



Quarter 3 04/05 Report to HM Treasury

Progress Against Spending Review 2002
Public Service Agreement Targets (April 03-March 06)
as at 31 December 04

Produced by
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Ministry of Defence
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Quarter 3 2004-2005 PSA Performance Report

This report shows progress against SR2002 PSA Targets (April 03 to March 06) as at 31 December 04. Full details of the SR2004 PSA Targets, Technical Notes and previous progress reports can be found at <http://www.mod.uk/issues/finance.htm>.

Objective I

To achieve success in the military tasks that we undertake at home and abroad.

Target 1

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

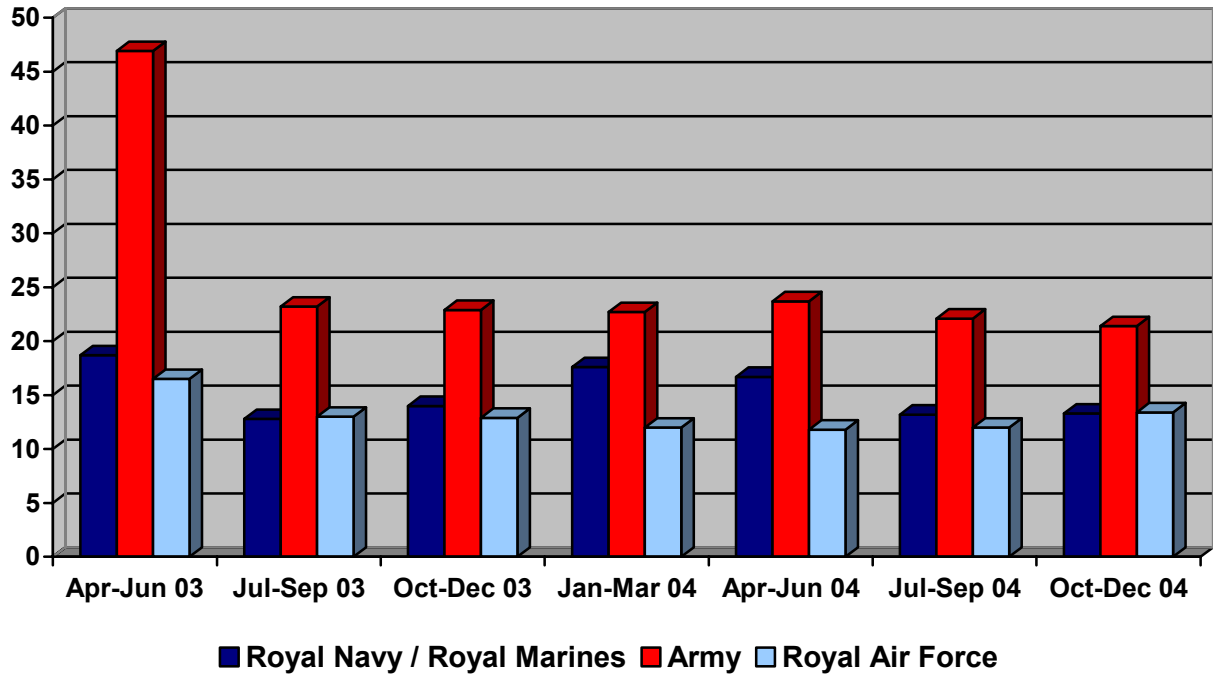
Overall Assessment On Course
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Since 1 October 2004, UK Armed Forces have:

- Continued to conduct stabilisation operations in Iraq (involving some 8,600 regular personnel plus Reserve Forces). This reflects a temporary increase of some 1,000 personnel in theatre compared to the previous quarter arising from a change over of brigades.
- Continued to deploy forces in Bosnia and Kosovo (some 930 regular personnel), to help ensure peace in the Balkans.
- Continued to deploy forces in Afghanistan (some 800 regular personnel) to help maintain security and assist the process of reconstruction.
- Met ongoing commitments, with forces based in Cyprus (some 3,600 regular personnel), Falkland Islands and South Atlantic (some 1,180 regular personnel), Northern Ireland (some 8,470 regular personnel) and Gibraltar (some 70 regular personnel).
- Provided troops for UN operations in Sierra Leone, Democratic Republic of Congo, Cyprus, Georgia, and Liberia.
- Contributed to a permanent NATO standing naval presence in the Atlantic and Mediterranean.
- Maintained the UK's independent nuclear deterrent.
- Provided Homeland Defence (protection of UK airspace and waters).
- Continued to provide routine support to the civil authorities on search and rescue, fishery protection, bomb-disposal and counter-drugs activities.

During this period, 13% of the Navy, 21% of the Army and 13% of the RAF were deployed on operations or other military tasks. (See Graph 1 below).

In total, some 19% of all regular forces (measured as man-day equivalents for each service) were deployed on operations or other military tasks (excluding those preparing for, or recovering from, deployments). This is no change from the previous quarter.



Graph 1 - Percentage of Trained Strength Deployed on Operations and Other Military Tasks

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 DfID and FCO).**

The effectiveness of HMG's conflict prevention work undertaken by the Global and Africa Conflict Prevention Pools is measured through this shared DFID/FCO/MOD PSA target. Measurement is restricted to focus countries and regions. These are: Afghanistan, Nepal, Macedonia, Georgia, Israel/Occupied territories, Sri Lanka, Sierra Leone, Democratic Republic of Congo (DRC), Uganda, Burundi, Sudan, Angola and Nigeria.

Overall Assessment

Too early to say

The effectiveness of HMG's conflict prevention work is measured through this shared DFID/FCO/MoD PSA target. The Pools were responsible for a number of programmes that directly improved the effectiveness of the United Kingdom's contribution to conflict prevention. But the situation remains tense in some areas and the possibility of conflict remains.

Both qualitative and quantitative reporting has been used. Assessment is based on progress in fourteen priority countries and regions: Afghanistan, Nepal, Macedonia, Georgia, Israel/Occupied territories, Sri Lanka, Sierra Leone, DRC, Rwanda, Uganda, Burundi, Sudan, Angola and Nigeria. Statistical reporting from 2003 on deaths (SIPRI & IISS), refugees (UNHCR web-site) and internally displaced persons (IDPs - Norwegian Refugee Council) caused as a result of conflict suggests the following:

- **The Africa Pool (ACPP)** is on course to meet two of four sub-targets, with some slip in IDP and refugee figures.
- **The Global Pool (GCPP)** is on course to meet three of its four sub-targets, and only marginally off on IDP figures. The statistics for 2003 are encouraging but should be considered in the light of the narrative sections below.

The Africa Conflict Prevention Pool (ACPP):

Trends in Africa show an overall reduction in violent conflict but with ongoing instability (e.g. as in Cote d'Ivoire and Darfur); reductions in deaths have been sharp but numbers of refugees and IDPs remain high. The ACPP continues to play a pivotal role in African and international conflict prevention efforts on a range of levels:

- The Pan African programme is increasingly important with strategic support to the African Union (AU) peace and security agenda and extensive and rapid assistance to the AU mission in Darfur, Western Sudan;
- At the regional level, the Pool has continued to support the conflict management capacity of institutions such as the Economic Community of West African States (ECOWAS) and regional training facilities for African Peacekeepers. Key country work includes:
 - major support to maintaining peace in Sierra Leone;
 - engagement in efforts to improve Disarmament, Demobilisation and Reintegration (back into civil society) (DDR) processes in the DRC;
 - support to peace processes and early technical support to DDR in Sudan;
 - a range of peacebuilding programmes in countries like Burundi, Angola and Nigeria;
 - extensive Peace Support Operations training with a range of African countries.

The political will to support AU and other regional peace and security processes is increasing amongst African member states and the ACPP provides the main mechanism for UK support. There are a number of more volatile situations (as in parts of DRC, Somalia and Northern Uganda) where the ACPP is engaged and ready to gear up programme work as the political and security situations improve.

The Global Conflict Prevention Pool (GCPP):

- In **Afghanistan**, there has been progress towards long-term, sustainable security and stability, but the overall situation still remains fragile. Insurgency activity and the risk of serious factional fighting have decreased. The Afghanistan Strategy continued to play a key-enabling role: the very first Presidential election in October 2004 was conducted peacefully and there is considerable momentum developing behind DDR, with police and military reform having been boosted.
- The security situation in **Israel and the Occupied Territories (OTs)** remained difficult with Israeli Defence Force operations and Palestinian extremist attacks continuing. The new Palestinian Authority (PA) leadership and Prime Minister Sharon's disengagement plan may offer an opportunity for progress. The Middle East and North Africa Strategy continues to work with the PA to improve its operational capacity thereby helping to provide better security for Palestinians and prevent attacks on Israel.
- Conflict and political instability continued to undermine democracy and human rights in **Nepal**. During the reporting period ending 31 Jan 2005, the Strategy continued to fund programmes including support for the National Human Rights Commission and the Peace Secretariat. However, all Nepal Strategy activities are now being reviewed following the King's dismissal of the government and assumption of power on 1 February 2005.
- Relations between ethnic Albanian and ethnic **Macedonian** communities continue to be tense. The Balkans Strategy's Macedonia strand focussed on supporting the implementation of the Ohrid framework agreement by matching municipalities in Macedonia with partner local authorities in the UK. Activities focussed on cabinet decision-making structures, multi-ethnic employment policies and media strategies.
- In **Sri Lanka** the fundamental causes and consequences of the conflict are unchanged. There has been little progress towards a final peace settlement, but the 2002 cease-fire remains. The Sri Lanka Strategy has funded access to justice programmes, and a conflict prevention programme, which has expanded and formalised security and community-relations dialogue between the different ethnic groups.
- No significant improvement in the overall security situation in **Georgia**. The Russia-CIS Strategy's Georgia strand focuses on a programme to encourage civil society and political level dialogue in the South Caucasus. One aspect of the programme funded Conciliation Resources' Radio Diaries work in Georgia and Abkhazia that has helped reduce tensions between both sides.

Objective II

To be ready to respond to the tasks that might arise.

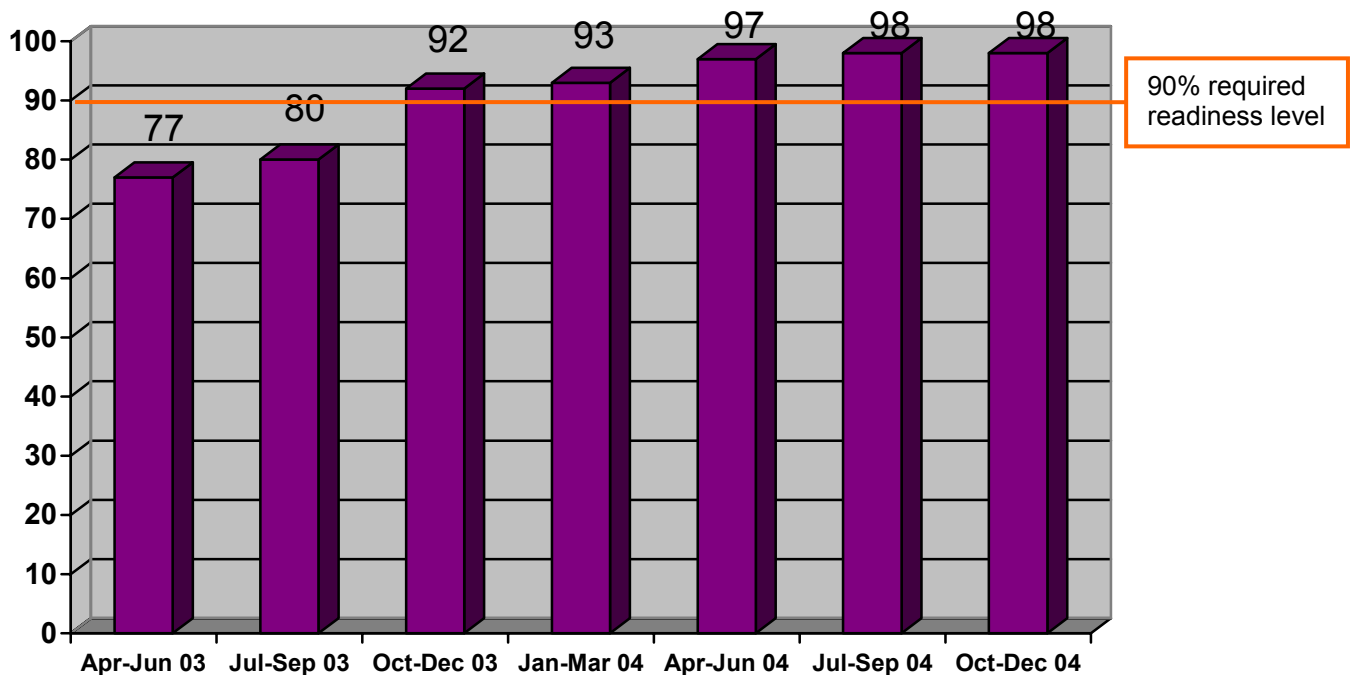
Target 3

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

In line with the intention set out in the MoD's Annual Report and Accounts for 2002/03, reporting against this target covers all forces, rather than just those at high readiness. This is a more demanding target, but gives a better picture of the ability of our Armed Forces to cope with the high levels of operational activity currently being taken.

Overall Assessment
On Course

At Q3 04/05, 98% of forces were at their required readiness levels without any critical weaknesses reported, i.e. the remaining 2% of forces reported critical weaknesses. This continues to exceed the target.



Graph 2 – Proportion of Force Elements at required readiness state

Target 4

Recruit, train, motivate and retain the personnel needed to meet the manning requirement of the Armed Forces, so that by the end of 2004 the Royal Navy and RAF achieve, and thereafter maintain, manning balance, and that by the end of 2005 the Army achieves, and thereafter maintains, manning balance.

Overall Assessment
Slippage

Operational commitments and the changes in Service personnel numbers announced in the July 2004 White Paper mean that there is some slippage in meeting manning balance targets. In particular, the complexities of managing reductions in Service personnel inevitably produce short term imbalances against the overall personnel requirement.

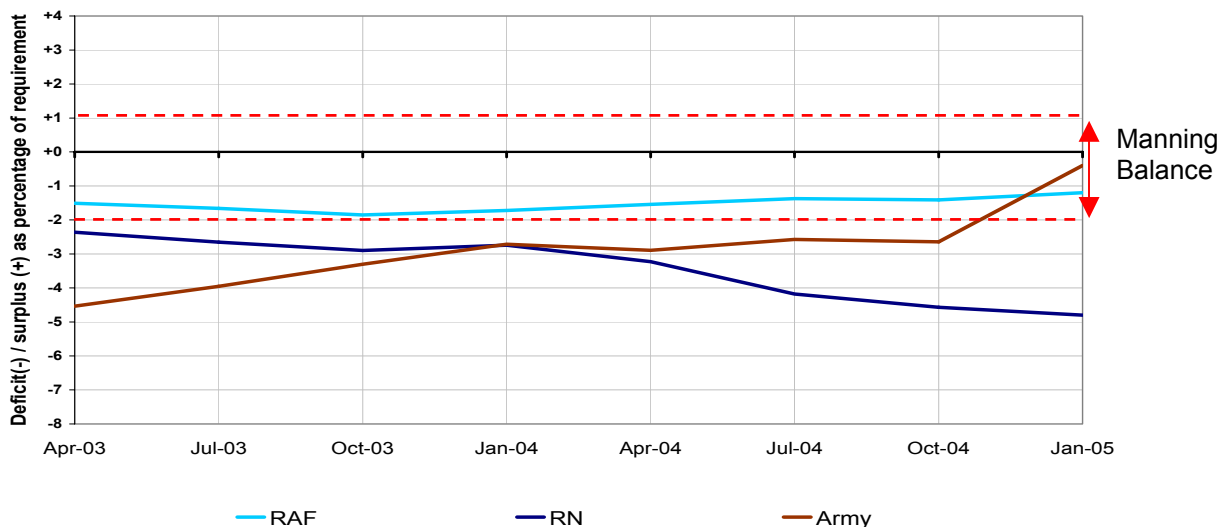
Assessment against Performance Indicators

1. Manning Balance

Manning balance is defined as between -2% and +1% of the requirement, and is measured against the target prevailing at the time. Since the total manning requirement of whole Service manning is a dynamic, this target will itself tend to fluctuate over the PSA period.

Graph 3 shows the manning balance since April 2003. At the end of the quarter:

- The Royal Navy (including the Royal Marines) is 2.8% below manning balance. This is a slight deterioration from Q2, arising from a temporary increase in manning requirement resulting from delays in paying off ships.
- The Army now within target range.
- The Royal Air Force is within target range, although there are continuing shortages within some specialist groups.



Graph 3: Service manning surplus/deficit

2. Achieving single Service guidelines for deployed Separated Service

Guidelines for deployed Separated Service are:

- Royal Navy/Royal Marines - No more than 660 days separated service in any 36 month period.
- Army - Tour intervals to be no less than 24 months.
- Royal Air Force - No more than 2.5% of the trained strength to experience separated service in excess of 140 days in any 12 months period.

Operational commitments have caused the Army and RAF to breach the guidelines in this reporting period. The Infantry reported 22 month tour intervals, 3.6% RAF trained strength have experienced separated service in excess of 140 days.

3. Improving the living conditions of Service personnel and their families.

1039 upgrades to Single Living Accommodation have been delivered since April 04 (against a target for this year of 1,640), 3,910 are in construction and 2,376 in design. Service Families Accommodation has upgraded 550 properties to since April 04, exceeding the in-year target of 500.

Target 5

Strengthen European security through an enlarged and modernised NATO, an effective EU military crisis management capacity and enhanced European defence capabilities. (Joint target with FCO.)

Overall Assessment

On course

Good progress made in strengthening both NATO and European Security and Defence Policy (ESDP). In particular:

- Progress continued on the development of a coherent institutional architecture that allows for flexible responses to crises – either through a NATO operation, an EU operation with recourse to NATO assets under the Berlin Plus arrangements, or an 'autonomous' EU operation.
- The NATO Response Force (NRF) has achieved its initial operational capability in October 2004, and is on target to provide a flexible, deployable, technologically advanced and interoperable force with a full capability by July 2006. The UK has continued firmly to support the NRF concept and during the quarter provided capability to the NRF with the contribution of the Maritime Component Commander and a significant component of the overall maritime force. The first deployment of elements of the NRF saw the provision of assistance to the NATO International Security Assistance Force mission during the Afghan presidential elections in October 2004.
- In order to fulfil its air policing obligations to the newly enlarged Alliance, NATO has deployed a small number of air defence aircraft to Lithuania. The UK has played a leading role by providing vital airfield equipment until April 2005, and four Tornado F3 aircraft from October 2004 until mid-January 2005.
- NATO is also committed to improving key areas such as Nuclear, Biological and Chemical capabilities, secure communications, strategic lift and air-to-air refuelling capabilities. Programmes to address these shortfall areas are part of the Prague Capabilities Commitment.
- The EUFOR mission in Bosnia took over from NATO's Stabilisation Force (SFOR) on 2 December 04. Initial political disagreements over the delineation of tasks and reserves having been satisfactorily resolved during the planning phase, the EU and NATO are cooperating successfully under the Berlin Plus arrangements. The UK has command (under Maj Gen David Leakey) for the first year. 22 of the 25 EU Member States are participating together with 11 non-EU countries.
- Work to implement the ESDP planning package agreed in December 2003 has continued. The facilities for an ad hoc Operations Centre were agreed in December 2004 along the lines of a joint UK/France/Germany paper, with the key UK concern (to avoid duplication of SHAPE by limiting the level of ambition) met. Constructive discussions on the Civ/Mil Cell and EU/NATO liaison cells continue.

- In November EU Member States committed contributions to a total of 13 EU Battlegroups for very rapid response operations. During 2005-06 (Initial Operating Capability (IOC)) the EU will be able to launch at least one Battlegroup-sized operation. From 2007 (Full Operating Capability (FOC)) the EU aims to be able to run two Battlegroup-sized operations concurrently. The initiative is the key driver for improving European capabilities, as well as for strengthening EU support for the UN. The UK has contributed a national Battlegroup (on standby from January to June 2005) and a joint UK/Dutch amphibious Battlegroup (to be available after 2007). We were instrumental in delivering such an unexpectedly high number of Battlegroups (the original target was 7-9). We continue to work hard to ensure that the EU Battlegroups complement the NATO Response Force, including common standards and levels of certification.
- The new European Defence Agency's staffing, budget and initial work programme were agreed in November 04. Recruitment continues under the British Chief Executive, Nick Witney.

Objective III

To build for the future.

Target 6

Develop and deliver to time and cost targets military capability for the future, including battle-winning technology, equipment and systems, matched to the changing strategic environment.

Overall Assessment

Slippage

The Department expects to meet in-year procurement targets for cost and performance, but there has been some in-year slippage against targets for time, largely resulting from deliberate decisions to delay projects and technical difficulties being experienced by contactors on technologically advanced projects.

Assessment against Performance Indicators

1. On average, in-year slippage of equipment in-service dates of fewer than 10 days for new major projects, to be attained during 2003/04 and maintained throughout the PSA period.

SMART major projects currently report an average of 1.4 months in-year ISD slippage. This compares with an average in-year ISD slippage of 2.2 months in 2003/04.

2. On average, in-year slippage of equipment in-service dates of fewer than 4 weeks for existing major projects, to be attained during 2003/04 and maintained throughout the PSA period

Legacy major projects report an average of zero days in-year ISD slippage. This compares with an average in-year ISD slippage of 2.8 months in 2003/04. Some risk of slippage in the last quarter of the year remains.

3. 97% of customers' key requirements attained during 2003/04 and maintained throughout the PSA period

Major projects are currently meeting an average of 99% of the customer's key requirements. This compares with an average of 98.8% customer's key requirements met in 2003/04.

4. On average, no real terms increase in major project costs¹, to be attained during 2003/04 and maintained throughout the PSA period

As at February 05, major projects are reporting an average of zero cost growth since April 04 (against project approval levels as set out in the Major Projects Report). This compares with an average 2.7% cost growth in 2003/04. Some risk of cost growth in the last quarter of the year remains.

¹ Measured against project approval levels as set out in the Major Projects Report.

Target 7

Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability. Year-on-year output efficiency gains of 2.5% will be made each year from 2002/03 to 2005/06, including through a 20% output efficiency gain in the DLO.

<p>Overall Assessment</p> <p>On Course</p>

Assessment against Performance Indicators

1. Reduce the per capita cost of successfully training a military recruit by an average of 6% by April 06². (*Target weighting = 9%*)

Increases in supervisory ratios in Army training establishments since Spending Review 02 limits the potential per capita saving that can be achieved.

2. Achieve 0% average annual cost growth (or better) against the Major Equipment Procurement Projects³. (*Target weighting = 6%*)

Major projects have reported no cost growth since April 04 (against estimated project costs at the beginning of the year).

3. Reduce by 20% (relative to April 2000) the output costs of the Defence Logistics Organisation, while maintaining support to the Front Line by April 2006. (*Target weighting = 68%*)

There remain some shortfalls against the 04/05 target; these are being monitored by the programme office, and recovery action has been initiated. The programme is expected to be on track in 05/06 financial year.

4. Reduce MOD Head Office and other management costs by 13% by April 2006. (*Target weighting = 5%*)

Reoccupation of Main Building was completed in September 2004, and benefits evaluation is underway.

5. Identify for disposal land and buildings with a Net Book value of over £300m by April 2006. (*Target weighting = 12%*)

Defence Estates remain on course to achieve the cumulative target of £258m by the end of 04/05.

² Target report every six months.

³ Measured against estimated project costs at the beginning of the year.