includes several hundred civilian personnel volunteering to serve on operations every year. It is nevertheless fundamental. We have for some years been taking forward a major programme of upskilling and organisational change across the Department to ensure that we continue to deliver what is required and make every pound count, and we have significantly exceeded the efficiency goals set in the 2004 Spending Review. The establishment of the Defence Equipment and Support Organisation and its new PACE programme, the rationalisation of all three Services' headquarters and support structures, and the Head Office Streamlining programme, are affecting almost everyone in Defence. Throughout, our people have continued to deliver the support the Armed Forces require at a time of continuing operational pressure. There is more yet to do, and the report sets out a challenging continuing programme of change and improvement, including to meet our demanding acquisition targets in future despite the shortfall against them this year. But what we have achieved so far is encouraging, and a tribute to our people's dedication and commitment. We do not take it, or them, for granted.

We have in parallel set ourselves the goal of improving the way we work in a number of areas where we have identified shortcomings. In particular, the Capability Review identified the need for further improvement in leadership and direction, from the Board down. The Burton Review showed that we need to improve our day-to-day management of information and personal data. And in reviewing Health and Safety in preparation for the introduction of the new corporate manslaughter act the Defence Board concluded that our current overall performance falls short of the necessary standards. We are taking forward work in all these areas. The Board has changed the way it works and communicates, and our

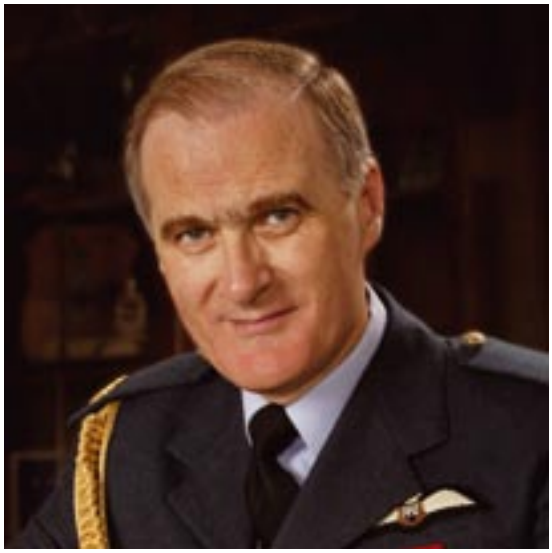
management training programme and Head Office Streamlining are specifically focused on improving leadership, direction and accountability. We are taking forward an extensive action plan with a heavy training and awareness focus to improve information management and data security. And the Defence Board is now actively driving a programme to improve health and safety management. All these will be a long haul; cultural and behavioural change does not happen overnight. But we are determined to lead from the top, including through greater transparency and prominence in reporting how we are doing in these areas, as shown by the greater prominence given to these issues in the Report.

The Report also makes clear quite how wide a range of business takes place in Defence. Because of the way we look after the Armed Forces, we do almost everything in Defence. We buy everything from the most high tech military equipment to paperclips. We conduct leading edge scientific research. We provide medical care and welfare support. We run schools, colleges and youth organisations, and mentor young people. We manage one of the largest and most complex estates in the country, from major industrial facilities to open countryside, with substantial heritage and conservation obligations. We build and maintain houses and apartments. We feed and clothe people every day. We run a major supply chain, including our own railway. We provide Search and Rescue. We have our own Police Force. We pay pensions. Managing all this successfully is a continuing challenge. But it is also an opportunity. Defence touches almost everything done by the rest of Government. We have a lot to offer. We also have a lot to gain from working together more closely with partners both within and outside Government.

Supporting our current operations while at the same time delivering on this range of change and improvement will continue to test our people. We are confident that through their commitment, dedication and professionalism we will achieve our goals.



Sir Bill Jeffrey KCB
Permanent Under Secretary of State



Air Chief Marshall Sir Jock Stirrup
GCB AFC ADC DSc FRAeS FCMI RAF
Chief of the Defence Staff

Summary Assessment

Current Operations

Over the year the Armed Forces continued successfully to sustain a continuing high tempo of operations and overcame significant armed opposition, especially in Afghanistan achieving their policy and military objectives and meeting the Public Service Agreement target. They thus continued to deliver the overriding defence priority of supporting the Government in achieving strategic success in current operations. This could only be done at deliberate cost to other lower priority defence objectives, in particular readiness for contingent operations and achievement of Service harmony guidelines. The Armed Forces continued to operate above the overall level of concurrent operations which they are resourced and structured to deliver for the sixth successive year. The proportion of regular forces deployed on operations and other military tasks decreased from 26% in the last quarter of 2006-07 to 19% in the last quarter of 2007-08, mainly from normalisation in Northern Ireland and the withdrawal of UK combat forces from the Balkans. A reduction in the number of personnel deployed in Iraq was largely counterbalanced by the increase in the number deployed in Afghanistan.

Readiness

In 2007-08 the Armed Forces continued to operate above the overall level of concurrent operations which they are resourced and structured to sustain over time. Throughout the year they nevertheless consistently and reliably provided substantial forces at immediate readiness for current operations, deployed them to and sustained them in theatre, and recovered them to their home bases at the end of their tours. It was therefore impossible for them to be ready at the same time for the full range of potential contingent operations provided for in planning assumptions, and contingent readiness levels continued to fall. The Department was consequently unable to meet the Public Service Agreement target for readiness. The Armed Forces maintained essential standby capabilities, such as for Non-combatant Evacuation Operations, but their capacity to take on additional operations is currently limited.

Policy

We made continuing progress in developing complementary NATO and EU political and military capabilities, although only partly meeting the European Security Public Service Agreement Target. Work continues to share collective commitments and invest in expeditionary capabilities. At the NATO Bucharest Summit in April 2008 President Sarkozy signalled France's intent to re-engage fully in NATO's military structure, and the Alliance made important political decisions on enlargement. During the year we launched a number of Nuclear non-proliferation initiatives, and reduced the number of operationally available warheads for our minimum nuclear deterrent. We continued to work closely with FCO and DfID on conflict prevention activity, partly meeting the Public Service Agreement target.

Defence in the Wider Community

We also made good progress incorporating sustainability issues in defence. MoD's annual external assessment was better than the whole of Government average, with good performance in carbon emissions from offices and administrative road travel, energy use, recycling and biodiversity. We have a significant programme to improve provision of waste and water data. The Department is strongly committed to social issues. Service personnel gained over 18,460 accredited qualifications during the year, youth and education outreach programmes grew further, we further improved the support available to Service veterans, and took forward work to enhance national recognition of their contribution.

Future Capabilities

All three Services' transformation plans made good progress. Roll-out of enhanced command, control and communication systems continued, with a significant increase in operational capability in Afghanistan. There were further increases in helicopter capability, enabling provision of more support to commanders in Afghanistan. Both the Medium Weight Capability and Carrier Strike programmes also made progress. The defence science and technology community continued to provide essential support to operations and to counter terrorism activities, and to take forward the innovation and technology programmes called for in the Defence Technology Strategy.

Change

We took forward a large and stretching programme of organisational and process change over the year, affecting all parts of defence. We made significant progress in implementing the recommendations of the Capability Review, including launching the Head Office Streamlining programme and establishing a new Board structure. Work under the Defence Industrial Strategy continued to deliver improved arrangements with industry, and we continued working on an updated version of the Strategy, although it was not possible to complete this during the year. The establishment of the new Defence Equipment and Support organisation, and associated changes, completed the major structural, organisational and process changes called for under the Defence Acquisition Change Programme, although there is a lot yet to do to bed these down. The Defence Change Portfolio continued to take forward major changes to the way we do business across defence. It delivered efficiencies of over £1.6Bn over the 2004 Spending Review Period, overachieving by some 15-20% against its target.

Future Personnel

There were further improvements to Service personnel terms and conditions, and we led the work to develop the cross-Government strategy on support for Service personnel, families and Veterans. We completed both the roll out of the Joint Personnel Administration System across the Armed Forces (although work to resolve significant financial and manpower accounting shortfalls continued), and the provision of all Civilian Human Resources transactional services by the People, Pay and Pensions Agency. This was a major milestone in the modernisation of our people processes and systems. The People Programme continued to drive organisational and behavioural change, and we agreed a new chapter to the Civilian Workforce Strategy setting out the priorities for the next four years.

Equipment and Support

The new Defence Equipment and Support organisation conducted a major business review to optimise the way the Armed Forces are equipped and supported. The Department invested about £6.7Bn in military equipment for the Armed Forces over the year, but procurement performance declined, failing to meet our in-year Public Service Agreement sub-targets for cost and time, and only partly meeting the overall target. We continued to deliver the logistic support required to sustain the continuing high operational tempo, slightly improved the level of routine logistic support provided to the Services, and delivered substantial further efficiencies through the logistics transformation programme, overachieving against the original 2004 Spending Review target by over 35%.

Safety, Security and Business Continuity

We failed to meet our goals of no deaths attributable to health and safety failures and a 10% reduction in serious injuries, and the Defence Environment and Safety Board concluded that management of safety and environmental protection represented a significant weakness. In order to improve performance the Defence Board substantially increased its engagement with Health and Safety management over the year. We also increased effort into educating managers at all levels about their health and safety responsibilities, and into providing timely and robust management information. We identified serious risks in our information security and data protection systems, and in security education and training, highlighted by the conclusions of the Burton Report, and work was put in hand to address these. We made good progress in implementing our business continuity goals.

Reputation

Both external and internal opinion of the MoD and the Armed Forces improved slightly over the year, from already strong high starting positions. We continued to put substantial effort into communicating the work of the Armed Forces and the Department, with an increased emphasis on the regions and on exploiting new media. We also clarified our regulations, improved our operating procedures for media handling in potential crises, and worked to improve our relations with, and mutual understanding of, the media. Our corporate publications once again won national prizes.

People

The programmes to transform and restructure the Armed Forces meant that during 2007-08 the military trained strength requirement fell by a further 2.4%, to 179,300, a total reduction of nearly 11,700 or 6.1% over the 2004 Spending Review period. The total trained strength fell by 2.2%. At the end of the year only the Royal Air Force was within manning balance and we therefore only partly met our Public Service Agreement target. Pinch points remained in all three services, with an increased number of trades affected in the Royal Navy and the Army. The recruiting environment remained difficult, but recruiting held up. We were unable to meet all our targets for initial training. Voluntary outflow rates rose slightly over the year. The Department continued to pursue retention initiatives, and overall retention rates remained broadly stable. Service diversity continued to increase slowly, although not to target levels. We invested increasing amounts in medical care for military personnel, but Service fitness levels continued to fall slowly. We implemented the pay recommendations of the Armed Forces Pay Review Body in full. The continuing high operational tempo meant that the Army and RAF continued to be unable to meet their individual or unit harmony guidelines. There was a substantial reduction in the proportion of Service personnel and their families satisfied or very satisfied with Service life. The Reserve Forces continued to provide the support to operations required, but delivering this is becoming increasingly challenging. Civilian staff numbers continued to fall, reducing by 7.3% to 90,600 and substantially bettering the 2004 Spending Review target. As a result of the reduction programme recruitment, turnover and progression remained low, significantly constraining the ability to meet diversity targets. Work continued to improve leadership, management and key specialist skills. Sickness rates improved slightly and the workforce continued to report relatively high levels of engagement with the Department and its work. The MoD was recognised as an Investor in People at the corporate level for the first time.

Finance and Efficiency

Total Defence expenditure during the year was some £44.2Bn, including a net cash requirement of some £33.5Bn. The additional cost of operations was just over £3Bn. Overall defence expenditure in 2007-08 remained within the total resources voted by Parliament, and the Control Totals set by the Treasury. However, the Accounts were qualified by the Comptroller and Auditor General because of shortcomings in the Joint Personnel Administration systems accounting processes. The Department achieved total efficiencies of over £3Bn over the 2004 Spending Review period, exceeding the target by about 10%.

Estate

We continued to make substantial investments in the defence Estate, delivering nearly 7,000 single bed spaces and upgrading over 1,200 family properties during the year. Substantial further investments are planned, but there is still a long way to go to achieve target accommodation standards across the estate. We continued to develop the new consolidated estate management arrangements to deliver further efficiencies and improvements. We also continued to take forward a very substantial rationalisation and relocation programme in line with the long term Defence Estate Development Plan, and remained on course to deliver our Lyons Review target for relocating posts out of London and the South East of England.

2004 Spending Review Public Service Agreement

This represents our final assessment against our 2004 Spending Review (SR2004) Public Service Agreement (PSA) targets for April 2005 to March 2008, and a provisional assessment against our Efficiency Target.

The Ministry of Defence Vision is reflected in the three objectives and six targets of the Department's Public Service Agreement. The Agreement represents a contract between the Department and the tax payer as to what we will, as a Department, deliver. The SR2004 PSA is shown below.

MoD Public Service Agreement 2005-06 to 2007-08

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.

Objective I: Achieve success in the Military Tasks we undertake at home and abroad

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.

Assessment: Met

2. By 2008, deliver improved effectiveness of UK and international support for conflict prevention by addressing long-term structural cases of conflict, managing regional and national tension and violence, and supporting post-conflict reconstruction, where the UK can make a significant contribution, in particular Africa, Asia, Balkans and the Middle East. (Joint target with the Foreign and Commonwealth Office and the Department for International Development).

Assessment: Partly Met

Objective II: Be ready to respond to the tasks that might arise

3. Generate forces which can be deployed, sustained and recovered at the scales of effort required to meet the Government's strategic objectives.

Assessment: Not Met

4. Play a timely role in the development of the European Security Agenda, and enhance capabilities to undertake timely and effective security operations, by successfully encouraging a more efficient and effective NATO, a more coherent and effective European Security and Defence Policy (ESDP) operating in strategic partnership with NATO, and enhanced European defence capabilities. (Joint target with the Foreign and Commonwealth Office).

Assessment: Partly Met

5. Recruit, train, motivate and retain sufficient military personnel to provide the military capability necessary to meet the Government's strategic objectives.

Assessment: Partly Met

Objective III: Build for the future

6. Deliver the equipment programme to cost and time.

Assessment: Partly Met

Efficiency

Building on the existing change programme and as part of Spending Review 2004, the Ministry of Defence agreed to achieve total annual efficiency gains of at least £2.8 billion by 2007-08, of which three quarters will be cash releasing.

Provisional Assessment: Exceeded

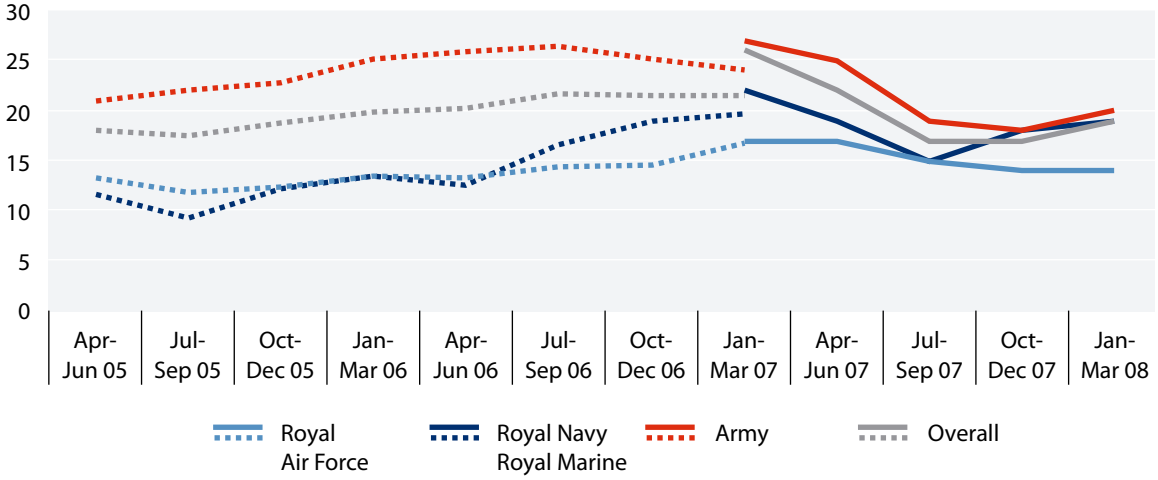
Target 1

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

Overall Assessment: **MET**

Over the year the Armed Forces continued successfully to sustain a continuing high tempo of operations and overcame significant armed opposition, especially in Afghanistan achieving their policy and military objectives. They thus continued to deliver the overriding defence priority of supporting the Government in achieving strategic success in current operations. This could only be done at deliberate cost to other lower priority defence objectives, in particular readiness for contingent operations and achievement of single Service harmony guidelines. The proportion of forces deployed on operations and other military tasks decreased from 26% in the last quarter of 2006-07 to 19% in the last quarter of 2007-08.

Percentage of the Armed Forces undertaking Operations and Military Tasks



From 1 April 2007 measurement of the level of deployment of the Armed Forces to Operations and undertaking Military tasks across all three Services was brought onto a fully consistent basis, and with the reporting baseline changed from total strength to trained strength. In order to provide comparability with prior reporting the figure above therefore presents data for January to March 2007 on both the prior and revised basis.

Target 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 the Foreign and Commonwealth Office and the Department for International Development).*

PARTLY MET

This represents the final assessment of performance against this target. Overall it has been partly met, with two of twelve sub-targets achieved, nine partly achieved and one not met:

- The UK government met the sub-targets on Sierra Leone and on increasing the number of effective peacekeepers. Sierra Leone now has a democratically elected, stable government; professional, accountable security services with which we continue to work to ensure sustainability; and an effective National Electoral Commission. The target on peacekeepers was met during 2006-07 and peacekeeping personnel deployed to UN-led missions have seen a further 5% increase during 2007-08;

- Eight of the remaining sub-targets were partly met. Iraq has made encouraging progress over the last year, with improved security; some political progress including new legislation; and improvements in Iraq's relations with neighbouring states. The Afghan National Army (ANA) led a successful operation to clear Taliban from Musa Qaleh, allowing the Afghan Government to begin to provide stabilisation and governance. British Forces continued to train and provide specialist advice to the ANA, which is making good progress; 50,000 of a total projected strength of 80,000 are now deployed. In Sudan, progress against the Comprehensive Peace Agreement is on course for national elections by July 2009. The Democratic Republic of Congo (DRC) government is making credible efforts to resolve conflict politically and the UK has contributed to a successful disarmament, demobilisation, repatriation, reinstallation and reinsertion programme. Recent successes in Nigeria include anti-money laundering investigations and projects to foster inter-religious understanding in the north. The countries of the Balkans remain at peace. And Nepal has continued to make progress towards the restoration of democracy with elections set to take place in April 2008;

- The target on the Middle East Peace Process was not met. Israel continued military operations in Hamas-controlled Gaza. Rocket and mortar attacks from Gaza continue and the first suicide bombing for a year took place on 4 February 2007. However, the UK government continues to work to improve the Palestinian economy, support the Palestinian Authority, develop the Palestinian security services and work with the international community and NGOs. The Sudan sub-target was partly met, but Darfur was not included when the target was set in 2004. If it is included, the sub-target would not have been met since progress to resolve the Darfur conflict is still limited.

Detailed assessments against the performance indicators are at Annex C.

A – Afghanistan	E – Middle East Peace Process	I – Sudan
B – Balkans	F – Nepal	J–UN Peacekeeping
C – DRC	G – Nigeria	K – UN Peacekeeping
D – Iraq	H– Sierra Leone	L – African Peacekeeping

Key

Achieved	Partly Achieved	Not Met

Target 3

Generate forces which can be deployed, sustained and recovered at the scales of effort required to meet the government's strategic objectives.

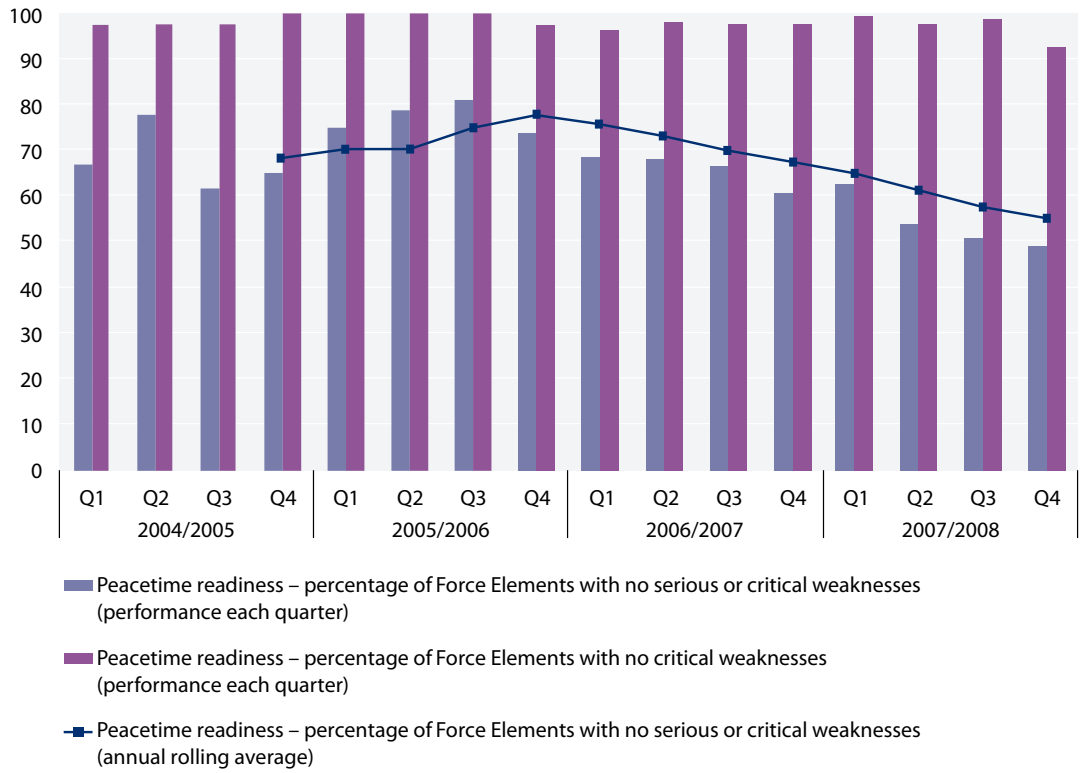
Overall Assessment: **NOT MET**

For the sixth consecutive year in 2007-08 the Armed Forces continued to operate above the overall level of concurrent operations which they are resourced and structured to sustain over time. Throughout the year they nevertheless consistently and reliably provided substantial forces at immediate readiness for current operations, deployed them to and sustained them in theatre, and recovered them to their home bases at the end of their tours. It was therefore impossible for them to be ready at the same time for the full range of potential contingent operations provided for in planning assumptions, and contingent readiness levels continued to fall. The Department was consequently unable to meet the Public Service Agreement target for readiness.

Assessment against Performance Indicators

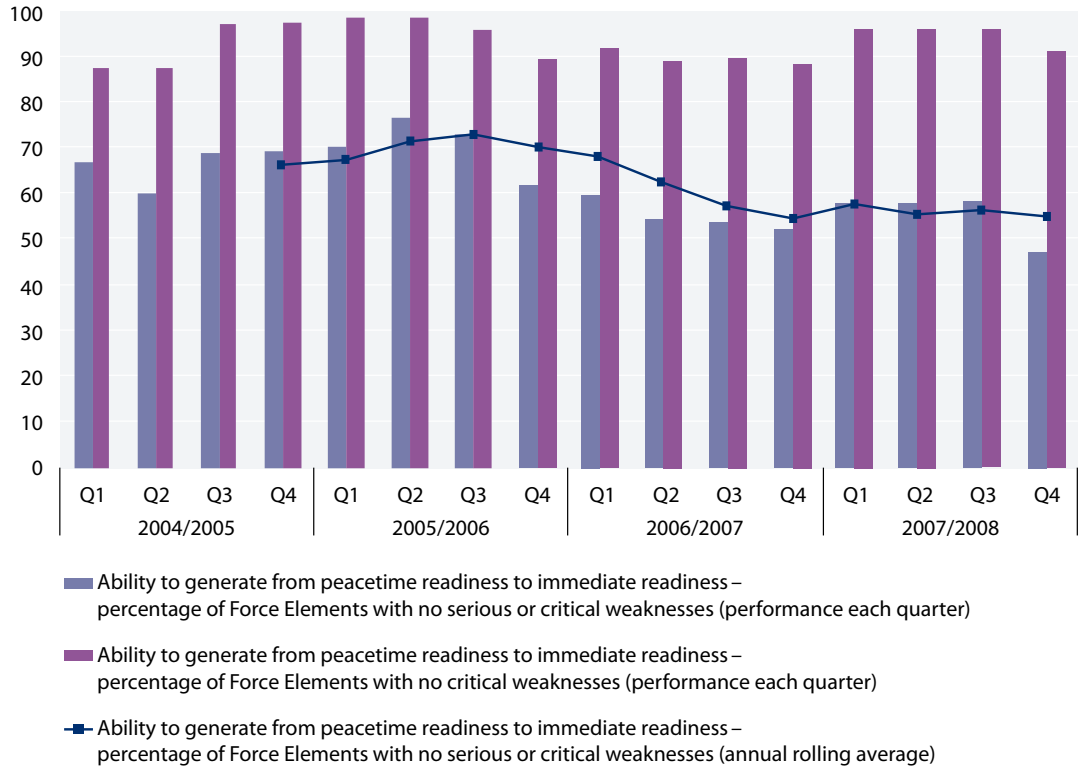
a. By 2008, ensure more than 73% of force elements show no serious or critical weakness against their required peacetime readiness levels.

On average from April 2007 to March 2008, 58% of force elements reported no critical or serious weaknesses against their required peacetime readiness levels.



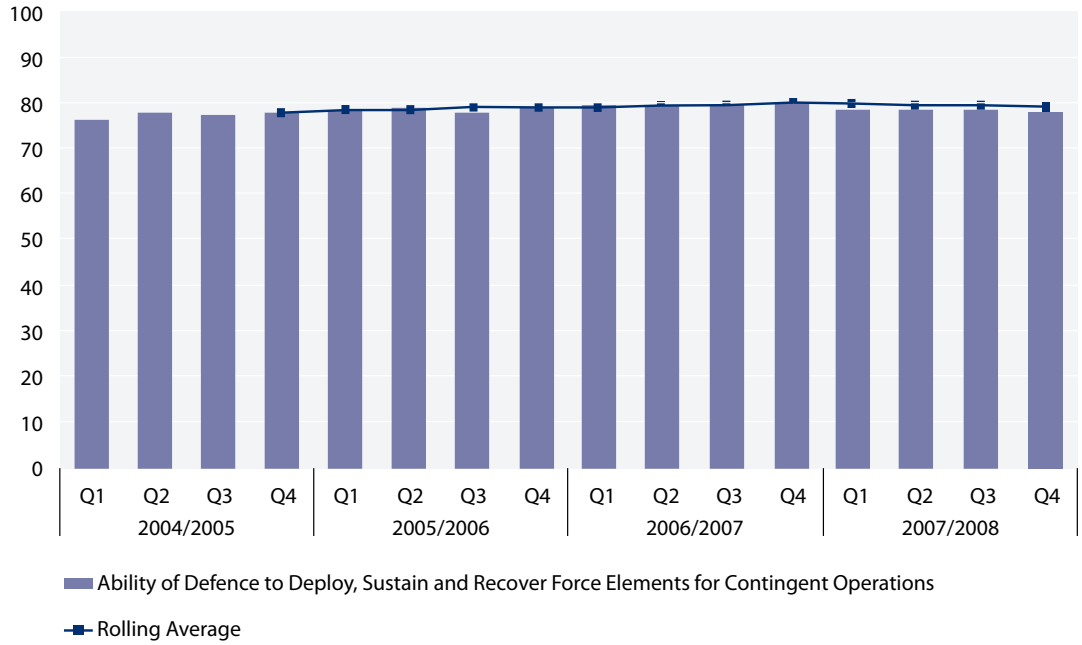
b. By 2008, ensure that more than 71% of force elements report no serious or critical weaknesses against the ability to generate from peacetime readiness to immediate readiness for deployment on operations.

On average from April 2007 to March 2008, 55% of force elements reported no critical or serious weaknesses against the ability to generate from peacetime readiness to immediate readiness for deployment on operations.



c. By 2008, ensure that the assessed ability of the Department physically to deploy its Force Elements, sustain them in theatre and thereafter recover them to their home bases shows a 5% improvement in the numbers of serious or critical weaknesses compared with the average reported in 2004-05.

The assessment is a theoretical summary of the ability to deploy, sustain and recover the Force Elements required to conduct the most demanding contingent deployments set out in planning assumptions, based on a generic operational scenario. On average from April 2007 to March 2008 our capability remained steady at around 79%.



Target 4

Play a leading role in the development of the European Security Agenda, and enhance capabilities to undertake timely and effective security operations by successfully encouraging a more efficient and effective NATO, a more coherent and effective ESDP operating in strategic partnership with NATO, and enhanced European defence capabilities. *(Joint target with FCO).*

PARTLY MET

The UK continues to be a major driving force behind the further development of European crisis management capabilities, focused on effectiveness, complementarity, added value and burden sharing. Working in close partnership with our EU and NATO partners, the UK has promoted capability development as well as continued necessary reform of structures and procedures.

Assessment against Performance Indicators

A more efficient and effective NATO:

- Continuing effective NATO-led operations and missions;
- Successful NATO Summit focused on Afghanistan;
- Continuing work to modernise NATO and develop capabilities.

A more coherent and effective ESDP operating in strategic partnership with NATO:

- Continuing effective EU civil and military missions;
- Agreed guidelines for Command and Control structure for EU civilian crisis management operations.

Enhanced European defence capabilities:

- Production of Progress Catalogue analysing military capabilities offered against Headline Goal 2010 and identifying shortfalls;
- Progress on European Defence Agency's Capability Development Plan.

Detailed information is set out in the Policy chapter.

Target 5

Recruit, train, motivate and retain sufficient personnel to provide the military capability necessary to meet the Government's strategic objectives[1].

Overall Assessment: **PARTLY MET**

At the end of the year only the Royal Air Force was within manning balance and we therefore only partly met our Public Service Agreement target.

Assessment against Performance Indicators[2]

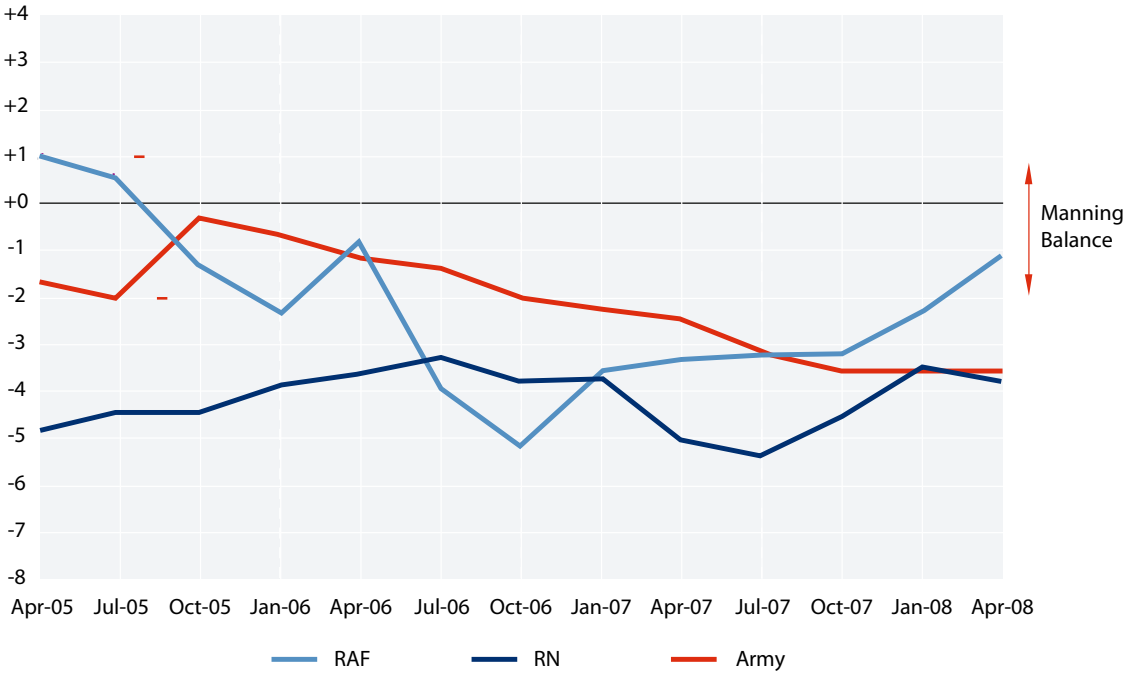
a. Manning Balance

As at 1 April 2008:

- Royal Navy manning was at 96.7%, 1.3% below Manning Balance;
- Army manning was at 96.5%, 1.5% below Manning Balance;
- Royal Air Force manning was at 98.6%, within the manning balance range.

There are continuing shortages within some specialist groups in all three Armed Services.

Service manning surplus/deficit



1 PSA performance is assessed solely against meeting the manning Balance target.

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

b. Gains to Trained Strength (trained recruits provided to the front line)

Further information is at paragraph 276.

	2007-08			2006-07		
	Target[3]	Achieved[4]		Target[3]	Achieved	
Naval Service Officers	400	300 p	75%	410	410p	100%
Naval Service Other Ranks	2,920	3,180 p	109%	2,960	2,250 p	76%
Army Officers[6]	650	610 p	94%	1,020	620 p	95%
Army Other Ranks	9,200	7,690 p	84%	9,050	8,130 p	90%
Royal Air Force Officers[5]	330[7]	440 pe	135%	500[7]	400 pe	81%
Royal Air Force Other Ranks[5]	1,330	1,140 pe	85%	1,200	980 pe	81%

c. Medically fit for task:

At least 90% of service personnel to be medically fit for task by 1 April 2007

- At 31 March 2008, 85.4% of the overall Armed Forces personnel were reported as fit for task. The vast majority of personnel unfit for task at working normally but their deployability is limited. Further information is at paragraph 293.

d. Voluntary Outflow Rates

Voluntary Outflow Rates for 2007-08 are shown in the table below. Further information is at paragraph 280.

	Stable long term Voluntary Outflow	Year ending 31 March 2008
Naval Service Officers	2.0%	4.3% p
Naval Service Other Ranks	5.0%	6.2% p
Army Officers	4.1%	n/k
Army Other Ranks	6.2%	n/k
Royal Air Force Officers	2.5%	3.0% p
Royal Air Force Other Ranks	4.0%	5.1% p

p denotes provisional
e denotes estimated

e. Performance against Harmony Guidelines

Performance against individual separated service and unit tour interval harmony guidelines is shown below. The continuing high operational tempo meant that the Army and the Royal Air Force did not meet individual or unit harmony guidelines in 2007-08. Further information is at paragraph 307.

	Guidelines	Performance
Levels of Individual Separated Service		
Royal Navy/Royal Marines	In any 36 month period, no one to exceed 660 days separated service	Fewer than 1% of Royal Navy personnel exceeding target.
Army	In any 30 month period, no one to exceed 415 days separated service	10.3% of Army personnel exceeded Individual Separated Service guideline
Royal Air Force	Not greater than 2.5% of personnel exceeding more than 140 days of detached duty in 12 months	9.2% of RAF personnel exceeded Individual Separated Service guideline
Unit Tour Intervals		
Royal Navy/ Royal Marines	Fleet Units to spend maximum of 60% deployed in a 3 year cycle	RN/RM continued broadly to meet Unit Harmony guidelines
Army	24 month average interval between tours	Army units continued to exceed the Unit Tour Interval guideline.
Royal Air Force	Unit Tour Intervals to be no less than 16 months	Elements of RAF continued to exceed Unit Tour Interval guideline

Target 6

Deliver the Equipment Programme on time and cost.

PARTLY MET

The Department met this target in full for 2005-06 and 2006-07. In 2007-08 we met the target for delivery of Key User Requirements but not those for cost growth in-year variation of In Service Dates target. Further information is at paragraph 226.

Assessment against Performance Indicators

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

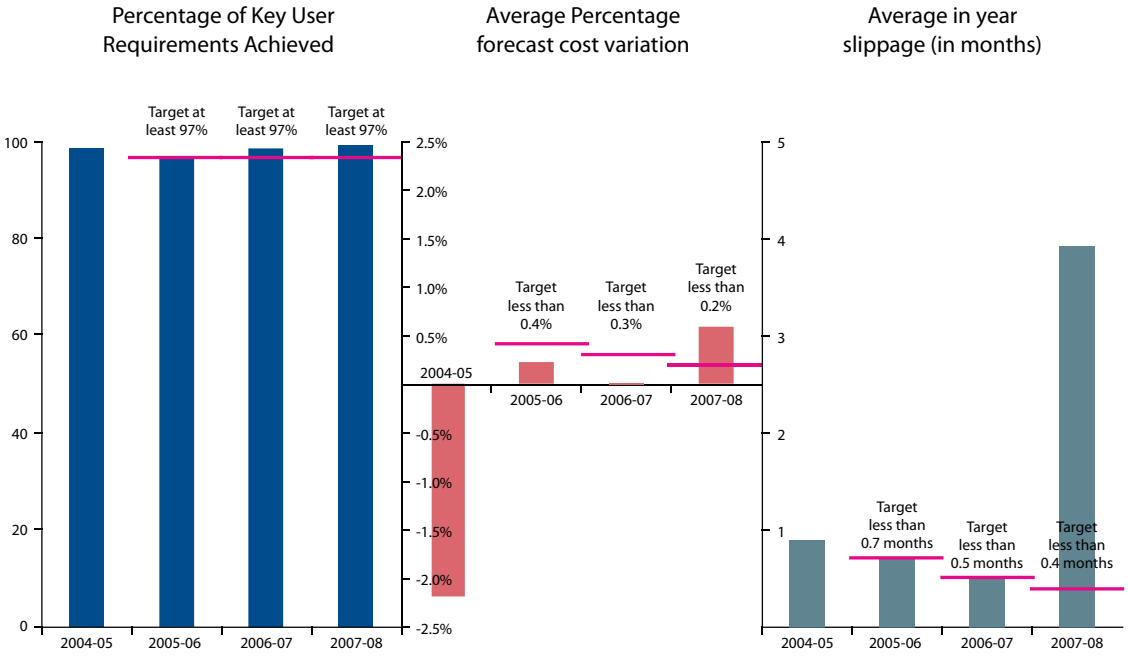
- 100% of Key User Requirements achieved (99% in 2006-07, 97% in 2005-06)

b. Average In-Year variation of forecast ISD, for all Category A to C Projects that have passed Main Gate Approval, to be no more than 0.5 months in 2006-07 and 0.4 months in 2007-08.

- 4.3 months average slippage (0.5 months in 2006-07, 0.7 months in 2005-06)

c. Average In-Year variation of forecast costs for Design and Manufacture phase, for all Category A to C projects that have passed Main Gate Approval, of less than 0.3% in 2006-07 and 0.2% in 2007-08.

- 0.6% average increase in costs measured against estimated cost at beginning of year (0.0% in 2006-07, 0.2% in 2005-06)



2004 Spending Review Efficiency Target

As part of the Spending Review 2004, the Department agreed that it would realise total annual efficiency gains of at least £2.8Bn by 2007-08, of which three quarters will be cash releasing. As part of this programme the MoD will by 31 March 2008:

- Reduce its civilian staff by at least 10,000
- Reduce the number of military posts in administrative and support functions by at least 5,000
- Be on course to have relocated 3,900 posts out of London and the South East by 2010

Provisional Assessment
(subject to validation): **EXCEEDED**

Performance Assessment

The Department has exceeded its efficiency targets, having delivered by 31 March 2008:

- Between £3,048M and £3,138M of efficiency savings;
- A reduction of some 17,500 civilian staff (including the Department's Trading Funds but excluding Locally Employed Civilian in operational areas);
- A reduction of nearly 5,500 military admin and support posts; and
- Relocation of some 2,700 Defence posts out of London and the South East by March 2008.

Detailed information is set out in paragraph 367.

Programme	Achievement by 31 March 2006 (£M)	Achievement by 31 March 2007 (£M)	Achievement by 31 March 2008 (£M)
Force Structure changes	**106**	**298**	**390**
Corporate Services	**343**	**296**	**247**
Military Personnel Management	16	38	63
Civilian Personnel Management	24	30	45
Finance Function	2	16	13
Information Services[2]	301	212	126
Procurement and Logistics	**836**	**1,347**	**1,664-1,754**
Equipment Procurement	54	206	374
Defence Logistics Transformation	662	957[1]	1,077-1,167
Whole Fleet Management[2]	54	54	93
Estates Modernisation[2]	31	68[1]	84
Other Procurement	35	62[1]	31
MoDel			5
Productive Time[2]	**105**	**139**	**102**
Organisational changes	**0**	**2**	**3**
Relocation	**18**	**18**	**18**
Manpower	**86**	**344**	**560**
RN	15	32	37
Army	18	64	88
RAF	51	143	200
Civilian	2	105	235
Others			**202**
IRDEL[2]			81
STP05			16
STP07			105
Adjustment[3]	**-9**	**-68**	**-113**
TOTAL	1,485	2,376	3,073-3,163

1 these figures have been revised from those published in last year's report
2 these gains include an element of non-cashable gains
3 adjustment to avoid double counting of manpower savings

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Purpose

Current Operations

Objective: to succeed in Operations and Military Tasks Today

Public Service Agreement Target (SR2004 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 for our civil communities.

Assessment and Performance Measures
Assessment: Over the year the Armed Forces continued successfully to sustain a continuing high tempo of operations and overcame significant armed opposition, especially in Afghanistan, achieving their policy and military objectives and meeting the PSA target. They thus continued to deliver the overriding defence priority of supporting the Government in achieving strategic success in current operations. This could only be done at deliberate cost to other lower priority defence objectives, in particular readiness for contingent operations and achievement of Single Service harmony Guidelines. The Armed Forces continued to operate above the overall level of concurrent operations which they are resourced and structured to deliver for the sixth successive year. The proportion of regular forces deployed on operations and other military tasks decreased from 26% in the last quarter of 2006-07 to 19% in the last quarter of 2007-08, mainly from normalisation in Northern Ireland and the withdrawal of UK combat forces from the Balkans. The reduction in the number of personnel deployed in Iraq was largely counterbalanced by the increase in the number deployed in Afghanistan.

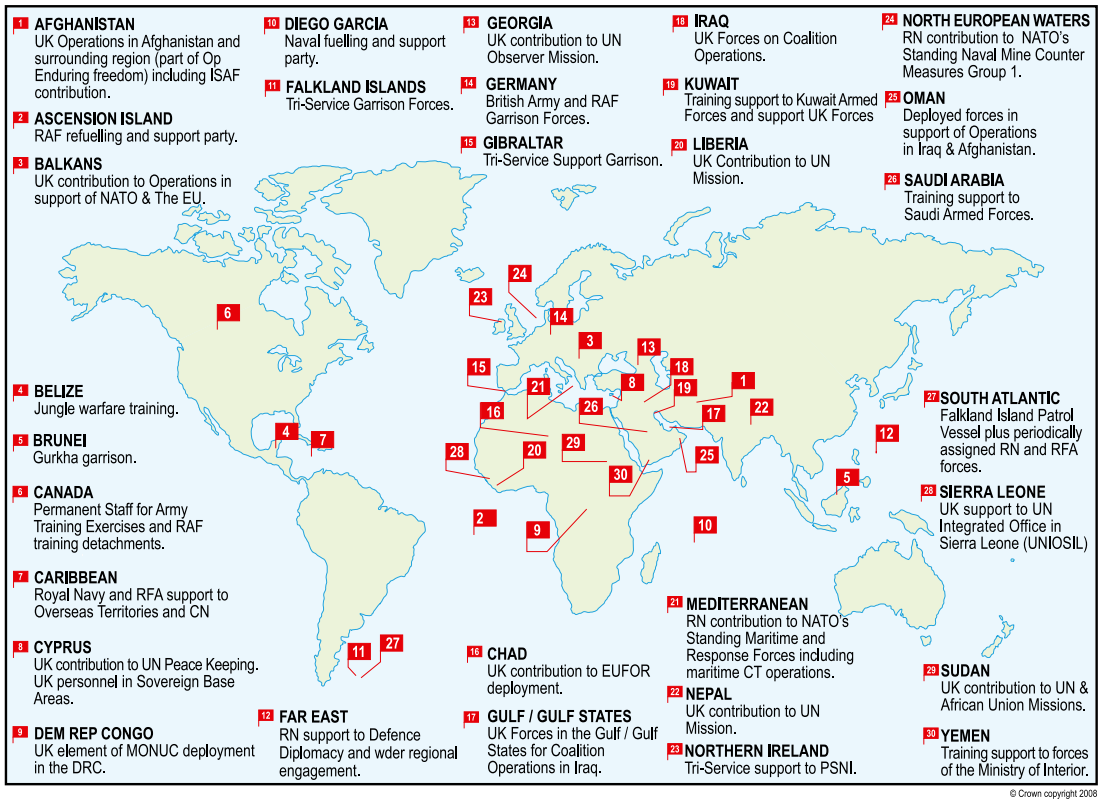
Achieve the objectives established by Ministers for operations and military tasks:
- The Armed Forces continued to achieve success against the policy and military objectives set for operations overseas, including in Iraq, Afghanistan and the Balkans, meeting the 2004 PSA target;
- The Armed Forces contributed to seven UN Peacekeeping missions in Cyprus; the Democratic Republic of Congo; Georgia; Liberia; Sierra Leone; Sudan and Nepal;
- A minimum nuclear deterrent capability was maintained throughout the year;
- The integrity of UK waters and airspace was maintained throughout the year;
- The Security of the UK's Overseas Territories, including the Falkland Islands, Gibraltar and the Sovereign Base Areas in Cyprus, was maintained;
- Continuing support was provided to the civil authorities at home, including in Northern Ireland, provision of Search and Rescue and Fisheries Protection Services, counter-drugs operations and the investigation and disposal of suspected explosive devices

Monitor the proportion of the Armed Forces undertaking operations and military tasks:
- The proportion of regular forces deployed on operations and undertaking other military tasks fell from 26% in the last quarter of 2006-07 to 19% in the last quarter of 2007-08;
- The Armed Forces continued to operate above the level of concurrent operations for which they are resourced and structured to deliver for the sixth successive year;
- UK military personnel deployed to the Gulf region on or in support of operations in Iraq reduced from some 8,100 in March 2007 to around 6,000 in March 2008;
- UK military personnel deployed in support of operations in Afghanistan (including reserves) increased from some 6,300 in March 2007 to 7,800 in March 2008;
- Around 200 UK military personnel and 50 MoD Police were deployed to the Balkans throughout the year;
- Around 320 UK military personnel were deployed on UN Peacekeeping Missions throughout the year.

Generate and sustain the capabilities to conduct the operations we are currently undertaking:
- Successfully achieved throughout the year.

Monitor our residual capability to conduct any additional operations:
- Critical standby capabilities were maintained throughout the year.

Figure 1: Principal Deployments of the Armed Forces on 1 April 2008



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1. The Ministry of Defence and the Armed Forces exist to defend the United Kingdom and its interests and strengthen international peace and stability. In 2007-08 the Armed Forces continued to be engaged on two highly demanding Medium Scale operations in Iraq and Afghanistan, on which 81 Service Personnel were killed and 134 seriously injured. The Armed Forces were also deployed on a number of other smaller operations around the world (see Figure 1) and continued to discharge a number of standing tasks, including assistance to a number of other Government Departments in support of the Government's domestic objectives. But our overriding priority throughout the year remained achieving our military strategic objectives, including a secure environment and security sector reform in Iraq and Afghanistan, which required the Armed Forces to fight hard to overcome significant armed opposition in both countries. We continued to work closely with other Government Departments (in particular the Foreign and Commonwealth Office and the Department for International Development), our allies, the Governments of Iraq and Afghanistan, and the international community. Overall we delivered our 2004 Spending Review Public Service Agreement target for operational success, although considerable challenges remain. We were only able to do so through the continuing dedication and commitment of our military and civilian staff, at home and overseas.

Management of Operational Risk

2. Achieving our operational objectives was only possible by continuing to operate above the level of concurrent operations, set out in the December 2003 Defence White Paper, which our force structures assume. Achieving this has been at the deliberate expense of lower priority defence objectives, in particular readiness for contingent operations and achievement of Harmony Guidelines. We have also adapted our forces through the temporary generation of additional Land formation HQs and re-roling of Army units whose primary role is less in demand, and the establishment of new units of the RAF Regiment (see paragraphs 158-163 under *Future Capabilities*). We increased the number of helicopter flying hours available to commanders in Afghanistan each month by over a third over the year. We have also continued to draw heavily on the Reserve Forces to provide the full range of specialist skills required on operations, with some 1,400 mobilised and deployed on operations during the year and a further 1,800 accepting a Full Time Reserve Service commitment to make up manning shortfalls within the regular forces. The Armed Forces also continued to face an increasing

threat from improvised weapons and explosive devices during the year. The Department therefore drew on its science and technology resources to provide commanders in-theatre advice and improved protective measures. A major countermeasures research programme also improved our ability to detect and thus deal with such devices.

Mastiff vehicles used in Iraq and Afghanistan.

Urgent Operational Requirements

3. The Urgent Operational Requirement (UOR) process is continuing to deliver; rapidly acquiring and delivering theatre-specific, battle-winning capability required by our Armed Forces at the front line. From April 2007 to March 2008 over 220 UORs were approved to a value of £1.6Bn, bringing the overall total of UOR approvals to some £3.5Bn since the beginning of operations. This is above and beyond the main Defence budget. A high proportion of this has a strong force protection element. This includes more protected vehicles, additional armour protection, electronic countermeasures, defensive aids suites for aircraft, body armour, and base protection kit. In particular we approved over £250M for over 400 heavily protected RIDGEBACK and MASTIFF vehicles and enhancements to uplift the number of Viking vehicles in theatre, and over £100M to deliver improvements to the rest of our in-service armoured vehicles, such as Warrior, Challenger and CVR(T), including armour upgrades where required.

4. A total of over 200 Supacat "M-WMIK" vehicles are also being procured. The M-WMIK combat vehicle delivers awesome firepower coupled with exceptional agility making it ideally suited to operations in Afghanistan. With the Land Rover WMIK we will have over 400 of these highly effective vehicles contributing to Operations. Our soldiers have seen considerable investment and improvements in their own equipment. Over £50M worth of UORs for infantry equipment have been approved, including light and heavy machine guns, grenade machine guns, underslung grenade launchers, mortar systems, more night vision goggles, light weight thermal imagers, long range sniper rifles, and state-of-the-art personal equipment. In the last few years we have doubled the firepower of an (8 man) infantry section. Furthermore, the introduction of new radios onto Tornado GR4 has enabled direct, secure communications with ground commanders; new Litening III and Sniper targeting pods, for the Tornado GR4 and Harrier GR9 respectively, have greatly enhanced capability including the ability to data link video to ground troops; and the procurement of the Reaper UAV has increased significantly intelligence, surveillance and reconnaissance to ISAF ground forces in Afghanistan and now includes the ability to provide kinetic support. The provision of the best possible care for our soldiers is one of our highest priorities. We have spent around £50M on world class medical equipment to support our troops on operations. This includes the latest surgical equipment, computerised tomography (CT) scanners, blood apheresis machines, digital x-ray equipment and field hospitals.

Personnel

5. Recognising the more demanding operational environment and the increased demands it makes on the people in the Armed Forces, the Government has also continued to improve the support they are provided and ensure that what they do is properly acknowledged. During the year this has included: an increase in the Operational allowance introduced last year; further improvements in the medical care provided for Servicemen and women seriously injured on operations (see paragraph 286 in *People*), which the House of Commons Defence Committee has recognised is now second to none; an increase in the compensation available under the Armed Forces Compensation Scheme; continuing improvements in the welfare support provided to deployed Service personnel and their families; increased provision for work on Veterans' mental health; greater support to inquests; and the National Recognition Study (see Essay on page 164). We have also just published a Command Paper setting out the first ever cross-Government strategy for provision of support to those serving in, or who have served in, the Armed Forces.

Iraq

Figure 2: Iraq

Base map derived from Defence Geographic Centre series GSGS 11157 Iraq Governates Edition 12
Maps produced are not to be taken as necessarily representing the views of the UK Government on boundaries or political status.

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Overview

6. The United Kingdom's Armed Forces continued their deployment in Iraq under the mandate of United Nations Security Council Resolution 1790. We remained the second largest contributor of international military assistance through the multinational coalition (called Multi-National Force-Iraq), behind the United States. UK Service and civilian personnel made a significant contribution towards creating the conditions under which the Iraqi authorities are able to ensure security without the need for coalition support. The improving security situation and the growing capacity of the ISF enabled transfer of security responsibility for a further six provinces to the Iraqi authorities during the year: Maysan (in the UK's area of operations) in April 2007; the three Kurdish provinces of Erbil, Sulaymaniyah and Dohuk in May; Karbala in the centre of the country in October; and Basra (the final province in the UK's area of operations to transfer) in December. By the end of the year the Iraqi authorities had taken over security responsibility in nine of the eighteen provinces. The improvement also enabled progress in economic development, which the Government is supporting through a series of initiatives for Basra announced by the Prime Minister in October 2007. The Government also continued to encourage political progress and reconciliation between and within Iraq's religious and ethnic groups. Key legislation was passed laying the foundation for increasing Sunni re-integration into Iraqi politics and public service, and to enable provincial elections during 2008. These have been important steps in Iraq's progress towards stability and sovereignty.

7. The UK's area of responsibility comprises the four southern-most provinces in Iraq – Al Basra, Al Muthanna, Dhi Qar and Maysan – and is known as Multi-National Division (South East) (MND(SE)). During 2007-08 the number of UK personnel deployed in the Gulf region on, or in support of Operation TELIC reduced from some 8,100 to about 6,000. By September 2007, four bases in and around Basra city were handed over to the Iraqis (the Shatt-al Arab hotel, the Old State Building, Shaibah Logistics Base and Basra Palace) enabling the re-posturing of UK forces to a single site at Basrah Air Station. By March 2008, the number of UK personnel in southern Iraq had reduced to around 4,100. However, the net additional cost of operations grew from £956M in 2006-07 to £1.5Bn in 2007-08, reflecting in particular the additional building

and infrastructure work at Basra Air Station and other measures to protect out forces. A number of our MND(SE) partners also reduced their force levels over the year, with the Danes ending their contribution and the Lithuanians withdrawing the majority of their ground forces, leaving around 1,000 personnel from Australia, Romania, the Czech Republic and Lithuania under UK command in April 2008. The Czechs and the Australians also announced their intention to withdraw their forces from MND(SE) from June 2008.

Grenade machine gun – popular with front line troops.

8. The handover of Basra Palace in September 2007 saw the Iraqis begin to take the lead for security in Basra city. The formal transfer of security responsibility for Basra province to Iraqi control in December 2007 demonstrated the significant progress the UK and coalition forces in MND(SE) have made in building the capacity of the ISF. This enabled UK forces to move into their 'overwatch' role, focused on monitoring, mentoring and training the ISF, and on providing support to ISF operations when requested such as those to counter weapons smuggling in the Shatt al Arab Waterway and across the Iranian border and to bring under control the religiously motivated violence in Nasiriyah and Basra during the Shia Ashura festival in January 2008. Since the handover, the ISF have proved able to deal effectively with the security incidents that have occurred with limited coalition support, often restricted to the provision of advanced capabilities such as fast air and aerial surveillance that the Iraqis do not possess.

9. On 25 March 2008, the Iraqis launched Operation Charge of the Knights to tackle criminal elements and militia elements operating outside the rule of law in Basra. The ISF conducted cordon and strike operations against these groups, supported by efforts to encourage militias to give up their medium and heavy weapons. UK and coalition forces provided support to the Iraqis in line with their overwatch commitments. In particular, UK forces provided surveillance, fast air, helicopter, logistic and medical support as well as liaison officers in Iraqi Headquarters and in extremis support, including the use of artillery, tanks and armoured vehicles in support of Iraqi forces in combat on the ground. In a development of their mentoring and training work, UK forces in Military Transition Teams (MiTTs) are embedded with key levels of command in the Iraqi Army. The Iraqi security forces have successfully established Government control over the city, and there are very encouraging signs of life returning to normal there.

10. Violence in southern Iraq remained at significantly lower levels over the year than most other places in the country, although there was periodic fighting mainly between Shia groups. But Coalition forces in MND(SE) continued to come under attack, with levels peaking during the summer of 2007 before reducing significantly in the autumn and remaining at much reduced levels thereafter. The protection of our deployed personnel remained a top priority and we continued to make improvements to tactics and training, equipment and infrastructure, better to protect our personnel, including work to counter the threat from in-direct fire at Basra Air Station by introducing personal overhead protection in sleeping bays and additional defensive weapons systems, 42 soldiers, sailors and airmen were nevertheless killed in Iraq during the year (31 in 2006-07), and a further 49 suffered very serious, or serious, injuries (51 in 2006-07). This brought the total number of deaths from the start of Operation TELIC to 31 March 2008 to 176, of whom 136 were classed as killed in action (including as a result of hostile action).

Prisoner Handling

11. In February 2005 the then Chief of the General Staff tasked a report into instances where members of the British Army are alleged or proven to have mistreated Iraqi civilians outside the context of immediate combat operations (The Aitken Report). The report was published in January 2008. Over 120,000 members of the Armed Forces have served in Iraq since March 2003 and all but a handful have conducted themselves to the highest standards. The Army has made very clear that deliberate abuse of civilians will not

be tolerated. The report was rightly critical of the Army's performance in a number of areas, and also catalogued the significant number of steps the Army has taken towards ensuring that such behaviour is not repeated. Since 2003 weaknesses in the system have been identified and rectified, including corrective action in the areas of investigations, legal advice, discipline and core processes. A full Public Inquiry that will be held into the death of Baha Mousa was announced in May 2008. No substantiated instances of abuse have been reported in Iraq since April 2004.

Iraqi officer cadets under going drill training

Key activities

12. Key activities included:

- training and mentoring the 10th Division of the Iraqi Army, until they moved from Basra when they assumed security responsibility in the provinces of Dhi Qar, Al Muthanna and Maysan and operated effectively with limited coalition assistance. A number of 10th Division Battalions continued to perform well in Baghdad in support of the joint Iraqi/coalition operation Fardh al Qanoon;

- training and mentoring the newly formed 14th Division of the Iraqi Army, and started to conduct operations. By the end of the year it comprised three Brigades, with a fully functioning Divisional Head Quarters planned for the end of 2008, together with a further Brigade;

- developing the Iraqi Navy and Marines by providing around 40 UK personnel located at Umm Qasr Naval Base south of Basra to train and mentor Iraqi personnel. In addition, five Iraqi naval officers received training in the UK;

- providing logistic support to Iraqi Security Forces operations;

- maintaining the sovereignty and integrity of Iraqi territorial waters, in particular protecting Iraq's offshore oil infrastructure and the security of merchant vessels. Boarding operations resumed in May 2007 following actions to address the shortcomings identified in Lieutenant General Fulton's inquiry into the operational circumstances surrounding the seizure of fifteen UK personnel by Iranian forces in March 2007;

- undertaking operations to deter rocket and mortar attacks against the UK Base at Basra Air Station;

- training and mentoring the Department of Border Enforcement to help them ensure the integrity of Iraq's southern borders and prevent smuggling, including by conducting joint operations on the Iranian border to deter and disrupt the smuggling of weapons and munitions;

- improving the Iraqi Police Service, with the assistance of a team of FCO-led international police advisers. Work is continuing to develop specific niche training programmes in leadership, intelligence and internal affairs that help build long-term capacity. Emergency battalions have also been trained, and the UK has funded the refurbishment of forensics facilities and officer training;

- gifting equipment and infrastructure following the handover of former coalition bases in and around Basra city to the Iraqis, including generators and temporary infrastructure at the Basra Palace site;

- supporting Iraqi forces in operations targeting criminal activity and weapons smugglers;

- re-development of Basra International Airport including training and support to allow the Iraqis to increasingly take responsibility for management and operation of the airport;

- providing intelligence, surveillance, reconnaissance and close air support to UK, US and Iraqi ground forces, particularly around Basra and Baghdad; and

- providing Air to Air Refuelling to coalition assets to increase the availability of air support to ground operations and commanders.

13. UK personnel also continued to help build capacity in national institutions such as the Iraqi Ministry of Defence and UK military personnel supported training at the Iraqi Military Academy and elsewhere, as part of the NATO Training Mission-Iraq. A 'train the trainer' programme is now complete, and the Military Academy has been transferred to Iraqi control.

Training in police skills and tactics, Basra

On behalf of the coalition, UK forces in MND(SE) managed many projects that have helped improve the lives of local people. These included: the construction of a second Primary Health Care Centre in the Az Zubayr region and the Al Boshra Girls Primary school; the entry into service of the Al Hussain Surface Water Network, now being used by around 200,000 people; and the re-building of the Al Ashar Bridge in Al Basra, one of the main routes into Basra, which is improving local trade and providing a safe crossing point; and completion of the joint UK/ Iraqi project to build the new Al Jameat Market in Al Basra.

Reserves

14. An average of about 220 Reserve personnel were deployed on or in support of the operation at any one time. They performed a wide range of tasks including force protection, logistics, medical support and reinforcing regular units. On average a further 25 members of the Sponsored Reserves were also deployed at any one time, providing meteorological information, aircraft maintenance and heavy equipment transporter drivers.

Civilians

15. During the year, 98 defence civil servants were deployed in Iraq in direct support of UK operations providing financial, policy and political, claims, commercial and media advice to deployed UK forces and coalition headquarters, as well as specialised scientific support, graphics support, and fire services. A small number of civil servants also worked as advisors and mentors helping to develop the capacity of the Iraqi Ministry of Defence in Baghdad.

Afghanistan

Figure 3: Afghanistan

Overview

16. The UK continued to play a leading role within the NATO-led International Security Assistance Force (ISAF) in Afghanistan, including filling the new Kabul-based Deputy Commander post since November 2007. ISAF is NATO's largest ever mission, with 40 nations contributing around 47,000 troops as of March 2008: there are also 17,000 personnel under US Coalition command. The ISAF is in Afghanistan at the invitation of the elected Afghan Government and with UN authorisation. Its aim is to provide the secure environment necessary for reconstruction and development to take place and to support of the fast-developing Afghan National Army (ANA) and Afghan National Police (ANP). President Karzai, the elected President of Afghanistan, and the Government of the Islamic Republic of Afghanistan are working hard to strengthen institutions and to extend their authority across the entire country. Good progress was made in delivering security, stability and redevelopment this year. Since 2001, the UK has spent over £600M on reconstruction and development in Afghanistan, making us Afghanistan's second largest bilateral donor after the US. The UK's long-term commitment is underpinned by the Afghanistan Compact, which set out the international community's enduring commitment to Afghanistan, and the ten-year UK-Afghanistan Development Partnership Arrangement that supports the Afghan Government's interim National Development Strategy.

17. The ISAF mission to Afghanistan is divided into five regional commands. The UK successfully coordinated ISAF efforts across the south of the country when we led the Regional Command (South) from May 2007 to February 2008, at which point we handed over to the Canadians. RC(S) was host to 16 ISAF contributing nations, the largest of which are the UK, USA, Canada the Netherlands, Australia and Denmark. The UK's commitment to this regional approach was reinforced by the establishment of a UK-led regional battlegroup in the summer of 2007 dedicated to delivering military effect across southern Afghanistan, rather than being tried to any particular province. This ability to manoeuvre and concentrate force has been an essential element of maintaining military pressure on the Taliban. The majority of UK forces were deployed in Regional Command South, and in particular in Helmand Province. Over the course of the year they have successfully prosecuted extensive, intense and demanding operations against the Taliban in Helmand, Uruzgan and Kandahar Provinces. The challenging operational environment meant that the number of UK personnel in theatre increased further from some 6,300 in April 2007 to around 7,800 by late 2007. We also significantly enhanced the capabilities of Task Force Helmand: improving protected mobility through deployment of additional Vector, Mastiff, Warrior and WMIK vehicles; increasing our rotary-wing capability in theatre with extra Lynx and Sea King helicopters; improving our airborne surveillance capability with the RAF Reaper and new Hermes 450 Unmanned Aerial Vehicles; and increasing our indirect fire capability with the introduction of the Guided Multi-Launch Rocket System. The increased size of the UK forces and the significant enhancements in their capability meant that the net additional cost of

UK operations in Afghanistan rose substantially, from £742M in 2006-07 to £1,490M in 2007-08.

Royal Marines on operations in Helmand province

18. In June 2008 we announced that taking account of changing operational requirements, some 400 posts on the Afghan Operational Establishment were no longer required. However, in order to improve the level of protection afforded to our personnel, to increase the capacity of our forces to deliver training and mentoring to the Afghan National Security Forces, and to increase the capacity of our forces to deliver the civil effects of reconstruction and development in an insecure or semi-secure environment, 630 new posts were established. This will produce a net increase in our forces in Afghanistan of some 230 personnel, to just over 8,000, by spring 2009.

Key Achievements

19. There was a significant increase in ISAF and ANA activity in Helmand Province during the year, bringing sustained pressure upon the Taliban. Much of the military effort focused on targeting Taliban command and control structures, in order to disrupt the insurgency, and thus secure the time and space for economic and political activities to take place, to help achieve our long term security and development objectives. 12 Mechanised Brigade conducted a number of successful operations in and around the town of Sangin, and the surrounding Upper Sangin valley, clearing Taliban elements from towns and villages, which has significantly improved security in that area. Sangin was empty and largely destroyed a year ago, but is now a bustling town with a bazaar crowded with people. Then in December 2007, 52 Infantry Brigade made significant contributions to the Afghan-led operation to liberate the key town of Musa Qaleh in the north of Helmand Province from the Taliban. This was then followed by a series of operations to consolidate the authority of the elected Afghan Government and establish a secure environment for reconstruction and development. Driving out the Taliban required hard fighting over an extended period from the combined force of Afghan, UK and US troops. Overall 39 Service Personnel were killed in Afghanistan during the year (45 in 2006-07), and a further 80 suffered very serious, or serious, injuries (34 in 2006-07). This brought the total number of deaths from the start of Operation HERRICK to 31 March 2008 to 91, of whom 62 were classed as killed in action (including as a result of hostile action). Over the year the Taliban suffered substantial losses, including among their local and senior leaders, and were defeated tactically in every major engagement. This helped undermine insurgent morale and led to a change of tactics towards indiscriminate suicide and roadside bombings. Throughout the year UK personnel also undertook 'outreach' patrols, bringing aid to local communities, and provided direct assistance to reconstruction in local security environments which were not safe for civilian personnel to work in. Operations across Helmand and RC(S) have been provided with intelligence, surveillance, reconnaissance and close air support by Harrier GR9 and Reaper while Nimrod has continued to provide vital support to ISAF commanders in theatre. The Hercules force has been particularly busy providing intra-theatre lift including support to Dutch roulemonts and increasingly frequent air dispatch drops to UK, ISAF and Afghan forces, reducing the risk of mounting Land convoys while Tri-star aircraft have provided transport for equipment and personnel into and out of theatre.

20. A further major focus of the ISAF has been to develop the capabilities of the Afghan Security Forces through extensive programmes of training, equipping and mentoring. About 58,000 ANA soldiers and nearly 80,000 ANP officers have been recruited, trained, equipped and deployed, representing a growing indigenous contribution to the security of their country during the year. The ANA has

been reformed: it is now more professional, accountable and ethnically balanced, and increasingly carries out military operations jointly with ISAF. Work continued to improve army and police coordination by developing command centres at provincial and regional levels. The UK continued to provide trainers and mentors to the ANA and ANP, in particular through seven Operational Mentoring and Liaison Teams. These train ANA personnel in military and security aspects, from very basic soldiering skills and weapon handling, to dealing with suicide attacks and more advanced operations. During the year responsibility for security in several discrete areas of Helmand was handed over to ANA units; this increase in capability is also demonstrated troops from 205 Brigade making the main advance into the centre of Musa Qaleh when it was recaptured from the Taliban in December 2007. Two Afghan officer cadets attended the Commissioning Course at Sandhurst during the year. The UK also contributed to the European Union Police Mission working to improve the performance of the ANP. Officers from the Military Police and the MoD Police have also formed police mentoring teams to tutor the ANP in Helmand.

Fist Afghan amphibious operation

21. The military operations, and the growing capacity of the Afghan Security Forces, have strengthened and deepened the security and stability of the Afghan Development Zone, particularly in Helmand's urban hubs of Lashkar Gah and Gereshk. This has allowed economic reconstruction and development to begin in earnest. Military activity was coordinated with the UK-led cross-government Provincial Reconstruction Team in Lashkar Gah, followed up by redevelopment work to help ensure that the positive effects that were achieved can be sustained and built upon. This civil-military partnership has helped nurture local Afghan institutions and governance, and is working with the Helmand authorities to strengthen provincial level democracy. It is also working with the Provincial Development Committee to help prioritise its efforts in line with Afghan national plans to enable sustained Afghan-led reconstruction efforts to get off the ground in line with Afghan national plans. It also took forward 296 Quick Impact Projects across Helmand Province during the year which helped to improve the lives of ordinary Afghans. They included reconstruction and development projects such as the refurbishment of schools, hospital, medical clinics and local government buildings. We also supported a number of income generation projects and community support networks. The $300M Kajaki Dam project is making progress and, once completed, will provide irrigation for 650,000 acres of farmland as well as electricity to around two million Afghans across the region.

Reserves

22. The number of Reserves deployed on or in support of operations in Afghanistan grew over the year in line with the overall increase in numbers. An average of about 540 Reserve personnel were deployed in Afghanistan at any one time, with over 1,200 deployed during the year. They served in widely varying roles ranging from Surgeons in the Field Hospital to Drivers, including in particular over 70 Royal Marine Reserves on the front line alongside their Regular counterparts in 40 Commando.

Territorial army testing light guns

Civilians

23. Around 115 Defence Civil Servants were deployed in Afghanistan during the year in support of Op HERRICK, filling posts providing financial, policy and political, claims, commercial, intelligence analysis and media advice to deployed UK forces and coalition headquarters, specialised scientific support and the MoD Police. They also worked as advisors and mentors helping develop the Afghanistan Ministry of Defence in Kabul.

The Balkans

24. Given the operational focus on Iraq and Afghanistan, it is easy to forget that only a decade ago our forces were heavily engaged in trying to bring peace and security to the Balkans. That we hear so little about this today is a testament to their success. The challenge now is addressing the serious socio-economic problems such as high unemployment, water and electricity shortages. The UK will continue to provide the region with the help and assistance it needs to move forward and put behind it the legacies of war.

25. Within Bosnia-Herzegovina there has been steady progress over the past twelve months, most notably on defence reform. The UK continued to provide a small number (less than 20 personnel in all) of staff officers in the Sarajevo HQ and at the Peace Support Operations Training Centre in Sarajevo. The Government provided some £770K Conflict Prevention Pool funds for post-conflict reconstruction through the UK-founded Peace Support Operations Training Centre in Bosnia. More than 200 trained officers have so far graduated from the centre, with some already engaged in humanitarian operations in Ethiopia and Eritrea, in conflict prevention in Iraq and the Democratic Republic of Congo, and in peace support operations closer to home. The UK also provided training to former soldiers, and contributed to the provision of a small arms and light weapons destruction. The international community continued its pursuit of persons indicted for war crimes but Radovan Karadzic, the former Bosnian Serb leader, and Ratko Mladic, his chief of the Bosnian Serb army, remained at large. At the NATO Summit in Bucharest in April 2008 Bosnia-Herzegovina was invited to begin an Intensified Dialogue with NATO on the full range of political, military, financial, and security issues relating to their aspirations to membership.

26. Following negotiations between Belgrade and Pristina, the Government of Kosovo declared independence on 17 February 2008. The declaration made clear that Kosovo was a democratic, secular and multi-ethnic republic and that its leaders would promote the rights and participation of all communities in Kosovo. The UK remained committed to promoting a stable, secure and prosperous Kosovo moving towards European and Euro-Atlantic integrationand has recognised its independence. We continued to support Kosovo's efforts, with a strong commitment to the European Security and Defence Policy police mission in Kosovo, with around 60 UK Police Officers, including 50 from the Ministry of Defence. The MoD continued to support the UN with transforming and professionalising the Kosovo Protection Corps. We maintained our current contribution of around 200 troops to the NATO Kosovo Force throughout the year. The total net cost of UK operations in the Balkans during 2007-08 was £26M. We also maintained a battalion on stand-by as part of the NATO-EU operational reserve force. Under these arrangements, in May 2008 we deployed the 2nd Battalion, The Rifles for a month, to reassure all communities that the international community and the UK maintain our commitment to preserving peace and stability in the region.

United Nations (UN) Peacekeeping Operations:

27. The UK continued to support a number of United Nations Operations. During 2007-08 the Armed Forces provided some 320 UK military personnel to seven UN Peacekeeping Missions, in Cyprus; the Democratic Republic of Congo; Georgia; Liberia; Sierra Leone; Sudan and Nepal. This included staff officers, whose specialist skills and experience are highly valued, in a range of UN Mission HQ staff appointments. The UN Mission in Cyprus remains the UK's largest commitment, with about 280 members of an overall force of some 860.

Other Military Tasks

Independent Nuclear Deterrent

28. The UK's Trident submarine force has maintained a continuous and independent nuclear deterrent capability at sea, in support of NATO and as the ultimate guarantee of our national security. In June 2007 HMS Vengeance completed the 300th Continuous At Sea Deterrence patrol. Since April 1969 there has been a Royal Navy deterrent submarine continuously on patrol somewhere in the world. Following the House of Commons endorsement in March 2007 of the Government's proposals for maintaining the UK's nuclear deterrent capability by procuring a new class of submarines to replace the Vanguard-class and joining a programme to extend the life of the Trident II D5, work began on the detailed concept phase for the new submarines and on taking forward participation in the Trident II D5 life extension programme. The MoD has continued the programme of investment in sustaining capabilities at the Atomic Weapons Establishment, both to ensure the UK can maintain the existing warhead for as long as necessary and to enable us to develop a replacement warhead if that is required. To inform a decision on whether and how we may need to refurbish or replace this warhead, which are likely to be necessary in the next Parliament, work was taken forward to review the optimum life of the existing warhead and to identify the range of replacement options that might be available.

Independent nuclear deterrent

Defence of UK Airspace and Waters

29. Defence of UK airspace is achieved by the provision of a continuous recognised air picture and an air policing capability providing for the interception identification and engagement of hostile and renegade aircraft. The air policing capability is delivered by quick reaction alert aircraft which can respond quickly to an emerging threat or situation, such as possible attacks in UK air space that might be directed at centres of population and key installations. In June 2007 new Typhoon F2 aircraft assumed responsibility for the Quick Reaction Alert element of UK and NATO air defence in the southern part of the country. Although there have been no penetrations of UK airspace, UK Quick Reaction Aircraft were launched on a number of occasions during the year to identify Russian military aircraft approaching or entering the NATO Air Policing Area for which the UK has responsibility.

30. The maritime integrity of the UK is maintained through the presence of maritime assets close to the UK and not, unless specifically authorised at Government level, through the use of military force. The Police and other maritime authorities have primacy but have limited maritime capacity. While Defence seeks enhancements to their capacity as part of wider Government policy, we continue to ensure that we maintain a legally correct as well as proportionate military response. The complex nature of the maritime domain means that we maintain a good understanding of the complex relationships that exist between civil agencies and between neighbouring states and, where necessary, develop robust bilateral (and if necessary multilateral) arrangements for co-operation with these agencies and states.

Security of UK Overseas Territories

31. Some 4,500 UK military personnel, together with defence civil servants and locally employed civilians, continued to be stationed or deployed in support of the security and defence of the UK's overseas Territories. In Cyprus we maintained important military facilities within the Eastern and Western Sovereign Base Areas. The Bases provided vital support to operations in Iraq and Afghanistan. Gibraltar also continued to provide a Forward Mounting Base with Gibraltar-based UK Armed Forces providing valuable security, logistic, communications and training facilities in support of operations. The Royal Navy

continues to use the Diego Garcia facility on an occasional basis. 40 UK service personnel provide the 'civilian administration' of the Territory and limited territorial waters security on behalf of the FCO. 2007 marked the 25th Anniversary of the recovery of the Falkland Islands from Argentina. A series of events marked the anniversary with fitting tributes to the fallen on both sides. Since that conflict, the Government has remained fully committed to the defence of UK Territories in the South Atlantic, including South Georgia and the South Sandwich Islands. The UK forces are permanently deployed on the Falkland Islands as a deterrence force.

Red Arrows flying over RAF Akrotiri, Cyprus

Military Aid to the Civil Authorities

32. The Home Secretary is responsible for the safety and security of the UK and its citizens. Under the Civil Contingencies Act 2004 Lead Government Departments are allocated for the most likely high-impact disruptive events. The Ministry of Defence is not the lead for any civil contingency. However, where appropriate, Defence can provide support to the lead organisation, through a long-standing procedure known as Military Aid to the Civil Authorities. Under these arrangements Defence supported the civil authorities in carrying out their functions on 89 occasions in 2007-08. These ranged from logistics support to police investigations to aerial imagery analysis. Of particular note was the significant support provided to DEFRA and to local authorities during the flooding events in the north-east and south-west during the summer of 2007. Over 1,000 members of the Armed Forces were engaged in logistics planning and support and search and rescue during this period.

Northern Ireland

33. This year saw further progress towards security normalisation in Northern Ireland. In July 2007 the Armed Forces Minister announced that Operation Banner would be complete by the end of that month. Spanning 38 years, this was the longest continuous deployment of UK Armed Forces in their history. A memorial service will be held at St Paul's Cathedral in September 2008 to pay tribute to the members of the Armed Forces who were killed in Northern Ireland. Although the security situation in Northern Ireland has been transformed in recent years there remains a requirement to provide support to the civil authorities in some situations. In particular we maintain an Explosive Ordnance Disposal capability and are prepared to support the Police Service of Northern Ireland in dealing with organised public disorder. In total there are now fewer than 5,000 members of the Armed Forces located in ten sites, stationed there on the same basis as in the rest of the UK and potentially deployable on overseas operations.

Fisheries Protection

34. In 2007-08 the Fishery Protection Squadron, part of the Royal Navy's Portsmouth Flotilla, delivered 796 Fishery Patrol Days to the Marine Fisheries Agency (845 in 2006-07), part of the Department for Environment, Food and Rural Affairs. Of these, 76% were delivered by the River Class Offshore Patrol Vessels, which are continuing to demonstrate extremely high levels of availability through the innovative Contractor Logistic Support arrangement provided by Vosper Thorneycroft. This year, a total of 1,309 fishing vessels were boarded (1,335 in 2006-07). Of those 23 (21 in 2006-07) were detained at a UK port for further investigation and prosecution. The Squadron detected 234 (221 in 2006-07) fishing infringements during the reporting period, demonstrating that more intelligence-led operations continued to be effective. The year also saw further progress in the development of Joint Operations with other EU Member States, leading to a measurable difference in efficiency and effectiveness of patrol assets. Fishery protection in Scotland has been subject to separate arrangements since 1882 when responsibility was handed to the Fishery Board for Scotland, and is currently the responsibility of the Scottish Fisheries Protection Agency of the Scottish Executive.

HMS Severn on Fisheries Protection duties

Search and Rescue

35. The MoD Search and Rescue (SAR) Service exists to assist military aircrew in difficulty, but also provides a significant part of the UK's integrated National Search and Rescue Framework on behalf of the Department for Transport and the Scottish Executive and the Welsh and Northern Ireland devolved assemblies**.** SAR Helicopter cover for most of the UK and a large area of the surrounding sea is provided 24 hours a day by the RAF and the RN from eight SAR helicopter bases. Service at a further four bases is provided by a civilian company under contract to the Maritime Coastguard Agency (MCA). The RAF maintains a Nimrod Long-Range Maritime Patrol Aircraft on two-hour standby for search and rescue duties at RAF Kinloss in Scotland; four RAF Mountain Rescue Teams in the northern half of the UK expert in dealing with aircraft crashes in remote areas; and the UK Aeronautical Rescue Coordination Centre (ARCC), also at RAF Kinloss, which coordinates the response of all UK Search and Rescue aircraft and RAF Mountain Rescue Teams and contains the UK Mission Control Centre for the global satellite based distress beacon detection system. The RAF also provides search and rescue cover from RAF Akrotiri in Cyprus and in the Falkland Islands. In 2007-08 Defence search and rescue services were called out 1,973 times (1,867 in 2006-07) helping 1,757 people (1,457 in 2006-07), including some 1,700 civilians.

Search and Rescue

36. The joint MoD/MCA Search and Rescue – Helicopter (SAR-H) project will replace the current UK SAR helicopter capability over the next decade, when the MoD Sea Kings reach the end of their useful lives and the current MCA service contract expires. The Private Finance Initiative competition, announced in May 2006, is based on a requirement specification that will ensure the future service is as effective as the current one. The competition, which began in February 2007, is being used progressively to mature both the requirement and industry solutions and will culminate in the selection of a preferred bidder. A proportion of Military aircrew will continue to play a role in the future service in order to maintain and transfer SAR skills to the battlefield helicopter force.

Counter-Drugs Operations

37. The Armed Forces worked closely with the Serious Organised Crime Agency and other international agencies to combat the trafficking of drugs. In particular, Royal Naval vessels in the Atlantic and the Caribbean and RAF Nimrod MR2 and E3D aircraft in the Caribbean contributed to a number of successful joint operations with our international partners. The Royal Navy were directly involved in the destruction or seizure of about 15 tonnes of cocaine which, if it had reached the UK, represents a street value approaching £750M.

Activity and Concurrency Levels

38. From April 2007 measurement of the level of commitment of the Armed Forces to Operations and undertaking Military tasks was brought onto a fully consistent basis, and the reporting baseline changed from total to trained strength. In order to provide comparability with prior reporting the data for January to March 2007 is presented in the PSA Summary Assessment section on both the prior and revised basis. The proportion of regular forces deployed on operations and undertaking other military tasks fell from about 26% in the last quarter of 2006-07 to about 19% in the last quarter of 2007-08 (see table one). The reduction reflects the withdrawal of UK combat forces from the Balkans in March 2007, normalisation in Northern Ireland, and the progress in building Iraq's political institutions and security capacity enabling a drawdown of UK forces in Iraq. Figure four sets out the annual average activity level by Service since 2001.

39. During the year the **Royal Navy** made a crucial contribution to wider UK security by supporting operations and commitments in Iraq, the Gulf, the North and South Atlantic and by taking part in NATO maritime deployments. The Navy also maintained continuous nuclear deterrent patrols and contributed to the security of UK territorial waters and economic zones. In Afghanistan, 40 Commando Royal Marines and aircraft of the Fleet Air Arm took part in demanding and intensive operations against the Taliban. HMS Monmouth's round the world deployment provided a maritime presence in the Far East and Pacific Ocean and demonstrated the Navy's global reach. In November 2007 the Ice Patrol Ship HMS Endurance embarked on an eighteen month deployment to the Antarctic in support of Government security and environmental objectives. In February 2008 a multi-national task group led by HMS Illustrious began a deployment to the Indian Ocean with the objective of boosting peace and stability in the region. The overall percentage of Naval Service personnel deployed on operations and undertaking other military tasks, fell from 22% in the last quarter of 2006-07 to 19% in the last quarter of 2007-08, reflecting the replacement of 3 Commando Brigade by 12 Mechanised Brigade in Afghanistan at the beginning of the year, and the subsequent deployment of 40 Commando as part of 52 Brigade in September 2007.

40. The **Army** deployed troops on operations in Iraq, Afghanistan, Bosnia, Kosovo and Sierra Leone, in addition to supporting a variety of worldwide UN operations, including Cyprus. Operations in Iraq and Afghanistan continued at medium scale throughout the year. The percentage of Army personnel deployed on operations and undertaking other military tasks, fell from 27% in the last quarter of 2006-07 to 20% in the last quarter of 2007-08, reflecting the withdrawal of combat forces from the Balkans, normalisation in Northern Ireland, and drawdown of UK forces in Iraq. The overall level of troops committed to operations remained relatively constant with a total number deployed on operations at any one time of around 11,400, about 12% of the Army and 22% of deployable field strength.

41. The **Royal Air Force** continued to be committed overseas mainly in the Gulf region, Afghanistan and the Balkans. The Harrier, Nimrod, Air Transport and Support Helicopter fleets, along with many other enablers, such as the RAF Regiment, were particularly heavily tasked, operating beyond harmony guidelines in support of operations in Iraq and Afghanistan throughout the year. The RAF also contributed to permanent commitments in Northern Ireland, the Falkland Islands and Cyprus, and a range of other Military Tasks including the integrity of UK waters and airspace. The percentage of RAF personnel deployed on operations and undertaking other military tasks fell slightly from about 17% in the last quarter of 2006-07 to about 14% in the last quarter of 2007-08, mainly as a result of normalisation in Northern Ireland.

42. The level of concurrent operations we plan to be able to conduct and which we are resourced to have the capacity to deliver, was set out in the December 2003 Defence White Paper Delivering Security in a Changing World. This stated that the MoD should be able to:

- mount an enduring Medium Scale peace support operation simultaneously with an enduring Small Scale peace support operations and a one-off Small Scale intervention operation;

- 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

- given time to prepare, undertake a demanding one-off Large Scale operation while still maintaining a commitment to an undemanding Small Scale peace support operation.

43. Figure four sets out in broad terms the level of concurrent operations sustained by the MoD and the Armed Forces since 2001. For every one of the last seven years the Armed Forces have operated above the level that they are resourced and structured to deliver. Achieving this has only been possible at the expense of the readiness of the Armed Forces to undertake contingent operations, and with an unavoidable impact on Service personnel. Although the force structure is designed to be resilient, it cannot sustain indefinitely the nature, scale and intensity of operations being conducted in Iraq and Afghanistan over the last two years. We therefore continue to analyse the qualitative impact this is having and to develop and cost a programme designed to restore full capability once commitments return to level anticipated within Defence Planning Assumptions. The completion of Operation BANNER in Northern Ireland and the drawdown of our forces in the Balkans at the end of 2006-07 reduced the pressure to some degree, but only to the extent that the changes were not already assumed in the force structure changes set out in the July 2004 Future Capabilities White Paper.

Residual Capability

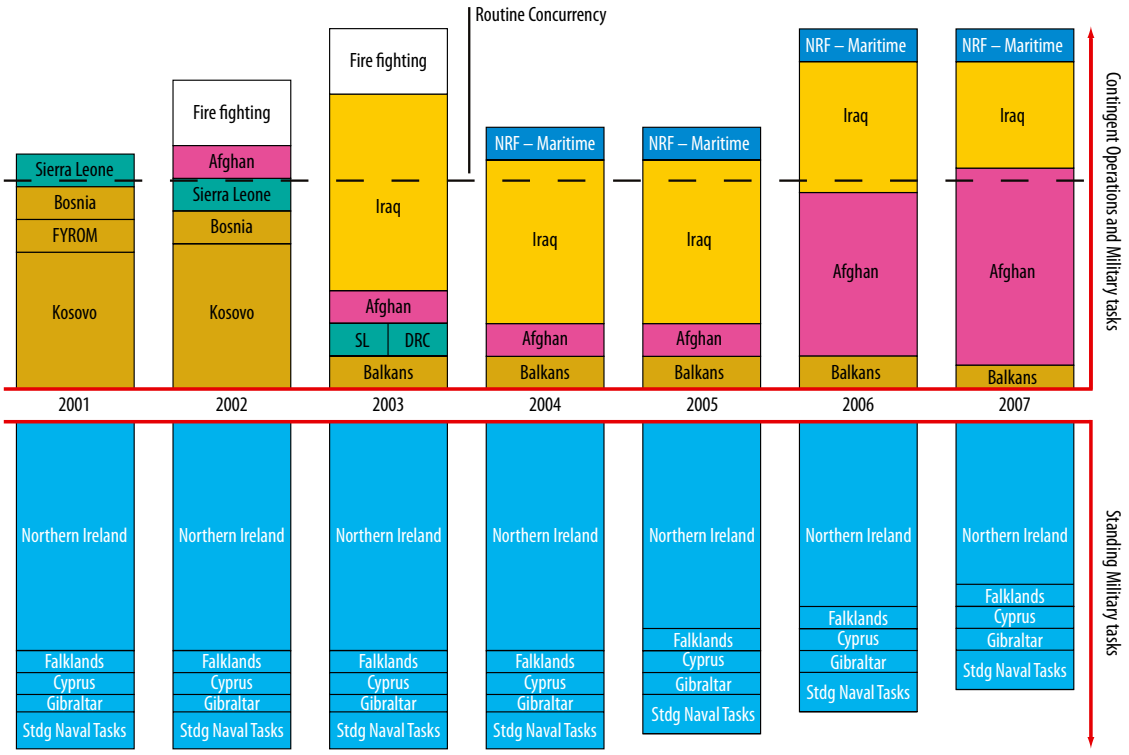
44. The **Joint Rapid Reaction Force** (JRRF) is intended to provide a pool of extremely adept, agile and sustainable forces, trained and available on a graduated scale of readiness to deploy in support of Britain's foreign and security policy objectives. It is designed to be able to mount and sustain (for up to six months) a non-enduring Focussed Intervention operation of up to Medium Scale (nationally or multi-nationally), so long as operational concurrency remains within the level provided for in the Department's Planning Assumptions. However, the continuing high level of operational commitment throughout 2007-08, with major forces deployed in Iraq and Afghanistan, meant that we continued to be unable to generate the full JRRF contingent capability. The Armed Forces' ability to support additional short notice contingent tasks is now extremely limited, with particular constraints on Land forces and Joint Force Enablers. We have therefore conducted an analysis to identify capability gaps in the JRRF profile within the context of the likely Contingent Operations overseas requirement over the next ten years, in order to inform regeneration priorities. Critical standby capabilities, including the ability to conduct Non-combatant Evacuation Operations or urgent reinforcement to current operations, were maintained during 2007-08, but these were heavily drawn on with the deployment of the UK's NATO Operational Reserve Force Battalion to Kosovo in May 2008.

Table 1: Percentage of Regular Armed Forces undertaking Operations and undertaking Military Tasks during 2007-08:

	Deployed on Contingent Operations				Undertaking Military Tasks			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Royal Navy	4%	4%	6%	6%	15%	11%	12%	13%
Army	17%	12%	11%	12%	8%	7%	7%	8%
Royal Air Force	9%	7%	7%	6%	8%	8%	7%	8%
Overall	13%	9%	9%	9%	9%	8%	8%	10%

Notes:
1. Percentages are quarterly averages and reflect the burden of activity imposed by the operations and other military tasks undertaken by each service. Figures are based on man-day equivalents.
2. A list of Military Tasks can be found on the Department's website (www.mod.uk)

Figure 4: Concurrency 2001-2007



45. The **Joint Force Headquarters** (JFHQ) provides the standing command and control capability at the heart of the UK response to emerging crises. It holds an Operational Liaison and Reconnaissance Team (OLRT) at Extremely High Readiness. The JFHQ has maintained a high level of operational activity over the year supporting (both directly and through consultancy) operations in Iraq, Afghanistan, Belize, the Democratic People's Republic of the Congo, Pakistan and Kenya. The OLRT have deployed on a number of occasions during the year to provide advice and guidance and to inform the decision-making process. The Headquarters conducted a Medium Scale exercise with the Five Powers Defence Agreement nations in Malaysia, with the UK as a framework nation, and also conducted various national and multinational force projection planning exercises, drawing on wider expertise from other Government Departments, including the Foreign and Commonwealth Office, Department for International Development and the Stabilisation Unit. It deployed specialists to a range of countries including Ethiopia, Bangladesh, Sri Lanka and Nepal; seconded staff to the European Force mission to Chad; helped develop existing contingency plans for a number of potential operations; and interacted with both French and Italian counterpart HQ staffs. The Joint Force Logistics Component Headquarters, which provides a logistic command and control node for contingent operations, deployed to Afghanistan to help provide theatre-level support to UK forces in Helmand. The Permanent Joint Operating Base in the Falkland Islands was exercised, and its staff trained, while Joint Contingency Plans were reviewed and updated for Cyprus, Gibraltar and Diego Garcia.

Further Sources of Information

46. For further sources of information on Current Operations see Annex I.

Military operations in Northern Ireland

On 31 July 2007, Operation Banner cam e to an end. The Army, Royal Navy, Royal Marines and Royal Air Force had delivered continuous support to the civil authorities in Northern Ireland for 38 years – the longest continuous operational deployment of the UK Armed Forces in their history. The impact of the commitment since 1969 was considerable, both on the military themselves and on the MoD civilians supporting them. They and the community at large suffered deaths and injuries. More than 700 soldiers, sailors and airmen lost their lives in Northern Ireland and thousands were seriously injured. A service to commemorate the military personnel killed as a direct result of terrorism in Northern Ireland is planned for September 2008.

The years following the 1994 and 1996 ceasefires saw a much reduced role for the military in Northern Ireland and it is easy to forget the scale and scope of the contribution which the Armed Forces have made over the years. At the height of the Troubles, around 30,000 military personnel were engaged in the full spectrum of operations from containing civil unrest, through to countering insurgency. The initial tasks around the maintenance of public order evolved over the years into highly specialised skills and capabilities including scientific, intelligence, observation or bomb disposal. The bloodiest year of the Troubles was 1972 when there were 1,853 bomb attacks, 10,564 shootings, 1,264 weapons found along with more then 27 tonnes of explosives. 130 British Army soldiers died as a direct result of terrorism in 1972. In total some 300,000 members of the Armed Forces served in Northern Ireland during the Troubles, including tens of thousands of personnel in the Ulster Defence Regiment and the Home Service battalions of the Royal Irish Regiment. Several generations of soldiers, sailors, marines and airmen spent a significant proportion of their professional lives serving in the Province. That experience has helped shape the Armed Forces into the organisation they are today. Lessons learned in Northern Ireland have proved invaluable in subsequent operations in the Balkans, Afghanistan and Iraq.

The support provided by the Armed Forces ultimately enabled the United Kingdom to hold its ground and ensure that paramilitary groups could not achieve their objectives through the use of force. The Armed Forces responded rapidly to the development of a new political environment and have contributed substantially to the process of security normalisation. This required imagination: reducing our visible security and activity involved taking some risks in order to meet the desire of the vast majority of the people of Northern Ireland to see the Armed Forces in a less operational role. As shown in the photographs, the streets of Northern Ireland's cities and towns now look and feel much more normal.

As we move into a new era, fewer than 5,000 troops of 19 Light Brigade will be resident in Northern Ireland on the same basis as everywhere else in the UK, trained and available for deployment worldwide, and with no operational commitments within Northern Ireland. The military footprint has been much reduced from approximately 100 sites at its peak to the current 10 sites. As in the rest of the UK, the Armed Forces will continue to have an important role in public life in Northern Ireland, and military capabilities will continue to be potentially available in extremis for responding to civil emergencies. We now look forward to continued engagement on a more normal basis with both the community and the civil authorities in Northern Ireland.

Readiness

Objective: Be ready for the tasks of tomorrow.

Public Service Agreement Target (SR2004 MoD Target 3)
Generate forces which can be deployed, sustained and recovered at the scales of effort required to meet the Government's strategic objectives.

Assessment and Performance Measures
Assessment: For the sixth consecutive year in 2007-08 the Armed Forces continued to operate above the overall level of concurrent operations which they are resourced and structured to sustain over time. Throughout the year they nevertheless consistently and reliably provided substantial forces at immediate readiness for current operations, deployed them to and sustained them in theatre, and recovered them to their home bases at the end of their tours. It was therefore impossible for them to be ready at the same time for the full range of potential contingent operations provided for in planning assumptions, and contingent readiness levels continued to fall. The Department was consequently unable to meet the Public Service Agreement target for readiness. The Armed forces maintained essential standby capabilities, such as for Non-combatant Evacuation Operations, but their capacity to take on additional operations is currently limited.

Achieve the required funded readiness states for Force Elements: by April 2008 achieve an average of 73% in the numbers of Force Elements reporting no serious or critical weakness against peacetime readiness targets:

- An average of 55% of Force Elements reported no critical or serious weaknesses in 2007-08 (67% in 2006-07, 77% in 2005-06);
- 7% of Force Elements reported critical weaknesses in the last quarter of 2007-08 (2% in 2006-07);
- The proportion of Force Elements reporting serious or critical weaknesses increased from 39% in the last quarter of 2006-07 to 51% in the last quarter of 2007-08.

Readiness Against Planning Assumptions: be able to generate the Force Elements necessary: by April 2008 achieve an average of 71% of Force Elements reporting no serious or critical weakness against the assessed ability to move from peacetime to immediate readiness:

- An average of 55% of Force Elements reported no critical or serious weakness in 2007-08 (55% in 2006-07, 70% in 2005-06);
- ∑ The proportion of Force Elements reporting critical weaknesses remained broadly stable at 11% in the last quarter of 2007-08 (12% in the last quarter of 2006-07);
- The proportion of Force Elements reporting serious or critical weaknesses increased from 48% in the last quarter of 2006-07 to 53% in the last quarter of 2007-08.

Readiness Against Planning Assumption: be able to deploy, sustain and recover the Force Elements necessary – by April 2008 achieve a 5% improvement (to 82.5%) in the ability to Deploy, Sustain and Recover forces for Contingent Military Tasks against the most demanding concurrency assumptions in Defence Planning Assumptions:

- Average performance during 2007-08 was broadly stable at 79% (80% in 2006-07, 79% in 2005-06).

Higher Level Training – conduct the joint training necessary to achieve the required readiness standards for contingent operations across the full spectrum of roles:

- 646 out of 722 Defence Exercise Programme exercises conducted in 2007-08 (616 out of 680 in 2006-07).

Readiness

47. The Ministry of Defence has a graduated readiness system in place to ensure that the right Force Elements (such as a ship, an Army brigade or an aircraft) are ready to deploy to conduct the range of missions that may be required. Through the planning round the MoD Head Office sets requirements for the three Services in terms of the Force Elements needed and the readiness at which they need to be held, and allocates the resources required to achieve this. Underpinning this mechanism are specific parameters for manning levels, equipment, logistic support, and collective training (that is the training units do together to ensure they can fight effectively as part of a larger force). Measuring and aggregating readiness is complex, not least because it is based on a judgement of what is required to enable the Armed Forces to respond to a wide range of potential challenges[1]. How we do this continues to evolve, in particular to reflect better the implications of the operational challenges the Armed Forces currently face (see Essay on page 56).

48. The Armed Forces' readiness targets are measured against the ability to prepare, deploy, fight and recover against the full range of potential operations and the concurrency levels envisaged in Defence Strategic Guidance and planning assumptions (known as preparing for 'a' war). Given that the MoD has to set policy and planning guidelines for the medium to long term force structure this represents a sensible and coherent approach. But in practice the overriding short term priority has been delivering operational success in Iraq and Afghanistan. This has required the Armed Forces to operate significantly beyond the level that they are resourced and structured to sustain over time, and meant that they have properly focused on preparing for and sustaining these specific operations (preparing for 'the' war). In so doing they have consistently and reliably provided substantial forces at immediate readiness for those operations, deployed them to and sustained them in theatre, and recovered them to their home bases at the ends of their tours. The net additional costs incurred in this are met from the central Government reserve. They have also continued to generate and sustain high quality, properly trained Force Elements for other standing military tasks such as public duties, maintenance of the nuclear deterrent and the provision of garrisons in Permanent Joint Operating Bases worldwide. In addition, where possible the Department has deliberately focused resources on those capabilities and force elements most heavily drawn on for these operations. These are conscious and measured risks, supported by analysis of the possible consequences and an awareness of the time and resources necessary to restore the ability to generate a Medium Scale contingent force.

49. In these circumstances the Armed Forces cannot simultaneously be ready for the full range of potential contingent operations provided for in planning assumptions, and the available Joint Rapid Reaction Force high readiness reserve has inevitably been constrained to a limited pool of forces (see paragraph 44 under *Current Operations*). With the deployment of an infantry battalion to Kosovo in May 2008 as the NATO Operational Reserve Force this residual capacity has been further reduced.

Viking – heavily utilised in Afghanistan

1 How this has been done is set out in the Essay on *Measuring and Reporting Readiness* in the Department's Annual Report and Accounts 2004-05, and in greater detail in the National Audit Office Report *Assessing and Reporting Military Readiness* (see *Further Sources of Information* at the end of this chapter).

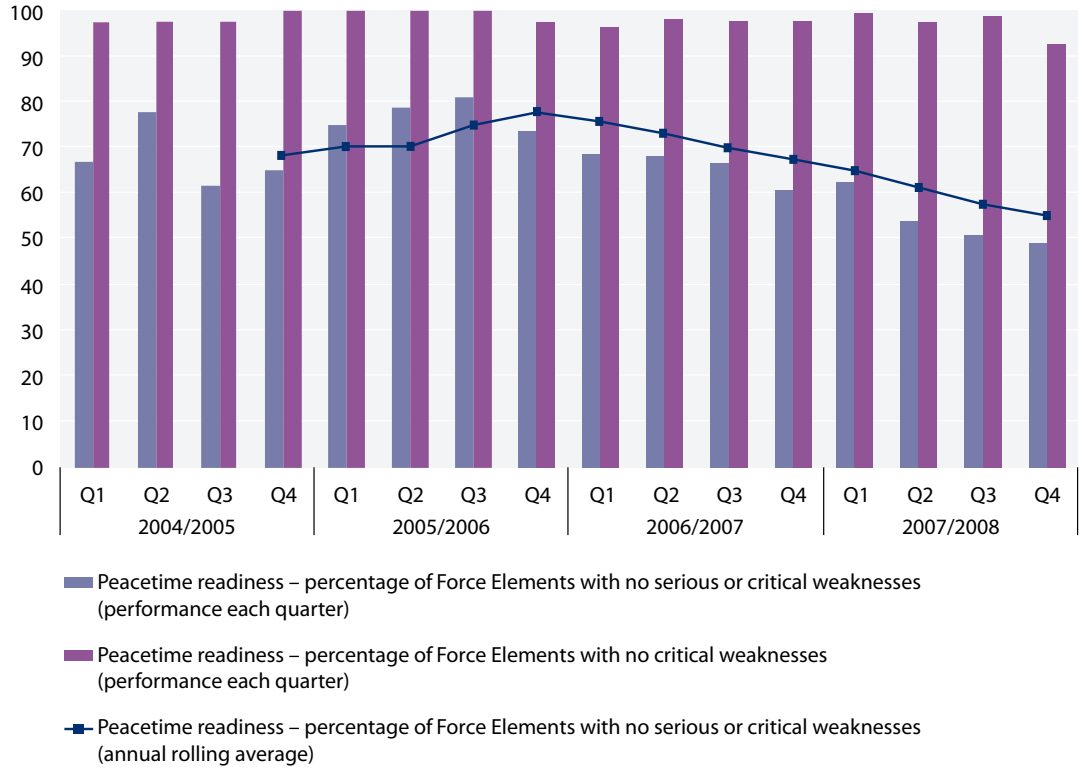
50. The consequences of current pressures, and therefore the level of risk involved, are not evenly spread across the force structure. The campaigns in Iraq and Afghanistan require particularly heavy commitment of Land forces; associated command and control facilities; intelligence, surveillance, target acquisition and reconnaissance assets; helicopters; strategic air transport; medical; and logistics enabling assets. The force structure in these areas is now fully stretched. For example, Defence is currently deploying four manoeuvre brigades each year from a permanent establishment of eight deployable brigades with some temporary enhancements (see paragraph 159 under *Future Capabilities*) plus residual assets. Achieving all this has required drawing heavily on forces that would otherwise have been trained and held ready for other contingencies (which has in particular constrained the scope to conduct collective training for Large Scale war-fighting operations in order to maintain 'seed-corn' experience); on significant internal augmentation of deployed units from other parts of the Armed Forces; and on considerable and continuing support from the Reserve Forces. The rest of the force structure is fully involved in supporting this effort, whilst also maintaining other military commitments worldwide at sea, on land and in the air. It has only been possible to support this level of overall effort through a level of activity sometimes incompatible with personnel harmony guidelines, leading inevitably to risks for retention (see paragraph 279 in *People*). The continuing heavy and intense use of key equipments in harsh operational environments will also have an inescapable medium-term impact on their life.

Performance against Public Service Agreement Targets

51. The combined result of these factors is that the overall readiness of the force structure continued to deteriorate throughout the year, and it has been impossible to meet the 2004 Spending Review PSA target for readiness. This does not mean that the Armed Forces cannot support their current operational commitments, although it will not be possible to maintain the current level of operational pressure indefinitely, but rather that the capability across the force structure to conduct the full range of contingent operations potentially envisaged in planning assumptions, has continued to deteriorate particularly in the Land environment. When commitments do return within the routine levels envisaged in Defence Planning Assumptions, a period of substantially reduced activity and adequate resources will be required to recuperate and regenerate all elements across the force structure to meet the full range of possible contingent operations.

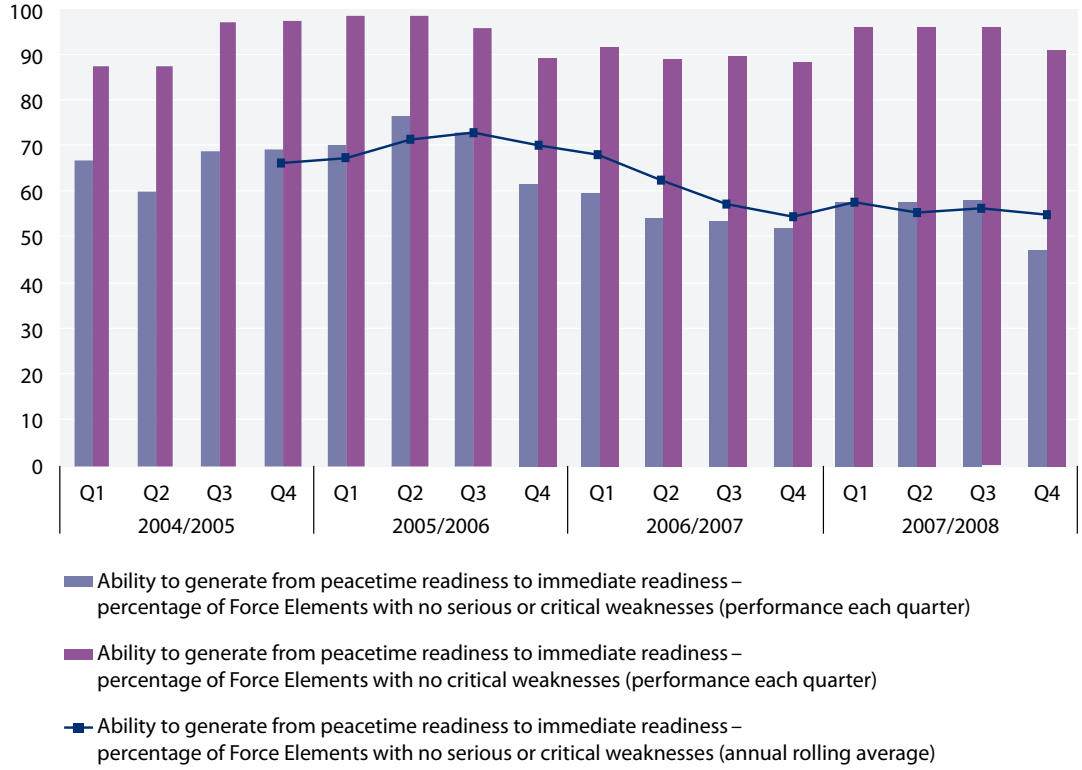
52. The 2004 Spending Review Public Service Agreement set a target of an average of 73% of Force Elements reporting no critical or serious weaknesses in achieving their funded peacetime readiness by April 2008, representing a 5% improvement over the average quarterly performance in 2004-05. This level was reached in the third quarter of 2005-06, peaked at 77% in the fourth quarter of that year, and has since dropped steadily to 55% in the fourth quarter of 2007-08, 18% below the level required to meet the PSA target. The proportion of Force Elements reporting serious weaknesses that would make deploying them within the required timescale difficult but not impossible worsened from 39% in the fourth quarter of 2006-07 to 51% in the fourth quarter of 2007-08, having peaked at 19% in the third quarter of 2005-06. The proportion of Force Elements reporting critical weakness that would make deploying them within the required timescale almost impossible remained steady at about 2% over most of the year, but fell off to 7% in the last quarter.

Figure 5: Peacetime Readiness



53. The PSA Readiness Target also requires the Department to report the Armed Forces' ability to generate Force Elements from peacetime to immediate readiness, with the goal of 71% on average reporting no serious or critical weaknesses by April 2008 (a 5% improvement in the level achieved in 2004-05). Whether or not this is achieved is not taken into account in determining whether or not the PSA target has been met. After falling off in 2006-07 from an average of 70% in the fourth quarter of 2005-06 to an average of 55% in the fourth quarter of 2006-07, performance remained broadly stable throughout 2007-08, achieving 55% in the fourth quarter of the year, 16% below the level set in the PSA. The proportion of Force Elements reporting serious or critical weaknesses worsened over the year, from 48% in the fourth quarter of 2006-07 to 53% in the fourth quarter of 2007-08. The proportion of Force Elements reporting critical weaknesses improved and then fell back over the year, ending at 11% in the last quarter of 2007-08 compared to 12% in the last quarter of 2006-07.

Figure 6: Assessed ability to generate force elements from peacetime to immediate readiness



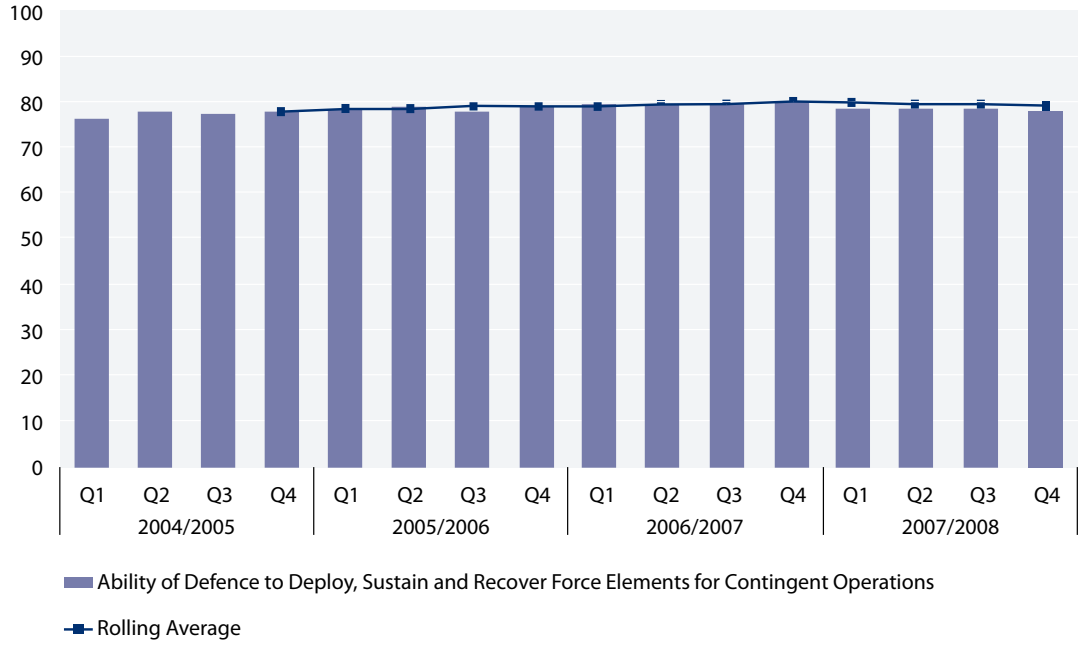
54. Finally, the PSA Target required the Department to report the Armed Forces' ability to deploy on operations at the most demanding level assumed by Planning Assumptions (two medium and a small scale concurrently), sustain them in theatre and thereafter recover them to their home bases, with the goal of an average of 82.5% reporting no serious or critical weakness by April 2008. This represents a summary of defence's ability to deploy, sustain and recover the Force Elements required to conduct the most demanding contingent deployments that we have set out in our planning assumptions. The assessment is, therefore, a theoretical one, based on a generic operational scenario. Again, whether or not this is achieved is not taken into account in determining whether or not the PSA target has been met. Over the year performance remained broadly steady, reaching an average of 79% in the fourth quarter of 2007-08 (3.5% below the level set in the PSA) compared to 80% in the fourth quarter of 2006-07.

55. In planning for the future, we also continued to examine the effectiveness of our deployment and sustainment capabilities and stock holdings, particularly where we judged that those assets most likely to be needed to sustain operations could not reliably be procured within the assumed readiness time.

Navy Readiness

56. The Royal Navy met all its operational commitments in 2007-08, both at home and overseas, despite a high level of operational activity, and continuing significant challenges in managing ship support and sustainability. The readiness of the surface fleet Force Elements continued to be affected by the decision to reduce support resources (the Reduced Support Period) in 2004-05 and 2005-06, and personnel shortages in a few specialist areas (see paragraph 276 under *People*) also affected the readiness states of certain force elements.

Figure 7: Assessed ability to deploy, sustain and recover Force Elements for contingent operations.



Army Readiness

57. The Army also continued to be very heavily committed to operations throughout 2007-08. The entire deployable force of the Field Army was committed to operations, primarily in Iraq and Afghanistan, at least once over the last 30 month period, and successfully delivered trained and prepared Force Elements throughout the reporting year. But the continuing commitment of ground manoeuvre, light and specialised brigades on current operations inevitably meant that the Army was unable to hold units at readiness for Medium Scale contingent operations. The Spearhead Land Element was available at high readiness for Contingency Operations throughout the year, culminating in a deployment to Kosovo in May 2008. The Airborne Task Force was re-assigned in February to programmed operations in Afghanistan and a small Scale Focussed Intervention Battlegroup was temporarily established to cover for it. Many 'enabling' assets were also double-hatted in support of more than one of the Contingency Reserves. In addition, as in 2006-07, implementation of the BOWMAN programme, while providing a much needed improvement in tactical communications, continued temporarily to reduce the pool of deployable units. The increasingly challenging recruiting climate (see paragraph 277 under *People*) also had a substantial impact. Overall, the Army continued to run close to the limits of the level of operational activity it is able to sustain.

RAF Readiness

58. The RAF continued to meet its enduring Military Tasks and contingent overseas commitments successfully during 2007-08, contributing forces to UK-based operations and to theatres around the world including the Gulf, Northern Ireland, the South Atlantic, Afghanistan and the Balkans. However, the high operational tempo has led to the majority of Force Elements reporting a weakness in their ability to meet planned readiness targets; in the main due to a combination of lack of training opportunities, personnel and equipment outside of that committed in direct support of current operations. In addition, aircraft availability pressures, arising from operational losses and planned modification and maintenance programmes, and a temporary manning imbalance caused by the final phase of drawing down RAF personnel numbers, as set out in the 2004 Future Capabilities White Paper, have further reduced the RAF's ability to meet readiness targets.

Higher Level Training

Collective Training

59. Training for current operations remained the primary focus over the year. The high tempo of operations necessitated an efficient, prioritised and fully resourced collective training programme to deliver fully prepared forces for operations. Mission specific training was the highest priority and was resourced accordingly. The challenge to Defence has been the priority between collective training for specific operations and collective training for contingent operations. This balance has been carefully managed and prioritised by the Defence Joint Collective Training and Exercise Committee through the Defence Exercise Programme. The Joint Collective Training and Exercise Strategy was agreed and endorsed during the year. This provides strategic guidance on the delivery of joint collective training and exercises until 2012, including direction on cross-government support, and taking into account current commitments and resource limitations.

Harrier landing on HMS Illustrious as part of training exercise

60. The number of exercises in the Defence Exercise Programme continued to grow (see Table 2), mainly reflecting better recording of collective training events and a greater awareness of the importance of the programme. In 2007-08 the number of Defence exercises grew by 6.4% from the previous year. This included ten brigade/battlegroup exercises at the British Army Training Unit Suffield (BATUS) in Canada, which maintained some continuing higher level collective training for the Army for contingent operations. The number of cancelled exercises increased by only 1.1%. This minor increase was wholly attributable to an Army decision to cancel 17 low level training exercises in Cyprus (with no detrimental impact on current operations).

Table 2: The number of exercises scheduled and proportion cancelled since 2004-05

Year	Scheduled Training Events	Cancelled Events	%	Conducted
2007-08	722	76	10.5%	646
2006-07	680	64	9.4%	616
2005-06	533	58	10.8%	475
2004-05	379	79	20.8%	300

61. Defence diplomacy and capacity building was a consistent theme within the programme, with the FCO, DfID and the Stabilisation Unit (formerly the Post Conflict Stabilisation Unit) continuing to support Defence training. As well as continued participation in both NATO and EU exercise programmes, the UK also supported other Alliance and Partnership exercises, of which the EXPRESS series with Macedonia, Georgia and Romania were particularly successful. As a part of the Five Powers Defence Arrangements, the Permanent Joint Headquarters delivered the first operational level exercises and the core of the Combined Joint Task Force Headquarters for Exercise SUMAN PROTECTOR in its inaugural year.

Further Sources of Information

62. For further sources of information on Readiness, plese see Annex I.

Reviewing the Readiness Reporting System

Readiness is the term we use for the way the Services maintain military units at varying levels of preparedness in order to be able to respond to the range of potential operations envisaged in Defence Strategic Guidance. Assessing and reporting the Armed Forces' readiness levels is therefore an essential part of telling us what contingent operations we can undertake, Achieving immediate readiness for all envisaged eventualities is neither possible nor desirable, and we therefore aim to hold our forces at graduated readiness states derived from Defence Planning Assumptions. Over the last year we have been working to develop our readiness reporting system so that it gives us more useful information about what we can do over and above current operations, and to measure the process of recuperation once the current operational tempo reduces.

Since 2004 we have been measuring readiness against the graduated standard readiness levels derived from Defence Planning Assumptions (known as 'Peacetime Readiness'). This is the level of readiness the core defence budget is funded to deliver. We will continue to measure and report against this, as it provides a useful snapshot of the state of the force structure against long term planning assumptions. We have, however, revised the underlying weighting system to reflect the relative significance of the various Force Elements to current operations. The Front Line Commands and component leads will continue to assess individual Force Elements' capability and readiness levels through evaluating the key components: manpower; equipment; training; and support. Performance will continue to be categorised using the existing 'traffic light system' where

- green indicates full achievement of the readiness required;
- yellow indicates minor weakness that would in practice be unlikely to prevent delivering the relevant Force Element within the required time;
- amber indicates serious weakness that would in practice make delivering the relevant Force Element within the required time difficult but not impossible; and
- red indicates critical weakness that would in practice make delivering the relevant Force Element within the required time almost impossible.

Each Force Element's state of readiness will be assessed quarterly, and we will continue to report the overall proportion of Force Elements showing serious and critical weakness. This will ensure we meet our Public Service Agreement and Departmental Strategic Objectives reporting obligations as agreed in the 2007 Comprehensive Spending Review. As set out

in *Defence Plan 2008-2012*, we expect readiness levels to remain broadly constant until after the operational tempo has returned within the levels the Armed Forces are resourced and structured to maintain over the medium to long term, reflecting their limited capacity to support additional operational commitments.

We have also sought to measure our ability to bring Force Elements from their peacetime readiness levels up to the level required to deploy on potential contingent operations at the most demanding scale of effort (known as force generation), and to deploy them on such operations, sustain them there and recover them to their home base thereafter. This system has been predicated on the assumption that most of the time the Armed Forces will be operating below the concurrency level envisaged in Defence Planning Assumptions and that they should therefore be working to maintain their capacity to deploy on potential contingent operations. The longer we have been operating above that concurrency level, the more theoretical this has become. By definition we have consistently for several years been successfully generating, deploying, sustaining and recovering Force Elements above the long term concurrency levels assumed in our long term planning. The metrics we have been using to measure and report our hypothetical capability have consequently provided little or no meaningful management information. We are therefore working to develop a more useful way of measuring and reporting performance in this area for the time when the operational tempo has reduced and the force structure recuperated to the point where it is appropriate once more to seek to measure our contingent as opposed to our current capability. In the meantime we will conduct a 6-monthly qualitative review of our performance generating, deploying, sustaining and recovering Force Elements on our current operations, and publish narrative assessments in our Autumn Performance Report and the Annual Report and Accounts.

Policy

Objective: Work with allies, other government departments and multilateral institutions to provide a security framework that matches new threats and instabilities.

Objective: Public Service Agreement Targets (SR2004 MoD Targets 2 and 4)
By 2008, deliver improved effectiveness of UK and international support for conflict prevention by addressing long-term structural causes of conflict, managing regional and national tension and violence, and supporting post-conflict reconstruction, where the UK can make a significant contribution, in particular Africa, Asia, Balkans and the Middle East (Joint Target with DfID and FCO).

Play a leading role in the development of the European Security Agenda, and enhance capabilities to undertake timely and effective security operations, by successfully encouraging a more efficient and effective NATO, a more coherent and effective European Security and Defence Policy operating in strategic partnership with NATO, and enhanced European defence capabilities. (Joint target with FCO).

Assessment and Performance Measures
Assessment: We made continuing progress in developing complementary NATO and EU political and military capabilities, although only partly meeting the European Security Public Service Agreement Target. Work continues to share collective commitments and invest in expeditionary capabilities. At the NATO Bucharest Summit in April 2008 President Sarkozy signalled France's intent to re-engage fully in NATO's military structure, and the Alliance made important political decisions on enlargement. During the year we launched a number of Nuclear non-proliferation initiatives, and reduced the number of operationally available warheads for our minimum nuclear deterrent. We continued to work closely with FCO and DfID on conflict prevention activity, partly meeting the Public Service Agreement target.

A more efficient and effective NATO:
- Continuing effective NATO-led operations and missions;
- Successful NATO Summit focused on Afghanistan;
- Continuing work to modernise NATO and develop capabilities.

A more coherent and effective ESDP operating in strategic partnership with NATO:
- Continuing effective EU civil and military missions;
- Agreed guidelines for Command and Control structure for EU civilian crisis management operations.

Enhanced European defence capabilities:
- Production of Progress Catalogue analysing military capabilities offered against Headline Goal 2010 and identifying shortfalls;
- Progress on European Defence Agency's Capability Development Plan.

Global Counter Terrorism strategy:
- Provision of advice and training to build the counter terrorist capacity of other states.

Counter the threat from Weapons of Mass Destruction:
- Continuing progress in safeguarding weapons and materials, and redirecting former weapons scientists;
- New nuclear non-proliferation initiatives launched.

Effective international and UK conflict prevention initiatives:
- Of 12 PSA sub-targets, two were met, nine partly met, and one not met;
- New Stabilisation Aid Fund to fund stabilisation activity in conflict zones;
- Further constraints agreed on use of cluster bombs;
- Continuing work to develop Arms Trade Treaty.

NATO, European Defence and the United Nations

63. The maintenance of the transatlantic relationship and the security and stability of Europe are fundamental to the United Kingdom's security and defence policy, and we are a leading contributor to NATO and European Union Security and defence arrangements. But our security and prosperity depend also on wider international stability, freedom and stable economic development. As a permanent member of the UN Security Council, the UK strives internationally to support the rule of law and act as a force for good. We take a comprehensive approach, both diplomatic and military to address the threat posed by international terrorism and to counter the threat from Weapons of Mass Destruction. We are also committed to tackling international conflict and its causes, to mitigate the effects of conflict when it breaks out and to assist in the task of post-conflict reconstruction.

64. The government published its National Security Strategy (NSS) in March 2008 with implications for defence. It makes a clear case for maintaining expeditionary, capable and balanced Armed Forces – reaffirming the defence policy we established in the 1998 SDR and our subsequent white papers. The strategy describes how the Armed Forces contribute to fostering a secure international environment – through conflict prevention, security sector reform, peacekeeping and humanitarian activities. But there is also a strong justification for the use of hard power when all other levers fail – delivering decisive force when needed. It confirms our multilateral approach – and the importance we place on a capable and effective NATO. But it also highlights the need for reform – both in NATO and in other international institutions. The Strategy highlights the need to balance long and short term threats to our security, prioritising capabilities we need for current operations without losing our focus on capabilities we may need against longer term / state-based threats. It does this in general terms without making any new or specific capability commitments. The Strategy also reaffirms the requirement to strengthen support for service personnel and their families.

NATO and European Security

Public Service Agreement

65. The 2004 Spending Review Public Service Agreement required the MoD and FCO jointly to play a leading role in the development of the European Security Agenda, and enhance capabilities to undertake timely and effective security operations, by successfully encouraging a more efficient and effective NATO, a more coherent and effective European Security and Defence Policy operating in strategic partnership with NATO, and enhanced European defence capabilities. These are not timebound goals – we continue to work for further improvement in all these areas – and over the three years of this PSA we have made significant progress. But overall we assess that we only partly met the PSA Target.

66. Achievements have included:

- An enlarged NATO – seven new members attended their first summit meeting at Istanbul in 2004; invitations extended to Albania and Croatia at Bucharest in 2008;
- The development of the NATO Response Force – Full Operating Capability declared in 2006 (graduated response adopted in 2008, as a temporary measure whilst operational tempo remains high); elements of the NRF successfully deployed in support of Afghan Presidential elections in 2004, and in support of the international relief effort following the Pakistan earthquake in 2005. The United Kingdom has been a leading contributor of forces to the NATO Response Force;
- The endorsement of Comprehensive Political Guidance by Heads of State and Government at the Riga Summit in 2006;
- Agreement of the need for NATO to develop a Comprehensive Approach to operations;
- Initiatives to improve the availability of Strategic Lift and Helicopters;
- Enhanced partnerships – with countries in the broader Middle East through the Istanbul Co-operation Initiative launched in 2004, and a reinvigorated Mediterranean Dialogue; and mechanisms agreed in 2006 for improved

dialogue and co-operation with NATO's partners in all their guises;

- Agreement in 2006 to a package of proposals to make NATO more efficient and effective through the better management of resources and reform of the NATO HQ; and agreement at Bucharest in 2008 to a Defence Minister-led process of transformation;

- The operational litmus test: The NATO Stabilisation Force (SFOR) concluded its mission in Bosnia in December 2004, successfully handing over to the EU's EUFOR. KFOR has helped to maintain stability in Kosovo as it moved to independence; ISAF has expanded across Afghanistan Provincial Reconstruction Teams have been established; the NATO Training Mission in Iraq has been set up; Operation Active Endeavour in the Mediterranean has continued to succeed. The UK played a leading role in NATO operations and missions throughout this period.

67. The House of Commons Defence Committee published its report on *The Future of NATO and European Defence* in March 2008, ahead of the NATO Bucharest Summit. The report's main conclusion was that NATO is an "indispensable Alliance" and must remain at the heart of UK and European defence policy, but that it faces severe threats to its credibility and cohesion, most notably from a lack of political will amongst its member countries to support it. It also called for a new Strategic Concept to explain NATO's role in meeting 21st Century security challenges, stronger political will from Allies (in terms of equitable burden-sharing, minimising of caveats of forces deployed on NATO missions and investing appropriately in the right capabilities), and better NATO/EU relations. We welcome the Committee's report and believe that it rightly highlights the key strategic, political and capability challenges facing NATO, of which we believe significant progress was made at the Bucharest Summit. Our full response, published in June is available on the Committee's website.

North Atlantic Treaty Organisation (NATO): more efficient and effective

68. During 2007-08 the UK made significant contribution to NATO-led operations and missions. In Afghanistan, the UK provided a Provisional Reconstruction Team in Lashkar Gah in Helmand, supported by a Task Force, and for most of the year commanded Regional Command (South) with a Divisional Headquarters in Kandahar (see paragraph 17 under *Current Operations*). The UK also contributed forces to KFOR, NATO's peacekeeping force in Kosovo, and provided the high-readiness battalion of the Operational Reserve Force (from January – June 2008) in the period immediately following Kosovo's declaration of independence, which was deployed to Kosovo in May 2008. And we contributed to Operation ACTIVE ENDEAVOUR, the NATO-led maritime counter-terrorism operations in the Mediterranean.

School reconstruction project, Afghanistan

69. Throughout the year, the UK played a leading role in the continuing transformation of NATO to make it more efficient and effective, and better able to respond to today's security challenges. We launched an initiative to improve the operational deployability of allies helicopters, and at the meeting of NATO Defence Ministers in Noordwijk, the Netherlands in October and in Vilnius, Lithuania in February, the Secretary of State for Defence led the call for the further modernisation of the way NATO does its business: to make it better able to manage complex operations; drive the development of new capabilities; work with all its partners in the wider international community; and communicate what it is doing to the public.

70. The UK led the Maritime Component Command for the NATO Response Force nine rotation (July – December 2007). Because of the unprecedented demands being placed on Alliance forces by current operational

commitments, forces for the NRF are based on a smaller, but robust core that provides the basis on which additional forces can be added as required. This is intended to be an interim measure only, and Defence Ministers reaffirmed their full commitment to the NRF concept, and the need for it to perform the full range of its agreed missions.

71. The NATO Summit in Bucharest in April 2008 was a significant event. The main focus was Afghanistan, and the UK welcomed the clear and unambiguous reiteration by the representatives of the international community of their long-term commitment to work together with the Government of Afghanistan to build an enduring, stable, secure, prosperous and democratic state. President Sarkozy also signalled France's welcome intent to re-engage fully in NATO's military structure, and the Alliance made important political decisions on enlargement. NATO also accepted a UK offer to host an informal meeting of Defence Ministers this autumn focused on reform to drive forward modernisation. Further details are in the Essay on page 70.

European Security and Defence Policy

72. The UK continued to play a leading role throughout the year in the development of the European Security and Defence Policy (ESDP). We welcomed the launch and deployment of the ESDP mission to Chad and the Central African Republic in January 2008 as a key means of contributing to regional stability and to assist with resolving the Darfur crisis. Although we were not able to make a substantial contribution to the mission, reflecting our heavy commitment to international efforts in Iraq and Afghanistan, we continued to make major contributions to the international community's regional efforts in other ways; in particular through bilateral humanitarian assistance and through support to the African Union (and subsequent joint United Nations/ African Union) mission in Darfur.

73. We continued to support, with around ten staff officers in key Headquarters posts, the important work of Operation ALTHEA in Bosnia-Herzegovina in making progress towards implementing the remaining military tasks under the Dayton Peace Agreement. As one of the five national Operational Headquarters declared as available to the EU for operations, the UK Permanent Joint Headquarters (PJHQ) at Northwood hosted and provided technical and administrative support, including trained core staff, for the Nordic Battle Group on standby for the EU Battle Group roster between January and June 2008. We continued to seek ways to improve EU/NATO relations, both at the operational and political/strategic levels. Given that NATO troops are working alongside EU rule of law and police missions in Kosovo and Afghanistan, we are continuing to press with our Partners and Allies the need to resolve the political difficulties between the two organisations. On civil-military co-operation, the UK worked closely with the European Council General Secretariat to agree the 'New Guidelines for the Command and Control Structure for EU Civilian Operations in Crisis Management', which are already helping to improve the planning and conduct of civilian ESDP missions and facilitate civil and military co-ordination, mutual support and coherence.

Enhanced European Defence Capabilities

74. The offers of capability made in the EU Headline Goal 2010 questionnaire have been analysed against the requirement derived from the EU's level of ambition. The culmination of this work was the production of the Progress Catalogue in November 2007. This found that the capabilities offered broadly met the level of ambition; however there was found to be a lack of some key enabling capabilities (strategic lift, ISTAR) and also a qualitative shortfall in other capabilities (adequate mine and ballistic protection on fighting vehicles). These shortfalls mean that there is insufficient capability offered to meet the requirement expressed in the Headline Goal 2010 and hence an over reliance on the capabilities of the larger EU member states, putting political pressure on these nations to play a greater role on operations. Work is underway to prioritise the shortfalls. The European Defence Agency, supported by the UK, has taken forward work on its Capability Development Plan, with the aim of recommending where Member States should concentrate their efforts in capability development.

Conventional Arms Control

75. Conventional arms control activities under the Conventional Armed Forces in Europe Treaty (CFE), Vienna Document 1999, and Open Skies agreement continued to contribute to conflict prevention and stability across the Organisation for Security and Cooperation in Europe. During the year, under the provision of these treaty obligations, the UK hosted eleven inward missions and participated in 37 outward missions, in addition to necessary training tasks and NATO stand-by tasks. Russia's unilateral suspension of its commitments under CFE in December 2007 weakens European security by reducing CFE compliance and activities.

Countering Terrorism

76. The UK shares a common interest with many other countries in countering terrorism and the MoD actively contributed to the development and implementation of the Government's Counter-Terrorism Strategy (CONTEST). In the UK the security and safety of the public is the responsibility of the Home Secretary. However the MoD makes available a range of capabilities to support the civil authorities under CONTEST. These include Explosive Ordnance Disposal, scientific support, armed guarding through the MoD Police and other specialist air, maritime and land capabilities. The MoD has a long standing Defence Relations strategy that involves providing military advice and assistance to many countries worldwide, to help build stability and prevent conflict. Complementary to this strategy is the counter-terrorism assistance we provide, to help in building the capacity and capability of these countries' security forces in areas such as VIP Protection, bomb disposal, crisis management, and land and maritime border security techniques. Overseas, any military engagement which reduces regional instability or helps those countries counter trans-national threats can assist in the prevention of terrorism, and even modest levels of military training can assist other nations to protect themselves, to their benefit and ours. This Defence effort is closely coordinated with the work of other Government Departments, in particular the FCO and the new Office of Security and Counter terrorism in the Home Office. We also work with our allies to advance cooperation, and develop policy, in the field of counter terrorism.

MoD Police guard gas processing installation against potential terrorist attacks

Countering the Threat from Chemical, Biological, Radiological and Nuclear Weapons

77. The ambitions of a small number of countries of concern, and some terrorists, to acquire chemical, biological, radiological or nuclear weapons, and the imperative of an effective international response, require continuous efforts to safeguard and strengthen international norms. The UK aims to reduce the risk that state or non-state actors will acquire such weapons or use them against the UK, its forces or our interests. The MoD continues to work closely with other Government Departments to support international export control regimes which reduce the threat of proliferation of material, expertise, weapons, and their means of delivery, and to acquire illicit capabilities. The UK is a key player in the international non-proliferation treaties and the involvement of and expertise provided by the MoD is crucial to this effort. Under the UK's Global Threat Reduction Programme, MoD has worked with the Foreign and Commonwealth Office and the Department for Business Enterprise and Regulatory Reform to help destroy or safeguard weapons and materials, and redirect former weapons scientists.

Nuclear Arms Control

78. The International Atomic Energy's assessments continue to remain uncertain as to the scale or exclusively peaceful intent of Iran's nuclear programme consistent

with its obligations under the Nuclear Non-Proliferation Treaty (NPT). This raises concern about the effectiveness of the international nuclear non-proliferation regime. The UK welcomed the agreement of Democratic People's Republic of Korea in November 2006 to return to the Six Party Talks, which continue to represent the best mechanism for progress towards the 'denuclearisation' of the Korean Peninsula and for bringing the country into the international community. During 2007-08 the UK placed particular emphasis on reaffirming its unequivocal support for mutual, balanced and verifiable reductions in nuclear weapons, leading ultimately to the total elimination of all nuclear arsenals. This was the subject of a keynote speech by the Defence Secretary to the Conference on Disarmament in Geneva in February 2008, in which he announced a number of new initiatives. Before the 2010 NPT Review Conference, the UK has offered to host an unclassified conference of the nuclear laboratories of the Nuclear Weapons States to discuss the verification of nuclear disarmament. This will build on work at the Atomic Weapons Establishment in Aldermaston, some of which is being carried out in conjunction with several Norwegian defence laboratories and the Verification Research, Training and Information Centre (VERTIC), a non-governmental organisation. The Secretary of State also committed the UK to developing, in conjunction with the other Nuclear Weapon States, a series of mutual confidence building measures which will help engender a positive climate throughout the NPT community ahead of the 2010 conference. The UK remains fully committed to all its obligations under the NPT (on non-proliferation, disarmament, and the peaceful use of nuclear energy) and under the Comprehensive Test Ban Treaty. The UK's priority at the Conference on Disarmament remains the opening of negotiations without pre-conditions on a Fissile Material Cut-Off Treaty.

Biological Arms Control

79. The MoD and the Defence Science and Technology Laboratories (Dstl) continued to contribute expertise to the international programme of work to strengthen the Biological and Toxin Weapons Convention following the 2006 Review Conference. The MoD also worked with non-governmental organisations, other UK Government Departments, overseas counterparts, in particular in the US, Canada and non-governmental organisations, to develop its biological non-proliferation projects under the UK's Global Threat Reduction Programme.

Chemical Arms Control

80. Significant progress was made in the MoD Global Partnership programme to support Russia with construction of a facility for destroying its stockpiles of chemical weapons. The Department continued to take forward projects at the Shchuch'ye Chemical Weapons Destruction facility on behalf of the UK, Canada, Belgium, the Czech Republic, Finland, France, Ireland, The Netherlands, Norway, Sweden, the EU and the Nuclear Threat Initiative (a US Non-Government Organisation). All planned projects have been put on contract; some have been completed, and the remainder are expected to be completed during 2008.

Export Controls

81. The MoD contributed both specialist and policy advice to the UK's efforts to ensure that the multilateral export control regimes and arrangements continued to evolve to take into account advances in technology and changes in the geopolitical situation. These deal with conventional weapons, associated dual use equipment and technology, and equipment and technology that could contribute to a nuclear, biological or chemical weapons programme. The Department also participated in the Government's review of the legislation introduced in 2004 under the Export Control Act. Details of licensing decisions and performance achieved in processing export license applications are published in the Annual Report on United Kingdom Strategic Export Controls.

82. MoD, as an advisory department to the Business, Enterprise and Regulatory Reform Department on export controls, has participated in the review of the export control legislation introduced in 2004 under the Export Control Act. The Government's initial response to the review was published in February and committed to a number of changes to the current legislation. More research and consultation is taking place and a further response to the review will be issued later in 2008. Details of licensing decisions and performance achieved in processing export licence applications are published in the Annual

Report on United Kingdom Strategic Export Controls. In April 2008, the Defence Export Services Organisation transferred to UK Trade and Investment (part of the Department for Business, Enterprise and Regulatory Reform) and was renamed UKTI Defence and Security Group.

Proliferation Security Initiative

83. Defence officials continued to play a leading role in meetings and exercises of the Proliferation Security Initiative Operational Experts Group. These aim to improve nations' abilities to interdict nuclear, biological and chemical weapons, their precursors and means of delivery. In February 2008, the UK, led by the MoD, hosted an Operational Experts Group meeting in London, involving over 200 representatives from agencies in 20 countries. This meeting provided a useful opportunity to take stock of the Initiative's progress and consider how to address future challenges in the approach to its fifth-year anniversary in May 2008.

Deterrence

84. Deterrence aims to convince a potential adversary that the consequence of a particular course of action outweighs the potential gains. All the UK's military capabilities, conventional and nuclear, have a role to play in this. The fundamental principles underpinning nuclear deterrence have not changed since the end of the Cold War. However, deterrence in the 21st Century is going to be more complex in a multi-faceted and more fragmented security environment, populated by an array of potential adversaries and presenting less predictable security challenges. The UK's deterrence posture must therefore remain flexible enough to respond to these potential challenges, in whatever form they present themselves. The publication in December 2006 of the Government's White Paper *The Future of the United Kingdom's Nuclear Deterrent,* which Parliament approved in March 2007, sets out this position against a particular range of possible future risks and challenges. Nuclear weapons continue to provide the ultimate guarantee of the UK's security by deterring and preventing nuclear blackmail and acts of aggression against the UK's vital interests that cannot be countered by other means. The UK will retain only the minimum amount of destructive power required to achieve deterrence objectives; as set out in the 2006 White Paper, a reduction from fewer than 200 operationally available warheads to fewer than 160 was achieved during 2007. The Government deliberately maintains ambiguity about precisely when, how and at what scale the UK would contemplate using nuclear weapons. To do otherwise would simplify the calculations of a potential aggressor by defining more precisely the circumstances in which the Government might consider the use of the UK's nuclear capabilities. However, the Government has made clear many times over many years that the UK would only contemplate using nuclear weapons in extreme circumstances of self-defence and in accordance with the UK's international legal obligations.

Chemical, Biological, Radiological and Nuclear Defence

85. UK Armed Forces faced a diverse range of Chemical, Biological, Radiological and Nuclear (CBRN) threats and hazards on operations. In responding to these threats the MoD policy is to maintain our political and military freedom of action to pursue foreign and security policy aims despite the present, threat or use of Weapons of Mass Destruction. To achieve this, the MoD has developed a range of policy responses and maintains comprehensive programmes to develop defensive capabilities. The UK continues to improve interoperability with NATO, the EU and bilaterally- especially with the US. The UK plays an influential role in NATO's Senior Defence Group on Proliferation, which considers NATO-wide CBRN policy and seeks to develop joint CBRN defensive capabilities across the Alliance. The UK is a contributing nation to the newly-established NATO Joint CBRN Defence Centre of Excellence at Vyskov, Czech Republic.

Ballistic Missile Defence

86. The UK works closely with the US on missile defence, with the UK making a direct contribution to ballistic missile early warning through the facilities at RAF Fylingdales and RAF Menwith Hill in Yorkshire. The UK supports US plans to place further missile defence assets in Poland and the Czech Republic, which is aimed at addressing the emerging threat posed by the proliferation of ballistic missile technology amongst states of concern. We also take an active part in the work taking place in NATO, which is looking at the possible development of a missile defence capability to protect the Alliance homelands, and work to engage with

Russia, through the NATO-Russia Council, on the wider implications of missile defence.

UK and International Conflict Prevention, Management, Reconstruction and Stabilisation

Public Service Agreement

87. The Government's specific conflict prevention goals for 2005-08 were set out in the joint MoD/FCO/DfID 2004 Spending Review Public Service Agreement target on Conflict Prevention. In support of these goals over these three years substantial forces were deployed on operations in Iraq, Afghanistan and the Balkans at a total net additional cost of some £6Bn. 178 soldiers, sailors and airmen were killed and 248 seriously injured. Nearly 15,000 UK Armed Forces personnel continued to be deployed on or in support of stabilisation operations in Iraq and Afghanistan throughout 2007-08. Overall we judge the PSA target was partly met, with two of the twelve sub-targets met, nine partly met, and one not met. More detailed reporting is at Annex C:

- **Met** were the sub-targets on:
  - *Sierra Leone*, which now has a democratically elected, stable government, professional, accountable security services, and an effective National Electoral Commission; and
  - *Increasing the number of effective UN Peacekeepers* by 5%, which was achieved in 2006-07 with a further 5% increase in 2007-08;
- **Partly Met** were the sub-targets on:
  - *Afghanistan*, with progress on building effective state institutions and the capacity of the Afghan Security Forces;
  - *The Balkans*, which remain at peace although inter-ethnic tensions persist;
  - *The Democratic Republic of Congo*, whose government is making credible efforts to resolve conflict politically and where the UK has contributed to a successful disarmament, demobilisation, repatriation, reinstallation and reinsertion programme;
  - *Iraq,* which made encouraging progress over the last year, with improved security; some political progress including new legislation; and improvements in relations with neighbouring states;
  - *Nepal*, which continued to make progress towards the restoration of democracy with elections taking place in April 2008;
  - *Nigeria*, where recent successes included anti-money laundering investigations and projects to foster inter-religious understanding in the north;
  - *Sudan*, where progress against the Comprehensive Peace Agreement between the north and south remained on course for national elections by July 2009;
  - Some progress on implementation of the *Integrated Mission Planning Process for UN Peacekeeping operations*; and
  - *African Peacekeeping*, where UK support has been instrumental in helping the African Standby Force to develop, although overall capacity remained weak.
- **Not Met** was the sub-target on:
  - the *Middle East Peace Process*, where Israeli military operations in Hamas-controlled Gaza, and rocket and mortar attacks on Israel from Gaza both continued;
  - *Darfur* would also have been classed as not met had the PSA indicator for Sudan not been drawn up before the conflict arose.

Training Gambian troops for deployment to Darfur

88. While as the department for Defence, the MoD's primary focus is on conducting military operations and providing military capability, we work closely with the FCO and DfID through a comprehensive approach to prevent and minimise conflict, and help in subsequent stabilisation and reconstruction. This work was coordinated through the Africa and Global Conflcit Prevention Pools.

Africa Conflict Prevention Pool

89. The MoD continued to work very closely with DfID and the FCO on conflict prevention and capacity building in Africa through the Africa Conflict Prevention Pool, investing just under £30M of Africa Pool funding in this work over the year. Through this the MoD helped to develop Peace Support Operations capacity at sub-regional and national level by providing training to the Armed Forces of some 20 African countries over the year to improve their ability to take part in peacekeeping missions and contribute units to the future African Standby Force. Based on the "train-the-trainer" principle, much of this work has been led by British military training teams based in Kenya, South Africa, Ghana and Nigeria. We also supported a number of key regional training centres across the continent, including the Kofi Annan International Peacekeeping Training Centre in Ghana, and the Karen Peace Support Training Centre and International Mine Action Training Centre in Kenya. With UK assistance the South African Department of Defence has developed the new Peace Mission Training Centre as a centre of excellence for peacekeeping training at the operational level, which opened in November 2007. During the year 110 UK trained and equipped personnel, from the Sudanese People's Liberation Army and the Sudanese Armed Forces under the North-South Comprehensive Peace Agreement, cleared the Kassala-Hameish Koreb road in East Sudan of mines and unexploded ordnance having previously cleared the 450km Babanousa-Wau railway in Southern Sudan. In Sierra Leone the UK-led international Military Advisory and Training Team has been helping build professional, democratically accountable Armed Forces over the last six years, providing a key pillar of the UK's comprehensive Security Sector Reform effort in the country.

Global Conflict Prevention Pool

90. We made a significant training and capacity-building contribution in 2007-08, particularly through provision of training and specialist advice to the Afghan Armed Forces. Work in Iraq included leading a continuing project to support the Force Strategic Engagement Cell in Baghdad's engagement with the Former Regime Elements (Sunni Diaspora), and under the Better Basra programme participating in FCO-led work to establish a National Crime Laboratory in Baghdad and train 160 Iraqi personnel who will man the Laboratory in specialist forensic capabilities. In Nepal we helped increase the Nepalese Army's capacity to deal with improvised explosive devices, discarded ordnance and de-mining to reduce the threat of civilian casualties. We also played a leading role in Security Sector Reform through the Security Sector Development Advisory Team, which normally comprises 13 personnel from MoD and the Armed Forces, DfID, FCO and Police and Intelligence advisors. In 2007-08 the Team advised on the restructuring of the Nepalese Ministry of Defence to strengthen democratic control and civil oversight of the Nepalese Army. It also helped the Sri Lankan Police develop strategic capacity and employ that to produce a community policing strategy at a national level, and helped the Government of Sri Lanka modernise its strategic security management. We also continued to contribute to capacity building for Peace Support Operations, in particular through 'train the trainer' schemes to help other countries become self-sufficient and capable of providing for their own security within an accountable and democratic framework, and through the training required to contribute personnel to Peace Support Operations. As part of this work, the Conflict Prevention Pool funds the

Peacekeeping English Project, delivered by the British Council, which runs English Language Training programmes in a variety of countries. In December 2007 we provided a Senior British Officer for a team supporting the United States Security Coordinator in Ramallah to advise the Palestinian Authority on security force coordination, command and control structures and the development of concepts for training senior leaders.

Figure 8: Global and African Conflict Prevention Pools

91. Work also continued under the Global Pool during the year to tackle the problem of small arms proliferation and reduce armed violence. The Strategy seeks to address all aspects of small arms and light weapons proliferation – their supply, demand and availability – through a variety of mechanisms ranging from supporting the implementation of regional and national agreements on these weapons, to provision of funding and assistance in stockpile management and destruction projects. In support of the former, the Strategy provided funding and guidance to the Nairobi-based Regional Centre on Small Arms which supports governments in East and Central Africa to implement the Nairobi Protocol on Small Arms Control. As part of Global Pool funded work on stockpile management and destruction, the MoD led on programmes to collect and destroy weapons and small arms ammunition in Guinea-Bissau, to improve stockpile management in Belarus, and to manage and destroy stockpiles of small arms and light weapons ammunition in Montenegro.

Conflict Prevention Pool

92. In April 2008, the Africa and Global Pools were merged into a single Conflict Prevention Pool. Under these arrangements MoD, FCO and DfID will deliver conflict prevention activity through six regional and two thematic, cross-cutting programmes on International Capacity Building and Security and Small Arms Control. In order to enable the Pool to focus on long-term conflict prevention, a new fund, the £269M Stabilisation Aid Fund, was established in April 2008 to fund stabilisation activity in conflict zones, and work in Afghanistan and Iraq is now provided for through this. This redefinition of responsibilities has simplified the system and will enable the Pool to focus on a small number of longer term programmes where the UK can have most impact.

93. It is, however, not always possible to prevent conflicts, and the UK's capacity to help is limited. The Government therefore continued to work to improve the international community's capability to manage and confine conflicts when they break out, in particular through the United Nations; to develop international humanitarian norms and obligations to minimise the impact of such conflicts on the innocent; and to help with reconstruction and recovery once conflicts are over.

The United Nations

94. Providing the necessary troops and military capabilities for a growing number of complex UN-mandated peace support operations remains a key challenge. The UK continued to provide direct support to such operations – notably in Afghanistan, Iraq, Kosovo and Cyprus – but also worked to bolster the availability and effectiveness of troops, equipment, key logistics and other enabling capabilities from other sources. The Conflict Prevention Pool's international capacity-building strategy was used to support projects to increase the number and improve the effectiveness of peacekeepers, such as by providing military instructors for Peace Support Operation courses and tailored English language courses for peacekeepers. We also supported initiatives to strengthen the Office of Military Affairs in the UN's Department of Peacekeeping and to establish best practice in the management of operations. Better co-operation between the UN and regional

organisations, such as NATO, the EU and African Union is vital in ensuring more effective international Peace Support Operations, and we continued to promote closer working as part of a more comprehensive approach to operations. The MoD completed an audit of training, as part of an Action Plan to ensure national compliance with UNSCR 1325 on Women, Peace and Security, and continued to implement the Action Plan on Sexual Exploitation and Abuse.

Royal Engineers clearing minefields in Colombia

International Humanitarian Law

95. Under the Ottawa Convention, work on the joint feasibility study with the Argentines to address mine clearance issues in the Falkland Islands was concluded in October 2007 and a joint final report was produced. It concluded that clearance of mines from all areas of the islands was challenging but technically possible, and recommended a comprehensive trial phase before clearance began.

96. The UK continued to support both the Conference on Certain Conventional Weapons and the Oslo Process, with the aim of reducing the humanitarian impact of those cluster munitions which cause unacceptable harm to civilians. UK efforts centred on ensuring global adherence to international humanitarian law when using cluster munitions, and work to clearly define the types of cluster munitions that might be prohibited under any new treaty. The Armed Forces retain certain cluster munitions that the UK believes have a valid role in modern warfare but do not cause a humanitarian problem. As with all weapons, their use will be regulated by rules of engagement and internal scrutiny procedures designed to adhere to international law and reflect humanitarian values. Following the March 2007 decision that the Armed Forces would cease using 'dumb' munitions, disposal action is now underway. The first batch of MLRS M26 was shipped to Germany for physical disposal in September 2007. Total stock disposal is expected to be completed by 2013. The total stock of BL755 units have already been removed from the MoD inventory and shipped to Germany between March and November 2007 for physical disposal. This began in January 2008 and is scheduled to run for approximately twelve months. The total cost of disposing of all these cluster munitions is expected to be in the region of £30M. In May 2008, the UK along with 108 other states adopted a new Convention under the Oslo Process to prohibit all Cluster Munitions as defined in the new treaty text, and the Prime Minister announced that we would withdraw our remaining cluster munitions from use (the L20A1/M85 artillery shell, and the Apache launched CRV-7 rocket) . We will dispose of UK stockpiles in accordance with the provisions of the Convention. Importantly, the Convention provides for its members to continue to be able to operate alongside the Armed Forces of those states, such as the United States, who are not party to it.

Arms Trade Treaty

97. Defence officials continued to support work towards a legally binding global treaty on the trade in conventional arms. The Government's aim is to ensure that all countries adopt and adhere to high standards in the conduct of the arms trade, with the goal of ensuring that sales are not allowed which will provoke or worsen conflicts; be used by human right abusers or to violate international humanitarian law; destabilise countries or regions; undermine sustainable development; or allow arms to flow from the legitimate to the illicit market. In 2006 the UK set out to secure agreement to a formal UN process to take this work forward. Recognising the growing global support for the initiative from a cross section of countries, on 6 December 2006, the UN General Assembly voted by an overwhelming majority (153 in favour, 1 against (US) and 24 abstentions including China, Egypt, India, Pakistan and Saudi Arabia) to adopt a UK-sponsored Resolution establishing a process towards an Arms Trade Treaty (ATT). Following this the UN Secretary General sought the views of Member States

on the feasibility, scope and draft parameters of an ATT. A record number were fed in (103 papers, compared with the usual 10 or 20), and the vast majority of those papers seen by the UK positively supported a treaty. On 28 September 2007, the UN Secretary General invited participation from 28 States in a Group of Governmental Experts to examine the feasibility, scope and draft parameters of an ATT. The first meeting of the Group was held on 11-15 February 2008, with further sessions in May and July. The Group's report will then be submitted to the UN General Assembly in October 2008.

Post Conflict Reconstruction/ Stabilisation

98. The Stabilisation Unit is a joint DfID-FCO-MoD unit. It was renamed from the Post Conflict Reconstruction Unit in December 2007 to better reflect the focus of the unit and its contribution to effective use of the Stabilisation Aid Fund. It provides specialist, targeted assistance in countries emerging from violent conflict where the UK is helping to achieve a stable environment that will enable longer term development to take place. The Unit's main efforts have been working alongside the UK Armed Forces in support of FCO and DfID in Afghanistan and Iraq. In Helmand Province, Afghanistan, Stabilisation Unit advisors have helped the provincial and district government to plan for the development of the province and extend the provision of services, such as schooling and clinics, beyond the centre of the province. In Musa Qaleh, a Stabilisation Advisor has been helping the Afghan government to rebuild property, restore education and create jobs.

99. The Unit has also made a contribution elsewhere. In Somalia, it helped the Government and the International Contact Group agree a common set of international priorities, which is now being taken forward by the Special Representative of the Secretary General of the United Nations. In Nepal, it helped develop a national debate on public security issues, including discussions with people from a wide cross section of Nepalese society from the Prime Minister to disadvantaged communities. There is growing demand for support from the Stabilisation Unit. It has accordingly more than doubled the number of experts on its database to over 900 and set up new arrangements with specialist providers giving it access to thousands more. These 'framework agreements' cover services in Governance, Justice and Peace-building; Social Development; and Public Administration Reform and have been specifically set up so that they can be used by any UK Government Department to obtain high quality consultancy services in conflict-affected countries.

Further Sources of Information

100. Additional information on Defence Policy and related issues can be found at Annex I.

NATO – The Bucharest Summit

From 2 to 4 April 2008 NATO held its summit meeting of Heads of State and Government in Bucharest.

Afghanistan

The meeting focussed on Afghanistan, including a meeting involving President Hamid Karzai, contributors to the NATO-led military missions and our key international partners. The UK welcomed the clear and unambiguous reiteration by the representatives of the international community of their long-term commitment to work together with the Government of Afghanistan to build an enduring, stable, secure, prosperous and democratic state. President Karzai demonstrated Afghanistan's readiness to assume great ownership of this process by announcing that Afghan forces would gradually assume responsibility for other parts of the country. The UN Secretary General, Ban Ki-moon, reaffirmed the shared determination of the international community to help the people and Government of Afghanistan. He committed to closer UN coordination with President Karzai and the International Security Assistance Force (ISAF), through his new special representative to Afghanistan, Kai Eide.

Heads of State and Government of all forty nations contributing to the UN-mandated, NATO-led ISAF, agreed a strategic vision declaration which committed to:

- A firm and shared long-term commitment to Afghanistan;
- Support for enhanced Afghan leadership and responsibility;
- A comprehensive approach which combines civilian and military efforts; and
- Increased cooperation and engagement with Afghanistan's neighbours, especially in Pakistan.
- President Sarkozy, as well as signalling France's welcome intent to re-engage fully in NATO's military structure, confirmed his decision to deploy an additional battalion of French troops to the east of Afghanistan. This allowed President Bush to announce the movement of a substantial US force back from the east, to Kandahar in the south. A number of allies – including Canada, Poland, Romania and Slovakia – also announced increased contributions of troops, trainers and helicopters, which were all warmly welcomed.

Enlargement

The alliance also made important political decisions on enlargement. Albania and Croatia were invited to start their accession, recognising the progress that both countries have made in their internal reforms and the role that they are playing in the region and beyond, including in Afghanistan. The summit welcomed the commitment shown by Macedonia to NATO's values and its contribution to NATO operations. We remain convinced that Macedonia's rightful place is as a member of NATO and will continue to work for that to happen. We were disappointed that the alliance was not able to issue a membership invitation, but the summit did agree that an invitation will be issued. NATO leaders urged Greece and Macedonia to reach a mutually acceptable solution to the question of a name soon. The summit also gave a clear commitment that Ukraine and Georgia will one day become members of NATO and offered support for their request for membership action plans.

Capability

In partnership with President Sarkozy, we promoted the UK/France-led initiative to support helicopter capability upgrades and pilot training, aiming to make more helicopters available both in Afghanistan and for other multinational operations. Ten NATO partners made clear at Bucharest their intention to provide direct support for this initiative, and detailed discussions are now under way on the nature and extent of their involvement.

We remain convinced of the continued importance and relevance of NATO in international crisis management, but also that it must continue its process of reform to meet this challenge more effectively. With this in mind, NATO accepted a UK offer to host an informal meeting of Defence Ministers this autumn specifically focussed on reform. This will be an important opportunity to drive forward the modernisation of NATO and its capabilities transformation agenda.

Finally, further important work was set in hand on NATO missile defence, to support the planned deployment of a US missile defence capability in Europe.

Defence in the Wider Community

Objective: Work with other Government Departments to contribute to the Government's wider agenda, including on Sustainable Development.

Assessment and Performance Measures

Assessment: There was good progress incorporating sustainability issues in defence. MoD's annual external assessment was better than the whole of Government average, with good performance in carbon emissions from offices and administrative road travel, energy use, recycling and biodiversity. We have a significant programme to improve provision of waste and water data. The Department is strongly committed to social issues. Service personnel gained over X accredited qualifications during the year, youth and education outreach programmes grew further, we further improved the support available to Service veterans, and took forward work to enhance national recognition of their contribution.

Sustainable Procurement, Consumption and Production:

- Established Sustainable Procurement Programme Board and Champion;
- On track to achieve Level 3 in Flexible Framework and Level 5 in Engaging Suppliers;
- Launched Sustainable Procurement Charter;
- 100% new build/78% refurbishment projects achieving 'excellent' design and construction rating in 2007-08;
- 37% waste recycling rate in 2006-07 (target 40% by 2010-11).

Climate Change and Energy:

- 8% reduction in carbon dioxide emissions from Defence Estate by April 2007 (target 12.5% by 2010-11), and development of strategy to achieve carbon neutrality by 2012 target;
- Energy efficiency increase of around 29% in 2006-07 (target 15% by 2010); £2.7M energy efficiency investment in 2007-08; rolling out smart automated gas and electricity metering across top 220 energy consuming defence sites covering 76% of non operational energy;
- 5.5% reduction in carbon dioxide emissions from road transport between 2005-06 and 2006-07 (target 15% by 2010-11); Passenger car carbon dioxide emissions 135g/km in 2007-08 (151 g/km in 2005-06);
- In 2006-07 sourced just under 9% of energy from renewable energy sources (target 10% by 2010) and around 4% from Combined Heat and Power (target 15% by 2010).

Natural Resource Protection and Environmental Enhancement:

- Continuing programme to introduce ISO 14001 standard Environmental Management Systems at all major defence sites;
- Continued improvement in condition of Sites and Areas of Special Scientific Interest. 85% in England, 69% in Scotland, 78% in Wales and 57% in Northern Ireland at required condition (targets 95% by 2010 in England and Scotland, 85% by 2013 in Wales, 95% by 2013 in Northern Ireland);
- Continuing programme to reduce water consumption and improve data provision;
- Condition of 100% of listed buildings and scheduled monuments established by April 2008. 89% and 82% respectively in good or fair condition;
- Further improvements in public access to defence land.

Sustainable Communities:

- Over 17,838 accredited qualifications and 25,150 learning credit grants in 2007-08;
- Expansion of Combined Cadet Forces in state schools;
- Increasing support to mentoring and outreach schemes;
- Support provided to 2012 Olympic Games;
- Effective resettlement provision. Some 15,000 drew on resettlement support in 2007-08 (14,300/92% in 2006-07);
- Support to commemorative events and further extension of eligibility for Veterans badges;
- One-stop Veterans advice and contact service established in April 2007.

Defence in the Wider Community

Helping Government to Work

101. Defence makes a major contribution to the Government's work, both overseas and at home, across a wide range of its business:

- Defence activities make a huge difference in the world and defence cooperation underpins the UK's relationship with many countries. Our defence attachés, and the training we provide overseas and at home, help to raise the standard of armed forces globally, improving their ability to contribute to international peace and stability (see paragraphs 87 to 98 under *Policy)*. We are at the centre of work to ensure that the UN, NATO and European Union are able to play their part in delivering peace and stability;

- We play an important role in the Government's comprehensive counter-terrorism strategy through our unique military capabilities to respond, in support of the civil authorities, to terrorist incidents;

- We provide vital services that save lives and keep people safe around the world. With the Maritime and Coastguard Agency we provide the national Search and Rescue service (see paragraph 35 under *Current Operations*). The UK Hydrographic Office provides the navigational charts and publications used by 70% of the world's shipping and, in many cases, mandated by the UN, and operates a 24 hour Radio Navigational Warning service covering major incidents in UK waters (see *Annex E);*

- We work at the heart of the national crisis planning machinery and the Government's response to emergencies. During the flooding in Gloucestershire last summer over 350 military personnel helped maintain essential water and electrical services, and military helicopters rescued many trapped members of the public (see the Essay on page 155);

- Military medical personnel contribute directly to the care of civilian patients at a number of centres around the country, and the medical training and experience that Defence provides makes a substantial, indirect contribution to the capability of the National Health Service (see paragraphs 288 to 291 under *People*). Most military medical and dental personnel have subsequent careers in civilian practice. The leadership and management training we provide to our 1,600 medical Reservists helps in leadership training of civilian clinicians, an acknowledged area of NHS weakness. Our scientists undertake medical research in areas such as treatment of head and blast injuries and the management of bleeding, with direct spin-offs for civilian trauma care and we fund collaborate research in a number of Hospital Trusts;

- The Hadley Centre, part of the Meteorological Office, is internationally recognised as being at the forefront of world climate science. An independent review found that *"no other body has a comparable breadth of climate change science and modelling, or has made the same contribution to global climate science and current knowledge"*. The Meteorological Office itself is a world class standard weather forecasting organisation on whose services many people and businesses rely on a daily basis (see *Annex E*);

- The Armed Forces work closely with the Serious Organised Crime Agency and other international agencies to combat the trafficking of illegal narcotics, making a real difference on the front line in Afghanistan, and in the Atlantic and Caribbean (see paragraph 37 under *Current Operations*); and

- The scale of our activities and the size of our organisation mean that we are often the lead provider of services across Government. For instance, the Defence Vetting Agency carries out security checks for a growing number of organisations, (see *Annex E*), and the Royal Navy Fishery Protection Squadron helps conserve our fish stocks (see paragraph 34 under *Current Operations*).

Contributing to the Nation

102. Defence also makes a large contribution to the nation as a whole, much of which is reflected in our work towards the Government's sustainable communities goals (see paragraphs 129-137 below):

- The MoD is a major source of employment. Some 300,000 sailors, soldiers, airmen and civilians are directly employed in defence, and as many again are sustained indirectly in the Defence industry through the £16Bn the Department spends annually to supply and equip the Armed Forces. Defence and Aerospace is the United Kingdom's second largest industry sector. The Typhoon programme alone sustains an estimated 100,000 UK jobs, many highly skilled and paid, and has produced a number of technology spin-offs. The Astute class submarine programme – comparable in complexity to the Space Shuttle – has produced advances in nuclear science, materials technology, signal processing, welding, production engineering and acoustic science, and sustained leading edge nuclear reactor skills and techniques that will make a major contribution to the civil nuclear power programme. The Department is actively looking to work with small and medium enterprise as well as major Defence suppliers;

- We recruit around 20,000 young people into the Armed Forces every year, and return around the same number into society after an average of eight years service. The MoD is one of the few major employers to take people with very few educational qualifications and then really develop them (see paragraphs 293-295 under *People*). Defence training is largely accredited, and both military personnel and civil servants can have diverse and challenging careers with enormous individual development opportunities. The MoD also has a leading role in working with and helping young people, and is involved in a number of initiatives to help their personal development and improve their life chances (see paragraph 137 below). Through our specialist training we are a major contributor to the national skills base, including running the largest driver training school in Europe, supplying more apprenticeships nationally than any other employer, and providing and sponsoring engineering and scientific training at all levels from A level to post doctoral Fellowships. The Defence Engineering and Science Group is among the best graduate development scheme for engineers and scientists in the UK, investing around £20,000 per person per year in professional training and development;

- We are a major and responsible steward of land and property. The MoD is one of the UK's largest landowners, occupying about 1% of the UK. Nearly two thirds is rural, including 174 Sites of Special Scientific Interest (the largest number held by any public landowner in the UK), and we have a number of access, conservation and biodiversity projects (see paragraphs 123-129 below). We work hard to make our construction and building projects sustainable, and are at the forefront of pursuing sustainability in Government, scoring four out of five (above the pan-Government average) in the 2007 Sustainable Development Commission report on *Sustainable Development in Government* (see paragraph 113 below);

- Finally, we contribute to the broader fabric of the nation, through the organisational skills and self discipline of service veterans; through the work of the Cadet Forces, with more than 150,000 cadets aged between 12 and 18 in over 3,000 towns and cities developing their personal physical, academic and social potential and supporting good causes in local communities (see paragraphs 135-137 below); and through the talents the Armed Forces bring to a number of national and international sporting activities (see paragraph 138 below).

Assisting with clear-up operation after Hurricane Dean, Belize

Sustainable Development

103. But we live within a wider world, where sustainable development is an important element of global peace and security. Environmental pressures and competition for natural resources, often in the most vulnerable regions of the world contribute to existing tensions and act as drivers of conflicts. Climate change is already impacting on these pressures and future implications of a changing climate are likely to exacerbate them even further. The UK may not remain immune from such developments; regional disputes can swiftly become internationalised, and may have a major impact on the global economy and energy supplies. Embedding sound principles of sustainable development can help mitigate the dangerous effects of climate change and hence form part of the broad conflict-prevention approaches.

104. Our primary contribution to the Government's sustainable development strategy, *Securing the Future*, published in March 2005, is to defend the UK and its interests and help to strengthen international peace and stability. We are working with other Government Departments, in particular the Foreign and Commonwealth Office, the Department for International Development and the Department for the Environment, Food and Rural Affairs, and drawing on research carried out by the Meteorological Office, to develop a coherent understanding of the interrelationships between sustainability and defence, and especially the potential implications of climate change for international stability and hence for our future Defence capability requirements. Understanding these implications is important to allow us to provide people, equipment, estates and capabilities that can adapt to future challenges.

105. To monitor our performance against the Governments Sustainable Development objectives the Sustainable Development Commission publishes an annual assessment of Government performance. Its 6th report was published in March 2008. Given the size of the Defence Estate and the very wide range of defence activities, the MoD's sustainability challenge is significantly greater than that of any other Department, and it is difficult to draw direct comparisons. The report nevertheless gave MoD four out of five overall, above the average across the whole of Government, and commented that we showed good performance in the areas of carbon emissions from offices, energy use per square metre, carbon emissions from administrative road travel, recycling and biodiversity. We need to make progress in provision of waste and water data, although it was acknowledged that a significant amount of work was being undertaken in these areas. We are working with other Government Departments, in particular, the other four largest departments (the Department of Work and Pensions, Her Majesty's Revenue and Customs, the Home Office and the Ministry of Justice) to identify better ways of working, developing performance management systems and developing initiatives with industry to develop current behaviours, so that we can drive forward change and improve our sustainable development processes to improve the social, economic and environmental impacts of our equipment and estates and improve our operational capability.

Leadership and Accountability

106. In doing this we must also ensure that we act responsibly and sustainably, demonstrating our commitment and contributing to the delivery of the UK Government's national sustainability goals. In June 2006 the then Prime Minister therefore set targets for Sustainable Operations on the Government Estate in the areas of sustainable consumption and production, climate change and energy, and natural resource protection and environmental enhancement. In March 2007 the Government issued its Sustainable Procurement Action Plan in response to the report of the business-led Sustainable Procurement Task Force. In the same month the National Audit Office also

published its report on *Managing the Defence Estate: Quality and Sustainability,* in which it concluded that the Department faces an unparalleled challenge in maintaining its estate in a sustainable way, is carrying out much good work, but needs to do more to meet the targets set. Our commitment to delivering on our sustainability goals is reflected in the incorporation of sustainable development in the Defence Plan from April 2007, and in the MoD's more detailed Sustainable Development Action Plan, published in July 2007. These ensure that sustainability performance is reported to the Defence Board and is considered in the Department's high level decision making process alongside other key defence issues. Defence performance is externally and independently validated by Enviros, an independent environmental consultancy, and set out in detail in the MoD's *Sustainable Development Annual Reports*. It is also reviewed by the Sustainable Development Commission, the independent Government sustainability watchdog in its annual report on *Sustainable Development in Government*. The 2nd Permanent Under Secretary of the MoD is the Whitehall and MoD champion for Sustainable Development, and the incorporation of sustainable operations targets in his performance agreement was commended in the Sustainable Development Commission's 2007 report. Following the Cabinet Secretary's announcement in March 2008 that sustainability of the government estate is one of his four corporate priorities, all Permanent Secretaries now have personal objectives relating to performance against these targets. The MoD has also appointed a Chief of Corporate Services in the Defence Equipment and Support organisation, as the department's Sustainable Procurement Champion and we are currently appointing similar champions for each Top Level Budget organisation and Trading Fund, to drive sustainability through all levels of MoD business.

Sustainable Consumption and Production: Sustainable Procurement

107. In support of the Government's goal for the UK to become a sustainable procurement leader within the EU by 2009 MoD has set itself targets to become a national leader in sustainable procurement by 2009 and achieve Level 5 (Sustainable Procurement Task Force Flexible Framework) in Engaging Suppliers by December 2009. To drive this ambitious programme through, we have established a Sustainable Procurement Programme Board, chaired by the MoD's 3 star Sustainable Procurement Champion, that is tasked to develop sustainable procurement policy and delivery strategies; the Board is supported by a Sustainable Procurement Programme Office (SPPO). Whilst delivery of operational capability must always be the primary goal of Defence the SPPO is working in partnership with MoD's Suppliers and the Trade Associations to capitalise on industry's enterprise and innovation to develop and embed SP principle into acquisition and through life management processes, and to leverage the £16Bn spent on the acquisition of capability to deliver solutions which meet operational needs and sustainability goals.

108. By April 2007 we had achieved Level 1 in all five themes (People, Policy, Strategy and Communications, Procurement Processes, Engaging Suppliers and Measurement, and Results) of the Flexible Framework and we are on track to achieve Level 3 in all areas (and Level 5 in Engaging Suppliers) by December 2009.

Supplier Engagement

109. In November 2007, MoD held a Sustainable Procurement Industry Day, facilitated by the Defence Manufactures Association, at which 2nd PUS sent a clear signal to suppliers that it is MoD's long term intent that only those suppliers who can show a demonstrable level of commitment to sustainable development will be invited to do business with the MoD; the Defence Industrial Strategy version two will reflect this message. The first step of achieving this intent has been the launch of a Sustainable Procurement Charter which has been rolled out by the SPPO to the top 33 'Key' Suppliers. Signing of the Charter commits MoD and its Suppliers to work together to educate the supply chain, inform decision making, develop performance measures and to share best practice. MoD's target is to get all key suppliers signed up by the end of July 2008. The Charter has been offered up to other Government Departments for wider use. The SPPO is leading for MoD (and wider Government) on the development of the Flexible Framework as a self assessment tool for use by the supply chain to base-line their current SP performance and develop targets.

Bundles of paper and cardboard waiting for recycling

110. Ensuring that Sustainability issues are properly factored into procurement decisions is a key objective for Defence. To this end, in April 2008 the Investment Approval Board directed that all recommended options in Business Cases presented to the IAB must have been subject to appropriate assurance to ensure that they comply with Departmental Sustainable Development and Sustainable Procurement policy. The SPPO is working with MoD's Research groups and Suppliers to develop whole life cost models that will help provide the necessary data to feed into the decision process.

Raising Standards

111. MoD policy is to procure goods and services which comply with the Government's minimum environmental standards and that sustainable development is embedded into decision making at all levels. All timber and timber products are procured from legal and, where appropriate, sustainable sources. Recycled paper is used in all copiers and printers in the MoD Head Office, and all paper used for defence publications comes from sustainable forests. MoD has also started to phase out the use of bought bottled water, and replace this with drinkable tap water where practicable. In line with the Defence technology Strategy, and without compromising operational capability, we will seek to capitalise on the potential that alternative technologies might bring, and ensure that MoD is fully prepared for a lower-carbon society.

112. The Defence Academy is reviewing its portfolio to ensure that sustainable development and sustainable procurement considerations are incorporated into relevant courses and we will be developing specialist Sustainable Procurement Practitioner training. Also a programme of sustainable procurement workshops has commenced, facilitated by Action Sustainability (a not for profit Defra commissioned organisation), to raise awareness of the importance of this agenda throughout MoD and the industrial community.

Building Design and Construction

113. We are also working to capitalise on the potential benefits of alternative and innovative technologies such as those offering lower carbon solutions, and ensure that we are fully prepared for a lower-carbon society and a changing climate. As part of this sustainability considerations, including energy efficiency, are now integrated into defence building and refurbishment projects using the Defence Related Environmental Assessment Methodology (DREAM) or Building Research Establishment Environmental Assessment Methodology (BREEAM) where appropriate. The number of new build and refurbishment projects achieving the Sustainable Operations on the Government Estate and OGC Common Minimum Standards targets has improved from 50% of all projects assessed in 2006-07, to 100% of new build and 78% of refurbishment projects achieving the target rating 'excellent' for completed assessments undertaken from 1 April 2007 to 31 March 2008, against an ongoing target of 100% of new build and refurbishment projects achieving the DREAM or BREEAM 'excellent' rating, or equivalent. For instance, Project Allenby/Connaught, a ten year construction programme to develop living and working accommodation on the Army garrisons around Salisbury Plain, is the largest BREEAM certification project in the UK, with new buildings designed to achieve 'Excellent' and refurbishments 'Very Good' ratings. Modular construction ensures efficiency and waste minimisation, an onsite waste transfer station achieves 80% recycling, and 97% of demolition is waste crushed and re-used on site. The building designs incorporate best practice energy efficiency and low carbon energy technologies, and water efficiency and sustainable urban drainage systems, including rainwater harvesting, feature throughout. The project won *Building Magazine's* Sustainable Development of the Year award, and Best Sustainability Initiative for the Public Sector award for 2007.

Waste Management

114. The MoD manages a varied range of waste streams (including waste generated from servicing and repairing vehicles, ships and aircraft, from military operations and training overseas, and from on site services producing waste such as medical and explosives waste requiring specialist disposal). Overall we produce around 50% of the Government's total waste, and in 2006-07, the most recent data available, we achieved a recycling rate of around 37% of total waste against the pan-Government target of 40% by 2010-11. But our large and diverse 4,000-site estate, and the numerous legacy service contracts in force for the management of waste, many of which currently do not include suitable reporting of waste data, mean that producing accurate Departmental waste data is not straightforward and data quality issues currently prevent robust year on year comparisons. We recognise the challenge we face here, and are therefore working with the Sustainable Development Commission to develop an accurate baseline for our total waste arisings, without which it will not be possible accurately to assess the overall performance of government against this target.

Waste Management on HMS Ocean – Pyrolysis Machine

115. We will continue to reduce the amount of waste we produce, and aim to recover and recycle more commercial and industrial waste than we send to landfill by 2012, on the way towards becoming a zero-waste to landfill organisation by 2020. In 2006 we commissioned a waste management consultancy to undertake a waste improvement study. This examined how we manage waste and involved a series of audits across the estate, and reported in September 2007. Its key recommendation, which we are considering, was the formation of a pan-MoD Waste Management Authority to maximise our purchasing power, increase efficiencies in waste collection and standardise waste practices. And there are already many examples of good practice across defence that we are building on for the future. For instance:

- RAF St Athan, the MoD's main site in South Wales employing 2,500 people, implemented a sustainability and recycling strategy that saw the site move from scrap, salvage and skip collection of its waste to a recycling rate of over 70% since September 2007. In recognition of this at the UK National Recycling and Sustainability Awards held in February 2008 the team received awards for Best Recycling and Sustainability Initiative and Best Recycling Team and Manager, and were named national champions:

- We are working with the National Industrial Symbiosis Programme to develop regional relationships with industry to use MoD waste streams in their manufacturing processes, and with Local Authorities on their isolated sites to introduce mini recycling centres and collection of waste to help local communities;

- The ex-Royal Navy vessel Fearless was recycled by a Belgian company, Van Heyghen Recycling, in December 2007**.** This is the first warship successfully exported for recycling by a western government which fully complied with international principles concerning environmentally sound management of waste; and

- We have developed an integrated Waste Management system for the Future Aircraft Carrier that reduces the volume of waste by 80-90%. This is being built into the Future Waste Management Initiative for future classes of ships, and the technology is being investigated for use on land in forward operations to reduce their waste footprint and minimise the burden on the logistic supply chain.

HMS Fearless – recycled in 2007

Climate Change and Energy

116. Defence has a key role in addressing the challenges the environmental impact of climate change will bring for international peace and stability. The Hadley Centre in the Meteorological Office is internationally recognised as at the forefront of world climate science, and in translating that science into policy advice. The new five year Integrated Climate Programme was launched at the Royal Society in London in September 2007. The Meteorological Office and the Department for Environment, Food and Rural Affairs signed a new contract to look at the implications of climate change through climate change modelling. The work of HMS Endurance with the British Antarctic Survey also contributes to measuring the environmental impact of climate change. We already have to take account of the impact on our people, equipment and estate of having to operate in more extreme climatic conditions, because the longevity of much defence infrastructure and equipment means that the likely future climate over the next 50 years is a factor in our procurement decisions. Work is therefore in hand to assess the potential impact and review the scope to build resilience to climate change into new developments and major refurbishment projects. The MoD also needs to mitigate its own environmental impact as far as possible by ensuring that defence activities are as sustainable as possible. Rising energy costs are in themselves a compelling incentive to minimise energy use, as they divert resources away from the Department's core outputs.

117. In June 2008, together with representatives from the Department for Business, Enterprise and regulatory Reform, the Department for Transport, the Civil Aviation Authority, the National Air Traffic Service and the British Wind Energy Association, we signed a Memorandum of Understanding which aims to remove aviation and radar barriers to the major expansion of wind energy while maintaining the safety and security of UK airspace. The agreement identifies future work streams that need to be undertaken in a collaborative manner across Government and Industry.

Carbon Dioxide Emissions and Energy Efficiency on the Estate

118. Defence activities emit around 5.5 million tonnes of carbon dioxide a year, around 1% of the UK total. Around 60% of these are from the fuel used by the Armed Forces, and about a third from the Defence Estate. The Government aims to reduce carbon dioxide emissions from its offices by 12.5% by 2010-11, and by 30% by 2020, relative to 1999-2000 levels. By 2006-07, the latest period for which data is available, carbon dioxide emissions from defence buildings across the estate had reduced by around 8% from the 1999-2000 baseline, broadly on course to meeting the target on a whole estate and not just office basis.

119. We are committed to increasing energy efficiency by 15% per square metre by 2010, and by 30% by 2020, relative to 1999-2000 levels, in line with the Government target. The Department has set itself a 15% energy efficiency target to deliver £31M in savings and reduce carbon dioxide emissions by 15% for 2010-11 against a 2004-05 baseline. In 2006-07 we reported an increase of around 29%, reflecting both improvements in efficiency and the accuracy of information held on the Defence Property Database. Top Level budget organisations' energy budgets will be progressively reduced in line with this target from 2008-09 to drive the necessary reductions in energy use and carbon dioxide emissions. To help with some of the up-front costs of achieving this, the Department invested £2.7M in measures such as biomass boilers, and Building Energy Management Systems. We have also undertaken a series of measures to reduce energy use and improve energy management, and are working with the Carbon Trust to raise awareness of energy efficiency opportunities. As a result of this work, energy efficiency across

ten MoD sites in the south west of England, for instance, is set to improve by 10%, with potential annual cost savings of £750,000 and reduced annual carbon dioxide emissions of 2,400 tonnes. We are also rolling out smart automated gas and electricity metering across the top 220 energy consuming defence sites, which together consume some 76% of MoD's non operational energy, using an approach, open to other Government Departments, and judged by the Carbon Trust to represent best value for money.

120. We have been working closely with the Carbon Trust to both trial their Carbon Management Programme and develop the strategy necessary to meet the Government target that the MoD Office Estate should be carbon neutral by 2012. In addition we have elected to extend this target to those Top Level Budget headquarters that do not form part of the office Estate. The carbon neutrality strategy that has been developed involves reducing carbon emissions through a combination of reducing energy consumption and increasing both energy efficiency and the use of renewable energy technologies before offsetting the remaining emissions. This is consistent with best practice and the Carbon Trust's approach which sees offsetting as the final element of any plan to reduce an organisation's carbon footprint.

Carbon Dioxide Emissions from Travel

121. The Government aims to reduce carbon dioxide emissions from road vehicles used for Government administrative operations by 15% by 2010-11 relative to 2005-06 levels. The MoD reduced its carbon dioxide emissions from road transport by 5.4% between 2005-06 and 2007-08. We are working with our hire car suppliers to provide more energy efficient vehicles. Nearly a quarter of vehicles were replaced in 2007-08 and a further 3,000 (45% of fleet) will be replaced in 2008-09. Average passenger car carbon dioxide emissions for the fleet for 2007-08 were 135g/km compared to 151 g/km in 2005-06. We are also participating in the Government Carbon Offsetting Fund for business flights, and offset around 15,000 tonnes of carbon dioxide from air travel in 2006-07 from flights from our head office through the Government Carbon offsetting fund. Where travel cannot be avoided, we make staff aware of the financial and environmental impact of their travel plans through a self-booking travel tool, available to other departments to use, which shows the carbon dioxide emissions of different journey options, encouraging low carbon choices.

Wind Turbines to offset CO_2 emissions

Energy Sources

122. By 2010 the MoD is required to source at least 10% of electricity from renewable sources and at least 15% of electricity from Combined Heat and Power (CHP) to meet the Government's targets. In 2006-07, the latest year for which data is available, we sourced just under 9% of our energy from renewable energy sources. Projects on the defence estate are required to consider renewable energy as part of Sustainability Appraisals and building environmental performance assessments, such as the development of new Army accommodation under Project Allenby/Connaught, which includes the largest solar thermal water heating development in the UK at present. In 2006-07 around 4% of our non-operational electricity demand was sourced from good quality CHP sources through both centrally let electricity contracts and on-site generation. The on-going strategy is to meet the target principally through procurement of CHP generated electricity increasing the percentage on a year on year basis subject to availability and affordability.

Natural Resource Protection and Environmental Enhancement

123. As a major landowner, the Department faces considerable environmental responsibilities and challenges. We are working hard to meet both the Government's targets for Sustainable Operations on the Government Estate and our own sustainability targets as set out in the MoD Sustainable Development Action Plan. Sustainability appraisals and environmental assessments have been completed in respect of all new policies, programmes and projects. Mangers across the Department use the Environmental Appraisal Tools Handbook and Defence Related Environmental Assessment Methodology in order to access the relevant procedures and guidance. A Sustainability and Environmental Toolkit database is also being developed that will allow managers to complete online appraisals and permit senior managers to audit and review their use. The Department continues to introduce Environmental Management Systems to the ISO 14001 standard at all major defence sites. Any specific sustainability issues will be incorporated into the relevant Integrated Estate Management Plans, picked up by local commanders and passed onto the relevant Regional Prime Contractor. Environmental management training continues to be provided for personnel at all levels and work is underway to increase sustainability training opportunities.

Radio Frequency Identification – big driver of energy efficiency

Biodiversity

124. The Department continued to improve the condition of the 172 Sites of Special Scientific Interest and Areas of Special Scientific Interest it is responsible for managing. At March 2008 85% of those in England, 69% in Scotland, 78% in Wales and 57% in Northern Ireland were in Favourable or Unfavourable Recovering condition against Government and devolved administration targets of 95% by 2010 in England and Scotland, 85% by 2013 in Wales and 95% by 2013 in Northern Ireland. One example of the achievements being made is that rare butterflies have increased by the thousands on Defence Science and Technology Laboratory land at Porton Down following a reseeding programme. A three-year study revealed that in 2005, before reseeding began, 211 butterflies from 14 different species were present on the land. This rose to 6,980 butterflies from 26 species, after the summer of 2006. We have also made progress towards our internal target to develop integrated management plans for MoD sites with a significant biodiversity interest, we currently have plans for about 80% of such sites.

Water Consumption

125. With estimated total water consumption of some 24 million cubic metres the MoD accounted for almost two-thirds of governmental water use in 2006-07. But poor data quality means that is has not yet been possible to measure progress towards the Governments target of reducing consumption by 25% by 2020 relative to 2004-05 levels. Under Project Aquatrine water and wastewater management is now provided across the majority of the defence estate in Great Britain through three 25 year PFI contracts (see paragraph 390 under *Estate*). These have effectively transferred environmental risk to those in the private sector best placed to manage it, and are realising efficiencies and enabling the provision of accurate water consumption data in future years. Specific achievements to date have included achieving an industry-leading low rate of leakage per kilometre of mains water system in the contract covering the North, East and South East of England serving over 1,500 defence sites, thus reducing pressure on demand in the South East, which is a water-stressed area.

Land Condition

126. Many defence activities, past and present, have or have had the potential to contaminate land. We have to assess and manage this land effectively if we are not to impact on defence activities by reducing the availability of training areas, limiting development of the estate, reducing disposal receipts and the diversion of funding to meet statutory clean-up obligations. An internal review of the management of land contamination on the defence estate during the year provided substantial assurance that we have effective processes and procedures for this. We continued to complete desktop assessments to identify potential areas of land contamination, and during 2007-08 work began to identify those which require further investigation. To date these have not identified wide spread contamination on the defence estate.

RAF Honnington and RAF Barnhan using sheep to graze a Site of Special Scientific Interest, restoring the main lichen health

Conservation and Access

127. The Department owns over half of the Government's historic assets, including 793 listed buildings and 720 scheduled monuments. We also own over 9,000 archaeological monuments and nine registered parks and gardens including Craigiehall, Halton House, and the Priory at Chicksands. A significant proportion of the defence estate lies within Conservation Areas and World Heritage Sites including St Kilda; Cornwall and West Devon Mining Landscape, and Hadrian's Wall, and the Defence Munitions site at Kineton lies within the boundary of the registered Edgehill battlefield. The Overseas estate also contains important historic features, including classical remains in Cyprus and historic buildings in Gibraltar. The Department achieved its target to establish the condition of 100% of its listed buildings and scheduled monuments by April 2008, of which 89% and 82% respectively were in good or fair condition.

128. There are 28 MoD Building at Risk entries in the English Heritage Biennial Conservation Report (2005-07). Three entries have been removed against the baseline of the previous report (one by repair and two through disposal). Further detail is provided in the biennial MoD Heritage Report.

129. We aim to provide as much public access for recreation to defence land as is consistent with safety and security obligations and the delivery of the military capability for which the land is held. The MoD Access website provides members of the general public with information about opportunities for accessing and in particular walking on, the defence estate, and we are working to include new access opportunities on this. In early 2008 the defence training establishment at Otterburn in Northumberland, in partnership with the Northumberland National Park Authority, produced a comprehensive suite of access related products aimed at providing clarity and certainty to access users in relation to the training area from the summer. In March 2008 we launched a new website for the Epynt Way, a permissive bridleway around Sennybridge Training Area in South Wales. In 2007 the Department undertook a consultation under Section 28 of the Countryside Rights of Way Act 2000 over directions made which restrict open access on land not subject to military byelaws. These directions will ensure that there is no conflict between military operations and public safety in these areas. A network of some 120 voluntary Conservation Groups support the Department by monitoring habitats and species, providing input to management plans and carrying out practical work in support of nature conservation and archaeology on the rural estate. More detailed information can be found in both the Annual Stewardship Report on the Defence Estate and the defence conservation magazine Sanctuary.

Sustainable Communities

130. *Securing the Future* outlines how from the local to global level the Government aims to create communities that embody the principles of sustainable development. The MoD plays a full part in this process by considering the impacts of defence activities on civilian communities and ensuring that they are as positive as possible. We also work to ensure

our own defence communities embody the principles of sustainable development. We welcome the opportunity to engage with the wider UK community by supporting groups such as veterans and young people and we take very seriously our obligation to promote equality and diversity and health and safety within the workplace. The Department also encourages its civilian staff to undertake voluntary work, for which they are given paid leave, serving as, for example Magistrates, Special Constables or School Governors. Service personnel undertake voluntary work at the discretion of their Unit Commander, taking into account military commitments.

Building Skills

Improving Skills

131. During the year a framework was produced to guide the development of individual training and education strategy and policy in a coherent manner to support the Service Personnel Plan. As part of our core business we provide considerable basic, specialist and professional skills training to newly recruited young military and civilian personnel, which contributes directly to the Government's skills development goals. The high quality of the Armed Forces' work-based learning provision continues to be recognised across Government. During 2007-08 we further strengthened our links with the Learning and Skills Council in order to improve our support to young Service personnel, particularly aiming to extend the footprint of our apprenticeship schemes and assisting those with identified poor basic educational skills. We continued to take an active role in influencing the work of Government Skills (the Sector Skills Council for Central Government) and were a major contributor to the production of their central government 'Skills Strategy'. In June 2007 the Permanent Secretary signed the Leitch Pledge committing the Department to giving everyone in our workforce the opportunity to achieve a Level 2 qualification (equal to 5 GCSEs at Grade A-C) or vocational equivalent.

Soldier trains in a simulator

Accreditation & National Qualifications

132. While training and education is designed to meet Defence's operational and business needs, it also supports individuals' continuing development, encourages greater professionalism and provides an opportunity to acquire professional and vocational qualifications. Service personnel increasingly pursue a wide range of national qualifications through external accreditation of their Service education, training and experience. As part of a major Government initiative to allow employers to become Awarding Bodies in their own right, 'Defence' was given Awarding Body status by the Qualifications and Curriculum Authority in February 2008. The Defence Accreditation Policy continued to provide the framework for the management of accreditation opportunities across Defence. During the year such accreditation schemes resulted in Service personnel gaining: 10,733 Level 2 or 3[1] qualifications; 4,631 Apprenticeships; 2,039 Advanced Apprenticeships; and 435 Foundation Degrees. We also sponsor personnel on full-time courses, and 622 achieved graduate or postgraduate qualifications during the year.

1 Level 3 qualifications are equal to A-levels or their vocational equivalent.

RAF Student

The Armed Forces Learning Credits Scheme

133. Under the Learning Credits Scheme the Department also provides financial support to Service personnel for personal learning and development:

- The Standard Learning Credit scheme provides financial support for multiple small-scale learning. Personnel are eligible to claim 80% of course fees from public funds up to a maximum of £175 per financial year. Over the last five years about 14.6% of the trained strength have taken this up, and in 2007-08 there were 18,950 claims totalling about £2.267M.

- The Enhanced Learning Credit scheme complements the standard scheme by providing larger sums for higher level learning. As well as making a minimum personal contribution of 20% towards the cost of the course to demonstrate their commitment, personal may make three claims towards the cost of learning leading to academic or vocational qualifications of level three or higher, up to a maximum of £1,000 a year for three years (not necessarily consecutive) four years after registration, or (from April 2008) £2,000 a year for three years, eight years after registration and up to ten years after leaving the service. About 580 approved learning providers are participating in the scheme, 51% mainly academic and 49% vocational. Over 241,000 personnel had registered by April 2008, including a number who have left the Armed Forces. During 2007-08 over 6,200 claims were made, totalling some £5.4M. About 37% were used for personal development by personnel with over two years left to serve, 52% by personnel in their last two years of service preparing for civilian life, and the remainder by veterans.

Young People – Raising Expectations

134. The MoD continued to make a significant contribution to the Government's goal of enhanced social inclusion and personal development for young people by supporting a range of projects to help them develop their personal physical, academic and social potential and support good causes in their local communities.

Cadet Forces

135. The flagship of this contribution, the MoD sponsored Cadet Forces (Combined Cadet Force, Sea Cadet Corps, Army Cadet Force and Air Training Corps) continued to thrive. With some 130,000 cadets, the Cadet Forces are one of the biggest youth organisations in the country. Based in over 3,000 locations in towns and cities throughout the country, they make a significant contribution to their local communities and to the personal development of the cadets. This is enabled by the expertise, enthusiasm and dedication of the 26,000 adult volunteers from the local community, who devote a huge amount of time and energy to running programmes that are both challenging and appealing to young people. The Cadet Forces offer a huge range of development opportunities to help young people meet life's challenges and realise their potential. They are the largest operating authority for the Duke of Edinburgh award. Membership also gives young people the opportunity to gain many nationally recognised qualifications. The Cadet Forces are EDEXCEL's most successful partner in the delivery of the BTEC first diploma in public services. During the year some 5,000 cadets gained this vocational qualification, equivalent to 4 GCSEs at grades A to C, bringing the total since 2002 to over 13,000. A BTEC first diploma in Music is now also available, and a diploma in engineering is under development.

136. Building on this success, and with additional Treasury funding of £800,000, in September 2007 six new Combined Cadet Force contingents were set up in state schools in London, Weymouth, Dover, Peterborough,

Treorchy and Newcastle, with 351 new cadets. These are piloting expansion to enable more young people to enjoy the full cadet experience via school contingents, in addition to the long established 'community' based Cadet units. All are making good progress. We are also working closely with The Department for Children, Schools and Families under the umbrella of the London Schools Challenge to explore ways of enabling cadet involvement for students at further state schools in the London area through 'twinning' arrangements with established Combined Cadet Force contingents in local Independent schools.

Cadet forces on training exercise.

Social Inclusion and Personal Development

137. The MoD also supports a number of other youth organisations and projects, drawing on the military ethos where this can make a difference, reaching at least 8,000 young people a year. These include:

- **Outreach** – an early-intervention programme designed for crime-vulnerable 12-14 year olds and run in conjunction with local schools, police forces and community groups. It is managed by the Army Cadet Force Association, and provides adventurous training and challenging activities using Army loaned facilities and equipment to build confidence and raise self-esteem. In 2007-08 24 counties delivered Outreach projects, with 717 places offered to young people;

- **The Prince's Trust** – this helps 14-30 year olds deemed at-risk of being crime vulnerable realise their potential and transform their lives. In 2007-08, the MoD supported 125 Prince's Trust personal development programmes for young people across the UK, which equates approximately to 1650 young people supported by Defence personnel acting as leaders, mentors and development coaches;

- **Druidstone** – Is a two-week leadership development course based at the Druidstone family hotel on the Carmarthenshire coast South West Wales. Week one is focused on the leadership and Team activities for the 15 participating mentors drawn from across the MoD, followed by a second week of one on one mentoring of twelve young people drawn from the most disadvantaged schools in South Wales;

- **Team** – A twelve week personal development programme run throughout the nation, that engages disadvantaged unemployed young people 16-25 to gain self confidence and motivation to find either work or employment training. Last year the MoD provided 27 Team Leaders throughout the UK which directly assisted 297 young people change their lives;

- **Skill Force** – an early-intervention scheme within schools using the talents of former Service Personnel and others to deliver inspirational and motivational activities to about 7,000 young people a year using the equivalent of 40 (five person) teams. Its core activities are targeted mainly at 14-16 year olds who respond more positively to programmes centred on activity based team building, problem solving, and raising self-esteem through the teaching of initiatives such as the Duke of Edinburgh's Award Scheme. It has produced dramatic improvements in personal development and confidence, and significant reductions in truancy, exclusions, and petty misdemeanours in the community, with those completing the programme entering further education and achieving credible employment. Skill Force has been involved with over 250 schools and 24 local authorities, and worked with over 25,000 young people to date;

- **Defence Dynamics** – a free online teaching resource from the MoD drawing on compelling examples of Defence work in the UK and internationally, rolled out in November 2007. This has been developed in association with the Department for Children, School and Families and the Qualifications and Curriculum Authority in England, and with the Education Departments of the devolved administrations in Scotland, Wales and Northern Ireland. It offers teachers a range of Maths, Science, English, Geography

and Personal, Social and Health Education materials to support them in delivering lessons to 14-16 year olds. Further resources to support other curriculum subjects are being developed;

- **The Defence Education Outreach programme** – this supports every year over 1,000 students from colleges of further education in London and the South East through a mix of curriculum support, personal development and employability skills training, to help them improve their chances of getting a place at university, a more advanced course in College or their first job (see Essay on page 93). The MoD is the only Government Department that runs such a programme, and we are reviewing the potential to expand it to other parts of the country with a significant defence presence; and

- Outreach programmes run by the Defence Science and Technology Laboratory and the Atomic Weapons Establishment to work with their local schools and colleges to inspire young people, and promote science and engineering.

Sport

138. The Royal Artillery Barracks at Woolwich has been selected as the venue for shooting events at the 2012 games. We are working with the London Organising Committee for the Olympic Games (LOCOG), the Department for Culture, Media and Sport, and Greenwich Borough Council to investigate the possibility of leaving a legacy when the Games are over. The British Olympic Association has selected Aldershot Garrison, the Army's centre of sporting excellence, as the pre-Games training camp for the UK team. Colchester Garrison, in conjunction with the local council and the University of Essex, is one of the training facilities being offered to other nations' Olympic associations in the run up to the 2012 Games to enable their athletes to acclimatise to local conditions. We are working with the Home Office, the Department of Culture, Media and Sport, and British Shooting to give members of the UK pistol shooting team, who under firearms legislation are not allowed to possess handguns in the UK, access to MoD ranges to allow then to train in the UK prior to the 2012 games. Both Service and civilian personnel have represented National teams this year in events including Triathlon, Powerlifting, Rugby, Fencing, Rowing, Dinghy Sailing and Bobsleigh.

MoD – an Olympics supporter

Veterans – Support for Former Service Personnel

Strategy for Veterans

139. The Government has a responsibility to support Armed Forces veterans, especially those who have suffered physical or mental ill-health due to Service. The UK veteran community comprises some five million who have served in the Forces and a further five million widows and dependants. In 2007-08 some 380,000 received Service pensions totalling £3.2Bn, and some 200,000 received payments totalling £1.0Bn for death and disablement arising out of service in the Armed Forces (see paragraphs 150 to 152 below). Some further 300,000 veterans currently below retirement age will receive a Service pension when they reach 65. The MoD's approach to veterans' issues and what we aim to achieve, in partnership with other key stakeholders, is set out in the Strategy for Veterans, updated in 2006. This has three key pillars: to provide excellent preparation for the transition from Service to civilian life; to ensure that the nation recognised veterans' contribution to society; and to provide support to veterans who need it. As such it contributes directly to the Government's goal for social inclusion and sustainable communities.

Transition from Service to Civilian Life

140. Although Armed Forces personnel can have a long, fulfilling career, the majority leave the Armed Forces at least 25 years before the

current national retirement age and both need and wish to pursue a full second career. A robust and effective system of resettlement provision is a fundamental pillar of personnel support and a tangible manifestation of the Armed Forces' commitment to be an employer of first choice. All of the personnel leaving the Armed Forces each year are therefore provided with structured assistance to make the transition from military to civilian life. The level of support provided depends on the length of military service and the circumstances of their discharge:

- Those who leave with less than four years' service under the Early Leavers scheme or who are compulsorily discharged and lose resettlement entitlement receive a resettlement brief which signposts employment, accommodation and welfare assistance available from ex-Services welfare organisations and other Government Departments; information on preserved pension rights; and access to housing information. They also have a mandatory interview prior to discharge that includes assessment of their vulnerability to social exclusion and review of their post-discharge accommodation. Appropriate extra help is offered to those assessed as vulnerable to social exclusion. Most early leavers have immediate access to Department of Work and Pensions New Deal employment support and training programmes or to Connexions – a Government programme providing career advice – and only 14% continue to draw Jobseeker allowance six months after discharge;

- Those who have given at least four years service receive a comprehensive resettlement package through the Career Transition Partnership with the career consultancy, Right Management. The Partnership prepares individuals for the civilian employment market by helping leavers to take maximum advantage of the experience and qualifications gained during military careers. Additionally, for those who have served at least six years (five years if enlisted before 1 September 2002) and all medical dischargees, regardless of length of service, the Partnership provides access to vocational training, giving opportunities to add further qualifications that are relevant to their preferred post-discharge job aspirations. The latest figures available, covering discharges from April 06 to March 07 show that over 95% of the Service leavers using the Partnership's services who want to work after discharge secure employment within six months of exit, the majority at salaries broadly comparable with or above the national average. Some 15,000 drew on this support in 2007-08 (14,300 in 2006-07);

- The bespoke resettlement programme tailored to the unique circumstances of the Northern Ireland job market for the 3,000 Royal Irish (Home Service) personnel discharged on disbandment of the three Home Service battalions (see Essay on pages 46) was successfully concluded during the year. Its outcome exceeded expectations, with well over 90% successfully securing civilian employment within six months of exit.

141. In its July 2007 report on *Leaving the Services* the National Audit Office found that the Department offers a good range of resettlement support, using an appropriate combination of providers; that most Service Leavers gain employment and have an otherwise smooth transition to civilian life and the majority are happy with the quality of resettlement services; and that the overall arrangements compared very favourably to those of other nations. It estimated that in 2006-07 this cost nearly £115 million, comprising some £36 million in direct costs and the remainder for Service Leavers' time in undertaking resettlement. It also recommended that in seeking to make further improvements, the Department needs to ensure better and more consistent implementation of support at first line and identification of those at risk of social exclusion, and that we also need to continue to work with other parts of the public sector to ensure effective cross-government provision of social housing and temporary accommodation to those Service Leavers who are eligible.

142. Actions to improve resettlement support further in line with the National Audit Office's recommendations were set in train. New vocational training courses have been added and the range of locally delivered resettlement vocational training through both quality assessed providers and the Career Transition Partnership expanded by over 30%. More than 1,340 different courses are now available

to Service leavers. The Army has a particular challenge in resettlement. It draws a large number of recruits from educationally and socially disadvantaged backgrounds who, in many cases, also join with weak basic skills. This is compounded by the nature of the operational exposure of soldiers, particularly in recent years, which places additional demands on both commanders and soldiers and by the impact of the need for individuals to be mobile in their location. Together, and notwithstanding the lengths to which the Department goes to provide basic skills training (see paragraphs 294 to 295 under *People*), these generate a greater risk of an unsatisfactory transition to civilian life. A pilot mentoring scheme for vulnerable early Service leavers began at Catterick Garrison in June 2007 to provide "light touch" mentoring for Service leavers during their first six months of civilian life. It is designed to help establish the demand for, and benefits from, this kind of support and to help vulnerable leavers develop the coping skills they need in civilian life. The Department also continued to develop the network of support with ex-Service charities that offer niche services to those about to leave the Services. Arrangements were consolidated to improve communication of personal details to key Service and ex-Service organisations for those who want help. Resettlement provision for early leavers was enhanced, including through facilitated access to The Royal British Legion's 'Civvy street' Electronic Portal. There were further improvements in the support provided to those to be medically discharged, including in the process for transferring care responsibility for disabled Service leavers with enduring needs to new providers.

Veterans Day Parade

Recognition and Status of Veterans in Society

143. The key principle of the recognition pillar is that veterans' contributions, both past and present, should continue to be valued. To this end in 2006 the Government instituted an annual nationwide Veterans Day on 27 June to celebrate veterans and their achievements. The first National Veterans Day Event in 2007 was staged over five days in Birmingham. The 25th anniversary of the Falklands conflict was also remembered in four days of events in June 2007. This began with a service attended by Her Majesty the Queen at the Falkland Islands Memorial Chapel at Pangbourne and culminated in an event attended by some 10,000 veterans and families on Horse Guards Parade in London with a direct link up with commemorations in the Falkland Islands. The Armed Forces Memorial at the National Memorial Arboretum in Staffordshire was dedicated by the Archbishop of Canterbury in the presence of Her Majesty the Queen on 12 October 2007. It is engraved with the names of some 16,000 members of the Armed Forces (Regular and Reserve) who died on duty since the end of the Second World War. The Ministry of Defence is contributing £2M towards its total cost. The Department has also provided over £300,000 in grants to support Veterans Day 2008 events across the UK, and sustained support for a range of projects to raise intergenerational awareness, especially the integration of schools and families in regional and local Veterans Day events. The 2008 National Veterans Day Event, lasting nine days, was hosted in Blackpool. Many of the Veterans Day events placed an emphasis on the contribution of those who serve, and have served, in the Territorial Army, which celebrated its 100th Anniversary on 1 April 2008.

144. The HM Armed Forces Veterans Badge promotes recognition and awareness of veterans. A modified version was produced for members of the Merchant Navy who served in vessels facilitating military operations. In January 2008 the Government announced that all those who had served were eligible for these badges, along with widows and widowers of those who died of illness or injury attributable to their Service. Some 587,000 badges had been issued by 16 May 2008. Since its introduction in October 2006 over 10,000 Arctic Emblems have been issued to veterans of the Arctic Convoys and other service north of the Arctic Circle.

Provision of Support to Veterans who need it

145. The creation in April 2007 of the Service Personnel and Veterans Agency produced a more logical arrangement for delivering service for users. The Agency now provides pay, pension and personnel services to Service personnel from the moment they join the Armed Forces, throughout their career, and subsequently, with a single point of contact. This has led to more joined up assessment of entitlements, and more integrated business processes. A "Veterans UK" service was also established in April 2007 to provide a 'one stop' point of advice and contact for all the support services designed specifically for veterans. This has simplified the service provided to veterans and their families and made help more easily accessible. A small minority of Service Leavers do experience more severe difficulties such as homelessness, and the Department continued to work with other Government Departments, charities and the private sector to provide a joined up approach to address ex-Service homelessness and social exclusion, reflecting the often complex personal problems involved. In April 2007 a number of measures were agreed to address gaps in existing welfare provision. These included extended welfare monitoring for at least two years after leaving for vulnerable seriously injured veterans and piloting of a mentoring project for vulnerable leavers at risk of social exclusion. A more coherent approach to case management is also being explored. A new centre in Aldershot opened in February 2008 that will provide supported accommodation and training facilities to help Service leavers develop marketable job skills and return to sustained employment and independent living. .In June 2008 the result of independent research by York University into homelessness in London amongst ex-Service personnel was published. This was commissioned by the Ex-Service Action Group, which includes officials and charity representatives. It found that the percentage of veterans in London's homeless population reduced from 22% in 1997 to 6% in 2007. Its key findings also included evidence that homeless veterans have better access to emergency accommodation and resettlement resources than other single homeless people, less than one in six of those surveyed cited problems adjusting to civilian life as the cause of their difficulties, and only a small minority reported vulnerabilities unique to Service life, such as combat-related post-traumatic stress disorder.

Veterans Health Issues

146. The MoD has a continuing duty of care to veterans suffering ill health caused by their military service. The Department therefore supports a wide range of research into veterans' health issues. Since 1948 Government policy has been that health care for veterans should be delivered by the National Health Service (NHS). The Department therefore continued to provide information for veterans on what to expect and where to go for assistance from the NHS, and to work with Chief Medical Officers and the Royal Colleges to raise awareness among civilian health professionals of specific veterans' matters.

147. As in the UK wider community a particular focus has been mental health. Since 2005 officials from the four UK Health Departments, MoD and Combat Stress, advised by national clinical experts, have been working to develop a new NHS led community based veterans' mental health service. By late 2007 pilots were launched at Stafford and Camden and Islington. While this year to date services have been established at Bishop Auckland and Cardiff Vale. Further pilots are planned to being in Cornwall and Edinburgh in the next few months. Following independent evaluation, the intention is then to roll a service out nationwide beginning in 2011. In June 2007 the Medical Assessment Programme at St Thomas' Hospital, London which was for veterans of the 1990-91 Gulf Conflict and the current Iraq and Afghanistan deployments with any concerns about their health, was extended to any veteran with operational service since 1982 with mental health problems. In November 2007 the Government announced that from 1 January 2008 all veterans in England should receive priority access to NHS secondary care for conditions which are assessed by their GPs as being due to service, subject to the clinical needs of all patients. This had previously only applied to those in receipt of a pension for disablement arising out of service in the Armed Forces. A similar undertaking has also been extended to veterans in Scotland and Wales.

148. The Medical Research Council provides independent expert advice on our research programme into the ill-health reported by some veterans of the 1990-91 Gulf Conflict. In is 2003

report reviewing UK sponsored research the Council recommended that research on ways to improve the long- term health of Gulf veterans with persistent symptoms should take priority. A contract for a study developing a complex intervention to support chronically ill Gulf veterans back into productive life will shortly be awarded. Regular publication of 1990-91 Gulf mortality data continues to show that Gulf veterans do not suffer an excess mortality compared with a control group of personnel that did not deploy. But in light of the health problems experienced by some veterans of that conflict we have been monitoring health and social outcomes for those deployed on our major operations in Afghanistan and Iraq. The second three-year phase of research by the King's Centre for Military Health Research began in 2006. By the early months of 2008 some 20,000 serving and former personnel had been sent questionnaires, and by March 2008 eleven scientific papers had been published in the mainstream peer reviewed scientific literature. No major health problems have been found so far, but in November 2006, we introduced a Reserves Mental Health Programme to address an identified higher level of mental health symptoms and illness among deployed Reservists. Two other studies set up by the Department in 2005 and 2006 to address issues of possible concern for the veterans population will report soon. The Centre for Suicide Prevention, Manchester University is comparing suicide rates among leaver-cohorts from 1996-2005 with the age-matched serving and general civilian populations as controls. University College London has been investigating the concept and characteristics of delayed onset Post Traumatic Stress Disorder based on interviews of war pensioners with awards for traumatic psychological disorders.

149. In March 2007 solicitors on behalf of Porton Down veterans issued the MoD with a letter of claim for 244 veterans alleging short term illnesses and 116 alleging long term illnesses arising from non-therapeutic human experimentation conducted at Porton Down. The majority of claims related to experiments involving nerve gas, mustard gas or riot control agents. The trials were in many cases conducted under considerable time pressure as new threats emerged, and the Government has accepted that there were aspects of the trials where there may have been shortcomings and where, in particular, the life or health of participants may have been put at risk. Following mediation the MoD agreed to pay a global settlement of £3M to the entire group of 360 veterans, and made a formal apology through a written statement in Parliament on 31 January 2008. MoD recognises that more veterans, some of whom decided against joining the Group Action, might come forward. MoD has therefore decided that it will consider any additional meritorious claims that are made on or before 30 June 2008. The MoD-funded independent epidemiological study into mortality and cancer incidence among Porton Down veterans was completed and a paper describing the exposures of the Porton Down veterans cohort was submitted to a scientific journal in January 2008 but has not yet been published. Following comments received from the Medical Research Council and the MoD, researchers have modified their draft papers on mortality and caner incidence and are seeking final agreement with their academic co-investigators before submitting these papers for publication. We expect submission to journals to occur within the next few weeks.

Veterans Day

War Pensions

150. Under the War Pensions Scheme the Service Personnel and Veterans Agency (SPVA) made payments of some £1.0Bn to some 174,000 war pensioners and 38,000 war widows during 2007-08 for death and disablement arising out of service in the Armed Forces. The number of war pensions paid each year continues to decline by about 5% each year. In addition to the War Pensions Scheme, SPVA is also responsible for the administration of the Armed Forces Compensation Scheme (AFCS). During 2007-08, SPVA made payments totalling £13M for death, injury and disablement arising from service in the Armed Forces since 2005. The Agency is reviewing its Key Targets to ensure that it provides a high standard of service to veterans and widows in paying pensions and compensation. The Veterans Welfare Service, operating across the UK and Republic of Ireland, also provides direct welfare support to war pensioners and war widows.

151. In July 2006 the MoD announced that work to identify and correct errors in the payment of Armed Forces pensions had discovered that a number of invalidity awards to Service personnel might not have been consistently up or down-rated over the years as required. Under Project Collins, which concluded in late 2007, some 49,000 cases were reviewed to identify and correct these errors. Overall, 1,284 individuals received pension increases and reimbursement of interest totalling £17M. 98 individuals were identified as having been overpaid, amounting to a total overpayment of £1.7M. Of these 58 had their payments discontinued and 40 reduced, but recognising the significant hardship and distress that any repayment would have meant for these veterans and their families, and that the overpayments had not been their fault, the Department and the Treasury wrote off the full £1.7M.

Armed Forces Compensation Scheme

152. Following a review of the rules on multiple injury lump-sum awards under the Armed Forces Compensation Scheme in late 2007, these were changed from 8 February 2008. The new rules provide that the most seriously injured will have compensation for all injuries sustained in one incident paid in full, subject to the maximum award of £285,000. Because the Scheme has not yet been running long enough to establish trends and cannot use the values of other schemes to help estimate the liability, the Department cannot yet provide enough evidence to validate the level of provision required to meet the potential future liabilities. The 2007-08 accounts for the scheme have therefore again been subject to qualification in this regard. This is likely to remain the case until there is enough data for longer term actuarial trends have been established.

Gurkha Pensions

153. In March 2007 the Government announced that all Gurkha Service personnel would be given the same terms and conditions of service as British Army regulars, with certain exceptions to meet the wishes of the Government of Nepal. Part of this package involved pensions, with the 2007 intake joining on Armed Forces Pension Scheme 2005 (AFPS 05). Other serving Gurkhas and those who retired on or after 1 July 1997 were given the opportunity during 2007-08 to transfer their pension benefits from the Gurkha Pension Scheme into AFPS 75 or AFPS 05. Eligible Gurkhas were given information about their pension options available to them to make an informed decision. Almost all serving Gurkhas decided to transfer to AFPS from 1 October 2007, with 90% choosing AFPS 75 and close to 10% choosing AFPS 05. 73% of eligible retired Gurkhas elected for the pension scheme of their choice, with around 69% opting for AFPS 75. The remainder chose to stay in the Gurkha Pension Scheme or did so by default when they failed to make an election. The cost of giving serving and retired Gurkhas AFPS pension value for service on or after 1 July 1997 was £110M.

Further Sources of Information

154. Further sources of information on Defence in the Wider Community can be found at Annex I.

The MoD Education Outreach programme

Under the strap line 'giving students a start', since 2001 the MoD Education Outreach Programme has worked with a number of London Further Education Colleges. It was originally set up by Sir Kevin Tebbit, then Permanent Secretary of the MoD, to work in partnership with the Colleges to create career and employment opportunities, particularly amongst ethnic and minority groups. In some more than 70% of their students come from ethnic minorities. Their catchment areas include some of the most disadvantaged postcodes in the UK. In some over 50% of their students do not speak English as their first language. The colleges support a wide range of courses, but have a particular focus on supporting students on courses that are at entry-level to employment.

The programme has developed over the years, drawing on advice from the Learning Skills Council. It now supports well over 2,000 London students a year through three strands:

- Input to students' curriculum studies using visiting speakers. A large number of college vocational business courses have modules requiring students to study various types of employers, public and private, and investigate how they recruit, train and develop their staff. MoD staff can help show how this works. Some IT courses ask students to investigate the structure, content and links of a web-site, and we often find the MoD web-site being used for this;

- Personal development. We use MoD material in the classroom to help students understand what is good practice in practical skills like filling out application forms, making personal statements, and preparing for interviews, often culminating in a mock interview with an MoD member of staff. One particular success has been giving students from one London College the opportunity to be the 'guinea-pigs' being interviewed on courses training MoD staff how to conduct effective selection interviews. They then see on video for themselves how they have performed and receive constructive feedback. The college tutors tell us this produces a dramatic improvement in confidence and interviewing skills; and

- Employability skills support. Through meeting MoD staff both in the classroom and in the Head Office in Whitehall, students gain the practical experience of visiting a 21st Century office, seeing how an open plan environment works, meeting the workforce and seeing how the skills needed by a modern employer are used in practice. For most this is the first time they have experienced a workplace, and the Colleges tell us that this experience is often of considerable benefit to their students in job interviews.

In these ways we have helped many students learn the skills they need to secure their first job in their chosen career – demonstrating the reality of the strap line 'giving students a start'.

Interweaving across all of these themes is a mentoring programme. Each college nominates a course to be mentored, and every year over 45 London-based MoD staff, military and civilian, mentor over 80 students. In addition to keeping in regular contact, often by email, this includes classroom visits and hosting the students in their offices. Every summer the Department holds a celebratory event for the students who have been supported throughout the year. This is usually hosted by the Permanent Secretary or 2nd Permanent Secretary, who present the students with formal completion certificates. Each College also confers an annual MoD award on the student they judge has made the greatest progress. This is usually presented by Andy Gillman, the Outreach Programme coordinator, at their annual Further Education Awards Ceremonies, often in the presence of the College Principal, the Mayor, Local councillors and press.

We are delighted each year to learn of real quantifiable successes, with students gaining employment or achieving their university place as a result of our support. The Colleges' statistics show that when we support a particular course the examinations pass rate increases, and that there is a substantial and positive impact on the motivation of the group with a higher student retention rate. The Colleges are also universally delighted with the support we provide their students. This is perhaps put best in their own words:

"*The link with the Ministry of Defence is a fine example of a large employer working in partnership with the Further Education system to expand on students' learning experience and offer valuable insights into how a major employer operates. I know that the opportunity for students to visit MoD Main Building in Whitehall is eagerly sought after, and they return to college very impressed with both the building and the workforce. The Education Outreach Programme is a fine example of a large employer putting something back into the community and is an integral part of our enrichment programme*"
Principal and Chief Executive of Croydon College, Mariane Cavalli April 2008.

The Association of London Colleges considers the programme to be ' Best Practice' across the Public Sector.

Given this enthusiasm, it is perhaps not surprising that we are now being asked for more support than we can provide by an increasing number of Colleges. We were therefore encouraged by the response from other Government Departments when we showcased the programme at the 'Civil Service Live' Exhibition in April 2008. Sir Gus' O'Donnell, the Cabinet Secretary, gave it his full endorsement, and at least one department has since contacted the MoD with a view to taking one of our work strands into another Further Education College. We have also started exploring the scope to deliver strands of the programme outside London in areas where we have a large enough presence on the ground. During the last year we have been able to provide some support from the Education Outreach Programme to a number of other Inner City colleges, including in Plymouth, Leeds, and Hull.

We are often asked why the MoD undertakes a structured programme such as this, and what we gain from it. The answer is that as a large and responsible employer we have a duty to contribute to the community for the benefit of the students as part of our corporate social responsibility. And it fits well with the ethos of service deeply embedded in our staff, military and civilian. Many of the mentors have been volunteering their time and efforts for several years. As their employer the department also values the experience and perspective they gain from this. The programme also adds to the department's visibility among post-16 year old students, many of whom have never heard of us. And if they have, they often initially hold a very negative and sometimes hostile view of us. By the end of the year they often have a different view, again perhaps best put in the words of a recent mentee:

"*They are really friendly people in the MoD, they gave me so much help with my studies, I shall never forget their support*".

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Future

Future Capabilities

Objective: Develop the capabilities required to meet the tasks of tomorrow.

Assessment and Performance Measures
Assessment: All three Services' transformation plans made good progress. Roll-out of enhanced command, control and communication systems continued, with a significant increase in operational capability in Afghanistan. There were further increases in helicopter capability, enabling provision of more support to commanders in Afghanistan. Both the Medium Weight Capability and Carrier Strike programmes also made progress. The Defence science and technology community continued to provide essential support to operations and to counter-terrorism activities, and to take forward the innovation and technology programmes called for in the Defence Technology Strategy.

Implement Single Service Transformation Plans:
Royal Navy
- Naval Base Review concluded;
- First Astute class nuclear attack submarine and third Type 45 destroyer launched;
- Fourth Landing Ship Dock (Auxiliary) entered service, completing modernisation of amphibious capability.

Army
- Establishment of single Army Command and single Army staff in April 2008;
- Completion of Future Infantry Structures implementation;
- Implementation of temporary measures to meet demands of current operations, including temporary establishment of additional headquarters and re-roling of units.

Royal Air Force
- Single integrated Air Command established in April 2007;
- Further Typhoon squadrons operational;
- Delivery of fifth C-17 aircraft in April 2008.

Improved Network Enabled Capability:
- Significant increases in operational capability, including Unmanned Aerial Vehicles and Skynet communications satellites;
- Continuing progress on Defence Information Infrastructure, including roll out to DE&S headquarters, and contract for operational systems.

Future Capability Programmes:
- Medium Weight capability supporting arrangements developed, and real progress made on Future Rapid Effect System project;
- Enhanced Rotorcraft Capability, including improved Sea King performance, increased helicopter flying hours in Afghanistan, and signature of contract to convert Chinook Mk3;
- Continuing progress with Carrier Strike programme.

Science, Innovation and Technology:
Support to Operations
- Science and Technology Rapid Assistance to Operations programme achieved full operational capability;
- Increasing engagement of Counter-Terrorism Science and Technology Centre.

Support to Current and Future Equipment Programmes
- New Innovation Strategy developed and published.

Research
- Publication of report on Maximising Defence Capability through Research and Development;
- £531M of research contracts placed (£498M in 2006-07);
- Development of a Defence Technology Plan announced;
- Innovation and Technology Partnership agreed with France.

154. In order to develop the capabilities required to meet the tasks of tomorrow the Department has been working to implement the force structure changes set out in the July 2004 Command Paper *Delivering Security in a Changing World: Future Capabilities* (see Essay on page 109). Enhanced command, control and communications are being developed through the progressive introduction of Network Enabled Capability. There are a number of major, equipment-led capability change programmes. And we continued working to exploit science, innovation and technology.

155. The policy baseline from which Departmental planning is conducted is set out in Defence Strategic Guidance, which is reviewed every two years. (See the Annual Corporate Governance Report in Annex B). Substantial elements are classified, but the Defence Planning Assumptions provide the basis of the Department's periodic policy White Papers. We do not expect the next iteration of the Defence Planning Assumptions to present a radical departure from those set out in the 2003 Defence White Paper. We are, however, considering some potential adjustments as part of our continuing planning activity, including through the examination of the equipment programme. They are likely to be concluded later this year, following which they will be published in the next Defence White Paper in the usual way.

Second Astute Class Submarine

156. Following the conclusion of the Comprehensive Spending Review (see paragraph 345 in *Finance and Efficiency*) and the Planning Round 08, the control totals for the Top Level Budget organisations and the Department's top level performance targets were published in June 2008 in Defence Plan 2008-12. This set out in one document for the first time both the Department's objectives and spending plans over the next four years. Following the conclusion of the Planning Round in May 2008 we set in hand an examination of our planning assumptions for the equipment programme over its more extended (ten year plus) horizon. This will reflect our determination, as set out in the National Security Strategy, to shift the overall balance of Defence procurement towards support of current operations, and to balance this against the need to develop our capabilities for the longer term. We hope to finish this examination in the summer, and its conclusions will provide an important input into our 2009 Planning Round (PR 09).

Single Service Transformation

157. The July 2004 Command Paper set out a number of changes designed to maximise the effects the Armed Forces can deliver, rather than concentrating on the number of platforms. This involves significant changes to force structures. There was further progress towards a versatile maritime force, the Future Infantry Structures programme was completed, the new single Royal Air Force Air Command was formed, additional Typhoon fighter aircraft and a fifth C-17 entered service, and the introduction of the Predator Unmanned Aerial Vehicle significantly improved operational surveillance capability. Over the 2004 Spending Review period these transformation programmes have delivered some £1.3Bn efficiency savings (see paragraph 365 under *Finance and Efficiency*).

C-17 Globemaster

RFA Lyme Bay

Future Navy Plan

158. In July 2007 the Naval Base Review concluded that all three Naval Bases should be retained (see paragraph 397 under *Estate)*. Good progress continued to be made towards the delivery of a versatile maritime expeditionary capability structured and equipped for rapid deployment anywhere in the world. The first of the new Astute class nuclear attack submarines was launched in June 2007. In July HMS Clyde, the new Falkland Islands Patrol vessel, was commissioned, leaving Portsmouth for the Falkland Islands in August. In November RFA Lyme Bay, the fourth Landing Ship Dock (Auxiliary), entered service completing the transformation and modernisation of the Navy's amphibious capability, and *Diamond*, the third Type 45 air-defence destroyer, was launched. Six of these highly advanced and capable ships have been ordered, but following the 2008 planning round we no longer intend to place orders for any further Type 45 destroyers. Instead we will bring forward the introduction of the Future Surface Combatant to replace the Type 22 and Type 23 frigates. Together with the Carrier and Astute programmes this will balance the volume of ship construction workload across maritime programmes to ensure retention of key capabilities and viability of the businesses that deliver them. In May 2008 we announced that we would proceed with the new aircraft carriers. These will be the biggest and most powerful surface warships ever constructed in the UK. Once they enter service they are expected to remain in the fleet for up to fifty years. Overall we plan to invest about £14Bn in the Royal Navy and the maritime industry over the next ten to fifteen years. There was also progress on the Joint Combat Aircraft to be flown from the carriers (see paragraph 170).

Future Army Structure

159. Land Command and the Adjutant General's Command joined up on 1 April 2008, creating the single Headquarters Land Forces, which will move to Andover by 2012 under Project Hyperion (see paragraph 397 under *Estates*). At the same time, in parallel with the Head Office Streamlining programme, a single Army staff was created. Implementation of the Future Infantry Structures programme was completed with the amalgamation of the Cheshire Regiment, the Staffordshire Regiment and the Worcestershire and Sherwood Foresters to form the Mercian Regiment in September 2007. In April 2008 the Royal Electrical and Mechanical Engineers and the Royal Army Medical Services were restructured to provide a more effective, efficient and robust organisation, and Fixed Wing Manned Airborne Surveillance was incorporated into 5 Regiment Army Air Corps' structure. There continued to be substantial investment in the Army's long term equipment programme, with significant developments in delivering Medium Weight Capability (see paragraph 170 below).

160. The Army also implemented a number of temporary measures to meet the demands of current operations. These were designed to mitigate the impact of operations on harmony, whilst delivering theatre specific operational capabilities. Measures included:

- Formation of 6 Division Headquarters in York to provide a third deployable two-star headquarters until the end of 2011 for deployment to Afghanistan;
- Formation of 11 Light Brigade Headquarters in Aldershot in November 2007 to command

UK forces in Afghanistan between October 2009 and April 2010;

- New arrangements to support training on Salisbury Plain by the three Armoured Infantry battalions based around its edge on rotation, enabling the Warminster Battalion to deploy on operations;

- Augmentation of Headquarters 104 Logistic Support Brigade to enable it to deploy on operations;

- Temporary re-roling of two Challenger 2 Squadrons to Combat Vehicles Reconnaissance (Tracked); two Artillery System 90 (AS90) regiments to provide Light Gun; five AS90 batteries to deploy Tactical Unmanned Aerial Vehicles; one battery of High Velocity Missiles to deploy Mini Unmanned Aerial Vehicles; two General Support Royal Engineer Regiments to provide Close Support capability; a Signals Squadron to provide support to 52 Brigade; and a number of third line logistic elements to provide logistic support in Afghanistan; and

- Establishment of a Trauma Incident Management cell to help commanders in early identification of those under their command more susceptible to Post Traumatic Stress Disorder on and after operational tours.

161. A diverse and extensive range of equipment was also procured through the Urgent Operational Requirement process to support the Army on operations (*see* paragraphs 3-4 under *Current Operations* and 221-222 under *Equipment and Support*).

Future Army Structures (Reserves)

162. Restructuring of the Army's Reserve Forces – the Territorial Army (TA) – continued under the TA Rebalancing process. Changes were made to existing structures across all specialisations, enabling TA units better to support their Regular counterparts on a Large Scale deployment. The Royal Logistic Corps Territorial Army Headquarters was restructured and resubordinated to ease command and control pressures. Affiliations between TA and Regular units continued to strengthen, with particular benefits for training and operational support. Personnel levels continued to be adjusted to the new TA Rebalanced levels, leading to manning better reflecting the output required. There were, however, a number of challenges in 2007-08 with short term impacts, including delay in implementation of a number of new capabilities and the compulsory redundancy of a number of Non Regular Permanent Staff following planned changes to structure. A Strategic Review of Reserve Forces began in April 2008 (see paragraph 164 below).

Royal Air Force Transformation Programme

163. A single, integrated Air Command was successfully established in April 2007, delivering annual savings of £23M, a reduction of about 1,000 posts, and better, more coherent, ways of working. Reflecting operational priorities, in May 2008 No 7 RAF Force Protection Wing Headquarters was established at RAF Coningsby in Lincolnshire, and 15 Field Squadron RAF Regiment at RAF Honington in Suffolk. This will increase the RAF Regiment's capability and reduce the time that their personnel spend on operational tours. 15 Squadron RAF Regiment was formed by combining and re-rolling the two remaining RAF Rapier Squadrons otherwise due to disband in March 2008. RAF equipment capability continued to improve. The fifth C-17 aircraft was delivered in April 2008, with the sixth due later in the year, increasing the robustness of the Airbridge to Iraq and Afghanistan. Its arrival marked the beginning of the transformation of RAF Brize Norton into the RAF's single tanker/transport Main Operating Base. It will eventually operate the C-17, A400M and from 2011 the new Air Transport and Refuelling Airbus A330-200s, together with the C-130J Hercules aircraft currently based at RAF Lyneham in Wiltshire, which is planned to close in a few years time. Predator Unmanned Air Vehicles were introduced into service during 2007 to provide a long endurance, unmanned platform for surveillance and reconnaissance missions. Typhoon squadrons continued to take delivery of aircraft and reached operational status, taking over air defence roles as planned in 2007, and developing offensive support capabilities in advance of achieving multi-role capability later in 2008. The agreed sale of Typhoon aircraft to Saudi Arabia reduced the rate of delivery to the Royal Air Force, but this was managed by reducing the rate of drawdown of Tornado F3 and extending it in service until

2011. Delivery and development of ASTOR/ Sentinel (an airborne stand-off surveillance radar) continued. The Meteor programme (a beyond visual range air-to-air missile) succeeded in its first test firings. The new UK Military Flying Training System and the programme to increase rotorcraft capability also made progress during the year (see paragraph 170 below).

Strategic Review of the Reserve Forces

164. In order to ensure that we continue to get the best out of our Reservists, that their training and other opportunities are as good as they can be, and that they are structured and equipped to deliver the capability Defence needs, a Strategic Review of Reserve Forces began in April 2008. The Review will consult extensively, and is planned to report in October 2008. It has a broad remit, and is policy-led. Its key focus is on the generation of relevant military capability, including the degree to which Reservists should be used in stabilisation tasks, supporting one of the key implications for Defence of the National Security Strategy (see paragraph 72 under *Policy*). In reaching decisions the Department will also take the opportunity to draw on improved data on costs and outputs, as recommended by the Public Accounts Committee in its July 2007 report.

Capital Infrastructure

165. The Department invests heavily in strategic infrastructure to support defence outputs. In order to make informed judgements on the relative priority of competing infrastructure proposals, funding for major infrastructure is brigaded in the Non Equipment Investment Plan. This contains some 70 projects costing around £2.6Bn a year, comprising:

- A wide range of estate modernisation and maintenance programmes costing some £2Bn a year (see paragraphs 384-390 under *Estate*);
- A number of projects underpinning Top Level Budget organisations' rationalisation and collocation programmes (see paragraphs 198 under *Change* and 398 under *Estate);*
- Major Information Systems programmes, such as the Defence Information Infrastructure (see paragraph 198 below) and the Defence Medical Information Capability Programme (see paragraph 293 under *People*);
- The Defence Training Review (see paragraphs 297 under *People* and 391 under *Estate*)*;* and
- The Whole Fleet Management Programme (see paragraph 370 under *Finance and Efficiency*).

Network Enabled Capability

166. Network Enabled Capability (NEC) is the means of generating agile military capability through the timely provision and exploitation of necessary information and intelligence. The Department has adopted a long-term and holistic approach to this. Equipment programmes are only part of the picture: how we organise our business is as important to delivering NEC as the underlying technologies. Organisational change to realise the benefits requires major effort. Information assurance requires both confidence that information can be trusted and also protecting our systems from attack. The demands of security or "need to know" can conflict with the "need to share" approach implicit in NEC. Investment in network capability has to be balanced against other demands on the Defence budget, but striking the right balance between funding capital projects and providing enablers remains a key challenge, addressed in the Department's planning rounds (see Annex B). Almost all equipment capabilities contribute to and/ or benefit from NEC. We estimate that nearly 60% of the current 500 or so projects in the equipment plan could be described as significant contributors in some way. We have therefore developed a taut programme management structure. Recognising the significance of NEC as a Defence priority, a Senior Responsible Owner was appointed in spring 2007 to ensure that all these strands are taken forward coherently. The Department set out a broad framework for taking NEC forward about three years ago. This is an area of particularly fast moving ideas and technology, which have highlighted the need to update the initial timelines. We currently expect the initial maturity state to be set at 2012, the beginning of the transitional state at 2017, with the mature state yet to be fully defined. We also continue to expend significant effort engaging

with coalition partners to ensure that as much coherence as possible is obtained with key allies.

Operations

167. Significant increases in operational capability were delivered during the year. Operational decision-making is quicker and situational awareness improved. Our forces have access to more information, can analyse its relevance and value more effectively, move it faster and more widely, and exploit it better. NEC is also making an increasingly important contribution to the Comprehensive Approach, with further improvements expected. In particular during 2007-08:

- The introduction of REAPER Unmanned Aerial Vehicles in Afghanistan provided a significant uplift in our surveillance and reconnaissance capability. A network of information systems enables distribution of Full Motion Video (FMV), allowing users to 'collect once share many times';
- We have been disseminating FMV from REAPER via the new more capable SKYNET 5 sattelite communication system, with the first satellite launched in March 2007, the second in November, and the third in June 2008;
- The Strategic Knowledge Information Portal continued to develop, providing a strategic version of the Joint Operational Picture;
- Since September 2007 Project OVERTASK, a new command and control system and infrastructure, has provided increasing numbers of UK troops with access to ISAF and NATO secret networks in Afghanistan on 200 desktop and laptop computers and associated infrastructure; and
- The Sickness Management project has modelled information needs for casualty handling in Afghanistan and developed a new application enabling significant improvements throughout the medical evacuation chain.

Skynet 5 preparing for launch

NEC across Defence

168. Information management is increasingly recognised as an established discipline. Specific guidance and specialist defence training is provided, and all establishments have adopted Information governance arrangements to some degree. We still face the challenge of getting the balance right between the desire for greater interoperability and the needs of security. Work on this continued during the year, coordinated with wider government work led by the Cabinet Office, to develop a fuller understanding of the information assurance and information risk issues and address identified shortfalls (see paragraphs 253 to 254 under *Safety, Security and Business Continuity*). The challenges of adapting to new ways of working and a shortage of dedicated staff with the skills to exploit NEC to best effect is constraining development. This will require effective training to overcome, particularly in a context where the e-Skills Council is predicting increasing competition amongst employers for individuals with computer science and information management skills.

Defence Information Infrastructure

169. The Defence Information Infrastructure (DII) was conceived in 1998 under the Strategic Defence Review; it was subsequently endorsed by the Defence Management Board in 2000, which confirmed that the Ministry of Defence had a requirement for an integrated information infrastructure to exchange and share electronic information across the whole of Defence. DII is a major MoD programme necessary to meet not only current requirements and threats to the UK and its Dependencies but to prepare for, and meet those of the future. DII is furthermore a critical enabler of wider benefits, and cost reductions, in the delivery of many Defence Change Programmes (see paragraphs 197 to 198 under *Change*) and a key enabler of Network Enabled Capability. By the end of financial year 2007-08, just over 26,000 User Access Devices (UADs) and over 76,000 user accounts had been delivered at approximately 420 sites. Significant milestones during the year included:

- DII Future rollout to Defence Equipment and Support (DE&S) Headquarters at Abbey Wood, began in July 2007. This was the biggest and most complex single implementation within the programme to date, covering more than 8,000 terminals in 19 buildings across two sites;

- The DII(F) Deployed Increment 2b contract was signed in September 2007 for the development and deployment of UADs supporting Deployed (and Fixed) MoD operations and commitments. Increment 2b will provide 3,300 UADs to support the Front Line. The approved programme cost of Increment 2b is £384M benefits (instead of DII(FDR)); and

- At 31 March 2008, the overall programme had achieved or enabled benefits of £920M; this includes financial year 2007-08 efficiencies of £125.8M.

Typhoon dropping first in-service bomb

Integration of Future Capabilities

170. The introduction of new and enhanced military capability does not simply mean acquiring new equipment. It also involves its integration with all the other components that contribute to Defence capabilities: Training, Concepts and Doctrine, Organisation, Personnel, Infrastructure, Information, and Logistics. Interoperability is also considered when any of them is being addressed. Directors of Equipment Capability are accountable for the coherent delivery of all components of new or enhanced military capability in the programmes for which they are responsible. But five major, equipment-led capability change programmes with particularly complex projects at their core or presenting significant integration challenges are led by Senior Responsible Owners responsible to the Defence Board for their coherent through-life development and management:

- The **UK Military Flying Training System** programme is replacing the present flying training arrangements (see paragraph 298 under *People*). In October 2006 the Department placed a contract with BAES for Hawk 128 Advanced Jet Trainers which will form a key part of the flying training system. The programme remains on track to deliver the first aircraft at the end of 2008. In November 2006 the Ascent Consortium (Lockheed Martin and VT Group) was appointed Preferred Bidder for the role of Training System Partner, and the contract was placed in June 2008;

- The **Joint Medium Weight Capability (JtMWCap)** will enhance the UK's ability to conduct rapid intervention operations. A new Joint Force will be delivered to the JRRF that has at its core a balanced ground manoeuvre capability delivering higher levels of mobility and protection than 'light' forces, as well as greater deployability than 'heavy' forces. The implementation plan is based around incremental capability steps. Currently the Department is working on delivery of the initial step in 2011, with a focus on analysis, experimentation and planning which is informed by the available evidence and lessons from current operations. HQ Land Forces has produced a training plan and identified the required Forces structures in order to enable the timely provision of forces for existing and emerging operations and activities. Further progress includes the production of a campaign plan, risk register and a provisional implementation plan. A range of equipment capabilities like the Future Rapid Effect System, A400M and an increasingly resilient network will be important in delivering the changes required by the JtWMCap programme. Real progress has been made on FRES during the year. Implementation of the FRES competitive Acquisition Strategy is being driven hard to ensure we deliver, as early as possible, a FRES capability that meets the Army's needs through life;

- We continued to make significant steps to improve the availability of **Rotorcraft Capability**. We signed a contract in December 2007 to convert the Chinook Mk3 aircraft to an operational battlefield support role; the first should be available for operations in 2009. We remain on track to deliver the six Merlin helicopters purchased from the Danes later this year. We improved the performance of our Sea King Mk4 fleet by fitting them with state of the art main and tail rotor blades and have deployed some of them to Afghanistan, where they have performed well in challenging conditions. We also continued to improve the efficiency of our support arrangements, enabling an increase the number of flying hours available to commanders in Afghanistan by over a third since March 2007;

- The Department is pursuing a coherent incremental approach to improving **Combat Identification** capability for current operations and in the longer term. Equipment continued to be deployed on operations in response to specific theatre requirements to improve situational awareness and reduce the risk of fratricide. For the medium term, we placed several contracts, the last of which was in December 2007 to upgrade Tornado and Harrier aircraft to increase their situational awareness in the complex air-to-ground environment, and improve their ability to provide close air support. In parallel, we also placed several contracts for equipment to provide ground troops with greater situational awareness, enabling them better to understand what is happening in the air. We continued research and development to meet the longer term requirement, including through participation with coalition allies in the multi-national exercise BOLD QUEST in the United States in autumn 2007 to assess emerging technologies and ways of improving procedures and information sharing;

- The **Carrier Strike** programme continued to make satisfactory progress. Land or sea-based offensive air power provided is a key component in the shift towards expeditionary forces. With the ability to operate up to 36 Joint Combat Aircraft along with rotary wing assets, the future carriers will be able to deploy a significantly larger strike force than our current Invincible-Class carriers. The Short Take-Off and Landing (STOVL) variant of the Joint Strike Fighter is Tour preferred solution to UK's Joint Combat Aircraft requirement. The US-led development phase continued to make good progress. By the end of the year the Conventional Take-Off and Landing variant had completed over 30 flights, including the first air-to-air refuelling missions. The first STOVL aircraft was rolled out in December 2007. Despite engine technical problems, clearance and qualification activity continued, with first flight expected later in 2008. The contract for manufacture of two aircraft carriers was placed in July 2008.

Computer generated image of future carrier

Science, Innovation and Technology

171. Science, innovation and technology throughout Defence is primarily provided through the Science Innovation Technology Top Level Budget organisation. Its work underpins the United Kingdom's defence capability by providing scientific support to decision making, developing and implementing technical solutions, supporting operations with analysis, and reducing risk. Military and commercial technological developments across the world are monitored to identify upcoming threats and opportunities to enhance the United Kingdom's defence capabilities. International research collaboration with allies facilitates cost and risk minimisation and expands our research capabilities. Defence Research enhances existing technologies, identifies and develops emerging technologies, and supports their cost effective implementation.

Support to Operations

172. The Armed Forces continued to face an evolving threat from insurgent forces on operations overseas during the year; in particular from indirect fire, improvised weapons and explosive devices. The Department continued to draw heavily on its science and technology resources to provide direct advice and support to the commander in-theatre and to develop and integrate improved protective measures and mission-critical capabilities which were rapidly procured, primarily, through Urgent Operational Requirements. Scientific Advisers and Operational Analysts remain permanently deployed with UK forces in both Iraq and Afghanistan, supported by numerous experts and consultants who deployed, as required, for specific trials, exploitation or integration issues. Well over 200 scientists have now deployed to both theatres. The deployed element is supported by a well established 24/7 ability to rapidly reach back to the UK research community for advice and support (both Government and Industry), which is operated by Dstl. The Department continues to prioritise Support to Operations and evolve the mechanisms to ensure greater coherence, better exploit the current research programme and respond more rapidly to issues arising on operations. The Science and Technology Rapid Assistance to Operations programme completed its first full year and its role as the centralised lead for provision of research to current operations has been consolidated.

Counter Terrorism

173. The Counter Terrorism Science and Technology Centre built on the progress made during its first year to become the focus for counter terrorism science and technology research within the MoD. The scope of its engagement increased to cover a wider range of science and technology requirements, adding value by re-shaping and accelerating existing work. This took account of the continually evolving operational needs, adapting to the changing threats facing our deployed forces. During 2007-08 the Centre led the delivery of a £3.25M Innovation Programme of 56 highly innovative projects placed with government laboratories, industry and academia. The results will be shared across government to facilitate timely exploitation. Some of the projects have already advised frontline operations or influenced the Department's thinking and capability development. A notable success was the commissioning of a secure computing facility to allow in-house experimentation on information processing and visualisation techniques working with multi-disciplinary teams drawn from across government and industry. In order to shape, influence and direct the wider Counter-Terrorism S&T programme, the CT S&T Centre has been tasked as the Systems Leader for addressing the Improvised Explosive Device challenge. An integrated delivery team, led by the CT S&T Centre and including Dstl has been set up in order to deliver this high priority programme, with particular emphasis on the "Detect" strand, where there

are significant S&T challenges and the greatest gains to be made.

Effective Support to Current and Future Equipment Programmes

174. The MoD held a Future Soldier Event at the National Army Museum in March 2008 as part of National Science and Engineering Week. This was organised with industry partners to highlight the importance of Science and Technology in providing cutting-edge equipment for UK Armed Forces, now and in the future. Its objective was to promote Defence science and engineering to the general public. It included demonstration of cutting-edge equipment, ranging from an ultra-filtration portable water bottle (which produces sterile drinking water) to a miniature wearable sniper detection system that could be destined for the battlefield.

International Collaboration

175. International research collaboration can help increase our science and technology knowledge base and provide access to key technologies, and we retain a range of bilateral and multilateral links. The Defence Technology Strategy sets out our approach, with an emphasis on working bilaterally or in small groups of nations so as to maintain clear focus on our needs and obtain best value for money. Our biggest bilateral programme by far is with the United States and with our armed forces facing common operational challenges this relationship affords us an increasingly important science and technology input into military capability that is not feasible by other means. France is the most comparable European country to the UK in military and technical capability (the UK and France comprise nearly 80% of military research and development expenditure among the states of the European Union), and is our second largest research collaboration partner. We also maintain active bilateral relations with other partners, including Australia and Sweden. Our most active multilateral relationship is the US/UK/Australia/Canada/New Zealand Technical Cooperation Programme. Multilateral European engagement is mainly through NATO's Research and Technology Organisation, with some further engagement through the European Defence Agency.

New longer-range sniper rifle

Innovation

176. The UK needs to stay ahead in innovative technology against conventional and novel threats, in order to develop counter measures and solutions quickly as new threats emerge. A strong and innovative science and engineering base in UK Government research agencies, industry and universities is essential to meet this need, as set out in the Defence Industrial Strategy. In October 2007 Lord Sainsbury cited the MoD as an example of best practice in our efforts to promote innovation in his independent review of Science and Innovation, T*he Race to the Top: a review of Government's Science and Innovation Policies*. Both the Sainsbury Review and the Department for Innovation, University and Skills emphasised the current Grand Challenge and Competition of Ideas as effective initiatives to stimulate innovation in its supplier base. Building on the Defence Industrial Strategy commitment to achieve a better understanding of the innovation process within the Defence supply chain we have developed an Innovation Strategy jointly with industry. This was published in December 2007, identifying the main challenges to innovation in delivery of Defence capability and how we will address them. It reaffirms our best practice towards innovation, in line with wider strategies on science, innovation and enterprise as set out in March 2008 by the Department for Innovation, Universities and Skills in its White Paper *Innovation Nation*, and by the Department for Business, Enterprise and Regulatory Reform in its supplementary paper to the Budget *Enterprise: unlocking the UK's talent*.

177. In May 2008 we opened the new Centre for Defence Enterprise. This is a new initiative, modelled on commercial science parks and incubators, bringing together inventors,

investors, entrepreneurs, and academics to develop new technologies and turn ideas into cutting edge reality for front line military operations. Based in Harwell in Oxfordshire, within the Oxford-London-Cambridge 'Golden Triangle' for private investors, the centre takes forward commitments in the Defence Industrial Strategy and the Defence Technology Strategy to engage with a wider supplier base. Building on the success of the Grand Challenge and Competition of Ideas, it will seek to stimulate wider entrepreneurial interest in the Defence sector through regular seminars on what we are looking for, and look for innovative proposals. The best will be taken forward as research contracts to produce the next generation of military equipment and technology.

Research

178. In October 2007 we published *Maximising Defence Capability through Research and Development*, the report of a year long review into the efficiency, effectiveness, quality and exploitation of the MoD's annual £2.6Bn research and development expenditure building on the review of the research programme in 2005-06 *Maximising Benefit from Defence Research*. A review team investigated activity in sixteen of the largest research and development spending Integrated Project Teams and a random sample of over a hundred other research and development contracts across all Defence Equipment and Support. External experts provided independent and objective assessment. The report set out a rigorous, impartial and in-depth review of our research and development activities. Its key messages were that overall MoD's research and development worked well in terms of individual projects and outcomes; research and development quality and effectiveness scored highly. But there was scope to improve data capture, communication and dissemination of research and development outcomes, and provide a sharper focus on exploitation. It also concluded that there would be potential benefits from managing research and development as a whole, particularly an increased focus on planning across technology sectors and groupings. The report made a number of recommendations on the definition, management and exploitation of research and development. In particular the new Defence Research and Development Board established under the Defence Acquisition Change Programme (see paragraphs 194 to 195 under *Change)* should develop a clear strategic focus and unity of purpose across MoD's research and development community. This would help manage both research and development as a whole and thus maximise the benefits of research and development investment. Implementation of the recommendations is being taken forward under the Defence Acquisition Change Programme, overseen by the Research and Development Board.

Trojan Armoured Vehicle

179. Following this review, the Research and Development Board was tasked to develop a unified purpose and management approach for Defence Research and Development. Its strategic direction and priorities are to agree the high level science and technology plan and technology priorities that capture Defence needs and guide our research and development investment; provide strategic oversight and direction on cross cutting research and development and systems engineering work; align research and development work with Defence Strategic Guidance, the Defence Industrial Strategy, the Defence Technology Strategy, and technology priorities and capability plans; make sure that all our research and development needs for a wide range of customers are taken into account in planning and execution; and provide the strategic customer priorities for Dstl's work to inform its key targets and provide a clear customer review of Dstl capability plans.

180. During the year we placed £531M of research contracts (£498M in 2006-07). This included:

- The Integrated Battlefield Support System research programme seeks to reduce logistics and environmental costs by taking solid and liquid waste from a Temporary Deployed Accommodation camp and converting it into ash and enough potable water for self sufficiency. The original programme to build, test and demonstrate the system, completed in February 2007, was highly successful. We are now exploring how best to exploit it both in the short and longer term. There has also been interest from NATO;

- A nautical version of "cat's eyes" developed by defence scientists to mark and find underwater locations could also be used to locate high value assets, such as oil fields or transatlantic cables, and help to avoid dolphins and whales being caught up in fishing nets. Sea trials successfully demonstrated that they reflect back a tuned signal, revealing their location to sonar systems. They do not require a battery, eliminating battery replacement costs, and as a passive system that only sends a signal when sonar tries to identify, will minimise environmental ocean "noise";

- Super Bainite is an experimental high performance armour steel developed by Dstl in collaboration with Cambridge University and QinetiQ. Unlike conventional steels, the composition of Super Bainite was derived from first principles using thermodynamic modelling techniques, allowing its processing, properties and cost to be optimised in months rather than years. It develops its properties by the new, low temperature mechanism of isothermal hardening, which enables ultra-high levels of hardness to be achieved without expensive alloying additions. Following successful industrial production trials, the first armour plates of Super Bainite have been manufactured and are now being used in ballistic testing;

- The Hybrid Electric Demonstrator investigated and demonstrated the potential benefits of hybrid electric drive for military vehicles. The programme developed and validated a prediction model to aid the design and provide an assessment capability for future platform concepts. The Hybrid Simulation code allows comparison of hybrid drives with conventional mechanical systems. As demonstrated in a recent trial, the benefits of hybrid electric drive include potential for significant improvements in fuel consumption and mobility.

IT programme improving military medical care

Defence Technology Plan

181. In November 2007 we announced the development of a Defence Technology Plan to be fully up and running by late 2008. This is taking forward the Defence Technology Strategy published in November 2006 into a costed, balanced and prioritised plan that clearly expresses the Department's research and development programme. The Defence Technology Plan will thus provide clear direction to the research and development community, allowing industry and academia better to direct investment in Defence science and technology. It will provide clarity and coherence to the research programme starting with research goals based on capability requirements, and showing how research and development will meet them. We are developing the plan in consultation with the wider stakeholder community. It will have a dynamic online format, allowing regular updates when necessary.

Alignment with Defence Needs

182. The Defence Technology Strategy stated that the changing threat can often be driven by advances in science and technology. To address this we must therefore monitor science and technology developments, target research at areas of relevance, and develop innovative new ways of meeting our defence capability requirements. The Department has a number of initiatives, such as the Defence Technology Centres and Towers of Excellence, aimed at developing a better understanding of the critical capabilities we require and the ways in which they can be most effectively delivered. These are alternative partnering approaches jointly funded by MoD and industry. Building on them we have established the International Technology Alliance and the Innovation and Technology Partnership, which represent a major step in international cooperation and collaborations between governments, industry and academia:

- The International Technology Alliance was established by the MoD and the US Army Research Laboratory in 2006. It aims to improve interoperability and situational awareness to increase Armed Forces operational efficiency through research into network theory, security across systems, sensor information processing and delivery, and distributed coalition planning and decision making;

- The Innovation and Technology Partnership was agreed between the United Kingdom and France in December 2007. It covers underpinning missile technology such as airframe, propulsion, sensors and materials. The Partnership aims to build the technological base and understanding required to consolidate a future European guided weapon capability.

Supplier Management

183. In November 2007 the Department staged its annual 'Suppliers day'. This has become a major event in the Defence Research calendar as we have increased the use of open competition in our research programme. Its aim is to ensure that our supplier base is better informed and more engaged in the research programme. Interest and attendance have grown since 2004, and the 2007 event attracted around 550 representatives of major defence companies, Small and Medium sized Enterprises, and academia, the majority judging the day to be valuable and informative.

Further Sources of Information

184. Additional information on Future Capabilities is available from Annex I.

Delivering Future Capabilities

In our White Papers on *Delivering Security in a Changing World* in December 2003 and on *Future Capabilities* in July 2004 we set out the implications of the future security environment for Defence, and how we intended to create a more sustainable and affordable force structure better to meet the operational requirements. In particular we set out the need for flexible and adaptable Armed Forces properly supported to carry out the most likely expeditionary operations. The 2004 Spending Review allocated the resources for taking this forward to March 2008. Four years on we have successfully delivered the majority of this programme, and in some areas gone further. At the same time we have sustained the continuing operations in Iraq and Afghanistan, and supported continued stabilisation of the Balkans, at a level significantly higher than that envisaged at the time.

Force Structure Changes

Operations: In addition to the force structure and equipment goals set out in the *Future Capabilities* White Paper, we have delivered vital increases in the Armed Forces capability in both Iraq and Afghanistan through Urgent Operational Requirements. This includes Mastiff, Bulldog and Viking vehicles and Osprey Body Armour. These have been funded by the Treasury Reserve in addition to the resources provided through the core Defence Budget.

Network Enabled Capability: Increasing use of network enabled capability is key to the battle winning capability of the Armed Forces, and we have made substantial progress in delivering the high capacity network required to exploit this. Our strategic communications have been substantially improved with the launch of three new generation Skynet 5 communication satellites. We have brought the Cormorant command system into service, continued incrementally to roll out the Bowman tactical communications system across the Army, and made significant progress on development and manufacture of the Falcon battlefield communications network. We have also introduced into service and increased our use of Unmanned Aerial Vehicles, significantly increasing our intelligence gathering capability on operations. These and other improvements have enabled UK forces to become more effective through the exploitation and sharing of information both nationally and with our allies.

Special Forces: We have increased the strength and capability of the Special Forces, including establishing the new Special Reconnaissance Regiment in 2005, and the Special Forces Support Group in 2006.

Maritime: We have made significant progress towards the versatile, expeditionary maritime capability envisaged in *Future Capabilities* White Paper. The Carrier Strike programme continued to advance; in May 2008 we announced that we would proceed with the new aircraft carriers, and the first Short Take-Off and Vertical Landing variant of the Joint Strike Fighter was rolled out in December 2007. We completed the modernisation of the amphibious fleet with the entry into service of HMS Bulwark, the second amphibious assault ship, and the four new Bay class landing ships. The requirements of modern naval warfare, the reduced conventional threat, the increased use of networked enabled capability and more multinational operations have enabled the Navy to retire three of its older Type 42 Destroyers, three Type 23 Frigates and six minehunters. The remaining Type 42s are being withdrawn over the coming years to be replaced by six Type 45 Destroyers, which offer far greater capability to counter modern threats. Three have so far been launched. We are also beginning to scope our requirement for the next generation of surface combatant to replace the Type 23s. We continued to build our next generation of submarines to the current fleet submarines, with the first of class, Astute, launched in 2007. We also began the process of replacing the current Vanguard class of ballistic missile submarines as part of the work required to maintain our strategic nuclear deterrent.

Land: The White Paper set out the need to rebalance Land forces so that they were better structured and equipped to conduct the full range of military tasks. Four years on, we have completed implementation of the Future Army Structure, which was designed to introduce a better balance between heavy, medium and light forces, and its principles have been validated against the intense operational requirements that the Army has faced. The Army has implemented a number of further measures to provide capabilities required in specific theatres and to share the operational load more equitably. This has included the temporary creation of additional headquarters and re-roling of certain units, and enabled the introduction of a number of the new capabilities required for the current operating environment. The reduction of Infantry battalions from 40 to 36 in parallel with normalisation in Northern Ireland enabled an increase in posts in key enabling functions, such as logistics, engineering and communications, making the force structure more robust and flexible. The new structure and basing strategy increased the availability of battalions for operations and provided greater stability for soldiers and their families. The creation of multi-battalion regiments under the Future Infantry Structure has facilitated transfer of individual soldiers between units but within their regiment, maximising their scope to develop their skills and careers while retaining the regimental identity critical to the Army's ethos and fighting effectiveness. The Army has also benefited from new equipment, much of it proving its worth in Iraq and Afghanistan. The Javelin missile and the Guided Multiple Launch Rocket System have proved extremely useful in theatre, and a major step forward in capability was achieved with the deployment of the Apache Attack Helicopter to Afghanistan, where its firepower, surveillance, and target acquisition, combined with its performance and flexibility, have made it a battle winning asset. Soldiers on the ground are also now better equipped than they have ever been. In the last few years we have doubled the firepower of an (eight man) infantry section, and in June 2008 the commander of 16 Air Assault Brigade in Helmand said "I doubt whether the British Army has ever put a brigade into the field as well equipped as 16 Brigade and it continues to improve with each deployment. The next brigade will probably be even better equipped."

Air The major change in the Royal Air Force over the last four years has been the progressive introduction of the Typhoon, which is now providing the Quick Reaction Alert Force in the Southern United Kingdom and was also declared operational in the air-to-ground role in July 2008. We have upgraded the Harrier Force. We have substantially upgraded our air launched munitions capability over the period, introducing Storm Shadow long range cruise missiles, completing delivery of ASRAAM air-to-air missiles, and achieving full operational capability of Brimstone anti-armour weapons. This increases the operational effect we can deliver with the aircraft we have, The Meteor medium range air-to-air missile programme has also made significant progress. These increases in capability have been a major factor in enabling the withdrawal of Jaguar from service, with the last squadron disbanding in April 2007. We also placed contracts for Hawk 128 Advanced Jet Trainers, and for six new Merlin helicopters and the conversion of eight Chinook Mk3 helicopters in 2007 to the battlefield support role.

Strategic Enablers and Logistics: We have made improvements to the management of the supply chain, including a range of measures to improve confidence in delivery, better planning procedures, and wider use of logistics information systems. These have contributed to a more effective and efficient joint supply chain which enables commanders to receive the equipment and stores that they require within the time frame requested. We have also made a substantial investment in our transport, strategic lift and tanker capability. We have procured two further C17 Globemaster aircraft in addition to the four envisaged in 2004 and we signed the £13Bn PFI contract for a fleet of new Air Transport and Refuelling Airbus A330-200s to replace the RAF's TriStar and VC-10 aircraft in March 2008.

Reserves: The Reserve Forces have played an integral part in operations over the last four years, closely integrated with their regular counterparts. In order to ensure that we continue to get the best out of our Reservists, that their training and other opportunities are as good as they can be, and that they are structured and equipped to deliver the capability Defence needs, we launched a Strategic Review of Reserve Forces in April 2008.

Organisation and Efficiency

Efficiency: In the 2004 Spending Review we committed to achieving at least £2.8Bn efficiency improvements by April 2008. The force structure changes set out in the *Future Capabilities* White Paper have delivered some £1.3Bn over the period. Other organisational and business changes set out at the same time have delivered some £1.8Bn, for a total achievement of some £3.1Bn, and enabling reductions of well over 20,000 military and civilian posts. This has included rationalisation and simplification of the command and headquarters arrangements for all three Services, transformation of our logistics support arrangements, the creation of the integrated Defence Equipment and Support (DE&S) organisation under the Defence Acquisition Change Programme, modernisation of the military and civilian personnel systems, incremental introduction of a single, coherent Defence Information Infrastructure, and a very substantial programme of estate rationalisation and relocation. This process of organisational transformation continues, including through the Head Office Streamlining programme and the DE&S PACE programme. We are committed to generating net-cash releasing savings of £2.7Bn by April 2011 in the 2007 Comprehensive Spending Review.

Conclusion

We have delivered, and in some cases exceeded, almost all of the force structure changes and enhancements set out in the 2004 *Future Capabilities* White Paper. These have enabled the continued improvement of the Armed Forces' flexibility, jointery, and military effectiveness, and helped deliver real results on the ground in Iraq and Afghanistan. We have also driven forward a continuing programme of organisational transformation and efficiency going well beyond what was envisaged at that time. And we have done all this while supporting the most demanding level of operations the Armed Forces have sustained for over a generation.

Change

Objective: Develop flexible and efficient organisations, processes and behaviour to support the Armed Forces.

Assessment and Performance Measures

Assessment: We took forward a large and stretching programme of organisational and process change over the year, affecting all parts of Defence. We made significant progress in implementing the recommendations of the Capability Review, including launching the Head Office Streamlining programme and establishing a new Board structure. Work under the Defence Industrial Strategy continued to deliver improved arrangements with industry, and we continued working on an updated version of the Strategy, although it was not possible to complete this during the year. The establishment of the new Defence Equipment and Support organisation, and associated changes, completed the major structural, organisational and process changes called for under the Defence Acquisition Change Programme, although there is a lot yet to do to bed these down. The Defence Change Portfolio continued to take forward major changes to the way we do business across Defence. It delivered efficiencies of £1.6Bn to £1.7Bn over the 2004 Spending Review Period, overachieving by some 15-20% against its target.

Deliver the Capability Review Implementation Plan:

- On track to deliver significant improvements in our operating model, including new the Strategy Director post, and streamlining our structures and processes;
- Simplified and clarified new Board structure established, including a Defence Board and Defence Operating Board. Continuing Defence Board improvement programme;
- Launched Head Office Streamlining programme;
- Supported Cabinet Office in development of National Security Strategy, and taking forward action plan to address perceived insularity.

Deliver the Defence Industrial Strategy and Defence Acquisition Change Programme:

- Continued progress in transforming relationship with defence industry;
- Work continued on updated version of Defence Industrial Strategy;
- Establishment of unified Defence Equipment and Support organisation in April 2007;
- Introduction of new Departmental Planning Process and Through Life Capability Management;
- Introduction of revised, streamlined scrutiny and approvals process;
- Major continuing acquisition upskilling programme.

Deliver the Defence Change Portfolio:

- Continuing successful delivery of Portfolio;
- Overall efficiency delivery of £1.6Bn to £1.7Bn over 2004 Spending Review Period, against target of around £1.4Bn.

185. In order to meet the operational challenges of the future, we must transform Defence to provide more versatile and flexible Armed Forces with a supporting Defence organisation that is as efficient as possible. Doing things more effectively and efficiently is vital to the conduct of our current and future tasks. Savings achieved through change will be used to provide greater front line capability than would otherwise be possible. Successful change is therefore essential to delivering more flexible and effective Armed Forces for the Future. In addition to the Service transformation programmes (see paragraphs 158 to 164 under *Future Capabilities*) the Department has comprehensive change programmes that extend right across the organisation and affect every employee. These include our programmes to implement the findings of the March 2007 Capability Review, the November 2005 Defence Industrial Strategy, and the pre-existing Defence Change Programme. Elements of these also contribute to the Department's 2004 Spending Review Efficiency programme (see paragraph 365 under *Finance and Efficiency*).

PUS and CDS launch stage 2 of Streamlining

Capability Review Implementation Plan

186. The Capability Review of the MoD was published in March 2007. This was an external review of the Department's ability to deliver now and in the future, carried out as part of the wider Civil Service Capability Review Programme. It assessed the Department (as a Department of State, but not its role as the United Kingdom's strategic military headquarters) against a model of capability covering leadership, delivery and strategy. Of the ten elements in the model of capability the Department's capability for future delivery was assessed as 'strong' or 'well placed' in those for 'focus on outcomes', 'ignite passion, pace and drive', 'take responsibility for leading delivery and change' and 'base choices on evidence'. The elements for 'build capability', 'build common purpose', 'plan, resource and prioritise' and 'manage performance' were assessed as a 'development areas'. The elements for 'set direction' and 'develop clear roles, responsibilities and business model(s)' were assessed as 'urgent development areas'. There were no areas of 'serious concern'. Overall we came out of the Review as one of the stronger departments. The review team was impressed by the work the MoD is doing at all levels to respond to the challenging demands of supporting operations. It applauded the integration of the three Services and our civilian workforce. It also commented positively on the Department's existing change programmes, and on the far-reaching changes to improve acquisition skills and performance. However, the report identified some significant challenges. The Department is taking forward a two-year implementation plan to address these, following which there will be a further external review in 2009.

Top Level Leadership

187. There has also been improved focus on leadership and management behaviours. We have established a new Board structure, including a Defence Board and Defence Operating Board, focused on managing performance and providing direction, and the Defence Board continues to work on its own Board improvement programme. Below the Board the Head Office will be led by 3-star and 2-star officials with clear responsibility and authority to make recommendations to the

Board. We have created the new post of Strategy Director. Work on a Departmental Strategy document was delayed pending the outcome of the National Security Strategy and Planning Round 08.

Simplified Departmental Operating Model

188. We are on track to deliver significant improvements in terms of clarifying our operating model and streamlining our structures and processes. The Streamlining programme (see Essay on page 121) is the vehicle for clarifying and simplifying the way the Department operates, and for achieving an efficient Head Office focused on strategic tasks. A new Defence Framework Document in July 2008 sets out the top level roles, responsibilities and authorities, and includes both how the Head Office business units work together and a clearer definition of the boundary between what the Head Office and other parts of Defence should do. The programme has been assessed by the Office of Government Commerce as on track to deliver reductions of around 300 military and 1,000 civilian posts by April 2010, subject to addressing cultural and behavioural aspects. These are being specifically tackled as an integral part of the programme, and staff have been directly involved in the process of re-shaping the way we are structured and the way we work.

Engagement with other Government Departments

189. We supported the Cabinet Office in its development of the first UK National Security Strategy. The Department works with a wide range of other departments (see paragraph 104 under *Defence in the Wider Community*), and we are taking forward an action plan to address the Department's perceived insularity. We have actively facilitated inward secondments, and work is in hand to scope the realignment of the MoD's senior civilian post titles with the rest of Whitehall.

Implementation of Defence Industrial Strategy

190. The Department continued to take forward a major programme to implement the Defence Industrial Strategy, particularly through the Defence Acquisition Change Programme (see paragraphs 194-195 below).

Skills and Workforce

191. We have been taking forward a variety of measures to further embed a culture of people management (see paragraph 334 under *People*). Line managers' responsibilities for managing their staff have been reinforced, with an emphasis on delivery and performance management. Acquisition upskilling programmes are underway (see paragraph 330 under *People*), and work is in hand on succession planning and developing a skills strategy (see paragraph 212 under *Future Personnel).*

Defence Industrial Strategy

192. The Defence Industrial Strategy (DIS), published in 2005, set the framework for a better relationship between MoD and industry and underpins all of our acquisition activity. It is helping to deliver the capability that the Armed Forces require both now and in the future at best value for money. It is also promoting a sustainable defence industrial base that maintains within the UK those industrial capabilities needed to ensure national security. Progress in transforming our relationship with industry during the year included:

- The announcement of the plans for two new aircraft carriers, and the parallel announcement by BAES and VT of their intention to form a naval shipbuilding and support Joint Venture to deliver the necessary infrastructure to support the fleet in the future;
- Progress towards both a collaborative agreement between MoD and industry in the submarine sector and a long-term partnering agreement in the fixed wing sector;
- Consolidation of existing partnering agreements in the Armoured Vehicles and helicopter sectors;
- Announcement of the preferred bidder for transfer of responsibility for operation of the Defence Aviation Repair Agency Rotary Wing and Components businesses (see paragraph 234 under *Equipment and Support*); and
- Establishment of the pilot Centre for Defence Enterprise (see paragraph 177 under *Future Capabilities*).

Preferred bidder for DARA rotary wing business announced

193. A good deal has now moved on since the original publication of the Defence Industrial Strategy, much of this as a result of the strategy itself. It is important that it remain relevant and up to date, driving the way MoD and industry work together to deliver the needs of our Armed Forces. We are therefore working on an updated version, DIS v2.0. This will set out the way forward, building on the successes of the original strategy, reflecting the outcome of Planning Round 08 and the current examination of the equipment programme (see paragraph 182 under *Future Capabilities*), and addressing the emerging issues. Its publication will be aligned with the decisions required to produce a clear strategy.

Defence Acquisition Change Programme

194. The Defence Acquisition Change Programme (DACP) is a single coherent acquisition reform programme that was initiated to deliver aspects of the cultural, behavioural, procedural and organisational change that was identified in the Defence Industrial Strategy and the recommendations of the Enabling Acquisition Change report. The report, published in July 2006, recommended that the Department improve its internal structures and processes to enable it to deliver Through Life Capability Management. The major structural, organisational and process changes that were required under the DACP have been implemented:

- The unified Defence Equipment and Support organisation (DE&S) was successfully established in April 2007 out of the former Defence Procurement Agency and Defence Logistics Organisation, and progress was made towards consolidation;

- A new Departmental Planning Process was used in Planning Round 08. The responsibility for programming equipment support costs transferred to the Sponsor (The equipment capability customer) and to the Front Line command. This aligned programming responsibility with the organisations that are ultimately responsible for delivering coherent future equipment capability (the Sponsor) and for integrating the Defence Lines of Development to deliver military capability (the User). Equipment support resources are planned in detail over ten years; the responsibility to programme years one to four has been transferred to the Front Line Commands and the Sponsor programmes the costs of support of all new equipment and for in-service equipment over years five to ten;

- We have introduced Through Life Capability Management, which considers a much wider range of options for meeting new capability needs, examining both new and in-service equipment solutions, exploring opportunities and implications across all Defence Lines of Development, while considering capability delivery on a much longer term programme basis. Success in finding the best capability solution demands a greater unity of purpose and collective responsibility from all involved, often beyond their specific areas of financial or programme responsibility. This activity is led by the Sponsor through an improved capability planning process. A new Capability Management Group and Capability Planning Group regime is in operation, using consistent processes and structures. Each group brings together key MoD stakeholders. Through Life Capability Management was established in April 2007 and has been embedded throughout the year;

- A revised, streamlined scrutiny and approvals process has been developed and is being applied progressively to projects. The new process builds on best practice and introduces a new Central Scrutiny and Approvals Staff team, consisting of representatives from all scrutiny branches. These teams will facilitate a more co-ordinated approach to scrutiny and, through

engagement with Directorate of Equipment Capability and Integrated Project Team staff, help to ensure that there is clarity on the information required at each decision point;

- The Defence Commercial Director appointed in June 2006 has been taking forward good commercial practice in line with the DIS priorities; and

- An acquisition skills strategy is being implemented through the DACP Upskilling programme (see paragraph 330 under *People*). Training in key skill areas is being delivered by the Defence Academy through a range of blended learning; e-learning and distance learning, classroom learning and workshops, and professional examinations. The Defence Values for Acquisition are being reflected in the annual objectives of people across the acquisition community, and work is underway to develop arrangements to link the payment of annual bonuses to demonstration of these behaviours. We have established a programme of audits to monitor the behaviours of key acquisition individuals and groups and, through the identification of good practice and highlighting of deficiencies, we will continue to embed the behavioural changes and instil the changes necessary to deliver more effective and agile acquisition. These behavioural changes will only deliver the more constructive, less adversarial relationships with industry if they are matched by similar behavioural changes within industry, and industry engagement is being led by the Human Resources Sub-Group of the National Defence Industries Council.

195. We are working to embed the changes already effected into normal Departmental business. We are also working with industry, primarily but not exclusively through the National Defence Industries Council Sub-Groups, to make progress towards a defence acquisition system that is more responsive to the requirements of the front line and provides better value for money for the taxpayer, while reducing costs for industry. New, challenging objectives have been agreed to build upon the good work done to date, focused on delivery of an affordable equipment and support plan, reducing uncertainty for MoD and industry. This is a key enabler, alongside process improvement and the development of alternative approaches to acquisition, to the achievement of a significant reduction in acquisition cycle times. The objective is to halve the time it takes from Main Gate to delivery of capability to the front line. The process improvement necessary to achieve this would reduce the cost of doing business for both parties. We are formulating guidance to help procurement decision making using appropriate acquisition approaches, such as buying equipment incrementally with the facility to add in new technology as it becomes available through Research and Development advances. The programme will also ensure that all parts of the acquisition system have access to the information they need and will develop robust metrics for managing acquisition performance. DACP also includes the DE&S PACE change programme (see paragraph 218 *Equipment and Support*).

Key Supplier Management

196. The Key Supplier Management process introduced in 2004 has continued to mature and deliver real benefit by providing a structured focus on performance, a coherent platform for strategic engagement and improved mutual understanding between MoD and a number of its most important suppliers. A two-way, perception-based, performance review conducted annually with Key Suppliers is showing a steady and continuing trend of improvement with an overall increase of 12.5% in supplier performance scores since the process began. In addition, by maintaining a coordinated view of the whole portfolio of business with the most important suppliers, the Department is able to adopt a more informed and coherent approach to commercial negotiations, planning and decision-making. We recognise that companies operating at lower tiers of the contracting chain can often be vital to the delivery of military capability and that, as an intelligent customer of the defence industry, we need to increase our visibility and understanding of the whole supply network supporting each military capability area. We are therefore engaging with the Society of British Aerospace Companies 21st Century Supply Chains initiative to improve the efficiency, responsiveness and competitiveness of the industry as a whole.

Defence Change Portfolio

197. The purpose of the Defence Change Portfolio, launched in 2002, is to modernise the MoD's business processes to improve efficiency and effectiveness, thus maximising our investment in front line capability. It joins up the major change programmes across Defence to produce a single coherent portfolio of change programmes. It ensures that each change initiative is worthwhile and delivers the expected benefits through robust governance and plans. The Second Permanent Under Secretary leads and oversees the Change Portfolio on behalf of the Defence Board as the Senior Responsible Owner for the Defence Change Portfolio. Rigorous governance structures are in place, with a particular emphasis on risks and benefits, and performance is reported quarterly to the Board through the Defence Balanced Scorecard. Each programme within the Defence Change Portfolio has a Senior Responsible Owner who is personally accountable to the Board for maximising the delivery of benefits and reporting regularly to the programme's sponsoring Minister. They are individually supported and challenged in this by the Change Delivery Group, which from April 2008 has been absorbed within the Defence Operating Board. The portfolio is formally assessed twice yearly, and manages cross-cutting issues such as common risks and interdependencies, and loading and capacity issues. The programme has been supported by investment from the Defence Modernisation Fund, a ring-fenced sum worth some £1Bn over the three years of the 2004 Spending Review period. £319M was invested in 2007-08, with total investment over the period of £923M. Eleven of the change programmes (marked 'E' in Table 3 below) have also delivered between £1,624M and £1,714M against our 2004 Spending Review Efficiency targets (see paragraph 365 under *Finance and Efficiency*). This represented around 50% of our efficiency achievement; and an over achievement against the change programme's target of around £1.4Bn.

Table 3: Defence Change Portfolio

Infrastructure	Acquisition	People	Management and Organisational
Defence Information Infrastructure (E) (Para 169)	Defence Logistics Transformation (E) (Para 233)	Joint Personnel Administration (E) (Paras 206-207)	Streamlining (Para 121)
Estates Modernisation (E) (Paras 380-390)	Whole Fleet Management (E) (Para 365)	People Programme (E) (Para 211)	FLEET Transformation (Para 158)
Defence e-Commerce (E) (Para 198)	Defence Travel Modernisation (E) (Para 198)	Defence Training Review Transformation (Para 297)	Single Army Headquarters (E) (HYPERION) (Para 159)
	Defence Acquisition Change Programme (Para 218)	Defence Health Change Programme (E) (Para 197)	Single RAF Headquarters (E) (Para 163)
		UK Military Flying Training System (Para 170)	Defence Intelligence Modernisation Programme (Para 198)
		Defence Individual Training Management (Para 198)	Joint Helicopter Command Rationalisation (BELVEDERE) (Para 400)
			Germany Basing (BORONA) (Para 400)

198. The Defence Change Portfolio represents a long term commitment to improved delivery. The portfolio is dynamic; new programmes are brought in as needed to benefit from the strong central direction and mature programmes which have achieved their outcomes are graduated from the portfolio. The Streamlining Programme (see Essay on page 121) and the Defence Acquisition Change Programme (see paragraph 197 above) were added to the portfolio in the last quarter of 2007-08. Following the end of the 2004 Spending Review period, we expect a number of the current 20 programmes to graduate from the portfolio. Their benefits will be then sustained within normal business. The portfolio is subdivided up under the four main headings of Departmental Infrastructure, People, Acquisition, and Management and Organisation.

Departmental Infrastructure

- The **Defence Information Infrastructure** programme is replacing 300 diverse information systems across 2,000 locations worldwide (see paragraph 169 under *Future Capabilities*). It is a critical enabler for other change programmes;

- **Estates Modernisation** is rationalising the estate, achieving efficiencies through Regional Prime Contracting, improving estate condition and building new single living accommodation (see paragraphs 380-390 under *Estate);*

- The **Defence Electronic Commerce Service** seeks to enable MoD and industry to achieve efficiency savings and improve capabilities through the delivery of application services and guidance on best commercial practice. The investments to improve the Departments ePurchasing and e-Commerce services started to deliver solid results in the last year. A significant number of online catalogues are now available including the IT catalogue, which is mandated as the only IT purchasing channel, and the Stationary and Office Solutions catalogue. Early direct financial benefits are being realised with £750,000 of new benefits in the second half of 2007-08. This should grow significantly over the next twelve months as the service is adopted more widely across the Department. Other initiatives in progress aim to enable defence personnel to access their self-service HR administration applications, HRMS and JPA, from other government departments' systems and from the internet.

People

- **Joint Personnel Administration** is harmonising and simplifying the management of personnel across the Armed Forces through the implementation of a single system (see paragraphs 206-209 under *Future Personnel*);

- The **People Programme** is modernising Human Resource practices for MoD civilian staff, and Civilian Human Resource services are being provided corporately by the People Pay and Pensions Agency (see paragraphs 210-211 under *Future Personnel*);

- The **Defence Training Review Transformation** project aims to provide modern, flexible and responsive specialist individual training by modernising training delivery and facilities, utilising new technologies and innovative approaches to learning, on a reduced training estate. (see paragraph 297 under *People* and 391 under *Estate*)

- The **Defence Health Change Programme** aims to increase deployable operational capability through four main "cornerstones": increasing recruitment and retention of Defence Medical Services personnel; implementing a comprehensive healthcare system; promoting healthier lifestyles in the Armed Forces; and managing and motivating Defence Medical Services staff more successfully*;*

- The **UK Military Flying Training System** is replacing the present flying training arrangements with one tri-Service programme for the entire front line, from fast jet pilots and weapon system officers to helicopter and multi-engine pilots, to rear-crew disciplines (see paragraph 170 under *Future Capabilities* and 298 under *People*);

- **Defence Individual Training Management** is harmonising the individual training processes across the three Services, supported by the replacement of legacy management information by a new tri-Service system. The programme has changed as its former recruiting requirement is now being met by the Army-led Recruiting Partnership Project. Defence Individual Training Management passed its Initial Gate in March 2008 and has now started the Invitation To Participate in Dialogue procurement route with industry.

Acquisition Processes

- The **Defence Logistics Transformation** programme is designed to deliver better logistic support to the front line through improving effectiveness, efficiency and flexibility (see paragraph 233 under *Equipment and Support)*;

- **Whole Fleet Management** ensures the better management of the Defence vehicle fleet and facilitates the training of force elements on future reduced fleets; introducing a modern fleet management system across all Services. It has continued to deliver efficiencies, mainly through reduced spares consumption and battery use, improved management of the vehicle fleet and productive time efficiencies;

- **Defence Travel Modernisation** will improve the effectiveness of the travel process for the user and deliver efficiencies in costs (see paragraph 365 under *Finance and Efficiency*);

- The **Defence Acquisition Change Programme** continued to deliver the internal cultural, behavioural, procedural and organisational changes set out in the Enabling Acquisition Change report (see paragraphs 194-195 above);

Management and Organisational processes

- **FLEET Transformation** is a coordinated programme to reduce overheads and increase efficiency throughout the Front Line Command through a wide range of tools including a review of the Navy's Estate Footprint, manpower reductions and the application of LEAN[1] techniques (see paragraph 158 under *Future Capabilities*);

- The programme to establish a **single Army Headquarters** (**Project HYPERION**) will produce a more effective integrated headquarters, a modern working environment, improve staff morale and enable more effective working. A single Army headquarters was established in April 2008 (see paragraph 159 under *Future Capabilities* and 400 under *Estate*);

- The **Single RAF Headquarters** project has merged the two former RAF headquarters, HQ Strike Command and HQ Personnel and training Command, to deliver the RAF's outputs more effectively and efficiently; benefits include estate rationalisation and improving ways of working (see paragraph 163 under *Future Capabilities*);

- The **Defence Intelligence Modernisation Programme** is creating a single coordinated programme covering existing information system enabled business change, estate modernisation and cultural change programmes. The programme made significant progress during the period. An Invitation To Tender for the relocation of key Defence Intelligence Staff units to Wyton was issued in July 2007 and received a positive response, and a number of IT systems upgrades were completed, particularly in the area of geospatial intelligence production and dissemination, including some under Urgent Operational Requirements to support current operations;

- **Joint Helicopter Command Rationalisation (Project BELVEDERE)** will rationalise the Joint Helicopter Command's airfield estate, reducing its footprint and running costs and delivering the optimum balance between operational effectiveness, affordability and value for money and the impact on personnel (see paragraph 400 under *Estate*);

- The **Germany Basing** (**BORONA) Programme** will implement endorsed plans for the re-location of soldiers, and their families, to the UK, taking advantage of estate opportunities arising from estate rationalisation programmes and thus implementing the endorsed Super Garrison Policy (see paragraph 400 under *Estate*);

1 LEAN is a management philosophy focussing on "dramatically improving flow in the value stream and eliminating waste".

- The **Streamlining Programme** is the vehicle for clarifying and simplifying the way the Department operates, and for achieving an efficient Head Office focused on strategic tasks (see Essay on page 121);

- Although not formally part of the Defence Change Portfolio, the DE&S PACE programme launched in March 2008 will exploit the efficiencies created by the integration of procurement and support to achieve faster, more effective delivery to the front line (see paragraph 218 under *Equipment and Support*).

Further Sources of Information

199. Additional information on Change can be found at Annex I.

Streamlining the Head Office

An important part of the Ministry of Defence's follow up to the Capability Review, conducted under the auspices of the Cabinet Secretary in early 2007, was to clarify and simplify the Department's operating model, establishing greater clarity about roles and responsibilities, an effective top-level governance structure and a leaner and more focussed head office. In October 2007 the Permanent Secretary and Chief of the Defence Staff announced the Defence Board's decisions on how to take forward what has become known as the Streamlining Programme. The programme of work included:

- an overhaul of the Department's top board structure;
- making the Chiefs of the Naval, General and Air Staff financially accountable for their Services;
- introducing greater clarity about roles and responsibilities at a senior level with a view to reducing bureaucracy; and
- reducing the size of the head office by 25 per cent by March 2010.

Streamlining is about producing high-priority Defence outputs as efficiently as possible. Its aim is swifter decision making, based on clearer roles and responsibilities, clearer accountability and elimination of over briefing and unnecessary or duplicated staff work. Senior stafff are expected to set the example. The details of some of the changes we are making will be the subject of consultation later in the summer, but a number have already been settled:

- **Governance.** The new Board structure is now in place, with an emphasis on quicker and longer-term decision-making. The Defence Board and Chiefs of Staff Committee are supported by the Defence Operating Board, with VCDS and 2nd PUS sharing the mantle of Joint Chief Operating Officer. In this capacity they are charged with ensuring that decisions of the Board are implemented and deciding how to resolve differences within the organisation;
- **Strategy.** One of Streamlining's key aims is to improve the Department's strategic decision-making and enable the Board to deliver stronger and clearer top-level direction to the Department, directly linked to defence planning and risk management. A new position of Strategy Director has been established to support the Defence Board in developing a single, authoritative Departmental Strategy underpinned by a taut and coherent Plan. The Departmental Strategy will set out the Defence Board's overall direction to the Department. Flowing from the Government's National Security Strategy, it will provide a comprehensive framework from which all other internal 'strategies' and change initiatives will be

derived, thereby ensuring their mutual coherence;

- **Central Support Function.** As the first step towards creating a unified support service in the MoD's Whitehall headquarters, all business support staff were brought together under one organisation on 1 April 2008. The new service is based around a number of pillars – HR, finance, information, security and safety, and facilities management. Business process changes are being piloted and rolled out progressively during 2008-09, with a view to creating a more effective and efficient support service to the new Head Office.

- **People.** The Streamlining programme aims to create a Head Office with the right number of people of the right quality, working only on those tasks which must be carried out at the centre. To guide organisational restructuring work a Head Office Skills Framework was published in April 2008;

- **Reducing the number of London MoD buildings.** The Board decided to reduce the number of MoD central London office buildings from three to one from March 2010. By reducing to one building we will gain long-term savings in accommodation and facilities costs. It will also build on the better working practices and easier communication that the Main Building has provided since its refurbishment. As well as office space, St George's Court currently provides training facilities and business continuity space for key staff in the immediate aftermath of an event affecting Main Building. We are therefore conducting an investment appraisal to decide if we should retain space in St George's Court, or pursue alternative solutions. A decision is expected later in the summer.

Maintaining staff morale during Streamlining is of critical importance. We are closely monitoring Head Office morale as the programme is implemented. Our Continuous Attitude Survey of civilian staff shows the very strong commitment of our civilian workforce to defence, both in absolute terms and in comparison with most other large employers. But it also shows a decline in overall satisfaction with the MoD as an employer over the last two years, which may reflect the inevitable pressure and uncertainty at a time of change. We recognise that we therefore must pay particular attention to the way we manage the process of change, including consultation and communication over the next few years.

We have deliberately separated the issue of which posts we should keep, change or cut separate from the question of which individuals we will release. For those civilian staff who do not see their future within MoD, the outcome of the Early Release Scheme is expected in September 2008. For those who wish to remain within the Department or the Civil Service, but whose posts streamlining eliminates, we have retained the pan-Departmental redeployment pool arrangements successfully used to manage civil service reductions under the 2004 Spending Review Gershon efficiency programme. We are operating on the guiding principle that the financial premium for employing military staff in office posts is only justified where it produces clear benefits to Defence. We nevertheless expect the overall ratio of military to civilian posts in the future Head Office to remain broadly similar to today's. Military post reductions are being managed without redundancies, and in general we expect reductions in London-based posts to contribute to a reduction in undermanning elsewhere in the Services. This is in line with our intention that cuts in the cost of the Head Office will result in more resources being made available to the front line.

The outcome of the current phase to determine future structures, behaviours and working practices will be set out in July, with relevant aspects the subject to formal consultation. We intend to have new organisational structures in place by April 2009 and the London staff accommodated in one building by April 2010.

Future Personnel

Objective: Deliver the personnel plans to meet the needs of current and future tasks.

Assessment and Performance Measures
Assessment: There were further improvements in Service personnel terms and conditions, and we led the work to develop the cross-Government strategy on support for Service personnel, families and Veterans. We completed both the roll out of the Joint Personnel Administration System across the Armed Forces (although work to resolve significant financial and manpower accounting shortfalls continued), and the provision of all Civilian Human Resources transactional services by the People, Pay and Pensions Agency. This was a major milestone in the modernisation of our people processes and systems. The People Programme continued to drive organisational and behavioural change, and we agreed a new chapter to the Civilian Workforce Strategy setting out the priorities for the next four years.

Service Personnel Plan – develop all sources of personnel provision:
- Continuing wide ranging programme, including:
  - extensive recruitment campaigns;
  - work with ethnic minority communities and otherwise to improve diversity;
  - work to integrate Reserve personnel more effectively; and
  - work to deliver the strategy for Health.

Service Personnel Plan – deliver the Strategic Training and Education Change Programme:
- Substantial programme to improve Basic Skills and develop Training and Education provision;
- Detailed work began on development of a Defence Skills Framework.

Service Personnel Plan – develop the military personnel package:
- New committal bonus scheme;
- Significant increases in pay and allowances;
- Work on cross-Government strategy to support Service personnel, families and Veterans;
- National Recognition Study to increase public recognition of the Services.

Service Personnel Plan – develop a better understanding of people:
- Continued programme of research;
- Introduction of tri-Service Armed Forces Continuous Attitude Survey and seven-year longitudinal study.

Joint Personnel Administration
- JPA rolled out on time to Army over year, completing initial implementation;
- Continuing significant financial and manpower accounting problems during the year, generating temporary failure in financial control.

Civilian Workforce Strategy:
- All HR transactional services delivered by the People, Pay and Pensions Agency, with Service performance at or about the level required;
- Substantial programme of organisational and behavioural change being delivered through the People Programme;
- Development and approval of new chapter to Civilian Workforce Strategy, setting out key priorities through to 2012.

200. Future operations will continue to be manpower intensive, and require high levels of competence and discipline. Both Service and civilian personnel will need to be adaptable and flexible to meet changing demands. This will be achieved by implementing the Service Personnel Plan and the Civilian Workforce Strategy.

Service Personnel Plan

201. The Service Personnel Plan was introduced in 2004 and is reviewed and revised biennially. The current version was published in September 2006. The next will be published in autumn 2008. It provides a structure for the delivery of personnel policy over the next 15 years, reflecting the challenges and opportunities that cultural and demographic changes are likely to pose to delivering sufficient, capable and motivated personnel across the Armed Forces in order to provide the required operational capability. Its strategic goal is to deliver policies for Service personnel which, when implemented, will deliver the right number of people, with the right skills, who are willing and able to use them. It has direct links to the Royal Navy, Army and Royal Air Force personnel plans, the Strategic Framework for Defence Individual Training and Education, and the Defence Health Programme. The major change programmes within the Service personnel area, including Joint Personnel Administration (see paragraphs 206-209 below) and the Defence Training Review (see paragraph 297 under *People* and 391 under *Estate*) have their own governance arrangements. These come together at the Service Personnel Board, supported by formal lower level linkages.

Sources of Personnel Provision

202. The Department is taking forward substantial programmes of work to develop all sources of personnel provision. These include extensive recruitment campaigns involving activities and opportunities that stimulate and encourage young people to join the Armed Forces (see paragraph 277 under *People*). They also include work with the ethnic minority communities (see paragraph 282 under *People*) and otherwise to improve the diversity of the Armed Forces (see paragraph 283 under *People).* We are also working to make better use of Reserve and Regular personnel, integrating them more effectively into a balanced force (see paragraphs 314-318 under *People*), delivering the strategy for Health through the Defence Health Change Programme (see paragraph 198 under *Change*).

Strategic Training and Education Change Programme

203. The Department has a substantial programme to improve Basic Skills among Service Personnel (see paragraphs 294-295 under *People*), and to develop Training and Education provision long term. In 2007-08 detailed work began on development of a Defence Skills Framework to provide a common competency framework for all Service and civilian personnel. This project will enable us to develop recruiting, manning and training processes that employ all categories of personnel more flexibly, effectively and efficiently.

Military Personnel Package

204. Where possible we also continue to work to develop the overall military personnel package and implement policies and programmes that ensure the Armed Forces will remain an employer of choice. A new committal bonus scheme is being introduced from 2009. This will 'pull' people through to longer service by rewarding service already delivered, reversing the existing committal bonus, which buys future service. The bonus will match the Services' individual retention needs and will provide greater rewards to those who wait longer to take them. There have also been significant increases in military pay and allowances in recent years (see paragraph 301 under *People*). The military personnel package also includes the provision of high quality medical care (see paragraphs 286-290 under *People*) and a very substantial programme to improve the quality of living accommodation (see paragraphs 381-383 under *Estate*). The Department has also led the development of the first ever cross-Government strategy for the provision of support to Service personnel, their families and Veterans. This Strategy will be presented in a Command Paper and will report on future initiatives for improving support in areas such as medical care, welfare and accommodation, as well as outlining the steps that have already been taken to address any shortcomings. Through the National Recognition Study (see Essay on page 164) we are also working to increase public recognition of the Services and appreciation of the work they do. We have been working to develop

further proposals, particularly in terms of living accommodation and Terms and Conditions of Service, to provide greater flexibility and choice for Service personnel in balancing their commitments to their careers and their families.

Explosive Ordance Disposal – new category of specialist pay

Better Understanding People

205. The Department continued to develop and implement its programme of research to develop a better understanding of behaviour, and examine how changes to the Armed Forces and the wider environment in which they live and work are likely to affect issues such as recruitment, morale and retention. This included a range of surveys and focus groups to support decisions on specific remuneration and Terms and Conditions of Service proposals, and broader research to determine what factors the Armed Forces can influence to increase ethnic minorities' interest in, and applications for, Armed Forces careers. It also include the introduction of a tri-Service Armed Forces Continuous Attitude Survey (see paragraph 309 under *People)*, and a seven-year longitudinal study to identify how and why the aspirations and expectations of Service personnel progress through their careers. The information produced is used to inform policy development and decisions on the allocation of resources.

Joint Personnel Administration

206. Joint Personnel Administration (JPA) is a major change programme to modernise the administrative support to all members of the Armed Forces and develop more comprehensive and flexible manpower accounting and administration processes. Although payroll is a critical and highly visible outcome, the JPA system covers the full range of administrative processes (other than those involving 'medical-in-confidence' information) and provides world-wide support, including to those deployed on military operations. Harmonised and simplified policies and processes and increased automation are enabling over 1,400 jobs to be removed from the administrative organisations of the Armed Forces, generating savings of over £100M per year in the steady state. By 31 March 2008 it had delivered annual efficiencies of £63M a year against a forecast of £85M, mainly through military and civilian Human Resources staff reductions. The shortfall largely reflected delay in headcount reductions arising from revised Army rollout dates (see paragraph 208 below), and reduced benefits in the Service Personnel and Veterans Agency arising from more complex processes and policies and the need for extra support during transition to a fully self-service environment.

207. The programme was rolled our to the Royal Air Force in March 2006 and the Royal Navy from October 2006. Roll-out to the Army began in March 2007 to Army human resource management professionals, and then progressively to Army self-service users as the underpinning Defence Information Infrastructure became available. Individual self-service access for the Regular Army was constrained by operational commitments, with Army personnel being trained and logging on to the system for the first time as they return from theatre. This was completed in June 2008. Roll-out to the Army went well, reflecting lessons were learned from the earlier introductions. Despite some teething problems when the system first went live in 2006, there have been no major system performance issues since that time. An Office of Government Commerce Gateway Review in September 2007 concluded that delivery of the JPA project had been a significant achievement. Most remaining difficulties for individual personnel have generally arisen from lack of understanding of

the new processes and working culture, which differ significantly from the legacy, single Service way of doing business.

208. The JPA system has however faced greater problems in delivering its 'back office' functions. These resulted from a combination of system and process failures, some of which have occurred because end users of the system have not followed the correct procedures. Following roll-out to the Royal Air Force a number of concerns about JPA support to Departmental financial and manpower accounting processes. These had a temporary impact on the Department's ability to exercise full financial control in 2006-07. Following identification of these issues mitigation plans were put into effect and action taken to resolve them such that full financial control had been re-established before year end. Unfortunately the scale of roll-out to the Army, which more than doubled the number of personnel on the system, and the complexities of aligning JPA's requirements and some aspects of the Army culture and administrative practices, meant that accounting concerns recurred in 2007-08. These again had a significant temporary impact on the Department's ability to exercise full financial control throughout 2007-08, requiring specific reference in both the Department's and the Service Personnel and Veterans Agency's Statements on Internal Control and leading the National Audit Office to qualify the Department's accounts.

209. Work continued throughout the year to resolve these issues and further improve service delivery. Some were successfully addressed, and there is now an accurate assessment of the full scale of the accounting problems, but a considerable amount of work is still required before they will all be fully resolved. Specific areas of further attention include: improvements to the provision of management information; ensuring the control framework around JPA processes is robust and being followed correctly, and that the opportunity for fraud is minimised; improvements to the JPA Enquiry Centre and back-office functions; and reduced cost of ownership through further harmonisation and simplification of the personnel administration and pay policies, rules and processes.

Civilian Workforce Strategy

Modernising Personnel Services

210. The People Pay and pensions Agency was established in April 2006 to provide transactional services across the Department (See Annex E). By April 2008 it was delivering the full set of HR services including: Recruitment, Development and Promotion, Pay, performance and Recognition, Working Patterns, Leavers and pensions and Health, Welfare and Conduct and Information and Data. Service performance was at or about the level required in the Service Level Agreement. Over the year, performance reached or exceeded target levels for 12 of 19 Key performance Indicators and was within 1% of target for a further two; with the principal area of shortfall – percentage of telephone calls answered within 20 seconds – being subject to an ongoing improvement programme. Over the ten-year life of its business case, this project will deliver some £360M in benefits. The People, Pay and pensions Agency is now working towards Full Operating Capability during 2008-09 and launched its four year 'Maturity Programme', the purpose of which is to deliver full effectiveness, in mid-June 2008.

People Programme

211. In addition to this, by April 2008 the People Programme had:

- provided a comprehensive and systematic approach to filling operational posts through the Support to Operations Programme (see Essay on page 207);
- contributed to the Defence Acquisition Change Programme through up-skilling and behavioural change (see paragraph 330 under *People*) ;
- placed line managers at the heart of developing our people, providing a clear model of what we expect of them in our guide to Managing People and improving the training we offer (see paragraphs 334-337 under *People*);

- established Human Resource (HR) Business Partners and Skills Champions to support business leaders at a strategic level and created one of the most advanced shared service organisations in Government (see paragraph 212 below), halving the cost of delivering civilian HR services;

- improved our knowledge and understanding of our workforce through our Civilian Attitude Survey (see paragraph 341 under *People*) and Management Information service; and

- attained corporate Investors in People recognition (see paragraph 338 under *People*) and made significant progress in modernising our pay and grading structures, in particular towards a simpler more transparent pay system, a stronger link between reward and performance and targeting reward to address particular skill issues.

Strategic Planning

212. The next phase of the People Programme focuses on the continuing delivery of benefits and embedding cultural change. Limited opportunities to recruit externally (see paragraph 321 under *People*), coupled with the need to raise skills levels mean that our strategy is to develop and engage our workforce whilst maintaining targeted recruitment and increasing interchange with other departments and our industrial partners. It draws upon the profile of our current workforce, recent evidence from the Capability Review, our corporate accreditation for Investors in People and from our Civilian Attitude Survey give us a clear picture of where we need to be better.

213. The years from 2008-2012 are going to be demanding for all sections of the civilian workforce, who will have to adapt to changes in working practices and to respond flexibly to the needs of the business. We must address the risk to our change programmes posed by the decline in overall satisfaction with the MoD as an employer and the disengagement many of our people feel with them. We must address the limits on individual and organisational performance imposed by the variable quality of management and leadership and the limitations of our pay and reward structures. And we must address the threat to future capability flowing from the skills gap associated with Streamlining, the Defence Equipment and Support Business Strategy, the lack of a deep understanding of our skills needs, and our uncertainty over whether we will have an adequate supply of talented people, sufficiently representative of the society we serve, to fill key posts in future. The new chapter to the Civilian Workforce Strategy therefore sets out our key priorities as:

- managing organisational change more effectively;

- improving leadership and management;

- developing a coherent skills and talent programme; and

- modernising our pay, reward and recognition systems to reflect changing business needs.

Efficiency

214. By 31 March 2008 the People Programme had delivered £45M of efficiencies (see paragraph 365 under *Finance and Efficiency*). Efficiency gains have been delivered through a reduction in civilian HR staff, lower maintenance costs of the human resources information system, implementation of modern and simple pay and policy processes, and a reduction in administration.

Further Sources of Information

215. For further sources of information on Future Personnel, please see Annex I.

The Changing Face of the Civil Service in Defence

Ten years ago, in July 1998, of the Strategic Defence Review (SDR) was published. This set out to determine the future direction of British Defence policy and transform the way defence did business. But into what sort of Ministry of Defence was the review launched:

- It was already shrinking and becoming more joint. The New Management Strategy/ Prospect reports of 1990 sought a more financially responsive structure, with decentralisation and the rustication of many functions planned to reduce London numbers from 12,700 to 5,200. The 1995 Defence Costs Studies, *Front Line First,* created an integrated Head Office comprising both the Department of State and the United Kingdom's Strategic Military Headquarters, a Permanent Joint Headquarters and a number of other "purple" organisations. It also proposed greater use of Defence Agencies and contracting out to deliver particular functions and services. Throughout the 1990s the Department established over 30 Defence Agencies, from the very large (such as the Met Office and ABRO) to the smaller (the Defence Animal Centre), requiring continuing TUPE consultations between the Department and its recognised trades unions;

- It was rolling out corporate IT. The Corporate Head Office Technology System (CHOTS) started to roll-out across the Department in the early 1990s, but even in the late 1990s many administrative staff did not have access to a networked IT system, and many of those who did were connected only to a local network. CHOTS was a huge step forward, far better than anything that had gone before, but it was still far from what we take for granted today;

- But its culture was about to become very outdated. Elements of the SDR required both further development of IT infrastructure and, more importantly, a change in mindset and an increase in staff skills. The tri-service ethos and Smart Procurement required greater management by objectives, increased levels of cross-boundary team-working, and flexibility over where and when work was completed. This was new to the Department and demanded change in culture and behaviours.

The Department has always had a very high skills requirement, particularly among the scientists and engineers whose vision and ability provide a significant element of competitive advantage to our Service personnel. At the same time, the work and challenge that the MoD can offer has traditionally proved attractive to scientific and engineering talent. However, the breadth and depth of skills, and the level of flexibility and adaptability demanded of most administrative roles ten years ago were somewhat less than today. The Department was more hierarchical in its behaviour, with most posts more narrow in scope than is expected today. Job descriptions were more a statement of the limits of authority than a starting point for more open-ended achievement. Civil Service careers were ostensibly managed by central personnel branches that sought to deliver personal and

organisational development by placing the individual in a succession of posts, each of which added, in breadth or depth, to his or her skills and knowledge.

So what has happened over the last ten years, and what has this meant for our civilian staff? It would be difficult to overstate the level of change the Department has delivered over this period. Its structure, its ways of working, and its culture have all evolved radically:

- The changes in structures and organisations, and in particular the rationalisation of equipment and support arrangements and of the Services' headquarters, has changed the geography of what work is done where;

- The Integrated Project Team, designed to improve acquisition and support of military equipment, has proved so successful that variations are starting to be found across the Department. Team working has been increasingly embedded. This has led to a flattening of management structures as people have been recruited to teams for the skills, knowledge and experience they bring, with rather less emphasis on their grade or rank. This flatter management structure has been incarnated in the open-plan working environments created over the last ten years, in particular in the equipment and support community and the Head Office. The integration of senior managers among their teams, rather than hidden away and protected by an outer office, has accelerated decision-making;

- The rapid expansion of the range of IT available to the average desk officer through the new Defence Information Infrastructure has required a parallel development of IT user skills;

- The 'core competences' – the basic skill-set required for individual effectiveness – has broadened to include a basic knowledge of a wider range of skills, most notably in project management;

- A higher base level of personal communication skills is needed. Formal written memoranda and minutes have increasingly been replaced by e-mail and face-to-face meetings, often between people for whom a difference in grade would have all but precluded direct communication in 1998;

- Faster communications and better access to decision makers means that business is faster. This has driven wider adoption of objective-based performance appraisal and, for many, a contracting of their forward view. In 1998 it would have been unusual not to be able to set objectives for the coming year. Now an increasing number of people work in areas where the need for agility and flexibility to emerging priorities makes this too long a period to plan for;

- Objective-based reporting and developments in IT have produced greater flexibility in working practices, with more people working from home or adopting alternative working patterns. While providing benefits for the individual, these also demand more self-management than the traditional nine-to-five office-based model;

- The withdrawal of central civilian career management forced staff to plan their own development, decide for themselves what skills they needed and determine how best to acquire them. In return, the open market gave them greater access to the full range of jobs available in the Department (although sometimes at the cost of having to move geographically if they wished to do so); and

- The Professional Skills for Government initiative launched by the Cabinet Secretary in 2006 gave further additional impetus towards professionalism in financial, programme and project management.

Overall, ten years on from the Strategic Defence Review, the Department is significantly smaller, has a more highly skilled workforce working more flexibly in integrated teams, with their performance more closely aligned to objectives which are themselves more closely aligned with business needs, and with flatter management structures that help speed the decision-making process. And it is likely that most of these trends will continue.

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Enabling Processes

Equipment and Support

Objective: Equip, support and sustain our Armed Forces.

Public Service Agreement Target (SR2004 MoD Target 6)
Deliver the Equipment Programme to cost and time by achieving in 2007-08:

- At least 97% of Key User Requirements, for all Category A to C Projects that have passed Main Gate Approval, to be achieved throughout the PSA period.
- An average in-year variation on forecast In Service Dates for all Category A to C Projects that have passed Main gate Approval, to be no more than 0.4 months.
- An average in-year variation of forecast costs for Design and Manufacture phase for all Category A to C projects that have passed Main Gate Approval, of less than 0.2%.

Assessment and Performance Measures
Assessment: The new Defence Equipment and Support organisation conducted a major business review to optimise the way the Armed Forces are equipped and supported. The Department invested about £6.7Bn in military equipment for the Armed Forces over the year, but procurement performance declined, failing to meet our in-year Public Service Agreement sub-targets for cost and time, and only partly meeting the overall target. We continued to deliver the logistic support required to sustain the continuing high operational tempo, slightly improved the level of routine logistic support provided to the Services, and delivered substantial further efficiencies through the logistics transformation programme, overachieving against the original 2004 target by over 35%.

At least 97% of Key User Requirements, for all Category A to C Projects that have passed Main Gate Approval, to be achieved:

- 100% of Key User Requirements achieved (99% in 2006-07, 97% in 2005-06).

On average, less than 0.2% in-year variation of forecast costs for Design and manufacture phase of projects over £20M:

- 0.7% average increase in costs measured against estimated cost at beginning of year (0.0% in 2006-07, 0.2% in 2005-06).

No more than 0.4 months in-year slippage of forecast In-Service Dates for projects over £20M:

- 3.9 months average slippage (0.5 months in 2006-07, 0.7 months in 2005-06).

Deliver funded logistics support in accordance with Customer Supplier Agreements:

- 96.1% of Integrated Project Teams achieved Satisfactory of Minor Weakness assessments (target 98%) for delivery of logistic support outputs against funded levels of readiness in 2007-08 (94.9% in 2006-07, 94.5% in 2007-08).

Logistics Support to Operations:

- Continuing successful logistic support to operations in Iraq and Afghanistan;
- Enduring free Forces Mail Service on deployed operations successfully introduced;
- Steady increase in available helicopter hours in Afghanistan;
- Improved airbridge punctuality;
- Improvements in consignment tracking introduced.

Organisational Performance:

- DE&S Blueprint: Future Operating Model published in January 2008 and PACE programme launched in March 2008;
- Staff numbers reduced from some 27,000 to approximately 24,500 during 2007-08;
- 101% (target 90%-110%) of planned capital assets delivered during 2007-08 (102% for Defence Procurement Agency in 2006-07, 107% in 2005-06);
- £270M to £360M (target £195M) estimated logistics efficiency savings achieved in 2007-08 (£360M 2006-07, £662M 2005-06);
- £73M in gross disposals sales receipts achieved (£81.5M 2006-07, £60.2M 2005-06).

Restructuring

216. In April 2007, the former Defence Logistics Organisation and the Defence Procurement Agency were merged as part of the Defence Acquisition Change Programme (see paragraph 196 under *Change*) to form the Defence Equipment and Support organisation (DE&S). During 2007-08, its performance was measured against the legacy targets for equipment procurement and logistics support inherited from the Defence Procurement Agency (see paragraph 226 below) and the Defence Logistics Organisation (see paragraph 231 below). But as an agile and flexible organisation with a culture of continuous improvement it developed additional metrics during the year in order better to understand and drive performance, in particular with respect to meeting the procurement and logistic demands of current operations.

217. The formation of DE&S achieved the objective of a 'fit for purpose' integrated procurement and support organisation whose core function is to acquire and support equipment through-life for the Armed Forces, including disposal. DE&S also delivers continuing requirements such as food, clothing, and medical supplies. It operates the three Naval Bases and the joint supply chain for land, sea and air. It also provides the infrastructure at Aldermaston and the Clyde for the United Kingdom's strategic nuclear deterrent. It now provides, too, a single point of contact with industry, giving greater impetus to the transformation of the defence industry under the Defence Industrial Strategy (see paragraph 194 under *Change*). It has also created the right conditions for embedding a truly through-life approach to equipment and is preparing the organisation for continuous improvement over the longer term. By the end of 2007-08, 100% of Category A to C Projects complied with the mandated Executive Summary structure of the Through Life Management Plans used for daily business.

218. As called for in the Acquisition Change Programme, during 2007 DE&S conducted a post-launch business-led review to optimise the way the Armed Forces are equipped and supported. This led to the *Blueprint: Future Operating Model* in January 2008 setting out what DE&S should look like as a business and employer. This is now being implemented through the Performance, Agility, Confidence and Efficiency (PACE) programme, launched in March 2008. PACE will take DE&S beyond 'fit for purpose' to an operating model delivering 'best for Defence' outcomes contributing to an affordable and balanced Equipment and Support Plan with a significant reduction in acquisition cycle times and to greater agility in meeting the front line's needs.

Sea King helicopter.

219. On its establishment, DE&S comprised approximately 27,000 staff (of whom around 6,600 were military) based at sites across the United Kingdom and overseas. Its headquarters is at the Abbey Wood site near Bristol but its personnel are widely deployed across the Defence Estate and in industry providing support to the Armed Forces. Over the year however staff numbers were reduced to approximately 24,500 and a number of Integrated Project Teams were relocated to Abbey Wood under collocation plans already in train (see *Estate*). The intention is that, where there is no business need for them to be based elsewhere, DE&S staff will to the maximum extent possible be consolidated within the Bristol acquisition hub in order to improve effectiveness and efficiency and provide a broader range of career opportunities. By 2012 it is planned that about 50% of the staff working for DE&S will be based at Abbey Wood out of a total workforce of around 20,000. This is being taken forward as part of the PACE programme.

Financial Performance

220. As the single balance sheet owner for military equipment DE&S is responsible for financial management of £51.2Bn (closing balance) of capital assets, which grew by £3.1Bn during 2007-08. Depreciation of assets on operations was £67M. Urgent Operational Requirements (UORs) are depreciated at the same rate as other assets but the expected life is calculated according to the terrain it is to be held in. As regards non-UOR assets that are used on operations, depreciations are altered to reflect the state of the asset. DE&S also owns the Single Use Military equipment assets under construction (which reduced by 9% from £12.4Bn to £11.1Bn during the year (see note 14 on page 301 of the *Departmental Resource Accounts*). The organisation delivered 101% of planned capital assets during 2007-08, well within the target range of 90%-110% (102% for the Defence Procurement Agency in 2006-07). The asset turnover ratio was 50 months (47 months for the Defence Procurement Agency in 2006-07) against a target of 51 months. DE&S also continued to deliver operating efficiencies towards the 2004 Spending Review efficiency target, please see paragraph on the Defence Logistics Transformation Programme below.

Supporting Current Operations

221. DE&S remained focused on supporting operations. Over the reporting period the main logistic effort switched from supporting operations in Iraq to those in Afghanistan. Improvements in the management of Urgent Operational Requirements (UORs), logistic command and control, asset tracking, air transport and the airbridge continued to have positive effects. As force levels built up in Afghanistan in the summer of 2007 (see paragraph 17 under *Current Operations*) the logistic effort to support the continuing high operational tempo grew in parallel. The peak period of activity was during the 12 Mechanised Brigade deployment from April to October 2007. This reflected increased ammunition consumption rates and the concurrent fielding of additional and new to theatre equipments including the Guided Multiple Launch Rocket System, Unmanned Aerial Vehicles and a suite of Personnel Protected Vehicles including Warrior, Vector, Mastiff and Viking. An enduring free Forces Mail Service for those on deployed operations was successfully introduced at the end of 2007, albeit with some strain on the lines of communications over the roll out period, during which 310 tonnes of mail were flown to Iraq and Afghanistan. In the second half of 2007-08 a number of further upgrades were delivered to both Iraq and Afghanistan, including the upgrade to Weapons Mounted Installation Kit based Landrovers and improved protection for Warrior armoured combat vehicles and Challenger 2 tanks. Over the year nearly 4,000 tonnes of ammunition were delivered to operational theatres, an increase of more than 500 tonnes on the previous year. In November 2007 Sea King helicopters reached Initial Operating Capability and Full Operating Capability was achieved in April 2008. The Sea Kings were successfully redeployed from Iraq to Afghanistan with new improved rotor heads and 'Carson' blades that significantly improved their operational performance. A steady increase in available helicopter hours was achieved over the year and further hours will become available throughout the coming months The drawdown in force levels in Iraq enabled some continuing rebalancing of the logistic organisation in theatre lay-down and stock holdings. Contingent planning and pre-positioning of equipment and stocks to support the UK commitment to the NATO mission in Kosovo were also successfully completed. Overall, 67% of UORs were delivered within their 50% confidence timescales[1]. 72% of other operational demands in Afghanistan were met within target timescales. Generally therefore, the supply chain performed well at getting materiel to theatre. Some items however took longer to restock than was desirable, in part reflecting pressures on industrial capacity and the demands of other customers including international competitors. We are working both to increase the agility of our provisioning approaches where experience has shown this would help, and to diagnose and address wider supply chain issues.

1 Only 50% of projects are expected to deliver within 50% confidence timescales.

Rapier Missile System.

222. Work to improve the air bridge continued. The challenges of supporting both operational theatres did not diminish, but punctuality showed some improvement and as we continued to build on improvements delivered in previous years the airbridge remained resilient and effective. Troop movement flights were the highest priority, and continued to be closely monitored. Four rotations of forces 'in-place' were successfully accomplished across both theatres during the year. The model for these rotations is now firmly established with Cyprus providing a useful short stop-off to allow returning troops time to adjust – a period known as 'decompression'. The reliable movement of air freight (to sustain operations) by military C-17 continued unabated. Air charter continued to provide a significant amount of support, mainly to deliver new equipment and passengers to the Middle East and Afghanistan, costing some £125M in 2007-08 (including fuel) in support of operations. However, surface supply chain movement continued to deliver more quantity by weight. Most of this used commercial carriers, supplemented occasionally by MoD strategic shipping, especially for Iraq. Despite the relevant routes passing through a turbulent region, and sporadic disruption from adverse weather conditions, deliveries remained reliable, although we are working to improve transit times further. Work also continued to improve the effectiveness and efficiency of the Reverse Supply Chain for equipment being removed from theatre, either because it is no longer required or to be returned to industry for repair and subsequent re-issue, with particular importance being placed on consignment visibility and supply chain velocity.

223. Consignment tracking improved with deployment of more Log IS assets (VITAL)[2], better training of supply chain practitioners, and improvements to processes and procedures. There is no single, simple solution to this challenge, but longer-term programmes to make further improvements (in line with the recommendations of the Public Accounts Committee) also made progress. The Management of the Joint Deployed Inventory project deployed a pilot operating capability during the year, improving front line operational commanders' requirements by providing a simple, joint set of logistics processes underpinned by a coherent information technology infrastructure. The Management of Materiel in Transit project, to provide a management information system and common set of processes to allow logistics staff to monitor and control end-to-end supply of items, went to contract with EDS on 19 February 2008.

Equipment Procurement

224. The Equipment Programme, some £6.5Bn per year, delivers battle-winning equipment to the Armed Forces. It is rigorously reviewed as part of the MoD's overall planning and programming process, ensuring that the Department makes the best possible use of its available resources and provides the UK Armed Forces with the capabilities they need to conduct operations both today and in the future. Following the conclusion of Planning Round 2008 we are moving ahead over the summer with a further examination of the Defence equipment programme. We are determined to do more to support our people at home and on the frontline. To do that, we need better to prioritise our spending plans. The examination of the equipment programme will focus on two issues above all: bearing down on cost increases to equipment programmes; and rebalancing the equipment programme to better support the frontline. The examination will be focused on

2 Visibility in Transit Asset Logging

identifying potential savings to the equipment programme in order to support the frontline and our people at home better. Any decisions on specific programmes will be announced as they are made.

Public Service Agreement Targets

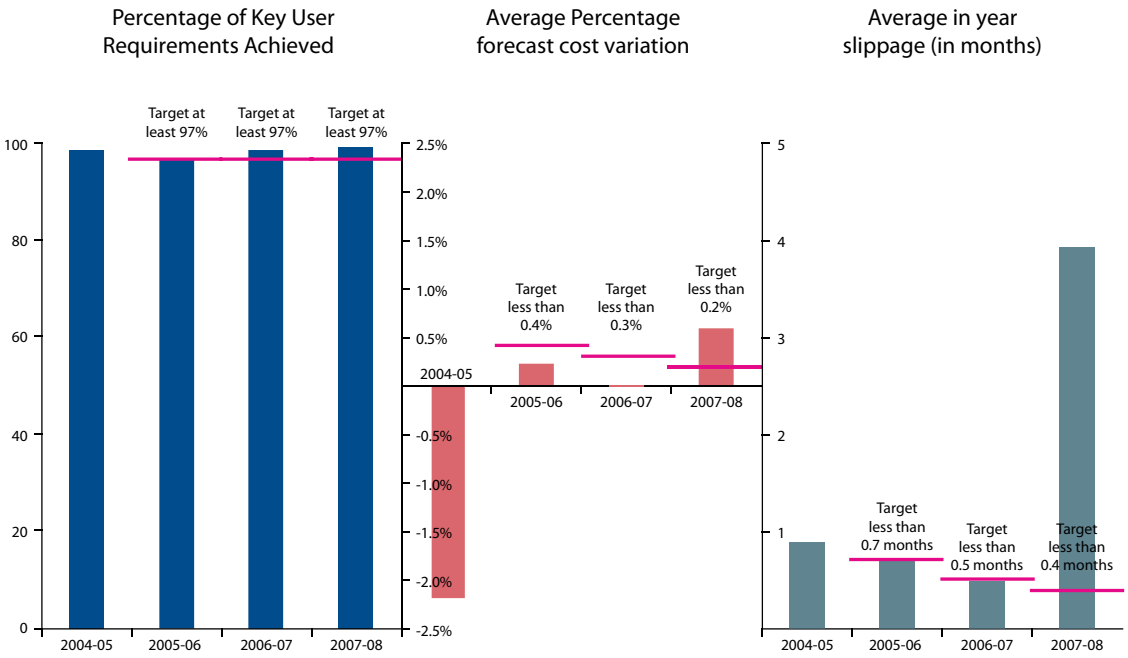
225. The 2004 Spending Review set progressively more challenging targets for delivering the equipment programme to time and cost over the period as part of the Department's Public Service Agreement. This covers a broad range of projects in order to provide a comprehensive picture of the Department's overall performance in delivering the Equipment Programme. It comprises all projects with a capital value greater than £20M that have passed their main investment decision point but not yet reached their In-Service Dates at the start of the financial year (a total of 42 projects in 2007-08). We met the target in full in both 2005-06 and 2006-07. However, while we met 100% of the Key User Requirements in 2007-08, both average in-year cost growth of 0.7% (£225M) and average project slippage of 3.9 months (164 in total across all projects) exceeded the tolerances established. The Department has therefore only partly met this Public Service Agreement target, in year and across the 2004 Spending Review period. Table four below sets out the final performance. The cost target is very susceptible to growth on only a few programmes. The key drivers were the Nimrod MRA4 (2.9% growth, £102M) and Meteor (Beyond Visual Range Air-to-Air Missile) (9.5% growth, £111M) projects. Much of the time slippage reflected low probability but high impact risks emerging during the test and trial phases towards the end of the programmes when the opportunities to mitigate issues are minimal, with the most serious being Naval Satellite Communications Terminals (19 months), and Terrier (27 months). Other significant contributors were General Service Respirator (22 months), Precision Guided Bombs (18 months) and SOOTHSAYER (16 months).

Table 4: Departmental Public Service Agreement Target 6 and Achievements

	2007-08	2006-07	2005-06
Predicted achievement of Key User Requirements[1]			
Target	97%	97%	97%
Achieved	100%	99%	97%
Met			
Average In-Year Variation of costs not to exceed[1]			
Target	0.2%	0.3%	0.4%
Achieved	0.7%	0.0%	0.2%
Not met			
Average In-Year Slippage of In-Service dates not to exceed[1]			
Target	0.4 months	0.5 months	0.7 months
Achieved	3.9 months	0.5 months	0.7 months
Not met			

(1) All projects over £20M that have passed their main investment decision point, but not yet achieved ISD at the start of the financial year.

Figure 9: Public Service Agreement Targets



Deliveries and Key Contracts

226. DE&S invested some £6.7Bn in military equipment and also delivered new equipment valued at £5.8Bn during 2007-08 (£4.98Bn in 2006-07) with ten category A-C equipment procurement projects formally accepted into service (see figure nine). This represented 101% of the asset value planned for delivery in year. Significant deliveries and contracts included:

- Major UOR contracts for the supply of an additional 174 Mastiff Medium Protected Transport Vehicles and Ambulance variants (first deliveries of this second tranche of Mastiff are expected in July 2008); 166 VECTOR Light Protected Patrol Vehicles and 12 Ambulance variants; for production of 60mm ammunition; and for Warrior up-armouring. In May 2008, the 500th upgraded Bulldog infantry troop carrier was delivered;

For the Royal Navy

- Delivery of the fourth and final auxiliary landing ship RFA Lyme Bay, and launch of the third Type 45 Destroyer, HMS Diamond;

- In May 2008, the Department announced that it was ready to go ahead with the £3.9Bn contract signature for the new aircraft carriers, to be named HMS Queen Elizabeth and HMS Prince of Wales. These will be the biggest and most powerful surface warships ever constructed in the UK. Once they enter service in 2014 and 2016 respectively they are expected to remain in the fleet for up to fifty years;

- Also in May 2008, the Department announced details of the four companies who will work alongside the Department over the coming months to finalise the new MARS (Military Afloat Reach and Sustainability) Fleet Tanker requirement for up to six ships. The four companies are Fincantieri (Italy); Hyundai (Republic of Korea); Navantia (Spain) and BAE SYSTEMS (with BMT DSL and DSME (Republic of Korea));

- A £496M six-year engineering and facility management contract for the operation of Portsmouth Naval base, a £188M extension of the Warship Support Modernisation Initiative providing continuing engineering, logistics, waterfront and estates support at Devonport until the end of March 2009, and extension of the Devonport Future Nuclear Facilities Partnering Agreement to cover £147M additional work to support docking, de-fuel, de-equip and lay-up preparation of nuclear submarines; and

- A £1Bn, ten year Partnering Contract with Rolls Royce Propulsion Engineering to provide in service support of nuclear propulsion plant for Swiftsure, Trafalgar, Vanguard and Astute Class Submarines. The performance and cost incentivised contract forms the first part of a long term strategic partnering and business transformation project.

For the Army

- Appointment of Thales-Boeing in February 2008 as the Systems of Systems Integrator for the Future Rapid Effect System (FRES) programme to equip the Army with new medium weight armoured vehicles, and provisional selection of Piranha 5 as the preferred design for the FRES Utility Vehicle in May 2008. FRES will form the backbone of the Army's future armoured vehicle requirements; and

- Placement of a £100M contract for the Land Environment Air Picture Provision with Lockheed Martin UK INSYS. This will provide ground forces with a detailed local picture of activity in the air, allowing them to coordinate airspace activity better, producing greater combat effectiveness and a reduced risk of 'friendly-fire' incidents. The system is expected to enter service in 2012.

For the Royal Air Force

- Delivery of eight Typhoon combat aircraft and one Instrumented Production Aircraft during 2007-08;

- Placement of a £130M contract for a sixth aircraft for delivery in 2008-09, and delivery of the fifth C-17 Globemaster III strategic transport aircraft in April 2008, significantly boosting the capacity of the airbridge;

- Signature of the £13Bn Private Finance Initiative Future Strategic Tanker Aircraft contract for a fleet of new Air Transport and Refuelling Airbus A330-200s to replace the RAF's TriStar and VC-10 aircraft. The aircraft will provide one and a half times the current capability and are expected to enter service around 2011 to serve for three decades;

- The second successful 'active seeker' firing of the Meteor Beyond Visual Range Air-to-Air Missile for Typhoon, and placement of a £64M contract for Typhoon Aircrew Synthetic Training Aids Supplement 5;

- Placement of contracts for the £84M design, development and manufacture of a new Tactical Information Exchange Capability and enhancement of Secure Communication and £35M provision of an Asset Availability Service of essential avionic components for the Harrier force;

- Placement of contracts with BAE Systems for the £337M Availability Transformation: Tornado Aircraft Contract Phase 2 and the £215M Tornado Capability Upgrade Service (Pilot);

- Placement of Air Defence Availability Project Team contracts for £176M with MBDA for Rapier missile support to run until December 2020;

- Placement of the £635M UK Military Flying Training Systems Partner contract with ASCENT in May 2008.

For the Department

- Increment 2b (Deployed) of the Defence Information Infrastructure (Future) contract was placed with the Atlas Consortium in September 2007 for £270M, to deliver a further 3,300 terminals for commanding military operations;

- The Long Term Partnering Agreement with QinetiQ for provision of Test and Evaluation and Training Support Services was re-priced for the next five years for a firm price of £952M, and a £25M five year partnering contract was placed with Lockheed Martin to operate and maintain the Combined Arms Tactical Trainers in the United Kingdom and Germany; and

- The second and third Skynet 5 communications satellites were successfully launched in November 2007 and June 2008.

227. Most of DE&S procurement, by value, is through long-term contracts with prime contractors. MoD policy is to use firm prices for the first five years and fixed price with variation of price (VOP) clauses after that; VOP clauses should be based on relevant high level output price indices. For contracts within the firm priced period the Department is not exposed to changes in price of raw materials, labour and energy as any increases or decreases will have to absorbed by the contractor and supply chain as the agreed firm price is not subject to change. At present, the Department is unable to estimate its precise exposure to changes in costs of raw materials, labour and energy because it does not hold relevant information centrally. However, following the House of Commons Defence Committee comments on defence inflation in the last Annual Report and Accounts, the Government's response has been for the Defence Analytical Services Agency to compile a database of contracts with VOP clauses upon which a measure of defence inflation can draw. The work on compiling the database and producing a measure of defence inflation is scheduled to be completed for April 2010.

Private Finance Initiative

228. Private Finance Initiative (PFI) projects remain a small but important tool to provide innovative and efficient services for defence. The Department remains committed to involving the private sector where appropriate, using PFI where the requirement is for long-term services based around the provision or refurbishment of a capital asset or equivalent that can be funded by third party finance. We signed two PFI deals in 2007-08 with a total capital value of £2.8Bn (see Table 5), bringing total private sector capital investment in defence through PFI to £8.9Bn since 1996. Further information on signed PFI transactions are in note 27 to the Departmental Resource Accounts on page 318. At the 2008 Public Private Finance Awards Project Allenby/ Connaught (see paragraph 400 under *Estate*) won the Grand Prix award for Best Operational UK Project, Best Operational Defence Scheme and Best Government/Government Agency Team. The Judges Award for Innovation went to the £3.6Bn Skynet 5 project, which became operational at the end of 2007 and provides UK forces access to satellite bandwidth while they are fighting abroad.

Table 5: PFI Deals signed in 2007-08

Project Name	Estimated Capital Value[1] (£M)
Future Provision of Marine Services	127
Future Strategic Tanker Aircraft	2,688

[1] Based on private sector's capital investment where known (or otherwise the capital value of the Public Sector Comparator).

229. The Department's forward PFI programme is now relatively small, with an estimated capital value of about £1.5Bn. As at 31 March 2008 major outstanding PFI projects were the Corsham Development Project (see paragraph 400 under *Estate*), the Defence Training Rationalisation Project (see paragraph 391 under *Estate* and 395 under *People*), and the Search and Rescue (Helicopter) Project (see paragraph 36 under *Current Operations*). The Private Finance Unit also continues to support a number of Public Private Partnerships such as the Royal School of Military Engineering PPP (see paragraph 400 under *Estate*).

Logistics Management

230. The increased complexity, scale and duration of operations since the end of the Cold War have reinforced the importance of logistics. Key factors shaping logistics development include agile supply to maximise the operational commander's freedom of action, an integrated support network, effective logistics elements of military capability, through life capability management and an effective relationship with industry. The Chief of Defence Materiel, as Logistics Process Owner, is responsible to and empowered by the Defence Board to ensure that these are developed coherently from end to end across the whole of defence, including the Front Line Commands and the Head Office, as well as Defence Equipment and Support. He is supported in this by the Defence Logistics Board, which has established performance and risk management processes that enable the Department to identify the end-to-end risks associated with supporting current and contingent operations. These assess our ability to support force elements around the readiness cycle, identify our ability to sustain contingent operations, and set out the risks to delivering logistics outputs, now and in the future. Since

these say a good deal about our military capability on the front line, significant elements are inevitably classified. The Logistics Strategy is set out in the Defence Logistics Programme. It has five themes: Comprehensive Capability Planing; Flexible Command and Control; Minimised Demand on Logistics; Optimised Support Network; and Unifying Logistics Ethos. These cross organisational boundaries and combine to deliver the outcome of 'Coherent, Timely Delivery of Required Logistics'.

Support to Force Elements at Readiness

231. The level of logistics support that Defence Equipment and Support is funded to provide to units to maintain routine funded readiness was agreed in its Customer Supplier Agreements with the Front Line Commands. In 2007-08 DE&S achieved the agreed service levels for delivery against funded levels of readiness of 96% of its logistic support outputs, against a target of 98%. This is a further improvement from 94.9% in 2006-07 and 94.5% in 2005-06. Against the backdrop of two concurrent medium-scale operations this is a credible performance. Principal drivers were:

- Continuing defects and spares availability difficulties for surface ships and ship-based helicopters, reflecting the continuing impact of the reduced support period for the Royal Navy and the priority of supporting current operations;
- Shortfalls in routine support for some land based helicopters arising from operational prioritisation; and
- A temporary shortfall in support for certain Tornado aircraft arising from higher operational activity than was originally planned for.

232. In addition, 83% of non-operational demands were met within target timescales during the year. However, the priority of supporting the continuing high operational tempo in Iraq and Afghanistan meant that despite this performance, overall readiness levels (of which logistics support is only one element) continued to fall over the year (see paragraphs 52-54 under *Readiness*), and it was not possible to make any significant progress towards recuperation for contingent operations.

Hunting for mines using new Vallon-based kit.

Defence Logistics Transformation Programme

233. Work continued under the Defence Logistic Transformation Programme (DLTP) to deliver further improvements in effectiveness and efficiency in all aspects of logistic activity. The DLTP has now operated as a single coherent programme for more than three years. Over this time through life processes and costs have been reviewed across all environments and equipments, from major platforms to consumable stock. This has improved equipment availability, reduced stock holdings, improved performance in the supply chain, and reduced repair times. The formation of DE&S in April 2007 and the transfer of staff into the new organisation tested the delegation of responsibility for the management of logistics transformation. Performance in the DIA audit and maintenance of support to the Front Line Commands confirmed that this was successfully managed. The DLTP continues to deliver its efficiency targets. Following validation of the efficiencies achieved in 2006-07 (estimated in the 2006-07 Annual Report and Accounts as between £225M and £300M), the final total was £360M against a target of £175M. This over-delivery reflected a very strong performance at audit with high quality evidence trails provided and the approval of a £40M novel claim for Tornado in the Air Domain. A further £270M to £360M estimated further efficiencies were

achieved in 2007-08, against a forecast of £195M (see paragraph 367 under *Finance and Efficiency*) producing a total achievement of £1,292M to £1,382M against the original 2004 Spending Review target of £951M. Work is in hand to validate these claims and final performance will be reported to Parliament in the autumn. Examples of improved logistics effectiveness and efficiency achieved during 2007-08 are set out below. Figures are for in year benefits delivery unless otherwise stated.

- A lean improvement programme running at HMNB Devonport began to deliver results. One notable success was a lean study to rationalise and better control General Purpose Test and Measuring Equipment onboard Royal Navy warships which produced improved value for money, a more flexible service to the Fleet, and a one-off saving of over £500K;

- The Specialist and Utility Vehicles Integrated Project Team and Babcock Marine applied lean principles to supply 130 Weapons Mounted Installation Kit based Landrovers for deployment in Afghanistan. A pulse line manufacturing process was set up, enabling efficient management and forecasting of personnel, equipment, and part requirements within each pulse. Vehicles started being delivered to Afghanistan in early 2008 for immediate use;

- Provision of maintenance, repair and overhaul activity for Harrier and Tornado fast jet aircraft has been transformed. The number of depth repair locations was rationalised to a single hub at which the aircraft are now maintained, repaired and overhauled. This has saved over £1Bn on support costs for Harrier and Tornado over 7 years. whilst maintaining aircraft availability. In its July 2007 report *Transforming Logistics Support for Fast Jets* the National Audit Office concluded that this represented good value for money;

- The Typhoon Integrated Project Team and BAE Systems created a lean strategy to optimise the cost of spares purchases and ownership. This successful 'direct line feed' service ensures that high-consumption, low-value spares are always available to ground crews at RAF Coningsby and is now incorporated under a new contract;

- Five Joint Project Teams of Defence and Industry staff were launched to deliver early benefit and build more effective relationships between the key organisations involved in supporting surface warships. These have delivered early benefits of £15.7M and identified further potential benefits of £36.4M;

- Lean Transformation has been implemented across the Joint Helicopter Command to deliver greater effectiveness and efficiency, identifying a total of £16M of manpower efficiencies and effectiveness improvements over the programme.

Checking in freight as it arrives in theatre

Defence Support Group

234. In May 2007 it was announced that the Defence Aviation Repair Agency (DARA) would merge with ABRO, forming a new defence support organisation comprising ABRO's facilities together with the electronics and large aircraft businesses from DARA. In February 2008 the DARA Rotary Wing and Components businesses at Fleetlands in Hampshire and Almondbank in Perthshire (which undertake helicopter maintenance and repairs) were sold to Vector Aerospace, securing their long term future. On 1 April 2008 the new organisation, Defence Support Group, was established as a Defence Trading Fund to provide expert in-house maintenance, repair, overhaul and upgrade services for the through life support of key land and air based platforms and equipment for the UK Armed Forces. The combined business will have a turnover in excess of £200M, and a workforce of around 3,500 located throughout the UK.

Defence Exports and Disposals

235. The Defence Export Services Organisation helped UK industry to win defence export orders worth close to £10Bn in 2007. This equated to a share of about 30% of the global defence export market, the UK's best recent performance. Underpinning this excellent result was BAE Systems' successful sale of Typhoon aircraft to Saudi Arabia, which will further strengthen the bilateral relationship. The VT Group also won orders for Ocean Patrol Vessels in Oman and Trinidad and Tobago. Significant new export business was secured through MoD's Industrial Participation programme, under which overseas companies place work in the UK when they win orders from MoD. Small and Medium-sized enterprises were also successful in the export market, securing about £300M of new orders in 2007.

236. In July 2007, the Prime Minister announced that responsibility for defence export promotion would transfer from the MoD to UK Trade and Investment (UKTI), jointly operated by the Foreign and Commonwealth Office and the Department for Business, Enterprise and Regulatory Reform. The new UKTI Defence and Security Organisation was established on 1 April 2008, recognising the importance of continued export success to the health of this strategic sector. It continues to have links to the MoD through a Service Level Agreement that recognises the contribution defence exports can make to defence objectives, and some defence personnel (civilian and military) will continue to work within the organisation on loan.

Equipment Disposals

237. The Disposal Services Authority within Defence Equipment and Support achieved £73M in gross sales during 2007-08, including £9M of repayment sales and £2M on behalf of other Government Departments. Major sales included the handover to the Estonian Navy of the former HMS Sandown in April 2007 and HMS Inverness in January 2008, and the handover of the former RFA Sir Galahad to the Brazilian Navy in December 2007. The year also saw the high profile arrival in Chile of the Type 23 frigates the Almirante Lynch and Almirante Cochrane (formerly HMS Grafton and HMS Norfolk). Complex and demanding engineering work was completed on these vessels during the year prior to delivery, the lessons from which will stand the Royal Navy fleet in good stead in the future. The Disposal Services Authority was also responsible for the development of UK policy on ship recycling and successfully completed two tenders for the recycling of the former HMS Intrepid and HMS Fearless. HMS Fearless is currently being dismantled in Belgium (see paragraph 114 under *Defence in the Wider Community*), and Leavesley International are awaiting final approval of their waste management licence from the Environment Agency prior to dismantling HMS Intrepid.

Further Sources of Information

238. Additional information on Equipment and Support can be found at Annex I.

DE&S: One year on

Defence Equipment & Support (DE&S) is a major product of the Defence Acquisition Change Programme (DACP). It brought together 27,000 people from the Defence Procurement Agency and the Defence Logistics Organisation in order to remove barriers to the through-life management of equipment and manages about 40% of defence expenditure. DE&S was established as a 'fit for purpose' organisation in April 2007, only nine months after the decision to merge was announced. Immediately after the merger, the DE&S Main Board began more detailed work to evolve the organisation from one that was 'fit for purpose' into one that was agile and effective, which led to the new 'Blueprint' for the organisation to be delivered by 2012 by the PACE (Performance, Agility, Confidence, Efficiency) Change Programme. Ithough it is still relatively early days, DE&S is settling down well as a key deliverable of acquisition change and as part of 'Team Defence'. It has created a strong focus on improving its ability to deliver its mission to equip and supply the armed forces for operations now and in the future, and contribute to the overall goals of the DACP.

Although DE&S has achieved much since it stood up in April 2007, progress has inevitably been faster in some areas than in others. Business change has been more straightforward where operational pressures are less intense, and where the management team was already well established at the time of merger. The decision to direct initial changes at the most senior and corporate levels – changing the way teams were brigaded and the processes they used, but not greatly changing the teams themselves – has been very successful at maintaining strong support to operations. Immediate benefits included single business units responsible for acquiring and supporting equipment throughout its life, single processes for financial and performance management, closer involvement of the 'support' elements of the business in 'up front' investment decisions and improved contact between project teams and front line operators. We have a clear mission and strategic objectives that help everyone in the organisation to understand where they should focus their efforts. One year on the DE&S Main Board has a much better understanding of the scope and detail of the whole business, and the improvements we need to make to our information, people and processes to move from 'fit for purpose' performance and become more effective. Now that the structure and processes are in place and operating we are re-focusing our efforts to ensure the whole of DE&S is developed to deliver equipment and support in the most effective way.

All this has had to be achieved without disrupting support to the major operations in Iraq and Afghanistan, including delivering large numbers of Urgent Operational Requirements. During the merger the Board consciously targeted changes to minimise the risk of disruption to operational business, and has placed support to operations at the heart of the DE&S mission. Across the

organisation, both within the Integrated Project Teams carrying out acquisition and support and in the Joint Supply Chain, there are a large number of people delivering capability to the forces on the front line. Meeting the needs of the supply chain over very long lines of communication has presented particular challenges – in particular those relating to the availability of items. The operations in Iraq and Afghanistan are very demanding and have demonstrated that some of our approaches to provisioning are not as agile as they might be. This is something we are working to improve alongside diagnosing and addressing wider supply chain issues. But we also need to recognise the pressure on our industrial supply chain where, in some cases, we are limited by what they can achieve and the demands placed by other customers. We have nevertheless achieved some notable successes. Between April and December 2007 we moved 45,000 tons of freight to Iraq and Afghanistan. In the same period the Defence Stores Distribution Agency made 300,000 issues in support of operations and 50,000 personnel were moved to theatre.

One corollary of the focus on meeting the challenge of supporting current operations has been a downturn in our performance in managing the acquisition of new capability. Variation in the performance, time and cost of our major projects has exposed a number of issues on which we continue to work. The cost target in particular leaves so little room for manoeuvre that growth on only a few programmes means that the target is breached. This highlights the improvements we still need to make in our forecasting and financial management. We also experienced slippage to forecast in-service dates. Much of this reflected low probability but high impact risks emerging on a handful of programmes. Experience of supporting operations and delivering UORs has also drawn out several important lessons with wider application. We have seen what can be achieved, within budget, when time is the driving factor; the importance of having the right skills available in the team, particularly specific commercial skills and greater commercial awareness by all; the need for (and benefits of) a light but effective governance framework; the need for accurate management information to get the most out of resources and remove duplication; and the benefits of working closely with industry to help them focus their resources in the right places to support both urgent and longer-term deliveries. The DACP and PACE changes we are introducing to improve our planning, forecast accurately, manage projects robustly and with greater commercial astuteness are central to improving our performance in this area. But this will take time, and our performance over the next year or so is likely to reflect the continuing challenges we face.

The quality of DE&S's performance is linked intrinsically to the quality of its people. Many of the issues encountered in the first year relate to the size and ability of the workforce. Most obviously, the scale and geographic dispersal of DE&S makes it more complicated to manage. Integrated Project Teams split across different sites, and the geographical separation of some teams managing the acquisition and support of the same capability, is a particular obstacle to effective through-life management. Creation of DE&S and PACE have enabled the expansion of existing collocation programmes to address the new challenges, with a strategic aim to collocate nearly all DE&S office-based staff at Abbey Wood by 2012. We also aim to reduce overall numbers to around 20,000 by 2012. We are also working to understand the skills sets we need to help us get the right balance between military and civilian staff and on the ability of our people to develop accurate information and forecasts and manage programmes robustly. Our teams work extremely hard and there are many examples of successful projects, but too many still suffer increases to time and cost. On the formation of DE&S we embarked on a major Upskilling programme. We made steady progress during the first year, and have expanded the programme for 2008-09.

These lessons come together in the blend of changes we are taking forward. Our upskilling programme complements the Flexible Resourcing initiative to enable us to move skilled and capable staff quickly to where they are needed most and improve key skills. We are addressing gaps in our management information about the population of DE&S projects and their status. And we are overhauling our governance framework to give senior staff clearly defined authorities and responsibilities, against which they can be held accountable. The DE&S Main Board has done much thinking on how to develop the organisation. Collectively the improvements in train set out above should create a flexible, high-performing organisation that commands high confidence from all its stakeholders.

Safety, Security, Business Continuity

Objective: Enable safe, secure and resilient operational capability.

Assessment and Performance Measures

Assessment: We failed to meet our goals of no deaths attributable to health and safety failures and a 10% reduction in serious injuries, and the Defence Environment and Safety Board concluded that management of safety and environmental protection represented a significant weakness. In order to improve performance the Defence Board substantially increased its engagement with Health and Safety management over the year. We also increased effort into educating managers at all levels about their health and safety responsibilities, and into providing timely and robust management information. We identified serious risks in our information security and data protection systems, and in security education and training, highlighted by the conclusions of the Burton Report, and work was put in hand to address these. We made good progress in implementing our business continuity goals.

No deaths attributable to Health and Safety failures:

- 13 safety related deaths in 2007-08, plus 5 still subject to boards of inquiry (21 safety related deaths in 2006-07);
- 27 service personnel died in road traffic accidents off duty, 6 on duty, and 5 on operations during 2007-08.

10% reduction in number of serious injuries:

- 1,101 serious injuries in 2007-08 (963 in 2006-07), representing an increase of 12.5%;
- New MoD Incident Recording and Information System launched In December 2007.

No Serious or Critical Weaknesses reported by Functional Safety Boards:

- Defence Environment and Safety Board judgment that management of safety and environmental protection represented a significant weakness.

No Serious or Critical Weaknesses in protective security reported by Departmental Security Officer:

- Serious residual risks identified in Information Security and in Security Education, Training and Procedures;
- Burton Report identified a number of significant information assurance and data protection shortfalls;
- Senior dedicated Data Protection Officer appointed.

90% of Top Level Budgets to have Business Continuity Management strategies in place, 80% of establishments to have up to date annually tested plans, and 90% increase in staff undertaking appropriate training:

- Reduction in level of business continuity risk over the year;
- Every Top Level Budget organisation had a business continuity strategy in place;
- 70% of establishments had up-to-date Business Continuity plans, tested annually;
- Over 2,900 members of staff undertook appropriate business continuity training in 2007-08 (2,750 in 2006-07).

Health and Safety

239. Good health and safety is about sensible management of risk. It is not about a culture of risk aversion that would threaten the achievement of our operational and training goals. Military operations are by their nature dangerous, and regrettably injuries and deaths cannot always be avoided. Our duty of care to military personnel also requires that they are properly prepared for the risks they face on operations through realistic training (see paragraph 245 below). In these contexts we therefore inevitably accept a higher level of risk to health and safety than other employers, which we require to be rigorously assessed and properly managed. The Department successfully manages health and safety across a very diverse and challenging business, ranging from nuclear reactors and material, biohazard 4 rated research facilities, explosives, aviation safety, industrial chemicals, and fuel through to offices and estate. We place a very high importance on the health and safety of all Defence employees when going about their normal routine business, of contractors working for the MoD, and visitors to Defence establishments.

240. The duty of ensuring that effective management arrangements are in place to ensure compliance with the policy is delegated from the Secretary of State to the Permanent Under Secretary. Under his direction the Defence Board ensures that we achieve and maintain high standards by reviewing performance and demonstrating commitment by words and action. The Defence Environment and Safety Board, chaired by the 2nd Permanent Under Secretary, oversees development and maintenance of consistent policies, standards, regulations and work practices, and provides assurance to the Defence Board on the effective operation of risk management and internal control systems.

241. A key requirement of the Secretary of State's Policy on Safety, Health, Environmental Protection and Sustainable Development, most recently updated in March 2008, is that managers and commanders promote and provide leadership on safety as part of normal business, and create a culture where everyone understands and delivers their contribution to protecting people. The Defence Board has stressed that it expects all individuals to raise health and safety concerns and to exercise proper duty of care, including reporting near misses. It receives reports on health and safety related deaths at every meeting, ensuring that action is taken on the lessons identified, and reviews trends on a quarterly basis. The Corporate Manslaughter and Corporate Homicide Act 2007, which came into force in April 2008, brought senior management leadership into stark focus. Managers have been briefed at all levels in the Department on the implications of the Act for the MoD, and to ensure that senior managers are fully aware of their health and safety responsibilities. The Army have carried out a fundamental review of health and safety compliance and endorsed a wide-ranging Action Plan which addresses safety culture improvements, top-level safety performance measurement, accident reduction targets, and commitments to safety in core policy documents, and includes a significant increase of over 90 dedicated safety posts.

242. The Department has built on the independent Strategic Gap Analysis work by Professor Richard Taylor (an independent safety expert with many years' experience in senior roles in high hazard industries, such as nuclear power), which reported in January 2007. In addition to the action taken to improve leadership and commitment we are developing improved assurance processes and a new framework for performance monitoring. The Defence Environment and Safety Board has endorsed a ten-point improvement plan which will be subject to regular monitoring and review to ensure delivery of better safety management. In December 2007 the new MoD Incident Recording and Information System was launched. This provides an important tool for users across the Ministry of Defence to identify common themes in accidents and incidents and to inform management decisions aimed at improving safety performance. It also brings together data about claims and accidents and enables a better understanding of the true cost of accidents. Following on from the reports into the major fires at BP Texas City and Buncefield, the Department also formally reviewed its ability to learn from such incidents. The report concluded that processes for managing major hazards were robust, but that initiatives and improvements taken in some large, high hazard industries,

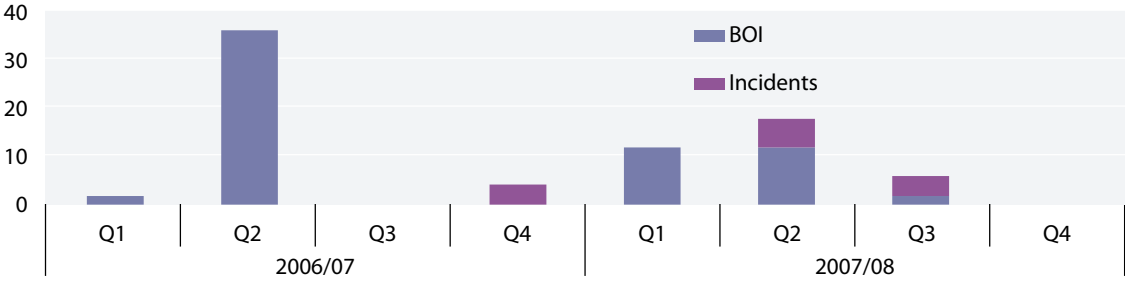
in areas such as behavioural safety, were not immediately apparent in MoD. A more detailed comparison will be undertaken to benchmark ourselves with private sector practice.

Avoiding Fatalities

243. In June 2000 the Government and the Health and Safety Commission launched the joint *Revitalising Health and Safety Initiative*. This set a target of a 10% reduction in deaths against a baseline of 16 on-duty, workplace injury-related deaths in 1999-2000. In 2005 the Department set itself the more demanding target to have no deaths attributable to health and safety failures. Figure ten below sets out the rate of Health and Safety related deaths over the last two years. There were 21 safety related fatalities in 2006-07[1]. In 2007-08 there were 13 safety related deaths, caused by electrocution; workplace transport incidents; mountain walking; drowning; parachuting and negligent discharge. A thorough investigation has been carried out into each death to learn lessons, change policy and procedures to prevent similar reoccurrences. A further five personnel were killed in three separate helicopter crashes (two in Iraq), the causes of which are still subject to a board of inquiry and may be added to the total if the Board were to find the cause to be safety failures. There were no Crown Censures against MoD in 2007-08[2].

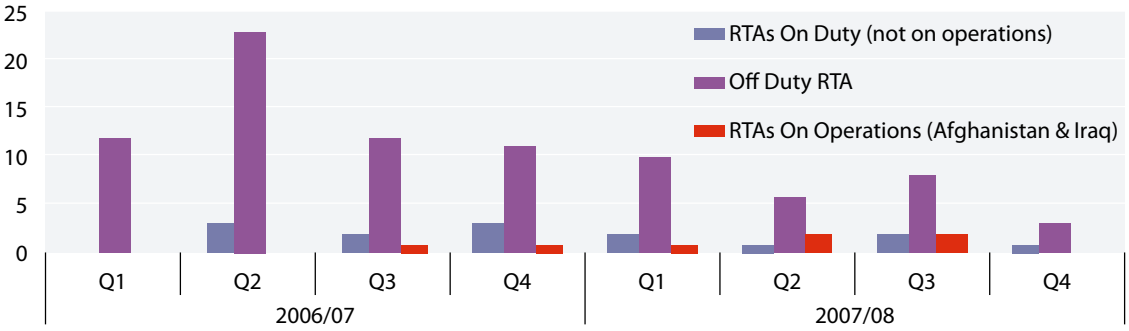
244. Road traffic accidents on and off-duty are a significant concern. The statistics show that younger service personnel are at greater risk of dying in a traffic accident when off-duty than their civilian counterparts. This reflects the highly charged work environment in which many of them are operating. But when the Services are engaged heavily with operations, road traffic accidents (whether on leave, during pre-deployment training or on operations) can render personnel or equipment ineffective, reducing available fighting power. Each is also an avoidable human tragedy. We are therefore working to reduce the number of incidents and fatalities. During 2007-08 27 service personnel died in road traffic accidents off duty, six on duty, and five on operations (see table eleven below). The Army has the greatest problem, and has a significant programme to address it. A major campaign was launched to raise the awareness of soldiers returning from Operations. A series of TV and radio commercials were recorded in summer 2007 and broadcast on British Forces Broadcasting Service TV and radio to troops in the final weeks of their operational tours to raise awareness of the fact that British troops are twice as likely to die on the road as civilians. During Decompression from operations, a hard-hitting DVD drama is shown, which depicts a soldier returning from rest and recuperation and eventually being killed in a road traffic accident (*The Grim Reaper*). A series of posters, constantly refreshed to keep the campaign alive are displayed on return to barracks. The campaigns have been widely acclaimed, but it is too early to see significant changes.

Figure 10: Health and Safety Fatalities



1 The 2006-07 Annual Report and Accounts reported six deaths. This has been revised to 21, following the conclusion that one of the six was not attributable to a safety failure, the conclusion of the Board of Inquiry into the loss in September 2006 of Nimrod XV230 in Afghanistan that a safety failure led to the deaths of the 14 service personnel on board and the conclusion of the Board of Inquiry that the explosion that killed two sailors aboard HMS Tireless in March 2007 was caused by a safety failure.
2 Crown Censure is the Health and Safety Executive's procedure to censure a breach of health and safety obligations for which, but for Crown Immunity, it would have prosecuted the employer with a realistic prospect of conviction.

Figure 11: Road traffic Accident Fatalities



245. Military operations by their nature require our Service personnel to accept a higher level of personal risk that they may be killed or injured than they would face in the civil community. It is our duty to ensure that they are as well prepared for this as possible. That means that elements of their training must realistically simulate combat conditions Given the higher level of risk involved in this the Board require it to be carefully managed, and for any deaths attributable to training designed to simulate combat conditions to be explicitly identified to ensure that any specific lessons are learned. There was one such death in 2007-08.

246. Although suicide rates in the Armed Forces are lower than in the civil population they are monitored closely, and reported quarterly to the Defence Board, under our duty of care for Service personnel, particularly those under the age of 18. Significant improvements have been made to the environment in which recruits and trainees are trained, and the way they are managed, including to the support provided at a time when they may be particularly vulnerable, and real progress has been made in managing the risk of self-harm and suicide. There were twelve suicides or suspected suicides in 2007-08, of which eight are still subject to inquests (13 in 2006-07, of which three are still subject to inquests).

Figure 12: Fatalities Attributable to Training Designed to Simulate Combat Conditions

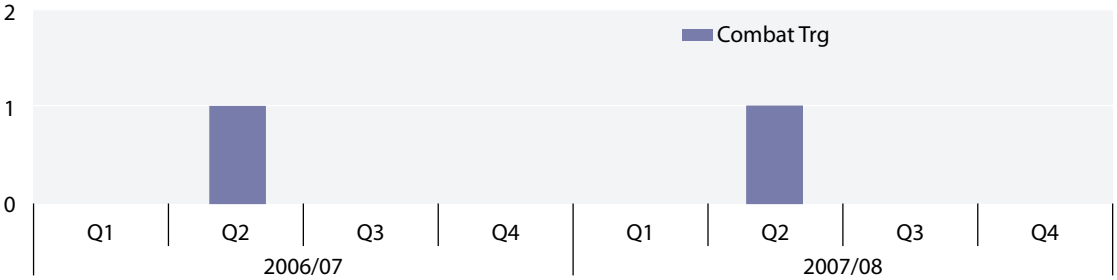


Figure 13: Suicides and Suspected Suicides

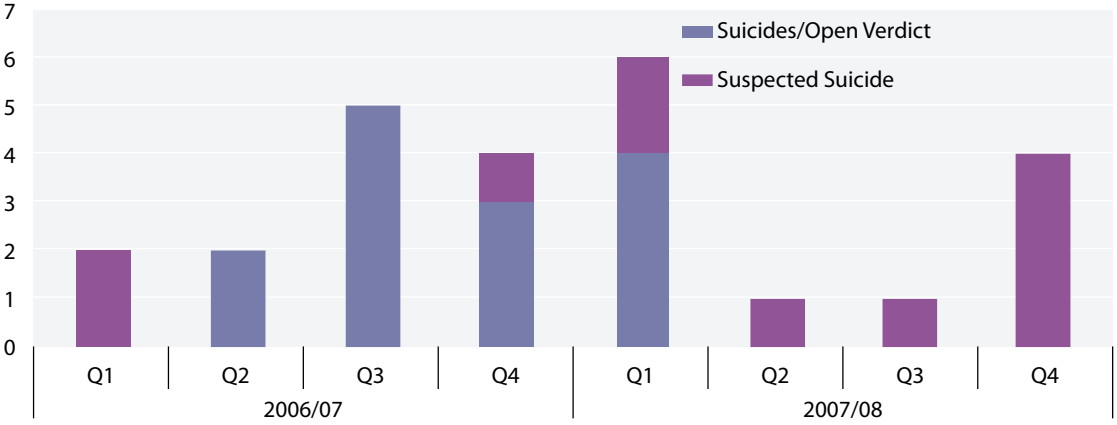
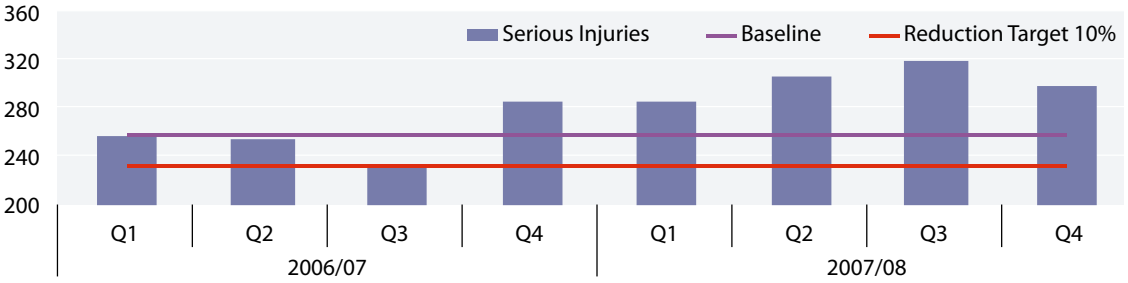


Figure 14: Serious Injuries



Minimise Serious Injuries

247. The *Revitalising Health and Safety Initiative* set a target of a 10% reduction in the number of serious injuries[1] by 2010, against a 1999-2000 baseline of 60 serious injuries per 100,000 employees. In 2005 the Department set itself the more challenging target of achieving annual 10% reductions against the previous year's performance. 963 serious injuries were reported in 2006-07[2]. There were 1,101 serious injuries in 2007-08, (396.5 serious injuries per 100,000) missing the target of no more than 867**.** This was driven by a substantial increase in Army injuries, likely at least in part to reflect an increased level of incident reporting following the introduction of call centres.

Royal Marines on Training Exercise

1 Defined as "a reportable major injury" under the Health and Safety Executive's Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.
2 This is an increase on the 706 reported in the Annual Report and Accounts 2006-07, reflecting late reporting of incidents and a review of data quality in the Army.

Safe Equipment and Safe Systems of Work

248. Delivery of safe equipment and systems of work is overseen by the Defence Environment and Safety Board. It is supported in this by five Functional Safety Boards (the Defence Ordnance Safety Board, the Ship Safety Board, the Land Systems Safety Board, the MoD Aviation Regulatory and Safety Board and the Defence Nuclear Environment and Safety Board) which provide end-to-end assurance on safety. These identified a number of areas of significant risk during 2007-08, but confirmed that the Department was taking appropriate action to manage them satisfactorily. A recurring theme was the challenge in recruiting, training and retaining enough suitably qualified and experienced personnel, civilian and military (see paragraph 276 under *People*). There was a need to ensure continuing investment in certain specialist infrastructure, such as fuel and explosive storage facilities. The Department also needed further to improve learning and communicating lessons from accidents and incidents. The introduction of the new Incident Recording and Information System (see paragraph 242) will significantly enhance this. There was also a continuing risk from operational pressures resulting in air accidents. Taking all these into account, in February 2008 the Defence Environment and Safety Board judged that overall the management of safety and environmental protection was on the cusp between minor and significant weakness, and concluded that on balance this should therefore be judged to just represent a significant weakness. This in part reflected the increased

priority and effort in this area, which had had produced a better awareness of the risks and issues that required attention. At the same time the Board endorsed a programme of work to address these issues, including improved procedures for sharing lessons learned, development of an improved performance management framework, and examination of development programmes for suitably qualified and experienced personnel covering recruiting, training and career management. It also agreed an audit programme to contribute towards verification of the effectiveness of management processes for safety and environmental protection, including an audit on the impact of organisational changes across the Department.

Airworthiness

249. The Department has long standing arrangements for assuring the airworthiness of military aircraft. These are overseen by the MoD Aviation Regulatory and Safety Board. They are taken very seriously, even where this has a significant financial and operational impact, such as with the Chinook Mark 3 helicopters. Following the loss of a Nimrod in Afghanistan in September 2006 a Board of Inquiry identified a number of failings for which the MoD took responsibility. In May 2008 the Coroner noted that serious design falings had been present since the 1980s. We have already taken a number of measures to ensure a similar accident cannot happen again, in particular to stop air-to-air refuelling and no longer use the very hot air systems in flight. These were supplemented with enhanced aircraft maintenance and inspection procedures to ensure the aircraft, as it is today, is safe to fly. To ensure we can operate the aircraft safely until its planned retirement from service, we have in place an effective package of more permanent measures which are being progressed as quickly as practicable. All of this work and our safety assessment are based on advice from both inside and outside the Department. In addition, in December 2007 Mr Charles Haddon-Cave QC was appointed to lead an independent review. Mr Haddon-Cave has wide experience of aviation and safety matters, having been instructed in all the major aviation and marine inquiries in England in the last 20 years. His report will be published in full, subject to considerations of operational security.

Security

250. Security is a key enabler in the management of Defence. It is essential to the delivery of both success on operations and Defence policy that the MoD's people, information and materiel are adequately protected. Our objective is to deliver a secure environment for Defence personnel, establishments and information, provide assurance that our protective security policies are effective, proportionate and compliant with the law and government policy, and ensure that security risk management is integrated into our business processes. We must also ensure that personal data is held and managed in accordance with data protection law. We work to achieve these goals through a protective security system comprising physical security, personnel security, information security, and security education and training, with the aim of no serious weakness in any of these areas. Inevitably, we are significantly constrained in what we can say about our systems and the risks and challenges we face in this area without compromising the security we seek to provide – which would itself be a breach of both the law and in some areas of our duty of care to our people.

Physical Security

251. The Department, in common with similar large organisations, faces ever-changing threats and challenges to its security. To counter these we have in place a planned system of interdependent and interlocking security measures in place; this is called Defence in Depth. The level of protection depends on a number of factors including the assessed threat, the location and type of establishment and the classification, or sensitivity, of material and information. Security measures are applied through a process of risk management to provide an appropriate, proportionate and cost effective level of protection. Security procedures include joint operations, where necessary, with local police forces. Defence establishments are protected with a mix of armed and unarmed guards. Armed guards are provided by either the Armed Forces or the Ministry of Defence Police (see Annex E). Unarmed guards are provided internally from a number of services, and externally from contracted commercial companies.

MoD Main Building

Personnel Security

252. We completed an internal review of Defence Vetting last year and have taken a number of measures to improve our processes. The introduction of the new personnel management systems for our military and civilian workforce will offer opportunities to reinforce the awareness of line managers in respect of their obligations for personnel security matters. As a major provider of security clearances both for the MoD and Defence industry, the Defence Vetting Agency (see Annex E) has been nominated as a shared service provider of security clearances to the wider Government community. Some work is already carried out on a repayment basis for other government departments and this is expected to increase. Work is currently underway to refine the vetting process further and the Defence Vetting Agency is leading the way to enable people to submit an application for security clearance electronically.

Information Security

253. In an increasingly electronically linked world, where the ability to use data effectively is increasingly critical to Defence, we have to maintain robust systems to protect our information online. The 2003 Lovgate virus infection in the Defence Procurement Agency and the spring 2007 hacking campaign against Estonian websites were both graphic examples of the challenge we face. The MoD maintains an evolving computer network Defence capability, integrated into the wider Government capability and programme of work led by the Cabinet Office, and we continue to detect and repel attacks on our networks. We also have an obligation under the Data Protection Act to ensure that personal information is properly protected in accordance with the law. We have been fully engaged in the review of how departments handle personal and other data by Mr Robert Hannigan, the Prime Minister's adviser on security matters, following the and other data loss by Her Majesty's Revenue and Customs. The results were reported to Parliament on 25 June 2008.

254. Following the theft in January 2008 of an MoD laptop containing unencrypted Royal Navy and Royal Air Force recruiting records the Secretary of State for Defence asked Sir Edmund Burton[1] to conduct an independent review into the circumstances that led to the data loss. At the same time he appointed a senior dedicated Data Protection Officer to ensure MoD practices and procedures are at the highest possible standard, made the Departmental Security Officer the sole authority for granting security accreditation for IT systems, so that in future any issues or doubts about the efficacy of security measures are raised to the highest level in MoD Head Office, and set in hand an internal review by MoD IT security and data protection experts of all IT systems in use. New rules were also imposed that only accredited laptops with full disk encryption can be removed from official premises. The Defence Board has also added Information Security to its strategic risks. As set out in the Departmental Resource Accounts (see Statement on Internal Control), the Department had five protected personal data related incidents during the year. 123[2] MoD-owned laptops were lost or stolen in 2007. This represented an annual loss rate of 0.4%, compared to a loss/theft rate of 1-2% in industry and the wider population. Sir Edmund's report and the Department's response were published on 25 June 2008.

255. Sir Edmund made 51 recommendations, focused on training, steps to raise awareness and compliance, and to raise the management profile of the issue. The Department has accepted them all and has a programme of work to take them forward. He found that Departmental policies and procedures were fit for purpose, but he was highly critical of our general treatment in

1 Sir Edmund is Chairman of the Information Advisory Council and supports the Cabinet Office in the implementation of the Government's Information Assurance Strategy. He is also a former Chairman of the Police Information Technology Organisation and former Commandant of the Royal Military College of Science.
2 This differs from the 130 recorded in the Burton Report, reflecting the results of further investigation

practice of information, knowledge and data as key operational and business assets, and of low levels of awareness of the threats to information and of the requirements of data protection legislation. He also concluded that at least some of the Department's information systems were likely to be, or have been, in contravention of the Data Protection Act. Remedial work was already in hand, against a review date of October 2008. Taking into account these inadequacies in personal data handling, information security shortcomings during the year represented a serious residual risk. The data handling deficiencies also represented a significant internal control failure (see the Statement on Internal Control, page 262).

Security Awareness and Training

256. The loss of laptops, and a number of other security breaches during the year, demonstrated a lack of understanding or non-compliance with information security policy, both in the UK and in operational theatres. Sir Edmund Burton also concluded that the previous Cold War awareness of security by individuals and organisations has not been translated effectively into the information age. We have identified three main reasons for this: data protection awareness and education, an inability or unwillingness to place people on the necessary training courses, and security training being given too low a priority by managers and the chain of command. This culture of giving insufficient attention to security needs is now being addressed. A more robust security awareness strategy is now in place, and an awareness campaign has been launched. Initiatives are also underway to ensure that civilian line managers and commanding officers are more aware of their security responsibilities. While some good progress has been made in providing the framework for improvements in this area, the shortcomings during the year represented a serious residual risk.

Business Continuity

257. Effective Business Continuity management is important to maintaining Defence capability in the face of a range of potential threats. It is vital for the maintenance of effective national Defence that critical Defence activities are identified and measures put in place to mitigate their loss and to recover them, partially or completely, within a predetermined time, in the event of disruption. This is not an academic exercise, as the West Country floods in the summer of 2007 clearly demonstrated (see Essay on page 155). In February 2008 the Cabinet Office set the British Standard for Business Continuity Management (BS 25999) as the Government business continuity benchmark. We had already begun aligning with the Standard[3] in March 2007 with the launch of a Business Continuity Management Policy and Strategy which provided, for the first time, Department-wide strategic direction and guidance on the development and implementation of an end-to-end approach to Business Continuity Management, as an integral part of planning and risk management processes.

258. The Department made steady progress in implementing BCM processes and practices in 2007, and the level of business continuity risk reduced over the year. Of the fifteen Business Continuity risks identified in 2006, none were given a higher risk assessment in 2007-08, and five were downgraded. By the end of the year every Top Level Budget organisation had a business continuity strategy in place and 70% of establishments had up-to-date Business Continuity plans, tested annually. Over 2,900 members of staff undertook appropriate business continuity training (compared to 2,750 in 2006-07). This was substantially below the original target of a 90% increase, which was set at an unrealistically high level before detailed work on implementing the then new Business Continuity Management policy and strategy had been completed. The two greatest challenges remain identification and management of interdependencies, particularly with industry (where the increase in long term partnering arrangements and outsourcing of service provision has increased our dependency on continuing support from key suppliers), and

3 BS 25999 Part 1 (Code of Practice) was published in November 2006, Part 2 (Specification) in October 2007.

ensuring that organisational change does not degrade our business continuity capability. These are monitored closely. Our approach to Business Continuity Management will continue to evolve in response to increasing natural and man-made disruptive events, such as terrorism, global warming / rogue weather patterns and the threat of an influenza pandemic. From 2008-09 performance will be reported annually against progress made on the risks identified the previous year, as a better reflection of the Department's overall performance and the increasing maturity of Business Continuity Management.

Further sources of information

259. Additional Information on Safety, Security, Business Continuity can be found at Annex I.

Coping with the Floods in July 2007 and Operation GIRAFFE

Persistent heavy rain across central and southern England over the weekend of 20-21 July 2007 led to sporadic flooding across the region, with serious flooding in and around Tewkesbury and Gloucester. This presented the MoD with two challenges. We were asked to help the Civil Authorities respond to the floods. At the same time we had to minimise and manage the impact on a number of defence establishments in the region and ensure that we maintained key activities and critical defence outputs, particularly in support of operations in Iraq and Afghanistan. From this we have learned some useful Business Continuity lessons.

Operation GIRAFFE: the defence contribution to the civil response

The civil response across the affected regions involved providing prefabricated flood defences, augmented in a few locations by sandbags, rescuing trapped individuals when floods did occur, and providing rest centres and advice. The Armed Forces' engagement (known as Operation GIRAFFE) began with the deployment of liaison officers for the Emergency Services to the local strategic coordinating group (known as Gold Command) on 20 July. Following that there was a series of requests for military support, mainly from Gloucestershire. This included:

- Rescue work on 21/ 22 July, including deployment of 6 Search and Rescue helicopters flying 57 sorties and rescuing over 250 people;
- Help constructing emergency flood defences at Walham electricity switching station in Gloucester. RAF personnel arrived by road and Chinook helicopter on the evening of 22 July, and helped to complete a flood barrier by the time the flood waters had been predicted to threaten the facility early the following morning;
- Help to build a more permanent barrier at Walham between 25 July and 30 July;
- Help to build an initial flood barrier at Castle Mead electricity sub-station outside Gloucester on 22/23 July to prevent further flooding after an initial flood had led to power cuts across Gloucestershire, and subsequent technical advice to the Gold Commander on construction of a more permanent barrier;
- Advice to Severn Trent Water on planning the delivery of water by bowsers across the county after the Mythe Water Treatment Plant outside Tewkesbury was flooded on Sunday 22 July cutting off water to most of Gloucestershire (about 380,000 people), and help in carrying this out, including distribution of bulk and bottled drinking water from 24 July until 30 July when it was handed over to private companies;
- Providing photographs to the civil authorities showing the extent of the flooding in the Severn, Cherwell, and Thames valleys.

A large number of military and Civilian defence personnel also joined forces at a number of affected MoD sites (see below) to help with the flood relief effort in their local communities, particularly in the Severn Valley. One of MoD's Service Providers, BREY Utilities Limited, was also involved in the relief effort. Teams from BREY and Delta (a sub-contractor) distributed 14,000 litres of bottled water and organised with Yorkshire Water for the provision of static water tanks and bowsers. BREY also gave access to boreholes, including on Salisbury Plain, to fill tankers and bowsers.

Impact of the Flooding on Defence Establishments

The floods directly affected a number of defence establishments:

- The **Atomic Weapons Establishment** sites at Aldermaston and Burghfield were affected by extremely heavy rainfall on 20 July with some localised flooding and the loss of electrical supplies to some buildings for a short period of time. The excessive rain also caused the main sewer pipe between Aldermaston and the local pumping station to rupture. The prompt actions of AWE personnel ensured that the safety and security of operations at the sites were not compromised;

- **RAF Innsworth** in Gloucestershire, although not itself flooded, was badly affected. It was effectively without power, water supplies and electronic communication for 72 hours. The Station therefore decanted all but essential personnel from the site, but continued to provide personnel in support of the flood relief effort. The Joint Casualty and Compassionate Centre (JCCC) within the Service Personnel and Veterans Agency (SPVA) at RAF Innsworth provides a 24 hour a day Casualty Reporting and Compassionate Casework service to all members of the Armed Forces and their families. On Monday 23 July it became apparent that it would be unable to continue to provide this essential service from RAF Innsworth. JCCC personnel were therefore dispatched to Worthy Down, Hampshire, with the current casualty records and an alternate JCCC Operations Room was set up, helped by other deployed SPVA personnel. Drawing on the flexibility of the Joint Personnel Administration system, the alternate Operations Room took over managing essential Casualty Reporting and Compassionate Casework within a few hours, providing an almost seamless service. This continued for the next 48 hours until essential services were restored at Innsworth in the late afternoon of 25 July;

- At **RAF Brize Norton**, despite initial flooding which temporarily closed the runway and flooded RAF Families Quarters, personnel were quickly able to restore business activities and help deliver flood defences and aid to other affected areas in the local community;

- The **Defence Storage and Distribution Agency (DSDA)** at Ashchurch was hit by initial flash flooding, and several warehouses needed immediate pumping. Ashchurch, like other areas around Tewkesbury, had its main water supply shut off; portaloos had to be delivered and drinking water provided. For health and safety reasons, and reflecting the difficulties personnel encountered in getting to the site, it therefore operated at minimum staffing levels. Despite this, it continued to deliver its operational roles, including the despatch of Foden and Mastiff vehicles to Iraq and Afghanistan. The site also became the focal point for the rail delivery of emergency supplies and subsequent onwards distribution in the Tewkesbury area, with defence personnel working alongside Gloucestershire's Emergency Services and Tewkesbury Town Council;

- The **Joint Services Command and Staff College (JSCSC)** at Shrivenham suffered significant flood damage. Despite immediate activation of contingency plans and sandbagging work by College personnel and others on site, the lower ground floor lecture theatres, and deliveries and storage areas, were all affected by the overflow of the lake at the rear of the JSCSC building. A number of Married Quarters were also rendered uninhabitable. Their occupants were immediately re-housed, and specialist cleaning companies were contacted to decontaminate the flooded areas in preparation for their rebuilding, redecoration and fitting out.

Business Continuity Lessons Identified

As set out in the British Standard for Business Continuity Management (BS 25999), Business Continuity is the strategic and tactical capability of an organisation to plan for and respond to incidents and business disruptions in order to continue business operations at an acceptable, pre-determined level. While we have made good progress embedding Business Continuity Management practices into everyday business planning, such a major disruption affecting so many Defence sites was unprecedented. We have therefore reviewed the experience in order to identify and learn relevant lessons. The main ones were:

- We had not previously recognised the need for a pan-defence Business Continuity reporting system to capture and report in real time the implications for Defence establishments of a major disruptive event, and their ability (in such circumstances) to continue to deliver support to operations and wider defence outputs. During the week of the flooding we therefore had to create an ad hoc process to build such a picture. It was clear that we need a more coherent system and methodology to do this in future;

- We need to ensure that our dependencies on essential services delivered by others are identified and taken into account in Business Continuity Planning (in particular to address the impact of a loss of power and water); and

- We need to take account of potential environmental threats in Business Continuity Plans.

Reputation

Objective: Enhance our reputation amongst our own people and externally.

Assessment and Performance Measures

Assessment: Both external and internal opinion of the MoD and the Armed Forces improved slightly over the year, from already strong high starting positions. We continued to put substantial effort into communicating the work of the Armed Forces and the Department, with an increased emphasis on the regions and on exploiting new media. We also clarified our regulations, improved our operating procedures for media handling in potential crises, and worked to improve our relations with, and mutual understanding of, the media. Our corporate publications continued to win national prizes.

Improve external opinion of the MoD and the Armed Forces:

- Favourable ratings for Armed Forces of 77% in March 2008 (76% in March 2007, 64% in March 2006); unfavourable ratings of 4% (3% in March 2007, 5% in March 2006);
- Favourable ratings for MoD of 50% in March 2008 (44% in March 2007, 38% in March 2006) unfavourable ratings of 12% (13% in March 2007, 14% in March 2006).

Improve internal opinion (of Service and civilian personnel) of MoD and the Armed Forces:

- 87% of Service and civilian personnel thought that the Armed Forces were a Force for Good (85% in Spring 2007);
- 75% of Service and civilian personnel thought that the MoD was a Force for Good (73% in Spring 2007).

Public Opinion

Defence in the Public Eye

260. The work of the MoD and the Armed Forces is constantly in the public eye and we work hard to ensure that Parliament, the public, the media and other stakeholders understand what we are doing and why. Throughout this year operations in Iraq and Afghanistan have remained the focus of parliamentary and public attention. Polling of public opinion shows that it remains strongly favourable towards the Armed Forces (see paragraph 268 below).

Defence Communication Strategy and Communications Transformation

261. During the year significant progress has been made which has resulted in an enhanced regional network, exploitation of new communication channels to bring our messages to new audiences, improvements to the coordination and coherence of our internal communications effort, the development of strategies covering the communication priorities and the development of a more coherent approach to branding and our internal publications. For example, innovations such as the use of headcams and blogs by individuals on operations has provided a new approach to get our messages across. These activities are important in ensuring that communications efforts across the Department are more joined up and effective. Over the coming year we will continue to embed the strategy through work to increase skills across all Defence communicators and improve how we measure the effectiveness of our communication efforts. The Hall report, published on 19 June 2007 made a number of recommendations on how the MoD should improve its handling of the media. A great deal of work has been undertaken since then to implement them. We have clarified our regulations regarding public communication and contact with the media both for military and civilian personnel within Defence, improved our operating procedures for media handling in potential crises and continue to work to improve our relations with, and mutual understanding of, the media. The understanding reached with the media over the deployment of Prince Harry to Afghanistan is one example of how we are developing a more constructive relationship.

Communicating the Work of the Department and Armed Forces

262. A number of channels are used to explain and publicise the work of the Department. A key one is Parliament. Defence policy and activity is communicated through debates on Defence issues, Ministerial statements, and answers to Parliamentary Questions. The Department also provides evidence to the select committees of both Houses of Parliament. Further information is provided in the section on Accountability to Parliament at Annex A. The MoD continues to have a good record on timeliness, and openness in respect to its responses to Freedom of Information requests. Last year we received 2,954 requests for information about 18% of the Whitehall total, with 80% answered within the 20 working day statutory time limit and 70% answered in full (see Annex F).

Devonshire and Dorset Light Infantry parade through Exeter

263. Since the entry into force of the Freedom of Information Act there has been a continuing large number of requests each year for information relating to Unidentified Flying Objects (UFOs), alleged Unidentified Aerial Phenomenon or "UFO" sightings and subsequent MOD evaluations of the reports. We have therefore introduced a system to meet this demand by releasing these historic files in a structured way, with the first set released to the National Archives in May 2008. The rest of the files are currently under review and will be added to The National Archives over the next three years. We now routinely release information on reported UFO sightings on the MoD website.

264. Day to day engagement with the national and regional media is undertaken by Defence Press officers who are responsible for informing them of newsworthy events, as well as responding to questions from journalists and providing facts. The MoD also arranged visits for journalists to both Iraq and Afghanistan, as well as other operational areas. Last year over 200 visits were facilitated. The Defence Media Operations Centre delivers training for military and civilian personnel before they take up operational media posts and also maintains a high readiness capability for deployment in support of surge and emerging operations. During the year, teams have deployed to Iraq and Afghanistan and supported the opening of the National Veteran's Arboretum.

265. The Department continues to engage with the public through a broad spectrum of activities to promote awareness and gain support. The number of documentaries and Defence related TV programmes has increased markedly with high profile documentaries such as Commando and Ross Kemp in Afghanistan proving highly successful. Many books have been sponsored, two of which were Sunday Times' top ten best sellers, and there has been an increase in positive feature articles. The year's event highlights were the Falklands War 25th anniversary commemorations and the opening of the Armed Forces Memorial, however the Services also attended over 800 direct to public events and gave over 300 formal presentations. The Service brands continue to be promoted through marketing activities and innovative merchandising deals. The department's web presence both on Defence and single Service sites has gone from strength to strength, in particular by making full use of the opportunities of emerging web technologies, such as blogs. Foremost in this area has been the launch of Defence Dynamics, an on line teaching resource to increase awareness and understanding of Defence in schools. There were over 2,500 registered users between its launch in September and the end of March.

266. The Department's communications efforts over the last year have been directed by a common set of priorities. A main focus has been to explain our roles in both Iraq and Afghanistan. We have also concentrated on explaining the support that is provided to Service Personnel, including accommodation, medical services, recruitment and retention; how the Armed Forces are equipped for the tasks that they are asked to do and demonstrating that the MoD provides value for money for the tax payer. Events to mark the 25th anniversary of the Falklands and the 100th anniversary of the Territorial Army have also taken place this year. These provide opportunities to recognise past achievements and the sacrifices of those involved, as well as explain the role and capability of the Armed Forces today.

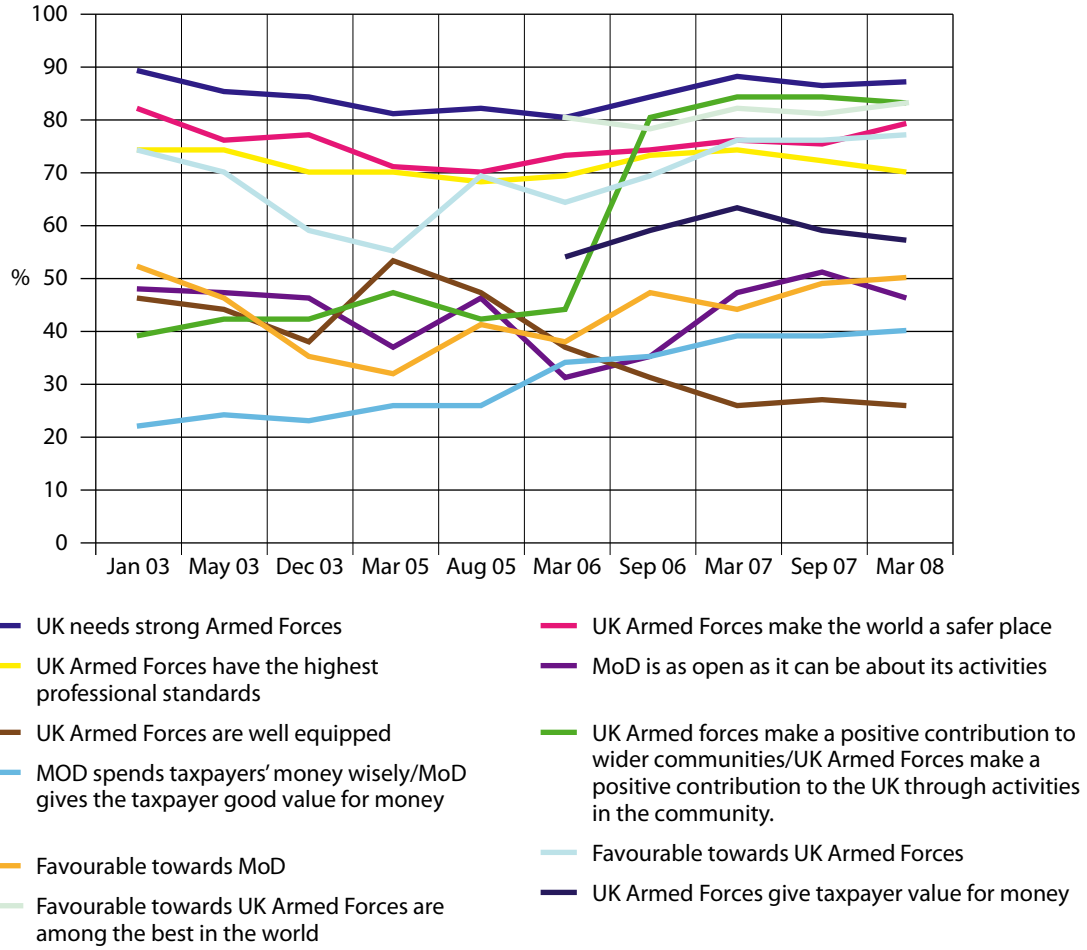
Reputation among UK Public

267. Public support is important to the Armed Forces and to the achievement of Defence Objectives. The Department carries out regular public opinion surveys, using an independent polling company, to track the reputation of the MoD and Armed Forces. The most recent, conducted by Ipsos MORI in March 2008 showed public support for the Armed Forces, at 77% favourability, its highest level since 2002 (76% in March 2007, 64% in March 2006). This compares with the police at 77% and the NHS at 74%. MoD reputation also remains strong, improving by 6% to 50% over the year (44% in March 2007, 38% in March 2006). This compares well against other Departments – FCO and Home Office ratings were 35%, DfID17% and DoH 56%. But the lower favourability levels on people and equipment issues remain an area of concern.

Table 6: External Opinion Survey headlines

Armed Forces	March 2008	March 2007	Ministry of Defence	March 2008	March 2007
Overall favourable impression of Armed Forces	77%	76%	Overall favourable impression of MoD	50%	44%
UK Armed Forces are among the best in the world (average for RN/ Army/RAF)	83%	82%	UK Armed Forces are well equipped	26%	26%
UK needs strong Armed Forces	87%	88%	MoD gives the taxpayer value for money	40%	39%
UK Armed Forces help make the world a safer place	79%	76%	MoD is as open as it can be about its activities	46%	47%
UK Armed Forces have the highest professional standards	70%	74%	UK Armed Forces make a positive contribution to the UK through their activities at home	84%	84%
UK Armed Forces look after their people	47%	57%			

Figure 15: External Polling Results, 2003-2008



Internal Communication

268. Good internal communication is vital to defence business, to our reputation as a top class employer which values its people, and to delivering our change programmes. This year has seen a number of bespoke internal campaigns aimed at explaining important changes to the people most affected, including announcements on the appointment of the first Service Complaints Commissioner and introduction of a new complaints procedure, on the new operational allowance, and new measures to help Service personnel get on the housing ladder. We have also launched internal campaigns whose primary purpose was to seek the views of our own people, for example on the development of a Service Personnel command paper and the strategic review of Reserve Forces and the Head Office Streamlining project. These campaigns have been conducted while continuing to providing our people with honest, straightforward and timely information on military operations in Iraq, Afghanistan and elsewhere.

269. We support commanders and line managers in briefing their people through a range of corporate channels that complement our official guidance, notices, instructions and briefings. Much work is put in to ensuring these channels stay fresh and effective and keep pace with changes in technology and working practices. We are conducting programmes to rationalise and improve our internal brands and in-house journals. As well as their own websites, intranet presences and magazines, all three Armed Services now have in place extranets (password-protected websites) which allow Service personnel and their families secure access to official information, from home or overseas.

270. Our corporate communications are among the best in their class and continue to collect national awards, including winning the Building Public Trust Award for "Telling it Like it Is" for the second year running with our 2006-07 Annual Report and Accounts. 2007 saw our most widely read in-house publication, Defence Focus, relaunch in a new format and style, and

Table 7: Internal Opinion Survey headlines

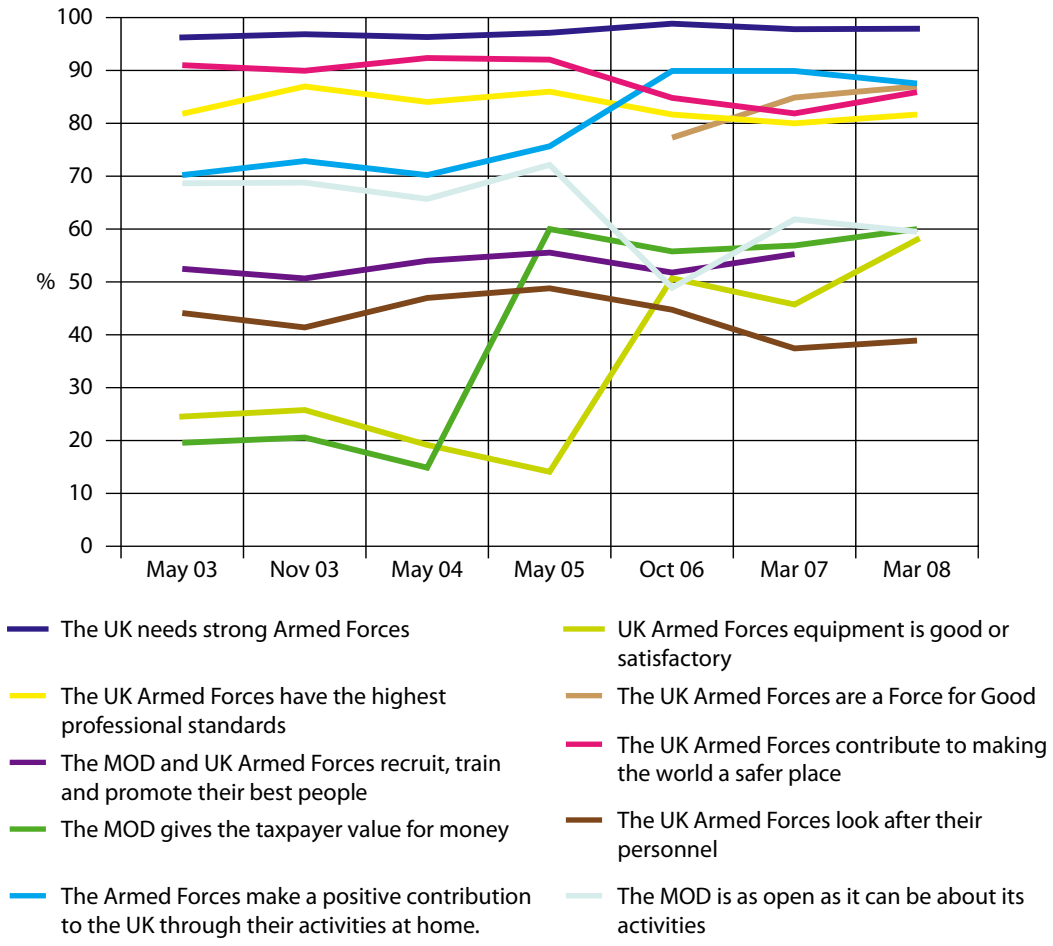
Armed Forces	March 2008	March 2007	Ministry of Defence	March 2008	March 2007
UK Armed Forces are a Force for Good	87%	85	MoD is a force for good	75%	73%
UK Armed Forces are among the best in the world (average for RN/ Army/RAF)	91%	79%	UK Armed Forces equipment is satisfactory	58%	46%
UK needs strong Armed Forces	98%	98%	MoD gives the taxpayer value for money	60%	57%
UK Armed Forces help make the world a safer place	82%	82%	MoD is as open as it can be about its activities	60%	62%
UK Armed Forces have the highest professional standards	82%	80%	MoD looks after its civilian employees	56%	54%
UK Armed Forces look after their people	39%	38%			
UK Armed Forces make a positive contribution to the UK through their activities at home	88%	90%			
UK Armed Forces training is world class	72%	70%			

go on to win in five separate categories at this years "Communicators in Business Awards" – more than any other publication in a field that included the best in the public and private sectors. Soldier, the official magazine of the British Army, won a further three awards. The Royal Navy's "Two-Six" DVD-aimed at keeping Navy personnel all over the World informed – won three awards from the international Visual Communication Association. Online, the Royal Navy website won a "webby" for an interactive mobile advertising campaign and the MoD's online defence news service was recognised for the third year running by Communicators in Business.

Reputation Among Service and Civilian Personnel

271. We carry out periodical surveys to determine the views of our own people – Service and civilian – on defence and the Armed Forces. Our most recent poll conducted in spring 2008 showed that confidence that the Services and MoD are a force for good remains high at 87% and 75% respectively (85% and 73% respectively in March 2007). Internal views about how well people feel they are looked after and equipped have also improved.

Figure 16: Graph of Internal Polling Trends over last 5 years



Further Sources of Information

272. Additional information on Reputation can be found at Annex I.

The National Recognition Study

In December 2007, the Prime Minister, with the support of the Secretary of State for Defence, asked Quentin Davies MP to undertake an independent inquiry into the relationship between the Armed Forces and the rest of society. The inquiry, which was supported by a senior MoD civil servant and a serving senior military officer, took evidence from over 300 serving personnel from across all ranks and all three Services. It also consulted a very wide range of stakeholders and people of influence in the field, including the royal family, journalists and editors, business, sports and local government leaders, politicians and representatives of the Service charities. The study team also visited the USA, Canada and France to draw on their experience. The inquiry ran in parallel with the separate work to develop a Command Paper on sustaining and harmonising Government support to Service Personnel.

The inquiry reported to the Prime Minister at the end of April and published its findings in May. Recognising the unique place of the Armed Forces in society, it concluded that while the Armed Forces enjoy immense respect and gratitude on the part of the nation, the foundation on which that support is based has eroded and is likely to continue to erode unless countervailing measures are taken. This is a consequence of an ever-smaller proportion of the United Kingdom's population having direct links with the military as the Armed Forces have shrunk since the end of the Second World War, National Service and the Cold War. At the same time, the Armed Forces have becomes less visible to the general public. This is partly the result of the terrorist threat in the 1970s and 1980s, but also reflects a reduction in the number of open days and other military displays on either security or resource grounds. Increased separation of the Armed Forces from civilian life carries risks for both parties. The material and moral support of society is essential to the motivation and morale of the Armed Forces, and public understanding of the military and their role determines the environment within which the Forces recruit and train, and the willingness of the tax payer to finance them adequately.

The Report recommended a number of measures to counter this trend, addressing the issues of greater visibility, improving contact between the Armed Forces and society, building greater understanding, and encouraging public support. It looked for measures that would involve minimum diversion of scarce defence resources:

- **Visibility** measures included greater encouragement for military personnel to wear uniforms more widely in public, a more systematic approach to 'homecoming' parades, transfer of ceremonies and parades to public venues, and establishment of an Armed Forces and Veterans' Day. Such a Day should incorporate the established Veterans Day and occur on a Saturday (so that school children and most working adults would be

able to attend events) at the end of June. This would provide a focus for media-directed initiatives on defence and Service issues and an occasion for scheduling of public events involving the Forces (including Reserve Forces), Veterans and Cadets;

- **Contact** measures proposed included better coordination of the Services outreach activities and arrangements for affiliations with civic bodies, and relaxation of the rules for serving personnel on dealing with local Members of Parliament, on contacting the media, and on the use of military assets in support of outreach activities;

- **Improved Understanding** measures included greater liaison with Parliament, business leaders, the media and schools. The report proposed increasing the number of Combined Cadet Forces in comprehensive schools, strengthening the community based Cadet Forces, including information on the Armed Forces in the Citizenship Agenda within the National Curriculum, facilitating a 'return to school' programme for serving personnel, and offering an officer or Senior non-Commissioned Officer to provide a presentation to each secondary school in the country. As the media play such a vital role in shaping public opinion, the Report recommended a number of measures in this area, including building on the programme of background briefings to journalists, and a scheme along the lines of the Armed Forces Parliamentary Scheme to offer journalists the opportunity to build their understanding of the military;

- Measures **encouraging better public support** for the Armed Forces included enhancing the usefulness of the Military ID card, the introduction of Veterans' cards, better publicity for the military discounts schemes and improved arrangements to enable the public to send parcels to personnel serving in combat zones.

The Government welcomed the Report. It accepted immediately a number of the proposed measures, to be implemented as soon as possible. These included greater encouragement to wear uniforms in public, creation a British Armed Forces and Veterans' Day, more systematic arrangements for homecoming parades and ceremonies for the award of Campaign Medals and Veterans' Badges, and an examination of the options to strengthen cadet forces and on other education-related measures. It noted that many of the recommendations required detailed consideration or further work, and undertook to engage with other organisations on those recommendations beyond the sole responsibility of Government, such as the proposals to improve relations with Parliament, local government, the business community and the media.

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Resources

People

Objective: Manage our people to provide sufficient, capable and motivated Service and civilian personnel.

Public Service Agreement Target (SR2004 MoD Target 5)
Recruit, train, motivate and retain sufficient military personnel to provide the military capability necessary to meet the Government's strategic objective to achieve manning balance in each of the three Services by 1 April 2008.

Assessment and Performance Measures
Assessment – Service Personnel and Reserves: The programmes to transform and restructure the Armed Forces meant that during 2007-08 the military trained strength requirement fell by a further 2.4%, to 179,300, a total reduction of nearly 11,700 or 6.1% over the 2004 Spending Review period. The total trained strength fell by 2.2%. At the end of the year only the Royal Air Force was within manning balance and we therefore only partly met our Public Service Agreement target. Pinch Points remained in all three services, with an increased number of trades affected in the Royal Navy and the Army. The recruiting environment remained difficult, but recruiting held up. We were unable to meet all our targets for initial training. Voluntary outflow rates rose slightly over the year. The Department continued to pursue retention initiatives, and overall retention rates remained broadly stable. Service diversity continued to increase slowly, although not to target levels. We invested increasing amounts in medical care for military personnel, but Service fitness levels continued to fall slowly. We implemented the pay recommendations of the Armed Forces Pay Review Body in full. The continuing high operational tempo meant that the Army and RAF continued to be unable to meet their Individual or Unit Harmony guidelines. There was a substantial reduction in the proportion of Service personnel and their families satisfied or very satisfied with Service life. The Reserve Forces continued to provide the support to operations required, but delivering this is becoming increasingly challenging.

Assessment – Civilian Workforce: Civilian staff numbers continued to fall, reducing by 7.3% to 90,600 and substantially exceeding the 2004 Spending Review target. As a result of the reduction programme recruitment, turnover and progression remained low, significantly constraining the ability to meet diversity targets. Work continued to improve leadership, management and key specialist skills. Sickness rates improved slightly and the workforce continued to report relatively high levels of engagement with the Department and its work. The MoD was recognised as an Investor in People at the corporate level for the first time.

Regular Service Personnel – Sufficient:
Trained strength of Forces 98%-101% of overall requirement as of 1 April 2008:
- RN/RM Trained strength 35,000, 96.7% of overall requirement (94.9% 2007, 96.7% 2006);
- Army Trained strength 98,270, 96.5% of overall requirement (97.5% 2007, 98.8% 2006);
- RAF Trained strength 40,620, 98.6% of overall requirement (96.7% 2007, 99.2% 2006).

Minimise Pinch Points:
- RN/RM 20 Pinch Point trades in April 2008 (14 in April 2007);
- Army 28 Pinch Point trades in April 2008 (25 in April 2007);
- RAF 24 Pinch Point trades in April 2008 (34 in April 2007).

Achieve 8% ethnic minority representation in 2013:
- 6.1% overall ethnic minority representation in April 2008 (5.8% in 2007, 5.5% in 2006).

Regular Service Personnel – Capable
90% of Trained strength fully fit:
- 85.4% "fit for task" in April 2008 (85.9% April 2007, 87.8% April 2006).

Individual personal development in basic skills:

- All new entrants without formal Level 2 qualifications assessed during 2007-08;
- MoD signed Leitch Skills Pledge June 2007;
- All RN/RM recruits below Level 1 received remedial training;
- Increased basic skills training in Army, including improved provision in operational theatres;
- All RAF recruits required to have Level 1 qualifications.

Regular Service Personnel – Motivated:

Adhere to Harmony Guidelines:

- RN/RM continued broadly to meet Unit Harmony guidelines. Fewer than 1% of RN/RM personnel exceeded Individual Separated Service guideline (fewer than 1% in 2006-07);
- Army units continued to exceed the Unit Tour Interval guideline. 10.3% of Army personnel exceeded Individual Separated Service guideline (13.4% in 2006-07);
- Elements of RAF continued to exceed Unit Tour Interval guideline. 9.6% of RAF personnel exceeded Individual Separated Service guideline (6.2% in 2006-07).

Improve levels of satisfaction with Service life:

- Substantial reduction across the board in percentage of personnel satisfied or very satisfied with Service life.

Working environment in which sexual harassment is unacceptable:

- Implementation of Action Plan agreed with Equal Opportunities Commission, including research and surveys, access to mediation, and Harassment Investigation Officers;
- Programme of audits of monitoring system launched.

Reserve Forces:

Achieve trained strength of 95% of trained requirement as of 1 April 2008:

- Royal Naval Reserve trained strength 1,784, 92% of requirement (77% 2007, 71% 2006);
- Royal Marines Reserve trained strength 582, 92% of requirement (77% 2007, 82% 2006);
- Territorial Army trained strength 30,274, 70% or requirement (70% 2007, 69% 2006);
- Royal Auxiliary Air Force trained strength 2,000, 37% of requirement (66% 2007, 49% 2006).

Achieve level of personnel available for mobilisation at 70% of requirement as of 1 April 2008:

- Royal Naval Reserve personnel available for mobilisation 81% of requirement;
- Royal Marines Reserve personnel available for mobilisation 65% of requirement;
- Territorial Army; personnel available for mobilisation 46% of requirement;
- Royal Auxiliary Air Force personnel available for mobilisation 23% of requirement.

Civilian Workforce – Sufficient:

Achieve cumulative reduction of 10,892 in civilian workforce (excluding locally employed staff) from April 2005 to April 2008:

- Total reduction of some 17,500 civilian staff from April 2005 to April 2008, including cumulative reduction of some 14,500 against the reduction baseline.

Achieve Civilian diversity targets:

- Department met April 2008 targets for staff with declared disability at SCS and Band D and for women at Band B, but fell short on targets for ethnic minorities at any level, for women at SCS and Band D, and for staff with declared disability at Band B.

Civilian Workforce – Capable:

Maintain or improve proportion of vacancies filled by suitably qualified candidates:

- Surveys show majority of line managers satisfied or very satisfied with quality of individuals they recruit.

Staff actively pursuing programmes of training and development:

- Staff completing agreed training and development plans increased from 40% to 51%.

Maintain or improve rates of promotion to SCS (18/year), Band B (80/year) and Band D (200/year):

- 35 staff substantively promoted to SCS, 77 promoted to Band B, 398 to Band D.

Active management of performance at work:

- Publication of Guide to Managing People;
- Slight decline in staff experience of being managed in Civilian Attitude Survey.

Civilian Workforce – Motivated:

Maintain or improve survey responses on employee engagement:

- Employee engagement score of 65%.

Maintain or improve average sick absence:

- Average Level 1 sick absence of 8.66 days in 2007-08 (8.82 in 2006-07).

273. People are our key resource, and we therefore require sufficient, capable and motivated Service personnel in the Royal Navy, Army and Royal Air Force, their volunteer reserve forces, and in the Defence Civil Service to deliver our key Defence objectives. This means sufficient and diverse people with the right mix of skills within each Service and in the civilian workforce. They must be trained and fit for the very diverse and demanding jobs we need them to do and they must be motivated and feel that they have worthwhile and satisfying careers. Achieving this embraces a range of activities, including recruitment and retention, training and physical health, and consideration of motivational factors such as the time between operational tours for Service personnel. The programme of transforming and restructuring the Armed Forces and Defence as set out in the 2004 Future Capabilities White Paper has also involved a continuing reduction in military and civilian manpower throughout a period of high operational tempo overseas and sustained organisational change at home.

274. As set out in Defence Plan 2007, attracting and keeping talent is one of the six strategic risk realms managed by the Defence Board. The largest element of this is the potential impact of personnel shortfalls on operations and, over the longer term, on morale and motivation, and the Department has therefore worked hard to improve both recruitment and retention (see paragraphs 277-279 below). We are not complacent about the scale of challenge we face. Despite that, we have continued to sustain sufficient, capable and motivated personnel on Operations. Recruitment and retention have also received extensive Parliamentary attention. Following a National Audit Office study in 2006, the Public Accounts Committee held an inquiry which reported in July 2007. The House of Commons Defence Committee has since been conducting a separate inquiry during the 2007-08 session. Links to these reports, the detailed evidence provided, and the Government's responses can be found at the end of this chapter.

Regular Service Personnel: Sufficient

Trained Strength

275. The Departments 2004 Spending Review Public Service Agreement target required all three Services to achieve manning balance[1] by 1 April 2008. Military personnel planning is an inexact process, as it represents the combination of recruitment and gains to trained strength, retention of existing personnel, and a changing requirement. These factors tend to move independently, which makes the challenge greater. Overall, from 1 April 2007 to 1 April 2008, the total trained strength requirement fell by just over 4,300 personnel (2.4%), from about 183,600 to 179,270 (a total reduction of nearly 11,700 or 6.1% over the Spending Review period), reflecting the programmes to transform and restructure the Services. Over the same period the total trained strength of the Armed Forces fell by 3,900 (2.2%) from just over 177,800 to 173,960 (a total reduction of over 14,000 or 7.5% over the Spending Review period). The Department only partly achieved the PSA target as only the Royal Air Force was within manning balance on 1 April 2008:

- At 1 April 2008 the total trained strength of the Royal Navy and Royal Marines was some 35,000, a shortfall of approximately 1,200 personnel or 3.3% against the requirement of 36,260, 1.3% outside the manning balance target range. This reflects a net increase of about 60 trained personnel over the year, representing an overall improvement of 1.3% against the requirement since 1 April 2007. The failure to meet the target was largely because the overall requirement for Naval personnel across the Department did not reduce as quickly as had originally been planned. Continuing restructuring within the Royal Navy and across the Department is expected to reduce the personnel requirement further, and together with current work to improve recruitment and retention through an integrated Recruitment and Retention strategy (see paragraphs 279-280 below) this will help to close the remaining deficit. The Royal Navy now expects to achieve Manning Balance during 2009-2010, although some branches

1 Manning balance is defined as trained strength between 98% and 101% of the requirement, which itself changes over time to reflect changes in the equipment and structure of the individual Services.

and trades will continue to have significant sustainability problems (see paragraph 276 below);

- At 1 April 2008 the total trained strength of the Army was 98,270, a shortfall of just over 3,500 personnel or 3.5% against the requirement of 101,800, 1.5% outside the manning balance target range. This reflects a reduction of nearly 1,100 trained personnel over the year, representing an overall decline of 1.1% against the requirement since 1 April 2007. This headline figure masks a higher level of soldier undermanning of 4.8%, with particular shortages in the junior ranks of the infantry. The Army has a range of measures in place to recover (see paragraph 276 below), but even if these all go as planned it is unlikely the Army will return to manning balance before April 2011;

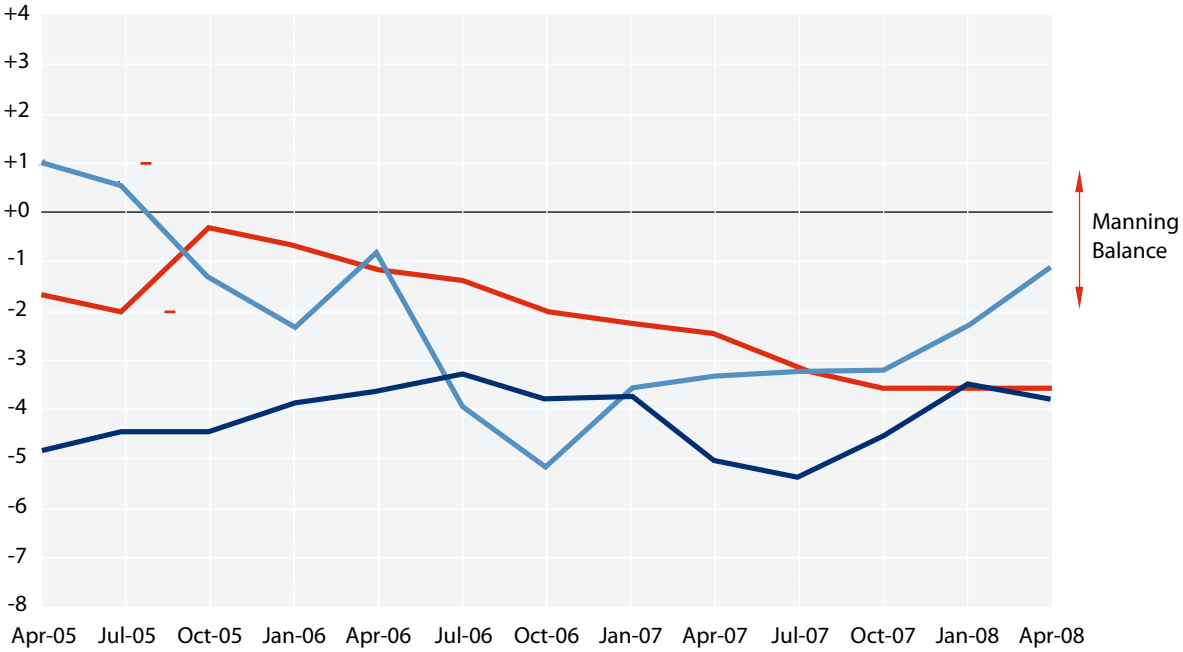
- At 1 April 2008, the Royal Air Force's total trained strength was 40,620 a shortfall of just under 600 or 1.4% against the requirement of 41,210, within the manning balance target range. This reflects a reduction of some 2,900 trained personnel over the year, but represented an overall improvement of 2.2% against the requirement since 1 April 2007 as a result of the further reduction of some 3,800 in the requirement over the year under the drawdown programme announced in 2004. However, planned changes in the requirement, and by a predicted reduction in strength, mean that it is likely the Royal Air Force will fall below the manning balance range during 2008-10 before recovering again over the following year.

Table 8: Strength and Requirement of Full Time UK Regular Forces, Full Time Reserve Service and Gurkhas[1]

	Royal Navy/ Royal Marines			Army			Royal Air Force		
	1 Apr 2008	1 Apr 2007	1 Apr 2006	1 Apr 2008	1 Apr 2007	1 Apr 2006	1 Apr 2008	1 Apr 2007	1 Apr 2006
Trained Requirement	36,260	36,800	36,830	101,800	101,800	101,800	41,210	45,020	47,290
Trained Strength	35,070[p]	34,940[r]	35,620	98,270[p]	99,350[p]	100,620	40,620[p]	43,550	46,940
Variation	-1,190[p]	-1,880[r]	-1,220	-3,530[p]	-2,450[p]	-1,180	-590[p]	-1,460[r]	-350
Untrained Strength	4,040[p]	4,520[r]	4,500	11,540[p]	11,180[p]	11,260	3,140[p]	2,160	2,110
Total UK Regular Forces	39,110[p]	39,440	40,110	109,810[p]	110,530[p]	111,880	43,750[p]	45,710	49,060

1. The Trained Strength, Untrained Strength and the Trained Requirement comprise UK Regular Forces, Gurkhas, FTRS personnel and Nursing services. They do not include the Home Service battalions of the Royal Irish Regiment or mobilised reservists.
2. Due to the introduction of JPA original Army figures published in MoD Annual Report and Accounts 2006-07 were as at 1 March 2007
3. Due to ongoing validation of data from the Joint Personnel Administration System, Army statistics from 1 April 2007, and Naval Service and RAF statistics from 1st May 2007 are provisional and subject to review.
4. Figures are rounded to ten and may not sum precisely to the totals shown.
5. p denotes provisional and r denotes revised.
6. Data from DASA.

Figure 17: Service manning surplus/deficit



Manning Pinch Points

276. Within the overall manning totals there are a number of identified skills areas where there is insufficient trained personnel to meet the specified requirement for that skill. These are known as Manning Pinch Points. This can reflect a shortage of people against the peacetime requirement, a temporary operational requirement greater than the peacetime requirement, or a combination of the two. Manning Pinch Points are managed by the individual Services, with a central working group maintaining an overview to identify trends and to ensure best practice. Mitigating the Pinch Points can in some cases require personnel to exceed Harmony Guidelines (see paragraph 306). Each Service maintains a dynamic list reflecting operational commitments and manning levels within branches and trades as they vary over time. The position as of 1 April 2008 is set out at table nine below. Given the sustained Parliamentary interest in this information, we intend in future to publish an updated list every quarter in the Department's quarterly performance reports:

- In April 2008 the Royal Navy had 20 Pinch Point trades (14 in April 2007). Lynx Observers and Air Engineering Technicians ceased to be Pinch Points during the year. The following specialisations entered the list during 07/08: Junior Submarine Warfare Watchkeeping Officers (Advanced Warfare Qualified); Lt GR7 Harrier Pilots, Merlin Aircrew (Pilots, Observers & Aircrewmen); Able Rate Warfare Tactical SM; Able Rate Warfare Specialists; and Able Rate Command & Information Systems. There are particular concerns across the Submarine and Fleet Air Arms. Similarly, in the General Service Warfare Branch, shortages of fully qualified junior rates places pressure on the front-line and there are deficits at Leading Hand level, and also in Petty Officers Mine Warfare. The Royal Marine Other Ranks cadre is currently able to meet operational tasking but this is not without churn, significant gapping elsewhere and consequent impact on the individual. The impact of these shortages on Operational Capability is being mitigated by careful management at the 'waterfronts' / unit level;

- In April 2008 the Army had 30 Pinch Point trades (25 in April 2007). Of these eight had a direct impact on operations: Infantry, REME – Vehicle Mechanic, Armourer and Recovery Mechanic, Operator Military Intelligence, RA Gunner and RE Clerk of Works and ME Fitters. Manning deficits in these trades have led to backfilling to meet the operational requirement; capability cannot be met without further breaching of harmony guidelines, increasing pressure resulting in poor retention. These included small trade groups such as Recovery Mechanics, Intelligence Operators and Royal Engineer Fitters. RLC Petroleum Operators ceased to be pinch points during the year, and Infantry, AGC(SPS) Military Administrators, Musicians, REME Aircraft Technician (LCpl-Sgt), REME Avionics Technician (LCpl-Sgt) and RA Gunners entered the list. Mitigation plans to manage the impact of all these shortfalls are in place, including through the use of Financial Retention Incentives (see paragraph 280 below) to reduce both their number and impact;
- In April 2008 the Royal Air Force had 24 pinch point trades (34 in April 2007). Engineer, Supply, Administration (Secretarial), General Technician (Mechanical), Survival Equipment Fitter, Air Cartographer, Staff Nurse (Registered Mental Nurse), Pharmacy Technician, Medical Administrator, Dental Technician, Dental Hygienist, Catering Accountant and Musician ceased to be pinch points during the year, and Intelligence Analyst (Communications), Operating Theatre Technician and Mess Manager / Steward entered the list. Operational Support branches (Intelligence, Provost and RAF Regiment), Fire-Fighters, Gunners and Weapon System Operators continue to remain a concern and will remain the focus of mitigation, retention and recruitment priorities for 2008-09.

Table 9: Manning Pinch Points

Operational[1] Pinch Point Trade	Liability/Shortfall	% Shortfall
Royal Navy		
Lt X SM Advanced Warfare Course Qualified	75/7	8%
RN Harrier GR7 Instructors	7/4	57%
GR7 Harrier Pilots – Lt	35/17	51%
Merlin Pilots	112/44	39%
Merlin Observers	116/53	46%
Merlin Aircrewmen	102/22	22%
Leading Hand Warfare	1108/459	41%
Strategic Weapons Systems Junior Ranks	110/26	20%
Able Bodied Warfare Specialist (Sensors Submariner)	173/39	23%
Able Bodied Warfare Specialist (Tactical Submariner)	121/25	21%
Able Bodied Diver	136/41	30%
Able Rate 1 Seaman	351/54	15%
Able Rate 1 Warfare Specialist	754/181	24%
Able Rate 1 Communications and Information Systems	375/48	13%
Leading Aircraft Controllers	75/33	44%
Royal marines Other Ranks	6525/522	8%
Sea-King and Lynx Avionics Supervisors	348/64	18%
Cat A Nuclear Watchkeepers	217/53	24%
Petty Officer Mine Warfare	56/15	27%
Cat B Nuclear Watchkeepers	417/77	18%

Operational[1] Pinch Point Trade	Liability/Shortfall	% Shortfall
Army		
Operational Pinch Point Trade		
Infantryman Pte-LCpl	14615/1647	11%
REME Vehicle Mechanic Pte-Cpl	3625/493	14%
REME Armourer Pte-Cpl	397/80	20%
REME Recovery Mechanic LCpl-Cpl	344/128	37%
Intelligence Operator – Military Intelligence Cpl-Sgt	690/228	33%
RE Clerk of Works SSgt-WO1	245 /plus 1	-0.4%
RE Mil Engr Fitter Spr-LCpl	466/71	15%
RA Gunner LBdr – Bdr	5048/718	14%
Manning[2] Pinch Point Trade		
AMS Intensive Therapy Unit Nurse Cpl-Capt	121/86	71%
AMS Emergency Medicine Nurse Cpl-Capt	101/63	62%
AMS Radiologist Maj	4/3	75%
AMS Orthopaedic Surgeon Maj+	13/6	46%
AMS General Surgeon Maj+	17/7	41%
AMS Anaesthetist Maj+	49/23	53%
AMS General Medical Practitioner Capt+	153/16	10%
AMS Radiographer Cpl+	24/14	58%
AMS Registered General Nurse	293/30	10%
AMS Operation Department Practitioner Cpl+	95	13 / 22%
RA Unmanned Ariel Vehicle Operator (Level 4) LBdr-Bdr	280	43 / 15%
RE Mil Engineer Geo Spr-WO2	82	plus 11 / -13%
RE Explosive Ordnance Disposal Cpl-SSgt	115	95 / 17%
RE Mil Engr C3S Spr-LCpl	583	plus10 / -2%
RLC Ammo Tech Cpl-SSgt	285	128/ 45%
RLC Postal and Courier Op Pte-Cpl	433	83 / 19%
RLC Chef Pte-LCpl	1459	93 / 6%
RSigs IS Engineer Cpl-Sgt	237	35 / 15%
AGC(SPS) Mil Admin Pte-Sgt	2610	308 / 12%
CAMUS Musician	300	69 / 23%
REME Aircraft Tech LCpl-Sgt	503	plus 36 / -7%
REME Avionics Tech LCpl-Sgt	301	27 / 9%
Royal Air Force		
Operational Pinch Point Trade		
Medical	278/58	21%
Operations Support (Intelligence)	233/2	1%
Operations Support (Regiment)	267/27	10%
Operations Support (Provost/Security)	142/1	1%
Operations Support (Flight Operations)	215/26	12%
Princess Mary's Royal Air Force Nursing Service	180/50	28%
Manning Pinch Point Trade		
Administration (Training)	231/30	13%
Chaplains	79/12	14%
Medical Support	91/13	14%
Operations Support (Fighter Control)	346/45	13%
Other Ranks Operational Pinch Point Trade		
Weapons System Operator (Air Load Master)	550/99	18%
Weapons System Operator (Linguist)	67/17	25%

Operational[1] Pinch Point Trade	Liability/Shortfall	% Shortfall
Air Traffic Controller/Flight Operations Manager/Flight Operations Assistant	1276/76	6%
Fire Fighter	553/72	13%
Gunner	1819/182	10%
Movements Operator/Controller	879/18	2%
RAF Police	1278/plus 77	-6%
Staff Nurse (Registered General Nurse)	301/21	7%
Other Ranks Manning Pinch Point Trade		
Intelligence Analyst (Communications)	286/46	16%
Environmental Health Technician	48/8	17%
Radiographer	11/1	9%
Mess Manager/Steward	498/40	8%
Musician	175/25	14%
RAF Physical Training Instructor	517/26	5%

Note:
1. Operational Pinch Point. A branch specialisation, sub-specialisation or area of expertise, where the shortfall in trained strength (officers or ratings/other ranks) is such that it has a detrimental impact on operational effectiveness. (This might be as a result of adherence to single-Service harmony guidelines, under-manning, and/or levels of commitment that exceed the resourced manpower ceiling for the trades or areas of expertise involved).
2. Manning Pinch Point. A branch specialisation, sub-specialisation or area of expertise, where the shortfall in trained strength (officers or ratings/other ranks) has affected the branch structure and will take a number of recruitment/retention measures to rectify. (This might be as a result of under-manning, a requirement for new skills, medical downgrades, over-commitment at certain ranks, over/under promotions for the trades or areas of expertise involved).
3. Due to rounding, percentages may not correlate to figures presented.

Recruitment

277. As in the previous year the recruiting environment remained difficult. The 2006 National Audit Office report on *Recruitment and Retention in the Armed Forces* identified a number of socio-economic factors having a detrimental effect on recruiting: a strong economy generating high levels of employment; long term demographic decline in the numbers of young people, with an increasing proportion from ethnic minorities; a relatively low level of women in the Armed Forces compared to the workforce as a whole; increasing obesity and health problems among young people; changing attitudes and expectations away from a 'job for life'; an increasing number of young people in further and higher education; and the impact of current operations and negative events on the reputation of the Armed Forces. These remain our key challenges. Survey data shows that current operations are increasingly having a negative effect overall on interest in a Service career. There is also a continuing need to persuade young people that the Armed Forces is a career of first choice, with surveys showing that only some 15-30% consider it as a possibility. We are working with the Department for Innovation, Universities and Skills on the opportunities for the Services to extend formal learning and education to eighteen. There are also close continuing links with the personnel staffs of the United States, Canadian, Australian and New Zealand Armed Forces which enable us to compare and learn lessons from each others' experience. Despite these challenges, Armed Forces recruitment nevertheless continued to hold up, with total intake of some 21,310 against a target of 21,896 (see table ten). Selection standards have not been diluted and the quality of those passing selection continued to be satisfactory. Overall recruiting expenditure (including for the Reserve Forces) rose by 4.6% from £162M in 2006-07 to nearly £170M in 2007-08, reflecting the priority given to this work by all three Services. They all also took forward programmes and initiatives to improve and coordinate better their recruiting organisations and strategies and boost intake where necessary (detailed information on these can be found in the evidence to the House of Commons Defence Committee's inquiry into *Recruiting and Retention)*:

- The overall Royal Navy recruitment target of 4,259 in 2007-08 was 6% higher than the previous year's, although the lower level aircrew officer recruitment targets were reduced significantly to match a reduction in downstream training capacity. Against this higher target, the intake of 3,860 was broadly level (3,770 in 2006-07). Overall spending on recruitment rose to £34.2M from £32.9M in 2006-07. The Royal Navy completed its updated marketing strategy in 2007, and analytical data is showing increased awareness of RN career opportunities among the target audience. The autumn 2007 Royal Marine campaign built successfully on

interest raised by TV's *Commando on the Front Line*, with applications up from an average of 200 a month in early 2007 to nearly 300 a month by the end of the year. The relaunch of submarine TV adverts and the associated media campaign also started to show some improvements, although submariner recruiting remains challenging. As the main component of its integrated recruitment and retention strategy the Royal Navy is now refining its recruiting approach to focus increasingly on those individuals judged to have both the aptitude and the 'attitude' to progress quickly and remain in service long enough to reach key supervisory levels;

- Against a broadly level Army officer recruitment target for 2007-08 intake increased to 1,060 (900 2006-07). The other ranks recruitment target increased by 4% to 13,817 (13,235 in 2006-07), reflecting the need to reverse the decline in Army trained strength. At 13,460 intake was broadly level (13,400 in 2006-07). Overall Army spending on recruitment (not including local unit activities) rose to £95.2M from £91.1M in 2006-07, mainly reflecting higher advertising spend. Television advertising focused on four key shortage areas of Professionally Qualified Officers, Staff and Personnel Support soldiers, Unmanned Aerial Vehicle operators; and Infantry soldiers. In April 2007 'One Army Recruiting' was launched. This was the biggest change to Army Recruiting since the end of National Service. It has integrated Regular and Territorial Army recruiting in a consistent and coherent manner to deliver a more efficient and effective operation. At the same time the Army launched a new online analysis tool, Pathfinder, to define enquiries by four key demographic sectors in line with best private sector practice, and enable it to be more responsive to potential recruits' needs. Although it is too early to judge success, one key early finding has been that the east and south east of England are now 'Army interested' recruitment hotspots, as opposed to the traditional heartlands of the north of England and Scotland;

- The Royal Air Force's officer recruitment target for 2007-08 rose slightly to 491 (466 in 2006-07), as did intake at 390 (370 in 2006-07). However, recruitment of Air Traffic Control, RAF Regiment and Engineering Officers remains challenging. The target for recruitment of other ranks rose by 36% to 3,553 (2,619 in 2006-07) reflecting the end of the reduction programme that started in 2004. Intake rose by 87% to 2,540 (1,360 in 2006-07). Overall RAF recruiting expenditure rose to £40.7M (£38.4M in 2006-07). Press and on-line advertisements to address shortfalls in key recruiting Pinch-Point trades and branches ran throughout January to March 2008. A Pinch Point recruiting campaign for Scotland was produced using local knowledge from Area Commander Scotland and Northern Ireland. A combined Recruitment, Youth and Gender High-Level Action Plan has been designed targeting the youth, gender and ethnic minority areas to bring coherence, consistency and urgency to programming the recruitment effort. These related activities link very closely with, and will be increasingly informed by, associated work to develop the Royal Air Force People Campaign Plan, which aims to ensure that future measures to address manning challenges are increasingly anticipatory.

Table 10: Intake to UK Regular Forces from civilian life:

	Royal Navy/Royal Marines			Army			Royal Air Force		
	FY07/08	06/07	05/06	FY07/08	06/07	05/06	FY07/08	06/07	05/06
Officer Intake	290 p	320 p	370	1,060 p	900 p	820 r	390 p	370 r	330 r
OR Intake	3,580 p	3,450 rp	3,570	13,460 p	13,400 p	11,910	2,540 p	1,360 r	1,150 r
Total Intake	3,860 p	3,770 rp	3,940	14,520 p	14,300 p	12,730 r	2,930 p	1,720 r	1,480 r

Notes:
1. UK Regular Forces includes Nursing Services; excludes Full Time Reserve Service Personnel, Gurkhas, the Home Service battalions of the Royal Irish Regiment and mobilised reservists. It includes trained and untrained personnel.
2. Due to the introduction of JPA original Army figures published in MoD Annual Report and Accounts 2006-07 comprised flows from 1 March 2006 to 28 February 2007.
3. Due to ongoing validation of data from the Joint Personnel Administration System, all Naval Service flow statistics from period ending 31 October 2006, all Army flow statistics from period ending 31 March 2007 and all RAF flow statistics from period ending 30 April 2007 are provisional and subject to review.
4. Figures are rounded to ten and totals may not always equal the sum of the parts.
5. p denotes provisional, r denotes revised
6. Data from DASA.

Trained Inflow

278. Recruitment is of course only the first stage. Once personnel have been enlisted they require training before joining the trained strength of their Service, and it is only when they reach this point that they count against manning balance requirements. On enlistment all recruits undergo Phase 1 training, lasting on average about twelve weeks, to provide the initial training in basic military skills and the inculcation of the Service ethos. This is followed by Phase 2 initial specialist training, from a few weeks to over a year for highly specialised training, such that on completion they have the necessary skills for first employment in their chosen trade or specialisation. Only at this point do personnel join the trained strength of their service, known as Gains to Trained Strength (see table eleven below). While the Services work to keep the wastage rate to a minimum, inevitably fewer personnel complete initial training than are recruited. Given the variable length of Phase 2 training there is no direct correlation between the number recruited and the Gain to Trained Strength in any given year.

Retention and Voluntary Outflow

279. Overall military staff turnover (including those who have completed their full engagements or have been discharged involuntarily) is in the region of 10% per year, of which nearly half are Voluntary Outflow. The Armed Forces require sufficient turnover of personnel to leave in mid career in order to maintain a balanced structure and promotion opportunities. A certain level of early exits (known as voluntary outflow) every year is therefore important. The Department monitors this closely , against guideline figures derived from long term trends that reflect the ability to provide sustainable personnel structures and the capacity to train replacements for those who leave. However, it costs significantly more to recruit and train new personnel than retain existing ones. We therefore work to retain those personnel of the right quality and experience whose premature departure would threaten the ability of the Armed Forces to meet their structural and operational requirements. We use a wide range of measures to improve retention, including career management, improvement to conditions of service and work/life balance, extensions to normal engagement lengths, commitment bonuses and Financial Retention Initiatives. Financial Retention Incentives are particularly effective as a targeted measure of last resort to ensure operational capability is maintained in critical manning areas, and a number are in place, both through the Armed Forces Pay Review Body and on a smaller scale by each Service's Principal Personnel Officer. Given their increasing use, and taking account of recommendations by the National Audit Office and Public Accounts Committee, we have strengthened the process for conducting cost benefit analyses of each Financial Retention Incentive to ascertain its effectiveness. The standard of accommodation also plays a significant role, and we have been investing heavily to improve this (see paragraphs 381-383 under *Estate*).

280. Taking the Armed Forces as a whole, retention rates have remained broadly stable and there has been no sudden outflow of personnel. On average, officers serve for eighteen years and other ranks for eleven years.

The 5% average other rank early exit rate from the Armed Forces compares well with similar rates of 8.2 % in the production industry as reported by the Chartered Institute of Personnel and Development in June 2006. However, in some important trades and specialisations exit rates are too high and appear to be increasing, if only slightly, year on year. These areas are continuously monitored and focused action is taken to improve retention:

- In March 2008 the Government announced that the Commitment Bonus would be significantly increased from 2009 to a maximum of £15,000 for those who deliver nine years service in total:

- Under its Integrated Recruitment and Retention strategy the Royal Navy is undertaking work to deepen understanding of leavers' issues to enable better targeting of retention efforts. Through its flexible manning initiative, Project Fisher, it is also looking at ways to man ships in the future without imposing an unsustainable burden of separation on personnel and their families. In the shorter term Financial Retention Incentives are in place for Aircrew, Royal Marine and Submarine specialisations to manage specific shortfalls;

- The Army is working on a Retention Action Plan ranging from 'softer' measures to improve the quality of Service life through to specific remuneration packages carefully targeted at specific trades;

- About 80% of Royal Air Force personnel have technically-based skills and the RAF needs to retain the majority of its personnel over the long term. However, the pressures of sustained operations, the drawdown in RAF personnel and resulting change initiatives, coupled with a buoyant external recruiting market, are making balancing retention increasingly challenging. A Retention Action Plan has been developed and Financial Retention Incentives are targeted at Pinch Point groups. Other measures offering greater flexibility over issues such as retirement dates and extensions to service are also being introduced.

Table 11: Gains to Trained Strength

	2007-08			2006-07		
	Target[3]	Achieved[4]		Target[3]	Achieved	
Naval Service Officers	400	300 p	75%	410	410 p	100%
Naval Service Other Ranks	2,920	3,180 p	109%	2,960	2,250 p	76%
Army Officers[6]	650	610 p	94%	650	620 p	95%
Army Other Ranks	9,200	7,690 p	84%	9,050	8,130 p	90%
Royal Air Force Officers[5]	330[7]	440 pe	135%	500[7]	400 pe	81%
Royal Air Force Other Ranks[5]	1,330	1,140 pe	85%	1,200	980 pe	81%

Notes:
1. UK Regular Forces includes Nursing services and excludes Full Time Reserve Service personnel, Gurkhas, the Home Service battalions of the Royal Irish Regiment and mobilised reservists.
2. Figures include those that have just completed their training and are therefore transferring to the trained strength.
3. Targets were provided by the individual Services and are not DASA figures.
4. RAF figures for the 12 months ending 30 September 2006 onwards are estimates derived from the relationship of Untrained to Trained flows with net Gains to Trained Strength pre JPA.
5. Includes Non Commisioned Aircrew.
6. Due to ongoing validation of data from the Joint Personnel Administration System, all Naval Service flow statistics from period ending 31 October 2006, all Army flow statistics from period ending 31 March 2007 and all RAF flow statistics from period ending 30 April 2007 are provisional and subject to review.
7. p denotes provisional and e denotes estimated.

Table 12: Voluntary Outflow Rates

	Stable long term voluntary outflow goal[1]	Year ending 31 March 2008	Year ending 31 March 2007	March 2000 to March 2007
Naval Service Officers	2.0%	4.3% [p]	3.1% [rp]	2.8%
Naval Service Other Ranks	5.0%	6.2% [p]	6.3% [rp]	5.7%
Army Officers	4.1%	- [2]	4.3% [3]	4.0%
Army Other Ranks	6.2%	- [2]	5.8% [3]	5.7%
RAF Officers	2.5%	3.0% [p]	2.9% [r]	2.5%
RAF Other Ranks	4.0%	5.1% [p]	4.6% [r]	4.2%
Tri-Service Officers	-	-	3.6%	3.2%
Tri-Service Other Ranks	-	-	5.6%	5.3%

1. Long term Voluntary Outflow Goals sourced from the MoD Departmental Plan 2005-09.
2. Updated Voluntary Outflow information has not been available for the Army since the introduction of JPA because of ongoing validation of data.
3. Due to ongoing validation of data Army Voluntary Outflow data shown are for the latest 12 months available, comprising data from 1 March 2006 to 28 February 2007.
4. Due to ongoing validation of data from the Joint Personnel Administration System, all Naval Service flow statistics from period ending 31 October 2006, all Army flow statistics from period ending 31 march 2007 and all RAF flow statistics from period ending 30 April 2007 are provisional and subject to review.
5. Annual rates are calculated by taking the number of applications or exits as a percentage of the average strength of all trained Officers or other Ranks.
6. p denotes provisional, r denotes revised and – denotes not available.
7. Data from DASA.

Table 13: Outflow of UK Regular Forces

	Royal Navy/Royal Marines			Army			Royal Air Force		
	07-08	06-07	05-06	07-08	06-07	05-06	07-08	06-07	05-06
Officer Outflow (Voluntary Outflow)	570[p] (280)[p]	500 [p] (210) [rp]	520 (190) [r]	1,490 [p] - [1]	1,330 [p] (590) [2]	1,070 (590)	760[p] (260) [p]	850 (260) [r]	700 (230) [r]
Other Ranks Outflow (Voluntary Outflow)	3,750[p] (1,720)[p]	3,810 [rp] (1,750)[rp]	3,960 (1,700)[r]	13,830 [p] - [1]	14,440[p] (4,780)[2]	13,120 (4,620)	4,270 [p] (1,670)[p]	4,220 [r] (1,640)[r]	3,890 (1,840)
Total Outflow (Voluntary Outflow)	4,330[p] (2,000)[p]	4,310[rp] (1,960)[rp]	4,490 (1,890)[r]	15,320[p] - [1]	15,770[p] (5.370)[2]	14,190 (5,200)[r]	5,020 [p] (1,930)[p]	5,070 [r] (1,900)[r]	4,950 (2,070) [r]

Voluntary Outflow information has not been published for the Army since the introduction of JPA because of ongoing validation of data.
Due to ongoing validation of data Army Voluntary Outflow data shown are for the latest 12 months available, comprising data from 1 March 2006 to 28 February 2007.
Due to ongoing validation of data from the Joint Personnel Administration System, all Naval Service flow statistics from period ending 31 October 2006, all Army flow statistics from period ending 31 March 2007 and all RAF flow statistics from period ending 30 April 2007 are provisional and subject to review.
Figures are rounded to ten and may not sum precisely to the totals shown.
p denotes provisional, r denotes revised and – denotes no available.
Data from DASA.

Equality and Diversity

Race Equality

281. The Government's long term goal is that the Armed Forces are manned by personnel from all sectors of the United Kingdom's diverse communities so that they reflect the society they serve and to ensure that no one is deterred from joining from fear they would not be treated fairly. Against this background the Armed Forces aim to reach 8% ethnic minority representation by 2013 (in line with ethnic minority representation in UK society), with an interim goal of 6% by April 2006. Ethnic minority representation in the Armed Forces (including foreign and Commonwealth recruits) has risen substantially in recent years from just over 1% in 1999 to 6.1% on 1 April 2008. Retention rates for ethnic minority personnel are broadly comparable to their counterparts' for both officers and other ranks. In 2006-07 ethnic minorities comprised 1.2% of overall officer early exits and 5.1% of other ranks and analysis of white and ethnic minority personnel who joined in 1997-98 and 1998-99 has not to date revealed any major discrepancies in retention rates. The Armed Forces achievements in promoting racial equality were recognised when all three Services again finished in the top ten public sector organisations in Race for Opportunity's 2007 annual benchmarking report. The Army was judged the top public sector performer for its race-relations policies and practices for the sixth consecutive year and achieved fifth place nationally for both public and private sector organisations.

UK Ethnic Minority Recruitment

282. We wish the Armed Forces to reflect the United Kingdom's full diversity and for UK citizens from all backgrounds to want to serve in them. Moreover, a growing proportion of the pool of young people from whom we recruit will come from ethnic minority backgrounds in future. If we are unable to attract enough of them to join, it will be much more difficult to meet the Armed Forces' manning requirements over the longer term. Ethnic minority recruiting goals specifically targeted at people from the United Kingdom therefore underpin the overall ethnic representation goal. Starting in April 2006, for at least the next four years, each Service has a target of an increase of 0.5% above the previous year's achievement or rolling forward the previous year's goal, whichever was higher. Progress has not been as fast as we would wish, especially in the Royal Air Force, partly reflecting the reduction in the number of recruits required while it has been drawing down in size. All three Services are taking forward a wide range of outreach and recruiting activities across the United Kingdom, with particular emphasis on high ethnic minority population areas, and sharing best practice in recruiting from UK ethnic minority populations with others, such as the Metropolitan Police and the London Fire Brigade. There is also a harmonised tri-Service programme to improve communications and build up the reputation of the Armed Forces amongst the ethnic minority and religious communities. This includes research on how best to inform these communities and engage in top level communications with religious leaders. Very substantial further information on this work

Table 14: Armed Forces ethnic minority representation

	1 April 2008	1 April 2007	1 April 2006	1 April 2005	1 April 2004
Royal Navy	3.1% p	2.7%	2.6%	2.5%	2.4%
Army[3]	8.8% p	8.4% p	8.0%	7.6%	6.9%
RAF	2.2% p	2.3%	2.4%	2.5%	2.5%
Armed Forces	6.1% p	5.8% p	5.5%	5.3%	4.9%

Notes:
1. UK Regular Forces includes Nursing services and excludes Full Time Reserve Service personnel, Gurkhas, the Home Service battalions of the Royal Irish Regiment and mobilised reservists. It includes trained and untrained personnel.
2. Ethnic minorities are calculated as a percentage of those personnel for whom we hold a record of ethnic origin, i.e. excluding those of unspecified ethnic origin.
3. Original Army figures published in Mod Annual Report and Accounts were as at 1 March 2007.
4. Due to ongoing validation of data from the Joint Personnel Administration System, Army statistics from 1 April 2007, and Naval Service and RAF statistics from 1st May 2007 are provisional and subject to review.
5. p denotes provisional.
6. Data from DASA.

Table 15: Armed Forces UK Ethnic Minority Recruitment

	2007-08		2006-07		2005-06	
	Goal	Actual	Goal	Actual	Goal	Actual
Royal Navy	3.5%	2.1%	3.5%	2.1%	3.5%	3.0%
Army	4.3%	3.6%	4.1%	3.8%	3.9%	3.6%
RAF	3.6%	1.8%	3.6%	1.6%	3.6%	1.5%

Notes:
1. The 'Actual' figures are unaudited Single-Service estimates of UK ethnic minority intake.
2. The Army officer intake measured by intake into Sandhurst and Professionally Qualified Officer courses.

can be found in the evidence the Department has provided to the House of Commons Defence Committee in its inquiries into the Annual Report and Accounts for 2006-07 and into Recruitment and Retention in the Armed Forces.

Women

283. The Armed Forces continue to undertake various initiatives to encourage more women to consider a career in the Services so that they become more representative of the society they serve. As at 1 April 2008, women comprised 9.4% of UK Regular Forces (9.3% on 1 April 2007); and 2,100 (9.9%) of the total 2007-08 intake (9.9% in 2006-07) were women (1,960/9.9% in 2006-07) an increase of 7% on last year. Most roles are open to women, except those where the primary duty is to close with and kill the enemy. For health and safety reasons women also do not serve in submarines or as mine clearance divers. The recent award of medals for gallantry to women during operational deployments overseas shows that women are now serving in more posts than ever before and in more demanding circumstances. Voluntary early exit rates for women remain higher than those of their male colleagues, but this is consistent with the trend in the employment market generally. We are working to embed significant cultural change in the Armed Forces, and the agreement with the Equality and Human Rights Commission is an important agent for change, being driven from the Chiefs of Staff down. We are also looking to improve terms and conditions to enhance opportunities for career flexibility and work/life balance, with a particular focus on access to childcare. In November 2007 the Department introduced salary sacrifice arrangements to pay for childcare vouchers, allowing Service personnel to avoid tax and national insurance payments on the cost of childcare, worth up to £1,000. Over 1,800 have already joined the scheme.

RAF Firefighter

Table 16: Women in the Armed Forces as of 1 April 2007

Royal Navy/Royal Marines/ Army/Royal Air Force	Total	%	Naval Service	%	Army	%	RAF	%
Commodore/Brigadier/ Brigadier/Air Commodore	2 p	0.4% p	- p	- p	- p	- p	2 p	1.6% p
Captain(RN)/Colonel/Colonel/ Group Captain	39 p	3.3% p	1 p	0.4% p	20 p	3.4% p	18 p	5.8% p
Commander/Lt Colonel/ Lt Colonel/Wing Commander	210 p	5.2% p	33 p	3.0% p	90 p	5.1% p	88 p	7.2% p
Lt Commander/Major/Major/ Squadron Leader	920 p	9.6% p	160 p	7.1% p	460 p	9.9% p	300 p	11.2% p
Lieutenant/Captain/Captain/ Flight Lieutenant	1,810 p	15.2% p	400 p	13.4% p	660 p	14.0% p	750 p	18.0% p
Sub Lieutenant/Midshipman / Lieutenant & 2nd Lieutenant/ Lieutenant & 2nd Lieutenant/ Officer Designate/Flying & Pilot Officer/Officer Designate[1]	780 p	17.5% p	100 p	14.2% p	410 p	16.1% p	270 p	22.1% p
Total Officers	**3,670 p**	**11.9% p**	**700 p**	**9.4% p**	**1,640 p**	**11.3% p**	**1,420 p**	**14.7% p**
Warrant Officer Class 1/ Warrant Officer Class 1/ Warrant Officer Class 1/ Warrant Officer	120 p	3.3% p	23 p	2.9% p	70 p	4.0% p	27 p	2.4% p
Warrant Officer Class 2/ Warrant Officer Class 2/ Warrant Officer Class 2	230 p	4.3% p	1 p	0.1% p	230 p	5.0% p	*	*
Chief Petty Officer/ Colour Sergeant/ Staff Sergeant/ Flight Sergeant/ Chief Technician	610 p	4.5% p	17 p 0	3.9% p	320 p	5.3% p	120 p	3.6% p
Petty Officer/Sergeant/ Sergeant/ Sergeant	1,740 p	8.1% p	340 p	7.4% p	760 p	7.5% p	630 p	9.6% p
Leading Rate/Corporal/ Corporal/ Corporal	3,450 p	11.4% p	680 p	10.6% p	1,490 p	9.9% p	1,280 p	14.7% p
Lance Corporal	1,500 p	9.0% p	1 p	0.2% p	1,500 p	9.3% p	*	*
Able Rating/Marine/ Private/ Junior Private/ Junior Technician/ Leading & Senior Aircraftman/ Aircraftman[2]	6,210 p	9.6% p	1, 760 p	13.0% p	2,220 p	6.0% p	2,220 p	15.9% p
Total Other Ranks	**13,860 p**	**8.9% p**	**2,980 p**	**9.6% p**	**6,600 p**	**7.3% p**	**4,290 p**	**12.7% p**
Grand Total	**17,620 p**	**9.4% p**	**3,680 p**	**9.5% p**	**8,240 p**	**7.8% p**	**5,710 p**	**13.2% p**

1. The ranks Sub Lieutenant/Lieutenant & 2nd Lieutenant/ Lieutenant & 2nd Lieutenant/Flying & Pilot Officer also include Midshipman/Officer Designate/Officer Designate.
2. The following ranks are now grouped together: Able Rating/Marine/Private/Junior Private/Junior Technician/Leading & Senior Aircraftman/Aircraftman. Since the introduction of JPA it is no longer possible to get a reliable breakdown between the ranks OR-1 and OR-2.

– Due to ongoing validation of data from the Joint personnel Administration System, Army statistics from 1 April 2007, and Naval Service and RAF statistics from 1st May 2007 are provisional and subject to review.
– Due to the rounding methods used, figures may not always equal the sum of the parts. When rounding to the nearest 10, numbers ending in 5 have been rounded to the nearest multiple of 20 to present systematic bias.
– Figures less than 100 have been left unrounded so as not to obscure the data.
Percentages have been calculated from unrounded figures.
p denotes provisional, – denotes zero and * denotes not applicable.
– Data from DASA.

Women in the Armed Forces

Sexual Orientation

284. Sexual orientation is a private matter not relevant to an individual's suitability for a career in the Armed Forces, and Service personnel are free to choose whether or not to disclose their sexual orientation. It is the right of each and every member of the Armed Forces to work in an environment which is free from harassment, intimidation and bullying and to expect to be treated with dignity and respect. Improvements have been made to equality and diversity training, and this has helped tackle inappropriate attitudes and behaviour towards gay and lesbian personnel. Armed Forces personnel who register a partnership under the terms of the Civil Partnership Act are afforded the status of married personnel with the standard allowances and benefits including entitlement to occupy Service Family Accommodation. The Armed Forces have adopted strategies to attract potential lesbian, gay and bisexual personnel, and Service personnel take part in Gay Pride events. Transsexual people serve in the Armed Forces on the same terms as any other person performing the same role.

Religion

285. The Armed Forces place a great deal of importance on the spiritual development of Service personnel and encourage people from all faiths to practise their observances and celebrate religious festivals and holidays and to fast and pray in circumstances where this would not jeopardise operational effectiveness or health and safety. Where practical, areas of worship are made available in all Service establishments and, in most circumstances, arrangements can be made for daily prayer. For example, Gurkha soldiers based at Blandford in Dorset now have their own place of worship following the opening of a Hindu temple at the camp in January 2008. The Armed Forces recognise the need to observe specific codes of dress in accordance with particular religious beliefs and aim to cater for the religious dietary requirements of all Service personnel. Halal, Kosher and vegetarian means can be provided by Service messes and are all available in Operational Ration Packs for operations and exercises. The first MoD civilian Buddhist, Hindu, Muslim and Sikh Chaplains to the Armed Forces were appointed in October 2005 to complement the long-standing honorary officiating Jewish chaplain. Religious leaders from the Buddhist, Hindu, Jewish, Muslim and Sikh faiths have also been appointed to provide policy guidance to the MoD on matters of religious requirements. A directory of local faith group representatives was launched in September 2003 to provide details of local religious advisers for military regions in the UK and overseas. The MoD and Armed Forces published internally a guide on religion and belief in July 2005 as a reference document for Commanding Officers, Chaplains and line managers.

Regular Service Personnel: Capable

Medical Provision for Service Personnel

286. The Armed Forces must have personnel fit and able to carry out the tasks required of them. When people are not fit, it is important to identify this and provide the necessary care for their recovery. The Defence Health Strategy sets out the responsibilities of everyone in defence, including the chain of command, the medical services and the individual, for the promotion and enhancement of health. In 2007 the House of Commons Defence Committee undertook an enquiry into *Medical care for the Armed Forces*. In its report, published in February 2008, the Committee concluded that the clinical care for Servicemen and women seriously injured on operations is second to none, and that Defence Medical Services personnel, working with the National Health Service, provide world-class care. Detailed information on medical provision for the Armed Forces can be found in the evidence provided to the Committee.

Medical facilities at Bastion, Helmand

287. The Department continues to provide vital medical care to personnel injured on operations. We have Field Hospitals deployed in Iraq at the Contingent Operating Base in Basra, and in Afghanistan at Camp Bastion, Helmand Province. We are also providing a contribution to the Multinational Field Hospital at Kandahar in Afghanistan. We continued to rely heavily on contracted medical staff and on the Reserve Forces to meet our operational medical commitments; Medical Reservists make up 50% of our deployed hospital based capability. We are constantly looking at ways to improve the treatment that we provide. For example, we have introduced highly effective Medical Emergency Response teams, by which Consultant-led medical teams can be deployed to the casualty scene on board Chinook helicopters, so that specialist care normally only found in a trauma centre can be commenced during evacuation. Combined with advances in medical technology and treatment, including a new Apheresis capability which allows platelets to be produced in deployed environments, casualties are now surviving injuries that would certainly have killed them 40 years ago.

288. Military personnel who sustain a serious physical injury on operations overseas are usually aeromedically evacuated back to the United Kingdom for treatment by the University Hospital Birmingham NHS Foundation Trust. This includes Selly Oak Hospital, which is at the leading edge in the medical care of the most common types of injuries (such as polytrauma) our casualties sustain. Within the main orthopaedic/trauma ward at Selly Oak, we have created a Military Managed Ward, which provides clinical care, by a combined team of military and civilian personnel, for military patients whose clinical condition allows them to be nursed in this ward. We are enormously appreciative of the National Health Service staff in Birmingham who, together with Defence Medical Services personnel, provide world-class treatment and care for our casualties, some of whom have the most serious multiple injuries. A survey in 2007 of military inpatients undergoing treatment at Selly Oak showed that the overwhelming majority of patients who responded to the survey rated their overall treatment as good, very good or excellent.

Aeromedic evacuation

289. The Defence Medical Rehabilitation Centre at Headley Court continues to provide care and rehabilitation for complex injuries, including amputees and brain-injured patients. In July 2007 a new £1.7M annex was opened providing an extra 30 beds to the medical facilities that are available to injured Service personnel. Work started in May 2008 on a 58-bed accommodation block for patients and staff. We are also considering a longer term development plan to improve accommodation and clinical facilities across the site, and thus maintain the first-class capability that Headley Court currently offers. In May 2008 we announced an additional £24M to fund significant ward and accommodation upgrades at Headley Court over the next four years in line with the outcome of a review of Defence medical rehabilitation commissioned by the Surgeon General in 2007.

290. For the more common range of injuries the Defence Medical Services continued to build on the scheme introduced in April 2003 to provide fast track access to routine surgery, cutting down on often lengthy waits for assessment, diagnosis

and surgical treatment, and contributing to the numbers available for deployment. 7,312 patients were assessed at Regional Rehabilitation Units during 2007-08 of whom only 10% required onward referral to fast-track orthopaedic surgery. The rest were successfully managed with rehabilitation alone. The development of this programme has allowed Headley Court to focus on the most complex rehabilitation cases, including amputees and neurological rehabilitation for brain-injured patients. The Defence Medical Service continued to provide mental health support thorough 15 military Department of Community Mental Health Centres in the United Kingdom (plus satellite centres overseas), ensuring better access to specialised mental health support within or close to an individual's unit or home. This also enabled defence mental health staff to work within their local Service community, which is more closely aligned with their operational role. In-patient care is provided regionally by the private Priory group of hospitals. There is also a range of specialised medical support provided to veterans (see paragraphs 145-247 under *Defence in the Wider Community*).

291. The Department continued to work closely with the Department of Health to ensure effective coordination and sharing of best practice between the Defence Medical Services and the National Health Service. There are regular meetings between Ministers, of the Departments' Health Partnership Board and the Medical Research Council. When not deployed overseas, Defence Medical Services personnel who work in secondary care maintain their clinical skills in the National Health Service, ensuring cross pollination of skills. Similarly, NHS reservists bring clinical and crisis management skills learned on operations back to the NHS. Within the overall framework of the Partnership Board, advances in military emergency medicine have influenced recommendations from the Joint Royal Colleges Ambulance Liaison Committee; we have shared best practice with the Medical Research Council to increase awareness of advances in battlefield medicine that may have wider accident and emergency applicability. We have also engaged with Dame Carol Black's review of health in the workplace, where our rehabilitation programmes are seen as leading the field in getting severely injured people back to work.

Fit for Task

292. Over the year the proportion of Armed Forces personnel reported as 'fit for task'[2] fell from 85.9% on 1 April 2007 to 85.4% on 1 April 2008. This reflected the continuing high operational tempo, as the level of fitness required for personnel to be able to deploy on combat operations is both more demanding and more strictly enforced than that required in a less challenging environment. The Royal Navy and the RAF have maintained medical fitness levels within their performance targets, but the Army experience continuing difficulty in maintaining Medically Fully Fit numbers. A number of factors have influenced this, such as continuing casualties in the context of sustained high operational tempo, increased numbers of non-fully deployable persons being retained in service, and gaps in medical manning. Although new initiatives have improved the management of sickness and injury within the Army, they are not delivering the desired effect of reducing the presentation rates of sickness and injury. Of those not fully fit only 0.8% were unfit for any task, with the remaining 13.8% able to carry out other duties in their units.

293. Reporting systems have also been further improved. In July 2007 we began rolling out the £80M Defence Medical Information Capability Programme to the Defence Medical Services. This provides medical and dental staff with access to an electronic integrated Health Record for all military personnel and others for whom they provide healthcare, together with powerful clinical decision support and management information systems. The system is now working successfully at almost all Army and Royal Air Force medical centres in the United Kingdom. During 2008-09 it will be rolled-out to the Royal Navy, the Defence Dental Service, overseas permanent bases and Armed Forces deployed on operations both on land and at sea, thereby improving our ability to provide continuity of care. Over time this should help increase the number of Service personnel medically fit for task.

2 Fully able to carry out the task that they were posted to their unit, ship or establishment to perform.

Royal Navy Athletics Championship Steeplechase 2007

Basic Skills – Literacy and Numeracy

294. During 2007-08 the Department completed implementation of the Basic Skills Policy for the Armed Services, which provides for early identification and systematic support to Service personnel with weak literacy and numeracy skills. All new entrants to the Armed Services without formal Level 2[3] literacy or numeracy qualifications were assessed during 2007-08 in order to assess their baseline. All new entrants assessed as below Entry Level 3[4] literacy and numeracy are to achieve this before starting Phase 2 training. All new entrants below Level 1[5] literacy and numeracy are expected to achieve this within three years of joining, and Level 2 within a further five years or as required for career progression. Within the limits placed by operational commitments the Services are maintaining these standards. In June 2007 the Department signed the Leitch 'Skills Pledge', undertaking to support all personnel without a Level 2 qualification in reaching at least functional levels of literacy and numeracy, and to provide them with the opportunity to gain a National Vocational Qualification Level 2 or equivalent qualification. The Department for Innovation, Universities and Skills has recognised the significance of the Services' work in this area by sponsoring a three year study into *Value-Added Benefits of Basic Skills Provision*. The ongoing implementation of the Defence Policy for the Management of Specific Learning Difficulties has enabled the sharing of best practice, with the Army taking a lead service role with regard to the training of our own dedicated internal staff. The Armed Forces continue to provide military educational specialists with training to increase their ability to provide mentoring support to personnel on operations.

- All Royal Navy and Royal Marine recruits below Level 1 standard receive remedial training, and virtually all recruits undertake apprenticeship schemes that deliver at Level 2 standard;

- Poor Basic Skills remain a particular issue for the Army, which estimates that about 1,100 of its recruits every year have only reached Entry Level 2 literacy and numeracy skills[6] and a further 3,200 Entry Level 3. In order to ensure local support for those with weak literacy and numeracy skills, the Army increased the number of Basic Skills Development Managers from 39 to 51 during 2007-08 and worked to improve links with local suppliers of Further Education. It also made significant progress embedding appropriate Basic Skills information into routine trade courses. Heavy operational commitments are constraining the ability of units to release soldiers for remedial Basic Skills training, but provision for this in operational theatres has improved;

- All Royal Air Force recruits are required to have Level 1 qualifications on joining. 90% go on to undertake an apprenticeship or an advanced apprenticeship.

Basic Skills – Information and Communication Technology

295. The ability to retrieve, interpret and exploit shared information is now a fundamental skill required by all in Defence. The introduction of automated Personnel Administration systems requires all in Defence to be responsible for some aspects of their own personal electronic

3 Level 2 qualifications are the educational standard expected to enter into skilled employment, equivalent to GCSE Grades A-C
4 Entry Level 3 is that expected of an 11 year old
5 Level 1 qualifications are equivalent to GCSE Grades D-G

6 Entry Level 2 is that expected of a 7 year old

records. The increasing role of Network Enabled Capability in achieving operational effect adds a further dimension and motivation to this requirement for the Armed Forces. All our people, whether military or civilian, are given the opportunity to achieve the equivalent of National Qualification Framework(NQF) Level 2 in these skills and we expect all to have achieved NQF Level 1 within three years of joining the trained strength for the Armed Forces or two years of taking up employment for civil servants. To ensure maximum 'portability' of these qualifications we are basing the training offered around the internationally recognised European Computer Driving License.

Individual Military Training

296. No matter what an individual's specialist training, proficiency in common military skills is fundamental to their operational effectiveness. Common training policies are therefore in place for these skills. In April 2008 the Ministry of Defence became the first public sector body to be recognised as a Qualifications and Curriculum Authority awarding body, which will enable formal accreditation of a wide range of internal training previously unacknowledged outside the Armed Forces.

Stormer vehicle firing missile during training event

Defence Training Rationalisation

297. Progress with the DTR Programme has been difficult and protracted. Following selection of the Metrix Consortium to Preferred Bidder, subject to affordability, for Package 1 and Provisional Preferred Bidder for Package 2, 2007 was dominated by attempts to define an affordable and acceptable Whole Programme Solution (WPS). Metrix were unable to offer a proposal that was affordable and meet Defence's requirements, and the Package 2 competition was terminated in January 2008. Since then we have focused on taking Package1 forward. This aims to deliver training for all three Services in Engineering and Communications and Information Systems at a new site at St Athan in South Wales. The main investment decision for Package 1 is now expected to be made this summer. In parallel the Metrix Consortium has been taking forward risk reduction work to secure planning consent and develop the training solution. Subject to satisfactory negotiations and an affordable proposal from Metrix we aim to begin construction at St Athan in 2009, with the aim of completing the final phase by 2014. For Package 2, we are now considering a range of options to rationalise the estate in an affordable way while maintaining our supervisory care commitments. We also announced in January 2008 that we plan to relocate the Defence College of Logistics and Personnel Administration and the Director Royal Logistics Corps from Deepcut in Surrey and consolidate elements of logistics training at Worthy Down in Wiltshire and Southwick Park in Hampshire. This will enable the eventual disposal of the Deepcut site.

UK Military Flying Training Systems

298. The UK Military Flying Training System programme will replace the present flying training arrangements for the Royal Air Force, Fleet Air Arm and Army Air Corps with a single tri-Service military flying training system to train fast jet, helicopter and multi-engine aircraft pilots, weapons system operators and rear crew up to the point of entry into Operational Conversion Units for frontline aircraft. The training system will be built incrementally, with significant investment over the next few years generating substantial improvements in efficiency and effectiveness from the next decade (see paragraph 170 under *Future Capabilities*).

Defence Academy

299. The Defence Academy has had another highly active year, continuing to develop and provide Training and Education across the Department, supporting core Defence outputs and the Defence Mission. This year it was recognised as a NATO Partnership-for-Peace Training and Education Centre, providing places on Governance and Leadership courses to NATO and Partner nations. The first pilot course is being delivered in July 2008. The Nuclear Department at HMS SULTAN became part of the Defence College of Management and Technology, as did the Defence School of Financial Management which has moved to Shrivenham. The training liability and demand for Acquisition training has continued to grow under the Defence Acquisition Learning organisation, with more than 350 courses and programmes available through the revised Guide to Acquisition Training and Education. The Advanced Research and Assessment Group continued to support operations, providing pre-deployment briefings for both Iraq and Afghanistan. In January 2008 the Defence Academy established a Cultural Institute to provide cultural awareness and support at home and on operations. The Joint Services Command and Staff College trained around 3,500 officer students in leadership and command. The Armed Forces Chaplaincy Centre, now a World Faith Centre, supported the training and other needs of the Armed Forces' Chaplaincy Services and also provided an invaluable welfare support service, with demand for listening skills and bereavement courses remaining high.

300. Royal Navy and Royal Air Force educational facilities have teamed up with universities to combine military training with academic skills and offering personnel formal qualifications at degree level. Since July 2007 the Fleet Air Arm Military Aviation Academy has combined military flying training and education into a Military Aviation Studies Foundation Degree validated by the Open University. Since 2005 the Air Power Studies Division of Kings College London has taught an undergraduate-level curriculum at the Royal Air Force College, Cranwell. In spring 2008 this was expanded to include Non-Commissioned Officers at RAF Halton.

Regular Service Personnel: Motivated

Service Pay

301. In February 2008 the independent Armed Forces Pay Review Body recommended a 2.6% increase in military salaries, specialist pay, compensatory allowances and reserves' bounties and an increase in the X-Factor[7] from 13% to 14%. For the first time since 1974, it also recommended that the proportion of the X-Factor paid to officers at the equivalent of Lieutenant Colonel, Colonel and Brigadier ranks should be increased, because officers of these ranks now experience conditions and frequency of operational tours similar to those of more junior officers. A new category of specialist pay was recommended for Explosive Ordnance Disposal personnel, together with several new Financial Retention Initiatives. The Government agreed to implement the recommendations in full from 1 April 2008. This means around £280M more will be spent on Armed Forces pay each year.

Deployment Welfare Package

302. Because of the direct link between morale and operational capability the welfare of Service personnel is of the highest priority. Through the Deployment Welfare Package (formerly known as the Operational Welfare Package) the Department provides support to personnel on operations to safeguard their emotional and physical well-being as far as the operational environment, technical constraints and the availability of resources permit. Wherever possible they receive 30 minutes of free telephone calls per week to anywhere in the world; free e-mail and internet access; a free Forces Aerogramme letter and electronic letter service; a free postal packet service for the Iraq and Afghanistan theatres (a subsidised packet service, free in the run up to Christmas, is available to other overseas locations); access to televisions, radios, DVD players and video gaming machines; British Forces Broadcasting Service television and radio transmissions; books, newspapers, magazines and board games; Combined Services Entertainment live shows and celebrity visits; rest and recuperation; showers and a laundry; the provision of basic

7 The X-Factor is an adjustment to military pay in recognition of the special conditions and unique demands of service life, including danger, discipline and separation from families, experienced by members of the Armed Forces compared to those in the civilian sector.

shop facilities; a Christmas box; financial assistance to home units to assist with families' welfare; concessionary families' travel; and Post Deployment Leave. The nature of some operations in Iraq and Afghanistan means that personnel are often deployed to a forward operating base where facilities are necessarily more basic. Even there the Department provides a minimum of IRIDIUM satellite telephones and TEXTLINK e-mail/ SMS messaging terminals and we are working to provide new equipment with an enhanced degree of functionality. Key improvements to the package during 2007-08 included the completion of a project to provide a 100% increase in the number of welfare internet machines, an 800% increase in welfare internet connection speeds coupled to a 100% technology refresh and a 20% increase in the number of welfare telephones. A free voicemail messaging service that enables families to contact their loved ones serving overseas was also introduced. This period has also seen the implementation of the permanent free postal packet service for the theatres of operations and the announcement that a free wireless internet service is to be provided to all bed spaces in Iraq and Afghanistan. Work to deliver the wireless internet project is continuing.

Explosive Ordnance Disposal personnel – new category of specialist pay

Council Tax Relief

303. In September 2007 the Government announced that Armed Forces personnel deployed to Iraq and Afghanistan will benefit from a tax-free rebate worth £140 over a six month tour on the cost of their council tax. The payment is designed to offset around 25 per cent of their Council Tax payments whilst they are on operations. In January 2008 this was extended to Armed Forces personnel deployed overseas in Bahrain, Bosnia, British Forces South Atlantic Islands, Diego Garcia, Kosovo, Kuwait, Oman, Qatar, Royal Navy personnel onboard ships in receipt of Deployment Welfare Package, and personnel deployed on UN operations.

Inquests and Funerals

304. Each death of a Service man or woman killed in an operation overseas whose body is repatriated to England and Wales is subject to an inquest. In the case of deaths of Service men and women whose bodies were flown into RAF Brize Norton until 31 March 2007, the Oxfordshire coroner had initial jurisdiction. In the case of deaths of servicemen and women whose bodies have been flown into RAF Lyneham since 1 April 2007, the Wiltshire and Swindon coroner has initial jurisdiction. The Government recognised that delays to the holding of Inquests arising from the single point of entry was very upsetting for the families affected. The MoD therefore worked closely with the Ministry of Justice and individual Coroners' offices to reduce the time it takes to hold inquests. Since October 2007 the Government has provided additional resources to allow the Coroner to engage an additional assistant deputy coroner, together with an additional coroner's officer and administrative support, and to provide appropriate accommodation to hold military inquests to ensure that a backlog of inquests will not build up in the Wiltshire and Swindon jurisdiction. The UK Government has been in contact with the Scottish Executive since last June to explore whether fatal accident inquiries, the nearest equivalent to inquests in Scotland, can take place into the deaths of Servicemen killed abroad whose families are Scottish based, to avoid the need for those families having to make long journeys into England to hear inquests. The Secretary of State for Defence wrote in March to the Cabinet Secretary for Justice and Communities saying that the addressing of the issue is a matter for Scottish Ministers. In May 2008, the Ministry of Defence set up a new tri-service Defence Inquests Unit to ensure consistent and efficient links with the Coroners Courts. We are also looking at ways to make the Board of Inquiry process slicker, although these are complex and can involve interviewing witnesses and investigating overseas, since very often a Coroner will not want to begin an inquest until that process is finished.

305. During the year the Department made several improvements to the support provided to bereaved families. The number of family members who receive travel and accommodation expenses to attend repatriation ceremonies was increased from five to seven, and two family members are now able to reclaim the costs of their attendance at pre-inquest hearings as well as the existing entitlement for

two family members to attend the full inquest. The tax free funeral grant offered to families who wish to hold a private funeral service was also increased by £1,000 to between £2,190 and £2,760. Should the family wish to hold a Service funeral, arrangements and funding are provided by the MoD. A tax free grant of £500 was also introduced for next of kin to meet personal costs they incur as a result of their bereavement. In June 2008 the Government announced that a national award will be introduced recognising the loss and sacrifice made by the loved ones of Service personnel who die while serving their country.

Harmony Guidelines

306. Each Service sets guidelines for the maximum time Service personnel should spend away from their families (known as Individual Separated Service), and the minimum time units should have between operational deployments (known as tour intervals). These differ to reflect the nature of specific single Service skills sets and the way they deploy on operations. They are based on the routine level of concurrency that the Armed Forces are resourced and structured to sustain (see paragraph 38 under *Current Operations*). Since they have been operating at or above this level since 2002 this has inevitably constrained their ability to meet harmony guidelines, particularly for personnel in certain Pinch Point specialist trades required for almost every operation. This is monitored carefully.

Unit Tour Intervals

307. All three services breached Harmony Guidelines in varying degrees. However, the different manner in which the Services deploy assets suggests that the Army is doing so to a greater degree than the Royal Navy and the Royal Air Force:

- The Royal Navy continued broadly to meet Unit Harmony Guidelines;

- Although the position improved over the year, Army units continue to exceed the 24-month tour interval guideline. The average tour interval for an Infantry battalion in 2007-08 was 23 months (21 months in 2006-07), Average tour intervals for other corps in 2007-08 were 27.2 months for the Royal Armoured Corps (28.6.months in 2006-07); 18.5 months for the Royal Artillery (20.7 months in 2006-07); 26.9 months for the Royal Engineers (21.2 months in 2006-07); 19.6 months for Royal Signals units (18.4 months in 2006-07); and 15 months for the Royal Logistics Corps (23.3 months in 2006-07). Some specialist units and subs-units, and individual soldiers in key trades, had shorter tour intervals;

- Against a guideline of 16 months, Royal Air Force Regiment average tour intervals remained fairly constant over the year at eleven months. Elements of the Joint Helicopter Command, Harrier, Tactical Imagery Intelligence Wing, Nimrod, Tactical Medical Wing, and 90 Signals unit also broke the guidelines. Unit Tour Intervals are difficult to apply to most RAF units because only the RAF Regiment deploys as complete formed units in the same way as the majority of the Royal Navy and Army. Individual Harmony Guidelines, which follow the same principles as the Unit Tour Interval guidelines, are a more appropriate measurement of deployment and are applied to ensure that individuals are managed in such a way as to maintain their currency in training, operational capability in the UK and acceptable levels of separated service whilst maintaining operational capability.

Individual Separated Service

308. Service personnel are frequently deployed away from their home base for a myriad of non-operational reasons, which cause them to be separated from their family and friends. They also join and leave units during operational deployments. The amount of time that Servicemen and women are deployed away from their home base is therefore not directly linked to tour intervals. To take account of this, we record Individual Separated Service based on 16 activities including individual and collective training, employment and promotion courses, support to the civil community and duty. During 2007-08 the Joint Personnel Administration system collated Separated Service records for every individual on a consistent basis for the first time, although the system is still bedding in for the Army and figures remain provisional. All three Services breached their Separated Service Guidelines to some degree.

- Fewer than 1% of Royal Navy personnel breached the guidelines of no more than 660 days separated service over a three year rolling period;

- 10.3% of Army personnel were exceeding the guidelines of no more than 413 days separated service in any 30 month rolling period (a continuing reduction from 13.4% in 2006-07 and 14.5% in 2005-06);

- The nominal percentage of Royal Air Force personnel exceeding 140 days separated service over a 12-month rolling period rose sharply to 9.6% during 2007-08 (6.2% in 2006-07) against a target of 2.5%. In large part this reflected a change in measurement methodology during the year to bring the RAF in line with the other Services by counting single nights away, rather than periods of Separate Service of three or more consecutive nights.

Royal Navy meeting Harmony Guidelines

Career Satisfaction

309. All three Services have been conducting their own Continuous Attitude Surveys (CAS) to assess and monitor the attitudes of Serving Personnel for years. In 2007 we developed a single attitude survey across the Armed Forces, known as the Armed Forces Continuous Attitude Survey (AFCAS). Its first iteration was distributed between August and October 2007. Although some questions in the AFCAS were similar to questions included in the previous single-Service surveys, differences between the sampling and analysis methods used in the surveys and in the contexts within which questions were asked meant that the results from AFCAS and the previous single Service surveys are not directly comparable. It is, however, clear that there has been a reduction in the percentage of people satisfied or very satisfied with Service life (see Table 19). The main sources of satisfaction and dissatisfaction are shown in Tables 17 and 18. The fairness of the Military discipline system and the importance of being treated fairly within their Service were sources of satisfaction in all three Services. The morale of their Services as a whole and disagreement that the 13% X factor (increased to 14% in April 2008) is sufficient compensation for Service lifestyle were common themes of dissatisfaction.

Table 17: Sources of Satisfaction

	Top indicators in 2007 surveys	Top indicators in 2007 surveys	Top indicators in 2006 surveys
	Officers	**Other Ranks**	**Officer and Other Ranks**
RN	Members of my team get on well together (94%) Military discipline system is fair (92%) I am treated fairly in the RN (89%)	Members of my team get on well together (86%) Satisfied with dental treatment (83%) Security of employment (82%)	Security of employment (RN 87%, RM 91%) Amount of responsibility (RN 80%, (RM 84%) Accuracy of assessment of appraisal report (76%) Variety of tasks in current role (RM 77%)
Army	Feeling proud to be in the Army (93%) In the Army I am treated fairly (91%) In the Army I am treated with respect (89%)	Feeling proud to be in the Army (76%) I respect my senior leaders (70%) Satisfaction with notice given for operational tour (67%)	Job security (Officers 79%, Other Ranks 72%) Excitement (Officers 69%) Pension entitlements (Other Ranks 62%)
RAF	Fair treatment in the RAF (86%) Fairness of Military discipline system (85%) Service dental treatment (84%)	Service dental treatment (84%) Adequacy of notice for last notice (77%) Leave entitlement (76%)	Enjoyment of life in the RAF (86%) Tour length of Operational deployments (81%) Number of days annual leave (71%) Adequacy of training for your Service job (71%)

Table 18: Sources of Dissatisfaction

	Top indicators in 2007 surveys	Top indicators in 2007 surveys	Top indicators in 2006 surveys
	Officers	Other Ranks	Officer and Other Ranks
RN	Disagreement that the 13% X factor is sufficient compensation for RN lifestyle (63%) Morale of RN as a whole (53%) Ability to do all necessary admin tasks on JPA (52%)	Disagreement that the 13% X factor is sufficient compensation for RN lifestyle (70%) Morale of RN as a whole (66%) Ability to plan life in the long term (62%)	Current X factor rate of 13% (RN 54%, RM 66%) The quality of equipment (RN 46%) Amount of fun in the Service (RN 41%) The X-factor method of payment meets its objectives (RM 53%) Ability to plan their own long term life (RM 50%)
Army	Disagreement that the 13% X factor is sufficient compensation for Army lifestyle (71%) The effect of Service life on spouse/partners career (62%) Efforts made to maintain / improve your current service accommodation (51%)	Disagreement that the 13% X factor is sufficient compensation for Army lifestyle (68%) The ability to plan your own life – long term (64%) The morale of the Army as a whole (61%)	Impact of Army lifestyle on personal and domestic life (Officers 62%, Other Ranks 49%) Effect of operational commitment and overstretch (Officers 59%, Other Ranks 42%)
RAF	Disagreement that the 13% X factor is sufficient compensation for RAF lifestyle (73%) Ability to do all necessary admin tasks on JPA (65%) Morale of RAF as a whole (60%)	Disagreement that the 13% X factor is sufficient compensation for RAF lifestyle (73%) The standard of equipment (54%) The amount of equipment (50%)	Effects of overstretch (85%) and gapping of posts (71%) on the RAF as a whole; Effects of civilianisation and contractorisation (73%); Effects of overstretch (63%) and gapping of posts on own working group (53%);

Table 19: Satisfaction with Service life (percentage 'Very Satisfied' or 'Satisfied' with Service Life

		2007-08	2006-07	2005-06
Royal Navy	Officers	60%	65%	63%
	Other Ranks	40%		
Royal Marines	Officers	78%	76%	Included within Royal Navy
	Other Ranks	56%		
Army	Officers	68%	70%	73%
	Other Ranks	45%	57%	56%
Royal Air Force	Officers	57%	62%	65%
	Other Ranks	45%	55%	55%

Duty of Care and Welfare

310. The Department and the Armed Forces are responsible for ensuring the wellbeing and safety of all Service personnel. Work continued through the year to improve further the way young Service personnel are looked after. The Adult Learning Inspectorate report *Better Training* in March 2007 recognised the work done and continuing to be done to improve the training environment for recruits and trainees. The Directorate of Individual Training Capability team conducted 23 detailed evaluations of Phase One and Phase Two training units during the year with a major focus on evaluating how well policy is being implemented to ensure the care and welfare needs of trainees are being met. The team found that understanding of the care and welfare requirement across the initial training environment is much improved. We are now working to exploit the team's corporate knowledge and experience. A central information hub has been established, accessible by all training units and their Headquarters through the Defence intranet, which contains a wealth of information on issues for development and examples of good practice as well as tools to promote continuous improvement. Following the merger of the Adult Learning Inspectorate into an enlarged Ofsted, in April 2007 we have signed an agreement that enables future external inspection to be conducted by Ofsted.

311. An important element of duty of care is to create an environment in which those who wish to complain about some aspect of their Service feel that they can do so without reprisals, and that the complaints process itself is open to independent scrutiny. In December 2007 the Department appointed Dr Susan Atkins as the first Service Complaints Commissioner, building on the recommendation in the 2006 Deepcut Review by Nicholas Blake QC. Her appointment is for three years, and as well as receiving complaints direct from Service personnel and from third parties on their behalf, she will comment on the efficiency, effectiveness and fairness of the complaints process in an annual report to Ministers. In January 2008 we also introduced a new redress of individual grievance process under the Armed Forces Act 2006, giving current and former Service personnel the right to raise a complaint with their chain of command. This is a single, standard process for raising and handling complaints that is applicable to all three Services.

312. Previous improvements to the way instructors are selected, trained and developed before undertaking their role were further enhanced over the year. In July 2007 legislation came into force enabling the Department to obtain Criminal Records Bureau employment checks on those involved in supervising or training persons under 18 who are serving in the Armed Forces and who were not covered by previous legislation because they were in full-time employment. This change, which followed extensive work with the Ministry of Justice, gives added assurance that we are taking all available steps to protect our most junior personnel. From September 2007, successful completion of the training now includes award of a Certificate in Teaching in the Lifelong Learning Sector. We are also working to put arrangements in place to allow the parties to certain types of dispute to try to resolve their differences through mediation. To this end we placed a contract in September 2007 for members of the Armed Forces to be trained as mediators to an accredited external standard, and this is now being rolled out across the Services.

Sexual Harassment

313. Harassment of any kind is unacceptable in the Armed Forces and incompatible with the Services' core values and standards. It damages individual and team cohesion, and undermines operational effectiveness. In June 2005, on behalf of the Defence Council the Secretary of State and the Chief of the Defence Staff signed an Agreement with the Equal Opportunities Commission on *Preventing and Dealing Effectively with Sexual Harassment in the Armed Forces*. This aims to create a working environment in which sexual harassment is not tolerated; to ensure that Service Personnel who experience sexual harassment feel able to complain and have confidence in the complaints process; and to monitor the nature and extent of harassment in the Armed Forces in order to correct deficiencies and build upon the strengths of our policies and processes. The Agreement runs until June 2008, at which time the new Equality and Human Rights Commission will decide whether it needs to take further action.

314. In the first phase of the Agreement, the Department conducted extensive research, including a survey of all Servicewomen. The results made clear that we had a serious problem

that required urgent attention and, in light of these findings, an Action Plan was agreed with the Commission in May 2006. The Commission reviewed progress with the Chiefs of Staff in May 2007 and will do so again in July 2008. The Department has continued to work hard in this area implementing more aspects of the agreed Action Plan. Over the year further research was conducted including additional surveys and internal audits of harassment complaints procedures and related policies. We developed and launched our Equality and Diversity 'Vision' to describe the working environment we aspire to. Further measures for dealing with and investigating harassment complaints were implemented, including access to mediation and Harassment Investigation Officers. This has been praised by the Commission as an example of good practice. A comprehensive monitoring system is now in place, but the statistics provided have not always been. Each Service has therefore stated a programme of audits to improve performance in this area. The Department continues to monitor and evaluate progress to identify areas requiring further development.

Reserve Forces

315. It is Government policy that the United Kingdom should have capable, usable, integrated and relevant Reserve Forces supporting their Regular colleagues on operations. The Department has used Reserves at unprecedented levels in the past ten years, during which period they have comprised about 10% of the forces deployed on operations. Since March 2003, more than 17,000 reservists have served on operations around the world. In 2007-08 they were deployed in Iraq, Afghanistan, the Balkans, Sierra Leone, and in support of the Government's counter-terrorist objectives. Without the Reserves Forces the Services would not be able to meet their current operational commitments. They are thus an integral part of the United Kingdom's Defence capability. A Strategic Review of Reserve Forces began in April 2008 to ensure that the Reserves continue to deliver the capability Defence needs (see paragraph 164 under *Future Capabilities*). About 3,358 Reserves across all three Services were in mobilised service at any one time during the year, integrated into regular forces on operations (See paragraphs 14 and 22 under *Current Operations*), serving in the United Kingdom, on pre-deployment training or Post Operational Leave. But delivering the current output is becoming increasingly challenging. As a matter of policy the Services seek only to mobilise willing personnel, and not to call out individuals more than one year in five, but this has not always been possible. The Royal Auxiliary Air Force and the Maritime Reserves are closer to the legal limit of one year in three for most individuals. The Royal Air Force has already mobilised some personnel in a limited number of specialisations who have not volunteered, and the Royal Navy is considering whether it will have to do so to support future deployments to Afghanistan. Critically, research indicates that, at 89%, support for the Reserve Forces nevertheless remain buoyant among employers, who recognise that it is good for their employees and for their business.

Reserves in training exercise

316. The continuing use of Reserves to augment the Regular Forces requires a sufficient supply of Reservists to be available to undertake these tasks. Although the position improved over the year, in particular for the Maritime Reserves which took forward a sustained and effective recruiting drive, there were still significant shortfalls. While the Royal Navy Reserve and Royal Marines Reserve came close to the targets of 95% trained strength against trained requirement and 70% availability for mobilisation (and exceeded the latter in the case of the Royal Navy Reserve, in part reflecting a reduction in the requirement), the Territorial Army remained steady at 70% of the trained strength requirement and 48% availability for mobilisation, and the Royal Auxiliary Air Force declined to reach 37% and 23% respectively.

Table 20: Reserve Forces Manning

	April 2008	April 2007[1]
Regular Reserves		
Naval Service	10,330	9,600
Army	33,800	7,300
Royal Air Force	6,107	7,300
Volunteer Reserves		
Royal Navy Reserve		
Trained Strength Requirement	1,784	2,340
Trained Strength	1,640	1,640
Manning Balance	92%	77%
Royal Marines Reserve		
Trained Strength Requirement	582	600
Trained Strength	536	470
Manning Balance	92%	77%
Territorial Army		
Trained Strength Requirement	30,274	30,270
Trained Strength	19,940	21,070
Manning Balance	66%	70%
Royal Auxiliary Air Force		
Trained Strength Requirement	2,000	2,100
Trained Strength	778	1,390
Manning Balance	39%	66%

Notes:
1. Following the introduction of a new Personnel Administration System, all data for April 2007 are provisional and subject to review.
2. Figures are from single Service sources only.
3. Figures are rounded to the nearest ten,
4. RAuxAF figures do not include individual Reservists serving away from formed Squadrons and Units.

317. As long as the Reserve Forces can deliver the individuals and skill sets required on operations, it is less critical in the short term whether or not they achieve manning balance, subject to maintaining sufficient critical mass at unit or formation level to support training activity. But this is not sustainable indefinitely. The Department and each of the Services therefore continued to take forward major efforts to increase levels of recruitment and retention. The Royal Navy has conducted a successful sustained recruitment campaign, and Royal Auxiliary Air Force recruiting has improved. The Royal Navy and the Army have each combined their Regular and Reserves recruiting operations into single professional organisations. All three Services have a range of programmes to improve the leadership of Reservists at all levels. Welfare support for mobilised Reservists' families has been enhanced. In August 2007 a new programme to incentivise ex-Regulars to join the Volunteer Reserves was announced. Where possible, and particularly for predeployment training, Reservists are given the opportunity to train alongside their Regular colleagues. For instance 40 Commando deployed to Afghanistan in October 2007 with nearly 80 Reservists, who were mobilised for 12 months in April 2007 in order to ensure they were fully trained and integrated into the Unit before deployment. From 1 April 2008, as recommended by the Armed Forces Pay Review Body, Reserves Bounties were increased by 2.6%, in line with the increase in Service pay and allowances.

Encouraging recruitment from the National Health Service is a key workstrand of the MoD/ NHS Partnership Board. Medical Reservists, who comprise about half the medical personnel in Iraq and Afghanistan, are sent on shorter deployments to reduce the impact on the NHS. We are also encouraging formation of NHS Sponsored Reserves to enable clinicians to provide specialist capability on short tours of duty.

Health of Reserves

318. The new Reserves Mental Health Programme, introduced in November 2006, continued to offer a dedicated mental health assessment by the Defence Medical Services for any member of the Reserve Forces demobilised since January 2003 following deployment overseas. In the event that individuals are assessed as having a combat-related mental health condition, they are offered outpatient treatment by the Defence Medical Services, who have particular expertise in this area. The programme is based at the Reserves Training and Mobilisation Centre at Chilwell in Nottinghamshire. As at 1 April 2008, a total of 248 enquiries had been received by the Centre. Most were resolved without an individual needing to attend for formal assessment, but 70 individuals made appointments, of whom 37 were referred for treatment at one of the MoD's Military Mental Health Establishments. Since February 2008 Reservists who have suffered a relatively serious injury on training have had continuing access to Defence Medical Service facilities where the equivalent is not available through the National Health Service.

TA soldier on military exercise

Civilian Workforce: Sufficient

Staff Numbers

319. The Ministry of Defence is one of the largest Departments, comprising some 16.2% of the Civil Service in the fourth quarter of 2007. As such, its middle (Band B) and senior management (the senior civil service) comprise a lower proportion of its workforce, at 3.7% and 0.4% on 1 April 2008, than the rest of the Civil Service[8]. Reflecting the wide range of our business, and the fact that unlike most other Departments, the organisations delivering our core objectives are part of the Department, the MoD's civilian workforce contains a wider range of occupations and specialists than any other department (see essay on pages 129). They are deployed nationwide and internationally, largely reflecting the deployment of the Armed Forces. As such over 51.5% of Non-Industrial and Industrial staff lived and worked in the south of England and London on 1 April 2007[9], with a particularly large cluster (around 8,500 people) in Bath and Bristol. On 1 April 2008, the workforce[10] broadly fell into three main blocks, with very different characteristics (see figure 18 below):

8 These percentages were 6.2% and 1% respectively on 30 September 2006
9 This compares with 38% of Civil Service staff in this area on the 30th September 2006 and 34% of UK population in 2004.
10 Excluding Trading Funds, Royal Fleet Auxiliary and Locally Engaged Civilians

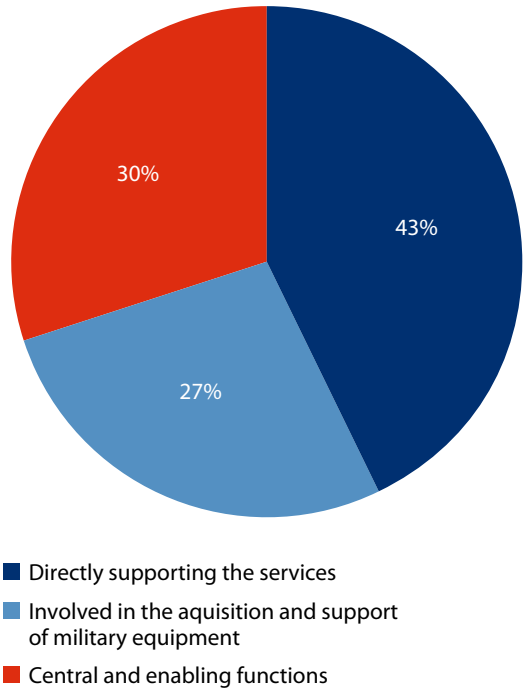
- those directly supporting the Services, posted in Land Forces, Air Command. Fleet and Chief of Joint Operations (some 28,600 Full time equivalents/43%), of whom 30% were Industrial, 52% pay band D and below, and 18% pay band C and above (essentially managerial grades);

- those involved in the acquisition and support of military equipment, posted in Defence Equipment and Support (some 18,000 full time equivalents/27%), of whom 15% were Industrial, 38.5% pay band D and below, and 46.5% pay band C and above; and

- those involved in central and enabling functions, posted in the Central TLB, Defence Estates or Science Innovation Technology (some 19,700 full time equivalents /30%), of whom 3.5% were Industrial, 67.5% pay band D and below, and 29% pay band C and above. Within that the Head Office, based in London, included some 2,800 civilians on 30 September 2007, in addition to the military staff, of whom 36.8% were pay band D and below, 39.3% band C, 14.3% band B, and 3.7% senior civil service[11].

Civilian and service working together

Figure 18: Distriubtion of Non-industrial and Industrial civilian workforce by type of activity (DASA 1st April 2008)



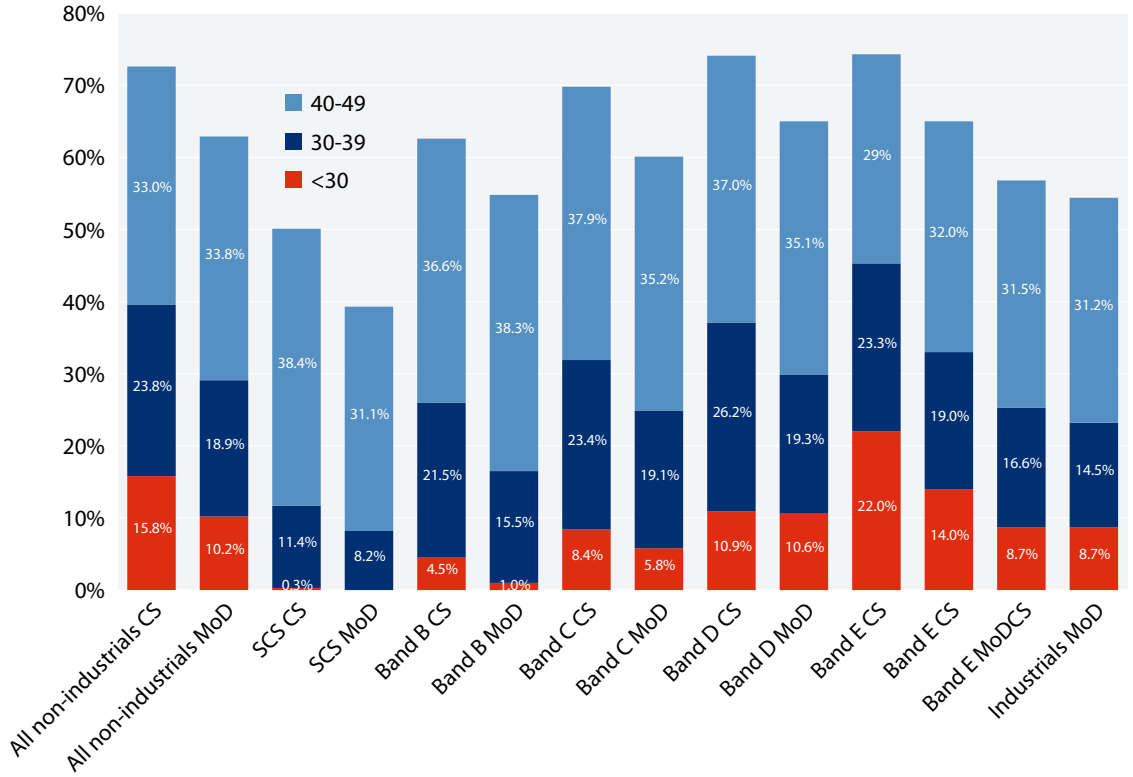
320. The Department has been steadily shrinking since the early 1990s (see figure 20 below), which has severely constrained recruitment over a lengthy period. It also has a highly committed workforce, reflected in a low rate of staff turnover (see paragraph 323 below). The average age of our civilian workforce[12] (46 years) is significantly higher than for the rest of the civil service. Some occupations have a particularly high proportion of older people. In particular almost 50% of our logisticians, estates managers, engineers and scientists, and trainers and educators are fifty or older, reflecting the fact that many of them are ex-service personnel recruited to civil service posts because of their skills and experience. The average age of our middle and senior civilian managers is 50 years**.** 60.7% of SCS staff and 45.2% of Band Bs in the MoD are aged 50 and over, compared to 49.9% and 37.3% respectively in the Wider Civil Service (see figure 19).

11 + 5.6% of Retained grades and NHS staff and 0.1% of Industrials

12 Non-industrial and Industrial workforce

Figure 19: Percentage of employees below 50 years old per grade in the Civil Service and the MoD (Source: Civil Service & UKDS 2007)

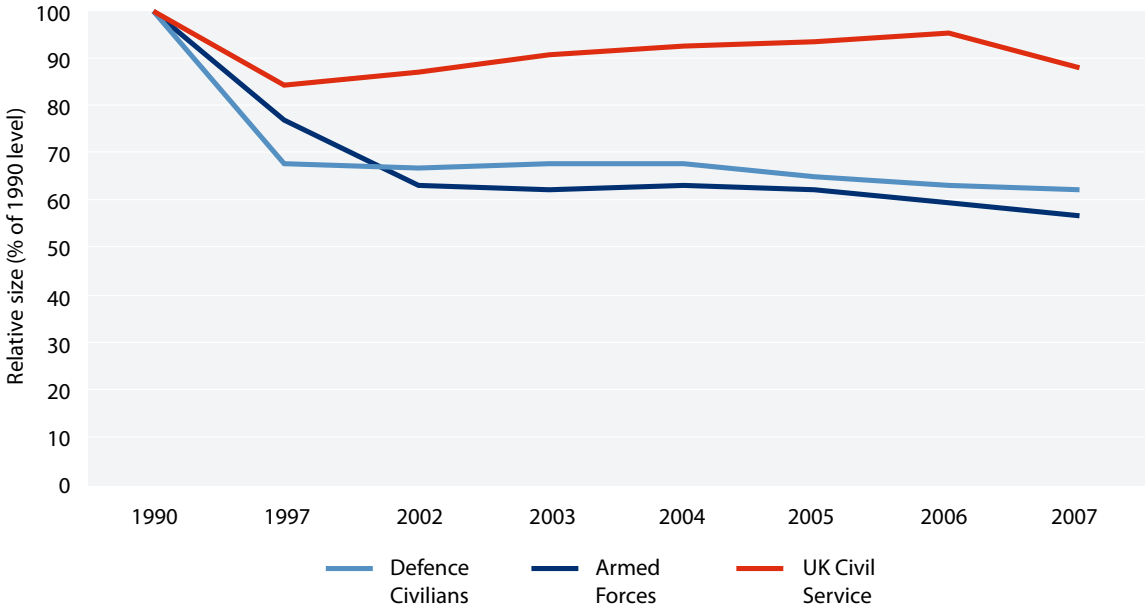
Percentage of employees below 50 years old per grade in the Civil Service and the MoD
(Source: Civil Service & UKDS 2007)



321. From 1 April 2007 to 1 April 2008, reflecting the Department's continuing efficiency and change programme, the number of Defence civilian personnel (including operational Locally Engaged Civilians) fell by just over 7,000 personnel (7.3%), from about 97,700 to 90,600. This represents a total reduction of about 17,500 or 16.2% over the Spending Review period, against a target of around 11,000 against the April 2005 baseline, and a reduction of 42,700 or 32% on 1997 levels. This will represent a reduction of about 82,000 (48%) since the end of the Cold War in 1990 when the department employed 172,500 civilian staff[13]. A further reduction of 1,000 head office civilian staff is planned by 2012 under the Streamlining programme, and several thousands in the same timeframe from the DE&S PACE programme. Support for civilian staff whose posts disappear under the Streamlining programme or the parallel reduction in the Defence Equipment and Support organisation will be provided through the Redeployment Pool. This is a mechanism for helping staff find a new position in the MoD or elsewhere in the Civil Service. The Department is also running a voluntary Early Release Scheme, following consultation with the Trades Unions. Set criteria, against which applicants are being judged, will ensure we retain staff with the key skills (especially scarce skills) needed for the future organisation. We will encourage all those leaving through the scheme to make full use of the MoD Outplacement Service or retirement planning advice.

13 UK Defence Statistics 2007

Figure 20: Relative size of Armed Forces, Defence Civilians and UK Civil Service



322. Our over-riding priority, in conjunction with other Government Departments and the international community, remains strategic success in current operations. For civilian HR the primary concern is the supply and support of the 500 or so civilians who deploy to operational theatres each year, and, beyond that, the many civilians playing important roles in the generation, support and management of current operations. The Support to Operations (S2O) program has played a major role in improving the training, pre and post deployment support and succession planning for civilians deploying to theatre. (See Essay on page 207.)

Civilian Recruitment and Turnover

323. The Department recruits civilian staff from a variety of sources. 3,590 were recruited in 2007-08 (see table 21). The continuing reduction in the size of the Department limits our ability to recruit externally. The Department's rate of voluntary leavers[14] is higher than the average for central government (7.4% for MoD against 4.6%), although this at least partly reflects a large number of people leaving under our early release scheme. Rates are particularly high amongst employees under 30 and female employees. These rates are of concern because of the impact on the diversity of the workforce. We will introduce a new exit survey in 2008 that will give insight into the reasons for leaving, particularly amongst certain demographic groups and will allow us to take targeted actions to improve retention where it is too low. The MoD needs to understand better where there are particular skills shortages, although in many of the job families that are thought to be critical to the future, overall resignation rates are low (for example; Project and Programme Management; Science and Engineering; Logistics; Business Management and Improvement; Resource Management and Security, Health and Safety). Rates of retirement, however are high in most of these job families. The fact that there is a high rate of resignation amongst younger employees is therefore a concern here. There is some exchange of staff between MoD and other government departments, with 167 transferring out of MoD and 162 transferring in during 2007-08.

14 CIPD Annual Survey Report 2007. Resignations and retirements excluding compulsory early retirement and health retirement

Table 21: Civilian Recruitment

	2007-08		2006-07		2005-06	
	Non-Industrial	Industrial	Non-Industrial	Industrial	Non-Industrial	Industrial
Total number of staff recruited	2,470	1,120	2,860	1,070	3,510	1,130
Number and percentage of women recruited	1,140 46.0%	220 19.5%	1,250 43.7%	250 23.7%	1,510 43.1%	290 25.6%
Number and percentage of ethnic minorities[3] recruited	90 5.5%	20 3.7%	120 6.5%	30 4.2%	170 7.2%	20 3.0%
Number and percentage of people with disabilities[4] recruited	10 0.6%	- -	10 0.4%	- -	10 0.3%	- -

1. Data supplied by DASA, recruitment data based on personnel directly recruited by the Department or through the CAPITA (RAS).
2. The recruitment statistics shown are for all permanent and casual civilian personnel including Trading Fund staff. No recruitment information is available for Royal Fleet Auxiliary or Locally Engaged Civilian personnel.
3 Percentage of staff recruitment is based on known declarations of ethnicity and excludes staff with unknown or undeclared ethnicity.
4. Percentage of staff recruitment is based on known declarations of disability status and excludes staff with unknown or undeclared disability status.
5. ~ = Strength of less than ten or percentage based on strength of less than ten.
6. All figures are on a Full Time Equivalent basis.
7. All figures have been rounded to meet Freedom of Information requirements and protect confidentiality

Diversity

324. We are committed to meeting our objectives under the civil service 10 Point Plan and although, we have not met all our diversity targets, we continue to make good progress. Reflecting its demographic legacy, the Department's civilian workforce is significantly less diverse than the national workforce. 37% are women, 3% of those who declare their ethnicity come from ethnic minority backgrounds, and 4% have a declared disability. This background is reflected in the Department's diversity targets for the Senior Civil Service and Band Bs which are significantly lower than the targets set in the Cabinet Office 10 Point Plan for a diverse Civil Service in 2005. However, the Department is starting from a lower position and we have exceeded both our own target, and that of the Cabinet Office, in respect of Disability. A total of 4.2% of the Senior Civil Service have declared a disability against a department target of 2% and a Cabinet Office target of 3.2%. The percentage of women in the senior civil service had increased to 12.2% by April 2008 although this fell slightly short of our target of 15%, the statistics continued to show a steady rise over time. But despite continuing efforts to improve the proportion of ethnic minority senior civil servants, we fell short of the target of 3.2%, achieving only 0.4%. We remain committed to improving the diversity of our civilian workforce, but the continued pressure on numbers in the Department meant there was little external recruitment and only a limited number of internal promotions into the SCS. The Department has set its own diversity targets for Band Bs and Ds based on reasonable expectation of achievement. Numbers in the diversity groups below the senior civil service did not improve markedly. We continued broadly to meet the targets for women below the SCS, but not for ethnic minorities or those with a disability (although recording of ethnic minorities and those with disabilities continued to have significant gaps because data is based on self declaration and a number of staff have chosen not to declare).

Table 22: Percentage of Women, Ethnic Minority and Disabled Non-Industrial Civilian MoD Staff

	1 April 2008		1 April 2007		1 April 2006		1 April 2005	
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved
Total Senior Civil Servants in the MoD[4]								
Women	15.0%	12.2%	15.0%	12.2%	15.0%	10.1%	15.0%	9.2%
Ethnic Minorities	3.2%	<2%	3.2%	2.1%	3.2%	2.6%	3.2%	2.2%
Disabled	2.0%	4.2%	2.0%	2.1%	2.0%	2.9%	2.0%	3.3%
Band B								
Women	18.0%	21.1%	18.0%	20.6%	18.0%	19.1%	16.0%	18.5%
Ethnic Minorities	3.5%	2.6%	3.5%	2.5%	3.5%	2.3%	3.0%	2.4%
Disabled	4.0%	3.7%	4.0%	2.4%	4.0%	2.7%	4.0%	2.4%
Band D								
Women	40%	37.2%	40.0%	37.2%	40.0%	38.5%	40.0%	37.6%
Ethnic minorities	4.0%	3.2%	4.0%	3.2%	4.0%	3.2%	4.0%	2.9%
Disabled	6.0%	6.4%	6.0%	4.7%	6.0%	4.3%	6.0%	4.2%

Notes:
Data from DASA
Percentages of Ethnic Minority staff have been calculated as percentages of staff with known ethnicity status
Percentages of Disabled staff have been calculated as percentages of total staff, to be comparable with set targets. This differs from the methodology used in all external publications and in the recruitment table where percentages of Disabled staff are calculated from staff with known disability status.
Senior Civil Service data covers SCS and equivalent analogue grades e.g. medical consultants

325. Our record continued to be considerably better among our "talent feeder" schemes developing individuals for early promotion to Band B and the senior civil service. 48% of Fast Streamers are women, 11% come from an ethnic minority, and 5% have a declared disability. Similarly, 49% of the MIDIT scheme (see paragraph 329) are women, 6% come from an ethnic minority and 6% have a declared disability. The challenge is to ensure that these statistics are reflected in the future leadership of the Department. We encourage individuals in identified diversity groups to develop their potential through various schemes such as the internal New Horizons programme for personnel from ethnic minority backgrounds, and various Cabinet Office schemes for disabled and ethnic minority staff. In particular we have strongly backed Leaders Unlimited, the Cabinet Office scheme to equip talented individuals from under-represented groups with the leadership skills to prepare for entry to the senior civil service, and Defence personnel have been more successful than average in securing places. But the constraints on progression and promotion in a shrinking department with low staff turnover, the very limited scope to make more general improvements through external recruitment, and the fact that the senior civil service represents a very small proportion of our workforce, severely limits the potential for rapid progress. We have therefore focused our diversity efforts in other areas, and in particular on benchmarking. We participate in the annual Opportunity Now and Race for Opportunity exercises and we currently hold the Gold Standard in both. We continue actively to participate in the Stonewall Index. In January 2008 the Ministry of Defence Police service moved from 125th to 24th place in the Stonewall Index and this year, the Chair of the MDPGA Women's Staff Association won the Opportunity Now Champion Award.

A New Horizons event

Civilian Workforce: Capable

Ability – Suitably Qualified Staff

326. Surveys of internal and external recruitment show that the majority of MoD Line Managers are either satisfied or very satisfied with the quality of the individuals that they recruit. However, we need to improve our understanding of the workforce and skills that we need to deliver our future objectives. The MoD civilian workforce includes a huge variety of grades, functions and professions and employs significant numbers of project and commercial managers, scientists, engineers, accountants, IT specialists, healthcare specialists, police officers etc. Although we continue to attract younger workers in the 20-29 age group, resignation rates are higher amongst them than for other government departments. Under the MoD Skills Strategy we are working to improve our understanding of these issues. We will exploit HR management information to understand better both our supply of and demand for key skills. This in turn will allow us more effectively to use recruitment, secondment or loan, development schemes, retraining and incentivisation to ensure that we have the right skills in the right place at the right time. We have already made progress within Defence Equipment and Support (see paragraph 331).

Training and Development

327. The Department made major new commitments to upskilling during 2007-08, particularly in the area of acquisition skills (See paragraph 330). We are working closely with Government Skills in developing a MoD Skills Strategy to ensure that the current and future workforce is equipped with the skills required for Defence. Carrying out the strategy will be underpinned by work to develop an approach to strategic workforce planning, which will allow us to project the supply of and demand for key skills over the medium to long term and manage the risks associated with skills gaps. The proportion of civilian staff who had agreed personal training and development plans to support their skills development increased over the year from around 40% to 51% by its end. This demonstrates increased participation by both line managers and their staff in upskilling, and is beginning to provide the Department with assurance that training activities are properly targeted. When asked to evaluate the impact of training and development activities on their business, the overwhelming majority of those participating responded positively. A range of improved skills and development services were rolled out across the Department using increasingly sophisticated online facilities. These included a career consultancy service and the ability for staff to record and edit their own skills and accomplishments directly on the Department's civilian personnel management system.

Civilian Training Convocation

328. The Department does not seek directly to manage the careers or development of its staff except for senior civil servants and those on development schemes; individuals are responsible for their own direction and pace of development. But we aim to help all employees realise their full potential by providing central advice, guidance and information

on opportunities to learn and develop. We introduced an enhanced management information tool to improve understanding of the data in the civilian personnel management system during the year, which showed that there is considerable scope to produce better quality management information on staff skills and training. This tool is available across the Department to corporate HR, HR Business Partners and Skills Champions, to help identify gaps between the current workforce skills set and the business need. Staff and managers were also required during the year to complete personal and post skills profiles to improve individuals' and managers' ability to identify skills gaps, and inform formal annual development reviews and personal training and development plans. We are now taking a more active approach to the management of our senior staff cadre in response to concerns outlined in the capability review. The Civil Service Development Group is taking a lead role in managing succession planning.

Development Schemes

329. The Department has a number of corporate development schemes to help those who have been identified as having greater potential to progress more quickly. In particular:

- MoD participates in the Cabinet Office High Potential Development Scheme that offers individuals a high profile development opportunity designed to help them learn to improve and deliver a significant impact in their department and to equip individuals with the skills to compete successfully for Top Management Board posts;

- The Band B Development Scheme supports the development of a small number of selected Band B's who have been identified as having the potential for promotion into the Senior Civil Service within one to five years;

- the Aspire scheme (formerly Acquisition Leadership Development Scheme), launched in October 2007, supports the development of individuals with the potential for leadership posts in the Acquisition community. It is open to civilian, military and industry personnel, and aims to produce contenders with the capability and skills to compete for team leader roles across the whole Acquisition Community. It offers leadership training, self-awareness tools, and action learning sets dealing with real business issues. The 180 inaugural members of Aspire were drawn from the membership of its two legacy schemes, the Management Development Programme and the Acquisition Leadership Development Scheme. The Aspire Owners Board set a target of selecting 90 new members by July 2008 to form the next intake in October 2008;

- Newly promoted Band B staff and their military equivalents attend an extensive Leadership and Management Development Programme developed jointly by dbLearning and the Ashridge Business School. The programme focuses on leadership, personal effectiveness and change. Research conducted in 2005 amongst past participants determined that 94% of those surveyed felt the programme had a positive effect on the organisation in which they worked;

- the MoD Fast Stream programme provides an opportunity for high calibre individuals, who demonstrate the required potential, to benefit from intensive development and training to equip them for early promotion to Band B and beyond; and

- the MIDIT (Means of Identifying Internal Talent) scheme aims to develop the Department's future managers. It typically requires participants to reach Band B2 at a relatively early stage in their career and be deployable across a broad range of posts at that level.

Acquisition Skills

330. The Department made substantial investments in acquisition skills training during the year. The Defence Industrial Strategy, published in December 2005, set out the need to address shortages in project delivery skills. To achieve the objective of battlewinning people and equipment, we need to ensure our people have the right professional skills. The Defence Acquisition Change Programme (DACP) has enabled development of a cost effective and coherent acquisition training curriculum, combined with strong leadership and effective people management, and built around the acquisition Skills Champions areas. In 2007-08

£5.5M was invested in the DACP upskilling programme. This provides tailored training in Commercial Management; Project and Programme Management; Integrated Logistic Support; Through Life Capability Management; and the Defence Acquisition Management Education Programme. The Defence Equipment and Support organisation invested a further £6.6M in its own upskilling programme, focused on Engineering, Project and Programme Management, Logistics, Resource Management, and Commercial/Procurement. All acquisition staff have access to awareness training and staff in key acquisition roles can receive specific practitioner and expert level training. Training is delivered through the Defence Academy using a range of e-learning and distance learning, classroom teaching and workshops, and professional examinations. This investment in the skills of our people helps them develop and apply those skills and ways of working in acquisition. It also contributes to the Professional Skills for Government agenda. By April 2008, three of the five Job Families in Defence Equipment and Support met the target and over of 50% of their professional posts were filled by qualified staff. Baselining the professional posts has been more challenging in the two remaining job families with the result that there has been a delay in achieving the target. In respect of training, there were two targets: six days to be achieved by 85% of staff and a target of ten days (an additional four Continuous Professional Development days) for staff in five Key Skill Areas. 71% of staff achieved the six day target and close to 50% for the ten day. The Defence Acquisition Change Programme also worked to embed the Defence Values for Acquisition and Through Life Capability Management into the ways of working for all civilian and military staff in acquisition. And through performance management and recognition it has sought to instil the changes in culture and behaviour that are necessary to deliver more agile and effective acquisition. We are currently gathering data on the impact of the programme and will detail this in next year's report.

Basic Skills

331. In June 2007 the Permanent Secretary signed the Leitch "Skills Pledge". This set out the Department's commitment to raising the skills levels of its workforce by undertaking to support every employee without a Level 2 qualification in reaching at least functional levels of literacy and numeracy, and to provide them with the opportunity to gain an NVQ Level 2 or equivalent qualification. The Leitch objective is that 95% of staff will achieve Level 2 by 2011. The MoD may need to offer development support to up to 18,000 civilian staff to achieve this target. We estimate that we will need £2-£4M of new investment to enable this.

Progression and Promotion

332. Increasing the rate of refreshment to our middle and senior management grades is a high priority, including in order to accelerate progress towards reflecting better the society we serve. The continued reduction in civilian numbers and the changes in retirement age do not make this easy. During 2007-08:

- 398 staff (2.4%) were substantively promoted to Band D (junior managers) against a target of 200;
- 77 staff (3.3%) were substantively promoted to Band B (middle managers) against a target of 80 (even though approximately 20% of Band B posts are currently filled by staff on temporary promotion); and
- 35 staff (6.2%) were substantively promoted to the senior civil service against a target of 18.

333. While we broadly achieved our targets for promotion, the large and rising number of individuals on temporary promotion to Band D (around 9% of the current workforce) and in particular Band B (20%) suggests we ought to set ourselves more demanding targets for promotions to these grades. The fact that promotions to the SCS ended up as double the target suggests that this target rate is also too low. A new selection process for promotion to the senior civil service was introduced in 2008, assessing all those who apply for promotion against the common senior civil service pay band 1 competencies in a rigorous, consistent and externally moderated manner to identify who are the best candidates. The first round of selections will be completed in July 2008.

Developing Managers – Active Management of Performance

334. The Department made significant steps in improving development of managers during the year. In October 2007 we published the *Guide to Managing People*, aimed at all managers (including military line managers) of UK-based civilian staff (some 24,000 in all). It provides:

- An overview of what is expected of managers to support them in getting the best for their teams to meet their business objectives;
- High-level guidance on the responsibilities of the manager, both pastoral and legal, whilst signposting the detailed information contained in policy documents; and
- 'The Manager's Model', a behavioural self-assessment tool designed to help managers identify and meet their development needs.

335. Use of the guide has been incorporated into seven management training courses and a new course has been developed entitled "*Having that Conversation*". This is designed to help managers identify situations where interventions are necessary and to more easily address issues with staff. The course has proved so successful that a similar course has been developed for the SCS. The guide has been in high demand since its publication, 30,000 hard copies were printed for launch and a reprint of 7,000 was required in January 2008. The guide is also available on the intranet together with an e-learning package called 'Managing People' which mirrors the content of the Guide and includes helpful self assessment quizzes

336. The Department takes improving staffs' experience of being managed extremely seriously. The Defence Board stated in the new chapter of the Civilian Workforce Strategy that they regard investment to improve leadership and management as the highest priority objective. The Civilian Attitude Survey reviewed civilian staffs' views on this. This identified a number of areas where line managers need support. Whilst the majority (72%) of employees have a good working relationship with their line manager, there was a need for improvement in giving feedback to staff (although this improved over the year), and especially to demonstrate that under-performance is being dealt with effectively.

337. The MoD will use the Cabinet Office single civil service survey from October 2008. This will allow us to benchmark our levels of engagement against those of other departments.

Investors in People

338. MoD was recognised as an Investor in People at corporate level for the first time in January 2008. With Service and civilian employees within the scope of the assessment, we are by far the largest organisation ever to have achieved this. Evidence was gathered across the Department against the Investors in People Standard to assess how well we manage and develop our people. The assessment recognises the progress we have made since the Capability Review and confirmed many of the areas we are working on in continuous improvement.

Table 23: Civilian Attitude Survey – Line Management

Measure	% Agree or Strongly Agree (Winter 2006)	% Agree or Strongly Agree (Summer 2007)
Under-performance is dealt with effectively where I work	30	26
I receive regular and constructive feedback from my line manager	48	55
I have a trusting relationship with my line manager	76	72
My team is well-managed	61	57

Civilian Workforce: Motivated

Civilian Pay

339. MoD has delegated pay for the main Department (around 61,500 of the workforce). MoD Trading Funds and some other bodies have pay and grading delegation. Other groups of staff (including the MoD Police, Fire Service, Teachers and some Health Professionals) have links with their outside counterparts. For the main Department, in 2005, the Board endorsed a five-year pay strategy which focussed on producing a simpler pay structure by shortening pay scales, rewarding those contributing most to Defence outputs, identifying and appropriately remunerating key staff crucial in delivery of Defence output, and exploring further linkages between reward and the acquisition and application of skills. The Board re-endorsed this strategy early in 2008. Progress is constrained by affordability, but we aim for competitive pay rates and an attainable pay scale maximum . We are also developing a market skills supplement to ensure we can recruit and retain staff in specialist workforce groups crucial to delivering Defence outputs.

340. We introduced performance-related pay in 2002, with substantial changes in 2007 and 2008. These arrangements have improved job holder and line manager commitment to completing adequate performance appraisals on time Its effectiveness has been difficult to quantify and it continues to be strongly opposed by the Trades Union. The autumn 2006 Civilian Attitude Survey showed that 69% of respondents agreed with the basic principle, although only 13% agreed that the existing arrangements rewarded better performance. We expect the changes introduced in 2007 and 2008 to improve this substantially. We also have a range of schemes to reward specific instances of excellence or one-off achievements or the acquisition of nationally recognised professional qualifications.

Career Satisfaction

341. If a workforce is committed, loyal to and proud of its employer (referred to as Employee Engagement), it is more likely to be high performing. Research shows that this can yield up to 20% improvements in discretionary effort. MoD civilians have traditionally seen a strong connection between the Department, their team and their contribution to Defence. This has been instrumental in their consistent delivery over the last ten years of support to the Armed Forces' need to achieve their operational targets despite the achievement of significant efficiencies. In the summer 2007 civilian Continuous Attitude Survey, 84% said they understand the link between their objectives and the Department's, and 93% said they were clear about their role. Employee satisfaction and engagement are monitored via the civilian Continuous Attitude Survey every six months. The summer 2007 survey also indicated that overall employee engagement score[15] currently stands at 65%. Whilst this represents good performance, there is room for improvement against a benchmark for the highest performing UK employers of 73-78%. The indicator "I speak highly of MoD as an employer" is very similar to "Overall satisfaction with MoD as an employer". This was 55% in Summer 2007, probably reflecting the impact of widespread organisational changes of the last few years. The most important driver was a sense that civilian staff do not feel valued, and that senior managers do not take the interests of staff into account when they make decisions. Whilst the Department will continue to change, it is clear that managers must do far more to ensure that levels of engagement amongst staff do not decline to a level of dissatisfaction and disengagement that could threaten operational delivery and essential change programmes. The Defence Board has recognised that change needs to be managed more sensitively in the future and that consultation and communication needs to improve.

15 Calculated from the factors shown in table

Table 24: Civilian Attitude Survey – Engagement

Engagement Model	Engagement Index	% Agreed	% Disagreed
Say	I speak highly of MoD as an employer	55	14
Say	I am proud to tell others I work for defence	62	10
Stay	I rarely consider leaving MoD to work elsewhere	50	30
Stay	I am likely to apply for a job outside MoD in the next 6 months	12	66
Strive	I volunteer to do things beyond the responsibilities of my post that contribute to MoD's objectives	79	6
Strive	I often make suggestions to improve the work of the team I am in	79	3

Table 25: Comparison of civilian sickness absence

MoD Civilian Staff Group	MoD 2006-07 standardised definitions	Cabinet Office 2006-07 definitions	2007-08 Performance using Cabinet Office definitions
Non-industrials	6.7	8.03	8.01
Industrials	10.8	12.22	11.54
Level 1*		8.82	8.66

* MOD civilian workforce bar those in trading fund agencies and the Royal Fleet Auxiliary

Occupational Health

342. The MoD takes its occupational health responsibilities seriously, including statutory requirements to carry out health surveillance on certain groups of employees, pre-employment checks, reasonable adjustments for employees with disabilities, and management of sickness absence. We have refined our sickness absence policies to allow line managers to make early referral for occupational health advice. A new contract with for the provision of occupational health support has been let to ATOS Healthcare.

343. In last year's Annual Report and Accounts we confirmed that from 2007-08 reported sickness absence figures would be based on new Cabinet Office definitions for the whole of the MoD civilian workforce except those in Trading Fund Agencies and the Royal Fleet Auxiliary. Whilst this gives a more comprehensive picture of the average days lost to sickness and makes comparison with other Government Departments easier, it makes comparison with previous years more complex. Table 25 compares the 2006-07 end year position using the previous MoD definitions and the new Cabinet Office definitions with the position at 31 March 2008. MoD performance compares well with an average of 9.3 days across the Civil Service[16] although absence across the UK workforce as a whole continues to be lower at between 6.7 days[17] and 8.4 days[18].

344. In future information will be provided by Departments and collated by the Cabinet Office on a quarterly basis. MoD's sickness absence performance will also be published on our internet site. We are continuing to refine our data in line with Cabinet Office requirements to meet ONS standards, and will report absence statistics that include Dstl, Hydrographic Office, Met Office and Defence Support Group.

Further information on People can be found at Annex I.

16 Analysis of Sickness Absence in the Civil Service 2006/07
17 CBI AXA Absence Survey 2007
18 CIPD Absence Management Survey 2007

The Support to Operations (S2O) Programme

We have for many years deployed MoD civil servants to operational theatres to perform a range of challenging and extremely responsible functions alongside their military counterparts. The contribution made by those who volunteer to perform these roles has been increasingly recognised as a key element of how we conduct operations and the demand from military commanders for deployed civil servants has grown significantly in the last few years. Some 500 or so civilians now deploy to operational theatres each year, and we are determined to ensure that this demand continues to be met and to ensure that our people make the best possible contribution whilst deployed.

With the significant increase in demand we recognised that the departmental arrangements for supporting and deploying civilians and the mechanisms for generating enough suitably skilled and experienced volunteers needed considerable enhancement. We therefore took forward a major tranche of work under the Support to Operations (S2O) Programme. This is an ambitious project under the aegis of the Department's People Programme, to set up a robust and sustainable system to develop, support and deploy enough civilians with the right skills to meet the operational demand.

The programme conducted a thorough review of the variety of selection, training, medical, risk management and support policies and processes. In light of this we established an overarching policy framework for all MoD civilian deployments and visits to operational theatres, underpinned by a standardised end-to-end deployment process and management system. This has given us a more effective management capability, centrally governed by a dedicated team at the Permanent Joint Headquarters, which enables us to deploy now and in the future the full range of MoD civil servants needed.

A long term sustainable supply of suitable volunteers will take time to mature fully, but we have made considerable progress in laying the foundations. We have established a standardised recruitment process for deployed roles, and appointed senior Role Owners to manage resource supply and demand by generating capability in development and deployment pools by role. We have also identified learning and development opportunities aimed at enhancing individual preparation and we are continuing to put in place opportunities to develop the necessary skills, competences and knowledge in our workforce for deploying to these important posts.

As a priority we have established a robust risk management regime, overseen by a senior risk owner, which ensures that risks are dynamically assessed and mitigated as far as possible in theatre. We have revised and enhanced the safety and security pre-deployment training for all civilian deployees and visitors to enable them to perform their duties in the most challenging environments alongside their military colleagues. And we have appointed a dedicated safety and security team to provide expert and timely advice on all risk matters.

We have also enhanced the medical management system to ensure that everyone is medically assessed, and that only those assessed as fit are deployed. This mitigates the risk of medical complications in theatre by ensuring that any potential prohibitive physical conditions are identified and addressed. The system ensures that all civilian deployees and visitors receive robust physical medical assessments and fitness tests before and after deployment. They also receive robust psychological assessments to ensure that stress and possible post traumatic effects can be identified and addressed. We have recognised the effect that the deployment of civil servants may have on their families and have begun to enhance the support we offer in this are.

We have also reviewed and enhanced both how we recognise the contributions our civil servants have made on operations, and how we can make the most used of the knowledge and experience they have gained.

More work remains to be done in embedding the changes we have made across the Department as well as in addressing the long term challenge of developing and enhancing our civilian deployable capability. But we have made considerable headway. We are in a better position than before to manage supply and demand, and to manage the risks inherent in deploying civilians to such environments. We continue to see a steady flow of volunteers from our workforce and we are determined to continuously improve our approach for supporting them before, during and after their deployments so as to maximise the effect they can bring to our operations.

Finance

Objective: Control our expenditure within allocated financial resources, while maximising our outputs.

2004 Spending Review Efficiency Target

Realise total annual efficiency gains of at least £2.8Bn by 2007-08, of which three quarters will be cash-releasing:

- **Reduce civilian staff numbers by at least 10,000;**
- **Reduce the number of military posts in administrative and support roles by at least 5,000;**
- **Be on course to have relocated 3,900 posts out of London and the South East by 2010.**

Assessment and Performance Measures

Assessment: Total Defence expenditure during the year was some £43.5Bn, including a net cash requirement of some £33.5Bn. The additional cost of operations was just over £3Bn. Overall defence expenditure in 2007-08 remained within the total resources voted by Parliament, and the Control Totals set by the Treasury. However, the Accounts were qualified by the Comptroller and Auditor General because of shortcomings in the Joint Personnel Administration systems accounting processes. The Department achieved total efficiencies of over £3Bn over the 2004 Spending Review period, exceeding the target by about 10%.

In Year Departmental Financial Management

- Net resource consumption of £33,076M for provision of Defence capability against resources voted by Parliament of £34,630M;
- Net additional Resource and Capital expenditure of £3,032M on operations against resources voted by Parliament of £3,374M;
- Expenditure against war pensions and allowances of £1,014M, against resources voted by Parliament of £1,030M;
- Expenditure on the Armed Forces pension Scheme of £5,479M against resources voted by Parliament of £5,596M;
- DEL Outturn of £33,513M for provision of Defence capability against Resource Departmental Expenditure Limit of £34,559M;
- Outturn of £7,109M for provision of Defence capability against Capital Departmental Expenditure Limit of £7,128M.

Efficiency

The Department exceeded its efficiency targets, having delivered by 31 March 2008:

- At least £3.07M efficiency savings, of which over 85% were cash releasing;
- A civilian staff reduction of over 17,500;
- A reduction of nearly 5,500 in the number of military posts in administrative and support roles;
- Net relocation of 2,701 posts out of London and the South East.

Comprehensive Spending Review 2007

345. Under the Comprehensive Spending Review 2007 the Defence budget is set to increase from a baseline of £32.6Bn in 2007-08 to £36.9Bn in 2010-11 in Total Departmental Expenditure Limit (Total DEL). The settlement funds the renewal of Britain's nuclear deterrent, while ensuring that this does not come at the expense of the conventional capability required by our Forces. The settlement also ring-fenced £550M for investment in improving service accommodation over the next three years, and the MoD has committed a further £80M, bringing total investment over the next three years to at least £630M. These resources will be accompanied by value for money measures generating annual net cash-releasing savings of £2.7Bn by 2010-11. Details of our performance targets against our Public Service Agreements and Departmental Strategic Objectives are set out in *Defence Plan 2008-12*, published in June 2008.

Defence Budget and Spending

Departmental Outturn

346. Planned expenditure for 2007-08 was set out in the *Ministry of Defence: The Government's Expenditure Plans 2007-08,* and in the Main, Winter, and Spring Supplementary Estimates voted by Parliament. Provisional outturn for the year was set out in the Public Expenditure Outturn White Paper 2007-08 which was published in July 2008. Table 27 compares final performance against the final Estimates approved by Parliament, as reported in the Statement of Parliamentary Supply on page 277 of the Accounts. It includes Resource Departmental Expenditure Limit (Resource DEL), Annually Managed Expenditure (AME) and Non Budget, but does not include income payable to the Consolidated Fund, shown in Note 5 to the accounts.

347. As set out in the explanation of variation between Estimate and Outturn in the Departmental Resource Accounts on page 248, the main reason for the underspend of £1,554M in RfR1 was an underspend of £1,060M within Resource DEL from lower than expected depreciation and from provisions that have not materialised. There was also an AME underspend of £1,046M reflecting the consequences of changed accounting treatment for the disposal of some fixed assets, offset by increased costs of nuclear decommissioning.

Table 26: The Defence Budget (£M)

£ Million	2007-08	2008-09	2009-10	1010-11
Resource Budget	32,618	33,602	35,165	36,702
Capital Budget[1]	7,404	7,871	8,187	8,871
Total DEL	**32,579**	**34,057**	**35,365**	**36,890**
Of which near cash	29,411	30,763	31,921	33,628

Note 1: Total DEL is the sum of the Resource and Capital budget less depreciations and impairements

Table 27: 2007-08 Parliamentary Controls (£M)

	Final Voted Provision	Net Resource Outturn	Variation
Request for Resources 1 (Provision of Defence Capability)	34,630	33,076	-1,554
Request for Resources 2 (net additional cost of operations)	2,382	2,196	-186
Request for Resources 3 (war pensions and allowances)	1,030	1,014	-16
Net Resources	38,042	36,286	-1,756
Net Cash Requirement	34,730	33,505	-1,225

Table 28: 2007-08 Parliamentary Controls (£M)

Armed Forces Pay and Pensions	Final Voted Provision	Net Resource Outturn	Variation
AFPS Request for Resources 1 (Retired pay, Pensions + other payments to Service personnel + their dependents)	5,596	5,479	-117
Net Resources	5,596	5,479	-117
Net Cash Requirement	1,839	1,739	-100

348. Armed Forces pensions are also part of overall defence expenditure, and are therefore included within defence Estimates and expenditure plans. They are administered and accounted for separately under the Armed Forces Pension Schemes (AFPS 75 and AFPS 05) by the Service Personnel and Veterans Agency. AFPS 05 also incorporates the Armed Forces Compensation Scheme (see paragraph 152 under *Defence in the Wider Community*). At the end of March 2008 we were paying some 390,000 pensions. 517,000 further individuals are entitled to benefits when they reach pensionable age. Table 28 compares performance against the final Estimates approved by Parliament.

Cost of Operations

349. No formal budget is set for the cost of operations. The Department is voted additional resources (Request for Resources 2) to cover the net additional costs of Operations and Conflict Prevention Programmed Expenditure, and the request for resources is normally made in the Supplementary Estimates which is the first occasion when the Department can reach a reasonably firm forecast of costs. Total expenditure is set out in Table 29 below. Overall expenditure in 2007-08 was £3,032M, including £1,458M for operations in Iraq, £26M for operations in the Balkans (Bosnia and Kosovo), and £1,504M for operations in Afghanistan. Additional detail is in Note 2 to the Departmental Resource Accounts (page 290).

Table 29: Net Additional Costs of Operations 2007-08 (£M)

	Final Voted Estimate	Outturn	Variation
Resource			
Iraq (Op Telic)	1,203	1,055	-148
Afghanistan (Op Herrick)	1,102	1,071	-31
Balkans (Op Oculus)	31	26	-5
Programme Expenditure (African and Global pool)	46	45	-2
Total Resource	**2,382**	**2,196**	**-186**
Capital			
Iraq (Op Telic)	445	403	-42
Afghanistan (Op Herrick)	547	433	-114
Balkans (Op Oculus)	0	0	0
Total Capital	**992**	**836**	**-156**
Total	**3,374**	**3,032**	**-342**

Table 30: Resources by Departmental Objectives 2007-08

	Net Operating Cost (£M)
Objective 1: Achieving success in the tasks we undertake	4,050
Objective 2: Being ready to respond to the tasks that might arise	28,320
Objective 3: Building for the future	2,838
(Total RfRs 1&2)	35,209
Paying war pension benefits (RfR3)	1,014
Total Net operating Costs	**36,223**

BBC's Top Gear at RAF Coningsby –Wider Markets Initiative

Resources by Departmental Aims and Objectives

350. Details of the MoD's expenditure for 2007-08 broken down against our three Public Service Agreement objectives are summarised in Table 30 and set out in detail in the Statement of Operating Costs by Departmental Aims and Objectives (page 281) and Note 24 (page 313) to the Departmental Resource Accounts. In line with the revised structure of the Departmental Strategic Objectives set in the Comprehensive Spending Review, there will be some adjustments to the attribution of costs between these Objectives from 2008-09 as set out in the *Defence Plan 2008-2012*, in particular to reflect the inclusion of procuring and supporting military non-equipment capability and sustainable development under Objective 3 rather than Objective 2.

Table 31: Defence Budget Outturn against Departmental Expenditure Limits (DEL) 2007-08 (RfR1) (£M)

	DEL	Outturn	Variation
Resource DEL (net of A in As)			
Allocated to TLBs:			
Commander-in-Chief Fleet	2,196	2,185	-11
Commander-in-Chief Land Command	6,497	6,495	-2
Commander-in-Chief Air Command	2,632	2,635	3
Chief of Joint Operations	376	475	99
Central	2,438	2,317	-121
Defence Equipment & Support	16,657	16,236	-421
Defence Estates	2,589	2,628	39
Corporate Science and Technology	544	542	-2
Sub total	33,929	33,513	-416
Not Allocated	630	0	-630
Total	**34,559**	**33,513**	**-1,046**
Capital DEL (net of A in As)			
Allocated to TLBs:			
Commander-in-Chief Fleet	0	29	29
Commander-in-Chief Land Command	94	123	29
Commander-in-Chief Air Command	5	13	8
Chief of Joint Operations	35	34	-1
Central	50	41	-9
Defence Equipment & Support	6,693	6,661	-32
Defence Estates	39	208	169
Corporate Science and Technology	0	0	0
Sub total	6,916	7,109	193
Not Allocated	212		-212
Total	**7,128**	**7,109**	**-19**

Outturn against Departmental Expenditure Limit (Budgetary Basis):

351. In addition to the Net Resource controls set out above, against which Departmental expenditure is presented in the Departmental Resource Accounts and audited by the National Audit Office, the Department works within two Departmental Expenditure Limits (DELs) covering both the majority of the Department's operating costs (excluding some non-cash costs specifically relating to nuclear provisions) and capital expenditure. The Estimates figures shown in Note 2 of the Departmental Resource Accounts were based on data at the half year point, and there are inevitably movements between TLBs between then and the year end reflecting, for example, changes in budgetary responsibilities between TLBs. In particular provision for estate projects is transferred from customer TLBs to Defence estates at the point the relevant contract is signed.The total RDEL outturn for 2007-08 was £33,513M, an underspend of £1,046M. The total CDEL outturn was £7,109M, an underspend of £19M. The main

pressures on the budget during the year were for pay costs and fuel.

Resource and Capital DEL Variances (Budgetary Basis):

352. Detailed outturns by Top Level Budget Holder against RfR1 RDEL and CDEL control totals are set out in Table 31.

Reconciliation between DEL and Estimates

353. Table 31 reconciles the outturn shown in the DEL Table 32 with the Estimates-based figures in the Departmental Resource Accounts. The totals shown for RDEL and CDEL are for RfR1 only. Non Voted items in this table relate to the cash release of nuclear provisions which is not a Parliamentary control, but which makes up part of the Department's Net Cash Requirement. There is a also small element of non voted funding within Capital DEL.

Reconciliation between Estimates, Accounts and Budgets

354. The Department is required to use different frameworks to plan, control and account for income and expenditure. The planning framework uses resource and capital budgets broken down into DEL and AME and these budgets are referred to throughout the Spending Review, Budget Red Book, Pre-budget Report and individual Departmental Annual Reports. Control is exercised through the Parliamentary approval of Supply in the Main and Supplementary Estimates. Some elements of DEL and AME are outside the Supply process. Equally, some expenditure is voted but outside the scope of the budgets. Audited outturn figures are reported within the Departmental Resource Accounts, prepared under the conventions of UK Generally Accepted Accounting Practice, adapted for the public sector, with adjustments necessary to reconcile to either the planning or control totals. Table 33 provides the reconciliation between these three bases.

Table 32: Reconciliation between DEL and Estimates £M

	Provision	Outturn
Resource Estimate (RfR 1)	34,630	33,076
Annually Managed Expenditure	-141	503
Non Budget	-13	-78
Non Voted	83	75
Less: Consolidated Fund Extra Receipts	0	63
Resource DEL (Table 13)	**34,559**	**33,513**
Capital Estimate	**7,413**	**7,235**
RfR 2	-992	-836
AME	709	709
Non Budget	-2	0
Capital Spending by Non Departmental Bodies	1	1
Capital DEL (Table 13)	**7,128**	**7,109**

Table 33: Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

	Provision	Outturn
Net Resources Outturn (Estimates)	**38,042**	**36,286**
Adjustments to include:		
Consolidated Fund Extra Receipts in the OCS		(63)
Other adjustments		
Net Operating Cost (Accounts)	**38,042**	**36,223**
Adjustments to remove:		
voted expenditure outside the budget	(4)	(4)
Adjustments to include:		
other Consolidated Fund Extra Receipts		63
resource consumption of non departmental public bodies	15	15
unallocated Resource Provision		
Resource Budget Outturn (Budget)	**38,053**	**36,297**
of which		
Departmental Expenditure Limits (DEL)	36,940	35,787
Annually Managed Expenditure (AME)	1,112	510

Major Contractual Commitments

355. As of 31 March 2008 the Department's outstanding contractual commitments (excluding those already reported within the Balance Sheet) were some £18.1Bn (£17.8Bn in 2006-07) (see Note 25 to the Departmental Resource Accounts on page 317). This represents capital expenditure which the Department is contractually obliged to pay in future years (assuming delivery of a satisfactory product). While it is built up from more than 300 individual projects, the ten largest (see table 34) comprise some £12.1Bn, or 67% of the total (£11.3Bn/63% in 2006-07). The Department is also committed to payments of over £1.2Bn for PFI projects (£1.2Bn in 2006-07) (see Note 27 to the Departmental Resource Accounts on page 318).

Table 34: Major Contractual Commitments as at 31 March 2008

Project	£M
Typhoon Tranche Two Production	4,343
A400M Future Transport Aircraft	1,378
DII Future	1,232
Future Lynx Helicopter	1,221
Astute Class Submarines 1-3	991
Type 45 Destroyers	901
NIMROD MRA4 Development and Production	649
Meteor Beyond Visual Range Air-to-Air Missile	556
DMIS	486
Tornado Capability Upgrade Service (Pilot)	354

Defence Assets

356. Management of the Department's fixed assets is centralised with two Single Balance Sheet Owners. Defence Estates 'owns' all land and buildings and related plant and machinery assets. Defence Equipment and Support owns all single use military equipment, guided weapons, missiles and bombs, capital spares, associated plant and machinery, transport, all assets under construction, Government furnished equipments held in project accounts, and all information technology and communication equipment. While the assets themselves continue to be held and used by all Top Level Budget organisations whose personnel remain responsible for their custodianship, they are managed financially by the Single Balance Sheet Owners.

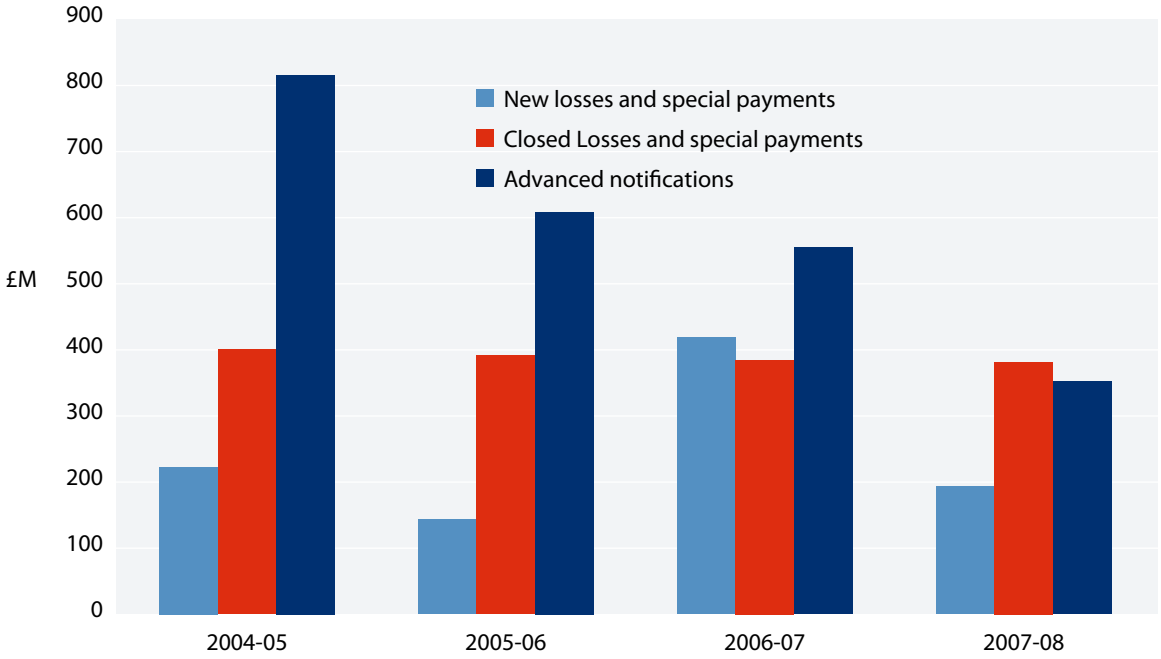
357. MoD's asset base is large, diverse, geographically dispersed and varies significantly in age. At any time there are many items approaching the end of their useful life and many others entering service with, in the case of fighting equipment and buildings, a life of perhaps 25-50 years. More information on their management can be found in the Departmental Investment Strategy. Details of the Department's assets and their valuation are set out in Notes 13 and 14 to the Departmental Resource Accounts on pages 300-301. According to the 2007 National Asset Register the MoD owns about 25% of the Government's tangible fixed assets and over 90% of the Government's intangible assets. The Department's gross Tangible Fixed Assets cost grew from £118.5Bn at 31 March 2007 to £125.0Bn at 31 March 2008, an increase of £6.5Bn. Of this £6.7Bn reflected capital additions, in line with last year's capital expenditure figure. Once depreciation is subtracted, the Department's tangible fixed assets were worth some £77.9Bn at 31 March 2008, an increase of £3.3Bn over the year. The vast majority of tangible fixed assets comprise either specialist military equipment in service or being acquired (some £46.6Bn, 60% of the total); dwellings, land and buildings (some £19.8Bn, 25% of the total); transport (some £4.6Bn, 6% of the total); and plant and machinery (some £1.8Bn, 2% of the total). These figures are broadly comparable with those for 2006-07. The net holding of intangible fixed assets at 31 March 2008 was some £26.7Bn (of which over 90% comprised development costs of military equipment), an increase of some £2.5Bn over the year.

Losses and Write-Offs

358. Details of losses, gifts and special payments are set out in Note 31 to the Departmental Resource Accounts (pages 324-329). Reported losses are not necessarily indicative of a failure of control, although the Department has processes – overseen by the Defence Audit Committee – to identify any that are and learn appropriate lessons. They also result from sensible management decisions as force structures, requirements and organisations are adjusted to meet changing circumstances. The total value of new and potential losses and special payments arising in year (both closed cases and advance notifications) was £209M in 2007-08 (£417M in 2006-07). The Department continues to work to minimise the number of new cases that arise. Excluding gifts and payments made by the Veterans Agency the value of cases closed during the year amounted to £380M. Of this £225M (59%) was from final closure of cases previously notified (including £112M for the M26 bomblets for the Multiple Launch Rocket System withdrawn from service in March 2007 as not meeting the Government's criteria for the use of cluster munitions, and £46M for ex-gratia redundancy payments to members of the Royal Irish Regiment and civilian employees following normalisation in Northern Ireland). A further £130M (34%) reflected formal bookkeeping adjustments arising out of asset verification exercises following on from the establishment of the new Single Balance Sheet Owners.

359. The losses statement also identifies potential losses that have not yet been brought to completion and have therefore been identified for formal incorporation in a future year's accounts (known as advance notifications). The costs identified are estimates, so the final loss declared may therefore be either larger or smaller. The estimated value of our advance notifications of losses and special payments continued to fall, reducing from about £607M in 2005-06 to about £556M in 2006-07 and £350M in 2007-08. Of this, £205M (59%) is for writing-down of the value of Chinook Mark 3 helicopters, where the Department has deliberately taken a very prudent accounting approach that maximises the size of the potential write-off pending revaluation on delivery of modified aircraft, and £54M (15%) from costs arising from slippage in the construction programme for two Bay Class landing ships, both originally reported in 2003-04.

Figure 21: Losses and Special Payments



Defence Inflation

360. We are working to develop a robust measure of inflation for total defence expenditure. It includes identification and collection of suitable data; the design of methods and applications for storing and aggregating the data; and the validation and testing of the outputs. To construct a measure for total defence expenditure we will need to collect data relevant to: service and civilian pay; long-term equipment, support and construction expenditure; and shorter term commodity and service purchases:

- Service and civilian pay data will be available from MoD administrative systems, although its coverage and quality will require some work. A base-weighted index for military pay is already published in UK Defence Statistics and a similar index for civilian pay could be calculated;

- Measuring defence equipment inflation is inherently difficult as it involves measuring price change for defence products adjusted for quality and quantity. Our initial approach, based on matching micro level producer price data from the Office for National Statistics to MoD contractors, failed to produce a sufficiently robust measure. There is no single industrial classification for defence, and capital expenditure is often through long-term contracts for unique pieces of equipment which do not lend themselves to price comparisons across time. For successive generations of equipment it is not usually possible to separate out the changes in specification from pure price movements. To construct an index for this element of Defence expenditure we will therefore need to collect detailed information on extant contracts; develop a robust data store for the data; and then ensure the data is kept up-to-date with details of new and amended variation of price clauses; and

- Identifying all logistic commodities buys and separating out the inflationary element of the prices will be a challenge, although good information on the prices and quantities of fuel purchases already exists. Expenditure data by Standard Industrial Classification is available from the Department's contracts database and this can be linked to relevant Producer Price Indices to produce a base-weighted index.

361. These different sources of inflation can then be aggregated to produce a Defence Inflation Index for total Defence expenditure. This will however be resource intensive and we expect it will take up to two years to complete.

Until then it will be difficult to provide coherent estimates for the different rates of inflation that affect Defence expenditure.

Wider Markets Initiative

362. The aim of the Treasury's Wider Markets Initiative is the commercial exploitation of Departments' assets which need to be retained but are not fully used. Departments are increasingly under pressure, as part of their asset management strategies, to seize opportunities to generate income in this way. The MoD continues to be regarded, in Whitehall and beyond, as among the leaders in the field, both for the sheer diversity of its Wider Markets activities and for the energy with which its practitioners, in accordance with internal letters of delegation and business plans, are pursuing them. Our Wider Markets team has recently advised the French, Bulgarian and Canadian governments on matters connected with income generation. In March 2008, following discussions with the filming industry and extensive redevelopment, the MoD's film locations website was relaunched. Supported by some 2,000 images, it provides detailed information to filmmakers about how to apply to use the many sites available on the MoD estate around the country. This service has enhanced the Department's reputation as well as generating a regular income stream.

363. We agreed in the Comprehensive Spending Review to publish our plans for the release of electromagnetic spectrum to the market, begin the release of the bands identified in 2008 and release a significant proportion of defence spectrum holdings during 2009 and 2010. In May 2008 we published a consultation document on an implementation plan for managing the spectrum we use to enhance the benefits that its use generates (see the essay on *Valuing the Invisible* on pages 224). We are now working with Ofcom and other Government Departments with the aim of being in a position by May 2009 to begin to release and share spectrum, with a view to releasing a significant proportion of the spectrum we use during 2009 and 2010.

Defence Resource Management Programme

364. The 'Simplify and Improve' initiative is delivered through the Defence Resource Management Programme. This is the vehicle under which continued improvements to the Department's finance systems and processes are taken forward. Since its official opening on 1 April 2007 the Financial Management Shared Service Centre has developed its capability in a number of important areas. New more automated processes covering accounts receivable and accounts payable have been introduced successfully. The programme has initiated concept work on both the centralisation of the General Ledger and better financial information to aid decision making. Work has also begun towards a more robust fixed asset processing capability. Performance and accessibility improvements to the Department's Planning, Budgeting and Forecasting system have been initiated and enhanced training has been commissioned that will enable users fully to exploit its capabilities.

2004 Spending Review Efficiency Programme

365. The Department has comprehensive efficiency and change programmes extending right across the organisation. These are designed to improve efficiency and effectiveness, maximising our investment in front line operational capability. In the 2004 Spending Review the Department agreed to realise total efficiency gains of at least £2.83Bn by April 2008, of which three quarters would be cash releasing. Within that target we also aimed to:

- Reduce civilian staff numbers by at least 10,000;
- Reduce the number of military posts in administrative and support roles by at least 5,000;
- Be on course to have relocated 3,900 posts out of London and the South East by 2010.

366. The 2nd Permanent Under Secretary leads and oversees the Efficiency programme on behalf of the Defence Board, with overall responsibility for its delivery (see figure 22 below). Efficiencies in process and back-office functions are being reinvested in the core programme. Performance is reported quarterly to the Defence Board through the Defence Balanced Scorecard, and to Parliament in the Department's Autumn and Spring Performance Reports, as well as in the Annual Report and Accounts.

Figure 22: Defence Change Portfolio

Defence Change Portfolio		Force Capability changes	Other
Defence Logistics Transformation (Para 223)	Joint Personnel Administration (Paras 206-207)	Force structure changes (Para 400)	Lyons (Para 399)
Whole Fleet Management (Para 365)	Defence Information Infrastructure (Para 169)	Other manpower reductions (Para 121)	Finance (Para 364)
Estates Modernisation (Paras 380-390)	Defence Health Change Programme (Para 197)	Equipment procurement (Para 218)	Commodity procurement (Para 370)
People Programme (Para 211)	Defence Travel Modernisation (Para 198)		
Defence e-Commerce (Para 198)	Command HQ Collocations (Paras 158, 159 & 163)		

367. We achieved between £672M and £762M further efficiencies in 2007-08 (subject to validation), bringing our estimated final total to between £3.05Bn and £3.14Bn against our 2004 Spending Review target of £2.83Bn. This is an overachievement of £220M- £310M, or about 10%. The Treasury has agreed that up to £270M of the final overachievement can be counted against the Department's value for money target of £2.7Bn by April 2011 set in the Comprehensive Spending Review, in order to incentivise the delivery of efficiency improvements as early as possible. Some £1.6Bn to £1.7Bn (just over 50%) has been delivered by programmes within the Defence Change Portfolio, some £1.3Bn (just over 40%) by the force capability changes set out in the 2004 *Future Capabilities* White Paper and the remainder (£238M, some 8%) from a number of stand alone initiatives. Of the total efficiency achievement by 31 March 2008, over 85% are cash releasing, against the requirement of 75%. More detailed information on the contribution made by the individual elements is set out in Table 35.

Table 35: Performance against 2004 Spending Review Efficiency Target

Programme	Achievement by 31 March 2006 (£M)	Achievement by 31 March 2007 (£M)	Achievement by 31 March 2008 (£M)
Force Structure changes	**106**	**298**	**390**
Corporate Services	**343**	**296**	**247**
Military Personnel Management	16	38	63
Civilian Personnel Management	24	30	45
Finance Function	2	16	13
Information Services [2]	301	212	126
Procurement and Logistics	**836**	**1,347**	**1,664-1,754**
Equipment Procurement	54	206	374
Defence Logistics Transformation	662	957[1]	1,077-1,167
Whole Fleet Management [2]	54	54	93
Estates Modernisation[2]	31	68[1]	84
Other Procurement	35	62[1]	31
MoDel			5
Productive Time [2]	**105**	**139**	**102**
Organisational changes	**0**	**2**	**3**
Relocation	**18**	**18**	**18**
Manpower	**86**	**344**	**560**
RN	15	32	37
Army	18	64	88
RAF	51	143	200
Civilian	2	105	235
Others			**202**
IRDEL[2]			81
STP 05			16
STP07			105
Adjustment[3]	**-9**	**-68**	**-113**
TOTAL	**1,485**	**2,376**	**3,073-3,163**

Notes:
1. These figures have been revised from those published in last year's report
2. These gains include an element of non-cashable gains
3. Adjustment to avoid double counting of manpower savings

Force Structure Changes

368. The 2004 *Future Capabilities* White Paper set out the transformation required to deliver better policy outcomes with smaller, more flexible and adaptable Armed Forces able to meet future defence and security challenges. Much of that transformation is now complete. During 2007-08 force structure changes generated £272M of new efficiencies, to achieve a cumulative total of £390M. Further information on force structure changes is set out in paragraphs 157-164 under *Future Capabilities,* and in the essay on page 109. Changes in 2007-08 included:

- Formation of second Typhoon Squadron in line with the withdrawal of Jaguar from service, and the continued drawdown of Tornado crews, delivering £104M additional efficiency.

- Completion of the rationalisation of our Ground Based Air Defence structures in October 2007, delivering £3M additional efficiency.

- Continuing rationalisation of the submarine force, delivering £32M of additional efficiency.

Corporate Services

369. The Department has taken forward a range of programmes to modernise and improve the efficiency and effectiveness of its corporate services:

- The Joint Personnel Administration programme is harmonising and simplifying the management of Armed Forces personnel through implementation of a single information system to replace the previous 250 plus systems (see paragraphs 206-209 under *Future Personnel*, the Statement on Internal Control in the Departmental Resource Accounts on page 262, and the Report of the Comptroller and Auditor General on page 267). All major milestones have now been completed and it had delivered £63M of efficiencies by 31 March 2008 against a forecast of £85M. Efficiency has mainly been achieved through Service and Civilian HR staff reductions. The reduced achievement against the forecast largely reflects a delay in headcount reductions caused by revised Army rollout dates, and a reduction in expected benefits within the Service Personnel and Veterans Agency reflecting greater than anticipated complexity in processes and policies and the provision of additional support during transition to a fully self-service environment;

- The People Programme will enable MoD civilians to make the best contribution to the UK's defence capability through a civilian workforce which is appropriately skilled, managed and motivated (see paragraphs 211-212 under *Future Personnel*). Efficiency gains have been achieved through a reduction in civilian HR staff, lower information system maintenance costs, implementation of modern and simple pay and policy processes, and a reduction in administration tasks. The programme delivered £45M of efficiencies by 31 March 2008, against a forecast of £48M, mainly through HR personnel reductions. The reduced achievement against the forecast reflects calculation of the final achievement against the exact capitation rate for the numbers of each grade saved, rather than an estimate;

- The Defence Resource Management Programme (see paragraph 364 above) is simplifying and improving current financial processes, structures and systems to reduce costs and improve decision making. The programme delivered £13M of efficiencies by 31 March 2008;

- The Defence Information Infrastructure (DII) programme aims to deliver to Defence a secure and coherent information infrastructure at minimum whole life cost whilst maintaining continuity of service (see paragraph 169 under *Future Capabilities*). DII delivered £126M of efficiencies in the financial year 2007-08, compared with the planned gain of £109M.

Procurement and Logistics

370. The Department has been undertaking a range of programmes to improve value for money from expenditure on the future equipment programme; increase the effectiveness, efficiency and flexibility of defence logistics activity; and modernise management of the defence estate. We are also working

to improve the efficiency of commodity procurement across defence. These programmes comprise the Procurement and Logistics element of our overall efficiency programme. In particular:

- The 2004 *Future Capabilities* White paper identified opportunities to improve value for money from equipment procurement expenditure. The programme delivered £374M of efficiencies by 31 March 2007, mainly through revised procurement strategies for the future helicopter fleet and the Future Rapid Effects System, a more efficient way to provide the offensive air capability, and reprofiled acquisition increments for indirect fire precision;

- The Defence Logistics Transformation Programme is transforming the means by which logistics support is delivered to the three Services (see paragraph 233 under *Equipment and Support*). The programme is estimated to have delivered between £270M and £360M of new efficiencies during 2007-08, an overachievement against the forecast £195M, in addition to the £807M of sustainable efficiency achieved by 31 March 2007. Work is in hand to validate the efficiencies achieved in 2007-08, with final performance reported in the Autumn;

- Whole Fleet Management is providing better management of the defence land vehicle fleet and facilitating the training of force elements to the required standard on future reduced fleets. Benefits of £93M had been delivered by 31 March 2008, mainly through reduced spares consumption and battery use, improved management of the vehicle fleet and productive time efficiencies. The shortfall against the forecast of £116M reflects a higher usage rate of equipment on operations than had originally been assumed;

- The Estates Modernisation programme is rationalising and improving the condition of the defence estate and obtaining better value for money from estate expenditure through the introduction of Prime Contracting, the modernisation of single living accommodation and the provision of water and sewage services (see paragraph 380 under *Estate*). Annual efficiency gains of £84M[1] were delivered by 31 March 2008, mainly through personnel reductions, more efficient maintenance arrangements through Prime Contracting and reduced operating costs. This reduced achievement against the forecast of £95M reflects difficulties in quantifying sufficiently robustly for audit purposes some of the savings associated with the regional prime contracts;

- The 'Other Procurement' Initiative is extending the Defence Equipment and Support Organisation's Procurement Reform programme across other areas of defence. While this continues to deliver savings, difficulties in quantifying these sufficiently for audit purposes, means that only those arising from the Defence Electronic Commerce System and the Defence Travel Modernisation programme are included in the achievement for 2007-08. The latter aims is delivering a modern and coherent e-booking capability, achieving £31M[2] of efficiencies to 31 March 2008;

- The programme to rationalise the defence estate in London (MoDEL) (see paragraph 400 under *Estate*) delivered £5M savings in the running cost of the estate by 31 March 2008.

Productive Time

371. The Defence Health Change Programme aims to increase the proportion of military personnel who are fit-for-task by improving the quality of healthcare using regional rehabilitation units and other methods (see paragraphs 290-291 under *People)*. £102M non cashable annual efficiency gains were delivered in 2007-08 from reducing the time taken to restore personnel to full fitness. This is measured against the corresponding performance of the National Health Service and therefore declines as the NHS systems improve.

Organisational Changes

372. We continued to take forward a number of programmes to slim down the Department's management overhead, including the continuing rationalisation of Service Headquarters and other organisations (see paragraph 400 under *Estate*). Benefits of £3M

1 Subject to validation.
2 Subject to validation.

were delivered by 31 March 2008 from formation of the Royal Navy's Fleet Headquarters and the Royal Air Force Collocated Headquarters. The reduction against the forecast of £8M reflects retention of the Innsworth site for wider Defence needs (see paragraph 400 under *Estate*). Following the formation of Headquarters Land Forces from the former Land Command and Adjutant General's Command, we are working to establish a new collocated Army Headquarters (see paragraph 400 under *Estate*); to take forward further rationalisation of the Defence Equipment and Support Organisation (see paragraphs 216-219 under *Equipment and Support* and 400 under *Estate*); and to make further reductions to the Head Office (see paragraph 188 under *Change*). These will all deliver further efficiencies towards the Comprehensive Spending Review value for money target.

Relocations

373. We remain on track to deliver a net reduction of 3,900 posts in London and the South East by March 2010, with 2,701 relocated by the end of March 2008 (see paragraph 399 under *Estate*).

Personnel Reductions

374. The changes to Force Structures and the Department's change and efficiency programmes have continued to deliver personnel reductions. The Service personnel trained strength requirement reduced by just over 4,300 in 2007-08, producing a total reduction of nearly 11,700 over the 2004 Spending Review Period,(see paragraph 375 under *People*), enabling a reduction of nearly 5,500 military posts in administrative and support roles against a target of 5,000. The number of Defence civilian personnel fell by just over 7,000 in 2007-08, producing a total reduction of over 17,500[3] over the 2004 Spending Review period (see paragraph 319 under *People*),against a target of 10,000.

Others

375. With the agreement of the Treasury, a number of additional measures identified during the 2004 Spending Review period have been brought within the efficiency programme. These include efficiencies identified during the 2005 and 2007 Planning Rounds, and Indirect Resource DEL savings generated by extending the out of service date of the Harrier GR9 and Tornado GR4. These delivered £202M of efficiencies in 2007-08.

Further Sources of Information

376. Further information on Finance can be found in Annex I.

3 including the Department's Trading Funds but excluding Locally Employed Civilians in operational areas

Valuing the Invisible

Radio spectrum is an intangible resource which is used to transmit information in a wide range of civil and military applications. Although spectrum can never be depleted, the amount of usable spectrum at any particular location and time is constrained by technology. Access to spectrum has historically been regulated on a "command and control" basis with the communications regulator (now Ofcom), allocating different frequency bands to various commercial uses and licensing users and levying an administrative charge in the form of a licence fee. The MoD has been granted management rights to about 33% of the UK's spectrum, but the regulatory setup is due to change over the next few years in response to a recent independent audit of the UK spectrum, known as the Cave Report. The report recommended that the UK would benefit from moving to a more market oriented regime, and this has been endorsed by the Government. The first step will be the extension of Ofcom's existing pricing scheme to more users, including the MoD. The aim of this scheme is to increase the benefit that society as a whole obtains from the spectrum and it is likely to result in higher costs of access for the MoD. Defence access charges could potentially rise from about £50M per year to around £450M if we maintained the current level of use. We also have a Comprehensive Spending Review target to release a substantial amount of defence spectrum holdings over the next few years, helping the Government as a whole to make better use of the UK's radio spectrum.

Why is Spectrum Use Regulated?

Anyone with a transmitter can, in principle, make use of the airwaves as the physical properties of spectrum make it non-excludable. But rival users create interference by operating applications in the same frequency band. Without regulation, this results in overuse as users try to drown out each other's transmissions. This is exactly what happened in 1920s America, where many city users were unable to receive an intelligible signal. In order to avoid this, Ofcom places constraints on access to the spectrum and polices the airwaves to deter misuse. These measures are essential to prevent overuse, but they do not necessarily lead to the best allocation of spectrum rights for the economy. All other things being equal, this is achieved when the spectrum is used by those who value it the most.

Pricing the Airwaves

Because those who value the spectrum highly are willing to pay more to use it, prices can be used to ration the resource. Theory suggests that a free market, where users can buy and sell the rights to use spectrum from each other, will achieve the "first best" outcome. This is Ofcom's ultimate objective, but "big bang" liberalisation may not be practicable as immature markets do not always function effectively. As an intermediate step Ofcom is therefore bringing in Administered Incentive Prices to help embed incentives and the expectation of paying for spectrum access. The principle is that charges

reflect the most valuable alternative to current use. If an incumbent user does not value the spectrum as much as others then the price will be set above their valuation. This incentivises existing users to make better use of their spectrum or to reduce their spectrum holdings, allowing more effective users to access it, and produces a more efficient outcome than command and control. But it does not have the flexibility of a free market because the regulator may not know the value that participants place on the benefit they obtain from the spectrum, and the participants have an incentive to misrepresent their value if asked. Setting the right price is therefore challenging, and may not always realise the full potential benefits.

Managing the MoD's Spectrum

Retaining access to the spectrum we need for equipment test and development, training and exercising, force preparation and peacetime operational requirements within the UK is of overriding importance. But we face the same problems as Ofcom in managing it most efficiently and effectively. The Department currently operates a command and control regime to allocate spectrum internally, but maintaining this following the introduction of Administered Incentive Prices will result in much higher costs. These can be minimised by creating incentives within defence which encourage marginal users to use less spectrum or shift to cheaper bands. Paying a single £450M charge from MoD to Ofcom will not influence behaviour at the user level. To achieve this, those who make spectrum usage decisions (such as the Integrated Project Teams and Directorates of Equipment Capability who choose equipment that uses spectrum) will need themselves to face a charge that reflects the scarcity and true cost of the resource. This will then incentivise them to use it more effectively or seek alternatives. We are therefore taking forward a process of spectrum reform to move the MoD from a command and control regime to a more market oriented system.

Estate

Objective: Maintain and develop estate infrastructure of the right capability and quality.

Assessment and Performance Measures

Assessment: We continued to make substantial investments in the Defence Estate, delivering nearly 7,000 single bed spaces and upgrading over 1,200 family properties during the year. Substantial further investments are planned, but there is still a long way to go to achieve target accommodation standards across the estate. We continued to develop the new consolidated estate management arrangements to deliver further efficiencies and improvements. We also continued to take forward a very substantial rationalisation and relocation programme in line with the long term Defence Estate Development Plan, and remained on course to deliver our Lyons Review target for relocating posts out of London and the South East of England.

Estate Condition:

- Development of Estate Performance Measurement System during 2007-08, to go live in September 2008.

Improvement of Estate Condition:

- Just over 2,000 new-build bed spaces delivered in 2007-08 under Project SLAM (target 2,100), for overall 5-year Project 1st phase total of 9,800 (target 9,600);
- Nearly 4,900 new build bed spaces delivered in 2007-08 through parallel projects (target 5,500);
- Nearly 640 Service Family Accommodation properties in Great Britain upgraded to Standard 1 for Condition in 2007-08 (target 600), with a further 600 undergoing modernisation work overseas;
- Some 5,000 further Service Family Accommodation properties in Great Britain with smaller scale improvements in 2007-08.

Estate Management:

- Continued improvement in management of Service Family Accommodation. In March 2008 98% meeting Move-in standard, and customer satisfaction with repair service 93%;
- Introduction of new Housing Information Centres;
- Vacant stock management margin reduced to 18.6 % in March 2008 (19.2% in March 2007) against target of no more than 10%;
- Disposal receipts of £1.1Bn in 2007-08 (target £403M).

Future Estate:

- Approval of Defence Estate Development Plan;
- Some 2,700 posts relocated out of London and the South East by March 2008 (target 3,900 by March 2010);
- Continuing substantial programme of estate rationalisation.

The Defence Estate

377. The MoD is one of the largest landowners in the United Kingdom, with an estate of some 240,000 hectares (about 1% of the UK mainland). Some 80,000 hectares of this comprise a varied built estate including naval bases, airfields, living accommodation for nearly 200,000 military personnel, scientific facilities, storage and distribution centres, communications facilities and offices, making the Department the UK's largest property manager. Reflecting the long history of the Armed Forces, the estate contains a substantial number of listed buildings. The rural estate (some 160,000 hectares) comprises mainly training areas and ranges on undeveloped land often of particular environmental or archaeological significance. The Department has rights to use about a further 125,000 hectares in the UK, mainly for training. The Department also manages an overseas estate mainly comprising the garrisons and training facilities in Germany, Cyprus, the Falkland Islands and Gibraltar, as well as facilities in Ascension Island, Belize, Brunei, Nepal, Singapore and the United States. The Armed Forces regularly use major training facilities in Canada, Cyprus, Germany, Norway, Poland and Kenya. As at 31 March 2008 estate-related Defence assets were valued at some £19.8Bn (2007: £18.4Bn). The estate is kept under review to ensure that it remains the right size and quality to support the delivery of Defence capability, is managed and developed effectively and efficiently in line with acknowledged best practice and is sensitive to social and environmental considerations.

Current Estate

Estate Condition

378. The Defence Estate is maintained and improved through a suite of contracts with industry. Data on the physical condition of assets maintained by Defence Estates has been captured through surveys and loaded on to the Estate Planning Tool[1] (data for non-Defence Estates maintained assets is also being collected by Top Level Budget organisations with a view to loading that information on the Estate Planning Tool). Defence Estates has agreed with Customer Top Level Budget organisations an appropriate target condition for assets, this too is held on the Estate Planning Tool. Summary information on progress towards Target Condition is provided by the Estate Planning Management System.

379. The Department has been developing the Estate Performance Measurement System to demonstrate the through-life value for money efficiency resulting from the introduction of the Prime Contracting initiative across the Defence Estates maintained estate. In its March 2007 report 'Managing the Defence Estate' the National Audit Office acknowledged this system represented best practice. It is due to go live during September 2008 once the Value for Money assessments of the five Regional Prime Contracts have been completed and the results loaded into the system.

Improvement of Estate Condition

380. The Department continued to take forward an extensive estate improvement programme during 2007-08. This includes a very substantial single living and family accommodation upgrade programme (see paragraphs 382-383), improvements in technical accommodation, such as the handover of a refurbished Hangar at Cosford in Shropshire providing flexible and appropriate technical training accommodation for 500 students and 88 staff and the improvement being delivered around Salisbury Plain and Aldershot under project Allenby Connaught (see paragraph 397), and improvements in office accommodation such as at neighbourhood 5 in Abbey Wood (see paragraph 400).

Service Accommodation

381. Service personnel and their families deserve good quality accommodation. It forms an

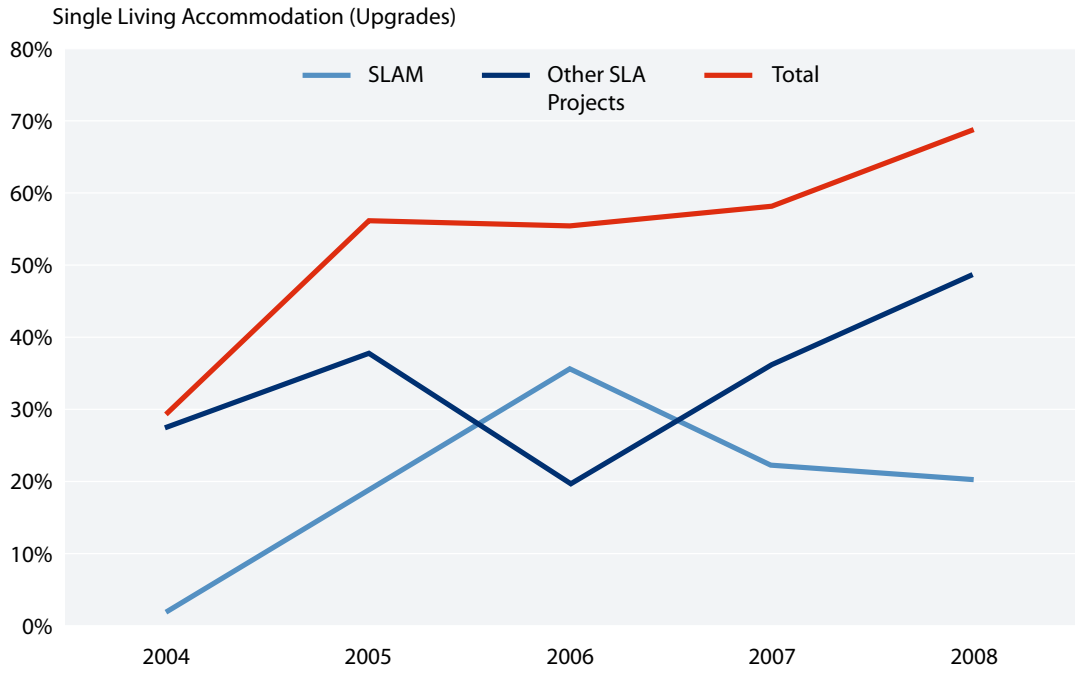
1 The Estate Planning Tool (EPT) is an Information System which, when fully rolled out it will provide a full assessment of the condition of the DE Maintained Estate using a weighted alpha-numeric grading system. EPT will allow DE to more effectively and efficiently maintain the Estate by assessing the difference between current and target conditions, taking into account whether an asset is fit for purpose. This will enable funding to be directed to those assets which require the most maintenance in order to meet the customers' priorities.

important part of their overall package of terms and conditions and plays a significant role in retention. The MoD owns or manages an overall stock of 71,000 houses worldwide and 160,000 single living units, spread across more than 200 sites in 16 countries. There are problems with some Service accommodation; too much is old, not well adapted for modern lifestyles, or in a poor physical condition, or does not meet new standards. This is particularly the case for Single Living Accommodation. Recognising this, around the end of the last decade the Government substantially increased the base standards required for living accommodation. This created a huge amount of work that the Department is addressing by investing money in new or upgraded facilities. We invested over £250M in housing and other accommodation in 2007-08 and plan further investment of over £3Bn during the next decade. Tackling all the shortcomings will take considerable time, particularly given the continuing need to balance investment in accommodation against other Defence priorities. The Department is also exploring whether there are further ways to help Service personnel buy their own property where they want to and can afford it.

Single Living Accommodation

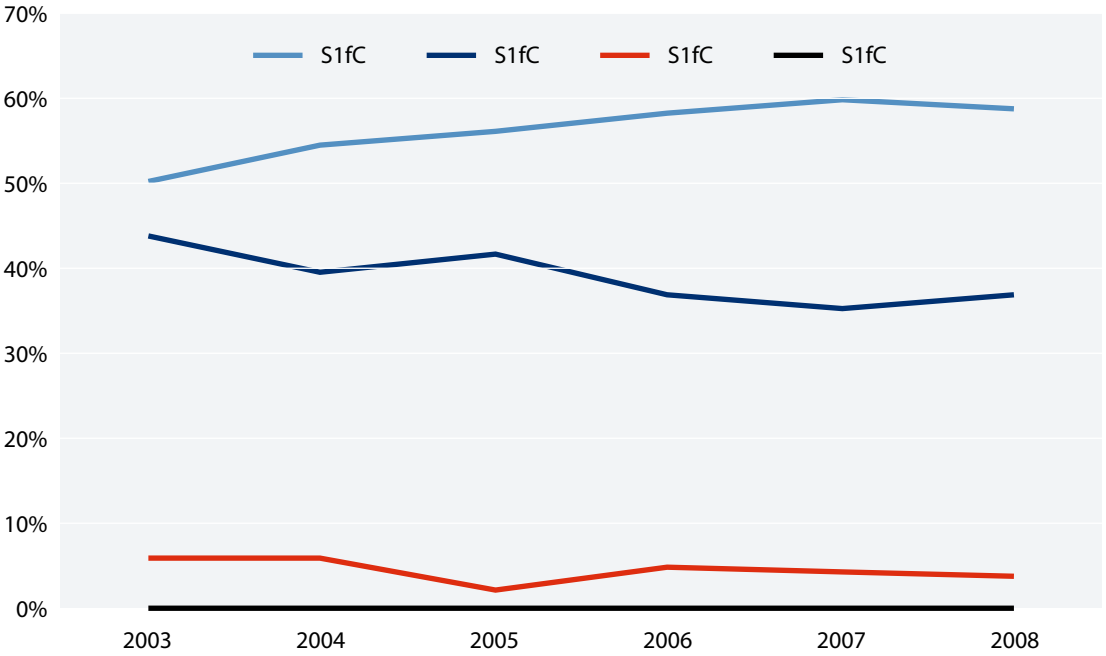
382. The Department is providing a greatly improved living environment consisting mostly of single rooms with en-suite facilities through a combination of Project SLAM (Single Living Accommodation Modernisation), and other PFI and TLB injected projects (the parallel projects). In 2007-08, Project SLAM delivered just over 2,000 bedspaces against a target of 2,100, bringing the total upgraded in the United Kingdom from April 2003 to March 2008 (the first phase of the project) to some 9,800 against a target of just under 9,600. Some £6M of output efficiencies were also delivered, in line with the target. Other projects at specific locations in the United Kingdom and overseas upgraded nearly 4,900 bedspaces during 2007-08 against a target of 5,500. This included 490 overseas. In all some 27,000 bedspaces have now been built or upgraded since April 2002 and a further 20,000 are planned to be delivered over the next three years. By March 2008, 28% of Single Living Accommodation was at Grade 1 for Charge, against a target of 24%, 16% at Grade 2, 20% at Grade 3 and 36% at Grade 4[2].

Table 36: Single Living bedspaces upgraded each year by SLAM and parallel projects



2 These percentages are inclusive of Condition and Scale (i.e. entitlement) information but exclude any Environmental and Locational influences.

Table 37: Service Family Accommodation (percentage by condition)



Service Family Accommodation

383. Work also continued to improve the overall standard of Service Family Accommodation. Nearly 640 properties were upgraded to Standard 1 for Condition[3] in 2007-08 in Great Britain against a target of 600[4], with a further 600 undergoing modernisation work overseas. Over 12,800 properties in Great Britain have been upgraded over the last seven years. The percentage of housing stock at Standard 1 for Condition in Great Britain has risen from 41% in April 2001 to 59% (28,300 properties) in April 2008. 37% (17,400 properties) were at Standard 2 for Condition, 3.8% (2,100 properties) at Standard 3 and less than 0.2% (109 properties), were at the lowest level of Standard 4 for Condition (0.3%/140 properties in April 2007). The Department is planning to upgrade 600 properties in Great Britain to Standard 1 for Condition by April 2009 and a further 800 in each subsequent year. Some 5,000 properties in Great Britain also benefited from smaller scale improvements during the year, such as new boilers, roofs, windows and kitchens, all of which helped raise everyday living standards.

3 Standard for Condition for Service Family Accommodation is calculated from 102 different attributes in eight categories: Health & Safety, Sanitary, Kitchen, Energy Efficiency, Building Fabric, Electrical, Security and Bedroom:

- Standard 1 properties achieve Standard 1 in all eight categories;
- Standard 2 properties are at least Standard 2 in each category and usually reach standard 1 in at least five. Required improvements might include a thermostatic shower, new kitchen, or better loft insulation;
- Standard 3 properties are Standard 3 in at least one category but are usually standard 1 or 2 in at least half. Required improvements might include a new kitchen, bathroom, upgraded loft and plumbing insulation;
- Standard 4 properties typically achieve a Standard of 4 in five or fewer categories. Required improvements might include a new bathroom, electrical system, kitchen, insulation upgrade and health & safety review

4 The target was reduced to 600 from 900 in Defence Plan 2007 in line with the decision to focus investment on upgrading the greatest need houses first.

Estate Management

384. The Strategic Defence Review identified a number of possible estate management related efficiencies, which resulted in the implementation of Project Alexander and the introduction of Prime Contracting on the MoD estate. Subsequent developments have included the merger of the Defence Housing Executive with Defence Estates and the implementation of Project Alexander principles across the Defence Estate in Northern Ireland. Work is also continuing in respect of both the Volunteer Estate (see paragraph 393) and the RAF's Main Operating Bases maintained under arrangements with the Work Group Royal Engineers.

Regional Prime Contracts

385. Apart from Housing, the Volunteer Estate, the Defence Training Estate and those facilities used by United States Visiting Forces personnel, the delivery of maintenance, minor new works and construction of the majority of the Department's built estate across England, Scotland and Wales is provided through five Regional Prime Contracts. These cost some £325M a year excluding minor new works, which in 2007-08, totalled approximately £75M. The advent of the Regional Prime Contracting has driven the introduction of collaborative working, supply chain management and incentivisation into the delivery of estate services. All five Regional Prime Contracts performed well in the delivery of planned and unplanned maintenance, which is measured through a high level framework of Performance Indicators across estate condition, programme effectiveness, efficiencies, customer satisfaction, Health and Safety, and sustainability. The Department is also developing improved processes for the delivery of an annual programme of minor new works funded by local commanders and TLBs.

Housing Management

386. The Department manages some 71,000 Service Family Accommodation properties, of which some 48,000 are in Great Britain. The majority of Service Family Accommodation utilised in Great Britain are under lease from Annington Homes Ltd (England and Wales only). The remainder are either owned or managed directly by the MoD, rented, or are Private Finance Initiative properties. The maintenance and repair of Service Family Accommodation in England and Wales is delivered by Modern Housing Solutions under the Housing Prime Contract. This contract was awarded in November 2005 and rolled out across six zones from January 2006. The Housing Prime Contract was designed to ensure a consistency of approach and levels of service across the entirety of the Service Family Accommodation estate and to take advantage of the economies of scale that such an approach presents. Major improvement projects can now be planned on nationwide priorities rather than local ones. This includes planned maintenance to replace life expired items such as boilers. It delivered efficiency savings of £8.8M in 2007-08, in line with the target. Houses in Scotland are included within the Regional Prime Contract Scotland. This contract was mobilised in October 2003 and, as at March 2008, 94% of housing stock in Scotland is at Standard 1 for Condition.

New Barracks Tidworth Garrison

387. Accommodation charges are set by the Armed Forces Pay Review Body, and the net cost to the Department of managing and maintaining these properties was some £260M in 2007-08 (£240M in 2006-07). There are around 15,000 moves in and out of these properties each year in the United Kingdom. About 9,000 properties in Great Britain were vacant in April 2008 (including some 1,800 held pending decisions on rationalisation opportunities or possible unit redeployments). The proportion of vacant properties is known as the Management Margin and is used to measure housing management efficiency. In 2007-08 the basis on which it is calculated was revised to include details of all void properties, including those identified for disposal. Against a target of 10% it reduced to 18.6% in 2007-08 from 19.2% in 2006-07 when the figures are expressed on a comparable basis.

388. As a result of the problems experienced following the introduction of the Housing Prime Contract in January 2006, the Department agreed a number of measures with the contractor to rectify the problems. These proved effective and performance levels improved markedly during 2006-07. By April 2007 97% of emergency calls were being responded to within three hours where there is an immediate health and safety risk and in every case any make-safe processes are completed within 24 hours; 82% of urgent calls were responded to within five working days; all helpdesk calls were answered in less than two minutes; and reported missed appointments fell below 1%. This level of service

has been maintained throughout 2007-08. At the end of March 2008, Modern Housing Solutions' performance statistics showed 98% of Service Family Accommodation meeting the required move-in standard. Overall, 93% of customers were satisfied with the Modern Housing Solutions response repair sercie and 96% were satisfied with the Helpdesk service. Over 99.9% of Emergency repairs are completed within the required timescales, with 97% of Urgent repairs and 99% of Routine repairs meeting the required timescales. Over the past two years Modern Housing Solutions performance has shown a continued and sustained improvement.

389. In order to improve access to Housing services, in April 2007 the Department introduced Housing Information Centres in Aldershot, High Wycombe, Rosyth, Telford, Thetford, Warminster and York. These cover all aspects of the housing business and provide customers with improved access via a freephone telephone number. There were a number of localised issues during the early stages of the transition, such as staff shortages, IT and other equipment problems. The Department is continuing to work towards further improvements, including the development of a Customer Satisfaction questionnaire to enable each Centre to monitor its service provision and performance. The three Service Families Federations are closely involved in monitoring and improving all aspects of housing delivery.

Water Management

390. Water and wastewater management is provided across the majority of the Defence Estate in Great Britain through three 25 year PFI contracts awarded under Project AQUATRINE. These contracts have effectively transferred environmental risk to those in the private sector best placed to manage it and enabled the Department to focus on its core activities. The strategic benefits of AQUATRINE include significantly improved water quality levels, new capital investment such as new or upgraded fire mains and water and sewage treatment works at a number of locations, and the provision of accurate water consumption data. This data will enable the Department to develop specific measures to reduce consumption in-line with the Government's sustainable development targets (see paragraph 103 under *Defence in the Wider Community*). Aquatrine delivered output efficiencies of £11.6M during the year in line with the target.

Defence Training Estate

391. The Defence Training Estate and its strategic partner Landmarc Support Services Ltd provide the Armed forces with the majority of their UK based training and associated support services (including catering, range control, some simulation and booking and allocation services), through Public Private Partnership arrangements costing some £76M a year. They exceeded the target of 90% availability of Bookable Facilities throughout a very demanding year. In 2007, Landmarc's role was extended to include management of the Training Estate in Europe as well as in the United Kingdom. We are now examining future management arrangements for training areas in other parts of the world, adventurous training and training on private land. In 2006, Headquarters LAND established a single Customer Organisation, the Defence Requirements Organisation. This will define estate training requirements on behalf of all service users, enabling us to balance our internal demand and supply systems to optimise the delivery of operational output. In 2007 the Defence Training Estate and Landmarc Support Services jointly won both the overall Partners Facilities Management and the Partners in Multi Service Category awards for Premises and Facilities Management. These industry awards have been running for 14 years and are one of the most prestigious in the Facilities Management industry. This was the first time a public sector contract won the overall award. The judges found them to be providing one of the widest range of services over a greater geographical area than had previously been considered, and that they had addressed the associated challenges with a positive attitude and real expertise. The energy efficient refurbishment, with the Carbon Trust, of accommodation at Brunswick Camp in Surrey and the building of a range of facilities for pre-deployment training in Southern England were particularly significant.

Overseas Estate

392. Management of the built estate on the Permanent Joint Operating Bases overseas is provided through a series of Integrated Service Provider contracts. Contracts for the South

Atlantic Islands and Cyprus were rolled out during 2006. The Gibraltar contract was rolled out in November 2007 against a target of July. We continued to review Facilities Management services in Germany and how best to fulfil our host nation obligations to US Visiting Forces in the UK while providing demonstrable value for money.

Volunteer Estate

393. The Department assumed responsibility for the management of the Volunteer Estate on 1 April 2007. It comprises of a range of facilities across the UK accommodating the Reserve Forces and Cadets. Estate services are delivered by the thirteen Reserve Forces' and Cadets' Associations, coordinated and funded through the Council of Reserve Forces' and Cadets' Associations. These arrangements will ensure more stable funding, enable management on a national basis, facilitate better planning by the Associations and produce greater consistency in funding allocations and the service customers receive. 2007-08 was a transition year to develop and bed in the new processes, procedures and funding arrangements. Although much was achieved during the year there are still areas of work to complete including further development of the Forward Maintenance Register, coherent Land Management Services across the Volunteer Estate and a shared estate portal on the Reserve Forces and Cadets Associations Management Information System. These will be undertaken during 2008-09.

Disposals

394. The Department continued to dispose of surplus estate through the year, achieving accrued disposal receipts of £1.1Bn during 2007-08 against a target of £403M. This was dominated by the successful sale of the Chelsea Barracks site in central London for redevelopment for £959M. Since 1999 the Department has accrued total disposal receipts of some £3.2Bn. Although there is no direct relationship between individual asset disposal and investment in the Defence Estate, capital investment in the estate over many years has exceeded the receipts generated in those years, and we expect this to continue.

395. In response to the Housing Green Paper, which was published on 23 July 2007, we continued to work very closely with the Department of Communities and Local Government and English Partnerships to deliver sustainable and affordable homes on surplus Defence land. In particular, the Connaught Barracks site in Dover was sold to English Partnerships in September 2007 under a scheme exemplifying sustainable carbon neutral housing development. The sale of Roussillon Barracks in Chichester was completed in March 2008, and we have agreed in principle to provide five further major sites. Work also continued with Local Authorities, the Greater London Authority, other Government Departments and Strategic Government Bodies to maximise the regeneration potential of the surplus sites in London released by project MoDEL, which is freeing up for redevelopment around 100 hectares of predominantly brownfield land within the M25. Defence Estates also continued to consult the devolved administrations on making the best use of surplus Defence land in Scotland, Wales and Northern Ireland to help satisfy local needs for affordable housing

Relationship with Industry

396. Defence Estates has, in keeping with the spirit of the Defence Industrial Strategy and in order to facilitate effective engagement with industry, continued to develop a Supplier Management Strategy. This strategy has already led to the successful development of Supplier Associations and good relations with both individual suppliers and the wider construction and facilities management industry. The development of Key Supplier Management has progressed, as has baseline modelling of Strategic Partnerships, enhancing the realisation of the benefits resulting from contracting with the Joint Venture companies formed as a consequence of the scale and complexity of many estate projects. To ensure full visibility of the developments in the construction industry, the Department is represented on and actively participates in industry-wide construction and building excellence forums. Regular collaboration with the Office of Government Commerce also ensures visibility of trends and possible capacity constraints which may have impact on future projects.

Future Estate

397. The Department continued to work towards an estate of fewer but better used sites.

In the autumn of 2007 we produced a long term Defence Estate Development Plan. This sets out the framework, looking forward to 2030, for the coherent development of the Defence Estate to support flexible, balanced forces optimised for expeditionary operations. It sets out:

- the policy baseline:
- the current state of the estate, categorising every site as either Core Estate (comprising core locations[5] and individual core sites with an indefinite operational future that are expected to support Defence outputs for at least ten years); Retained Estate (comprising the body of sites where the future is not fully assured and could be subject to review, although many of these site will in practice have a planning horizon of ten years or more); and Estate for Disposal (comprising those sites identified as surplus to Defence requirements). This categorisation will be a key determinant for investment prioritisation;
- the estate aspirations of the Top Level Budget organisations, the main external drivers for assessing these (such as Government housing directives, sustainable development targets and the need to comply fully with planning regulations), and the key internal strategic goal of addressing over time the disproportionate Service presence in the south of England remote from our main recruiting areas by producing a better balanced national footprint.

View of Fleet HQ

398. The Plan does not define a firm end state, as requirements will inevitably change over the years, but instead sets out a 'Head-Mark for 2030' to guide planning, which describes the overall shape of the estate we aspire to. The Plan will be routinely reviewed annually, and formally reissued biennially.

399. Under the Lyons Review the Department also plans to relocate around 5,000 Defence posts out of London and the South East between April 2005 and March 2010 (against a target of 3,900). 1,885 had been relocated by March 2007 and a further 816 were relocated during 2007-08, for a total of 2,701.

400. Within that overall context, we have a substantial estate rationalisation programme in hand:

- The Royal Navy's facilities are already largely concentrated around the Naval Bases in Portsmouth, Plymouth and the Clyde. In July 2007 the Naval Base Review concluded that all three Naval Bases should be retained and optimised. Since then work has focused on improving the efficiency of the support each base provides;
- In the longer term under the 'super garrison' concept the Army plans to concentrate its formations and units in the West Midlands, and in Northern Ireland, around Aldershot in Hampshire, Catterick in Yorkshire, Colchester in Essex and Salisbury Plain in Wiltshire. Work therefore continued to consolidate units as major garrisons where possible and, under Project BORONA, to bring back units from Germany. In the summer of 2007, 2 Royal Tank Regiment returned from Germany to the new Aliwal Barracks at Tidworth Garrison in Wiltshire, rebuilt under Project Allenby Connaught. In January 2008 we announced that some 2,600 troops from 1 Signal Brigade and 102 Logistics Brigade will return from Germany by 2014 with their families and dependants to Cosford in Shropshire, subject to the formal investment next year. In May 2008 we announced that a further 1,000 troops from the Headquarters Allied Rapid Reaction Corps and its supporting elements will move with their families and dependants in 2010 from their current base in Germany to Innsworth in Gloucestershire. Programme BELVEDERE (Army Rationalisation of the Joint Helicopter Command estate) continued to study the long term requirement for military

5 Abbey Wood, Brize Norton, Catterick, Clyde, Colchester, MoD Main Building, Marchwood, Plymouth, Portsmouth, Salisbury Plan and Shrivenham.

helicopter bases in the UK. Risk mitigation work continued under Project HYPERION in advance of the formal investment decision to begin to consolidate the Army's headquarters at Andover in mid 2010;

- The Royal Air Force is already largely focussed on its Main Operating Bases. The final phase of collocating specialist support elements, primarily the Air Logistics Hub at RAF Wittering in Cambridgeshire was completed during the year. The relocation of personnel from Innsworth to RAF High Wycombe in Buckinghamshire to form the single Air Command Headquarters was completed in early 2008. The increased capabilities of future aircraft may enable rationalisation onto fewer, larger "hub" airfields. In particular, RAF Brize Norton in Oxfordshire is being developed as the prime Defence Air Port of Embarkation and will become the Air Transport and Air to Air refuelling Hub. The formation of the Hub will relinquish the RAF's interest in RAF Lyneham in Wiltshire, which has been identified as a potential site for Project BELVEDERE;

- Work continued on the rationalisation and development of the London Estate. Under the Head Office Streamlining project the Department decided in January 2008 to reduce the number of London headquarters office buildings from three to one by March 2010, with all future staff required in London located in Main Building. Streamlining is expected to generate savings of some £50M a year and drive better working practices and communications. The PFI contract to redevelop and manage the Permanent Joint Headquarters site at Northwood in north London continued to make progress. Under Project MoDEL (MoD Estate in London) work is progressing to consolidate the Defence Estate in Greater London through development of an integrated, fit for purpose 'core site' at RAF Northolt, with an initial investment of over £200M. Facilities across five sites are being consolidated before being released for disposal with the receipts generated financing the redevelopment and expansion. The British Forces Post Office relocated to their new £30M Postal Sorting facility in the autumn of 2007, from the 1930s tank shed they had been operating from previously. This facility is a major breakthrough in modernising the military postal service and helped dispatch 30% more parcels to troops on operations over Christmas 2007 compared with the previous year. More widely, MoDEL has delivered a further nine new buildings at RAF Northolt since the contract was awarded in September 2006. These include three Junior Ranks Single Living Accommodation blocks providing 220 rooms with en-suite facilities, internet and satellite television access, a new five bay hangar, new shared technical facility and new offices for 32 Squadron;

- Work also continued on the further rationalisation of the Defence Equipment and Support organisation. Phase 1 of the collocation of Defence Equipment and Support staff to the Bristol and Bath area included refurbishment of two buildings purchased next to the Abbey Wood main site (Neighbourhood 5). The first team to relocate moved from Andover in Hampshire in September 2007, beginning a steady programme of moves from Andover, Caversfield in Oxfordshire and Wyton in Cambridgeshire. Phase 2 includes further expansion of Neighbourhood 5 through construction of additional office buildings, enabling withdrawal from Foxhill in Bath, Andover South, and Caversfield. Under the PACE (Performance Agility Confidence and Efficiency) change programme announced in March 2008, subject to final approval and Trades Union consultation, the Defence Equipment and Support organisation will by 2012 also withdraw from Ensleigh in Bath, Brampton in Cambridgeshire**,** Andover North and Wyton;

- The Private Finance Initiative project for the provision of a new estate development comprising a fully serviced modern office development, Single Living Accommodation and technical accommodation at Corsham in Wiltshire will concentrate about 2000 staff onto the Basil Hill site. Following preferred bidder selection in October 2006, financial close of the deal is expected in summer 2008;

- Work continued to identify a technically viable solution that provides best value for money on the project to refurbish and manage the facilities of the Royal School of Military Engineering at Chatham in Kent and

Minley in Surrey. Building condition surveys have been completed and a programme for commercial negotiations agreed, with a view to contract close during summer 2008. The project will free up land for development in north Kent at Chattenden Barracks and Lodge Hill;

- We continued to make progress on Package 1 of the Defence Training Review (see paragraph 297 under *People*) to deliver training for all three Services at a new site at St Athan in South Wales. The Metrix consortium has been taking forward risk reduction work to secure planning consent and develop an affordable training solution. We aim to begin construction at St Athan in 2010, with training beginning in 2014. After reviewing further options for Package 2 it became apparent that the Metrix consortium was not able to offer an affordable and acceptable solution and the competition was therefore ended in January 2008. We are now considering a range of options to rationalise the estate in an affordable way while maintaining our supervisory care commitments. We also announced in January 2008 that we plan to relocate the Defence College of Logistics and Personnel Administration and the Director Royal Logistics Corps from Deepcut in Surrey and consolidate elements of logistics training at Worthy Down in Wiltshire and Southwick Park in Hampshire. This will enable the eventual disposal of the Deepcut site;

- The Programme to Rationalise and Integrate Defence Intelligence Service Estate is working to collocate a number of Defence Intelligence Units on a single site at Wyton. It passed its initial gate in July 2006 and is due to achieve Main Gate in late 2008.

- The Midland Medical Accommodation project will bring together in Lichfield in Staffordshire the Headquarters of the Royal College of Defence Medicine from Birmingham, the Joint Medical Command (formerly the Defence Medical Education and Training Agency), and the Defence Medical Services Training Centre from Aldershot. It will also provide living accommodation and facilities for military training and sports. The project is still in the Assessment phase, which was extended to address cost growth. The Department is in parallel closely involved in the Birmingham New Hospital Project, scheduled for completion in south Birmingham in 2011, which will include the patient care and training elements of the Royal College of Defence Medicine currently at Selly Oak Hospital. We are examining options to see how we might resource a Military Managed Ward of up to 32-bed capacity for the treatment of operational casualties and elective patients;

- The drawdown of the Defence Estate in Northern Ireland continues. Operation Banner, which provided military support to the civil authorities in Northern Ireland for over 37 years, ceased on 31 July 2007. Under the terms of the Good Friday Agreement, the permanent garrison in Northern Ireland was to reduce to no more than 5,000 troops based at fourteen core sites, subsequently reduced to ten, under the direction of Headquarters Northern Ireland. We have been in close discussions with the Northern Ireland Office and local authorities on the disposal of the surplus sites, disposing of eight during the year, for approximately £50M. Eleven sites remain in disposal, with the last, Shackleton Barracks at Ballykelly handed over for disposal to Defence Estates at the end of June 2008.

Further Sources of Information

401. Further information on Estate can be found at Annex I.

Towards a smaller carbon footprint

The Government has committed to reducing its own carbon emissions by 12.5 % by 2010, and 30% by 2020, compared to 1999-2000. This makes managing the carbon footprint of the second largest landowner in the UK, accounting for some two-thirds of central Government energy consumption, a substantial challenge. As a result MoD's performance against the targets is critical to the success of Government. Were we to fail then Government performance overall would fall short.

We have made a good start, having already achieved an 8% reduction in carbon emissions against the target. This excludes the 4% resulting from the divestment of what is now Qinetiq. Achieving the targets has real benefits for Defence. Despite the recent large increases in fuel costs (the Department's fuel bill rose by nearly 30%, from £416M in 2006-07 to £537M in 2007-08), our utilities bill fell by 4%, from some £319M in 2006-07 to £306M in 2007-08, meaning that more was available for other Defence priorities. Much of this has been achieved through estate rationalisation that has consolidated activities on fewer sites, and through changing to lower carbon fuels such as natural gas. But better, more coordinated local management of energy use is essential if we are to maintain progress towards the 30% reduction. In 2006 we therefore, created the Estates Utilities Board, chaired by Defence Estates and including representatives from across the Department responsible for the management of utilities, including energy. It coordinates work to reduce energy use across defence, to increase energy efficiency, and to enhance the security of energy supply, through improved contracting and developing sources of renewable and low carbon energy.

To drive the necessary change the Estates Utilities Board identified the top 220 sites responsible for 76 % of the MoD's non-operational energy use and set an ambitious internal energy efficiency target to reduce carbon emissions in 2010-11 by 15% relative to 2004-05 levels. This equates to a reduction of 305,000 tonnes of carbon dioxide by 2010-11, 36% more than the reduction of 224,000 tonnes of carbon dioxide required to meet the Government's target for that year. The reductions will be delivered by focusing effort and investment on these 220 sites. To kick start the programme we funded 23 projects in 2007-08 at a total cost of £2.7M, which we expect to produce combined annual savings of £1.3M and over 10,000 tonnes of carbon dioxide. They included everything from upgrading and extending Building Energy Management Systems at some sites, such as RAF Brize Norton, to the installation of a biomass boiler at the Royal Marines base, Poole. The Estates Utilities Board has also worked to change the behaviour of MoD staff and suppliers, to spread best practice across the defence estate, to improve management information on energy consumption, to introduce energy efficient principles into procurement and to improve

infrastructure and buildings in order to conserve energy.

One programme, a joint RAF/Carbon Trust energy efficiency project at RAF Kinloss, supported by Defence Estates,has presented strong evidence that tangible reductions in carbon emissions can be achieved by installing a Building Energy Management System and dedicated sub metering to provide more rigorous control, operation and maintenance of building services. The financial and carbon savings achieved exceeded all expectations. By October 2007 more than £460,000 had been saved and some 3,000 tonnes less of carbon dioxide produced. Independently verified figures show that the station's emissions fell to 20% below its EU Emissions Trading Scheme allocation from 5% at the start of the project. The success of this project led to funding being provided for similar projects at RAF Brize Norton, RAF Lossiemouth, and RAF Halton, and for an innovative energy saving project in the south west of England.

In Autumn 2007 we launched an energy management initiative key to which was the establishment of a central energy information network or bureau in the Plymouth area. This aims to increase energy efficiency by 10% across key Naval and Royal Marines Bases in south west England and should deliver annual savings of £750,000 and reduce carbon dioxide emissions by 2,400 tonnes. We remain on track to achieve this by March 2009. The initiative is jointly managed by Defence estates and Debut Services, the regional prime contracting organisation for the South West. About 500 pulse meters have been installed in the 10 highest energy-using facilities (including officers' and sergeants' messes, wardrooms, accommodation blocks, workshops and hangars) to deliver automated half-hourly meter readings into a site information database. This enables the site energy managers to monitor usage and ensure that the facilities are operating within agreed parameters. It also helps them identify opportunities to reduce energy consumption, for instance by switching off particular installations or changing the way personnel actually use the facilities day-to-day. The central Energy Bureau in Plymouth sets each site's individual targets and runs the central database that collates readings from all the pulse meters to provide a complete picture of energy consumption across the 10 sites. This allows differences in usage levels between sites and even between similar buildings to be identified. By doing this Debuts Services is able to target poor performing sites and buildings for in-depth investigation and extend the application of current best practice. In the same way that this project has built on the experience at RAF Kinloss, the lessons learnt will inform future MoD energy projects, helping drive the process of continuous improvement.

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