

2004-06 Ministry of Defence Performance Partnership Agreement

1. Introduction

This agreement is between MoD and the centre of Government (Treasury, Cabinet Office and No10). It summarises MoD's plans for Departmental change (i.e. organisational change to ensure the Department is as effective as possible in delivering its aims).

Sections 2 and 3 summarise the context:

- Strategic direction – the Department's current strategic direction, and the challenge which that direction sets for how the Department itself will need to change to make its strategy a reality
- Delivery – the PSA targets that the Department is working to deliver

Section 4 (Departmental Change) sets out:

- Key target outcomes – in what specific ways the Department is intending to change and develop to meet the challenge set out in the previous sections
- How success will be measured
- What specific actions will be taken
- What support is needed from the centre of Government

Progress against the actions and success measures set out in Section 4 will be monitored on a 6 month basis. In addition, the "capacity-building" personal objectives of the Permanent Under-Secretary of MoD are linked directly to Section 4 of this agreement.

2. Context – Strategic Direction

The strategic direction of MoD is set out in the Defence Vision (at Annex A). In summary, MoD has shown it succeeds in what it does. It needs to continue to adapt to a more uncertain world. It will strive to be flexible and creative, harnessing new technologies and ideas to make best use of our resources.

As the Department moves forward, it intends to:

- provide a strategy that matches the new threats and instabilities we face
- maintain flexible force structures to meet any eventuality
- work with allies, other Government Departments and the voluntary sector to provide an integrated response to international crises abroad
- strengthen links with the Civil Departments, the private society and society at home
- offer clear leadership for a high-performing organisation
- invest in its people

3. Context – Delivery

The primary activity required of the Department by the centre of Government is the achievement of the PSA targets. The Ministry of Defence currently has seven PSA targets. These are listed below.

Following SR2004, MoD has a new set of agreed PSA targets. These are shown for reference at Annex B.

Area	Target
1. Operations and other Military Tasks	Achieve the objectives established by Ministers for Operations and Military Tasks in which the UK's Armed Forces are involved, including those providing support to our civil communities.
2. Conflict Prevention	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.
3. Readiness	By 2006, ensure that a minimum of 90% of high readiness forces are at their required states of readiness with no critical weaknesses.
4. Manning	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.
5. European Security	Strengthen European security through an enlarged and modernised NATO, an effective EU military crisis management capability and enhanced European defence capabilities. (Joint target with FCO).
6. Procurement	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.
7. Efficiency	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 14% output efficiency gain in the DLO.

4. Plans for Departmental Change

The priorities for **strengthening the capacity of MOD and its delivery bodies** are:

- Delivering the efficiency gains agreed in SR2004
- Improving acquisition of Defence Equipment
- Transforming Defence Logistics
- Transforming the management of people (Civilian HR, JPA, Diversity)
- Transforming enabling infrastructure across Defence (DII)
- Transforming Head Office
- Improving the management of Defence Estates
- Contributing to the delivery of other Government Departments' objectives
- Continuing to strengthen financial management and the management of PFI projects

Priority Outcomes	Key success measures (with dates)	Key Actions	Key central support needed
<i>Delivering the efficiency gains agreed in SR2004</i>			
Making every pound count towards our defence objectives through a robust efficiency programme.	<p>A minimum of 2.5% efficiency gains each year from 2005/06 to 2007/08, equating to 2.83bn in annual efficiencies by 07/08.</p> <p>OGC Efficiency Team assessments judge that progress is on track towards 2007-8 targets.</p>	Achieve the targets set out in the current version of MoD's Efficiency Programme (published on 29 Oct 04).	
<i>Improving Acquisition of Defence Equipment</i>			
Reinvigorating Smart Acquisition in the Defence Procurement Agency through CDP's Stocktake Programme, stronger leadership at the Centre, and a better balanced forward equipment programme.	<p>Key Smart Acquisition principles more fully embedded into current working practices.</p> <p>Increased project maturity, and reduced risk, at the point of the Main Gate investment decision.</p> <p>Improved strategic management of MoD's suppliers.</p> <p>Increased confidence in the delivery of military equipment capability to agreed Performance Time and Cost parameters.</p>	<p>By Nov 04</p> <ul style="list-style-type: none"> • <u>Stronger Leadership at Departmental Level</u>: establish an Acquisition Policy Board (chaired by PUS) at official level. <p>By April 05</p> <ul style="list-style-type: none"> • <u>Project Governance</u>: clear evidence of better Capital Investment decision-making based on comprehensive de-risking as measured through views of CSA chaired Investment Appraisals Board for Initial and Main Gate approvals. • <u>Programme/Resource Balance</u>: a more conscious match between equipment capability requirements and resources with a more balanced and affordable 10-year Equipment Programme, including adequate provision for de-risking projects. • <u>Developing clearer industrial strategies</u>: new strategies for Shipbuilding, Air Systems and helicopters in place. • <u>Developing the right in-house project delivery skills</u>: strengthen core of IPT leaders by further external recruitment; 	

		<p>provide improved education and training for in-house workforce.</p> <ul style="list-style-type: none"> • New Project Review and Assurance arrangements rolled out and fully embedded. <p>By April 06</p> <ul style="list-style-type: none"> • Average in-year variation of forecast In Service Date reduced to fewer than 0.7 months. • Average in-year variation of forecast project cost reduced to less than 0.4%. • Introduce Reward and Recognition arrangements that drive increased agency, team and individual performance. • Review of progress undertaken and further areas identified for priority action. 	
Transforming Defence Logistics			
<p>Defence End to End Logistics Transformation Programme</p> <p>Implementing the Defence Logistics End to End (E2E) Transformation Programme (DLTP) to transform the means by which logistic support is delivered to the end user across all lines of development, delivering effectiveness and efficiency in a through-life, End-to-End</p>	<p>Deliver a sustainable, coherent supply chain with which the end user has confidence, while improving value to Defence.</p> <p>Concentrate support facilities at the logistic 'centre of gravity'.</p>	<p>By April 05</p> <ul style="list-style-type: none"> ▪ Introduce logistics performance metrics and management regime. <p>By April 06</p> <ul style="list-style-type: none"> ▪ Deliver an organisation, command and control arrangements and processes to effectively manage operational logistics in deployed locations. <p>By Oct 04</p> <ul style="list-style-type: none"> ▪ Decide on location of air depth maintenance for all platforms. 	

¹ In this context, supply chain refers to all endeavours in the logistic support arena, including acquisition, distribution, maintenance, repair and overhaul, and management from the end user back to the original provider in Industry.

<p>approach context.</p>	<p>Achieve key efficiencies to reduce cost of delivering logistic support.</p> <p>Create internal capability at all logistic centres of activity to drive lean operations and continuous improvement.</p> <p>Implement essential enabling recommendations to optimise internal MOD processes and ensure delivery of efficiency.</p>	<p>By April 06</p> <ul style="list-style-type: none"> ▪ Achieve DLO strategic goal - reduce operating costs by 20%². <p>From April 08</p> <ul style="list-style-type: none"> ▪ Achieve an annual (E2E) steady state run-rate target of £342M. <p>By April 05</p> <ul style="list-style-type: none"> ▪ Develop a lexicon for a Defence approach to Lean Support. <p>By April 06</p> <ul style="list-style-type: none"> ▪ Institutionalise a structured programme and organisation to deliver Lean Support. <p>By April 05</p> <ul style="list-style-type: none"> ▪ Introduce a coherent Benefits Tracking solution across the E2E logistic community. <p>By April 07</p> <ul style="list-style-type: none"> • Deliver a funding flow and intelligent customer capability solution across the E2E logistic community. 	
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² Agreed figure of £1262M efficiency by Mar 06, from an STP02 baseline.

Transforming the Management of People

Civilian HR Transformation Programme

Transforming the management of civilian staff through a radical redesign of the HR function and its service delivery.

Total gross benefit of £235M in HR staff efficiencies **by 2013**.

Improved people resourcing and better focus on strategic workforce planning. (Specific metrics in development.)

Improved line management culture, of managing work through people. (Specific metrics in development.)

Simpler, more responsive, more customer-focused HR processes, giving employees a better experience of working in the MoD. (Specific metrics in development.)

By March 05

- Main Gate Business Case to be submitted and approved for launch of new Service Delivery Organisation (SDO).
- Further develop framework for delivery of Professional Skills for Government, including through training provided by the Defence Academy.

By April 06

- Launch of new SDO, supported by a full suite of e-enabled self-service HR processes.
- First phase of HR staff retraining and redeployment complete.
- Second phase of Culture Change Plan (for line managers, their staff and remaining HR staff) complete.

Joint Personnel Administration

Modernising the management and administration of Armed Forces personnel, thereby delivering significant staff savings and an improved level of service.

Progressive reduction of 1,400 posts in military personnel administration, **starting in 2006** with 290 posts that support the RAF.

(Manpower reductions taken into account in efficiency savings).

By December 2005

JPA fully operational for the RAF.

By April 2006

JPA fully operational for the Royal Navy.

By October 2006

JPA fully operational for the Army.

<p>Diversity Improve Diversity in the Civilian Workforce</p>	<p>Achieve diversity targets agreed with the Cabinet Office.</p>	<p>By April 2005</p> <ul style="list-style-type: none"> • SCS: women 15%; women at ML2 15%; ethnicity 3.2%; disability 2%. • Band B: women 16%; ethnicity 3%; disability 4%. • Fast Stream: women 50%; ethnicity 10%. • MIDIT: women 45%; ethnicity 7%. • Band D: women 40%; ethnicity 4%; disability 6%. 	
<p>Improve Diversity in the Services</p>	<p>Achieve 8% ethnic minority representation in the Armed Forces by 2013.</p>	<p>By April 2004</p> <ul style="list-style-type: none"> • Aim to achieve 5% ethnic minority representation. <p>By April 2006</p> <ul style="list-style-type: none"> • Aim to achieve 6% ethnic minority representation. 	
Transforming Enabling Infrastructure			
<p>Defence Information Infrastructure</p> <p>Replacing 300 diverse information systems across 2000 locations worldwide with a common IT platform, improving information sharing and collaborative working across the Department.</p>	<p>Achievement of DII (Future) Full Operating Capability by early in 2009.</p>	<p>By Aug 05</p> <ul style="list-style-type: none"> • Award the DII (Future) contract. <p>By April 06</p> <ul style="list-style-type: none"> • DII economies of scale to deliver a 10% saving of cost of ownership. 	

Transforming Head Office

Head Office Modern Environment

Implementing a comprehensive modernisation programme embracing the redevelopment of Main Building, the introduction of new technology and improved working practices, to make MoD Head Office a better place to work and to allow more efficient direction of Britain's defence operations across the world.

A more effective and efficient Head Office making maximum use of IT and the new working environment in MoD Main Building.

The introduction of a new Business Management System with Senior Process Owners managing and driving improvements in pan-Departmental processes.

By Sept 04

- Successful reoccupation of MoD Main Building.
- All business areas to have achieved the 'preparing' state defined in the >home maturity models prior to reoccupation of Main Building (with the exception of 'More Visible and Supportive Management Style', where 'managing' is the expectation).

By April 05

- All management areas to have achieved the 'managing' state defined in the >home maturity models for the 5 key, management area owned benefits.
- Framework Business Management System in place.

Defence Estates			
<p>Regional Prime Contracts</p> <p>Consolidating and rationalising the MOD's process for procuring routine capital works and maintenance on the defence estate.</p>	<p>Successful introduction of Regional Prime Contracting across the whole of the UK.</p>	<p>By November 2004</p> <ul style="list-style-type: none"> Contract Award for South East. <p>By May 2005</p> <ul style="list-style-type: none"> Contract Award for Central region. <p>By October 2005</p> <ul style="list-style-type: none"> Contract Award for the Eastern region. 	
<p>Rationalisation of the Estate</p> <p>Determining and delivering an estate of the right size via:</p> <ul style="list-style-type: none"> Progress on the Core Sites Initiative; Disposing of surplus estate. 		<p>By April 2005</p> <ul style="list-style-type: none"> Increase number of personnel on Core Sites by 4%. Achieve accrued estates disposals' receipts (gross) of £126m. <p>By April 2006</p> <ul style="list-style-type: none"> Increase number of personnel on Core Sites by a further 6%. Achieve accrued estates disposals' receipts (gross) of £123m. 	

Contributing to the Delivery of Other Government Departments' Objectives

<p>Maximising MoD's contribution to the Government's wider objectives at home and abroad to ensure a joined-up approach to delivery, especially in relation to young people.</p>	<p>MoD's contribution to wider Government agenda recognised and valued by other Government Departments, with a joined-up approach to the delivery of Government targets in policies for young people, education and health.</p>	<p>Contributing to the Department for Education and Skills and Cabinet Office to raise the expectations and achievements of young people:</p> <p>From April 04 (Rolling Targets)</p> <ul style="list-style-type: none"> • Improve the Basic Skills (literacy and numeracy) of all new entrants below national Level 2 <ul style="list-style-type: none"> ○ Undertake screening of all entrants ○ Improve basic Skills levels ○ Provide all personnel with the opportunity to achieve a level 2 qualification within 3 years of entry. • Improve Information and Communications Technology Skills <ul style="list-style-type: none"> ○ All newly recruited personnel to be given the opportunity to achieve SFIA/Key Skill level 1 in the use of ICT. • Ensure that Service training is accredited where appropriate to recognised civilian qualifications. Maximise the opportunity for the take-up of accredited qualifications including NVQs, Modern Apprenticeships, Foundations Degrees, in-service degrees and postgraduate education. 	
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		<p>Contributing to the Department of Health to improve clinical support to the Armed Forces and the public:</p> <p>By April 2005</p> <ul style="list-style-type: none"> • Contribute to the NHS Improvement Plan by providing well-trained and motivated military doctors and nurses delivering high quality health services to civilian patients. • Promote a healthier and fitter population, both civilian and military, in line with the emphasis in the NHS Improvement Plan on improving public health. • Ensure delivery of high quality health services for military patients and entitled dependants, in primary and acute care, in support of military capability. • Create more opportunities for NHS clinical staff to access specialised medical training within MOD. • Develop and implement a balanced manpower strategy to provide a deployable medical operational capability consistent with NHS personnel initiatives. • Strengthen health-related information and management systems across the military by the introduction of the Defence Medical Information Capability Programme (DMICP) coherent with the NHS's National Programme for IT (NPfIT). 	
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		<p>Contributing to the Office of the Deputy Prime Minister, the Department of Health and the Department for Education and Skills better to support ex-service personnel:</p> <ul style="list-style-type: none"> • Work with the DfES, the Big Lottery and other organisations to implement National Curriculum education projects linked to the major WWII commemorations in 2004/5. • Work with OGDs and other organisations to organise the first ever National Veterans Awareness Week in July 2005, linked to the commemorations of the end of WWII. (Potential target audience: c.5 million veterans and c.8 million dependants). • Complete research in collaboration with ODPM, the ex-Service organisations and other organisations to identify the extent, distribution and causes of ex-Service homeless across the UK as part of wider Government work to tackle social vulnerability. 	
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Continuing to strengthen financial management and management of PFI projects

<p>Strengthening financial management and the management of PFI projects to ensure the Department can continue to live within its means while maximising defence outputs.</p>	<p>Live within budget in-year and effectively to manage pressures within and beyond the Spending Review period.</p> <p>Improved communication with Treasury through open-book accounting and better understanding of defence issues among Treasury officials.</p> <p>Clear evidence of reduction in average length of PFI bidding process and associated costs.</p>	<p>Achieve further step change in quality and timeliness of financial management information to Defence Management Board (DMB):</p> <p>By April 05</p> <ul style="list-style-type: none"> • Improve management planning through implementation of output-related 'cost of defence' costing, marking a shift from budgetary control to more active management underpinning improved Departmental outputs. • Improve asset management through introduction of Non-Equipment Investment Plan. • Simplify financial planning through introduction of Biennial Planning process. • Arrange Board level meetings between DMB and Treasury Board. • HMT officials to attend MoD internal financial management review meetings with TLBs. <p>By April 05</p> <p>Establishment of central PPP/PFI unit to improve management of PFI programme, including effective implementation of plan for driving down length of PFI bidding process and costs, and recruitment of unit head with specialist skills.</p>	
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Annex A – The Defence Vision

Defending the United Kingdom and its interests. Strengthening international peace and stability.

A force for good in the world

We achieve this aim by working together on our core task to produce battle-winning forces:

- fit for the challenge of today.
- ready for the tasks of tomorrow.
- capable of building for the future.

We have shown we succeed in what we do. We must continue to adapt to a more uncertain world. We will be flexible and creative, harnessing new technologies and ideas to make best use of our resources. We will base our future direction on:

□ Providing strategy that matches new threats and instabilities

We face new challenges and unpredictable new conditions. Our strategy must evolve to reflect these new realities. For the future this means:

- evolving strategy and military doctrine that is flexible and geared to changing conditions.
- behaving with speed, flexibility and creativity as an organisation – in the way we work and the way we respond to external events.
- holding fast, in the face of change, to our underpinning military traditions and commitment to public service.

□ Maintaining flexible force structures

As our strategy evolves, we will develop force structures to maintain battle-winning capabilities that are relevant and effective against emerging threats. For the future this means:

- greater focus on capability rather than delivery platforms.
- developing pace of deployment and impact.
- increasing precision of effect.
- flexibility and agility in terms of platforms and equipment.
- the highest standards of professionalism among men and women imbued with fighting spirit, well trained and properly equipped.

□ Reaching out into the wider world

We are major contributors to the business of government and to society as a whole. We will increasingly recognise and manage our contribution. For the future this means:

- working closely with other Departments, with the private and voluntary sectors in the UK, and with our allies abroad, to integrate the military, diplomatic, economic and social components of crisis resolution.
- strengthening our links with the Civil Departments to implement the government's domestic agenda – making our contribution in the regions, and providing support in civil emergencies.
- playing a key role as part of wider society, for example in our contribution to training and skills and to health.
- helping the rest of government benefit from making wider use of our skills in project management and delivery.
- working in closer partnership with the private sector to deliver value for money.

□ **Leading a high-performing organisation**

The many demands on the MOD, including its role as military headquarters, require us to be first class in the way we lead and manage the business of defence. For the future this means:

- clear leadership at all levels, focussed on delivering the vision.
- managers free to get on with tasks and held to account against clear objectives.
- demonstrably effective management of our resources.
- stripping out bureaucracy, with ways of working that are simple and 'fit for purpose' and using common standards wherever possible.
- working flexibly, with project and task-based teams.

□ **Investing in our people**

We are world leaders in many aspects of how we manage and develop our people. We will build on this with strong leadership and focused investment. For the future this means:

- providing strong unified leadership, service and civilian personnel working together.
- benefiting from diversity by recruiting service and civilian personnel reflecting society as a whole and with the right skills for the task.
- balancing rewarding successful performance with robust management of poor performance.
- being a learning organisation, sharing knowledge, committed to developing our people.

By holding true to these principles we will move forward together to maintain and enhance our capability.

We draw on our commitment to public service and military traditions, acting as one organisation to achieve our shared purpose.

Annex B – 2004 Spending Review Public Service Agreement Targets

AIM

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 stability.

OBJECTIVES AND PERFORMANCE TARGETS

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.

2. 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 with the Foreign and Commonwealth Office and the Department for International Development.

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.

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 European Security and Defence Policy (ESDP) operating in strategic partnership with NATO, and enhanced European defence capabilities.

Joint with the Foreign and Commonwealth Office.

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

Objective III: Build for the future.

6. Deliver the equipment programme to cost and time.